

Current tax issues for private clients 1 October 2009

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- Tax rates are increasing (and available cash decreasing)
- Investments are changing





For high earners, the top rate of tax is 55%



Income tax	41%
PRSI	3%
Health levy	5%
Income levy	<u>6%</u>
	55%

* Actual rate for 2009 is 53.16%



Everyone will pay more tax!

2 examples



Example 1 - Dentist

EUR

Income 2009 400,000

Capital allowances (40,000)

Taxable income360,000

* EUR150,000 cap on pension contributions

* Income levy (up to 6%) on EUR400,000



Example 2 – Landlord (after April '09)

	EUR
come from residential properties	300,000
apital allowances – fixtures & fittings	(15,000)
oan interest	<u>(200,000)</u>
et profit	85,000

- Loan interest restricted to 75%
- Tax on EUR135,000
- Income levy on income before capital allowances
- Income levy on 150,000

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Married couples

Married couples – getting the balance right



Income Tax 41%

	20%	41%
Single person	First 36,400	Balance
Married one income	First 45,400	Balance
Married two incomes	First 72,800	Balance

* Spouse should have EUR27,400 income

Married couple – income 55%

	Husband	Wife
	EUR	EUR
Directors fees	200,000	Nil
Bond interest	50,000	Nil
Dividends	20,000	Nil



Married couple

- Transfer portfolio into joint names
- ► Wife has EUR35,000 income
- Saving EUR7,500 per year



Levies 11%

Level of income	Health levy	Income levy	Total
0 – 75,036	4%	2%	6%
75,037 – 174,980	5%	4%	9%
174,981 and above	5%	6%	11%

Rates are for 2010



Married couple - again

	Husband	Wife
	EUR	EUR
Directors fees	200,000	Nil
Bond interest	50,000	Nil
Dividends	20,000	Nil



- Transfer entire portfolio to wife
- Wife has EUR70,000 income
- Saving EUR9,250 per year







► Bonds



Cash on deposit

► Ireland 33% (25% DIRT)

► Within EU 33%

► Outside EU 55%

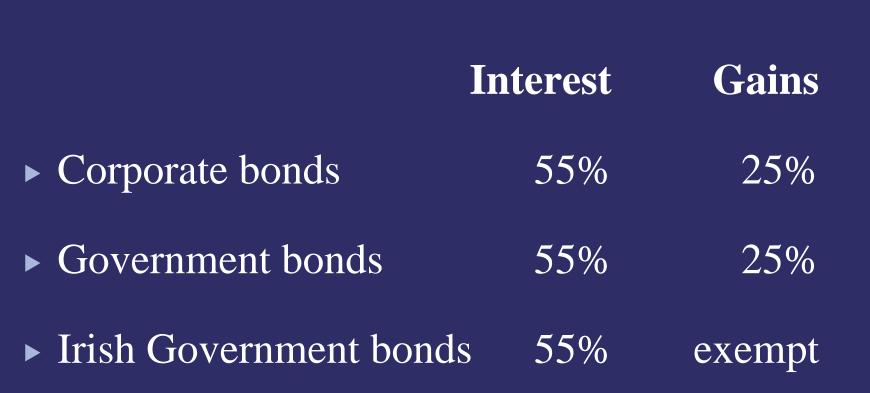


• Irish accounts -25% DIRT. No refund if under 65

Foreign currency deposits



Bonds





Bonds – a note of caution

Bond – capital value	5m
Buy with accrued interest	<u>100K</u>
Buy in March 09 for	5.1m
Interest paid 31 May 2009	175K
Sell 1 June 2009 for	5m
Actual profit	75K



Funds instead of direct investment

- Irish and EU funds 28%
- Bond interest 55%

Instead of:

- Bonds held directly, use an Irish or EU fund
- Tax saving could be

27%



Income taxed at 55%

- Identify income streams
- ► Can we get a better rate?
 - Deposit interest 33%
 - Fund gains 28%
 - CGT 25%



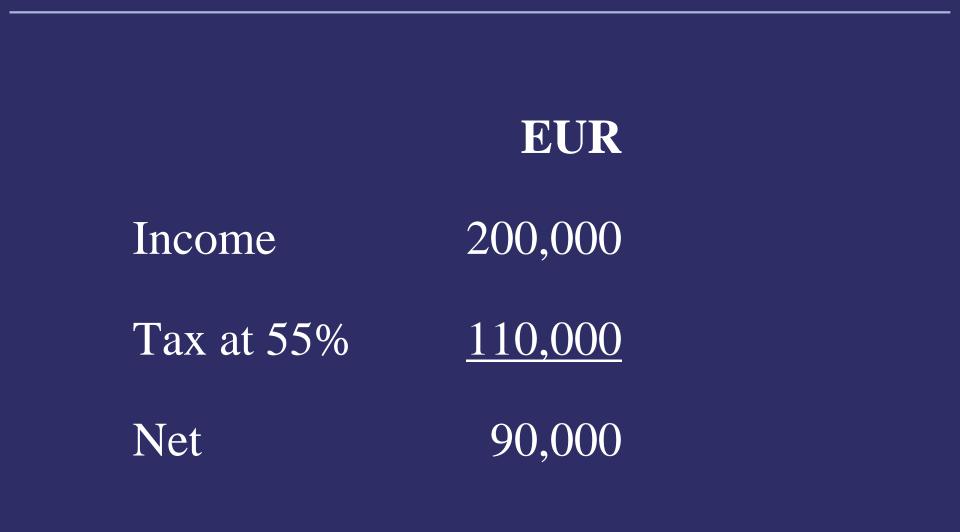
Income taxed at 55%

Can we move 55% income

to another structure?



Trading income - personally





Trading income - company

EUR



Tax at 12¹/₂% <u>25,000</u>

Net 175,000

* Ignoring new start up company tax break

* No EUR150,00 pension cap

Run for 5 years and liquidate company



Net income 175,000 x 5	875,000
CGT at 25% *	<u>218,750</u>
Net	656,250
Compared to personal	450,000
Saving over 5 years	206,250

* Ignores CGT losses

- Generally less attractive
- ► Low rate 25% **but** generally have
 - close company surcharge 20%
 - CGT in company on investment growth
- Trust may be an option



- Trading company paying 25% tax on investment income and close company surcharge
- Deposit interest: 39%
- ► Bond interest: 39%
- ► Gain on Irish fund: 28%



- 1. Business transfers to children
- 2. Charitable donations
- 3. Potential EUR200k pension lump sum cap
- 4. EUR200 property tax



- 5. Moving abroad
- 6. Non-deductibility of certain tax losses
- 7. Revenue delays in issuing refunds
- 8. Preliminary tax for 2009



- Due on 31 October/16 November
- ► Can pay 100% of 2008 or 90% of 2009
- Many people opting for 90% of 2009

* Plus income levy



- ▶ 2009 is not over so income figure is an estimate
- Interest deduction on rental properties now 75%
- Some bond sales are taxable as income
- Most non-Irish fund gains are treated as income
- ► 2009 is first year of 8 year funds charge



- Suggest looking at investment transfer to spouse
- Deposits: are they in the right location?
- Bonds: manage the tax charge on interest
 consider a fund?
- Refund claims



Thank you.

