

Budget 2008



Breakfast Briefing

Riverside Park Hotel, 06/12/2007

Budget 2008 Breakfast Briefing

OVERVIEW

- Economic Outlook
- Impact for Individual Tax Payers
 - Impact on Business
 - Other Budget Changes
- Company Law Developments
 - Tax Policy & Practice
 - Year End Tax Planning



PERSPECTIVE
ADDING VALUE TO ACCOUNTING

Budget 2008 Breakfast Briefing

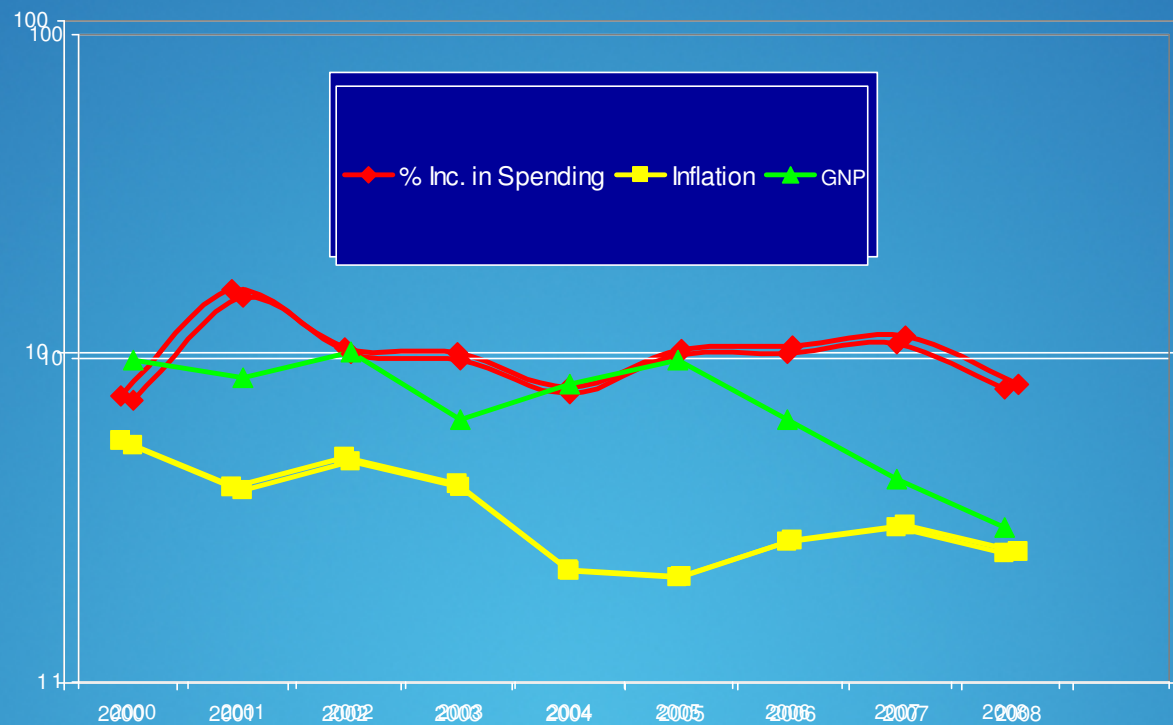
Economic Outlook



Is there more to the Budget than meets the eye?

Budget 2008 Breakfast Briefing

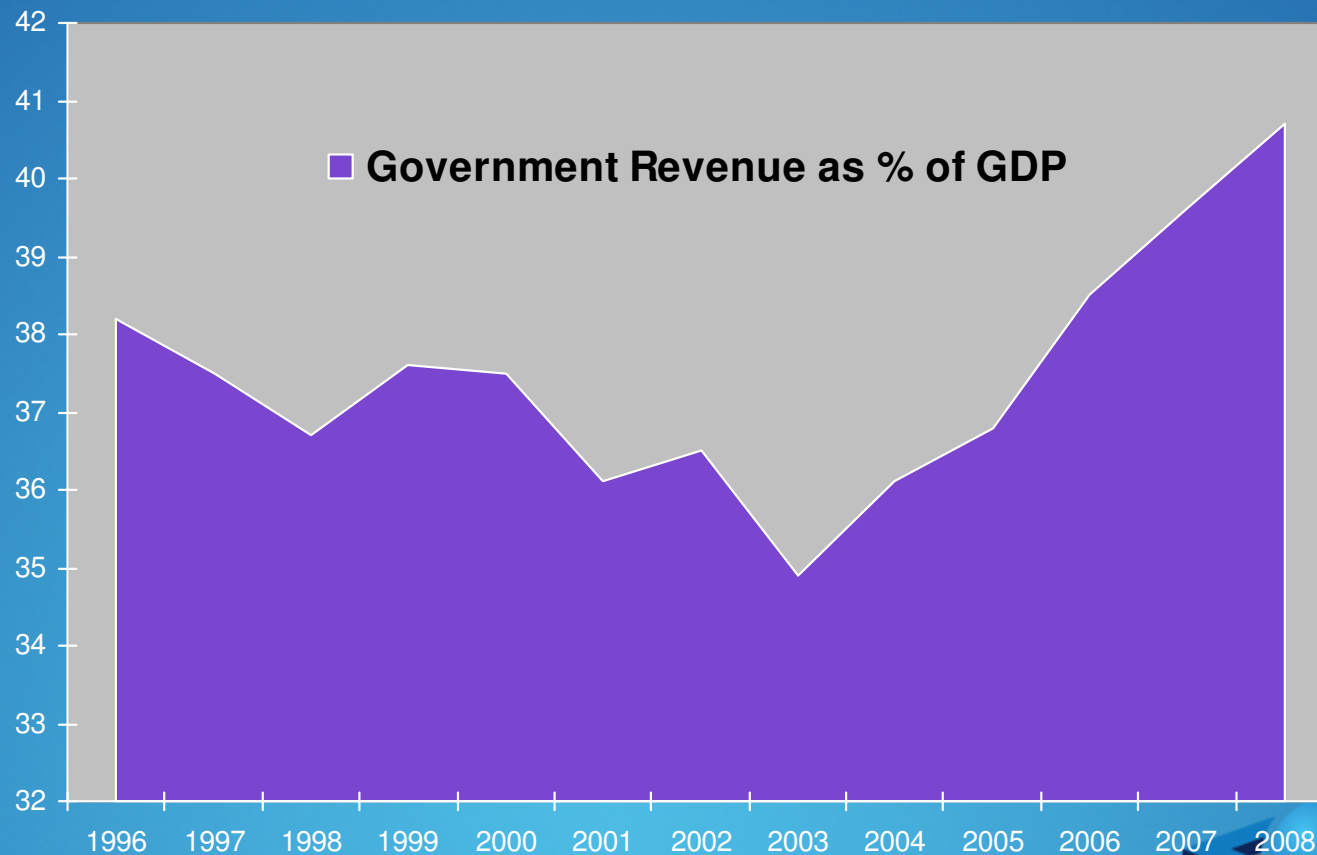
Rise & Rise of Current Spending



PERSPECTIVE
ADDING VALUE TO ACCOUNTING

Budget 2008 Breakfast Briefing

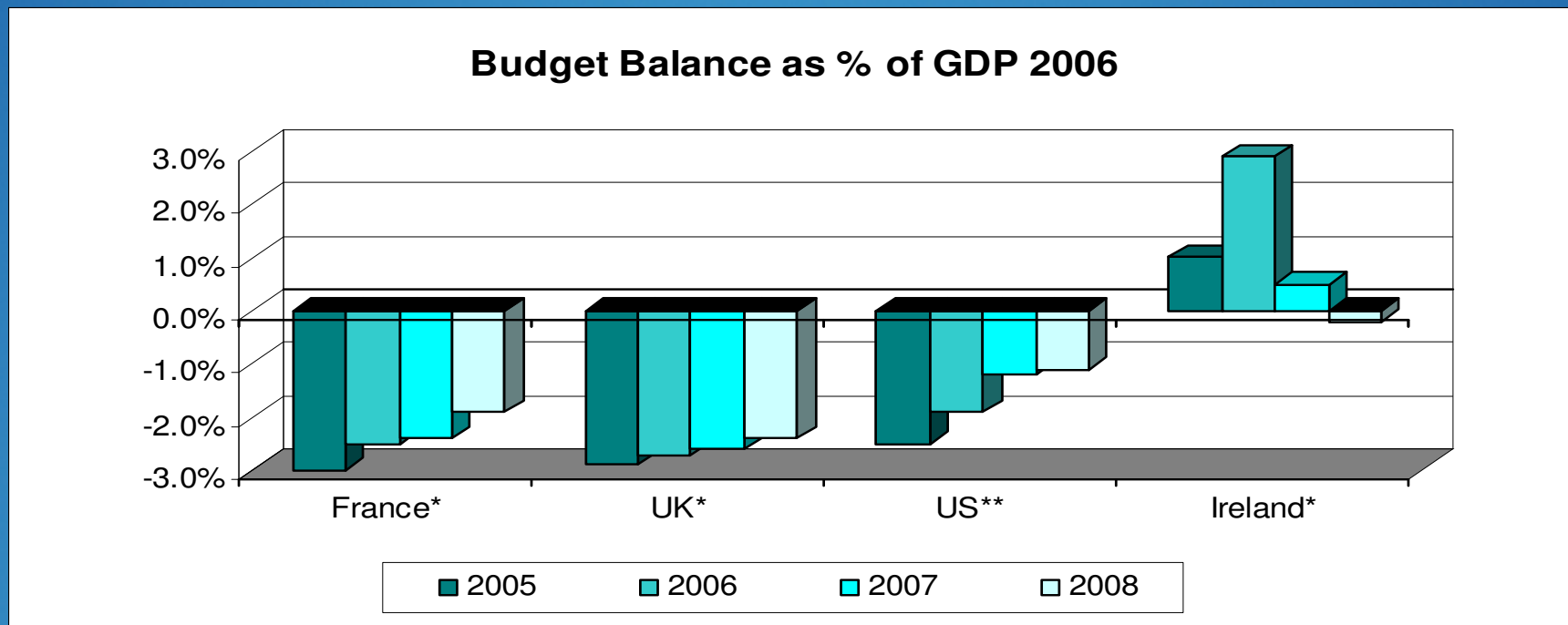
Personal Taxation – Tax Burden



PERSPECTIVE
ADDING VALUE TO ACCOUNTING

Budget 2008 Breakfast Briefing

THE STARTING POINT: Budget positions have improved globally but Ireland still stands out



* Source: Public Finances in EMU 2007

** Source: Congressional Budget Office

Budget 2008 Breakfast Briefing

Budget 2008 – Impact for Individual Taxpayers



PERSPECTIVE
ADDING VALUE TO ACCOUNTING

Budget 2008 Breakfast Briefing

Main Changes

- Increase in:
 - Tax Credits
 - Standard rate band
 - PRSI and Health Levy Changes
 - Mortgage Interest Relief

Budget 2008 Breakfast Briefing

Main Tax Credits / Band

MAIN TAX CREDIT	2007	2008	Movement
Employee Tax Credit	1,760	1,830	+ 70
Home Carer Credit	770	900	+ 130
Additional One Parent Credit	1,760	1,830	+ 70
Personal Tax Credit			
Single	1,760	1,830	+ 70
Married	3,520	3,660	+ 140

Budget 2008 Breakfast Briefing

Main Tax Credits / Band

STANDARD RATE BAND	2007	2008	Movement
Single	34,000	35,400	+ 1,400
Married Couple			
One Income	43,000	44,400	+ 1,400
Two Incomes	68,000	70,800	+ 2,800
One Parent/Widowed	38,000	39,400	+ 1,400

Budget 2008 Breakfast Briefing

PRSI & Health Levy Changes

PRSI & Health Levies	2007	2008	Movement
PRSI Ceiling - Employer	n/a	n/a	n/a
PRSI Ceiling - Employee	48,800	50,700	+ 1,900
PRSI Threshold - Ee (p.w.)	339	352	+ 13
Health Levy Threshold	480	500	+ 20

*** Further 0.5% on Income in excess of €100,100**



PERSPECTIVE
ADDING VALUE TO ACCOUNTING

Budget 2008 Breakfast Briefing

Personal Taxation

- Mortgage Interest Relief increased and the period over which 'enhanced first time buyer' relief may be claimed is the first seven years of the mortgage

	2007		2008	
	Ceiling	Tax Cr.	Ceiling	Tax Cr.
First Time Buyers				
-Single	€8,000	€1,600	€10,000	€2,000
-Married	€16,000	€3,200	€20,000	€4,000
Others				
-Single	€3,000	€600	€4,000	€800
-Married	€6,000	€1,200	€8,000	€1,600

Budget 2008 Breakfast Briefing

Personal Taxation

- What effect will the budget changes have in my pocket

Married Couple, One Income, No Children	2007	2008	Movement
Gross Income	40,000	40,000	
PRSI /Levy	2,136	2,136	+ 0
Tax Liability	2,720	2,510	+ 210
Total Gain			+ 210
Total Gain Per Week			+ 4

Budget 2008 Breakfast Briefing

Personal Taxation

- What effect will the budget changes have in my pocket

Single Person	2007	2008	Movement
Gross Income	40,000	40,000	
PRSI /Levy	2,136	2,136	+ 0
Tax Liability	5,740	5,306	+ 434
Total Gain			+ 434
Total Gain Per Week			+ 8



PERSPECTIVE
ADDING VALUE TO ACCOUNTING

Budget 2008 Breakfast Briefing

Personal Taxation

- What effect will the budget changes have in my pocket

Married Couple, One Income, Two Children Under 6	2007	2008	Movement
Gross Income	40,000	40,000	
PRSI /Levy	2,136	2,136	+ 0
Tax Liability	1,950	1,610	+ 340
Child Benefit Increase			+ 108
ECS Increase			+ 200
Total Gain			+ 648
Total Gain Per Week			+ 12



PERSPECTIVE
ADDING VALUE TO ACCOUNTING

Budget 2008 Breakfast Briefing

Personal Taxation

- What effect will the budget changes have in my pocket

Married Couple, Two Incomes, Two Children Under 6	2007	2008	Movement
Gross Income	75,000	75,000	
PRSI /Levy	3,972	3,972	+ 0
Tax Liability	9,430	8,594	+ 836
Child Benefit Increase			+ 108
ECS Increase			+ 200
Total Gain			+ 1,144
Total Gain Per Week			+ 22

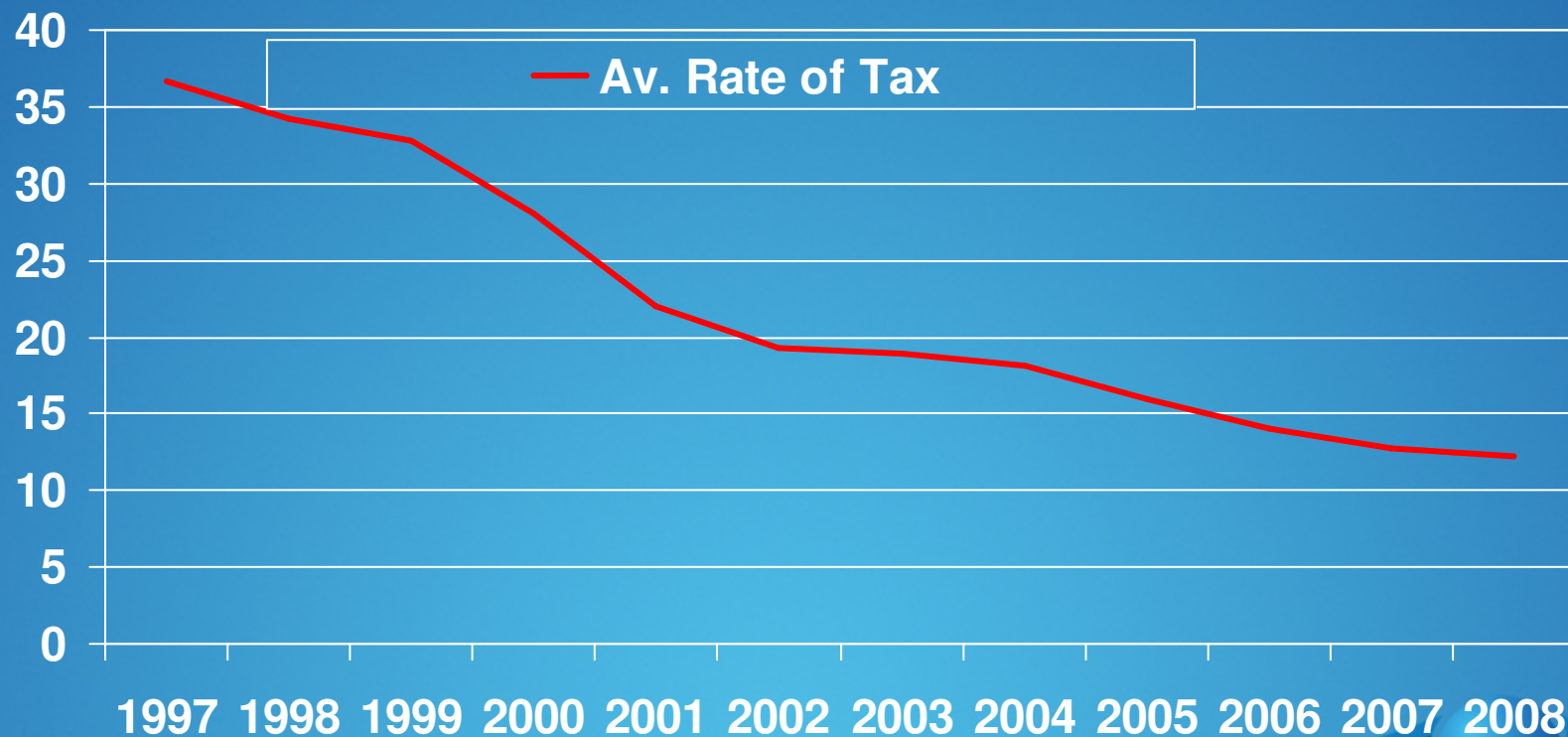


PERSPECTIVE
ADDING VALUE TO ACCOUNTING

Budget 2008 Breakfast Briefing

Personal Taxation

■ Married Couple, Two Incomes, Two Children



Budget 2008 Breakfast Briefing

Budget 2008 – Impact for Business

Budget 2008 Breakfast Briefing

Capital Allowances and Leasing Expenses for Business Cars

- Capital Allowances & Leasing costs for cars linked to CO₂ Emissions
 - Category A – C: Existing system, threshold €24k
 - BMW 318d
 - Category D/E: 50% of existing Scheme
 - Mercedes E220cdi
 - Category F/G: Will not qualify for any allowance
 - Range Rover
 - **Directors should keep cars out of the company (depending on mileage)**

Budget 2008 Breakfast Briefing

Other Business Taxation Changes

- Small company liability threshold for payment of preliminary tax on the simple prior year basis increased from €150k to €200k
- VAT Registration thresholds increasing to €37,500 for supply of services and €75,000 for supply of goods

Budget 2008 Breakfast Briefing

Other Business Taxation Changes

- Stamp Duty on Bank Transactions – Push to electronic banking:

	Current	New
– Credit Cards	€40	€30
– ATM/Debit Cards	€10	€5
– Combined ATM/Dr.	€20	€10

- Stamp Duty on Cheques will increase from €0.15 to €0.30 per cheque. This is a significant increase in the cost of manual transactions



PERSPECTIVE
ADDING VALUE TO ACCOUNTING

Budget 2008 Breakfast Briefing

VAT on Property Transactions

- Provision will be made in finance bill for a new system which will be introduced from 01 July 2008
 - Apply to commercial and residential property, supplied in the course of business
 - Ceasing to charge VAT on capitalised value of long leases
 - A 'Capital Goods Scheme' will be introduced.
 - The new system will have broadly the same yield but will be a simpler system of applying VAT.

Budget 2008 Breakfast Briefing

Construction Sector

- A reverse charge mechanism for VAT on supplies made by a subcontractor to a principal contractor in the construction sector is being introduced with effect from 1 September 2008. This is a simplification measure. This measure will be the subject of consultation with the construction sector and the details will be outlined in the Finance Bill.

Budget 2008 Breakfast Briefing

Other Budget Changes

Budget 2008 Breakfast Briefing

Residential Stamp Duty

New Stamp Duty regime effective immediately

Existing system¹:

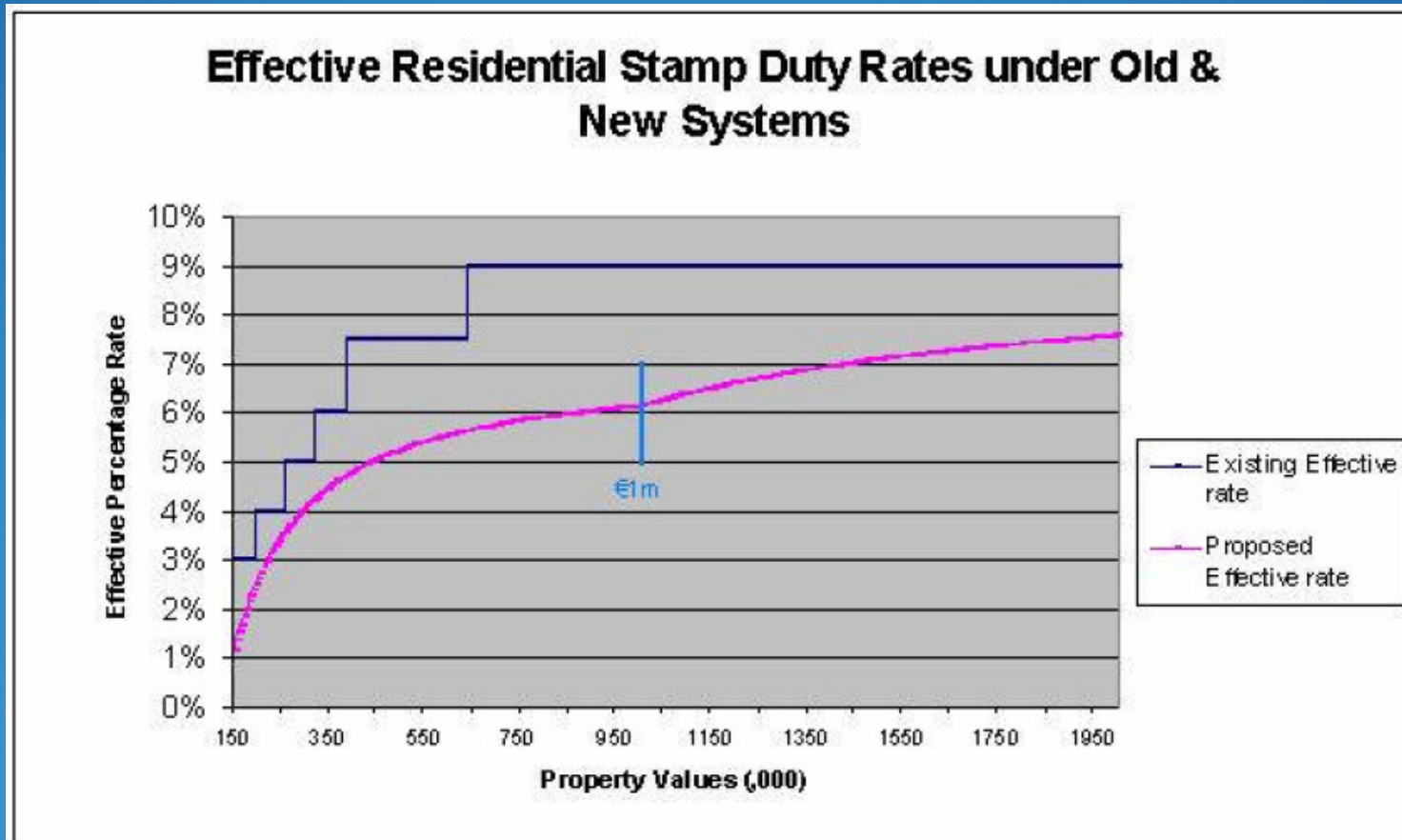
<i>Property Value</i>	<i>Rate</i>
Up to € 127,000	Nil
127,001 - €190,500	3%
€190,501 - €254,000	4%
€254,001 - €317,500	5%
€317,501 - €381,000	6%
€381,001 - €635,000	7.5%
Over € 635,000	9%

New System:

<i>Property Value</i>	<i>Rate</i>
Up to €125,000	Exempt
Next €875,000	7%
Balance	9%

Budget 2008 Breakfast Briefing

Residential Stamp Duty



Budget 2008 Breakfast Briefing

Residential Stamp Duty

Stamp Duty Savings

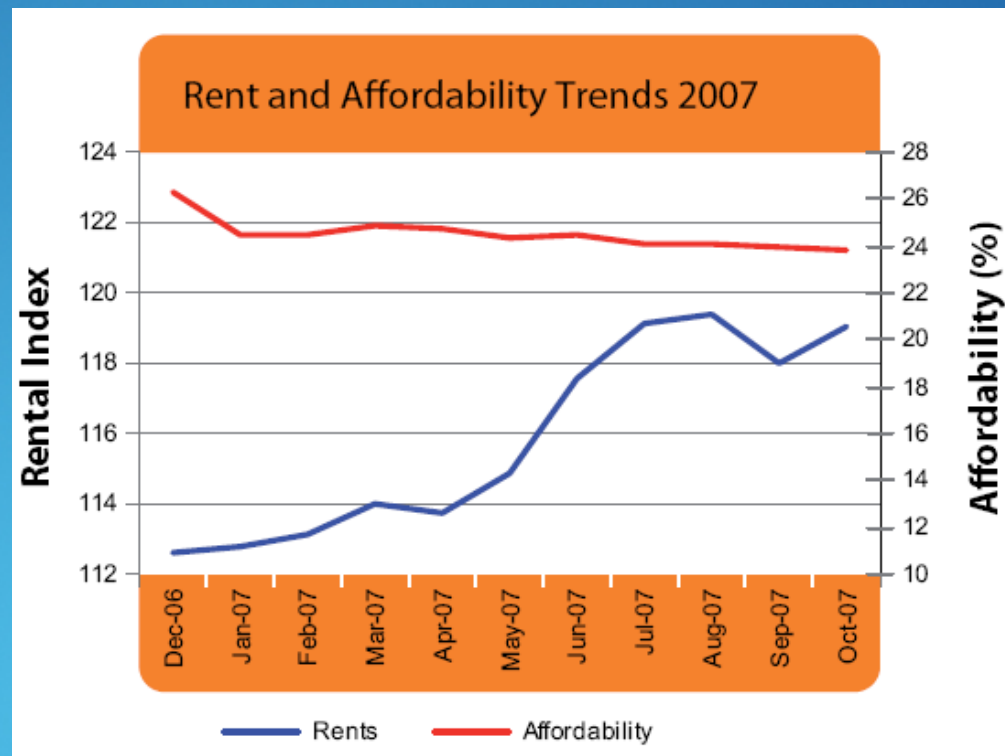
House Cost	317,500	381,000	500,000
Old System	15,875 5.00%	22,860 6.00%	37,500 7.50%
New System	13,475 4.24%	17,920 4.70%	26,250 5.25%
Saving	+ 2,400	+ 4,940	+ 11,250

Budget 2008 Breakfast Briefing

Residential Stamp Duty

Is this reform Enough?

- Could have gone further, say 6%
- Maybe just enough to get the investor back into the market
- Chart shows that rent is rising sharply
- Rent yields increasing



Budget 2008 Breakfast Briefing

Claw-back of Stamp Duty relief for first time buyers and owner occupiers

- Currently stamp duty relief is clawed back in property is rented out within five years of acquisition
- This will be reduced to 2 years for deeds of transfer executed on or after 05/12/2007
- If acquired before 05/12/2007, there will not be a claw back where this happens in the third, fourth or fifth year of ownership.

Budget 2008 Breakfast Briefing

Motor Taxation

New VRT regime effective from 1st July 2008

Current system is bringing in an estimated 1.3 billion per year

Current System	
Up to 1.4 litre	22.5%
1.4 to 1.9 litre	25%
Over 1.9 litre	30%

Budget 2008 Breakfast Briefing

Motor Taxation

New VRT regime effective from 1st July 2008

Proposed New System		
a) Up to 120g/km	14%	Toyota Prius
b) 121 – 140g/km	16%	New Renault Laguna 1.5 dsl
c) 141 – 155g/km	20%	BMW 318d
d) 156 – 170g/km	24%	Ford S-max
e) 171 – 190g/km	28%	Mercedes E220CDi
f) 191 – 225g/km	32%	Lexus LS600h
g) Over 225g/km	36%	Range Rover

An Additional relief of €2,500 will be given to hybrid vehicles

Budget 2008 Breakfast Briefing

Motor Taxation

- Road Tax
 - Increase of 9.5% for engines up to 2.5L
 - Increase of 11% for engines > 2.5L
- The Minister for Environment, Heritage and Local Government will bring forward proposals that will link motor tax to CO₂ emissions for new cars from July 08

Budget 2008 Breakfast Briefing

Other Budget Changes

- R & D Tax Credits are being extended for another 4 years to 2013
- Section 481 Film relief renewed until 2012
- Increase in threshold for the rent-a-room scheme from €7,260 to €10,000

Budget 2008 Breakfast Briefing

Other Topical Issues

Budget 2008 Breakfast Briefing

Company Law Developments

- Companies Consolidation and Reform Bill (*Consolidating 13 existing Companies Acts*)
- Replacing the Companies Acts 1963 – 2006
- CLRG formed in 2001 and working on this since
- Extensive examination and distillation of every provision of Irish Co. Law guided by the principles of enhancing Irish competitiveness.
- Standard companies will be “Company Limited by Shares” (CLS)

Budget 2008 Breakfast Briefing

Tax Policy and Practice

■ Revenue Audits

- Revenue Profiling system has been implemented
- Can profile entire tax payer base in a single weekend
- More tax inspectors being trained
- Number and frequency of audits will increase
- More Focus, More Yield – Based on Pilots

Budget 2008 Breakfast Briefing

End of Year Tax Planning

- Charitable Donations
- Employ your spouse, child or partner
- Capital Allowances for your business
- BES and film Relief
- Tax Incentive Property and rental income
- CGT – Annual Exemption
- CGT – Timing of disposal
- CAT
- Gift Tax – Annual Exemption
- Use all the Credits that you are entitled to

Budget 2008 Breakfast Briefing



Unit B4a, Enniscorthy Bus. Prk
Old Dublin Road, Enniscorthy
Co. Wexford.

michael@perspective.ie

www.perspective.ie

053 9242842

