



# BUDGET 2012

## WHAT WILL BUDGET 2012 MEAN FOR YOU?

After all the leaks and controversy Budget 2012 was finally unveiled over two days – the 5th and 6th of December. Major spending cuts and new taxes will affect every sector of society but what will Budget 2012 mean for small businesses and the self employed?



## SUMMARY OF THE MAIN ISSUES:

- Extra mortgage interest relief for those who bought during the boom
- VAT rate set to increase to 23%
- PRSI will be due on profit on rental income from 2013
- Employers rebate in the case of redundancy down to 15%

If you have any questions please contact us on 1890 987 609.



## MAJOR TAX CHANGES

### USC

The level at which you start paying the Universal Social Charge has gone up from €4,004 to €10,036. In the case of a sole trader with a profit of €9,000, up until now a 2% USC would have been charged. After 2011 this will no longer be charged meaning a saving of €180.

### Mortgage interest relief

In some unexpected good news, mortgage holders who took their mortgages out between 2004-2008 will now receive 30% interest relief.

For first time buyers in 2012 the rate of relief is 25% whilst for non first timebuyers the rate will be 15%.

In the case of a married couple with a mortgage of €500,000 taken out in 2007 paying an interest rate of 3% the relief is worth up to €750.

### VAT rate increase

VAT is being increased to 23% in 2012. The new rate will apply to about half of all goods and services, and will mean that Ireland will have one of the highest VAT rates in the Eurozone. The VAT increase is likely to hit the retail industry hardest.

### Higher DIRT rate

In a move to encourage spending versus Saving, DIRT tax on savings will be increased from 27% to 30%.

### Changes to CAT and CGT

This budget has increased the Capital Gains and Capital Acquisition tax rate from 25% to 30%. This increased rate will affect people who want to sell their businesses or perhaps a property they have inherited.

### Betting tax

The betting tax has now been extended to cover offshore, online and phone betting.

### Other taxes

25 cents has been added to a pack of cigarettes and the carbon tax goes up from €15 to €20 per tonne.

## IF YOU OWN PROPERTY

### The household charge

In advance of a full property tax being brought in the government has decided to levy a €100 household charge. The charge will not apply in cases where the home is in an unfinished housing estate or where the householder is getting mortgage interest supplement.

Payment wise, arrangements can be made for the charge to be paid in installments.

### Property Reliefs

Under certain property relief schemes, buy to let investors received tax relief on their rental income. The change here is that investors with income over €100,000 will now be liable for a 5% surcharge on their relief.



## PRSI, 2013 onwards

The major change for anyone renting out a property is the extension of PRSI to cover income from rent. PRSI will be due on profit on rental income from 2013.

This was already the case for the self employed and now will impact PAYE workers. This additional tax comes on foot of recent reductions in mortgage interest relief. (Down from 100% to 75%).

## IF YOU EMPLOY STAFF

### Redundancy

Employers making workers redundant will now receive a rebate of 15% from the state down from 60%.

### Illness benefits

Employees who are off work due to illness will now have to pay tax on the illness benefit payments they receive from Social Welfare. Previously this was tax free for 6 weeks.

## IF YOU HAVE CHILDREN

### Child benefit

Families with three or more children will see their child benefit reduced over the next two years to a standard €140 per child.

### College Fees

There will be no return to full college fees but the student registration charge will increase by €250 a year over the next four years, bringing it to €3,000 by 2015.

## PENSIONS

Pensions were hit again in this budget. Now employers will be liable for employers PRSI on all pension contributions made by employees rather than 50%.

## GOOD NEWS

- Corporation tax exemption for start-ups has been extended to companies who commence trading in 2012, 2013 and 2014.
- The system for R&D has been simplified and targeted at smaller businesses. Any small business carrying out R&D in 2012 can now avail of tax credit of 25% on expenditure up to €100,000. Small businesses who previously did not have the in-house resources to perform R&D will now be allowed outsource and continue to claim their tax credit.
- Stamp duty on commercial property has been reduced to 2% from 07/12/2011.
- Property bought from 7/12/2011 up to 2013 will be exempt from CGT if it is held for at least 7 years.

## WANT MORE INFORMATION?

If you'd like more information or wish to discuss how Budget 2012 impacts on your business, please feel free to contact us:

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