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6th December

AVIVA

BUDGET 2012

Budget Summary 2012 - Part 2

A summary of the key revenue measures for 2012

Introduction

Minister for Finance, Michael Noonan, T.D, today delivered his first Budget, in which an estimated €1.6 billion is to be raised through a range of revenue measures in 2012.

The Minister stated that a key goal of these adjustments is to "regain control over Ireland's fiscal and economic policies, to grow the economy again and to get people back to work."

Key points for the Life & Pensions Industry

- The annual imputed distribution which applies to the value of assets in an Approved Retirement Fund (ARF) at 31 December each year is being increased from 5% to 6% in respect of ARFs with asset values in excess of €2 million (or, where an individual owns more than one ARF, where the aggregate value of the assets in those ARFs exceeds €2 million). The increase will apply in respect of asset values in affected ARFs at 31 December 2012 and future years.
- The transfer of ARF assets on the death of an ARF owner to a child of the owner aged over 21 is subject to a final liability tax equal to the standard rate of income tax in force at the time of the making of such a distribution (currently 20%). It is proposed to apply a higher final liability tax rate of 30% to such transfers and the details of this will be published in the Finance Bill.
- "Vested" PRSAs are PRSAs from which retirement benefits have commenced to be taken, usually in the form of the "tax-free" retirement lump sum. The annual imputed distribution provisions which apply to ARFs will also apply on the same basis to "vested" PRSAs, where the assets are retained in the PRSA rather than being transferred to an ARF. This will include an increased deemed distribution percentage of 6% for vested PRSAs with assets in excess of €2 million. Where an individual holds more than one PRSA the deemed distribution will apply to the aggregate of the assets in all of that individual's PRSAs once any one of them is vested. The increase will apply in respect of asset values in affected PRSAs at 31 December 2012 and future years. Further details will be published in the Finance Bill.

- Exit Tax Rates – the rate of exit tax that applies on life assurance policies and investment funds are being increased by 3 percentage points and will increase from 30% to 33%. The increased rate will apply to all payments including deemed payments made on or after 1 January 2012.
- DIRT – the rate of DIRT is being increased from 27% to 30% and 30% to 33% for other longer term deposit accounts. The increased rates will apply to all payments including deemed payments made on or after 1 January 2012. DIRT applies to interest payments on finanical institution deposits.
- The current relief of 50% of employer PRSI for employee contributions to occupational pension schemes and other pension arrangements is being removed from 1 January 2012. The change will be legislated for in the Social Welfare Bill.

Taxation

- 12.5% Corporation Tax rate unchanged.
- Income Tax rates, bands and credits remain unchanged.
- Universal Social Charge exemption on annual income of less than €4,004 increased to €10,036.
- Universal Social Charge moving to a cumulative system
- Standard Rate of VAT increased by two percentage points to 23%.
- 13.5% and the 9% reduced VAT rate for tourism sector remains unchanged

  €100 household charge introduced.
- Carbon Tax increased from €15 to €20 per tonne:
  - From midnight on petrol and diesel
  - 1 May 2012 on other fossil fuels excluding solid fuels.
  - This change equates to 1½c increase in cost of a litre of petrol & diesel.
- Excise Duty on a packet of 20 cigarettes increased by 25 cents from midnight tonight. This increase will be applied to other tobacco products on a pro-rata basis at the same time.
- No Excise duty on alcohol. The VAT increase will apply.
- Motor Tax rates across all categories will increase with effect from 1 January 2012, by variable amounts e.g. not over 1,000 cc rates by €13 up to €117 for 3,001 cc or more vehicles.
- Increasing the current rate of Capital Acquisitions Tax from 25% to 30% per cent after 6 December 2011
- Reducing the Group A tax-free threshold for Capital Acquisitions Tax from €332,084 to €250,000. Applies in respect of gifts or inheritances taken after 6 December 2011
- Increasing Capital Gains Tax from 25% to 30% after 6 December 2011

Sector-specific measures

- Support Small & Medium Enterprise to grow and create jobs by ensuring access to adequate, targeted R&D Tax credit regime
- Extension of 3 year corporation tax relief for start – up companies.
- The Stamp Duty rate for commercial property transfers will be reduced from the current top rate of 6% to a flat rate of 2% on all amounts from midnight tonight in respect of all non-residential property, including farmland as well as commercial and industrial buildings.
- The current stamp duty arrangements for residential property will continue to apply with 1% on transactions up to and including €1 million and 2% thereafter.
- Introducing a Capital Gains Tax incentive for property purchased between midnight tonight and the end of 2013. If a property is bought during this period and held for at least seven years, the gain attributable to that seven year holding period will be relieved from Capital Gains Tax.
- Incentivising initiatives for Farmer Taxation and Retirement Relief. Full details available in the Finance Bill in the New Year.

Mortgage Interest Relief

- Reconfirmed mortgage interest relief will no longer be available to house purchasers who purchase after the end of 2012 and will be fully abolished from 2018.
- Mortgage Interest Relief is increased to 30% for First-Time Buyers of property between 2004 and 2008
- For those buying a home in 2012:
  - First time buyers will get mortgage interest relief at a rate of 25% rather than the 15% proposed previously
  - Non-first time buyers will benefit from relief at 15% instead of the reduced rate of 10% proposed previously

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Please note on the tables below, the only changes are to the Universal Social Charge

Details of Tax Credits, Standard Rate Tax Bands, Exemption Limits, Other Credits, Universal Social Charge & PRSI rates for 2012

Personal and Qualified Adult Rates

Tax Credits	Present Rate (€)	New Rate (€)
Personal Credit – Single Persons	1,650	1,650
Personal Credit – Married Persons	3,300	3,300
Employee Credit	1,650	1,650
Additional One- Parent Family Credit	1,650	1,650
Home Carer credit	810	810
Widowed person bereaved in year of assessment	3,300	3,300

Standard Rate Tax Bands *	Present Rate (€)	New Rate (€)
Single/Widowed Persons	32,800	32,800
Married Couples One Income	41,800	41,800
Married Couples Two Income	65,600	65,600
One Parent/Widowed Parent	36,800	36,800

* The tax band of €65,600 available to married couples with two incomes in 2012 is transferable between spouses up to a maximum of €41,800

Exemption Limits 65 years and over	Present Rate (€)	New Rate (€)
Single	18,000	18,000
Married	36,000	36,000

Other credits	Present Rate (€)	New Rate (€)
Incapacitated child tax credit	3,300	3,300
Dependent relative tax credit	70	70
Blind person tax credit		
- single	1,650	1,650
- married (both blind)	3,300	3,300
Additional credit for certain widowed persons	540	540
Widowed parent tax credit		
- year 1	3,600	3,600
- year 2	3,150	3,150
- year 3	2,700	2,700
- year 4	2,250	2,250
- year 5	1,800	1,800
Age credit		
- single	245	245
- married	490	490

Universal Social Charge (USC)	Present Rate (€)	New Rate (€)
Total income below €10,036pa	-	0%
If total income exceeds €10,036pa, the following applies:		
Income up to €10,036pa	-	2%
Income between €10,036pa and €16,016pa	4%	4%
Income over €16,016pa	7%	7%
Over €100,000 (self-assessed income only) 10%	10%	10%

* Individuals over the age of 70 or in possession of a full medical card will pay the USC at a maximum rate of 4%, irrespective of their level of income

Source: Department of Finance website 6 December 2011.

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