

As announced this week the National Recovery Plan is once again based on taxation rather than cut backs. Some of the major changes will have wide reaching consequences for all employed people and retirees. Whilst this is a draft document it is most likely to be fully implemented. Some of the major contributors to our financial recovery are:

- Retirees
 - Income Tax Age Credit to be phased out over 4 years
 - Income Tax Exemptions (currently €40,000 for married couple) phased out over 4 years
- Employed / Self Employed
 - Reduction in Credits to their 2006 level. This has the effect of an increase in tax for a married couple both working of €1,080, and for a married couple one income of €870.
 - Persons Renting their Home will no longer be entitled to Rent Relief.
 - Pension Contributions will no longer be allowed at high rate, and over the next 4 years will be reduced to the standard rate i.e. 41% down to 20%
 - PRSI and Health Levy will no longer be allowed for Pension Contributions
- Capital Gains Tax / Capital Acquisitions Tax
 - Relief and Exemptions will either be abolished or greatly restricted and base rate for CGT/CAT of 25% (current rate) with an increase rate on higher value.
 - The current CAT tax free threshold (i.e. Parent to Child of €434,000) will be dramatically reduced in line with the fall in property prices, which may be as much as €200,000.
- Other Reliefs
 - Relief for Trade Unions Subscriptions abolished.
 - Relief for Bin Charges abolished.
 - Relief for payments to Share Options schemes abolished.
 - BIK exemption for employer provided childcare abolished.
 - Capital Allowances on Plant & Machinery potentially abolished

On first reading there seems to be no incentive to create employment or to provide support to new businesses or existing operations.

As you will note the cost of these to certain tax payers will be dramatic and in a number of cases make it no longer viable to continue to trade, particularly businesses with a large amount of mechanisation. In many cases these businesses will now need to incorporate in order to ensure that their taxation isn't higher than their operating profits.

There is also a window of opportunity to take steps such as

- Transferring Business and Property to Children,
- Retirement Bonus Payments,
- Pension Contributions.

This is a brief overview of the proposed future tax regime which we will be studying in greater depth over the coming days and are available to discuss taxation issues as they apply to you.

Disclaimer:

The object of this article is to provide useful tips in relation to Irish Tax Regulations, accordingly it cannot be regarded as a definitive guide and no liability can be accepted in respect of decisions taken in reliance on the information herein contained.