



The National Recovery Plan

Roberts Nathan Corporate & Private in Ireland

Introduction

On 24th November 2010 the Government announced the four-year National Recovery Plan 2011-2014.

The Plan proposes the manner in which a budgetary correction of €15 billion will be made over the next four years.

This adjustment is to be achieved from a reduction in spending of €10 billion and tax and revenue raising measures of €5 billion.

The €15 billion correction is to be front-loaded, with an adjustment of €6 billion to be made in 2011.

Corporation Tax and Business Measures

- The corporation tax rate of 12.5% will not be increased over the four-year plan.
- A better-focussed “Business Investments Targeting Employment Scheme” (BITES), is to be developed to replace the current “Business Expansion Scheme” (BES). The scheme is to have a simple and efficient certification process, and the maximum amounts that can be raised by companies are to be increased significantly.
- The scheme to exempt employers from Employers’ PRSI (social insurance) on the engagement of unemployed individuals introduced in July 2010 is to be extended to those recruited in 2011.
- Minimum wage to be reduced by €1 to €7.65 per hour.

Personal Taxation

- The Plan aims to broaden the base from which income tax is collected, as it is estimated that in the current year 45% of income earners are exempt from income tax.
- There have been no changes to the standard or marginal rates of income tax for individuals.
- Tax bands and credits are to be reduced by 16.5%. 10% of this reduction will take place in 2011, and reductions of 2.5%, 2% and 2% in the following three years.
- It has been proposed that tax relief for pension contributions will be reduced on a phased basis to a flat rate of 20% by 2014.
- The Income Levy, the Health Levy and PRSI are to be merged into a new Universal Social Charge over the course of the four-year plan.
- The income tax age credit and age exemptions are to be phased out over a four-year period.



Curtailment of Tax Reliefs

- Ten tax reliefs are to be abolished in 2011, including the exemptions for patent royalties, approved share options schemes, and certain capital allowances.
- Six tax reliefs will be restricted from 2011, including the Artists' Exemption which is to be restricted to earnings of €40,000. Ex-gratia termination and pension lump sum payments in excess of €200,000 are to be taxed.
- "Legacy reliefs" arising from tax incentive capital allowance schemes abolished in Budget 2006 are to be abolished on a phased basis over the period of the four-year plan. Specific details of this measure have not yet been announced.

Indirect Taxes

- The standard rate of VAT is to be increased from 21% to 22% in 2013, and to 23% in 2014.
- Carbon Tax is to be increased from €15 per tonne to €25 per tonne in 2012, and to €30 per tonne in 2014.
- The CO2 bands used to determine a charge to Vehicle Registration Tax are to be adjusted on 1 January 2013 in line with technological advances.
- Changes in Excise Duties and Licences to the value of €10 million are to be made in 2011. No specific details of the changes have yet been provided.

Capital Taxation

- In 2012 the current single 25% rate of Capital Gains Tax (CGT) will be changed to a system of differing rates for different levels of gains.
- The current tax-free thresholds for Capital Acquisitions Tax (CAT) on gifts and inheritances will be reduced to reflect falls in asset values in recent years.
- Reliefs and exemptions from CGT, CAT and Stamp Duty are to be reduced or abolished.

New Taxes

- A Site Value Tax is to be introduced in 2012 at an interim rate of c.€100 per annum. It is expected that the average rate in subsequent years will be c.€200 per annum.
- Water metering and charges for domestic water use are to be introduced by 2014.

Public Sector Employees

- The gross pensions of existing public service pensioners will be reduced on a tapered scale of up to 12%. The first €12,000 per annum will not be affected, and the maximum 12% reduction will apply to pension income above €60,001 per annum.
- Public service staff numbers are to be reduced by 24,750 from the peak 2008 staff level of 319,450. Almost half of this reduction (a reduction in staff numbers of 12,050) has already taken place up to the end of September 2010.

25th November 2010



Contact us:

Cork

4th Floor,
The Atrium,
Blackpool Business Park,
Cork
Ireland

Tel.: +353 21 4217940
Fax: +353 21 4217941

Dublin

4th Floor,
Ulysses House,
Foley Street,
Dublin 1
Ireland

Tel.: +353 1 8764550
Fax: +353 1 8881171

Email: info@rncap.com
Web: www.rncap.com

The information contained herein is of general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.