Budget 2012

– Summary of some of the main measures

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Income Tax Rates, Bands and Credits

There has been no change to the main income tax rates, tax bands or tax credits in this budget.

Standard Rate Bands

	At 20% Rate – the first	At 41%
Single/Widowed	**€32,800**	**Balance**
Married One Income	**€41,800**	**Balance**
Married Two Incomes	**€65,600**	**Balance**
- Max Transferable between spouses	***€41,800***	
One Parent / Widowed Parent	**€36,800**	**Balance**

Selected Tax Credits for 2012

	€
Personal Tax Credits	
- Single	1650
- Married	3300
One Parent Family Tax Credit	1650
PAYE credit	1650
Home Carer Tax Credit	810
Dependent Relative Tax Credit	70
Age Credit	
- Single	245
- Married	490

Tax Credits are applied as a straight deduction from an individual's income tax as calculated by applying the two tax rates and using the bands outlined above.

Age Exemption Limits

There are income thresholds set for people aged above 65 years and below which they can earn income and pay no income tax. These thresholds remain unchanged.

	2012 Limit
Single	€18,000
Married	€36,000

PRSI

For employees PRSI is to be applied to rental income and other categories of income including investment income from 2013. Self-employed tax payers are already subject to PRSI on these income sources.

Farmers pay the self-employed rate of PRSI known as Class S PRSI. This is applied to all income and there is only one rate so no bands apply.

The Class S rate remains unchanged at **4%**.

'Reckonable income' for the purposes of PRSI is profit after capital allowances but before reliefs and deductions

Universal Social Charge

The lower exemption threshold above which income becomes liable to the USC is to be increased from €4,004 to **€10,036.** So where an individual earns below this amount no USC applies. Where the income exceeds €10,036 then the rates apply as in the table below.

Income	**Rate of USC**	
	2012 Rates	**2011 Rates**
€0 - €10,036	2%	2%
€10,037 - €16,016	4%	4%
> €16,016	7%	7%

For individuals above 70 years the maximum USC rate paid is 4%

Self-employed individuals with annual income exceeding €100,000 are subject to a 3% surcharge. So for an individual under 70 the rate on income above €100,000 is 10% and for an over 70 year old individual the rate on this income is 7%.

The Universal Social Charge is payable on gross income after relief for certain trading losses and capital allowances, but before relief for pension contributions.

The marginal rate of tax for employed / self-employed individuals (**under 70 years**) with a maximum income **below €100,000** remains unchanged as follows:

	Self-Employed	**Employed**
Income Tax	41%	41%
PRSI	4%	4%
Universal Social Charge	7%	7%
Total	**52%**	**52%**

Value Added Tax (VAT)

The standard rate of VAT is to increase from 21% to **23%** with effect from 1st January 2012. The 13.5% rate remains unchanged

No change also to the flat rate farmer rate of 5.2% for 2012.

Unregistered (flat rate) farmers will be able to claim a VAT refund (using the VAT58 mechanism) on wind turbines purchased from 1st January 2012

Admission to open farms will become liable to VAT at the 9% tourism rate from 1st January 2012. Previously this was VAT exempt.

DIRT

The rate of DIRT charged on ordinary deposit interest has increased from 27% to **30%**. A higher DIRT exit charge rate of 33% (increased from 30%) will apply to life assurance and investment fund products.

These DIRT increases come into effect on interest received on or after 1st January 2012

Stamp Duty

A new system for applying stamp duty on **non-residential property** will be introduced with effect from 7th December, 2011.

A single rate of **2%** will apply on the entire consideration

Non-residential rates

New System		Old System	
Consideration	**Rate of Duty**	**Consideration**	**Rate of Duty**
Entire Consideration	2%	Up to €10,000	NIL
		€10,001 to €20,000	1%
		€20,001 to €30,000	2%
		€30,001 to €40,000	3%
		€40,001 to €70,000	4%
		€70,001 to €80,000	5%
		Over €80,000	6%

Rates on **residential property** will continue to apply at 1% up to €1 million and 2% thereafter.

<u>Consanguinity relief for Stamp Duty (non-residential property)</u>

This relief which gives a 50% deduction on the rate applying to transfers between related persons, was abolished in Budget 2011 for transfers of **<u>residential</u> property only.**

This relief will still **<u>continue to apply to transfers of non-residential property,</u>** such as land, up to the end of 2014. It will then be abolished after 1st January 2015.

<u>Stock Relief Incentives for Farm Partnership Formation</u>

An enhanced 50% stock relief for all **registered** farm partnerships is being introduced. The normal stock relief rate of 25% will continue to apply for farmers operating outside of this arrangement. A 100% stock relief for certain young trained farmers forming registered partnerships is also being introduced. Subject to clearance with the European Commission under State Aid rules, these reliefs will be introduced and made available until December 2015.

<u>Capital Acquisitions Tax (CAT)</u>

The rate of CAT is to increase from 25% to **30%**

There is a reduction in the group A tax free threshold as per the table below.
The group B & C thresholds remain unchanged.

	Group	**2012 Threshold**	**Old Threshold**
A	Son/ Daughter, minor child of deceased child	€250,000	€332,084
B	Lineal Ancestor/ Descendent, brother sister, niece, nephew	€33,208	€33,208
C	Any other person	€16604	€16604

The new 30% rate and the revised threshold apply on gifts and inheritances taken after **6th December 2011.**

There was no change to the conditions or operation of Agricultural Relief.

Capital Gains Tax (CGT)

The rate of CGT is to increase from 25% to **30%**

Retirement Relief - Intra-family transfers

Full retirement relief will continue to be available (subject to the usual conditions) for farmers transferring assets who are aged between 55 and 66 years.
An upper limit of €3 million will be imposed on the value of the assets eligible for the relief where the transferring individual is aged over **66 years**.
Where an individual is currently aged 66 years or will reach 66 before 31st December 2013 the normal no-limit relief will continue to apply.

Retirement Relief - Non-family transfers

The current upper limit of €750,000 will continue to be available (subject to the usual conditions) for farmers transferring assets who are aged between 55 and 66 years.
This limit will be reduced to €500,000 where the transferring farmer is aged over 66
Again a transitional arrangement will apply for individual aged 66 or who will be 66 before 31/12/2013 whereby the €750,000 limit will continue to apply.

New CGT relief for newly purchased property

A new relief has been introduced for properties bought between 6th December 2011 and the end of 2013. Where such a property is held for more than 7 years then any capital gain that accrues in that seven year period will not be subject to CGT.

Household Charge

A €100 charge is being introduced in 2012. There will be exemptions for those on mortgage interest supplement and for those in unfinished housing estates. This charge is an interim measure until a full property tax is introduced in 2014

Mortgage Interest Relief

Mortgage interest relief is to apply at 30% for first time buyers who took out their first mortgage for their principal private residence in the period from 1st January 2004 to 31st December 2008. This relief will be available on interest paid between 2012 and 2017.

First time buyers will get mortgage interest relief at a rate of 25% for mortgages taken out during 2012. Non-first time buyers will benefit from relief at 15 per cent.
Mortgage interest relief will no longer be available to house purchasers who purchase after the end of 2012 and will be fully abolished from 2018

Social Welfare Changes

Child Benefit Rates

	2012 Rates (€/ month)	2011 Rates (€/ month)
1st & 2nd Child	€140	€140
3rd Child	€148	€167
4th & subsequent child	€160	€177

These new rates come into effect from 1st January 2012.
By 2013 it is planned to have a single rate of child benefit for all children.
The grant of €635 paid at birth on all multiple births and further grants of €635 paid when the children are 4 years of age and 12 years of age are to be discontinued.

Farm Assist

Farm Assist is paid subject to a means test which looks at the income (after expenses) from farming and employment and applies certain disregards for children. In a revision to this test the percentage of **self-employment income** that is assessed as means is to be increased from 70% to 85%. It is assumed that the 70% inclusion rate for farm income will continue to apply. The deductions from income that are available for children of the assessed person are being halved to €127 per year (from €254) for each of the first two dependent children and €190.50 per year (from €381) for each subsequent child.

The payment rate for farm assist will remain unchanged as per table below.

Selected Social Welfare Rates

	From January 2012	2011
State Pension (Contributory)	€230.30	€230.30
State Pension (Non-Contributory)	€219	€219
Jobseekers Allowance	€188	€188
Farm Assist	€188	€188

Motor Tax Rates

The motor tax rates will increase from 1st January 2012.

Cars registered AFTER July 2008 pay motor tax based on CO2 emissions

CO2 Bands	Current Rates	Proposed Rates	Change
A	€104	**€160**	+€56
B	€156	**€225**	+€69
C	€302	**€330**	+€28
D	€447	**€481**	+€34
E	€630	**€677**	+€47
F	€1,050	**€1,129**	+€79
G	€2,100	**€2,258**	+€158

Cars registered BEFORE July 2008 pay motor tax based on engine size

Some selected rates are as follows

Engine CC	Current Rates	Proposed Rates	Change
1901 - 2000	€614	**€660**	+€46
2001 - 2100	€784	**€843**	+€59
Commercial Jeep	€288	**€310**	+€22
Tractor / Dumper	€88	**€95**	+€7

Pension Changes

Changes relating to Approved Retirement Funds (ARF)

ARF Imputed Distribution - The annual imputed distribution applied to an eligible ARF on 31st December each year is to be increased from 5% to 6%.

ARF transfers on death - The transfer of ARF assets on the death of an ARF owner to a child of the owner aged over 21 is subject to a final liability tax equal to the standard rate of income tax in force at the time of the making of such a distribution (currently 20%). It is proposed to apply a higher final liability tax rate of 30% to such transfers.

Specific Measures Relating to Agriculture

- **Suckler Welfare Scheme** payments to continue for 2012 at current rates.
- €5 million has been earmarked for the establishment of a **Beef Technology Adoption Programme** to encourage cattle farmers to participate in discussion groups
- The **TAMS** scheme is to reopen for 2012.
- No change to **forestry premia** rates
- Reduction of 10% in **REPS4** payments (subject to EU commission approval)
- **Disadvantaged Areas Scheme** – no change in rates but an adjustment to the eligibility criteria relating to minimum stocking rates (0.15 lu/ha to 0.30 lu/ha) and required retention period (now 6 months) calculated over 12 months. Horses are now excluded from the stocking density calculation A maximum distance limit of 80 km for DAS eligible parcels from the main farm holding has also been re-established.

  A reduced rate of payment will also apply on Disadvantaged land where the farmer also has non-Disadvantaged land.

Note

There may be changes or additions to some of these measures in the Finance Bill which is expected to be published in January 2012.

References

Department of Finance Budget Section - http://budget.gov.ie/budgets/2012/2012.aspx

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