



GES NewsFlash

Ireland — Budget 2012

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Summary

The Minister for Finance, Mr. Michael Noonan TD, presented his budget to Dáil Éireann on 6 December, 2011.

Special Assignee Relief Program

The minister has indicated that a “Special Assignee Relief Program” is to be introduced to allow companies to attract key individuals to Ireland. No further details were forthcoming in the budget speech; however, additional details will be published in the finance bill. At this time, the effect of this program on reliefs currently available to assignees is not known.

Foreign earnings deduction

The minister has announced a foreign earnings deduction for individuals who spend greater than 60 days developing export markets in Brazil, Russia, India, China, and South Africa. No further details were forthcoming in the budget speech; however, additional details will be published in the finance bill.

We expect both reliefs to be subject to specific conditions when outlined in the finance bill.

Statutory redundancy rebate

Where the date of termination for statutory redundancy purposes (i.e., the date to the end of the notice period) expires after 31 December 2011, the reduced 15% employers rebate will be applicable.

The reduced rate will also apply where an employee receives a P45 on the termination of their employment prior to 31 December 2011, but where a payment for the notice period which expires after 1 January 2012, has been paid. The reduced rate in this case is applicable as the expiry of the notice period is after 31 December 2011.

There appears to be no transitional arrangements to ease the situation where a redundancy has already been initiated, budgeted for, but which may not itself be completed, before the end of 2011.

PRSI

The current 50% relief from employer pay related social insurance (PRSI) for contributions made by an employee to an employee's occupational pension scheme is to be abolished from 1 January 2012. From this date, employee pension contributions made to an employee's occupational pension scheme will not get any relief for PRSI. The legislation required to introduce this change will be contained in the Social Welfare Bill 2012.

Employers need to ensure that their payroll system is updated to cope with this change.

The minister has indicated that in 2013, PRSI will also be applied to earnings from passive income, such as investment or rental income.

Income tax rates and bands

There will be no change in the income tax rates, which remain at 20% and 41%, respectively. There will also be no change in the tax bands to which these rates apply. [Click here](#) for a table that sets out the credits and rate bands.

Income tax credits

There will be no change to income tax credits in 2012.

Pension relief

There will be no change in pension relief in 2012. Pension contributions remain deductible for income tax purposes at the employees' marginal rate. Reductions in the rate at which contributions are allowable are expected in future years.

Capital gains tax

The capital gains tax rate has been increased to 30%, effective for disposals made after midnight on 6 December 2011.

Deposit interest retention tax

With effect from 1 January 2012, the tax rate on interest earned from deposit accounts in the Republic of Ireland will be increased to 30%.

Deloitte's view

There have been few changes to the tax burden on employees in the current budget, which is a welcome surprise considering the previous burden placed on employees.

The "Special Assignee Relief Programme" and foreign earnings deduction are welcome reliefs, which may make it more attractive for employees to work in Ireland; however, precise details of these reliefs will not be forthcoming until the finance bill is published.

The following link may be used should you wish to view further commentary on Budget 2012: http://www.deloitte.com/view/en_IE/ie/insights/budget-2012-ireland/index.htm

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People to contact

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the tax professionals at our Deloitte offices as follows:

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