

## Finance Bill 2010 Brief

### Personal Tax

#### Medical Expenses:

- Tax relief remains at 20%.
- Treatments must be *necessarily* incurred in connection with medical practitioner/diagnostic procedures.
- Cosmetic surgery no longer qualifies unless it is to address a physical deformity related to a disfiguring disease, a personal injury or a congenital abnormality.

#### Nursing Home Expenses:

- Tax relief remains at 41%.
- The nursing home must provide access to 24 hour nursing care on site.

#### Mortgage Interest Relief:

- Tax relief for 7 years only. To be abolished in 2018. Top up loan for repairs/improvement to your home will also qualify for 7 years.
- First time buyers (FTB) will still qualify for increased rates and amounts for loans drawn down in 2010/2011. i.e. €10,000 at (25% yrs 1, 2), (22.5% yrs 3,4,5) and (20% yrs 6, 7) - Single persons.
- From 2012, FTB will be reduced to €3,000 at 15% (yrs 1-7) and non FTB will be reduced to €3,000 at 10% (yrs 1-7) - Single persons.

#### Service Charges:

- Tax relief removed from 2012.

#### Remittance Basis:

- Removal of remittance basis taxation for Irish domiciled but non ordinarily resident individuals from 01/01/2010. This will affect many Irish people returning to Ireland after a 3 year absence.
- There has been no change for non Irish domiciles.

#### Remittance Relief for Executives:

- Available in respect of income earned from foreign employments where duties are performed in Ireland:
  - Excludes Irish domiciled executives.
  - Assignment period of at least 1 year.
  - Exercise employment for 1st time in Ireland on/after 01/01/2010.
  - All EU and EEA residents now included.

#### Domicile Levy:

- €200,000 annual levy on individuals. All four of the following conditions must be met:
  - Domiciled in and a citizen of Ireland.
  - Worldwide income exceeds €1M.
  - Final Irish income tax liability <€200,000.
  - Market value of Irish property on 31 Dec >€5M.
- Worldwide income is gross and before any deductions.
- No credit on the levy for foreign tax paid but a credit will be given for Irish tax paid.

#### High Earners:

- Effective rate of income tax increased from 20% to 30%.
- Entry level reduced from €250,000 to €125,000.
- Tapering relief for income between €125,000-€400,000.
- Full impact on income in excess €400,000.
- No restriction where income < €125,000 or allowances are < €80,000.

### Business Tax

#### Transfer Pricing:

- New provisions to align Ireland with international standards by adopting the OECD arms length principles. The rules will allow Revenue to recalculate a company's tax adjusted profits to adjust for an understatement of profits due to pricing transactions between associated companies.
- Exemption for Small and Medium Enterprises.
- Companies within the scope of the legislation will be required to maintain detailed supporting documentation regarding transfer pricing policy.
- The Grandfather clause (available until 01/07/2010) creates a short lived opportunity for multinationals in Ireland to consider whether their arrangements fall outside the scope of the new transfer pricing rules.

#### R & D Credits:

A degree of flexibility has been introduced when calculating the R.&D tax credit. The base adjustment can be made where a R.&D facility has ceased to operate as a consequence of economic conditions.

Where a company ceases to use an R & D centre for the purposes of any group trade, the company's base expenditure may be adjusted in computing the threshold amount for relief purposes.

### Health insurance levies and age related tax credits:

- ❑ The health insurance premium levies, (introduced in July 2009), are being increased to €185 for 2010.
- ❑ Age related tax credits which were also introduced are increasing marginally for contracts entered into or renewed in 2010 by those over 60 years.
- ❑ When meeting the cost of health insurance for staff over 50 years, employers should be mindful of ensuring that PAYE is applied to the correct sum.

### Double tax relief for taxes on foreign branches:

The Bill now provides that any unused pooled foreign branch tax credits can be carried forward indefinitely and credited against corporation tax on foreign branch profits in future accounting periods.

### Share schemes – new reporting requirements:

The Bill introduces a statutory reporting obligation on all share awards to directors or employees.

Previously, share awards were generally reportable (Form P11D) only when a return was issued by Revenue to a company for completion.

This change brings the disclosure requirements into line with share options (and rights to acquire shares) which have for many years been reported (Form SO2). A return will now be required by 31 March 2010 for share awards made during 2009.

### Value Added Tax

- ❑ Public bodies and local authorities will be subject to VAT on services where there could be a distortion of competition. E.g. waste collection, leisure facilities, and off street parking.
- ❑ VAT will not be charged on water charges or transport services.

### Relevant Contracts Tax (RCT)

- ❑ Revenue will have the power to request further information in respect of amounts reported on RCT returns.
- ❑ Revenue will have the option to issue C2 certificates to subcontractors for two years rather than one.
- ❑ The Bill also proposes to permit Revenue amend the limit imposed on a Relevant Payments Card (RCT47) by increasing, reducing or removing the limit.

### Capital Acquisitions Tax

- ❑ Significant changes to CAT tax regime:
  - New pay and file deadline 31 October.
  - Surcharge for late returns (5%-10%).
  - E-filing requirement where reliefs are claimed.
  - CAT no longer to be a charge on property.
  - Simplify grant of probate procedures.

If you require further information or advice on The Bill, please contact:



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