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# Budget HIGHLIGHTS 2009



## PERSONAL TAX

### PERSONAL TAX CREDIT

- The exemption limits, tax credits and standard rate bands applicable for the tax year 2009 are set out in detail on the back page.

### INCOME LEVY

- A new income levy is being introduced that will apply at a rate of 1% on gross income up to €100,100 p.a. A rate of 2% will apply to income in excess of that amount. The levy is payable on gross income before deductions for capital allowances or contributions to pensions.

### MORTGAGE INTEREST RELIEF

- Mortgage interest relief is being increased from 1 January 2009 for first-time buyers from 20% to 25% in years 1 & 2 and to 22.5% in years 3, 4 and 5. The additional relief will be available to new first-time buyers and to first-time buyers who have bought a house in the last 4 years.
- The rate of mortgage interest relief for non-first-time buyers is being reduced from 20% to 15% from 1 January 2009.

Mortgage Interest Tax Credit (up to maximum)		2009	2008
<b>First-Time Buyer</b>			
Single	Yr. 1 & 2	2,500	2,000
	Yr. 3,4,5	2,250	2,000
	Yr. 6 & 7	2,000	2,000
Married	Yr. 1 & 2	5,000	4,000
	Yr. 3,4,5	4,500	4,000
	Yr. 6 & 7	4,000	4,000
<b>Non-First-Time Buyer</b>			
Single		450	600
Married		900	1,200

### HEALTH EXPENSES RELIEF

- Health Expenses relief will be granted at the standard rate from 1 January 2009, with the exception of nursing home expenses which will be standard rated from 1 January 2010.

### CAR PARKING FACILITIES

- A flat rate levy of €200 p.a. will be charged on employees whose employer provides them with car parking facilities situated in the main urban centres.

### CYCLE TO WORK SCHEME

- From 1 January 2009 the provisions of bicycles and associated safety equipment by employers to employees who agree to use the bicycles to cycle to work will be treated as tax exempt benefit in kind. There will be a limit on the value of such a purchase to €1,000 for each employee.

### DEPOSIT INTEREST RETENTION TAX (DIRT)

- The rate of retention tax that applies to deposit interest is being increased from 20% to 23%. The increased rate will apply to payments made on or after 1 January 2009.
- The rate of tax that applies to life assurance policies and investment funds is also being increased by 3% from 23% to 26%.

### PENSION CONTRIBUTION LIMIT

- The annual earnings limit for determining maximum tax-relievable contributions for pension purposes is being reduced to €150,000 for 2009 as compared to the limit of €275,239 for 2008.

## CAPITAL GAINS TAX

### CHANGE IN RATE OF TAX

- The rate of Capital Gains Tax is being increased to 22% from 20% in respect of disposals made on or after 15 October 2008.

### CHANGE IN PAYMENT DATES

- The payment date in respect of disposals in the period January to November is being changed to mid-December, and the tax on disposals in December will now be due on the following 31 October (the existing Pay and File date).

## STAMP DUTY

### COMMERCIAL PROPERTY

- The current Stamp Duty rates applicable to non-residential property are being changed in respect of instruments executed on or after 15 October 2008. The rates of duty above 6% have been removed. All lower rates remain as they were.

### FINANCIAL CARDS

- Reductions are being made to Stamp Duties applicable to ATM/debit cards. The duty applicable on the above cards is being reduced by 50%. Stamp Duty on cheques is being increased from 30c to 50c.

## VAT

### INCREASE IN STANDARD VAT RATE

- The standard rate of VAT will be increased from 21% to 21.5% with effect from 1 December 2008.

### FARMER'S FLAT RATE ADDITION

- The farmer's VAT flat rate addition is unchanged at 5.2%.

## BUSINESS TAX

### THREE YEAR TAX EXEMPTION FOR START UP COMPANIES

- Provided EU approval is obtained, it is proposed that new start up companies which commence trading in 2009 will be exempt from Corporation Tax and Capital Gains Tax in each of the first three years, to the extent that the company's tax liability in the year does not exceed €40,000.

### CAPITAL ALLOWANCES

- The tax incentive introduced in Finance Act 2008 which provides for capital allowance of 100% of expenditure incurred by companies for certain energy efficient equipment is being extended from three categories to seven categories.
- Where newly constructed commercial buildings which have been used before sale are now sold within two years from first use, then the restriction in capital allowances to the construction expenditure only will not apply.

### EXCISE LICENSES

- A range of alcohol-related licensing fees, including off-licenses, but excluding pub licenses are being increased to €500 in each case. These increases will apply from the appropriate annual renewal date in 2009.

### EXTENSION OF FARMER RELIEF SCHEMES

Relief	Current Expiry Date	Proposed Expiry Date
Stamp Duty Relief for Young Trained Farmers	31 December 2008	31 December 2012
Stamp Duty Relief for Farm Consolidation	30 June 2009	30 June 2011
Stock Relief for Young Trained Farmers	31 December 2008	31 December 2010
Farm Pollution Control Relief	31 December 2008	31 December 2010

### PRELIMINARY TAX DATE CHANGES FOR LARGE COMPANIES

- Companies with Corporation Tax liabilities in excess of €200,000 will be obliged to make preliminary tax payments in two instalments for accounting periods commencing on or after 14 October 2008.

The first instalment will be payable six months into the accounting period with the amount payable being 50% of the Corporation Tax liability of the preceding accounting period or 45% of the Corporation Tax liability for the current accounting period.

The second instalment will be payable in the eleventh month (as at present) with the balance payable to bring the total preliminary tax paid to 90% of the Corporation Tax liability for the current accounting period.

### TAX CREDITS FOR RESEARCH & DEVELOPMENT EXPENDITURE

- The current rate of tax credit for incremental expenditure undertaken by a company on qualifying Research & Development (R&D) is being increased from 20% to 25%. This will apply to accounting periods commencing on or after 1 January 2009.

## MISCELLANEOUS

### CHARGE ON NON-PRINCIPAL PRIVATE RESIDENCES

- A new charge, to be levied and collected by local authorities in the amount of €200 for each dwelling outside of an individual's principal private residence will come into effect in 2009. This provision will not apply to new dwellings as yet unsold.

### EXCISE DUTIES

- With effect from midnight on 14 October 2008, the following excise duties will be increased:
  - Tax on petrol will be increased by 8c per litre.
  - Excise duty on a packet of 20 cigarettes is being increased by 50c with a pro-rata increase on other tobacco products.
  - The duty payable on a standard bottle of wine is being increased by 50c with pro-rata increases being applied to other wine products.
- The Betting Duty rate will be increased from 1% to 2% with effect from 1 January 2009.

- A new Air Travel Tax applying to all departures from Irish airports will come into force on 30 March 2009. The general rate applying will be €10 per passenger with a lower rate of €2 for shorter air journeys (i.e. those under 300km).

- The new rates applying to motor tax with effect from 1 January 2009 will give an increase of 4% for cars below 2.5 litres and within CO<sub>2</sub> bands A – D, and 5% for cars above the 2.5 litre threshold and within CO<sub>2</sub> bands E – G. All other vehicles will also increase by 4% with no increase for electric vehicles.

### MEDICAL CARDS

- The automatic entitlement to a medical card is being ended for over 70s. An annual cash grant of €400 will be paid to people over 70 who do not qualify for a medical card or a GP visit card, depending on their income levels.

### SOCIAL WELFARE CHANGES

- Old Age Pensions will be increased by €7 per week to €230.30 for contributory pensions, and to €219 for non-contributory pensions. Certain other Social Welfare payments have also been increased in the budget.

As this release is intended as a general guide to the subject matter, it should not be used as a basis for decisions. For this purpose advice should be obtained which takes into account all the client's circumstances. Every effort has been made to ensure the accuracy of the information in the release. In view of its purpose the reader will appreciate that we are unable to accept liability for any errors or omissions which may arise.

# PERSONAL TAX FACTS

## TAX CREDITS FOR TAX YEAR 2009

	2009 €	2008 €		2009 €	2008 €
<b>PERSONAL</b>			<b>INCAPACITATED CHILD</b>	3,660	3,660
Single	1,830	1,830			
Married	3,660	3,660	<b>DEPENDANT RELATIVE</b>	80	80
Widowed Person	2,430	2,430			
Lone Parent	3,660	3,660	<b>BLIND PERSON</b>		
<b>PAYE</b>	1,830	1,830	Single / Married	1,830	1,830
<b>WIDOWED PARENT BEREAVEMENT</b>			Married (both blind)	3,660	3,660
Tax Credit year 1	4,000	4,000	<b>RENT RELIEF (up to max)</b>		
- Tapering to year 5	2,000	2,000	Under 55 (Single)	400	400
<b>AGE CREDIT</b>			(Married)	800	800
Single / Widowed	325	325	Over 55 (Single)	800	800
Married	650	650	(Married)	1,600	1,600

## INCOME TAX RATES

## INCOME EXEMPTION LIMITS

SINGLE PERSONS 2009	MARRIED PERSONS 2009 (Two Incomes)		2009 €	2008 €
20% First €36,400	20% First €72,800*	Single or Widowed		
41% Balance	41% Balance	65 years or over	20,000	20,000
<b>LONE PARENT</b>	<b>(One Income)</b>	Married Couples		
20% First €40,400	20% First €45,400	65 years or over	40,000	40,000
41% Balance	41% Balance			

\* Transferable between spouses up to a maximum of €45,400 for any one spouse

## PRSI

EMPLOYER	2009	2008
Contribution for Class A		
PRSI	10.05%	10.05%
Training Levy	0.70%	0.70%
<b>TOTAL FOR EMPLOYER</b>	10.75% no limit	10.75% no limit
	8.5% on earnings less than €357 p.w.	8.5% on earnings less than €357 p.w.

EMPLOYEE	2009	2008
PRSI	** 4.00% on first €52,000	** 4.00% on first €50,700
Health	*** 2.00% on first €100,100	*** 2.00% on first €100,100
	2.50% on balance	2.50% on balance
Income Levy	1.00% on first €100,100	no income levy
	2.00% on balance	

## SELF-EMPLOYED / DIRECTORS CONTRIBUTIONS

	2009	2008
PRSI	**** 3.00% no limit	**** 3.00% no limit
Health	*** 2.00% on first €100,100	*** 2.00% on first €100,100
	2.50% on balance	2.50% on balance
Income Levy	1.00% on first €100,100	no income levy
	2.00% on balance	

\*First €127 p.w. exempt from PRSI

\*\* Not applicable if earnings less than €18,300 p.a. (€352 p.w.)

\*\*\* Health Levy threshold remains at €26,000 p.a. (€500 p.w.)

\*\*\*\* 3% subject to minimum payment of €254