

Tax Facts 2009

The essential guide to Irish tax
(Updated June 2009)



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Tax Facts 2009

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(Updated June 2009)



Introduction

This publication is a practical and easy-to-follow guide to the Irish tax system. It provides a summary of Irish tax rates as well as an outline of the main areas of Irish taxation.

This booklet is also available online at www.pwc.com/ie

A list of PricewaterhouseCoopers contacts is provided at the front of this guide should you require more detailed advice or assistance tailored to your specific needs.

A handwritten signature in black ink that reads "Colm Kelly". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Colm Kelly

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Corporation tax

Corporation tax rates

Rate	
12.5%	trading income (including dividends from an EU/tax treaty country paid out of trading profits)
25%	non-trading income and trading income from dealing in and developing land, including residential development land but excluding land fully developed
10%	income derived from manufacturing, manufacturing services and certain other service activities for operations established before 23 July 1998. Applies until 31 December 2010 after which the 12.5% rate applies

Losses

A trading loss incurred in an accounting period may be offset against any of the following:

- trading income and foreign dividends taxable at the 12.5% rate arising in the same period
- trading income of the immediately preceding period
- trading income of subsequent periods.

To the extent not usable against trading income, a trading loss can be converted into a tax credit which may be used to reduce the corporation tax payable on passive income and chargeable gains.

R&D credit

Incremental R&D expenditure qualifies for a tax credit of 25% (20% up to 31 December 2008), in addition to the normal deduction for R&D expenditure, providing an overall effective corporation tax deduction of 37.5%.

The credit is available for incremental expenditure incurred in any EU country, and not just in Ireland. However, there are restrictions on the deductibility of non-Irish expenditure where a tax deduction is available in another jurisdiction.

For the purpose of calculating incremental expenditure, 2003 has been fixed as the base year.

Other features of the R&D tax credit scheme:

- A repayment of excess R&D tax credits is available over a three year period. The repayment is limited to the higher of the total corporation tax payable by the company in the previous ten years or the payroll tax liabilities of the company for the period in which the R&D expenditure is incurred.
- Excess R&D tax credits can be carried back to prior periods generating a cash refund of tax paid.
- R&D tax credit is available on buildings which qualify for the relief. The credit can be claimed in full in the year the qualifying expenditure is incurred.
- R&D tax credit claims must be made within 12 months of the end of the period in which the expenditure is incurred.

Intellectual Property (IP) tax deduction

Capital allowances are available for capital expenditure incurred after 7 May 2009 on the acquisition of qualifying IP assets. Tax deductions are matched with the amortisation or depreciation charge of the IP included in the accounts. Alternatively, a company can elect to claim tax deductions over 15 years.

Planning tip!

Ensure you avail of the cash refund available on excess R&D tax credits. Claims must be made within 12 months of the end of the period in which the expenditure is incurred.

The definition of IP assets includes the acquisition of, or the license to use:

- patents and registered designs
- trademarks and brand names
- know-how
- domain names, copyrights, service marks and publishing titles
- authorisation to sell medicines, a product of any design, formula
- process or invention (and any rights derived from research into same), and
- goodwill, to the extent that it directly relates to the assets outlined above.

Tax deductions are available for offset against income generated from exploiting IP assets or as a result of the sale of goods or services that derive the greater part of their value from the IP.

The maximum IP tax relief available (including deductions for funding costs associated with the acquisition of IP) in a given year is restricted to 80% of the relevant profits of the company. Any excess deductions may be carried forward and offset against IP profits in succeeding years, subject to the 80% restriction.

Ireland as a holding company location

Irish tax legislation provides for an exemption from capital gains tax for Irish resident companies which make disposals from substantial shareholdings (at least 5%) in trading subsidiaries tax resident in an EU or tax treaty country (including Ireland). In group situations, holdings of other members of the group are taken into account in determining whether the minimum holding requirement is met.

Under foreign tax credit pooling rules, an excess tax credit arising in respect of a foreign dividend may be offset against the corporation tax arising on other foreign dividend income. Excess tax credits arising in an accounting period may be carried forward indefinitely for offset against corporation tax on foreign dividends in later periods. Any excess foreign tax credits arising in respect of a foreign branch may be offset against Irish tax arising on branch profits in other countries in the year concerned.

Irish tax legislation has no thin capitalisation or controlled foreign corporation (CFC) rules, and has only limited transfer pricing provisions.

Closely held companies

A surcharge of 20% is payable on the total undistributed investment and rental income of a close company. Close “service” companies are also liable to a surcharge of 15% on one-half of their undistributed trading income.

Start-up companies

New or start-up companies, which were incorporated on or after 14 October 2008 and which commence trading in 2009, subject to certain conditions, are exempt from corporation tax and chargeable gains on the disposal of assets used for the new trade. This relief applies for three years from the commencement of the trade.

Planning tip!

New tax relief is available for companies on the acquisition of qualifying IP assets, including acquisitions from related parties, at market value.

Corporation tax liability for the period	Availability of relief
< €40,000	Fully exempt
€40,000 - €60,000	Marginal relief
> €60,000	No relief

Corporation tax

Relief does not apply to companies which carry on land dealing, petroleum and mineral activities nor closely held companies. Relief is restricted to new trades and it does not apply if the trade was previously carried on by another person in the State.

Dividend withholding tax (DWT)

A withholding tax at the standard income tax rate applies to dividends and other profit distributions of an Irish tax resident company other than when made to its 51% Irish tax resident holding company. Exemption from withholding tax is available, on due claim, in the case of payments to certain shareholders, including:

- Irish tax resident companies (apart from 51% holding companies of the Irish dividend paying company)
- companies resident in EU Member States or tax treaty countries and which are not under the direct or indirect control of Irish residents
- non-resident companies ultimately controlled by residents of EU Member States or tax treaty countries
- companies whose shares are listed on a recognised stock exchange in an EU Member State or in a tax treaty country or any other exchange approved by the Minister for Finance. This relief also applies where the recipient is a 75% subsidiary of such a listed company or is wholly owned by two or more such companies
- designated brokers receiving dividends on behalf of holders of special portfolio investment accounts
- certain non-corporate residents of EU Member States or tax treaty countries
- charities, pension funds, certain retirement funds and certain sports bodies
- certain collective investment funds
- certain individuals entitled to receive tax-free income
- certain employee share ownership trusts.

In addition, DWT does not apply to distributions not subject to tax in the recipient's hands (ie dividends from patent companies to qualifying shareholders). Detailed conditions, which may include the making of appropriate declarations, must be met to avail of the above exemptions.

Self assessment - payment and returns

Preliminary tax Current arrangements	Preliminary tax New arrangements [†]
<ul style="list-style-type: none"> • Preliminary payment of 90% of the final tax liability is due one month before the end of the accounting period • The balance of tax is due nine months after the end of the accounting period 	<ul style="list-style-type: none"> • First instalment: <ul style="list-style-type: none"> - Payment is due six months from the start of the accounting period - 50% of previous year's final liability <u>or</u> 45% of the current year's final liability • Second instalment: <ul style="list-style-type: none"> - Brings total preliminary tax payment up to 90% of the final liability - Payment is due one month from the end of the accounting period - Balance of tax is due nine months after the end of the accounting period

- † The new arrangements apply to “large companies” with accounting periods commencing on or after 14 October 2008. They do not apply to the following:
- “small companies”
 - “large companies” with accounting periods commencing before 14 October 2008, and
 - a company whose accounting period is 7 months or less.

Important considerations regarding tax payments and the filing of tax returns include:

- “Small companies”, companies with a corporation tax liability in the previous year which did not exceed £200,000, may opt to pay preliminary tax based on the prior year's liability. The preliminary tax payment in such cases can be equal to the prior year's liability.
- New or start-up companies with a corporation tax liability of not more than €200,000 for their first accounting period are not required to pay preliminary tax in respect of that accounting period. Instead, the final corporation tax liability for the accounting period is due at the same time as the corporation tax return is due.
- A company's preliminary tax liability includes corporation tax, close company surcharge and any income tax liabilities for the accounting period.
- Tax payments must be made not later than the 21st day of the relevant month.
- In order to encourage electronic filing of corporation tax returns, the return filing and payment deadlines for corporation tax have been extended to the 23rd of the relevant month. These extensions apply from 1 January 2009.
- Special rules apply where a chargeable gain arises in the last month of the accounting period. Special rules also apply for a company which has adopted IFRS in relation to its financial assets and liabilities.
- Where applicable, a company must file a dividend withholding tax return, and remit the withholding tax deducted from dividends or other distributions, by the 14th day of the month following payment of the dividend/distribution.

Planning tip!

Ensure you effectively manage the allocation of each year's group relief to significantly minimise and defer tax payments.

Corporation tax

Tax treaties

Companies that are resident in Ireland may avail of the benefits of Ireland's tax treaties. The tax treaties secure a reduction or, in some cases, a total elimination of withholding tax on dividends, royalties and interest. Ireland has concluded, or is in the process of concluding, tax treaties with the following countries:

- Australia
- Austria
- Belgium
- Bulgaria
- Canada
- China
- Chile
- Croatia
- Cyprus†
- Czech Republic
- Denmark
- Estonia
- Finland
- France†
- Germany†
- Greece
- Hungary
- Iceland
- India
- Israel
- Italy†
- Japan
- Korea (Republic of)†
- Latvia
- Lithuania
- Luxembourg
- Macedonia (effective from 1 January 2010)
- Malaysia
- Malta (effective from 1 January 2010)
- Mexico
- Netherlands
- New Zealand
- Norway
- Pakistan†
- Poland
- Portugal
- Romania
- Russia
- Slovak Republic
- Slovenia
- South Africa*
- Spain
- Sweden
- Switzerland
- United Kingdom
- United States
- Zambia
- Vietnam

† These treaties are being re-negotiated

* Protocol agreed

Treaties are being negotiated with:

- Albania
- Argentina
- Armenia
- Azerbaijan
- Belarus
- Bosnia Herzegovina
- Egypt
- Georgia †
- Kuwait
- Moldova
- Morocco
- Serbia
- Singapore
- Thailand
- Tunisia
- Turkey †
- Ukraine

† Awaiting ratification

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Capital allowances

Plant and machinery

Expenditure incurred on plant and machinery, fixtures and fittings etc may be written off at 12.5% per annum on a straight line basis over an 8 year period. A scheme of accelerated allowances provides for 100% capital allowances in the year of purchase on expenditure incurred by companies on certain qualifying equipment of an energy saving nature bought for trading purposes.

Motor vehicles

The annual allowance for motor vehicles (other than taxi and short-term hire vehicles to which a 40% rate applies) is 12.5%, on a straight line basis, of the cost of the vehicle. The maximum qualifying cost of motor vehicles (new and second hand) is €24,000. For cars purchased on or after 1 July 2008, the €24,000 threshold is reduced by reference to a sliding scale for cars with higher CO2 emissions.

Industrial buildings located in Ireland

An annual allowance of 4%, on a straight line basis, may be claimed in respect of industrial buildings used for manufacturing purposes. Accelerated allowances and allowances on certain other buildings regarded as industrial buildings are available in certain circumstances. Various conditions apply. The types of building in respect of which accelerated allowances may apply include hotels; holiday cottages; certain buildings in the area of healthcare including certain private hospitals, nursing homes, convalescent homes, nursing home residential units, private sports injuries clinics, mental health centres and specialist palliative care units. A number of area specific schemes and other specific schemes may still attract allowances which are being phased out over the next number of years with no further expenditure on construction or refurbishment attracting allowances.

A new scheme is to come into operation by way of Commencement Order following clearance by the European Commission from a State-aid perspective. The relief will be by way of accelerated capital allowances for qualifying removal costs of certain industrial facilities and the qualifying cost of building relocated facilities, including land costs to avoid hindrance to the regeneration of urban docklands.

Restrictions

Restriction on utilisation of reliefs for high earners

There is a limit on the use of "specified reliefs" which individual taxpayers may avail of to reduce their taxable income in any one year. For further details on the restriction of reliefs refer to page 18 "Restriction of certain tax reliefs for high earners". "Specified reliefs" include property based incentives.

Active partners

Other than in the case of capital expenditure incurred by certain active owner-occupiers or on hotels located in specified border counties, capital allowances deductible from total income may not, generally, exceed €31,750. The balance is generally restricted for use against Irish rental income.

Planning tip!

Ensure all necessary conditions and documentation requirements are met in relation to potential claims for capital allowances on buildings.

Planning tip!

Companies should consider whether they can buy energy efficient equipment which qualifies for accelerated capital allowances.

Value added tax (VAT)

General

VAT is a transaction based tax and is chargeable when an accountable person, acting as such, supplies goods or services in Ireland in the course or furtherance of a taxable business. It is also chargeable on the purchase of specified services from suppliers outside Ireland, on imported goods, and on intra-Community acquisitions of goods.

“Accountable persons” include persons carrying on business in Ireland whose annual turnover exceeds the following limits; €75,000 where goods are supplied and €37,500 where services are supplied.

Foreign traders supplying certain taxable services in Ireland, or selling goods from stocks held, or acquired in Ireland are obliged to register for Irish VAT. Foreign traders do not benefit from the registration thresholds unless the trader has a fixed place of business in Ireland. Foreign traders making distance sales to Ireland are obliged to register for Irish VAT if the value of these sales exceeds €35,000 in a calendar year.

Unregistered persons in receipt of certain services from abroad deemed to be supplied in Ireland (known as reverse charge services) must register for Irish VAT if those services are received for business purposes. They are also obliged to register for VAT if they make intra-Community acquisitions of goods in the course or furtherance of business which exceed €41,000 in a 12 month period.

Accounting for VAT

Persons obliged to register for VAT must submit bi-monthly returns; in certain cases however, monthly, quarterly, bi-annual or annual returns may be submitted. Some accountable persons may elect to account for their VAT liability on the basis of cash received in a taxable period rather than on the basis of invoiced sales.

Rates

The rates of VAT and some of the supplies to which they apply are set out below:

Rate	
21.5%	the standard rate of VAT (effective from 1 December 2008) applies to supplies not subject to the rates below
13.5%	land and buildings (if taxable), building services, newspapers, periodicals, hotel/holiday accommodation, short term car hire, heating fuel, electricity, restaurant services and waste disposal services
5.2%	farmers' flat-rate addition
4.8%	livestock and greyhounds and the hire of horses
0%	exports, books, oral medicine, children's clothing and footwear

Property

New VAT on property rules were introduced on 1 July 2008. Transitional rules apply to the supply of interests in immovable goods that were acquired or developed prior to 1 July and which are supplied on or after 1 July 2008.

Under the new VAT on property rules, typical occupational lease interests in property are exempt from VAT (with a landlord's "option to tax" the rent in certain circumstances). The supply of freehold and freehold equivalent interests in "new" property continues to be subject to VAT at 13.5%. Sales of "old property" are exempt from VAT unless an option is exercised jointly by the vendor and purchaser.

Planning tip!

If you primarily supply goods or services to persons who are not registered for VAT or if your turnover is less than €1,000,000 you may be eligible to account for VAT on a cash receipts basis rather than on the basis of invoice sales.

Planning tip!

If your business has retained deposits or cancellation charges on which VAT was paid to Revenue and no supply was ultimately made, you may be entitled to a refund of this VAT from Revenue.

Planning tip!

Remember to claim VAT bad debt relief at the earliest opportunity.

“New property” includes:

- the first supply of a completed property within 5 years of its completion
- the second and subsequent supply of a completed property within 5 years of its completion if it takes place within 2 years of occupation
- old property which has been significantly re-developed.

The new rules introduced a capital goods scheme which provides for the adjustment of VAT deductibility in respect of the acquisition or development costs over a 20 year life of the capital good (ie the property); a 10 year life applies for refurbishments which also constitute a capital good.

Exempt activities

The supply of certain goods and services is exempt from VAT including most banking and insurance services, education and training, medical services and passenger transport.

Tour Operators Margin Scheme

With effect from 1 January 2010, a Tour Operators Margin Scheme is being introduced. Under this scheme the profit margin realised on the sale of travel packages will be subject to VAT at the standard rate. As a consequence of this scheme, the arrangement of passenger transport or accommodation for persons will no longer be exempt from VAT.

Section 13A

Accountable persons may be authorised to import and make intra-Community acquisitions of goods and acquire most goods and services at the zero-rate of VAT if at least 75% of their annual turnover comprises exports or zero-rated intra-Community supplies of goods.

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Stamp duty

Stamp duty rates

Rates	
1%	Transfer of certain stocks and shares [†]
nil	Issue of shares
0% - 6%	Premiums on leases of land and other real property ^{††}
1% - 12%	Average annual rent reserved by lease (rate depends on the length of the lease)

Transfer/purchase of property^{††}

All forms of property (other than stocks and shares and residential property) such as land, buildings, goodwill, book debts, cash on deposit and benefits of contracts, attract stamp duty at the rates set out below:

Value	Rate
Up to €10,000	Exempt
€10,001 - €20,000	1%
€20,001 - €30,000	2%
€30,001 - €40,000	3%
€40,001 - €70,000	4%
€70,001 - €80,000	5%
Over €80,000	6%

Planning tip!

Always seek advice before executing a Business Purchase Agreement. Careful drafting can help to minimise the stamp duty liability.

Transfer/purchase of residential property

Owner occupiers		Non owner occupiers		
New property not exceeding 125 sq m		New property over 125 sq m*/secondhand property		New/second hand property
		First time buyers	Other buyers	
• Up to €127,000	Exempt	Exempt	Exempt	Exempt
• Over €127,000				
- First €125,000	Exempt	Exempt	0%	0%
- Next €875,000	Exempt	Exempt	7%	7%
- Excess over €1,000,000	Exempt	Exempt	9%	9%

* Special valuation rules apply to the purchase of new properties over 125 sq m by owner occupiers to eliminate or significantly reduce the liability

Notes:

[†] Transfers of shares not exceeding €1,000 in value are exempt.

^{††} On all purchases of non-residential property a single rate will apply to the entire consideration. Gifts are chargeable on their market value at the same rates as for other conveyances.

Exemptions and reliefs

Transfers between associated companies where the necessary 90% beneficial ownership relationship exists and where certain other conditions are satisfied	Exempt
Transfers on certain reorganisations, takeovers and mergers	Exempt
Most transfers of surplus assets by liquidator to shareholder	Nil
Transfers of intellectual property, such as copyright, trademarks, brands and patents	Exempt
Most transfers of foreign shares and foreign land	Exempt
A wide range of financial services instruments	Exempt
Transfers of Irish government stocks	Exempt
Transfers under wills	Exempt
Transfers between spouses (including certain transfers on divorce)	Exempt
Transfers of carbon credits	Exempt

Planning tip!

Remember transfers of assets between spouses are exempt from stamp duty. If you are married you should consider whether you hold your assets in the most tax efficient manner.

Transfers of property other than stocks and shares between related persons are charged at half the usual rate of duty.

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Relevant contracts tax (RCT)

Relevant contracts tax (RCT)

Relevant contracts tax is concerned with payments made by a person (a “principal contractor”) to another person (a “subcontractor”) who carries out, or is responsible for carrying out construction operations (broadly defined), forestry operations or meat processing operations (“relevant operations”). The principal contractor is required to withhold RCT, at 35%, from the VAT inclusive amount of payments.

From 1 September 2008, principal contractors involved in construction operations, excluding haulage for hire, are required to self account for VAT on payments to subcontractors. Consequently, the principal is now required to withhold RCT at 35%, from the VAT exclusive payments.

Planning tip!

Remember RCT may apply when you undertake building or installation work, even if you are not involved in a construction business.

In some instances persons not directly engaged in construction, meat processing or wood processing may be liable to RCT. Payments for the supply of staff to carry out “relevant operations” are subject to RCT. A person connected with a company engaged in construction, land development, meat processing or forestry processing activities is obliged to apply RCT to payments to contractors for relevant operations. However, a company is exempt from this requirement where they engage a subcontractor solely to carry out work on their own business premises and provided they themselves are not engaged in the business of land development or construction. While the foregoing exemption does not generally apply to individuals or partnerships who are connected as described above, or to connected companies involved in letting property, where such entities make payments for work to a value of less than €20,000 (incl VAT) per year on their own premises or on let premises respectively, RCT will not apply.

Payments may be made gross where the recipient has a valid Certificate of Authorisation (C2) and the principal has received a relevant payments card. Where payments are made gross without authorisation, RCT, interest and penalties will apply. Businesses intending to engage contractors should therefore be aware of possible RCT implications.

Principal contractors are required to send RCT1 forms (a form which certifies that there is not an employment relationship with the contractor) to Revenue within 7 days of the declaration being made in certain circumstances.

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Interest payable

Relief is available for interest on money borrowed:

- for the purpose of a trade or profession carried on by an individual or company (but may be restricted in certain tax avoidance situations)
- for the purchase of, or expenditure on, a rented property
- by an individual to invest in or to lend to a partnership in the conduct of whose business the individual acts as a partner.

Relief is also available for interest on money borrowed to acquire an interest in or to lend to a company, as follows:

Individuals: Unrestricted relief is available to individuals who have worked for the greater part of their time in the management or conduct of the business of a trading company or a holding company, or of a connected company, and who have a material interest (more than 5% of equity) in the company.

Unrestricted relief is also available to the full-time or part-time directors and employees of a private trading company and to the full-time directors or employees of a private holding company (even if a material interest is not held).

Relief is not available for interest on money borrowed to acquire shares in or to lend to a quoted company except where the investment was made when the company was unquoted, in which case transitional provisions apply.

Companies: Relief is available to a company which borrows money to acquire an interest in, or to lend to, a company which is a trading company, a rental company or a holding company. To qualify for relief, the investing company must have a material interest (more than 5% of the equity) in the company in which it is investing or in a connected company and at least one director who is also a director of that company or of a connected company.

Certain additional conditions also apply: for instance, where the money is lent to a company, it must be used for the trade or business of the company or of a connected company. "Recovery of capital" and other anti-avoidance rules may also restrict relief.

There is a restriction on the amount of interest relief available to an investing company providing funds to a company entitled to capital allowances for specified intangible assets. An anti-avoidance measure denies relief for related-party borrowing used to finance the acquisition of a related entity. The measure is subject to a number of relaxations.

Deposit interest retention tax (DIRT)

25% DIRT accounts: Income tax at the rate of 25% (23% up to 7 April 2009) is deducted at source by banks, building societies, credit unions, trustee savings banks and the Post Office Savings Bank from interest paid or credited annually or at more frequent intervals on deposit accounts in the beneficial ownership of individuals resident in Ireland. The tax deducted will satisfy an individual's full liability to income tax on such interest. However, the health contribution (4%/5% from 1 May 2009) is payable on such interest received.

28% DIRT accounts: For interest paid or credited on other deposit accounts (eg where interest is credited at maturity), income tax at the rate of 28% (26% up to 7 April 2009) is deducted at source.

Repayments: DIRT deducted will only be repaid to the following:

- individuals or their spouses aged 65 or over who are not liable to income tax (interest may be paid gross subject to an appropriate declaration)
- incapacitated individuals (interest may be paid gross in certain cases)
- charities
- companies that do not have a corporation tax liability.

Non-residents: Interest received by non-resident individuals who complete the appropriate declaration form may be paid without deduction of DIRT.

Planning tip!

Review your company structure annually to ensure that the conditions for interest relief remain satisfied.

Income tax

Main personal credits and allowances

Planning tip!

The due date for the filing of 2008 tax returns is 31 October 2009. If you are self-assessed you may avail of Revenue's extended pay and file ROS deadline.

Planning tip!

You may claim relief for medical expenses either in the year in which the payments were made or in the year in which the expenses were incurred. If medical expenses were incurred in 2008 but paid in 2009, tax relief at the marginal rate of 41% can still apply to these expenses.

Tax credits	2009 €	2008 €
Single person with no dependent child	1,830	1,830
Married	3,660	3,660
Widowed person with no dependent child	2,430	2,430
Widowed person bereaved in year of assessment	3,660	3,660
Single parent with dependent child	3,660	3,660
Widowed parent with dependent child - first year after bereavement ^a	5,830	5,830
Incapacitated child	3,660	3,660
Married couple - home carer ^b	900	900
Blind person's tax credit: Single/married, one spouse blind	1,830	1,830
Married (both blind)	3,660	3,660
Dependent relative	80	80
Age tax credit - Single/widowed	325	325
- Married	650	650
Employee tax credit	1,830	1,830
Medical insurance	at source	at source
Dental insurance	standard rate	standard rate
Certain fees paid to private colleges	standard rate	standard rate
- maximum relief	5,000	5,000
Local authority service charges ^c	80	80
Medical expenses (no excess)	standard rate ^d	marginal rate

^a Reducing credit available for subsequent years

^b Where carer's income exceeds €5,080, the tax credit is reduced by one half of the amount of the excess

^c An upper limit of €400 per annum (previous year amount) applies

^d Nursing home expenses will continue to be tax relieved at the marginal tax rate

Allowances at marginal rate	2009 €	2008 €
Business expansion scheme (BES) - maximum relief per annum	150,000	150,000
Qualifying film relief - maximum relief per annum	50,000	25,400
Employee share subscription - maximum lifetime deduction	6,350	6,350
Pension contributions		
Retirement annuity contracts - maximum % of net relevant earnings ^{a,b}	15%-40%	15%-40%
Occupational pensions - maximum % of income ^{a,b}	15%-40%	15%-40%
Permanent health benefit schemes - maximum % of statutory income	10%	10%

a The applicable percentage rate is based on age; see page 29 "Pension schemes" for details

b Earnings cap for 2009 is €150,000 and for 2008 is €275,239

Exemption limits

Persons aged 65 and over	2009 €	2008 €
Single/widowed ^a	20,000	20,000
Married	40,000	40,000

a There is an increase of €575 for each of the first two qualifying children and €830 for each subsequent child

Rates

	2009 €		2008 €	
	20%	41%	20%	41%
Single and widowed person: no dependent children	36,400	balance	35,400	balance
Single and widowed person: dependent children	40,400	balance	39,400	balance
Married couple: one income	45,400	balance	44,400	balance
Married couple: two incomes	72,800	balance	70,800	balance

Income tax

Tax residence

An individual is regarded as tax resident for a particular tax year if present in Ireland for 183 days or more in that year, or 280 days or more in that and the preceding year combined, including at least 30 days in each year. With effect from the 2009 tax year, an individual will be regarded as present in the State for a day if present for any part of a day. Previously, days were counted if the individual was present in Ireland at midnight. There are also specific tax rules in relation to split year and ordinary residence which may be of relevance to individuals arriving in or departing from Ireland.

Remittance basis of taxation (RBT)

RBT provides favourable taxation treatment in respect of individuals resident in Ireland who are either not Irish domiciled or who are Irish citizens not ordinarily resident in Ireland. RBT is applicable in relation to foreign personal income and qualifying foreign source employment income relating to non-Irish employment duties. PAYE applies to earnings from a foreign employment exercised in Ireland, subject to certain exclusions. In addition, capital gains arising on the disposal of non-Irish assets by non-Irish domiciled individuals are liable to Irish CGT only to the extent that the gain is remitted to Ireland. The following table summarises the position:

	Non-Irish domiciled	Irish citizen non-ordinarily resident
	Income/gains taxable in Ireland	
Irish source income	yes	yes
Foreign employment – Irish workdays	yes	yes
Foreign employment – non-Irish workdays	only if remitted	only if remitted
Foreign personal income (eg rental income) ^a	only if remitted	only if remitted
Irish capital gains	yes	yes
Foreign capital gains ^b	only if remitted	yes

a includes UK income as and from 1 January 2008 only

b includes UK capital gains as and from 20 November 2008 only

Special assignment relief programme

A new assignment relief programme has been introduced which came into effect from the 2009 tax year. The relief will be available to certain employees who are assigned from abroad to work in Ireland for a period of at least three years.

The new relief applies to assignees who earn more than €100,000 a year and, where qualifying criteria are satisfied, they are eligible for tax relief on up to 50% of their employment earnings above that amount.

The relief is only be available to non-Irish domiciled individuals who take up residence in Ireland and they must:

- be an employee of a company incorporated and resident in a country outside the European Economic Area and with which Ireland has a tax treaty
- prior to arrival in Ireland have been employed by an associated company of the Irish entity to which they are assigned and continue to be paid by the overseas employer
- previously have been tax resident and exercised the greater part of their employment in a relevant overseas jurisdiction.

The overseas employer must operate Irish PAYE (and PRSI where appropriate) on the employment income. The relief will operate by way of a repayment after the tax year end of taxes otherwise payable.

Cross border workers

Income tax relief is available to individuals who are resident in Ireland but who work outside Ireland. The relief operates in such a way as to effectively exclude the income arising from a qualifying employment from Irish tax. In order to qualify for the relief, the individual must hold an employment outside Ireland for a continuous period of at least 13 weeks in a country with which Ireland has a tax treaty. Income from the qualifying employment, the duties of which must be performed wholly outside Ireland, must be fully taxed in that country and the foreign tax paid. The individual must also be present in Ireland for at least one day a week during the period of the qualifying employment. The relief does not apply where the earnings arise from an employment with a State or semi-State body.

Relief for mortgage interest payments

Mortgage interest tax relief is available in relation to loans used for the purchase, repair, development or improvement of a qualifying residence.

Tax relief at source is available in respect of qualifying loans for residences situated in Ireland. In the case of first time buyers, the rate at which tax relief will apply is based on a sliding scale as outlined in the table below. With effect from 1 May 2009 tax relief is now only available for the first seven tax years of any qualifying loan.

In the period 1 January 2009 to 30 April 2009 the rate of tax at which mortgage interest relief was available for non-first time buyers was limited to 15%. This reduced rate of relief will also apply to any new qualifying loan taken out by a non-first time buyer, though relief will be limited to the first seven tax years of any such loan.

Rates at which tax relief is available

	2009	2008
First time buyer - Years 1 & 2	25%	20%
First time buyer - Years 3, 4, & 5	22.5%	20%
First time buyer - Years 6 & 7	20%	20%
Years 8 +	0% (15% to 30 April 2009)	20%
Non-first time buyer - Years 1 to 7 of a new loan	15%	20%

The ceilings for mortgage interest payments for the relevant periods of 2009 are as follows:

	First time buyers	Others ^a 1 Jan to 30 Apr	Others ^b 1 May to 31 Dec	Others ^c
Single	€ 10,000	€ 1,000	€ 2,000	€ 3,000
Married/widowed	€ 20,000	€ 2,000	€ 4,000	€ 6,000

a Non-first time buyers who no longer qualify for mortgage interest relief after 1 May 2009

b Non-first time buyers who take out a new qualifying loan after 1 May 2009

c Non-first time buyers who took out a qualifying loan within the last 7 years and continue to qualify for the relief in 2009

Planning tip!

If you are buying your first home, try to time the purchase to maximise your entitlement to first time buyer's mortgage interest relief.

Income tax

Where the interest paid for the relevant period in 2009 does not exceed the appropriate ceiling, the maximum credit is based on 100% of the interest paid.

First time buyers (for 2009) includes all those who first claimed mortgage interest relief on or after 1 January 2003. The increased ceiling and rates for first time buyers apply for a period of seven tax years, commencing with the year in which mortgage interest relief is first available.

Rent relief for private accommodation

Rent paid in a tax year for private residential accommodation qualifies for tax relief in that year, subject to certain limits. Relief is given by way of a tax credit at the standard rate of income tax on the actual rent paid. The maximum credit available is as follows:

	55 or over €	Others €
Single	800	400
Married/widowed	1,600	800

Rent a room scheme

Income from the letting, as residential accommodation, of a room in a person's principal private residence is exempt from tax where the gross annual rental income is not greater than €10,000. The relief will not apply, however, where the letting is between connected parties and rent relief is being claimed. Qualifying room rentals will not affect entitlement to mortgage interest relief nor will they result in a claw back of stamp duty relief. Principal private residence relief for capital gains tax is also unaffected.

Alimony/maintenance payments

Income tax at the standard rate (20%) must be deducted at source from payments made under legally enforceable maintenance agreements entered into before 8 June 1983. For payments under agreements entered into on or after 8 June 1983, income tax is not deducted at source and the payer deducts the payments in computing total income for the tax year. In both cases the payments are assessed for income tax purposes as the recipient's income. Payments for the benefit of a child are made without deduction of tax at source and do not reduce the total income of the payer for income tax purposes. Separated/divorced spouses are treated for tax purposes as single persons. Where separated/divorced spouses are both resident in Ireland and a legally enforceable maintenance agreement is in place, they may elect to be assessed to tax jointly under the separate assessment procedure.

Donations

Donations made to approved bodies, whether by individuals or companies, may qualify for tax relief. Qualifying donations may consist of donations of publicly quoted securities. Where income tax relief is given for such donations, no other relief will be available. In order to qualify for the relief, a minimum donation of €250 in any year to any one approved body must be made. The list of approved bodies is very wide and includes all educational establishments and charities which have been tax exempt for a minimum period of three years. For individuals making donations to approved bodies with which they are connected, tax relief for total donations in a tax year is capped at 10% of total income. Where individuals who are subject only to PAYE, make a donation to an approved body, the tax relief is claimed by the body.

Deeds of covenant

Covenants to permanently incapacitated adults are fully tax deductible. Covenants to a permanently incapacitated minor child are fully tax deductible if paid by a person other than the parent. Covenants to individuals aged 65 years or over who are not incapacitated are also relieved, subject to an overall limit of 5% of the covenantor's total income.

Restriction of certain tax reliefs for high earners

Certain tax breaks available to high income earners are restricted. A tapering restriction applies to individuals with income in excess of €250,000 (before claiming the specified tax reliefs). The amount of reliefs which persons can use to reduce their tax bill in any one year is limited to the greater of €250,000 and 50% of (defined) adjusted income. Any relief not obtained in a particular tax year is carried forward. In the case of married couples, each spouse is treated separately when calculating this relief. As such, each spouse can benefit from the threshold of €250,000.

Self assessment - payment and returns

In general, self assessment applies to all individuals with non-PAYE income and to all directors controlling 15% or more of the share capital of certain companies (even if their entire income is subject to PAYE). The self assessment system places the onus on the individual to file a return, calculate the tax liability, and pay the tax due. To avoid a surcharge (at 5% or 10% of the tax liability, subject to certain maximum amounts) returns of income for the 2008 tax year must be filed on or before 31 October 2009.

To avoid interest charges at 0.0273% per day or part of a day (reduced to 0.0219% per day from 1 July 2009), the preliminary income tax due for the 2009 tax year must be paid by 31 October 2009. The tax paid must represent at least 90% of the individual's final liability for 2009, or 100% of the ultimate liability for the tax year 2008 (before any BES relief and relief for investment in films). In addition, the amount of preliminary tax payable for 2009 must be calculated as if the income levy was payable for 2008.

Alternatively, for the 2009 tax year, a taxpayer can elect to make a preliminary income tax payment equal to 105% of the ultimate liability for 2007 (ie the pre-preceding year), except where that liability was nil. The tax is payable in equal monthly instalments by way of direct debit. The final instalment is payable in December 2009. Where the taxpayer is paying by direct debit for the first time, payment can be made by way of three equal instalments (minimum of 8 instalments otherwise). Any balance of tax due for 2009 must be paid by 31 October 2010 (2008 balance of tax being due by 31 October 2009).

Employment of a carer

A tax allowance for the cost of employing a person to care for an incapacitated family member may be claimed at the claimant's marginal tax rate. The table below sets out the ceiling on the amounts that can be claimed:

	2009 €	2008 €
Amount of ceiling	50,000	50,000

Childminding relief

No tax is payable on the earnings of an individual from taking care of up to three children in the individual's own home, provided the amount is less than €15,000 a year. If such earnings exceed €15,000 in 2009, the total amount will be taxable. Certain conditions apply.

Planning tip!

Your 2008 tax return is due by 31 October 2009. If your total income for 2009 is less than that in 2008, consider basing your preliminary tax payment on the estimated 2009 liability.

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Termination payments

Payments made in connection with the termination of an employment, on retirement or on removal, are eligible for one of the following tax exemptions (the highest exemption usually applies):

- **Basic exemption** - €10,160 with an additional €765 for each complete year of service, or
- **Increased exemption** - the basic exemption may be increased by up to €10,000, subject to Revenue approval, and if no claim for relief has been made in the previous ten years of assessment. The €10,000 amount is reduced by the value of any tax-free lump sum received or receivable (provided it is not irrevocably waived) under an approved pension scheme, or
- **Standard Capital Superannuation Benefit (SCSB)** - the SCSB is an amount equal to: $(A \times B / 15) - C$ where:

A = average annual remuneration for the last 3 years' service

B = number of complete years' service

C = value of any tax-free lump sum received/receivable under an approved pension scheme.

Payments exempt from tax

The following payments are exempt from tax:

- certain ex-gratia payments made in connection with the death, injury or disability of an employee
- statutory redundancy payable under the Redundancy Payments Acts 1967-2007
- certain ex-gratia payments where the employee had significant periods of foreign service (over 75%).

Other reliefs available

- **Top slicing relief** - the tax payable on an ex-gratia payment is limited to the employee's average tax rate for the previous three tax years. Where the tax deducted on the termination payment exceeds this amount, a refund should be claimed after the end of the tax year in which the employment is terminated.

General

Special rules apply where two or more termination payments are made by the same or associated employers.

With effect from 1 May 2009, the taxable element of an ex-gratia payment is subject to PRSI at Class K1 (health contribution): employer - nil, employee - 4% or 5% depending on the taxable income in the month in which termination of employment occurs (see "Health contribution" page 26 for details). For the period up to 30 April 2009, the taxable element of an ex-gratia payment was liable to the health contribution at rates of 2% and 2.5% respectively.

With effect from 1 May 2009, the taxable element of an ex-gratia payment is also liable to the income levy of 2%, 4% or 6% depending on the taxable income in the month in which termination of employment occurs (see "Income levy" page 27 for details). For the period 1 January 2009 to 30 April 2009, the taxable element of an ex-gratia payment was liable to the income levy at the rates of 1%, 2% and 3% respectively.

Planning tip!

Ensure you know what counts as service for statutory redundancy, tax exemptions and ex-gratia purposes.

Planning tip!

Don't forget employers are entitled to a 60% rebate in relation to statutory redundancy payments.

Benefits-in-kind (BIKs)

The majority of employee benefits are subject to PAYE and PRSI (including the health contribution) and the income levy. The taxable benefit is treated as “notional pay” from which PAYE, PRSI and the income levy are deducted.

BIK on company cars – general rules

The BIK charge applying to company cars is payable under the PAYE system. The cash equivalent of the private use of a company car is determined by applying a percentage to the Original Market Value (OMV) taking account of emissions (new cars provided from 2009), with a further reduction for business travel over 24,000km. There is no percentage reduction in the BIK charge where the employee meets some or all of the car running expenses. However a reduction is made on a euro for euro basis for any amount made good by an employee directly to the employer in respect of the cost of providing or running the car.

Where an employee is required to work abroad for an extended period, the notional pay is reduced by reference to the number of days spent working abroad. This is conditional on the employee travelling abroad without a car and the car not being available for use by family or household members.

There is a 20% relief from notional pay on cars for employees whose annual business travel exceeds 8,000 kilometres and who spend 70% or more of their time away from their place of work or business and who do not avail of the tapering relief detailed below. The employee must also work for an average of at least 20 hours per week and must maintain a logbook of business travel and other details which are to be certified by the employer.

BIK on new company cars - from 2009

Revised BIK rules are effective for new company cars provided for the first time. The effective date of this provision will be determined by Ministerial Order. For 2009 or later years (see next page for existing company car BIK rules) the revised BIK rules will be based on the vehicle emissions category, as follows:

Vehicle emissions category	CO2 emissions (CO2 g/km)	OMV %
A	0g/km - 120g/km	30%
B	>120g/km - 140g/km	30%
C	>140g/km - 155g/km	30%
D	>155g/km - 170g/km	35%
E	>170g/km - 190g/km	35%
F	>190g/km - 225g/km	40%
G	> 225g/km	40%

Tapering relief is available for high levels of business travel as follows:

Lower business km	Upper business km	A, B & C OMV %	D & E OMV %	F & G OMV %
-	24,000	30	35	40
24,001	32,000	24	28	32
32,001	40,000	18	21	24
40,001	48,000	12	14	16
48,001	-	6	7	8

Planning tip!

Employers: Have you reviewed your car BIK valuations for 2009 - higher emission cars will impose higher BIK cost for employees.

Employee taxation

BIK on existing company cars

Existing BIK provisions continue to apply to cars not falling within the new CO₂ emissions regime. The annual notional pay arising from the use of a company car to which PAYE, PRSI and the income levy must be applied is calculated at 30% of the Original Market Value (OMV) of the car.

Tapering relief is available for high levels of business travel as follows:

Lower business km	Upper business km	OMV %
-	24,000	30
24,001	32,000	24
32,001	40,000	18
40,001	48,000	12
48,001	-	6

Planning tip!

If employees are contributing to the running costs of the car, consider whether such payments can be structured to reduce the BIK charge.

Parking levy

A parking levy is a charge on employees for the use of car parking facilities provided by the employer in designated areas of the following city councils:

- Dublin
- Galway
- Waterford
- Cork
- Limerick

The levy, which has yet to be introduced by Ministerial Order, will be deducted from employees who have an entitlement to use a parking space, including shared arrangements and a first come, first served basis. An employee may disclaim entitlement to a parking space in writing, in which case the levy will not apply.

The levy will apply to private cars and vans used as private vehicles, including where the employee uses the car in the performance of his duties. An employee who uses a company car will also be liable to the levy.

In general, motor bikes, certain official cars owned or provided by the State, the Garda Síochána, the Defence Forces and certain services such as the fire and ambulance service are excluded. The levy will not apply to disabled drivers or employees who have only occasional use of a parking space ie for not more than 10 days in a year.

The charge for a full year will be €200 where an employee has the ongoing entitlement to use a parking space. Where parking spaces are shared by employees, the levy is reduced to €100 where the ratio of the number of eligible employees to the number of car parking spaces is two to one or more. Reductions in the levy are also provided for to take account of job sharing, part-time work, maternity leave and certain shift work.

The levy will be collected by employers as a payroll deduction in each pay period.

BIK on preferential loans

In calculating the BIK charge for 2009 in respect of preferential loans from employers, the specified rates which apply are 5% (home loans) and 12.5% (other loans). The BIK charge arises on the difference between the interest on the loan at the specified rate and the interest actually paid on the loan for the year.

Planning tip!

Remember, if you reimburse an employee's non-business car parking fees the parking levy does not apply, instead the reimbursement is liable to PAYE/PRSI/income levy.

BIK on travel passes, childcare and small benefits

The following benefits are exempt from income tax:

- from 1 January 2009, the provision of new bicycles and/or related safety equipment to employees and directors generally, up to a cost of €1,000, will be exempt from a BIK charge, provided the bicycle is used for travel between home and the normal place of work or travel between work places. The exemption can only be claimed once in a five year period. If certain conditions are met it is possible to provide the benefit by reducing gross salary
- provision by an employer of monthly or annual bus/train/Luas pass for employees or directors; if certain conditions are met it is possible to provide such travel passes by reducing gross salary
- provision by an employer of free or subsidised childcare services for the benefit of all employees or directors, subject to conditions being met
- provision by an employer of a benefit to a value not exceeding €250. No more than one such benefit may be given to an employee in a tax year. It should be noted that where an employee discount scheme is in place the small benefit exemption cannot be applied.

Certain other benefits are concessionally treated as tax exempt. For details of the tax treatment of employer contributions to occupational pension schemes, refer to the section "Pension schemes" on page 28.

Salary sacrifice arrangements may only be applied to certain approved benefits without giving rise to a tax charge.

Motor travel rates - civil service (from 5 March 2009)

Official km in a calendar year	Engine capacity up to 1,200cc cent	Engine capacity 1,201cc to 1,500cc cent	Engine capacity over 1,500cc and cent
Up to 6,437km	39.12	46.25	59.07
6,438km and over	21.22	23.62	28.46

The rates shown above are the full rates. Reduced rates apply in certain circumstances.

Subsistence - civil service rates within Ireland (from 5 March 2009)

	Overnight rates			Day rates	
	normal rate	reduced rate	detention rate	10 hours or more	between 5 & 10 hours
	€	€	€	€	€
Class A	108.99	100.48	54.48	33.61	13.71
Class B	107.69	92.11	53.87	33.61	13.71

Notes

- Class A rates apply to employees whose annual salary exceeds €69,659. Class B rates apply where yearly salary is below €69,659
- The normal rate and reduced overnight rate are payable for set periods, generally not exceeding 28 nights in total. Special and lower rates apply thereafter
- In general, the overnight rate applies to each absence of not less than 24 hours necessarily spent away from the normal place of work

Employee taxation

Subsistence notes cont'd:

- The day rate applies in respect of a continuous absence of 5 hours or more from the employee's normal place of work provided the employee is not absent at a place within 5km of home or normal place of work. The relevant day rate depends on the period of absence
- Day and overnight rates cannot be paid in respect of the same period
- Advice should be taken before proceeding with any payments.

Unapproved share option schemes

Where, by reason of an employment, an employee receives an unapproved share option, a charge to income tax arises on the exercise of the option, irrespective of whether the employee retains or sells the shares concerned. The taxable amount is the excess of the market value of the share on exercise over the option price. This share option gain is taxable at the employee's marginal rate of income tax. The tax must be paid by the employee within 30 days of the date of exercise. The employee must file a Form RTSO1 at the same time. The income levy and health contribution are not payable within 30 days but under normal self assessment rules (ie by 31 October in the year following the year of exercise).

Revenue's Statement of Practice (SOP) SP-IT/1/07 sets out the tax treatment of share options granted to internationally mobile employees. The SOP includes two main provisions. Firstly, where options are granted on or after 5 April 2007 and the option holder spends time in other overseas locations, an Irish income tax charge will, subject to certain conditions, be applied by reference to Irish workdays during the vesting period. Secondly, the SOP provides clarification on the availability of double taxation relief where the exercise of an option gives rise to an income tax charge both in Ireland and abroad.

Companies are required to report the grant and exercise of share options on Form SO2 by 31 March following the end of the tax year in which the event occurs. Where the grantor is a non-resident company, the obligation to report extends to the Irish entity ie the branch, agency or other representative of the grantor in Ireland.

Approved share option schemes

Options granted under Revenue approved share option schemes qualify for favourable tax treatment. Under these schemes, the legislation provides for exemption from income tax, the income levy and the health contribution on both grant and exercise of the option, and provides for capital gains tax on disposal to be charged on the excess of the net sales proceeds over the price paid for the shares.

The primary requirements for Revenue approval are as follows:

- all grants must be at market value
- all employees with three years' service must be eligible to participate
- generally, options must be granted to all employees and on similar terms
- 'new hire' grants will be treated as meeting 'similar terms' criteria in certain circumstances
- options may be awarded to 'key employees' on a discretionary basis as long as they do not exceed 30% of total approved grants in the relevant tax year.

The scheme requires the formal written approval of the Revenue Commissioners and, to meet the conditions for approval, an existing scheme may need to be amended. The favourable tax treatment is not available where the option shares are sold within three years from date of grant.

SAYE share option schemes

A company may establish a Revenue approved save-as-you-earn (SAYE) share option scheme. Options under a SAYE scheme can be granted at a price discounted by up to 25% of the market value of the share. To fund the exercise of the option, employees must commit to regular monthly savings, from after tax income, over a period of 36 or 60 months. The monthly savings cap is €500. Any interest paid on the savings at maturity will be exempt from tax.

The SAYE scheme must be open to all employees on similar terms. Subject to certain requirements, options granted under a Revenue approved SAYE scheme are not liable to income tax, the income levy or the health contribution on grant or exercise. However, capital gains tax may arise on the sale of the shares based on the excess of the net sales proceeds over the price paid for the shares.

Approved profit sharing schemes

Employees are exempt from income tax, the income levy and the health contribution on shares received, up to the value of €12,700 annually, from a Revenue approved profit sharing scheme. To avoid an income tax liability, the shares must be held in trust for a total of three years. If the shares are sold within three years, income tax is charged on 100% of the value of the shares at appropriation, or on the sale proceeds, whichever is the lesser. The profit sharing scheme must be available to all employees on similar terms. A disposal of shares may give rise to a capital gains tax liability. The taxable gain is calculated on the difference between the sale proceeds and the market value of the shares on the date they were appropriated.

Restricted shares and forfeitable shares

New statutory provisions have been introduced for restricted shares to give legislative footing to long standing Revenue practice. Where share awards are 'restricted' such that the individual is precluded from selling the shares for a certain period of time, the taxable value of the shares can be abated to reflect the restriction. The prohibition on disposal must be absolute and for genuine commercial reasons. The permitted abatement is determined by the period of years for which the restriction applies, as follows:

Years of restriction	Abatement
1	10%
2	20%
3	30%
4	40%
5	50%
greater than 5	60%

For forfeitable shares there is a new legislative basis for employees to seek tax rebates where tax is paid in the year of acquisition but the shares are subsequently forfeited.

Share scheme reporting requirements

There are annual statutory reporting requirements for companies which operate employee share schemes. In general a return is required to be submitted to Revenue before 31 March after the end of the relevant tax year. Where companies or trustees operating an APSS or ESOTs fail to make the required returns, approval may be withdrawn.

There are increased penalties for companies and company secretaries for failure to meet the annual corporate filing deadline. Additional penalties apply where returns are filed incorrectly or carelessly.

Planning tip!

Employer PRSI costs of 10.75% could be saved by remunerating employees with shares in the employer or parent company rather than cash. Employee PRSI savings are also possible to the extent that the increased PRSI ceiling of €75,036 has not otherwise been reached.

Planning tip!

Shares delivered through a correctly structured and Revenue approved share scheme (eg APSS, SAYE and ASOS) are exempt from income tax, the income levy and the health contribution.

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PRSI, health contribution and income levy

Planning tip!

If you receive employment or pension income you are exempt from self-employed PRSI on investment income including deposit interest. The exemption is lost if you start to earn self-employment income, such as trading income and certain directorships.

PRSI

Rates (excluding health contribution)^a

Earnings	Employer	Employee
Class A1 - most employed persons		
First €75,036 ^b (€52,000 between 1 January 2009 and 30 April 2009)	10.75% ^c	4% ^c
Balance (no ceiling)	10.75%	0%
Class S1 - proprietary and non executive directors, not insurable under Class A	Nil	3%

Self-employed persons

Class S

3%

^a Individuals aged 66 years and over are not liable to pay PRSI

^b For employees the first €127 per week is exempt from PRSI contributions, but not from the health contribution

^c Inclusive of national training fund levy of 0.7%.

Employees' PRSI

PRSI is charged on employment earnings including most benefits. The only allowable deductions are contributions paid to an approved employee superannuation scheme, certain maintenance payments and certain permanent health insurance policies. A weekly PRSI exemption applies to all employees paying PRSI at the full rate (Class A). The first €127 of weekly earnings are exempt from PRSI but not from the health contribution. This exemption operates on a weekly non-cumulative basis. In addition, individuals who earn less than €352 in any week are not required to pay PRSI in that week.

Employers' PRSI

A two tier system of employers' contributions applies for 2009 as follows:

Employee's weekly earnings	Rate
Less than €356	8.5%
€356 or more	10.75%

The rules for calculating income charged to employers' PRSI are the same as those for calculating income for employees' PRSI.

Self-employed PRSI

Self-employed persons are liable for PRSI contributions in respect of income from a trade or profession, or from investment income. The contributions are payable on income net of capital allowances. The minimum contribution payable for 2009 is €253. Payment must be included with preliminary tax, which is payable on or before 31 October each year. Self-employed persons whose income from all sources is less than €3,174 for 2009 are not liable to PRSI.

Health contribution

The health contribution is charged as part of an individual's PRSI liability on all personal taxable income including taxable non-cash benefits. Persons under 16 years of age, certain widows/widowers and holders of medical cards and persons aged 70 years or over are exempt from the health contribution. Unlike PRSI, there is no earnings ceiling. The only allowable deductions are capital allowances, certain maintenance payments, contributions to an approved employee superannuation scheme or PRSA and certain permanent health insurance policies. Persons on "low" incomes are, however, exempt from the health contribution. Where an individual's earnings do not exceed €76,036 in a tax year and the individual has suffered the increased 5% health contribution charge at source, he/she can apply to the Department of Social and Family Affairs for a refund of any excess amount paid in the tax year where the employer has not dealt with such refunds.

Employees who earn less than €500 in any week in the year ended 31 December 2009 are exempt from the contribution for that week. If an employee's income for 2009 does not exceed €26,000, the employee is exempt from the contribution for the year. Similarly, self-employed persons whose income, after deducting capital allowances, does not exceed €26,000, are exempt from the health contribution.

Cross-border workers who work and pay social insurance in Northern Ireland or elsewhere in the EU, but who reside in the State, are exempt from the health contribution.

Rates

The health contribution for 2009 is based on the following annualised rate:

First €75,036	3.333%
Next €25,064	4%
Remainder	4.16%

These changes are retrospective to 1 January 2009.

The Social Welfare and Pensions Act also provides that employers must operate separate and distinct health contribution rates under the PAYE system as follows:

Payments made via the PAYE system in the period 1 January 2009 to 30 April 2009

First €100,100	2%
Remainder	2.5%

Payments made via the PAYE system in the period 1 May 2009 to 31 December 2009

First €75,036	4%
Remainder	5%

New provisions were introduced to "ring fence" ex-gratia termination payments made on redundancy in the period 1 January to 30 April 2009. Under these provisions such termination payments will only be subject to the health contribution at the lower rates outlined above.

Multiple employments

Persons who are paid by more than one employer may pay PRSI on their combined earnings in excess of the employees' earnings ceiling of €76,036. In any such case, a claim should be made to the Department of Social and Family Affairs for repayment of the excess contributions. It is not possible to reclaim Class S PRSI paid in respect of dual directorships, as this is classed as self-employed income in respect of which there is no earnings ceiling.

Planning tip!

Individuals with high levels of investment income who are also employees should avoid creating a low level of earned self-employment income, as the additional PRSI cost could exceed the income earned.

Planning tip!

The question of social insurance liability for Irish people working abroad, and those coming to Ireland to take up employment, should not be overlooked. Careful planning for international assignments can help to reduce or eliminate the often higher cost of social insurance abroad, particularly in mainland Europe.

PRSI, health contribution and income levy

Planning tip!

Consider the effect of the income levy on employees earning income marginally below €15,028 pa. The levy will apply to all of their annual income should it exceed €15,028.

Income levy

A new income levy applies with effect from 1 January 2009.

The levy is payable on gross income before relief for specified capital allowances, losses or pension contributions. Income which is otherwise exempt from income tax eg artist exempt income, patent royalties, income from woodlands, stallion fees etc is liable to the income levy. However, bank deposit interest (including EU deposit interest), credit union dividends and certain life policies, investment undertakings and offshore funds are excluded.

Redundancy payments are exempt to the same extent as they are for income tax. Social Welfare payments are also excluded. A deduction may be taken on qualifying maintenance payments.

The annualised income levy rates for 2009 are as follows:

First €75,036	1.67%
Next €25,064	3%
Next €74,880	3.33%
Next €75,140	4.67%
Remainder	5%

The income levy rates which apply to income subject to PAYE will be separate and distinct from the above rates. Under these provisions, employers are required to operate the income levy as follows:

Payments made via the PAYE system in the period 1 January 2009 to 30 April 2009		Payments made via the PAYE system in the period 1 May 2009 to 31 December 2009	
First €100,100	1%	First €75,036	2%
Next €150,020	2%	Next €99,944	4%
Remainder	3%	Remainder	6%

Individuals taxed under the PAYE system, or who have other sources of income, are technically liable to the income levy based on the annualised rates shown above. Should any underpayment arise from the application of the income levy rates under the PAYE system, then Revenue may seek to collect any underpayment directly from such individuals.

New provisions were introduced to "ring fence" ex-gratia termination payments made on redundancy in the period 1 January to 30 April 2009. Under these provisions such termination payments will only be subject to the income levy at the lower rates outlined above.

The gross income exemption threshold for low paid individuals aged over 65 has been reduced to €15,028.

Individuals over 65 years and in receipt of income less than €20,000 pa, or €40,000 pa for a married couple (excluding social welfare pensions) are exempt from the income levy. Medical card holders are also exempt.

Employers are responsible for deducting the levy from their employees' salaries. Self-employed individuals must make a payment of the income levy along with their preliminary tax payment in 2009 and any balance will be collected when their final tax assessment issues. If preliminary tax for 2009 is based on 100% of the 2008 liability, it must include an amount as if the income levy had been payable for 2008.

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Occupational pension schemes

Many employers choose to provide their employees with retirement benefits under an occupational pension scheme.

Benefits at retirement

Revenue maximum benefits on retirement are:

- pension - 2/3rds of final remuneration, provided a minimum of 10 years' service has been completed to normal retirement age
- tax-free lump sum - 1.5 times final remuneration provided a minimum of 20 years' service has been completed to normal retirement age. Where a lump sum is taken, this reduces the maximum amount of pension available.

These limits are subject to certain requirements being satisfied.

Proprietary directors may elect for the options available under Approved Retirement Funds (ARFs) and are not obliged to buy a pension. This provision also applies to all Additional Voluntary Contribution (AVC) funds.

At retirement, proprietary directors may opt to take up to 25% of their fund as a tax-free lump sum. From the balance they must invest the first €63,500 in an Approved Minimum Retirement Fund (AMRF) if they do not already have pension income in excess of €12,700 per annum. The remainder may be taken as a taxable lump sum or used to purchase an ARF.

The maximum tax allowable pension fund (from all pension arrangements) at retirement is €5,418,000 or the value of the personal fund threshold (as agreed with Revenue) if higher. The maximum tax-free lump sum entitlement (from all pension arrangements) is €1,354,521. The maximum limits will not be indexed for 2009.

An annual income tax charge applies on the value of assets invested in an ARF (3% from 2009 onwards). Any actual withdrawals from the ARF are offset against this charge. The tax charge applies to all ARFs created on or after 6 April 2000. AMRF funds are not affected by this tax charge.

Contributions to occupational pension schemes

An employer must make a "meaningful" contribution to an occupational pension scheme; however, the benefits at retirement must not exceed Revenue limits. Ordinary annual employer contributions are tax deductible in the accounting period in which they are paid. Special contributions in excess of set limits may need to be spread forward over a period of up to five years.

Employees may claim tax relief on contributions from their remuneration subject to the earnings limit of €150,000 for 2009. The earnings limit may be indexed in future years. It may be possible to have personal contributions relieved through payroll to achieve immediate relief for tax/PRSI.

Pension schemes

The allowable personal contributions are expressed as a percentage of remuneration and are age related as follows:

Age attained during tax year	Maximum relief
Less than 30	15%
30 but less than 40	20%
40 but less than 50	25%
50 but less than 55	30%
55 but less than 60	35%
60 and over	40%

Contributions paid between 1 January 2009 and the tax return filing date may, if an election is made, be treated as paid in 2008.

Normal retirement age

Normal retirement age can be at any time from age 60 to 70 with some limited exceptions. With consent, individuals may retire early from age 50, or at any age in the case of ill health.

Retirement annuity contracts (RACs)

Retirement annuity contracts, also known as personal pension plans, are established by individuals (the self-employed or those in non pensionable employment) in their own name.

Benefits at retirement

Individuals may opt to take up to 25% of their fund as a tax-free lump sum and may, from the balance, elect for a taxable lump sum, purchase a pension or elect for the Approved (Minimum) Retirement Fund rules (see "Occupational pension schemes" on previous page).

Contributions

Contributions are based on net relevant earnings; the same earnings limit and age related contribution limits apply as they do for members of occupational pension schemes (see above).

PRSAs

Employers who do not provide their staff with access to an occupational pension scheme must provide access to a Personal Retirement Savings Account (PRSA). Employers are not obliged to contribute to a PRSA but must provide the facility to have pension contributions deducted directly from the employee's salary and transmitted to the PRSA provider.

Similar to RACs above, PRSAs can be established by the self-employed or those with non pensionable earnings. In addition, employees may elect to pay PRSA contributions in lieu of AVCs.

Planning tip!

Ensure you maximise your personal pension contributions using the 2008 earnings cap (€275,239) before 31st October 2009. The earnings cap for 2009 is reduced to €150,000.

Planning tip!

Remember occupational pension schemes may permit greater overall pension funding than personal pension plans.

Benefits at retirement

The benefits are broadly in line with those outlined above for RACs.

Contributions

The overall contribution limits are those outlined in the table above. The overall limits include contributions made by the employer (where applicable).

Retirement age for RACs and PRSAs

Benefits are generally accessed from age 60 and must be accessed before age 75; however employees with PRSAs may retire early from age 50.

Planning tip!

Recent falls in pension fund values may create additional scope for tax efficient pension funding.

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Capital gains tax

Individuals resident or ordinarily resident in Ireland are liable to capital gains tax on gains from worldwide disposals. Individuals resident or ordinarily resident, but not domiciled, in Ireland are liable on gains arising on the disposal of assets situated in Ireland and on all other foreign gains to the extent that those gains are remitted to Ireland. Individuals neither resident nor ordinarily resident are liable on gains made on the disposal of certain “specified” assets.

Irish resident companies are liable to corporation tax in respect of “chargeable gains” on worldwide disposals while non-resident companies are liable in respect of gains arising from disposals of specified assets.

Relief for inflation (indexation)

In arriving at the chargeable gain on the disposal of an asset held for over twelve months, the allowable cost is to be adjusted for inflation based on the consumer price index.

Indexation relief applies for the period of ownership of the asset but only up to 31 December 2002. Indexation factors for disposals in 2009 are as follows:

Year expenditure incurred	Factor	Year expenditure incurred	Factor
1974/75	7.528	1988/89	1.553
1975/76	6.080	1989/90	1.503
1976/77	5.238	1990/91	1.442
1977/78	4.490	1991/92	1.406
1978/79	4.148	1992/93	1.356
1979/80	3.742	1993/94	1.331
1980/81	3.240	1994/95	1.309
1981/82	2.678	1995/96	1.277
1982/83	2.253	1996/97	1.251
1983/84	2.003	1997/98	1.232
1984/85	1.819	1998/99	1.212
1985/86	1.713	1999/00	1.193
1986/87	1.637	2000/01	1.144
1987/88	1.583	2001	1.087
		2002 onwards	1.049

Losses

Losses are set off against chargeable gains arising in the same year. Unused losses may be carried forward indefinitely. Gains on development land may only be offset by losses on development land. Inflation relief may not operate to convert a monetary gain into an allowable loss or to increase a monetary loss.

Rate

The capital gains tax rate is 25% (applicable from 8 April 2009: 22% from 15 October 2008 to 7 April 2009; previously 20%). Lower rates, 15% for a partnership and 12.5% for a company, may apply in relation to deemed chargeable gains arising on the receipt of a “carried interest” being a share of profits in certain venture funds engaged in research, development or innovation activities.

Exemptions and reliefs

The following exemptions and reliefs are available:

- annual exemption €1,270. For married couples the exemption is €1,270 each (non-transferable)

- the gain on the disposal of an individual's principal private residence; certain restrictions apply where the residence has development potential
- the gain on the disposal of a dwelling home occupied rent free by a dependent relative
- the gain on sale of Irish government securities, excluding the accrued interest portion, where the security has been held for less than two years. The accrued interest portion is charged to income tax
- disposals of individual works of art which are valued at not less than €31,740 when loaned to an approved gallery or museum for public display for a minimum period of six years
- retirement relief for an individual aged 55 years or more on disposal of business assets owned for ten years or more (which can also include assets held personally but used in the trade). This relief is limited to proceeds of €750,000 where the disposal is not to a child of the individual. A disposal of a business by a qualifying individual to a child is exempt from capital gains tax regardless of the consideration received. For the purpose of this exemption, a "child" includes a nephew or niece who has worked in the business substantially on a full-time basis for the period of five years ending with the disposal, or a child of a deceased child. An individual is not in fact required to retire in order to avail of this relief
- the gain on the transfer of a site from a parent to a child provided it is for the construction of the child's principal private residence and the market value of the site does not exceed €500,000
- exemption from capital gains tax for Irish companies making disposals from substantial holdings in trading companies located in the EU or countries with which Ireland has concluded a double taxation treaty, subject to certain conditions

Self assessment - payment and returns

Individuals

- 31 January 2009 - payment of capital gains tax for disposals made from 1 October 2008 to 31 December 2008
- 15 December 2009 - payment of capital gains tax for disposals made from 1 January 2009 to 30 November 2009
- 31 January 2010 - payment of capital gains tax for disposals made from 1 December 2009 to 31 December 2009
- 31 October 2009 - filing of 2008 return of income (including gains)

Companies

- The payment dates for capital gains tax in respect of gains arising to companies from disposals of development land are the same as the capital gains tax payment dates for individuals
- For disposals of assets other than development land by companies, the payment and filing deadlines are as set out in page 3 (see "Corporation tax: Self assessment - payment and returns")

Planning tip!

Remember the new CGT payment date of 15 December 2009.

Planning tip!

Don't overlook the annual exemptions; you may be able to utilise these to realise some tax-free gains.

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Capital acquisitions tax

General

Capital acquisitions tax (CAT) comprises principally gift and inheritance tax.

CAT applies when a person becomes beneficially entitled to property, either by way of a gift or on a death, for less than full consideration.

The charge to CAT for gifts or inheritances will generally arise where:

- the donor (the person providing the benefit) is resident or ordinarily resident, or
- the beneficiary is resident or ordinarily resident, or
- the subject matter of the gift or inheritance is situated in Ireland.

Special rules apply to non-domiciled donors and beneficiaries.

Calculation of CAT

Gifts or inheritances taken on or after 5 December 1991 from donors within the same group threshold (see below) must be taken into account when calculating CAT. These gifts or inheritances serve to reduce, or cancel out, the amount of the tax-free threshold available. Amounts in excess of the threshold are taxed at 25% (applicable from 8 April: 22% from 20 November 2008 to 7 April 2009: previously 20%).

Tax-free thresholds

The tax-free thresholds applicable for gifts and inheritances are set out below.

There are three categories which are based on the relationship between the donor and the beneficiary:

Group A

Applies where the beneficiary is a child or minor child of a deceased child of the donor, or a foster child of the donor, subject to certain conditions. This threshold also applies to inheritances taken by a parent from a deceased child, subject to certain exceptions.

Group B

Applies where the beneficiary is a lineal ancestor, lineal descendant (other than a child, or minor child of a deceased child), a brother, sister, or a child of a brother or sister of the donor.

Group C

Applies where the beneficiary is not related as outlined for group A or group B.

The thresholds for gifts and inheritances taken on or after 8 April 2009 are:

Group A	€434,000
Group B	€43,400
Group C	€21,700

Different threshold amounts apply to gifts and inheritances taken before 8 April 2009.

Self assessment - payment and returns

Self assessment applies to gift and inheritance tax. The beneficiary of the gift or inheritance is obliged to make a return, within 4 months of the date of the gift or inheritance, where 80% of the group threshold is exceeded. Any tax due must be paid at the same time.

Main exemptions

Subject to certain conditions, the following are exempt from CAT:

- the first €3,000 of gifts taken by a beneficiary from any one disponent in a calendar year
- gifts and inheritances between spouses
- transfers of property by virtue of any order under the Family Law Acts 1995 or 1996 in relation to a divorce
- a gift or inheritance consisting of a dwelling house that is the only or main residence of the beneficiary
- the proceeds of certain life policies
- gifts or inheritances for public or charitable purposes.

Main reliefs

- Business relief: a 90% reduction in the market value of a benefit can be applied if the benefit consists of relevant business property (such as unincorporated businesses, shares in certain family companies) where certain conditions are met.
- Agricultural relief: a 90% reduction in the market value of agricultural property (such as agricultural land, livestock and machinery) can be applied where certain conditions are met.

Discretionary trust

There is a once-off levy of 6% on certain discretionary trusts which may, in particular circumstances, be reduced to 3%. At present the levy becomes payable on the latest of the following events:

- the date the property is placed in trust
- the date of death of the settlor
- the date on which the youngest principal object of the trust attains the age of 21.

Discretionary trusts which are liable to the once-off levy are also liable to an annual levy of 1%.

Planning tip!

Make use of reduced asset values to transfer wealth to the next generation at a lower tax cost or, where certain reliefs apply, at a nil tax cost. Remember, you can transfer wealth to the next generation while retaining control over the assets transferred.

Planning tip!

Remember to consider the impact of inheritance tax when planning your will. You should ensure that your will is tax efficient and remember that separate wills are needed for foreign assets.

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Customs and Excise

Customs

Goods imported from countries outside the European Union (EU) are liable to customs duty at the appropriate rates specified in the EU's common customs tariff (CCT). Reduced rates may apply if the imported goods qualify under any of the preferential tariff arrangements that the EU has in place with various third countries. No customs duties arise on goods "imported" from other EU countries.

Customs duty reliefs may be availed of in a number of circumstances, subject to prior authorisation from the appropriate national authorities, for example:

- where goods are imported for processing and re-exportation outside the EU
- where goods are re-imported after processing in non-EU countries
- where the duty on raw material is more than the duty on the finished goods
- where production materials and capital equipment are not available from EU suppliers.

Planning tip!

Review your import and manufacturing operations against the available customs and excise relief schemes as these may present substantial duty and import VAT savings.

Excise

Excise duties are charged on a limited range of goods - mineral oils (including petrol and diesel), alcohol products (including spirits, beer, wine, cider and perry) and tobacco products consumed in Ireland. An excise energy tax is also charged on the supply of electricity in the State.

Various drawbacks, rebates and allowances may be claimed for certain uses of excisable goods.

Irish excise duties are not charged on the export or sale of excise goods to other EU countries but special control arrangements apply to the intra-EU movement of excise goods.

Vehicle registration tax (VRT)

VRT is charged on the first registration of a vehicle in the State.

The current VRT regime for motor vehicles is based on a CO₂ emissions rating system.

The VRT rates are as follows:

CO₂ emissions (CO₂g/km) VRT rate for motor vehicles:

CO ₂ emissions (CO ₂ g/km)	VRT rate
0g/km - 120g/km	14% or €280 whichever is greater
More than 120g/km - 140g/km	16% or €320 whichever is greater
More than 140g/km - 155g/km	20% or €400 whichever is greater
More than 155g/km - 170g/km	24% or €480 whichever is greater
More than 170g/km - 190g/km	28% or €560 whichever is greater
More than 190g/km - 225g/km	32% or €640 whichever is greater
More than 225g/km	36% or €720 whichever is greater

Where evidence of the CO2 emission rating is not available, the top rate of 36% will apply.

The VRT rates are applied to the “open market selling price” of the vehicle.

Certain electric vehicles (including electric cars) and electric motorcycles are currently exempt from VRT. For certain hybrid electric or flexible fuel vehicles, a VRT relief based on the age of the vehicle is available up to a maximum of €2,500.

Special reliefs may apply to cars imported temporarily by non-residents, or imported on transfer of residence to Ireland.

Planning tip!

Saving opportunities also exist when you export goods. It may also be possible to reduce the import duty burden upon entry into your non-EU market places by availing of the preferential trade agreements which the EU has in place with a large number of countries.

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