

BUDGET SUMMARY 2007

INCOME TAX

In his Budget Statement on 6 December 2006, the Minister for Finance announced a number of changes to the personal tax system.

Tax Credits

The table below outlines the main tax credits for 2007 with changes, if any, indicated.

Tax Credit	2006€	2007€
Single Person	1,630	1,760
Married person	3,260	3,520
PAYE Credit	1,490	1,760
Widowed person (without dependant children)	2,130	2,310
One Parent Family Credit	1,630	1,760
Incapacitated Child Credit Max	1,500	3,000
Blind Tax Credit		
Single person	1,500	1,760
One Spouse Blind	1,500	1,760
Both Spouses Blind	3,000	3,520
Widowed Parent Bereaved in 2006		
2005	-	3,750
2004	3,100	3,250
2003	2,600	2,750
2002	2,100	2,250
2001	1,600	1,750
2000	1,100	-
Age Tax Credit		
Single/Widowed	250	275
Married	500	550
Dependent Relative	80	80

The following relief has not changed:

Relief	2006 € Max	2007 € Max
Employing a Carer	50,000	50,000

Changes to Standard Rated Reliefs are as follows:

Relief	2006 € Max	2007 € Max
Rent Tax Relief		
Single - under 55	1,650	1,800
Married/Widowed - under 55	3,300	3,600
Single - 55 & over	3,300	3,600
Married/Widowed - 55 & over	6,600	7,200
Trade Union Subscriptions	300	300

Service Charges

A maximum of €400 tax relief is granted (at 20% tax rate) in 2007 for charges paid in the year 2006.

Rent-a-Room Scheme

From 1 January 2007, it is proposed to close off use of the Rent-a-Room Scheme where the rent received is from connected persons who in turn are claiming rent relief.

Tax Rates and Tax Bands

The tax rates and tax bands have been changed as follows:

The standard rate tax band (20%) has been widened and the higher rate of tax has been changed from 42% to 41%. The table below sets out the tax rates and bands.

Personal Circumstances	2006 €	2007 €
Single/Widowed without dependant children	32,000 @ 20% Balance @ 42%	34,000 @ 20% Balance @ 41%
Single/Widowed qualifying for One Parent Family Tax Credit	36,000 @ 20% Balance @ 42%	38,000 @ 20% Balance @ 41%
Married Couple one spouse with Income	41,000 @ 20% Balance @ 42%	43,000 @ 20% Balance @ 41%
Married Couple both spouses with Income	41,000 @ 20% with increase of 23,000 max. Balance @ 42%	43,000 @ 20% with increase of 25,000 max. Balance @ 41%

Exemption Limits

The exemption limits for persons aged 65 years and over have been increased as indicated in the table below:

Personal Circumstances	2006 €	2007 €
Single/Widowed 65 years of age & over	17,000	19,000
Married Couple 65 years of age & over	34,000	38,000

The limits for Single/Widowed persons aged under 65 and Married couples aged under 65 remain unchanged at €5,210 and €10,420 respective ly.

Marginal Relief will continue to apply where income does not greatly exceed the relevant exemption limit.

The above exemption limits are increased by €575 for each of the first two dependent children and by €830 for the third and subsequent children.

Deposit Interest Retention Tax (DIRT)

Individuals exempt from income tax over 65 years of age or permanently incapacitated will, in future, be entitled to receive deposit interest without deduction of DIRT on giving appropriate notification to the financial institution. Further details will be announced.

Tax Relief at Source – Mortgage Interest Relief

The current annual ceiling on the amount of interest that can be allowed on a mortgage is being doubled for first-time buyers from €4,000/€8,000 single/married to €8,000/€16,000 single/married. The increased relief will be available to all first-time buyers who are in the first seven years of their mortgage.

The ceiling for non-first-time buyers is also being increased, from €2,540/€5,080 single/married to €3,000/€6,000 single/married.

PRSI & HEALTH CONTRIBUTIONS

From 1 January 2007 the contribution ceiling for employees' PRSI is increased from €46,600 to €48,800.

Class A (Normal rate at which contributions are made)

Income (€)	Employer	Employee
Up to 48,800	10.75%	6% (includes 2% Health Contribution)
From 48,800 to 100,100	10.75%	2% (Health Contribution)
Over 100,100	10.75%	2.5% (Health Contribution)

Employees earning €339 p.w. or less, will be exempt from PRSI and those earning €480 p.w. or less, will be exempt from the Health Contribution of 2%.

For employees earning in excess of €339 p.w. the first €127 p.w. will continue to be free of PRSI. The weekly rate of €26 for employees on a modified PRSI rate also remains unchanged.

Class S (Self-Employed)

Income (€)	Rate
All Income up to 100,100	5% (includes 2% Health Contribution)
Over 100,100	5.5% (includes 2.5% Health Contribution)

Self-Employed persons are exempt from the Health Contribution of 2% where the annual income is €24,960 or less. Minimum annual PRSI contribution remains at €253.

Childminding Relief

The existing exemption limit of up to €10,000 per annum on gross income from childminding where an individual minds up to three children, in the minder's own home, is being increased to €15,000

Specified Rates for Preferential Home Loans and Other Loans

An employee in receipt of a preferential loan is charged income tax on the difference between the interest actually paid and the amount which would have been payable at the "specified" rates of interest for the loans. To reflect increases in interest rates, the specified rate in respect of home loans is being increased from 3.5% to 4.5% and the specified rate in respect of other loans

is being increased from 11% to 12%. These changes will take effect from 1 January 2007.

Tax Clearance Certificate Threshold

The transaction threshold which triggers the requirement for a tax clearance certificate for the award of a public sector contract or grant is being increased from the current €6,500 to €10,000, with effect from 1 January 2007.

VAT

VAT Registration Threshold for Enterprises

The VAT registration thresholds for businesses are being increased from €27,500 to €35,000 in the case of services, and from €55,000 to €70,000 in the case of goods. These increases will take effect from 1 March 2007.

VAT Cash Accounting Threshold

The annual VAT cash accounting threshold for businesses is being increased from €635,000 to €1,000,000 with effect from 1 March 2007.

Less Frequent VAT Returns for Smaller Businesses

For smaller businesses, the frequency of filing VAT returns, currently six per year, is being reduced with effect from July 2007.

For businesses with a yearly liability of €3,000 or less, the option of filing returns on a half-yearly basis will be available. For businesses with a yearly liability between €3,001 and €14,400, the option of filing returns every four months will be available.

VAT Relief for Conferences

A specific measure, which will allow deductibility of VAT on conference-related accommodation expenses, will be introduced during 2007. Full details will be set out in the Finance Bill.

Reduction of VAT rate on Child Car Seats

The VAT rate on child car seats will be reduced from 21% to 13.5% with effect from 1 May 2007.

FARMING TAXATION

The Farmer's Flat Rate Addition

The rate of the flat rate addition payable by VAT registered traders on purchases from non-VAT registered farmers has been increased from 4.8% to 5.2% with effect from 1 January 2007.

Livestock VAT Rate

The rate of VAT on sales of livestock by VAT registered farmers and other businesses remains at 4.8%

Stock Relief

The existing stock relief for farmers and the special incentive stock relief for certain young trained farmers are being extended from 1 January 2007 for a further 2 years subject to clearance with the European Commission.

Leased Farmland Exemption

The existing scheme of exemption for income from qualifying leases is being amended. From 1 January 2007, a new exemption of €20,000 per annum will be introduced for leases of 10 years or more duration, subject to clearance with the European Commission.

Capital Allowance for Milk Quota

Relief is being made available for quota purchased under the new Milk Quota Trading System.

Capital Allowances (and Expenses) for Business Cars

The car value threshold for business cars is being increased from €23,000 to €24,000.

In the case of corporation tax the new threshold will apply for expenditure incurred in an accounting period ending on or after 1 January 2007. In the case of income tax, the new threshold will apply for expenditure incurred in the basis period for the tax year 2007 and subsequent tax years.

CAPITAL GAINS TAX

Retirement Relief

The following changes were announced:

The existing threshold is being increased from €500,000 to €750,000 from 1 January 2007.

The relief is being extended to disposals of farmland which has been leased prior to disposal. To qualify, the land must

- a. have been leased for no longer than 5 years prior to disposal
- b. have been owned and used by the farmer for 10 years prior to the initial letting, and
- c. be disposed of to the person leasing the land.

This change will be included in the 2007 Finance Bill.

CAPITAL ACQUISITIONS TAX

Agricultural Relief

CAT agricultural relief provides relief from CAT on 90% of the value of a gift or inheritance. In order to qualify for the relief, 80% of a farmer's total assets (after receipt of the gift/inheritance) must consist of qualifying agricultural assets. Off-farm principal private residences are not considered such assets for the purposes of this relief. This provision is now being amended so that an individual may off-set borrowings on an off-farm principal private residence against the property's value, for the purpose of the 80% test. These changes will be included in the 2007 Finance Bill.

CORPORATION TAX

Research and Development Tax Credit Scheme

The base year expenditure against which qualifying incremental expenditure on R&D is measured under the tax credit scheme is being fixed at 2003 levels for a further 3 years to 2009. From 1 January 2007 expenditure by companies on sub-contracting R&D work to unconnected parties will qualify under the scheme up to a limit of 10% of qualifying R&D expenditure in any one year. This is in addition to the existing provision in the scheme in relation to subcontracting to universities. It will be necessary to inform the European Commission about these changes from a state aid perspective.

Preliminary Corporation Tax

The corporation tax liability threshold for treatment as a small company is being increased from €50,000 to €150,000 effective from preliminary tax payment dates arising after 6 December 2006. New or start-up companies with a CT liability of €150,000 or less for their first accounting period will not be required to pay preliminary tax in respect of that first accounting period and will instead be required to pay their final CT liability for that accounting period at the same time as they are required to submit their tax returns (9 months after the end of the accounting period). This measure will come into effect from preliminary tax payment dates arising after 6 December 2006.

Investment in Renewable Energy Generation

The qualifying period for the scheme of tax relief for corporate investment in certain renewable energy projects is being extended to 31 December 2011. This extension is subject to clearance by the European Commission from a state aid perspective and will come into operation by way of a Commencement Order to be made by the Minister for Finance following such clearance.

STAMP DUTY

Mortgages

Stamp Duty on mortgages is being abolished for mortgage deeds executed on or after 07 December 2006. Mortgage deeds covered include primary, collateral, additional and equitable mortgages together with transfers of mortgages.

Farm Consolidation

The stamp duty relief for farm consolidation, contained in Section 81B of the Stamp Duties Consolidation Act 1999, is being extended for a further 2 years to 30 June 2009. The relief is also to be extended to qualifying exchanges of land where only one farmer is consolidating his/her holding where all other conditions of the relief are satisfied.

Young Trained Farmer Relief

The Finance Bill 2007 will include changes relating to the education criteria and refunds procedure governing the relief for young trained farmers contained in Section 81A of the Stamp Duties Consolidation Act 1999.

Sporting Bodies

A new stamp duty exemption is being introduced in respect of purchases of land by those sporting bodies covered by section 235 of the Taxes Consolidation Act 1997. Full details of the exemption will be contained in the Finance Bill 2007.

EXCISES

The Minister announced the following changes:

Mineral Oil Tax

The removal of mineral oil tax from non-auto kerosene and Liquefied Petroleum Gas (LPG), effective from midnight 31 December 2006.

The changes are as follows:

- Kerosene (non-auto) - from €16.00 per 1,000 litres to €0.00
- LPG (non-auto) - from €10.00 per 1,000 litres to €0.00

Tobacco Products

The Minister for Finance announced an increase of 50 cent on a packet of 20 cigarettes with a pro-rata increase on the other tobacco products. The new rates, which take effect as and from 7 December, are set out in the table hereunder:

Rates of Excise Duty on Tobacco Products

Description of Product	Rate of Duty
Cigarettes	€151.37 per thousand together with an amount equal to 17.78 per cent of the price at which the cigarettes are sold by retail
Cigars	€217.388 per kilogram
Fine-cut tobacco for the rolling of cigarettes	€183.443 per kilogram
Other smoking tobacco	€150.815 per kilogram

BUSINESS EXPANSION SCHEME (BES) AND SEED CAPITAL SCHEME (SCS)

Both the BES and the seed SCS are being renewed for seven years to the end of December 2013. The company limit for both schemes rises from €1 million to €2 million. The investor limit is up from €31,750 to €150,000 for BES and from €31,750 to €100,000 for the SCS. Continuation of the schemes and the proposed changes require European Commission approval.