



## Finance (No. 2) Act 2008

The second Finance Act in 2008 introduced measures that were intended to generate an additional €2 billion in tax in 2009. Some of these measures (e.g. the new income levy) were amended in the next Finance Act, published at the start of 2009.

*Measures affected by FA 09 changes are marked with an \* below.*

### Stamp Duty: Non-residential Property

The top rate of stamp duty was reduced by 3% for non-residential deeds (commercial buildings, sites, etc.) signed on or after 15 October 2008.

Consideration	Rate
Up to €10,000	Exempt
€10,001 - €20,000	1%
€20,001 - €30,000	2%
€30,001 - €40,000	3%
€40,001 - €70,000	4%
€70,001 - €80,000	5%
Over €80,000	6%

### Stamp Duty: Cheques and Cards

Stamp duty on ATM cards and debit cards was reduced to €2.50, and stamp duty on combined ATM/debit cards is now €5. Stamp duty on cheques increased to €0.50.

### Income Tax: Relief and Allowances

The standard rate band was increased for all earners by €1,000 from 01 January 2009.

	2008	2009
Single	€35,400	€36,400
Married One In-	€44,400	€45,400
come		
Married Two In-	€70,800	€72,800
comes		
One Parent/ Widowed Parent	€39,400	€40,400

*Maximum transferable between spouses is €45,400 in 2009 (€44,400 in 2008).*

### Income Levy: New Provision\*

The Minister for Finance introduced an income

levy of 1% on income up to €100,100 and 2% on income above this level (from 01 January 2009). The levy applies to gross income before any allowance is made for pension contributions or capital allowances.\* Following a very negative reaction the Government announced revised proposals on 22 October 2008, exempting people earning the minimum wage (€17,540 per year) from the levy.

### Income Tax: Mortgage Interest

Mortgage interest relief was increased for first time buyers by 2.5% (single) and 5% (married) and reduced by 5% for all other buyers from 01 January 2009. No mention was made of changes to the current caps - €10,000 (single) & €20,000 (married).

Mortgagor	2008	2009
First time buyer year 1 & 2	20%	25%
First time buyer years 3-5	20%	22.5%
Others	20%	15%

### Income Tax: Medical Expenses and Nursing Homes

Tax relief on medical expenses was reduced from the top 41% rate to the standard 20% rate for 2009. Relief for the cost of nursing homes will be similarly reduced from 01 January 2010. In effect the cost of every €1,000 paid will be increased from €590 (relief at 41%) to €800 (relief at 20%).

### Income Tax: Pension Contributions

The Minister capped relief for pension contributions for higher earners at €150,000 in 2009 (down from €275,239). This means that in 2009 the maximum pension contribution for someone aged between 40 and 49 is €37,500. The pension value cap remains at €5.4 million for 2009.

### Income Tax: Preferential Loans to Employees

Where an employer makes a loan to an employee, the employee pays income tax on the difference between the specified rate and the interest, if any, charged by the employer. The specified rate in respect of non-home loans was increased from 13% to 15%, with effect from 01 January 2009. The home loan rate remains at 5.5%.

### Income Tax: DIRT & Withholding Tax\*

From 01 January 2009 the rate of DIRT on deposit accounts was increased by 3% to 23% and exit tax

on payments made from life assurance policies and investment funds was increased by 3% to 26%.\*

### Income Tax: Cycle to Work Scheme

From 01 January 2009 the provision of bicycles and associated safety equipment by employers is exempt from income tax as a benefit-in-kind where the employees use the bicycles to travel to work.

There is a limit of €1,000 per employee and the benefit can only be claimed once every five years.

### Income Tax: Car Parking Facilities

A flat rate levy of €200 per year is to be charged to employees working in main urban areas who have a car parking space provided to them by their employer.

### Capital Gains Tax: Rate & Payment Dates\*

The rate of CGT was increased from 20% to 22% from midnight on 14 October 2008. The Minister also changed the payment dates for 2009 and later years.

CGT will be due in mid-December for disposals made between January and November each year, and CGT on December disposals will be due on the following 31 January.\*

### CAT: Rate\*

The rate of capital acquisitions tax on a gift or inheritance has been increased from 20% to 22% for benefits taken on or after 20 November 2008.\*

CAT Thresholds:

Year	Class (a)	Class (b)	Class (c)	*
2009	€542,544	€54,254	€27,127	*
2008	€521,208	€52,121	€26,060	

### Corporation Tax: Tax Exemption for Start-Up Companies

The Minister announced a new 3 year tax exemption for companies set up in 2009. They will be exempt from tax, including tax on capital gains, in each of the first 3 years trading if their tax liability does not exceed €40,000.

### Corporation Tax: Preliminary Tax payment dates for Large Companies

Large companies (i.e. those with a CT liability of more than €200,000 in the last accounting period) now pay preliminary tax of 90% one month before the end of the accounting period.

For accounting periods starting on or after 14 October

2008 there will be 2 instalments:-

- ⇒ 50% of the CT liability of the previous year, or 45% of the CT liability of the current year, due by the 21st day of the sixth month of the accounting period.
- ⇒ The balance required to bring the preliminary tax to 90% of the CT liability of the current year, due by the 21st day of the eleventh month of the accounting period.

### Corporation Tax: Tax Credit Scheme for Research & Development

The current 20% rate of tax credit for R&D incremental expenditure was increased to 25% for accounting periods starting on or after 01 January 2009.

### VAT: Rate

The standard rate of VAT was increased by 0.5% to 21.5% from 01 December 2008. This rate applies to a wide range of goods and services, including cars, petrol, clothes, most professional services, and rents that are subject to VAT because an option to tax was exercised.

### Local Authority Charge: Dwelling Houses

A charge of €200 will apply to each non-principal private residence in 2009. This will affect private rented accommodation and holiday homes, but will not apply to unsold new dwellings.

### Farming Tax: Reliefs

The Minister extended the tax relief on various schemes available to farmers as follows:-

Relief	Extended to
Farm Consolidation Stamp Duty Relief	30 Jun 2011
Farmers' Stock Relief	31 Dec 2010
Farm Pollution Control Relief	31 Dec 2010
Young Trained Farmers' Relief	31 Dec 2012

### Air Travel Tax: New Tax\*

An air travel tax of €10 per passenger (€2 for short haul flights of up to 300km) will apply to all departures from Irish airports with effect from 30 March 2009.\*

*Caveat: This note is general in nature and should not be relied on without formal tax advice. No responsibility is accepted for any liability or loss arising as a result of relying on information published in this note.*

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