



DEREK MADDEN & COMPANY



Derek Madden & Company welcomes you to our latest newsletter (February 2011)

About Us

Derek Madden & Company was established in March 2007 with the aim of helping a broad range of businesses meet their compliance obligations in relation to the Revenue Commissioners and the Companies Registration Office. As well as helping to meet all compliance obligations we aim to add value to businesses with regard to saving costs, providing good tax advice and helping businesses grow and enjoy future success.
For a free consultation do not hesitate to contact us.

As the 2011 budget changes are coming into effect (following the Government getting the Finance Bill passed!!) we have decided to outline some items in the budget that may have slipped through unnoticed from the main talking points of reduction in tax credits, standard rate tax bands and abolishment of section 23 property reliefs etc.... We will also keep you updated in our next newsletter if there any unexpected changes to the Finance Bill.

Budget Issues

- **Energy Efficient Matters.**

The minister outlined his intention to introduce a new scheme to encourage individuals to make their homes more energy efficient. Tax relief will be available for expenditure up to €10,000 at the standard rate of income tax. The relief will be available in the tax year following the year in which the expenditure is incurred. No information has yet been provided as to what types of expenditure will be covered by the scheme.

- **Reform of 35% relevant contracts tax (RCT).**

The subcontractors' tax system, known as RCT, will be reformed to reduce the withholding rate to 20% for payments to subcontractors who are registered for tax and have an established compliance record. The 35% rate will remain for subcontractors who cannot meet these requirements. The reforms include the abolition of the monthly repayment system and its replacement with an offset system, together with the introduction of an enhanced reporting regime. This should improve both compliance and cash flow and should improve the position of tax compliant subcontractors.

- **Capital Taxes (CGT).**

While there were no changes in the 2011 budget, the 4 year plan proposes structural reforms to CGT to be rolled out in 2012. The base for CGT is to be broadened and the levels of reliefs and exemptions will be reduced. In place of the single rate of CGT, a new system with differing rates for different level of gains will be introduced from 2012.

- **Rent Relief.**

People who rent residential accommodation for use as their sole or main residence are currently entitled to a tax credit. The value of this credit is currently €400/€800 for single and married/widowed persons respectively, with double that credit for anyone aged over 55. These credits will reduce by 20% in 2011. This credit is to be abolished on a phased basis and will completely disappear by 2018.

Bowling Green, Mallow, Co. Cork. Tel: 022-51752 Fax: 022-42023

Web: www.maddenco.ie Email: info@maddenco.ie

- **Structural Reforms and Review of Thresholds for Capital Acquisitions Tax (CAT)**

The Capital Acquisition Tax tax-free thresholds have been reduced by 20% approximately. The new tax-free thresholds apply to gifts and inheritances taken on or after 8 December 2010. The new tax-free thresholds (after indexation) are as follows: Group A €332,084 (applies where the beneficiary is a child), Group B €33,208 (applies where the beneficiary is a brother, sister niece, nephew or lineal ancestor), Group C €16,604 (applies in all other cases).

Aside from the 2011 budget, the 4 year plan proposes the base for CAT is also to be broadened and the level of reliefs and exemptions applicable to be reduced. As with CGT, the current single rate of 25% is to be changed to a system with different rates for different levels of asset values. The current tax-free thresholds are to be reduced.

- **Universal Social Charge**

The Finance Minister has announced that he is cutting the rate of the Universal Social Charge for medical-card holders. The move, in an amendment to the Finance Bill, will see medical-card holders pay a maximum rate of 4%, rather than the 7% announced on Budget Day. The shortfall will be made up by increasing the charge to 10% of self-employed people's earnings in excess of €100,000.



Other Issues

For all our readers with rental property it is worth considering have you adequate rented property insurance. A lot of people are not aware that there is a difference between a standard home insurance policy and rented property insurance policy. While most of the coverage remains the same there are distinct differences between them. The main one being you want to get a rented property insurance policy to make sure that you are covered in case of property damage. If you do not change the policy, when you begin to rent the property any claim may be rejected by your insurance company for failing to inform them of the change in status. An example of this would be most owners rely on the fact that tenants pay rent each month to allow the mortgage fees on a property to be covered. If the premises became unavailable due to fire, your tenants will move out and you would not have the rental income while the property is being fixed. This is where the loss of income coverage is so critical to you or your business. You may be entitled to a reimbursement for loss of rental income for the time it takes to repair or rebuild.

Derek Madden

The Snippets Corner (A few quick and easy adjustments that might improve your business)

- Now more than ever, if you are self employed make sure you are claiming all that you can in relation to tax reliefs for you and your business such as, employing a family member, changing from a sole trader into a partnership, claiming the home carer's credit and many more. Please contact the office and we can discuss these with you.
 - I know we have stated this in previous newsletters but did you know, more than half of Irish taxpayers DON'T claim tax refunds for which they are eligible. Here are just a few of the many items that taxpayers miss out on: Service charges, Medical Expenses, Rent Relief / Mortgage interest relief, PRSI refunds, Part time work refunds, Redundancy refunds, Training Credits, Employment Expenses Credits, Union Fee credits. You can quadruple the refund, by claiming for the past 4 years.
 - The Department of Enterprise, Trade and Innovation along with the Department of Finance have recently published a Guide to Obtaining Business Funding which may be of interest. Log onto www.deti.ie for more details or contact the office and we will forward you on a copy.
 - The existing corporation tax exemption for start-up companies, which was introduced in Budget 2009, is to be extended to include companies starting to trade in 2011. The exemption applies for three years provided that the corporation tax liability for the company would otherwise not exceed €40,000 and provides a much needed cash benefit to companies when they need it most. To encourage job creation, the relief has been changed so that it is now linked to the amount of PRSI paid by the company.
 - Annual Small Gift Exemption: A parent can gift €3,000 per annum to each of his / her children and grandchildren without the recipient being obliged to pay gift tax on it. Accordingly, over a period of 18 years an individual can receive total gifts valuing up to €54,000 from another individual regardless of the relationship between the two individuals. In relation to gifts made by parents to children, the small gift exemption applies in addition to normal gifts for maintenance and education.

Disclaimer: This information bulletin is intended to be used for guidance purposes only. For further information you should contact the office directly. Derek Madden & Company cannot be held liable for any error, or for the consequences of any action, or lack of action arising from this bulletin.