

FINANCE BILL 2009

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LIST OF FINANCE BILL ITEMS

PART 1 – MEASURES ANNOUNCED IN THE BUDGET

INCOME TAX

SECTION 2 - INCOME LEVY

The income levy is being increased such that it will apply at rates of 2%, 4% and 6% from 1 May (with composite rates applying for the year as a whole). The exemption threshold for payment of the new 2% levy rate is being reduced to €15,028 per annum or €289 per week. The thresholds for the other rates are being reduced to €75,036 per annum or €1,443 per week for the 4% rate and €174,980 per annum or €3,365 per week for the 6% rate.

SECTIONS 3 & 4 - MORTGAGE INTEREST RELIEF

Mortgage interest relief for principal private residences is being abolished for those individuals that have already had the relief on a qualifying loan for more than seven tax years. The relief will continue to be available for a seven-year period for any new qualifying loans that are taken out for the purchase repair or development of principal private residences.

SECTION 5 - RESTRICTION IN INTEREST RELIEF RENTED RESIDENTIAL PROPERTY

The Bill gives effect to the announcement in the Budget whereby the level of tax relief investors can claim on the interest for mortgages and loans on residential rental properties is reduced to 75% of the interest accrued from 7 April 2009.

CAPITAL GAINS TAX

SECTION 14 - CAPITAL GAINS TAX RATE

The Bill gives effect to the Budget Day announcement where the capital gains tax rate was increased from 22% to 25% in respect of disposals made from midnight on 7 April 2009.

CAPITAL ACQUISITIONS TAX

SECTION 23 - CAPITAL ACQUISITIONS TAX RATE

The capital acquisitions tax rate has been increased from 22% to 25% in respect of disposals made from midnight on 7 April 2009

SECTION 23 - CAPITAL ACQUISITIONS TAX THRESHOLDS

The Bill makes provision for Budget reform in the CAT tax free thresholds. The current thresholds of €42,544 (Group A: parents to child), €4,254 (Group B: between related persons), and €7,127 (Group C: between non-related persons) are being reduced by 20% to €34,000, €3,400 and €1,700 respectively. This reduction applies in respect of gifts or inheritances taken from midnight on 7 April 2009.

DIRT

SECTION 9 - DEPOSIT INTEREST RETENTION TAX (DIRT) RATE

The DIRT rate has been increased by 2 percentage points to 25%, and the rate for certain longer term savings products has been increased to 28%. The increased rate applies to payments, including deemed payments, made from midnight on 7 April 2009.

LIFE ASSURANCE POLICIES AND INVESTMENT FUNDS

SECTION 10 - TAXES ON LIFE ASSURANCE POLICIES AND INVESTMENT FUNDS

The Bill gives effect to a change in the rate of tax that applies to life assurance policies and investment funds, which has been increased by 2 percentage points to 28%. The increased rate applies to payments, including deemed payments, made from midnight on 7 April 2009. The tax rate on certain other investments (personal portfolio life insurance policies and personal portfolio investment policies) is also being increased by 2%.

STAMP DUTY

SECTION 22 - STAMP DUTY - LIFE INSURANCE POLICIES

A new levy on life insurance was introduced in the Budget at the rate of 1%. This new levy will apply to new premiums entered into on or after 1 August 2009.

SECTION 22 - STAMP DUTY - NON-LIFE INSURANCE POLICIES - CHANGE IN RATE OF TAX

The current non-life insurance levy of 2% was increased in the Budget by 1%. The new rate of 3% applies to premium renewals and offers on and from midnight on 7 April 2009 and to new premiums from 1 June 2009.

SECTION 20 - STAMP DUTY – RESIDENTIAL TRADE-IN SCHEME

This scheme, as announced in the Budget, provides that an individual or company selling a new house can take a second-hand house in exchange or part-exchange for the new property, and Stamp Duty will not be payable until the second-hand property is sold on again.

CORPORATION TAX

SECTIONS 13 & 21 - TAX RELIEF FOR THE PROVISION OF INTANGIBLE ASSETS

The Bill will include measures to give effect to the Budget announcement of the introduction of a scheme of tax relief for the provision, including acquisition, of intangible assets. The scheme provides for “wear and tear” allowances against taxable income on capital expenditure incurred by companies on the provision, for trading purposes, of defined intangible assets. The scheme will help to attract high quality employment to this economy.

CAPITAL ALLOWANCES

SECTION 8 - PROPERTY RELATED CAPITAL ALLOWANCES SCHEMES

The Bill will make provision for the transitional arrangements for projects at an advanced stage of development affected by the termination of property-related capital allowance schemes announced in the Budget. The schemes which are being terminated relate to private hospitals (including co-located hospitals), nursing homes (including associated residential units), convalescent homes and mental health hospitals. The schemes for specialist palliative care units and childcare facilities are not affected. Projects must have commenced, or planning permission must be applied for, by 31 December 2009. In the case of private hospitals, capital expenditure will no longer qualify for allowances after 2013. For the remaining schemes, capital expenditure will not, in general, qualify for capital allowances after 30 June 2011.

CAPITAL GAINS TAX, INCOME TAX AND CORPORATION TAX

SECTIONS 6 & 11 - INCOME AND LOSSES FROM DEALING IN DEVELOPMENT LAND

The Bill gives effect to the Budget Day announcement of the abolition of the special 20% tax rate applicable to trading profits from dealing in or developing residential land. The income will now be charged at the individual's marginal income tax rate or at the 25% rate of corporation tax. There will also be a restriction on the relief of trading losses incurred from dealing in or developing residential development land.

INDIRECT TAXES

EXCISE

SECTION 15 - INCREASE IN MINERAL OIL TAX ON AUTO-DIESEL

The mineral oil tax on auto-diesel increased by 5 cent per litre (including VAT) with effect from midnight on 7 April 2009.

SECTION 16 - TOBACCO EXCISE

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

PART 2 - FURTHER MEASURES NOT YET ANNOUNCED

INCOME TAX

SECTION 2 - INCOME LEVY

This section confirms that the taxable element of redundancy payments paid between 1 January and 30 April 2009 will be charged on the basis of the income levy rate in force in the first four months of the year.

SECTION 7 - MID -SHANNON TOURISM INFRASTRUCTURE SCHEME

The scheme was introduced with effect from 1 June 2008 following State aid approval from the European Commission. The relevant legislation provided for a 31 May 2009 deadline for submission of projects for certification by the Mid Shannon Tourism Infrastructure Scheme Board. It is proposed that the 31 May 2009 deadline for submission of applications for certification to the board is to be extended by one year to 31 May 2010.

CAPITAL GAINS TAX

SECTION 12 - CAPITAL GAINS TAX – EXPLORATION RIGHTS

This amendment will provide that the “participation exemption”, which applies (in certain circumstances) to Irish resident companies disposing of shares in other companies, cannot be availed of where the shares derive their value from exploration or exploration rights. This measure closes off a potential loophole and brings the exemption into line with the treatment of shares deriving their value from land and minerals in the State, which currently do not qualify for the “participation investment”.

EXCISE

SECTION 17 - AIR TRAVEL TAX

- a) Amend the definition of “airport” in section 55(1) of Finance (No.2) Act 2008 to give legislative effect to the decision announced on 25 February 2009 to exempt from air travel tax, with effect from the commencement date of the tax 30 March 2009, those airports that had less than 50,000 departing passengers in the previous calendar year. The new threshold is currently being operated on an administrative basis pending the appropriate legislative amendment.
- b) Amend section 55(4) of Finance (No.2) Act 2008 to clarify that what is required of airlines each month is the payment of the appropriate air travel tax to the Revenue Commissioners.

SECTION 18 – VRT UNJUST ENRICHMENT CLAIMS

In regard to VRT unjust enrichment claims, amend the formula as outlined in section 135B (6)(b)(ii) of the Finance Act 1992, as introduced by section 65 of Finance (No.2) Act 2008, relating to the situation where the first registered owner of a vehicle has disposed of the vehicle. Without such amendment it would be unsound for Revenue to implement the relevant sub-section.

MISCELLANEOUS

SECTION 25 – INTEREST ON CERTAIN OVERDUE TAX

The statutory rate of interest applied by Revenue to delayed payments of taxation and underpayments by taxpayers engaged in business activities will be amended. The current daily rates of 0.0273% for most taxes and 0.0322% for fiduciary taxes will be reduced by some 20% to 0.0219% and 0.0274%

giving respective annualised equivalents of 8% and 10% approx. These new rates are to take effect from 1st July 2009.

TECHNICAL AMENDMENTS

The Bill is to include a series of minor technical and drafting amendments. These cover, for example, drafting changes aimed at providing greater clarity or to correct minor errors, amendments to deal with changes in the official names of bodies, corrections of definitions or anomalies, changes addressing non-controversial legal and administrative issues, and so forth