

The Release of First Draft of the Finance Bill for 2011

Following the dramatic events of last week, in which Taoiseach Brian Cowen was forced to resign as party leader of Fianna Fail, followed by the declaration by the Green Party that it would be unable to support a government lead by Mr Cowen, it now looks likely that the Finance Bill will be passed either this week or next.

Included in the first draft of Bill are some of the measures detailed in both the “National Recovery Plan” and the Finance Act 2011, both published last year. These include the abolition of the Income Levy, introduced only 2 years ago, and the introduction of the more penal Universal Social Charge (USC). Under the old rules people earning less than €289 per week on standard tax credits were exempt from all charges and levies this figure has now been cut to an incredible €77 per week. Currently discussions as to whether people on medical cards will be charged at the top rate of the USC and the introduction of a 4th rate for self employed people with incomes exceeding €100,000 are proceeding.

On top of this, the abolition of several tax credits are also detailed; including tax relief for rental payments and trade union subscriptions. For anyone on top rate tax these charges could now have effectively doubled in cost. Employees lucky enough to have childcare facilities provided by their employers are now taxed on those benefits.

Also detailed in the Finance Bill are a couple of new items not previously mentioned in the Finance Act. These include the bringing forward of the filing deadline from the 31st October to the 30th of September. This has been done to give the government more time with the final tax take while finalising the Budget for the coming year. This will not be a welcome addition to businesses already struggling with cash flow issues, but again discussions being held are trying to delay the introduction of this measure.

The Bill also lists a new penalty scheme to be enacted from this year in relation to the false claims; the bill enables the Revenue to issue a €3,000 penalty for knowingly delivering an incorrect return in connection with claiming any allowance, relief, credit or repayment. This penalty will be in addition to the refund of the benefit and interest from the date the benefit was received.

Any of the items mentioned above will not be ratified until the Bill is passed within the coming days, but in real terms the passing of Finance Bill will have little effect on the majority of us. What it will indicate, if the bill is passed in such a rushed fashion, is that while the different parties may argue and disagree about the finer points, all of them realise that there is only harder and leaner times ahead.

Disclaimer:

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