Finance Act 2012
Summary

Introduction

The Finance Act 2012 was passed on 31 March 2012 and a summary of the main provisions of Finance Act is set out below.

For OHT's detailed analysis of the changes in the area of Capital Taxes (capital acquisitions tax, stamp duty and discretionary trust tax) click here.

For OHT's detailed analysis of the business incentives contained in Finance Act 2012 click here.

Legacy Property Reliefs: A 5% charge has been introduced for large scale investors (those with aggregate income of €100,000 or more in a tax year), with effect from 01 January 2012.

New capital allowance provisions apply to passive investors (i.e. not active partners or active traders).

The dormant restrictions on S. 23-type relief have been repealed, so investors revert back to the pre FA11 position with unrestricted reliefs.

Mortgage Interest Relief: A new rate of mortgage interest relief of 30% applies in respect of first time buyers who purchased their homes in the period from 2004 to 2008 (inclusive).

VAT: A provision has been made for the reverse charge basis to apply where construction services are provided between connected persons who are also accountable persons for VAT.

A security deposit may be needed for fiduciary taxes to protect the Exchequer where a person had a previous business which ceased to trade, owing taxes.

Pension—Annual Imputed Distribution: The annual imputed distribution applying to the assets in an Approved Retirement Fund (ARF) has increased from 5% to 6% in respect of ARFs with asset values in excess of €2 million.

DIRT: The rate of DIRT increased to 30% (33% for long term savings) from 01 January 2012.

The Finance Bill also provides that deposit interest from EU countries will be taxed at 30% if the income is returned on time or at 41% if returned late.

A taxpayer earning deposit interest from non-EU countries will pay tax at 41% unless he is a standard rate taxpayer and returns the interest on time, in which case a 30% rate will apply.

Student Fees: Tax relief for fees paid for third-level education has been reduced in the Act.

Health Insurance: An increased levy applies to all health insurance contracts from 01 January 2012, at a rate of €95 for those under 18 and €285 for adults.

Exit tax: The rate for investment funds and similar products has been increased by 3%.

USC: The level at which Universal Social Charge applies increased from €4,004 to €10,036 in 2012.

PRSI: Employers' PRSI relief of 50% on employee pension payments has been abolished.

PRSI: PRSI is to be charged on unearned income (e.g. rent, investment income etc.) in 2013.

Domicile Levy: The Levy is to apply to all tax exiles, not just Irish citizens.

CT Relief for Start Up Companies: The relief has been extended to the end of 2014.

VAT: The Bill provides for the increase in VAT standard rate from 21% to 23%. The change was effective from 01 January 2012.

Income Tax: The Act provides for significant changes to the basis of assessment to income tax which are due to take effect from 2014.