

November 2010

Highlights from the Four Year National Recovery Plan

The Government released details of its Four Year National Recovery Plan yesterday. The Plan has introduced proposals for sweeping changes of the tax system, cuts in social welfare and restricted pension tax-relief provisions.

The aim of the Plan is to generate overall savings of €15 billion by 2014. €10 billion of this is to be achieved through reductions in Government spending. The remaining €5 billion is to be achieved through taxation measures:

Income Tax

- Income Tax bands and Tax credits are to be reduced by 10% in 2011, by a further 2.5% in 2012 and by a further 2% in 2013 and 2014.
- Income tax relief for trade union subscriptions is to be removed in 2011.
- Income tax relief for rent paid for private accommodation is to be phased out by 2017.
- Income Tax Age Credit and Age Exemptions are to be phased out over four years.
- Tax exemption for patent royalties is to be abolished.
- Artist's exemption from Income Tax is to be reduced to earnings of €40,000.
- Legacy property-based incentive reliefs are to be abolished over the period of the Plan.
- Tax-free pension lump sums and *ex-gratia* termination payments in excess of €200,000 will be taxed.
- The annual earnings cap for pension contributions is to be reduced from €150,000 to €115,000
- Income tax relief for pension contributions is to be reduced from 41% to 34% in 2012, to 27% in 2013 and to 20% in 2014.

PRSI/ levies

- The scheme to exempt employers from Employers' PRSI is to be extended to those recruited in 2011.
- PRSI and Health Levy relief on employee pension contributions is to be removed in 2011.
- Relief from PRSI, health and income levy on the following schemes will be restricted or curtailed:
 - Approved profit Sharing Schemes
 - Approved Save As You Earn Schemes
- Relief from PRSI and health levy will be restricted or curtailed on:
 - Unapproved Share Options
 - Share Awards

Carbon Tax/ Stamp Duty

- Carbon tax will be increased by €10 per tonne in 2012 and by a further €5 per tonne in 2014.
- Reliefs and exemptions from Stamp Duty will either be abolished or greatly restricted.

Business Tax

- Corporation Tax Rate remains at 12.5%.
- A "Business Investments Targeting Employment Scheme" (BITES) is to replace the current BES from 2011 onwards. This will increase the maximum amount that can be raised by companies in a 12 month period and the lifetime amount that can be raised per company.

- The following tax reliefs are to be abolished in 2011:
 - The investment allowance for machinery & plant and for exploration expenditure.
 - Approved Share Option Schemes.
 - BIK exemption on employer provided childcare.
 - The accelerated allowance for capital expenditure on farm buildings for pollution control.
 - The tax exemption for payments to National Co-operative Farm Relief Services Limited

Capital Gains Tax/ Capital Acquisitions Tax

- In 2012, the current single CGT rate of 25% will be changed to a system of differing rates for different levels of gains.
- A similar system will be introduced for CAT where the current tax-free thresholds will be reduced.

- Reliefs and exemptions from CGT and CAT will either be abolished or greatly restricted.

VAT

- The standard rate of VAT will be increased from 21% to 22% in 2013 and to 23% in 2014.

Other Measures

- An interim Site Value Tax of €100 will be introduced in 2012. This will apply to all land other than agricultural land and land subject to commercial rates. The final Site Value Tax will be introduced in 2013.
- Water metering is to be introduced by 2014.

Edward Murphy

Tel: 021 427 2900

Email: emurphy@crowleysdfk.ie

For more information, please contact us at: marketing@crowleysdfk.ie

This publication is intended only as a general guide and should not be used as a substitute for professional advice.

www.crowleysdfk.ie



16/17 College Green
Dublin 2
Ireland

Tel +353 1 6790800
Fax +353 1 6790805

Fifth Floor
5 Lapp's Quay
Cork
Ireland

Tel +353 21 4272900
Fax +353 21 4277621

Washington Lodge
Newtown
Waterford
Ireland

Tel +353 51 844441
Fax +353 51 844443