

Finance Act 2011

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Finance Act 2011

- Universal social charge
- Pensions
- Capital acquisitions tax
- Stamp duty
- Crystal ball gazing for later Finance Acts
 - Civil Partnership & Cohabitants Act 2010
 - Speculation – new Government

Finance Act 2011- Universal social charge

- Abolition of health contribution and income levy
- USC differs from income levy
 - No exemption for medical card holders or low income
 - No deduction for pension contributions
- PRSA contributions by Employer subject to USC (as are all taxable benefits in kind)
- Special 45% USC rate on certain bank bonuses over €20,000
- Deductions limited to
 - Legally enforceable maintenance payments
 - Ordinary capital allowances

Finance Act 2011- Universal social charge

- Exemptions
 - Income less than €4,004 pa or €77 pw
 - Social welfare payments
 - Deposit interest
 - Income from funds etc
 - Exempt benefits, e.g. travel pass
 - Statutory redundancy & tax free ex-gratia redundancy
- Some reduction for over 70's &/or medical card holders as top rate is 4% for employees and 7% for self employed with income over €100,000
- Preliminary income tax for 2011 based on 100% 2010, exclude income levy and health contribution and include USC

Finance Act 2011- Universal social charge

- Rates for employees under 70
 - First €10,036 2%
 - Next €5,980 4%
 - Over €16,016 7%
- Rates for self employed under 70
 - First €10,036 2%
 - Next €5,980 4%
 - Next €83,984 7%
 - Over €100,000 10%

Finance Act 2011 - Pensions

- Reduction in earnings cap for relief from €150,000 to €115,000
- Employee PRSI relief abolished
- Employer PRSI on half employee contributions
- No ER PRSI on employer contributions
- Extension of ARF to all
- Standard Fund Threshold reduced from €5.4m to €2.3m wef 7/12/10
 - Transitional measure – claim before 6/6/11
- Max tax free lump sum reduced from €1.35m to €200,000
- ARF deemed distributions increased from 3% to 5%

Finance Act 2011- CAT

- Section 68 “corrects drafting errors” in clawback provisions for APR, APR & BPR development land and CGT credit
- To counter the flaw in s104(3) CATCA 2003 used to get around the 2 year holding period for CGT/CAT offset by taking the gift in the morning and selling that afternoon
- Wording was “*..within two years after the date of the gift..*”

Finance Act 2011- CAT

- Reduction of tax free thresholds from 8 December 2010
 - Child etc reduced from €414,799 to €332,084
 - Grandchild, sibling etc from €41,481 to €33,208
 - Stranger from €20,740 to €16,604
- Note for gifts and inheritances taken on or after 8 December 2010
- Payment of CAT and return filing brought forward to 30 September – probable change back to 31 October in Finance Act No. 2

Finance Act 2011 – stamp duty

- Residential property rate reduction
 - 1% on property up to €1m
 - 2% on amounts over €1m
- Abolition of first time buyer, small property, site to child exemptions and consanguinity relief for residential property on instruments executed on or after 8/12/10
- Transition for instruments executed up to 30/6/11 if contract pre 8/12/10

Crystal ball gazing later Finance Acts

Civil Partnership & Cohabitants Act

- Income tax, capital gains tax, capital acquisitions tax & stamp duty
- A lot of amendments!
- Possible replacement of “*spouse*” with “*spouse, civil partner*”
- Income tax
 - Joint taxation
 - Transfer of credits, etc
 - Year of civil partnership relief
 - Year of civil partner death relief
 - Maintenance on separation
 - Loss of single parent credit if in civil partnership

Crystal ball gazing later Finance Acts

Civil Partnership & Cohabitants Act

- Capital gains tax
 - Exempt transfers
 - Transfer of losses
 - Separation
- Capital acquisitions tax
 - Exemptions on transfer between civil partners
 - Relatives and child of one civil partner – connected to other partner?
 - Affect on BPR

Crystal ball gazing later Finance Acts

Civil Partnership & Cohabitants Act

- Stamp duty
 - Exemption on transfers between civil partners
- Social Welfare Bill for civil partnership & cohabitants changes
- Cohabitants – tax changes
 - Change dwelling house relief
 - Provide a Class I tax free threshold for gifts/inheritances between qualifying cohabitants
 - Any others?

Crystal ball gazing later Finance Acts

CAT

- Increase in inheritance and gift taxes rates – 30/35%?
- Further reduction of tax free thresholds
- Reduction/restriction of BPR and APR
 - Cap
 - APR for farmer only
- Restriction/capping of dwelling house relief
- Change pay & file date back to 31 October

Crystal ball gazing later Finance Acts

CGT

- Increase CGT rate – 30%/35%
- Restriction of loss relief
- Restriction on PPR

Crystal ball gazing later Finance Acts

Pensions

- Temporary annual levy 0.5% on value of pension funds
- Reduce cap on funds further to €1.5m
- Abolish ER PRSI relief on ER contributions
- Increase deemed distribution from ARF
- Marginal income tax not CAT on value of ARF at date of death

Crystal ball gazing later Finance Acts

Stamp duty

- Possible Ministerial Order to bring in F(No 2)A 2008 changes to
 - Resting in contract
 - Licence
- Sub-sale relief

Crystal ball gazing later Finance Acts

- Residence tests to include economic test
- DIRT increase to 30%
- VAT increase to 22%
- Site sales tax on profits from sale of residence to Local Authority

Finance Act 2011- the first one

