

BUDGET APRIL 2009

SUMMARY

In his Budget Statement on 7 April, 2009 the Minister for Finance announced a number of changes to the personal tax system.

INCOME LEVY

The rates of the Income Levy have changed with effect from 1 May 2009, as illustrated below:

Applicable from 1 May 2009

Income Levy Thresholds	
	Rate
Income up to €75,036	2%
Income from €75,037 to €174,980	4%
Income above €174,980	6%

Rates prior to this are shown below:

Applicable from 1 January 2009 to 30 April 2009

Income Levy Thresholds	
	Rate
Income up to €100,100	1%
Income from €100,101 to €250,120	2%
Income above €250,120	3%

The under 65 income levy exemption will change from €18,304 to €15,028 from 1 May 2009.

PRSI

Employee's PRSI Annual Earnings Ceiling

The PRSI contribution ceiling will increase from €52,000 to €75,036 from 1 May 2009.

HEALTH LEVY

Health Levy Rates

With effect from 1 May 2009 the Health Levy rates will increase from 2% to 4% and from 2.5% to 5%.

Health Levy Threshold

The Health Levy threshold will decrease from €100,100 to €75,036 from 1 May 2009.

Tax Relief at Source—Mortgage Interest Relief

From 1 May 2009, tax relief may not be claimed on the interest paid on a qualifying home loan in the 8th and subsequent tax years of the life of that loan. All qualifying loans taken out in the 2002 tax year or earlier tax years are in this category.

However, mortgage interest tax relief may be claimed on the interest paid on a qualifying home loan in the first 7 tax years of the life of that loan.

The current rates of tax relief for first time buyers and non-first time buyers remain unchanged.

There is no change to the existing annual ceilings on the amount of interest that can be allowed on a mortgage:

	Single	Married
First-time buyers	€10,000	€20,000
Non first-time buyers	€3,000	€6,000

Deposit Interest Retention Tax (DIRT) and Tax Rates on Life Assurance Policies and Investment Funds

The rates of retention tax that apply to deposit interest, together with the rates of tax that apply to a) life assurance policies and b) investment funds, are being increased by 2 percentage points to 25% and 28% respectively. The increased rates will apply to payments including deemed payments, made on or after 8 April 2009. Full details in relation to DIRT will be included in the Finance Bill.

CAPITAL GAINS TAX

Change in rate of Tax

The rate of capital gains tax is being increased to 25% from 22% in respect of disposals made from midnight on 7 April 2009.

CAPITAL ACQUISITIONS TAX

The new group thresholds that will apply to gifts and inheritances taken on or after 8 April 2009 will be as follows:

Group	Relationship to Disposer	Group Threshold from 1 January 2009 to 7 April 2009	Group Threshold from 8 April 2009
A	Son/Daughter	€542,544	€434,000
B	Parent/Brother/Sister/Niece/Nephew/Grandchild	€54,254	€43,400
C	Relationship other than Group A or B	€27,127	€21,700

The rate of tax on gifts and inheritances taken on or after 8 April 2009 is increased from 22% to 25%.

Income and losses from dealing in residential development land

The special 20% rate applied to the trading profits from dealing in or developing residential development land is being abolished. The income will be charged at the person's relevant marginal rates of income tax or the 25% rate of corporation tax. This change will apply as regards Income Tax for the year of assessment 2009 and subsequent years and as regards Corporation Tax for accounting periods ending on or after 1 January 2009 (with accounting periods straddling that date being deemed for this purpose to be separate accounting periods).

Where trading losses have been incurred from dealing in or developing residential development land in circumstances where, if trading profits had been made, they would have been eligible to be taxed at 20%, and a claim to use those losses has not been made to and received by the Revenue Commissioners before 7 April 2009, the losses from today will generally only be relievable (on a value basis) up to a maximum of 20%. Where any such loss is a terminal loss, the restriction will be implemented by "ring-fencing" the loss.

Full details of both changes will be contained in the Finance Bill.

EXCISES

Increase in Mineral Oil Tax on Auto-Diesel

The mineral oil tax on auto-diesel will be increased by 5 cent per litre (including VAT) with effect from midnight on 7 April 2009. The same increased rate will apply to jet kerosene for non-business use, and to diesel used for private pleasure navigation.

Tobacco Excise

The excise duty on a packet of 20 cigarettes is being increased by 25 cent (including VAT) with a pro-rata increase on other tobacco products with effect from midnight on 7 April 2009.

STAMP DUTY

Life Assurance Policies

A new levy on life assurance is being introduced at the rate of 1%. This new levy will apply to premiums received by an insurer on or after 1 June 2009.

Non-Life Insurance Policies

The current non-life insurance levy of 2% is being increased by 1%. The new rate of 3% will apply to premiums received by an insurer on or after 1 June 2009 for renewals and offers of insurance issued by an insurer on or after 8 April 2009.

"Trade-in" Scheme

A "trade-in" scheme is being introduced which will provide for an exemption from stamp duty on the transfer of an existing house/apartment in exchange or part exchange for a new house/apartment. The Finance Bill 2009 will contain full details of the scheme.

CAPITAL ALLOWANCES

Termination of Capital Allowances Scheme for Private Hospitals and Nursing homes

Property-related accelerated capital allowance schemes in the Health Sector are to be terminated. These schemes cover private hospitals, registered nursing homes, convalescent homes and associated residential units as well as mental health centres. Transitional arrangements will be put in place for projects that are at an advanced stage of development.

Schemes for palliative care units and childcare facilities will remain in place.

The Finance Bill will contain further details on this measure.