MHOS & Co.
CHARTERED CERTIFIED ACCOUNTANTS
& TAXATION CONSULTANTS

Unit 21, (D3) Bymac Centre,
Northwest Business Park,
Blanchardstown, Dublin 15.
Tel: 824 2533 / 824 2534 Fax: 824 2535
info@mhos.ie

Business Tax Guide

PRSI Rates for Self-Employed (these **apply from 1 May 2009)**

Non Cumulative Weekly Earnings Band	PRSI Subclasses	How Much Of Weekly Earnings	EE %	ER%	EE+ER %
Up to €500	SO	ALL	3.00	0	3.00
More than €500	SI	All up to -€1,925	7.00 (previously 5%)	0	7.00 (previously 5%)
	SI	Balance	8.00	0	8.00
	* S2	ALL	3.00	0	3.00

** Subclass S2 applies to Medical Card Holders, people getting a Social Welfare Widow's/Widower's Pension, One Parent Family Payment or Deserted Wife's Benefit/Allowance.*

Value **Added Tax**

From 1 May 2008 registration threshold increases from €35,000 to €37,500 for services and from €70,000 to €75,000 for goods.

The standard rate of VAT was increased from 21% to 21.5% with effect from 1 December 2008. VAT rate returned to 21% from 1 January 2010.

If certain conditions are met, Irish VAT registered businesses may be entitled to take a VAT deduction for 20% of the VAT incurred in respect of the purchase, hiring or importation of the car. The conditions which must be met to avail of this relief are as follows: 1. The vehicle was first registered in Ireland after 1 January 2009; 2. The vehicle has a level of C02 emissions of less than 156g/km (i.e. cars in categories A, B or C); 3. The vehicle is used at least 60% for business purposes (i.e. no VAT credit can be claimed where intended private use is greater than 40%); 4. If the car is disposed of within 2 years the seller must repay some or all of the VAT deducted.

To help to maintain cash flow, a business can avail of the cash receipts basis of accounting for VAT - businesses can pay VAT as cash comes in, rather than on the basis of invoices issued to clients (irrespective of whether those invoices have actually been paid).

If your business is experiencing a decrease in sales levels compared with previous years then consequently VAT liabilities are also decreasing. Any business paying VAT by way of direct debit payments should ensure that such payments are revised to reflect the change in circumstances.

Many businesses are now opting to discharge their tax liabilities (VAT and PAYE/PRSI) by means of direct debit over the course of a year. A business who pays by means of direct debit need only file one annual return at the end of their accounting period which greatly reduces the administrative burden on the business and allows them more time to focus on their business.

Capital Gains Tax

- In respect of disposals made, the rate of capital gains tax was increased to 25% from 8/4/09 (from 15/10/08 to 7/4/09 it was 22% - previously it was 20%).
- Regarding Tax Years 2009 onwards, capital gains tax in respect of disposals made in the period January to November is due to be paid in mid-December and the capital gains tax on disposals in December is due to be paid on the following 31 October (the existing pay and file date).

Stamp Duty

- From 5 December 2007 new stamp duty rates applied for residential property - no stamp duty is payable on property values up to €125,000. Where the property value exceeds €125,000 but is less than €1,000,000 stamp duty will be charged at 7% on the value exceeding €125,000. Where the property value exceeds €1,000,000, €125,000 will be exempt, the next €875,000 will be taxed at 7% and the balance at 9%.
- There is an exemption from stamp duty for first-time buyers and owner-occupiers of new houses. The clawback period for this relief is 2 years for transactions after 5 December 2007 - before that date it was 5 years.

Unit 21, (D3) Bymac Centre,
Northwest Business Park,
Blanchardstown, Dublin 15.
Tel: 824 2533 / 824 2534 Fax: 824 2535
info@mhos.ie

Stamp duty applicable to non-residential commercial property is 6% in respect of instruments executed on or after 15 October 2008 - before that the rate was 9%.

Deposit Interest Retention Tax (DIRT) and Tax Rates on Life Assurance Policies and Investment Funds

- From 1 January 2009, the rates of retention tax that apply to deposit interest, together with the rates of tax that apply to a) life assurance policies and b) investment funds, were increased from 23% and 26%.

Accelerated Capital Allowances Scheme for Certain Energy Efficient Equipment

The tax incentive (introduced in Finance Act 2008) which provides for accelerated capital allowances of 100% of expenditure incurred by companies in the year the equipment is purchased. To qualify for the ACA, the equipment purchased must be new and provided for the purposes of a trade.

The new categories to be included in this scheme are:

- Data server related systems and large energy saving office equipment associated with information and Communications Technology.
- Efficient heating/electricity provision equipment and control systems.
- Efficient electrical and control equipment associated with Process and Heating Ventilation and Air-Conditioning systems.

- Alternative fuel vehicles.

Qualifying Equipment	**Min.** spend per category
Building Energy Management System (BEMS) - computer-based systems, designed to monitor and control building energy use with the aim of optimising energy efficiency and meeting specified efficiency standards	€5,000
Lighting	€3,000
Motors and Drives	€1,000

Capital Allowances on Plant & Machinery and fixtures & fittings

Expenditure incurred plant and machinery, fixtures and fittings etc, may be written off at 12.5% per annum on a straight line basis over an 8 year period.

Capital Allowances on Motor Vehicles

The annual allowance for motor vehicles (other than taxi and short-term hire vehicles) is 12.5% on a straight line basis for expenditure incurred. The maximum qualifying cost of motor vehicles purchased on or after 1 January 2007 is €24,000. The €24,000 restricted cost applies to both new and secondhand motor vehicles.

A revised scheme for capital allowances and leasing expenses for cars used for business purposes was introduced from 1 July 2008.

Restricted Motor Expenses & Capital Allowances for cars purchased or leased after 1st July 2008

Cars are grouped into bands according to their carbon dioxide emissions.

The new capital allowances to be applied for cars used for business purposes are as follows:

Category	**Emission Levels (g C02/km)**	**Capital Allowance**
A, B & C	< 156g	€24,000
D & E	156 - 190g	max €12,000
F & G	> 190g	€0

Cars with C02 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.

MHOS & Co.
CHARTERED CERTIFIED ACCOUNTANTS
& TAXATION CONSULTANTS

Unit 21, (D3) Bymac Centre,
Northwest Business Park,
Blanchardstown, Dublin 15.
Tel: 824 2533 / 824 2534 Fax: 824 2535
info@mhos.ie

In relation to leasing expenses, those cars costing less than €24,000 with carbon emissions less than 156g /km will qualify for a tax deduction higher than the actual leasing expenses incurred. For cars with carbon emissions below 156g/ km, costing more than €24,000, there is no change to the present setup. Cars with carbon dioxide emissions in the range 156-190g/ km have allowances reduced to 50% of those allowed under the current setup. Finally, cars with emissions greater than 190g/ km will no longer qualify for a leasing expense reduction at all.

Cars bought or leased before 1 July 2008 will continue to be taxed under the existing system related to engine size (cc).

3 Year tax exemption for Start-up Companies

- New start-up companies which commence trading in 2009 will be exempt from corporation tax and capital gains tax in each of the first 3 years providei that their tax liability in the year does not exceed €40,000.

Cycle to work scheme

From 1 January 2009, the provision of bicycles and associated safety equipment by employers to employees who agree to use the bicycles to travel to work will be treated as a tax-exempt benefit-in-kind. This tax exemption may only apply once in every 5-year period in respect of any one employee/director. There will be a limit of €1,000 on the amount of expenditure an employer can incur in respect of any one employee/director. The scheme may also be implemented via salary sacrifice arrangements, whereby an employee agrees to forego part of his or her salary to cover the costs associated with the purchase of the bicycle and associated safety equipment. Where such salary sacrifice arrangements are implemented they must be completed over a maximum period of 12 months.