

Dear Client,

Welcome to our special tax newsletter designed to give you our initial views on Finance Bill 2012 which was published on 8 February.

We hope you enjoy reading the newsletter and find it informative. We are here to help you so please contact us if you need further information on any of the topics covered.

Best wishes

PERSONAL TAXATION

General points

There are no changes in either tax rate bands or tax credits.

It should be noted that Finance Bill (No 3) 2011 afforded parties to registered civil partnerships all of the general benefits accruing to married couples.

The universal social charge (USC) income exemption has increased from €4,004 to €10,036 per annum.

Tax payers with income over €100,000 will have an additional 5% USC charge imposed on income covered by the use of tax based property reliefs.

Tax relief on mortgages is being increased to 30% in relation to first time buyers who took loans in the peak of the property boom (2004 to 2008) while first time buyers in 2012 will obtain tax relief at the 25% rate.

In a move designed to assist Foreign Direct Investment into Ireland the existing Special Assignee Relief Programme (SARP) is being extended to grant an exemption on up to 30% of salary between €75,000 and €500,000 where that person is assigned to Ireland for between 1 and 5 years.

To assist greater investment and inter action with developing BRICS countries (Brazil, Russia, India China and South Africa) an exemption from income tax on up to €35,000 of income per annum will apply to Irish based employees seconded to work in these jurisdictions.

The Bill also confirms changes in the age based income tax credits previously announced in late 2011 whereby credits increase based on the age of claimants between 60 and 84.

RESEARCH AND DEVELOPMENT TAX CREDITS

The availability of a 25% tax credit on expenditure incurred by a company on research and development activities is regarded as an extremely valuable business incentive. The main criticism has centred on the condition that only incremental expenditure over and above that incurred in 2003 qualifies for the tax credit.

This has now been relaxed with relief now available on the first €100,000 of all such expenditure incurred.

The restriction on sub contracting out of R and D activities has been relaxed AND in addition in certain circumstances part of the tax credit arising can be used to reward and incentive key employees.

Corporation tax incentives

The 12.5% tax rate remains unchanged.

The long standing and at times rather cumbersome BES and seed capital schemes allowing for tax relief on an investment in certain companies was replaced in 2011 and came into effect on 25 November 2011.

This will hopefully provide a more user friendly incentive to individuals to invest in qualifying companies with a requirement to maintain their investment for a three rather five year period.

The relief from corporation tax and certain capital gains applicable to start up companies has been extended to cover businesses commencing trades in 2012 to 2014 inclusive.

VAT

The standard rate as announced in the Budget increased from 21% to 23% on 1 January 2012.

CAPITAL TAXES

The standard rate of capital gains tax and capital acquisitions tax increased from 25% to 30% on 7 December 2011.

In a welcome move the reliefs available to owners of family businesses under both of these tax headings on the transfer of assets to a succeeding generation are largely retained subject to a number of important exceptions on agricultural property where the owner attains the age of 66 years.

There is a transitional period available to 1 January 2014 and it will be interesting to see if there is an increase in activity in this area between now and then.

A new exemption from capital gains tax will apply on gains accruing in the first 7 years of ownership of an asset purchased between 7 December 2011 and 31 December 2013 provided the asset is retained for that period.

STAMP DUTY

A reduced rate of 2% applies on transfers of commercial property on or after 7 December 2011.