Timothy Coughlan & Co.
Chartered Accountants & Registered Auditors

9/10 Rossa Street, Clonakilty, Co. Cork.
Tel. (023) 33763 Fax (023) 33909
Email: enquiries@timothycoughlan.ie

BUDGET SUMMARY 2008

INCOME TAX

In his Budget Statement on 5 December 2007, the Minister for Finance announced a number of changes to the personal tax system.

Tax Credits

The table below outlines increases for 2008.

Tax Credit	2007 €	2008 €
Single Person	1,760	1,830
Married person	3,520	3,660
PAYE Credit	1,760	1,830
Widowed person (without dependant children)	2,310	2,430
One Parent Family Credit	1,760	1,830
Incapacitated Child Credit Max	3,000	3,660
Blind Tax Credit		
Single person	1,760	1,830
One Spouse Blind	1,760	1,830
Both Spouses Blind	3,520	3,660
Widowed Parent		
Bereaved in 2007	-	4,000
2006	3,750	3,500
2005	3,250	3,000
2004	2,750	2,500
2003	2,250	2,000
2002	1,750	-
Age Tax Credit		
Single/Widowed	275	325
Married	550	650
Dependent Relative	80	80
Home Carer	770	900

The following reliefs remain unchanged:

Relief (Allowed at the taxpayer's top rate of tax)	2007 € Max	2008 € Max
Employing a Carer	50,000	50,000

Changes to Standard Rated Reliefs are as follows:

(Allowed at 20% rate band)

Rent Tax Relief	2007 € Max	2008 € Max
Single - under 55	1,800	2,000
Married/Widowed - under 55	3,600	4,000
Single - 55 & over	3,600	4,000
Married/Widowed - 55 & over	7,200	8,000

Trade Union Subscriptions	300	350

Service Charges

Relief on service charges remains unchanged. A maximum of €400 tax relief is granted (at 20% tax rate) in 2008 for charges paid in the year 2007.

Rent-a-Room Scheme

The limit of the exemption from income tax which applies to rent received, where a person rents out a room or rooms in his or her principle private residence, is to be increased from €7,620 to €10,000.

Tax Rates and Tax Bands.

The tax rates remain unchanged at 20% and 41%. The standard rate tax band (20%) has been widened.

The table below sets out the tax rates and bands.

Personal Circumstances	2007 €	2008 €
Single/Widowed without dependant children	34,000 @ 20% Balance @ 41%	35,400 @ 20% Balance @ 41%
Single/Widowed qualifying for One Parent Family Tax Credit	38,000 @ 20% Balance @ 41%	39,400 @ 20% Balance @ 41%
Married Couple one spouse with Income	43,000 @ 20% Balance @ 41%	44,400 @ 20% Balance @ 41%
Married Couple both spouses with Income	43,000 @ 20% with increase of 25,000 max. Balance @ 41%	44,400 @ 20% with increase of 26,400 max. Balance @ 41%

Exemption Limits

The exemption limits for persons aged 65 years and over have been increased as indicated in the table below:

Personal Circumstances	2007 €	2008 €
Single/Widowed 65 years of age & over	19,000	20,000
Married Couple 65 years of age & over	38,000	40,000

The limits for Single/Widowed persons aged under 65 and Married couples aged under 65 remain unchanged at €5,210 and €10,420 respectively.

Marginal Relief will continue to apply where income does not greatly exceed the relevant exemption limit.

The above exemption limits are increased by €575 for each of the first two dependent children and by €830 for the third and subsequent children.

Tax Relief at Source – Mortgage Interest Relief

The current annual ceiling on the amount of interest that can be allowed on a mortgage is being increased with effect from 1 January 2008 for first-time buyers from €8,000/€16,000 single/married to €10,000/€20,000 single/married. The additional relief will be available for the first seven years for which there is an entitlement to mortgage interest relief.

The ceiling for non-first-time buyers remains unchanged at €3,000/€6,000 for single/married.

Specified Rates for Preferential Home Loans and Other Loans

An employee in receipt of a preferential loan is charged income tax on the difference between the interest actually paid and the amount which would have been payable at the "specified" rates of interest for the loans. To reflect increases in interest rates, the specified rate in respect of home loans is being increased from 4.5% to 5.5% and the specified rate in respect of other loans is being increased from 12% to 13%. These changes will take effect from 1 January 2008.

BUSINESS EXPANSION SCHEME (BES)

The requirement that recycling companies must have received grant assistance before availing of the Business Expansion Scheme (BES) is to be replaced by a requirement that their business proposals must be certified by an industrial development agency or County Enterprise Board before they avail of the scheme. As the BES is an approved State aid, it will be necessary to advise the European Commission of this proposed change.

Extension of S481 Film Relief

The current provisions in relation to the tax relief for investment in films are due to terminate on 31 December 2008. The scheme will be renewed for another 4 years to 31 December 2012. Any revisions that may be necessary to the scheme will be provided for in the Finance Bill 2008.

Capital allowances and (and expenses) for business cars

A revised scheme for capital allowances and leasing expenses for cars used for business purposes is being introduced. The revision will link the availability of such allowances and expenses to the CO2 emission levels of the vehicles. Cars will be categorised by reference to CO2 emissions with the emissions bands being broadly consistent with the new VRT system, as follows:

Category A Vehicles	Category B/C Vehicles	Category D/E Vehicles	Category F/G Vehicles
0 -120g/km	121 - 155 g/km	156 - 190 g/km	191 g/km +

Cars with CO2 emission levels in Category A/B/C above will benefit from capital allowances at the current car value threshold under the existing scheme of €24,000, regardless of the cost of the car. Cars in Category D/E will receive allowances of 50% of the current car value threshold or 50% of the cost of the car, if lower. Cars in Category F/G will not qualify for capital allowances.

Leasing Expenses

Cars in Category A/B/C above will benefit from a proportionately higher deduction than the actual leasing expenses where the cost of the car is less than €24,000. Cars in Category D/E will get 50% of the leasing expenses they would otherwise benefit under the current scheme. Cars in Category F/G will not qualify for a deduction for leasing expenses.

The revised scheme will come into effect in respect of cars purchased or leased on or after 1 July 2008.

PRSI & HEALTH CONTRIBUTIONS

The following changes are effective from 1 January 2008:

Employee's Annual Earnings Ceiling

The employee's annual earnings ceiling (above which they pay no social insurance contributions) is being increased from €48,800 to €50,700.

Employee income thresholds

The threshold for employee PRSI is being increased from €339 a week to €352 a week.

The threshold for payment of the 2% Health Contribution is being increased from €480 a week to €500 a week.

The additional 0.5% Health Contribution on earnings exceeding €1,925 per week (equivalent to €3,850 per fortnight and to €8,342 per month) is unchanged.

The annual earnings threshold for the Health Contribution is being increased from €24,960 to €26,000.

Employee's PRSI-Free Allowance

The PRSI-Free Allowance for employees in Classes A and H with weekly earnings of more than €352 remains at €127 per week and at €26 per week for all employees in Classes B, C and D.:

VAT

VAT Registration Threshold for SMEs

The VAT registration thresholds for small businesses are being increased from €35,000 to €37,500 in the case of services, and from €70,000 to €75,000 in the case of goods. These increases will take effect from 1 May 2008.

Reduced VAT rate for certain agricultural inputs used to produce bio fuel

The VAT rate on the supply of seeds, and of roots, bulbs, rhizomes and similar supplies used for the agricultural production of bio fuel crops, e.g. elephant grass, will be reduced from 21% to 13.5% with effect from 1 March 2008.

Review of VAT on Property Transactions
Provision will be made in the Finance Bill for the introduction of a new system for applying VAT to property transactions. The changes are designed to simplify the rules, while ensuring a more equitable treatment for taxpayers. The new rules will apply to both residential and commercial property supplied in the course of business. The VAT charge on sales of residential property remains unchanged. The new system will take effect from 1 July 2008.

Reverse charge mechanism in the 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.

A reverse charge means that instead of the subcontractor charging VAT on his supply to a principal and accounting to Revenue for the VAT, the principal contractor will account to Revenue for the VAT. Both the subcontractor and the principal will continue to claim input credits.

FARMING TAXATION

The Farmer's Flat Rate Addition
The rate of the flat rate addition payable by VAT registered traders on purchases from non-VAT registered farmers remains unchanged at 5.2%.

Tax relief on the dissolution of farm partnerships
A new relief from Capital Gains Tax on the dissolution of farm partnerships will be introduced in the Finance Bill. The relief will run for a period of 5 years and full details will be contained in the Finance Bill.

Milk Production Partnerships
Where a farmer on income averaging enters a milk production partnership the provisions that result in a claw back of income tax will no longer apply.

Sugar Beet Diversification
Provision is being made to allow farmers in receipt of the Diversification Aid element of the Sugar Beet Compensation Package to spread these payments over six years for the purpose of calculating taxable income. More information will follow.

FISHING INDUSTRY

Provision will be made for amending the taxation code to assist the take-up of the decommissioning scheme to support the restructuring of Ireland's fishing fleet. Full details will be contained in the Finance Bill.

CORPORATION TAX

Preliminary tax payment arrangements for small companies
Small companies have the option of paying their preliminary tax at the lower rate of 90% of the final liability of the current accounting period or 100% of the final liability of the previous accounting period. The corporation tax liability threshold for treatment as a small company is being increased from €150,000 to €200,000. This will be effective from preliminary tax payments dates arising after 5 December 2007.

Preliminary Tax payment arrangements for New or Start-up Companies
Under the measure introduced in last year's budget new or start-up companies with a corporation tax liability of €150,000 or less, for their first accounting period are not required to pay preliminary tax in respect of that first accounting period. They will, of course be required to pay their final CT liability for that accounting period at the same time as they are required to submit their tax returns (9 months after the end of the accounting period). The Tax liability threshold under this arrangement for new or start-up companies is also being increased to €200,000 and this change will also be effective from preliminary tax payment dates arising after 5 December 2007.

International Financial Reporting Standards (IFRS) Rule
Transitional arrangements which relax the interest charge on underpaid preliminary corporation tax for companies in very specific circumstances for certain companies whose accounts are based on International Financial Reporting Standards (IFRS) will be changed in the Finance Bill 2008 so that these arrangements can be used on a permanent basis.

Tax Credit Scheme for Research and Development expenditure
The base year for expenditure which is used to calculate the qualifying incremental expenditure on research and development (R&D) under the tax credit scheme is being fixed at 2003 for a further four years to 2013. The change will provide an additional incentive for increased expenditure on R&D in future years and it will offer more certainty to industry in relation to the tax credit scheme.

It will be necessary to inform the European Commission about these changes from a State Aid perspective.

STAMP DUTY

Residential Property - New Rate Structure
A simplified system, incorporating an exemption of €125,000 with 2 rate bands of 7% and 9%, is being introduced for instruments executed on or after 5 **November 2007.** The 7% rate applies up to €1,000,000 and it is charged on the **excess** of the consideration over €125,000. The 9% rate applies where the consideration exceeds €1,000,000 and it is charged on the **excess** of the consideration over €1,000,000.

Consideration (or Aggregate Consideration) exceeds €127,000*	**Rate of Duty**
First €125,000	Nil
Next €875,000	7%
Excess over €1,000,000	9%

*To fully preserve the existing exemption, transactions, where the consideration (or aggregate consideration) does not exceed €127,000, are exempt from stamp duty.

Reduction of Claw back Period
The claw back period for first-time buyer relief and owner-occupier relief is being reduced from 5 years to 2 years in certain circumstances.

Financial Cards

The stamp duty chargeable on financial cards is being reduced. The changes are set out in the table below.

Card Type	Old	New
Charge cards & Credit card	€40	€30
ATM cards	€10	€5
Debit cards	€10	€5
Combined ATM/Debit cards	€20	€10

Cheques/Drafts

The stamp duty chargeable on cheques/drafts is being increased from 15 cent to 30 cent.

Site to Child Exemption

The exemption threshold for a site, which is transferred from a parent to a child for the purposes of constructing the child's principal private residence, is being increased from €254,000 to €500,000. A similar change will apply for CGT purposes. These changes will be contained in the 2008 Finance Bill.

STAMP DUTY AND CAPITAL GAINS TAX

An exemption from Stamp Duty and Capital Gains Tax applies where a parent transfers a site, with a market value not exceeding €254,000, to a child to enable that child construct his/her principal private residence. This threshold has been increased to €500,000 for transfers on or after 5 December 2007.

CAPITAL ACQUISITIONS TAX

There were no changes announced in the Budget.

EXCISES

Tobacco Excise

The Excise Duty on a packet of 20 cigarettes is being increased by 30 cents (including VAT) with a pro-rata increase on other tobacco products, with effect from midnight on 5 December 2007.

The new rates are set out in the table hereunder:

Description of Product	Rate of Tax
Cigarettes	€160.57 per thousand together with an amount equal to 17.92% of the price at which the cigarettes are sold at retail
Cigars	€229.917 per kilogram
Fine-cut tobacco for the rolling of cigarettes	€194.016 per kilogram
Other smoking tobacco	€159.507 per kilogram

Alcohol Licensing Regime

Licensing fees for Off-licences are being increased from €250 per licence to €300 per licence with effect from 1 October 2008.

EU Tax Issue

Following discussions with the European Commission, the tax treatment of investment income and income attributable to the exercise of foreign employments outside the State will extend to the UK-sourced income. The Finance Bill will extend the relevant treatment from 1 January 2008.

Vehicle Registration Tax (VRT)

The current VRT system uses engine size as the criterion to determine the VRT rate to be applied to a car. Under the revised VRT system the CO_2 emissions of a car will replace engine size as the criterion to determine the VRT rate payable on the car at point of registration. Lower emission cars will attract reduced VRT rates and higher emission cars will be liable to higher rates. The VRT rates will continue to be applied to the Open Market Selling Price of the car. The revised VRT system will take effect on 1 July 2008.

The following Table sets out the CO_2 Emission Bands and the relevant VRT rates under the revised VRT system.

CO_2 Emissions Bands	g CO_2/km *	VRT Rates
A	0 - 120g	14%
B	121 - 140g	16%
C	141 - 155g	20%
D	156 - 170g	24%
E	171 - 190 g	28%
F	191 - 225g	32%
G	226g and over	36%

* This refers to the amount of CO2 produced per kilometre by a car under certain test conditions. This amount is indicated for each model of car in its Certificate of Conformity.

The existing 50% VRT relief scheme for series production hybrid electric and flexible fuel cars, which is due to expire on 31 December 2007, is being extended to 30 June 2008. From 1 July 2008 the relief for these cars will be adjusted to give a relief of up to €2,500 on the VRT payable. This is in addition to any benefit accruing from the new VRT CO_2 emission related banding.

With effect from 1 January 2008, series production electric cars and electric/battery-assisted cycles will be exempted from VRT for a period of three years.