

Current tax issues for private clients

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Some old issues...

- Bonds
- Restriction on reliefs
- Income levy

Bonds

- Interest paid every March
- Buy bond in February, sell in April
- Taxed on 12 months interest even though only held for 3 months

Restriction on reliefs

- Up to now only people claiming reliefs in excess of EUR250,000 were affected
- From 2010 restriction will apply to reliefs in excess of EUR80,000
- Substantial increase in tax liabilities in many cases

Restricted reliefs include

- Exempt income – artists, patent royalties
- Film/BES
- Incentive “capital allowances” and section 23 type investments
- Interest on loans to invest in companies and partnerships
- Donations to charities and sports bodies

Income levy

- Top rate 6%
- Charged on income before capital allowances and losses forward
- Cannot shelter



And some new issues...

Cashflow

- Tax relief for interest on loans to invest in companies or partnerships
- Tax deduction against all income
- Interest must be **paid**

Non-Irish deposit interest

	Tax*
Within EU	25%
Outside EU	41%

Must pay tax on time to get 25% rate

*Ignoring health levy, PRSI, income levy

PRTB

- Rental income from residential property
- Rents 9,000
- Loan interest 7,000
- Taxable income 2,000
- PRTB registration fee must be paid to claim interest deduction



**We still have
some tax
breaks!**

BES relief

- Companies raising finance
- Wider than you may think
- Incentive to invest
 - Computer services/software development
 - Internationally traded services
 - Recycling

Start up companies tax exemption

- End of 2010
- Earn c.EUR1m tax free over 3 years
- Not available for professional service companies

Capital allowances – plant & machinery

- Tax on rental income is increasing
- Capital allowances from nursing homes, hotels etc are restricted
- Plant and machinery capital allowances are not restricted
- Recent survey of apartment – over 70K qualified
- UK experts – rule of thumb for air conditioned offices: 25% of build cost

What is current on the investment side?

- When is a fund not a fund? (providers fine for not reporting EUR4,000)
- Funds re-domiciling to Ireland
- Reporting of tax products by investment managers

Sawyer the lawyer



	EU
• Rental income	150,00
• Practice income	550,00
• Hotel capital allowances p.a.	300,00
• BES/film investment every year	50,00

What is Sawyer's issue?

- Income 700K
- Tax reliefs 350K (300K hotel and 50K BES)

Restriction of reliefs

- Can only use 140K of his allowances in 2010
- Must pay tax on 560K of income
- Remaining 210K of hotel allowances carried forward
- Should not make BES/film investment for 2010

Fred who fled the country



- Wealthy Irish expat
- Lives abroad
- Large investment portfolio (some held through Irish brokers)
- Worldwide income EUR1.5m p.a.

What is Fred's issue?

- Irish assets of over EUR5m
- Worldwide income of over EUR1m
- Annual “Domicile levy” EUR200,000
- Reduce Irish assets, or
- Reduce worldwide income

Maeve who gave



- Taxable income of EUR400,000
- Significant charitable donations
- Causes in Ireland and Africa
- Donations EUR100,000- EUR150,000 p.a.

What is Maeve's issue?

Two potential issues:

1. No tax relief on donations to
 - Non-Irish charities
 - Irish charities not registered for 2 years
 - “Non-charities”

What is Maeve's issue? (Cont)

- No tax relief on donations over EUR80,000 (or 20% of income)

How about CGT relief?

- You can “gift” a capital gain to a charity
- Shares worth EUR50K, cost EUR10K
- Gift shares to charity – no CGT
- Charity does not need to meet 2 year condition



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The Community Foundation for Ireland