

# Budget 2010 Special

December 2009

## INTRODUCTION



Welcome to our 2010 Budget Summary Newsletter which summarises the key tax measures outlined in one of the most feared Budgets in recent times. It is fair to say it is now clear that the emphasis in this Budget was on expenditure measures with few major changes to the tax system. However, the Minister did mention a number of tax changes in the future and these are also summarised below.

## INCOME TAX

### High Income Earners

The specified reliefs measure is being amended for 2010 and subsequent tax years in order to achieve a minimum effective rate of income tax of 30% for high earners availing of various tax incentives. The entry level threshold for the restriction will now occur at a reduced adjusted income level of €125,000 and the full restriction will apply at €400,000. The detailed working of this restriction is awaited in the Finance Bill.

### Mortgage Interest Relief

Qualifying loans taken out before 1 July 2011 will continue to obtain interest relief for 7 years, subject to the limits. Transitional measures will be provided for qualifying loans taken out between 1 July 2011 and the end of 2013.

In the absence of this change, those individuals whose entitlement to the relief would expire in 2010 or after, will continue to qualify for relief at the applicable rate up until the end of 2017. Again, further clarity on this measure is awaited from the Department of Finance.

The relief is to be entirely abolished by the end of 2017.

### Capital Allowances

There will be an extension of the existing accelerated capital allowances scheme for energy efficient equipment purchased by companies from seven categories of eligible equipment to include refrigeration and cooling systems, electro-mechanical systems and catering and hospitality equipment.

### Non-Resident Individuals

Irish non-resident nationals and Irish domiciled individuals will pay €200,000 in any year where their income exceeds €1m and their Irish located capital exceeds €5m.

## CORPORATION TAX

The existing scheme which provides a three year exemption from tax on the income and gains of new start-up companies is to be extended and is to include companies who commence trading in 2010.

## VEHICLE REGISTRATION TAX (VRT)

The following package of measures will be introduced:

- Car Scrappage Scheme
- Extension of VRT exemption for Electric Vehicles
- Extension of VRT relief scheme for Plug-in Hybrid Electric Vehicles

A car scrappage scheme is being introduced with effect from 1 January 2010, to run until 31 December 2010. VRT relief of up to €1,500 will be provided where a car of 10 years or older is scrapped in accordance with certain criteria and a new car of emissions bands A or B (i.e. with CO2 emissions of 140g/km or less) is purchased.



## CARBON TAX

A carbon tax at a rate of €15 per tonne is being introduced on fossil fuels. This will be effective from midnight, 9 December 2009 for petrol and diesel and from 1 May 2010 to home heating oil and gas

## VAT

The standard rate of VAT will be reduced from 21.5 to 21 per cent with effect from 1 January 2010.

## MEASURES TO BE INTRODUCED IN THE FUTURE

### Simplification of Tax System

Plans were announced to reform the income tax system. By 2011, the Minister intends:

- Merging the income levies, PRSI and the health levies into a new social levy and
- To apply income tax on a progressive basis as earnings increase.

### Property Tax

A site valuation tax is to be developed and to facilitate the operation of this tax a register of land ownership and valuation is also to be introduced. The Minister confirmed that considerable ground work will need to be done before this tax can be introduced.

### Water Charges

The Minister has announced preparations are underway to implement a new water system in homes. Water charges will be based on water consumption above a free threshold. Further details will be announced by the Minister for the Environment, Heritage and Local Government.