

08 Budget




Budget highlights

- Increase in personal tax credits, bands and exemption limits
- No change in income tax rates
- Reform of stamp duty rates applicable to residential property
- An increase in the amount of mortgage interest relief that can be claimed by “first time buyers”
- Announcement of a date for the introduction of legislation in relation to VAT on property regime
- Small and start-up companies corporation tax threshold for preliminary tax increase from €150,000 to €200,000 effective from preliminary tax payments dates arising after 5 December 2007
- Proposals to change the basis of taxation for Vehicle Registration Tax and Motor Tax from engine size to level of CO2 emissions.

Taxation of individuals

Income tax

The following changes to personal tax credits and income tax bands were announced;

Tax Credits	2007	2008
Single	€1,760	€1,830
Married	€3,520	€3,660
Employee credit	€1,760	€1,830
Single parent with dependent child	€3,520	€3,660

Standard Rate Cut-off Level	2007	2008
Single	€34,000	€35,400
Married – one income	€43,000	€44,400
Married – two incomes	€68,000	€70,800

PRSI / Health levies

The employee PRSI earnings ceiling is increased from €48,800 to €50,700. The weekly threshold for liability to PRSI is increased from €339 to €352 while the weekly health levy threshold increases from €480 to €500.

Property

Mortgage interest relief

There is an increase in the relief for mortgage interest for 'first time buyers'. This relief is increased from €8,000 to €10,000 per annum for a single person and from €16,000 to €20,000 per annum for married couples. The period over which the enhanced 'first time buyer' relief may be claimed is the first seven years of the mortgage.

Rent-a-Room Scheme

The upper limit of income which will be treated as exempt for the rent-a-room or rooms in a person's principal private residence will increase from €7,620 to €10,000.

Stamp Duty on residential property

A simplified system of stamp duty applicable to residential property is being introduced with immediate effect.

New Stamp Duty Rates for Residential Property	
First €125,000	Exempt
€125,001 to €1,000,000	7%
Balance	9%

Claw-back of Stamp Duty relief for first-time purchasers and other owner-occupiers

Provisions in relation to the exemption from stamp duty for first time purchasers and other owner occupiers provide that a claw-back of the relief will occur if the purchaser rents out the property, other than under rent-a-room arrangements, within 5 years of the date of the acquisition of the property. The Minister has proposed that this 5 year period will be reduced to 2 years for deeds of transfer executed on or after 5 December 2007. Where a property was acquired before 5 December 2007 and rented out after that date, there will not be a claw-back where this happens in the third, fourth or fifth year of ownership.

Business taxation

Value Added Tax on property transactions

Earlier than expected and with effect from 1 July 2008 the much anticipated new system for applying VAT on property transactions will be introduced. The new system indicates a number of key changes to that envisaged in the consultation process. The main provisions of the new system include:

- All 'new' building freehold sales or freehold equivalent sales will be subject to VAT;
- Buildings of less than 5 years, after completion, will be considered 'new'. Buildings are not, however, considered 'new' for subsequent sales when sold within the 5 year period if they have been occupied for two years or more at the time of sale;
- If an 'old' building is substantially refurbished or materially altered it will become a 'new' building and sales will be subject to VAT;
- All 'old' buildings freehold sales will be exempt from VAT. If both landlord and tenant however agree to opt to tax, the sale will be subject to VAT. The VAT will be calculated on the sale proceeds (subject to anti-avoidance provisions if applicable);
- All leases will be exempt from VAT. The landlord, however, may elect to opt to tax the rents.
- A VAT Capital Goods Scheme will be introduced giving a 20 year VAT life to a building.

Reverse charge to VAT in the construction sector

It is proposed that with effect from 1 September 2008 a subcontractor will no longer charge VAT on supplies made to a principal. The principal will be required to self-account for VAT on receipt of the supplies from the subcontractor. This is a simplification measure and will be the subject of consultation with the construction sector.

Value Added Tax thresholds

With effect from 1 May 2008, the VAT registration thresholds for small businesses will be increased from €35,000 to €37,500 in the case of services, and from €70,000 to €75,000 in the case of goods.

Preliminary corporation tax

Companies with a corporation tax liability of less than €200,000 (previously €150,000) can now compute their preliminary tax liability by reference to the previous year's results. In addition, start-up companies with a corporation tax liability of less than €200,000 will not be required to pay preliminary tax for their first accounting period. These measures are effective for preliminary tax payments arising after 5 December 2007.

R&D tax credit

The 2003 threshold year has been fixed for a further four years to 2013.

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Environmental initiatives

In the context of the implementation of a Carbon Tax system within the life of this Government, the Minister has proposed the following changes:

Vehicle Registration Tax

With effect from 1 July 2008 VRT will be calculated based on the CO₂ emissions of the car rather than engine size with rates ranging from 14% to 36%, with higher CO₂ emissions attracting higher VRT.

Motor tax rates

Motor tax rates will increase by 9.5% in respect of cars with engines smaller than 2.5 litres and by 11% in respect of cars with engines greater than 2.5 litres. The new rates will apply to motor tax discs for periods beginning on or after 1 February 2008.

Capital allowances and leasing charges for business cars

The current value threshold for business cars of €24,000 for capital allowances and lease expense restriction purposes will be restricted based on the CO₂ emissions of the car. For cars with higher CO₂ emissions this threshold of €24,000 will be reduced by reference to a sliding scale. This will effect cars purchased or leased on or after 1 July 2008.

Other measures

- A reduction in stamp duty on financial cards and an increase in the stamp duty applicable to cheques.
- The current remittance basis of taxation which previously applied to certain non-Irish and United Kingdom source income for certain individuals has been extended to cover United Kingdom income from 1 January 2008.
- An extension of film relief until 31 December 2012.

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