

10<sup>th</sup> December 2009

## **The Worst is Over, after the Toughest Budget in Decades**

### **Post Budget Analysis provided to a packed Dublin Breakfast Briefing**

Over 250 members of the Dublin business community attended a post budget briefing this morning at the D4 Berkeley Hotel following Minister for Finance Brian Lenihan's budget announcement yesterday. The briefing was co hosted and sponsored by Russell Brennan Keane and Bank of Ireland.

**Jackie Masterson, Tax Partner, Russell Brennan Keane** provided detailed tax analysis of the initiatives that were introduced in yesterday's budget and Mark Cunningham, Director Business Banking, Bank of Ireland, provided his analysis of the measures taken in Budget 2010 in the context of the outlook for the Irish economy and public finances.

Commenting on the proposals **Jackie Masterson, Tax Partner of Russell Brennan Keane** says "It will be some time before it will be possible to assess the impact of some of the measures on businesses and on the wider economy. She also said that similar to his previous Budgets Minister Lenihan has given an indication of what to expect in terms of budgetary measures in future years where he has committed to reforming our tax system and widening the tax base through water charges and property tax so as to provide more sustainable sources of Exchequer Revenue".

"The Minister had made it very clear in advance that, other than the carbon tax, further increases in taxation would not be appropriate for the economy. At the same time he had to face certain commercial realities and had to reduce the excise duty on alcohol and reverse the Vat increase to try to counter the cross border shopping" says Jackie. Indeed many of the key changes, predicted in advance of the budget, were confirmed such as;

- The introduction of a carbon tax of €15 per tonne which will have immediate affect on the price of petrol and auto diesel with other fuels and gas to take effect from the 1<sup>st</sup> May 2010. Coal and commercial peat is to be the subject of a Commencement Order.
- The introduction of a car scrappage scheme effective from 1 Jan 2010 whereby VRT relief of up to €1,500 will be granted on cars of 10 years or older which are replaced by the purchase of a new car with emissions of less than 140g/km.
- Reductions in a wide range of social welfare payments including child benefit and in public sector pay which are being introduced on a tiered basis.

Like all budgets he introduced some new unexpected measures to include:

- A new Irish Domicile levy of €200,000 per year on non resident domiciled individuals.
- Mortgage interest relief to be extended to 2017 for those who find themselves in negative equity and for new qualifying loans taken out up to 1<sup>st</sup> July 2011 with transitional relief to the end 2013.
- Restrictions on the cap for granting tax reliefs to high earners so that there is an effective rate of 30% tax for those subject to the full restriction. The entry level for the restrictions is also being reduced to €125,000.
- Extending the relief for start up companies to 2010.

According to Jackie, a number of these changes were recommended in the report on the Commission on Taxation. Jackie commented "Unfortunately the Minister did not use the opportunity to reduce employers PRSI, alter the Stamp Duty rates or introduce specific job creation initiatives or measures that might stimulate the depressed property market." But the Minister has confirmed that he is looking at other areas such as restrictions on tax free pension lump sums and reliefs for pensions. And is leaning towards adopting the Commission on Taxation Report in this area.

In summary the Budget has delivered the much feared cutbacks; it has not altered the tax rates; rate bands or tax credits. It has introduced unprecedented cuts in Government expenditure which will affect many sectors of society and the Minister has signalled future taxation reform with the new universal social contribution to replace PRSI and other levies.

For more information please contact Jackie Masterson on 01 6440100 or 090 6480600 or email [jmasterson@rbk.ie](mailto:jmasterson@rbk.ie).

**ENDS**

**Photo 1**

L – R: Bill O’Herlihy, Broadcaster & Chairman – O’Herlihy Communications, Jackie Masterson, Taxation Partner – Russell Brennan Keane, Mark Cunningham, Director Business Banking – Bank of Ireland, Liam Rattigan, Chief Executive – Russell Brennan Keane



**About RBK**

Russell Brennan Keane is one of Ireland's leading business advisory and accountancy firms. With 50 years experience providing professional advisory services to a range of clients in the mid to large corporate market in Ireland, from offices in Dublin, Athlone and Roscommon.

**Press Contact:**

Mary Cloonan  
Tel: + 353 (0)90 6480667 / 086 8227228  
Email: [mcloonan@rbk.ie](mailto:mcloonan@rbk.ie)

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