PricewaterhouseCoopers

2005 Tax facts*

*connectedthinking™

About PricewaterhouseCoopers

PricewaterhouseCoopers (www.pwc.com/ie) provides industry-focused assurance, tax and advisory services for public and private clients. More than 120,000 people in 144 countries connect their thinking, experience and solutions to build public trust and enhance value for clients and their stakeholders.

"PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

2005

Tax facts*

Ireland

This booklet is based on taxation law and practice as at 31 January 2005 and includes proposed changes introduced in the Budget presented on 1 December 2004.

It is intended to provide a general guide only to the subject matter and is necessarily in a condensed form. It should not be regarded as a basis for ascertaining the liability to tax in specific circumstances. Professional advice should always be taken before acting on any information in the booklet.

Table of contents

Page

Income tax

Main personal credits and allowances 1
Exemption limits 2
Rates 2
Tax residence 3
Cross border workers 3
Relief for mortgage interest payments 3
Rent relief for private accommodation 3
Rent a room scheme 3
Alimony/maintenance payments 4
Donations 4
Deeds of covenant 4
Self assessment 4

Employee taxation

Termination payments 5
Benefits-in-kind (BIKs) 6
- Company cars 6
- Preferential loans 6
- Travel passes, childcare and small benefits 6
Motor travel rates 7
Subsistence 7
Approved share option schemes 7
Unapproved share option schemes 8
SAYE share option schemes 8
Approved profit sharing schemes 8

Interest

Interest payable 9
Deposit interest retention tax (DIRT) 9

Pay related social insurance (PRSI)

Rates 10
Employees' PRSI 10
Employers' PRSI 10
Self employed PRSI 11
Health contribution 11
Multiple employments 11
The international dimension 11

Pension schemes

PRSAs 12
Occupational pension schemes 12
Retirement annuity contracts 13

Corporation tax

Standard rate 14
10% rate 14
R&D credit 14
Ireland as a holding company location 14
Losses 14
Closely held companies 14
Dividend withholding tax (DWT) 14
Self assessment - payment and returns 15

Table of contents

	Page
Capital allowances	
Plant and machinery	17
Motor vehicles	17
Industrial buildings	17
Hotels	17
Holiday cottages	17
Certain rented residential accommodation	17
Student accommodation	17
Childcare facilities	17
Private nursing homes and private convalescent homes	18
Private hospitals and private sports injury clinics	18
Park and ride facilities	18
Urban renewal	
1999 Urban renewal	19
1999 Rural renewal	19
2000 Town renewal	19
Multi-storey car parks	19
Living over the shop	19
Custom House Docks Area (CHDA)	20
Buildings used for third level purposes	20
Capital gains tax	
Relief for inflation	21
Losses	21
Rate	21
Exemptions and reliefs	21
Self assessment	22
Capital acquisitions tax	
General	23
Tax-free thresholds	23
Funding of gift and inheritance taxes	23
Self assessment	23
Rate	24
Main exemptions and reliefs	24
Discretionary trusts	24
Value added tax	
General	25
Accounting for VAT	25
Rates	25
Exempt activities	25
“Section 13A”	25
Customs and excise duties	
Customs	26
Excise	26
Sample rates of excise duties	26
Vehicle registration tax	26
Stamp duty	
Rates	27
Exemptions and reliefs	28
Miscellaneous	
Tax treaties	29
Corporation tax payments - transition table	29

Income tax

Main personal credits and allowances

	2005 €	2004 €
Tax credits		
Single person with no dependent child	1,580	1,520
Married	3,160	3,040
Widowed person with no dependent child	1,980	1,820
Widowed person bereaved in year of assessment	3,160	3,040
Single parent with dependent child	3,160	3,040
Widowed parent with dependent child - first year after bereavement[a]	4,380	4,120
Incapacitated child	1,000	500
Married couple - home carer[b]	770	770
Blind person's tax credit		
Single/one spouse blind	1,000	800
Married (both blind)	2,000	1,600
Dependent relative	60	60
Age tax credit		
Single	205	205
Married	410	410
Employee tax credit	1,270	1,040
Medical insurance	at source	at source
Dental insurance	standard rate	standard rate
Certain fees paid to private colleges	standard rate	standard rate
- maximum relief	5,000	3,175
Allowances at marginal rate		
Business expansion scheme (BES) - maximum relief per annum	31,750	31,750
Qualifying film relief - maximum relief per annum	25,400	25,400
Approved profit sharing scheme - maximum value of shares per annum	12,700	12,700
Employee share subscription - maximum lifetime deduction	6,350	6,350
Medical expenses in excess of		
€125 for an individual	in full	in full
€250 for a family	in full	in full
Pension contributions		
Retirement annuity contracts - maximum % of net relevant earnings[c]	15%-30%	15%-30%
Occupational pensions - maximum % of income[c]	15%-30%	15%-30%
Permanent health benefit schemes - maximum % of statutory income	10%	10%

[a] Reducing credit available for subsequent years

[b] Where carer's income exceeds €5,080 the tax credit is reduced by one half of the amount of the excess

[c] The applicable percentage rate is based on age; see page 13 "Pension schemes" for details

Income tax

Exemption limits[†]

	2005 €	2004 €
Persons under 65 years:		
Single/widowed	5,210	5,210
Married	10,420	10,420
Persons aged 65 years and over:		
Single/widowed	16,500	15,500
Married	33,000	31,000

† The 2005 exemption limit is increased for each dependent child. There is an increase of €575 for each of the first two children and €830 for each subsequent child.

Rates

2005	Tax €
Single and widowed person: no dependent children	
€29,400 @ 20%	5,880
Balance @ 42%	
Single and widowed person: dependent children	
€33,400 @ 20%	6,680
Balance @ 42%	
Married couple: one income	
€38,400 @ 20%	7,680
Balance @ 42%	
Married couple: two incomes	
Maximum €58,800 @ 20%	11,760
Balance @ 42%	

2004	Tax €
Single and widowed person: no dependent children	
€28,000 @ 20%	5,600
Balance @ 42%	
Single and widowed person: dependent children	
€32,000 @ 20%	6,400
Balance @ 42%	
Married couple: one income	
€37,000 @ 20%	7,400
Balance @ 42%	
Married couple: two incomes	
Maximum €56,000 @ 20%	11,200
Balance @ 42%	

Income tax

Tax residence

An individual is regarded as tax resident for a particular tax year if present in Ireland for 183 days or more in that year, or 280 days or more in that and the preceding year combined, with at least 30 days in each year. There are also specific tax rules in relation to split year and ordinary residence which are of direct relevance to individuals arriving in or departing from Ireland.

Cross border workers

Income tax relief is available to individuals who are resident in Ireland but who work outside Ireland. In order to qualify for the relief, the individual must hold an employment outside Ireland for a continuous period of 13 weeks in a country with which Ireland has a tax treaty. Income from the qualifying employment, the duties of which must be performed wholly outside Ireland, must be fully taxed in that country and the foreign tax paid. The individual must also be present in Ireland for at least one day a week during the period of the qualifying employment. The relief does not apply where the earnings from the employment are earnings from Irish government and semi-State employments.

Relief for mortgage interest payments

For residences situated in the State, tax relief on mortgage interest payments is given at source. Tax relief is allowed by way of a tax credit at the standard rate of income tax, currently 20%. Tax relief for mortgage interest payments is:

	Maximum relief	
2005	**First time buyers[a] €**	**Other €**
Single	4,000	2,540
Married/widowed	8,000	5,080

[a] First time buyers (for 2005) include all those who first claimed mortgage interest relief on or after 6 April 1999.

The increased ceiling for first time buyers applies for a period of 7 years, commencing with the year in which mortgage interest relief is first claimed.

Where the interest paid for 2005 does not exceed the relevant ceiling, the maximum credit is based on 100% of the interest paid.

Rent relief for private accommodation

Rent paid in a tax year for private residential accommodation will qualify for tax relief in that year, subject to certain limits. The relief will be given by way of a tax credit at the standard rate of income tax. The table below sets out the maximum credit available:

	55 or over 2005 €	Others 2005 €
Single	600	300
Married/widowed	1,200	600

Rent a room scheme

Where a room in a person's principal private residence is let as residential accommodation and the gross annual rental income is less than €7,620, that income will be exempt from tax. Qualifying room rentals will not affect entitlements to mortgage interest relief nor will it result in a stamp duty clawback. Principal private residence relief for capital gains tax is also unaffected.

Income Tax

Alimony/maintenance payments

For legally enforceable maintenance agreements entered into before 8 June 1983, income tax at the standard rate (20%) must be deducted at source. For agreements entered into on or after 8 June 1983, income tax is not deducted at source and the payer deducts the payments in computing total income for the tax year. In both cases the payments are assessed for income tax purposes as the recipient's income. Payments for the benefit of the child are made without deduction of tax at source and do not reduce the total income of the payer for income tax purposes. Separated/divorced spouses are treated for tax purposes as single persons. Where separated/divorced spouses are both resident in Ireland and a legally enforceable maintenance agreement is in place, they may elect to be assessed jointly to tax under the separate assessment procedure.

Donations

Individuals and companies may qualify for tax relief in respect of donations made to approved bodies. In order to qualify for the relief, a minimum donation of €250 must be made. The list of approved bodies is very wide and includes all educational establishments and charities which have been tax exempt for a minimum period of 3 years. Where an individual makes donations to approved bodies with which they are connected, the tax relief for total donations in a tax year is capped at 10% of their total income.

Deeds of covenant

Covenants to permanently incapacitated adults are fully tax deductible. Covenants to a permanently incapacitated minor child are fully tax deductible if paid by a person other than the parent. Covenants to individuals aged 65 years or over and not incapacitated, subject to an overall limit of 5% of the covenantor's total income, are also relieved.

Self assessment

In general, self assessment applies to all individuals with non-PAYE (pay-as-you-earn) income and to all directors controlling 15% or more of the share capital of certain companies (even if their entire income is subject to PAYE).

The self assessment system places the onus on the individual to file a return, calculate the tax liability, and pay the tax due. To avoid a surcharge (at 5% or 10% of the tax liability, subject to certain maximum amounts) returns of income arising in the 2004 tax year must be filed on or before 31 October 2005.

To avoid interest charges (at 0.0322% per day or part of a day) the preliminary tax due for the 2005 tax year must be paid by 31 October 2005. The tax paid must represent 90% of the individual's final liability for 2005 or 100% of the ultimate liability for the tax year 2004 (before any BES relief and relief for investment in films).

Alternatively, for the 2005 tax year, a taxpayer can elect to make a preliminary tax payment equal to 105% of the ultimate liability for 2003 (ie the pre-preceding year), except where that liability was nil. The tax is payable in equal monthly instalments by way of direct debit. The final instalment is payable in December 2005. Where the taxpayer is paying by direct debit for the first time, payment can be made by way of three equal instalments (minimum of 8 instalments otherwise). Any balance of tax due for 2005 must be paid by 31 October 2006 (2004 balance of tax being due by 31 October 2005).

Employee taxation

Termination payments

Payments exempt from tax

The following payments made in connection with the termination of an employment, on retirement or on removal, are exempt from tax:

- ex-gratia payments up to the amount of the basic exemption. The basic exemption is €10,160 with an additional €765 for each complete year of service
- statutory redundancy payable under the Redundancy Payments Acts 1967 and 2003
- immediate or deferred lump sums paid by a pension scheme in lieu of commuting part or all of a pension. In general this only applies to Revenue approved schemes
- ex-gratia payments made in connection with the death, injury or disability of an employee
- certain ex-gratia payments where the employee had significant periods of foreign service.

Other reliefs available

- **Increased exemption** - subject to Revenue approval, and if no claim for relief has been made in the previous ten years of assessment, the basic exemption may be increased by up to €10,000. The €10,000 amount is reduced on a euro for euro basis by the value of any tax free lump sum received or receivable (and provided it is not irrevocably waived) under an approved pension scheme.
- **Standard capital superannuation benefit (SCSB)** - the SCSB is an amount equal to: (A X B / 15) - C where:

  A = average annual remuneration for the last 3 years' service

  B = number of complete years' service

  C = value of any tax free lump sum received/receivable under an approved pension scheme.

  The maximum relief is the greater of the SCSB and the basic/increased exemption.
- **Top slicing relief** - the tax payable on an ex-gratia payment is limited to the employee's average tax rate for the previous five tax years. Where the PAYE deducted on the termination payment exceeds this amount, a refund should be claimed from the tax office after the end of the tax year in which the employment terminates.

General

Special rules apply where two or more termination payments are made by the same or associated employers.

The taxable element of the ex-gratia payment is subject to PRSI at Class K1 (ie employer nil, employee 2%).

Employee taxation

Benefits-in-kind (BIKs)

All BIKs are subject to PAYE and PRSI (including the health contribution). The taxable benefit is treated as "notional pay" from which PAYE and PRSI are deducted.

BIK for use of company car

The annual notional pay arising from the use of a company car to which PAYE and PRSI must be applied is calculated at 30% of the original market value of the car. There is no fixed percentage reduction in the BIK charge where the employer does not meet all the car running expenses.

A reduction is made on a euro for euro basis for any amount made good by the employee directly to the employer in respect of the cost of providing or running the car.

Tapering relief applies where the employee has business mileage in excess of 15,000 miles in a year. This relief operates in the form of a reduction in the notional pay as calculated above. The taxable percentages for 2005 are as follows:

Annual business mileage thresholds	Taxable percentage %
15,000 or less	30
15,001 to 20,000	24
20,001 to 25,000	18
25,001 to 30,000	12
30,001 or over	6

Where an employee is required to work abroad, the notional pay is reduced by reference to the number of days spent working abroad. This is conditional on the employee spending a minimum of 30 work days abroad and the car not being available for use by family or household members.

There is a 20% relief from notional pay on cars for employees whose annual business mileage exceeds 5,000 miles and who spend 70% or more of their time away from their place of work or business and who do not avail of the existing high mileage relief above. The employee must also work for an average of at least 20 hours per week.

BIK on preferential loans

In calculating the BIK charge for 2005 in respect of preferential loans from employers , the specified rates used are 3.5% (home loans) and 11% (other loans). The amount of notional pay in respect of a home loan will be deemed to be interest paid by the employee and will be taken into account in the calculation of relief for interest paid in respect of a principal private residence.

BIK on travel passes, childcare and small benefits

The following benefits are exempt from income tax:

- provision by employer of monthly or annual bus/train pass for employees or directors; if certain conditions are met it is possible to provide such travel passes by reducing gross salary
- provision by employer of free or subsidised childcare services for employees or directors, subject to conditions being met
- provision by employer of a benefit to a value not exceeding €250 for 2005. No more than one such benefit may be given to an employee in a tax year.

Employee taxation

Motor travel rates - civil service (from 1 January 2003)

Official km in a calendar year	Engine capacity up to 1,200cc cent	Engine capacity 1,201cc to 1,500cc cent	Engine capacity 1,501cc and over cent
Up to 6,437km	52.16	60.58	72.34
6,438km and over	26.40	30.31	33.75
Reduced rate[a]	19.52	21.88	23.87

[a] Where travel arises for reasons connected with official business but not the actual discharge of official business, the reduced rates of motor travel will apply.

Subsistence - civil service subsistence rates within Ireland (from 1 September 2004)

	Night allowances			Day allowances	
	normal rate €	reduced rate €	detention rate €	10 hours or more €	between 5 & 10 hours €
Class A	136.10	125.47	68.03	38.57	15.73
Class B	122.29	104.59	61.17	38.57	15.73

Notes

- Class A rates apply to employees whose salary exceeds €50,698 per annum. Class B rates apply where salary is below €50,698 per annum.
- The normal rate and reduced rate night allowances are payable for set periods, generally not exceeding 28 nights in total. Special and lower rates apply thereafter.
- In general, the night allowance applies to each absence of not less than 24 hours necessarily spent away from the normal place of work.
- The day allowance applies in respect of a continuous absence of 5 hours or more from the employee's normal place of work provided the employee is not absent at a place within 5 miles (8km) of the employee's home or normal place of work. The relevant day rate depends on the period of absence.
- A day and night allowance cannot be paid in respect of the same period.

Advice should be taken before proceeding with any payments.

Approved share option schemes

Options granted under Revenue approved share option schemes qualify for favourable tax treatment. Under these schemes, the legislation provides for exemption from income tax on both grant and exercise of the option, and provides for capital gains tax on disposal to be charged on the excess of the net sales proceeds over the price paid for the shares.

The primary requirements for Revenue approval are as follows:

- all grants must be at market value
- all employees with three years' service must be eligible to participate
- generally, options must be granted to all employees and on similar terms
- 'new hire' grants will be treated as meeting the 'similar terms' criteria in certain circumstances

- options may be awarded to 'key employees' on a discretionary basis as long as they do not exceed 30% of total approved grants in the relevant tax year.

The scheme requires the formal written approval of the Revenue Commissioners and, to meet the conditions for approval, existing schemes may need to be amended. The favourable tax treatment is not available where the option shares are sold within 3 years from date of grant.

Unapproved share option schemes

Where by reason of an employment an employee receives unapproved share options, a charge to income tax will arise on the exercise of the option, irrespective of whether the employee retains or sells the shares concerned. The amount charged to income tax is the excess of the market value of the share on exercise over the option price. This share option gain is taxable at the employee's marginal rate of income tax. The tax must be paid by the employee within 30 days of the date of exercise. The employee must file a special return at the same time.

SAYE share option schemes

A company may establish a Revenue approved save-as-you-earn (SAYE) share option scheme. Options under a SAYE scheme can be granted at a price discounted by up to 25% of the market value of the share. To fund the exercise of the option, employees must commit to regular monthly savings, from after tax income, over a period of 36 or 60 months. Any interest paid on the savings at maturity will be exempt from tax.

The SAYE scheme must be open to all employees on similar terms. Subject to certain requirements, options granted under a Revenue approved SAYE scheme will not be liable to income tax on grant or exercise. However, capital gains tax may arise on the sale of the shares based on the excess of the net sales proceeds over the price paid for the shares.

Approved profit sharing schemes

Employees are exempt from income tax on shares received, up to the value of €12,700 annually, from a Revenue approved profit sharing scheme. To avoid an income tax liability, the shares must be held in trust for a total of 3 years. If the shares are sold within 3 years, income tax is charged on 100% of the value of the shares at appropriation, or on the sale proceeds, whichever is the lesser. If the individual ceases to be an employee of the company due to injury, disability or redundancy, or reaches State pension age within the 3 years and the shares are sold, income tax is charged on 50% of the value of the shares at appropriation, or the sale proceeds if lower (in the event of sale rather than transfer). The profit sharing schemes must be available to all employees on similar terms. A disposal of shares may give rise to a capital gains tax liability. The taxable gain will be calculated on the difference between the sale proceeds and the market value of the shares on the date they were appropriated.

Interest

Interest payable

Relief is available for interest on money borrowed:

- for the purpose of a trade or profession carried on by an individual or company (but may be restricted in certain tax avoidance situations)
- for the purchase of, or expenditure on, a rented property
- by an individual to invest in or to lend to a partnership in the conduct of whose business the individual acts as a partner.

Relief is also available to individuals and companies for interest on money borrowed to acquire an interest in or to lend to a company which is a trading company, a rental company or a holding company, as follows:

Individuals: Unrestricted relief is available to individuals who have worked for the greater part of their time in the management or conduct of the business of a trading or rental company or a holding company, or of a connected company, and who have a material interest (more than 5% of equity) in the company.

Unrestricted relief is is also available to full-time or part-time directors and employees of a private trading company or rental company and to full-time directors or employees of a private holding company (even if a material interest is not held).

Relief is not available for money borrowed to acquire shares in or to lend to a quoted company except where the investment was made when the company was unquoted, in which case transitional provisions apply.

Companies: Relief is available to a company which borrows money to acquire an interest in, or to lend to, a company which is a trading company, a rental company or a holding company. To qualify for relief, the investing company must have a material interest (more than 5% of equity) in the company in which it is investing or in a connected company and at least one director who is also a director of that company or of a connected company.

Certain additional conditions also apply; for instance, where the money is lent to a company, it must be used for the trade or business of the company or of a connected company. "Recovery of capital" and other anti-avoidance rules may also restrict relief.

Deposit interest retention tax (DIRT)

Standard rate DIRT accounts: Income tax at the standard rate (20%) is deducted at source by banks, building societies, credit unions, trustee savings banks and the Post Office Savings Bank from interest paid or credited annually or at more frequent intervals on deposit accounts in the beneficial ownership of individuals resident in Ireland. The tax deducted will satisfy the full liability of the individual to income tax on such interest. However, the health contribution (2%) is also payable on such interest received.

23% DIRT accounts: For interest paid or credited on other deposit accounts (eg where interest is credited at maturity), income tax at the standard rate plus 3% (ie 23% for 2005) is deducted at source.

Repayments: DIRT deducted will only be repaid to the following:

- individuals or their spouses aged 65 or over who are not liable to income tax
- incapacitated individuals
- charities
- companies that do not have a corporation tax liability.

Non-residents: Interest received by non-resident individuals who complete the appropriate declaration form may be received without deduction of DIRT.

Pay related social insurance (PRSI)

Rates

Employees (Earning over €400 per week or equivalent)

Earnings	Employer	Employee
Class A1 - most employed persons		
First €44,180[a]	10.75%[b]	6%[c]
Balance (no ceiling)	10.75%	2%
Class K1 - (levy only) persons in receipt of occupational pensions		
All income (subject to "low" income exemption)	Nil	2%
Class S1 - proprietary and non executive directors, not insurable under Class A		
All income[c]	Nil	5%

[a] For employees the first €127 per week is exempt from PRSI contributions but not from the health contribution
[b] Inclusive of national training fund levy of 0.7%
[c] Inclusive of health contribution (2%)

Self employed persons

Class S	
All income[a]	5%

[a] Inclusive of health contribution (2%)

Employees' PRSI

PRSI is charged on all earnings from employment including non pecuniary income (benefits-in-kind). The only allowable deductions are contributions paid to an approved employee superannuation scheme and certain permanent health insurance policies.

A weekly PRSI exemption applies to all employees paying PRSI at the full rate. The first €127 of weekly earnings are exempt from PRSI but not from the health contribution. This exemption operates on a weekly non-cumulative basis. In addition, individuals who earn less than €287 in any week are not required to pay PRSI in that week.

Employers' PRSI

A two tier system of employers' contributions applies for 2005. Where an employee earns less than €356 in any week, a reduced rate of 8.5% applies. If the earnings exceed €356 in any week, the full rate of 10.75% applies to all earnings for that week. These rates are inclusive of the national training fund levy of 0.7%.

Employers' PRSI is charged on all earnings from employment including, non pecuniary income (benefits-in-kind) in the same way as employees' PRSI. The only allowable deductions are contributions paid to an approved employee superannuation scheme and certain permanent health insurance policies.

Pay related social insurance (PRSI)

Self employed PRSI

Self employed persons are liable for PRSI contributions in respect of income from a trade or profession, or from investment income. The contributions are payable on income net of capital allowances. The minimum contribution payable for 2005 is €253. Payment must be included with preliminary tax, which is payable on or before 31 October each year. Self employed persons whose income from all sources is less than €3,174 for 2005 will not be liable to PRSI.

Health contribution

The health contribution is charged at the rate of 2% on all personal income including non pecuniary income (benefits-in-kind) and social welfare benefits. Persons under 16 years of age, certain widows/widowers, persons aged 70 years of age or over and holders of medical cards are exempt from the health contribution. Unlike PRSI, there is no earnings ceiling. The only allowable deductions are contributions to an approved employee superannuation scheme and capital allowances. Persons on "low" incomes are, however, exempt from the health contribution.

Employees who earn less than €400 in any week in the year ended 31 December 2005 will be exempt from the contribution for that week. If the employee's income for 2005 does not exceed €20,800, the employee will be exempt from the contribution for the year. Similarly, self employed persons whose income, after deducting capital allowances, does not exceed €20,800, will be exempt from the health contribution.

Cross-border workers who work and pay social insurance in Northern Ireland or elsewhere in the EU, but who reside in the State, are exempt from the health contribution.

Multiple employments

Persons who are paid by more than one employer may pay PRSI on their combined earnings in excess of the employees' earnings ceiling of €44,180. In any such case, a claim should be made to the Collector-General for repayment of the excess contributions. It will no longer be possible to reclaim Class S1 PRSI paid in respect of dual directorships, as this is classed as self employed income.

The international dimension

The question of social insurance liability for Irish people working abroad, and those coming to Ireland to take up employment, should not be overlooked. Careful planning for international assignments can help to reduce or eliminate the often higher cost of social insurance, particularly in mainland Europe. Ireland has concluded a number of bilateral social security agreements which, together with the EU regulations on social security, make up a network covering 32 countries.

Pension schemes

PRSAs

Employers who do not provide their staff with access to an occupational pension scheme must provide access to a Personal Retirement Savings Account (PRSA). Employers are not obliged to contribute to a PRSA but must provide the facility to have pension contributions deducted directly from the employee's salary and transmitted to the PRSA provider.

Occupational pension schemes

Many employers choose to provide their employees with retirement benefits under an occupational pension scheme.

Benefits on retirement

Revenue maximum benefits on retirement are:

- pension - 2/3rds of final remuneration, provided a minimum of 10 years' service has been completed at normal retirement age
- tax free lump sum - 1.5 times final remuneration (provided a minimum of 20 years' service has been completed) at normal retirement age. Where a lump sum is taken, this will reduce the maximum amount of pension available.

These limits are inclusive of retained pension benefits from previous employments, including self-employment. Where an individual retires early or where service is less than the above minimum service requirements, the maximum benefits outlined above may be restricted.

Certain directors may elect to take advantage of the retirement options available under Approved Retirement Funds (ARFs) and will not be obliged to buy an annuity (see "Retirement annuity contracts" below). This provision also applies to the Additional Voluntary Contribution (AVC) funds of ordinary scheme members.

Contributions

An employer must make a "meaningful" contribution to an occupational pension scheme. Ordinary annual employer contributions are allowable for tax purposes in the accounts year in which they are paid. Special contributions in excess of set limits may need to be spread forward over a period of up to five years.

Employees can obtain income tax relief on their contributions. The relief available is based on an age related scale (see table on page 13). The amount of salary from all employments on which an individual may make contributions (including AVCs) is capped at €254,000. This cap does not apply to employer contributions. Relief for ordinary contributions can be obtained at source through the net pay arrangement. Relief from levies and PRSI may also be available.

Special contributions paid from after tax income and made before 31 October 2005 may, if the person making the contribution elects, be treated as paid in 2004.

Normal retirement age

Normal retirement age can be at any time from age 60 to 70 with some limited exceptions. Individuals can retire early from age 50, or at any age in the case of ill health.

Pension schemes

Retirement annuity contracts

Benefits on retirement

Individuals may opt to take up to 25% of their fund as a tax free lump sum and may use the balance to purchase an annuity. Alternatively, individuals may, with the balance of their fund:

- invest the first €63,500 in an Approved Minimum Retirement Fund (AMRF) if they do not already have pension income in excess of €12,700 per annum
- take some or all of the remainder as a taxable lump sum and /or invest the balance in an Approved Retirement Fund (ARF).

Contributions

Individuals may claim tax relief on contributions on their net relevant earnings subject to a pensionable earnings cap of €254,000 for 2005. The pensionable earnings cap is the overall earnings limit on which an individual may make personal contributions. This applies to all sources of income, including Schedule D and Schedule E earnings. The allowable contributions as a percentage of net relevant earnings, or of the cap, if applicable, are as follows:

Age during tax year	Maximum relief
Less than 30	15%
30 but less than 40	20%
40 but less than 50	25%
50 and over	30%

Contributions paid from 1 January 2005 to the return filing date may, if the person contributing elects, be treated as paid in 2004.

Retirement age

It is not necessary for an individual to retire in order to access benefits. Benefits are generally accessed from age 60 and must be accessed before age 75.

Corporation tax

Standard rate

The standard rate of corporation tax is 12.5% for trading income and 25% for non-trading income (including trading income from dealing in and developing land, other than land fully developed).

10% rate of corporation tax

A 10% rate of tax applies to companies whose income is derived from manufacturing, manufacturing services or certain other service activities. Specific conditions apply in respect of 10% taxed activities.

The 10% rate began to be phased out from 23 July 1998. Companies commencing manufacturing or other qualifying activities on or after that date qualified for the 10% rate up to 31 December 2002.

For qualifying operations established prior to 23 July 1998, the 10% rate applies until 31 December 2010 (31 December 2005 in respect of IFSC and Shannon operations) with the standard rates, as set out above, applying thereafter.

R&D credit

Incremental R&D expenditure qualifies for a tax credit of 20%, in addition to the normal deduction for R&D expenditure at the effective corporation tax rate. The credit cannot be used to generate a tax refund but it can be carried forward indefinitely against a company's Irish corporate tax bill. This gives a potential tax write-off for incremental R&D spend of up to 32.5%.

The credit is available for incremental expenditure incurred in any EU country, and not just in Ireland. However, there are restrictions on the deductibility of non-Irish expenditure where a tax deduction is available in another jurisdiction.

Ireland as a holding company location

Irish tax legislation provides for an exemption from capital gains tax for Irish resident companies which make disposals from substantial shareholdings (at least 5%) in trading subsidiaries tax resident in an EU or tax treaty country (including Ireland). In group situations, holdings of other members of the group are taken into account in determining if the minimum holding requirement is met.

Under foreign tax credit pooling rules, an excess tax credit arising in respect of a foreign dividend may be offset against the corporation tax arising on other foreign dividend income. Excess tax credits arising in an accounting period may be carried forward indefinitely for offset against corporation tax on foreign dividends in later periods.

Losses

A trading loss incurred in an accounting period may be offset against trading income, if any, arising in the same period, trading income of the immediately preceding period and trading income of subsequent periods. To the extent not usable against trading income, a trading loss can be converted into a tax credit which may be used to reduce the corporation tax payable on passive income and chargeable gains.

Closely held companies

A surcharge of 20% is payable on the total undistributed investment and rental income of a close company. Close “service” companies are also liable to a surcharge of 15% on one-half of their undistributed trading income.

Dividend withholding tax (DWT)

A withholding tax at the standard income tax rate applies to dividends and other profit distributions of an Irish tax resident company other than when made to its 51% Irish tax resident holding company.

Corporation tax

Exemption from withholding tax is available, on due claim, in the case of payments to certain shareholders, including:

- Irish tax resident companies (apart from 51% holding companies of the Irish dividend paying company)
- companies resident in EU Member States or tax treaty countries and not under the direct or indirect control of Irish residents
- non-resident companies ultimately controlled by residents of EU Member States or tax treaty countries
- companies whose shares are listed on a recognised stock exchange in an EU Member State or in a tax treaty country or any other exchange approved by the Minister for Finance. This relief also applies where the recipient is a 75% subsidiary of such a listed company or is wholly owned by 2 or more such companies
- designated brokers receiving dividends on behalf of holders of special portfolio investment accounts
- certain non-corporate residents of EU Member States or tax treaty countries
- charities, pension funds, certain retirement funds and certain sports bodies
- certain collective investment funds
- certain individuals entitled to receive tax free income
- certain employee share ownership trusts.

In addition, DWT does not apply to distributions not subject to tax in the recipient's hands (ie dividends from patent companies to qualifying shareholders). Detailed conditions, which may include the making of appropriate declarations, must be met to avail of the above exemptions.

Self assessment - payment and returns

- With effect from 1 January 2002, a company must make its first preliminary tax payment approximately six weeks before the end of its accounting period. This payment system was introduced over a 5 year transition period (see transition table on page 29). To avoid interest charges for accounting periods ending in 2005, preliminary tax of at least 72% of the final liability must be paid six weeks before the accounting period end. Within six months after the end of the period, a second instalment of preliminary tax should be paid such that the aggregate of the two instalments is at least 90% of the final liability. The balance of tax is due nine months after the end of the accounting period. Tax payments in any case must be made by the 21st day of the relevant month.

  "Small companies", ie those with a corporation tax liability in the previous year which did not exceed €50,000, may opt to pay the first instalment of preliminary tax based on the prior year's liability. For 2005, the first instalment in such cases should be at least 80% of the prior year's liability.

  Where any chargeable gain arises in the last month of the accounting period, it does not need to be taken into account in calculating the preliminary tax to be paid six weeks before the end of the accounting period. However, the company must make an additional tax payment within one month of the end of the accounting period equal to the preliminary tax due in respect of the gain, subject to the transition period arrangements.

  A company's preliminary tax liability includes corporation tax, close company surcharge and any income tax liabilities for the accounting period.

  To ensure that interest charges are avoided, the total preliminary tax payment must represent at least 90% of the final tax liability for the accounting period.

Corporation tax

- Where applicable, a company must file a dividend withholding tax return, and remit the withholding tax deducted from dividends or other distributions, by the 14th day of the month following payment of the dividend/distribution.
- To avoid a surcharge (at 5% or 10% of the tax payable, subject to certain ceiling amounts) a company must file a corporation tax return by the 21st day of the 9th month after the end of its accounting period. Where a company submits a late return, it will be subject to a restriction on certain reliefs and allowances.
- Where there is doubt about the tax treatment of any item, the legislation provides that interest charges may be avoided if the doubt is properly disclosed in the tax return.

Capital allowances

Plant and machinery

Expenditure incurred on or after 4 December 2002 on plant and machinery, fixtures and fittings etc, may be written off at 12.5% per annum on a straight line basis over an 8 year period (previously 20% per annum over 5 years).

Motor vehicles

The annual allowance for motor vehicles (other than taxi and short-term hire vehicles) is 12.5% on a straight line basis for expenditure incurred on or after 4 December 2002 (previously 20% per annum on a straight line basis). The maximum qualifying cost of motor vehicles purchased on or after 4 December 2002 is €22,000 (with varying figures applying for prior years). The €22,000 restricted cost applies to both new and secondhand motor vehicles.

Industrial buildings

An annual allowance of 4%, straight line, may be claimed in respect of expenditure on industrial buildings used for manufacturing purposes. Accelerated allowances are available in certain circumstances.

Hotels

For expenditure incurred on or after 4 December 2002 an allowance of 4% per annum over 25 years applies. However, a rate of 15% may apply where certain planning requirements were met by 31 December 2004 and the expenditure is incurred by 31 July 2006. Certain large projects require EU approval.

Holiday cottages

Capital allowances at 10% per annum for 10 years are available where certain planning requirements were met by 31 December 2004 and the expenditure is incurred by 31 July 2006.

Certain rented residential accommodation

Capital allowances are available for refurbishment expenditure on multi-unit residential accommodation at a rate of 15% per annum on a straight line basis for years 1 to 6 and 10% in year 7.

Student accommodation

The deadline for relief for incurring qualifying expenditure under this scheme is 31 July 2006 where a full planning application was received by a planning authority by 31 December 2004. Subject to some anti-avoidance rules, the relief takes the form of a 100% allowance against rental income in the first year the property is let.

Childcare facilities

The annual allowance is 15% per annum on a straight line basis for years 1 to 6 and 10% in year 7. Exclusions apply in respect of property developers. 100% accelerated capital allowances are available to owner-occupiers and lessors.

Capital allowances

Private nursing homes and private convalescent homes

Qualifying private nursing homes (including certain sheltered care accommodation) and qualifying private convalescent homes are eligible for annual allowances of 15% per annum on a straight line basis for years 1 to 6 and 10% in year 7.

Private hospitals and private sports injury clinics

Qualifying private hospitals and private sports injury clinics are eligible for annual allowances on a straight line basis of 15% per annum for years 1 to 6 and 10% in year 7. Relief may not be claimed by corporate investors, trusts, property developers or individuals involved in the operation or management of the facility concerned.

Park and ride facilities

In the case of owner-occupiers, expenditure on qualifying park and ride facilities and related commercial premises is eligible for 100% accelerated allowances. Passive investors are entitled to claim allowances at a reduced rate of 50% in year 1 and 4% per annum thereafter. Residential property reliefs ("S.23" type and owner-occupier reliefs) are also available on residential accommodation located within qualifying park and ride facilities. The termination date of the qualifying period is 31 July 2006 where a full planning application was received by a planning authority by 31 December 2004. Certain exclusions apply in the case of property developers. Various certification procedures also apply.

Urban renewal

1999 Urban renewal

The qualifying period has been extended from 31 December 2004 to 31 July 2006 provided 15% of the total project cost was incurred by 30 June 2003 and local authority certification was issued by 30 September 2003. Areas have been designated by ministerial order specifying the reliefs available. Double rent relief is specifically denied. Capital allowances are available at rates of up to 50% in year 1 and at 4% per annum thereafter. "S.23" type and owner-occupier residential reliefs are also available. Capital allowances are denied to property developers and in respect of properties used in certain specified industries and large projects. At the discretion of the Minister, allowances may also be denied in respect of office developments and multi-storey car parks. Certain large projects require EU approval.

1999 Rural renewal

The qualifying period has been extended from 31 December 2004 to 31 July 2006 where a full planning application was received by a planning authority by 31 December 2004. Double rent relief is specifically denied. Capital allowances of up to 50% are available in year 1 and at 4% per annum thereafter. "S.23" type and owner-occupier reliefs are available for residential property. Capital allowances are denied to property developers and in respect of properties used in certain specified industries and where 250 or more people are employed in the trade. Certain large projects require EU approval.

2000 Town renewal

The areas have been designated by ministerial order which specifies the reliefs available in the areas designated (capital allowances/residential property reliefs). Double rent relief is specifically denied. The qualifying period for incurring capital expenditure eligible for relief has been extended from 31 December 2004 to 31 July 2006 where a full planning application was received by a planning authority by 31 December 2004. Capital allowances of up to 50% are available in year 1 and at 4% per annum thereafter. Capital allowances are denied to property developers and in respect of offices and properties used in certain specified industries and in large projects. Certain large projects require EU approval.

Multi-storey car parks

The qualifying period for incurring capital expenditure on qualifying multi-storey car parks located outside Dublin and Cork is, in certain circumstances, 31 July 2006 (previously 31 December 2004) where 15% of total project costs has been incurred by 30 September 2003 and the local authority issued certification to this effect by 31 December 2003. Double rent relief is not available in respect of leases granted after 30 September 1999. Capital allowances on 100% of the qualifying expenditure are available on expenditure incurred after 31 July 1998.

Living over the shop

Tax incentives are available for the use, for residential purposes, of space over commercial property. The qualifying period for incurring capital expenditure is from 6 April 2001 to 31 July 2006 where a full planning application was received by a planning authority by 31 December 2004. The incentives apply in Dublin, Cork, Galway, Limerick and Waterford. "S.23" type relief and owner-occupier residential reliefs are available.

In some circumstances, accelerated capital allowances are available for associated commercial development. Certain exclusions apply in the case of property developers.

Urban renewal

Custom House Docks Area (CHDA)

The qualifying period for capital allowances in the CHDA ended on 31 December 1999 but, in some circumstances, was extended to 30 June 2000. In general, double rent relief is available in the '27 acre' area of the CHDA until 31 December 2008, and in the '12 acre' area until 31 December 2003.

Buildings used for third level purposes

Qualifying buildings attract capital allowances at the rate of 15% per annum for six years and 10% in year seven. A ministerial certificate of approval is required. The termination date of the scheme is 31 July 2006 where an application for a ministerial certificate was received by the Department of Finance by 31 December 2004.

Capital gains tax

Individuals resident or ordinarily resident in Ireland are liable to capital gains tax on worldwide disposals. Individuals resident or ordinarily resident, but not domiciled, in Ireland are liable on gains arising on the disposal of assets situated in Ireland and the United Kingdom and on all other foreign gains to the extent that those gains are remitted to Ireland. Individuals neither resident nor ordinarily resident are liable on gains made on the disposal of certain "specified" assets.

Relief for inflation (indexation)

In arriving at the chargeable gain on the disposal of an asset held for over twelve months, the allowable cost is to be adjusted for inflation based on the consumer price index.

Indexation relief applies for the period of ownership of the asset but only up to 31 December 2002. Indexation factors for disposals in 2005 are as follows:

Year expenditure incurred	Factor	Year expenditure incurred	Factor
1974/75	7.528	1989/90	1.503
1975/76	6.080	1990/91	1.442
1976/77	5.238	1991/92	1.406
1977/78	4.490	1992/93	1.356
1978/79	4.148	1993/94	1.331
1979/80	3.742	1994/95	1.309
1980/81	3.240	1995/96	1.277
1981/82	2.678	1996/97	1.251
1982/83	2.253	1997/98	1.232
1983/84	2.003	1998/99	1.212
1984/85	1.819	1999/00	1.193
1985/86	1.713	2000/01	1.144
1986/87	1.637	2001	1.087
1987/88	1.583	2002	1.049
1988/89	1.553		

Indexation is not available for expenditure incurred within 12 months prior to disposal.

Losses

Losses are set off against chargeable gains arising in the same year. Unused losses may be carried forward indefinitely. Gains on development land may only be offset by losses on development land. Inflation relief may not operate to convert a monetary gain into an allowable loss or to it increase a monetary loss.

Rate

The capital gains tax rate is 20%.

Exemptions and reliefs

The following exemptions and reliefs are available:

- annual exemption €1,270. For married couples the exemption is €1,270 each (non-transferable)
- the gain on the disposal of an individual's principal private residence; certain restrictions apply where the residence has development potential
- the gain on the disposal of a dwelling home occupied rent free by a dependent relative

Capital gains tax

- the gain on sale of Irish government securities, excluding the accrued interest portion, where the security has been held for less than two years. The accrued interest portion is charged to income tax
- disposals of individual works of art which are valued at not less than €31,740 when loaned to an approved gallery or museum for public display for a minimum period of six years
- retirement relief for an individual aged 55 years or more on disposal of business assets owned for 10 years or more (which can also include assets held personally but used in the trade). This relief is limited to proceeds of €500,000 where the disposal is not to a child of the individual. A disposal of a business by a qualifying individual to a child is exempt from capital gains tax regardless of the consideration received. For the purpose of this exemption, a "child" includes a nephew or niece who has worked in the business substantially on a full-time basis for the period of five years ending with the disposal. An individual is not in fact required to retire in order to avail of this relief
- the gain on the transfer of a site from a parent to a child provided it is for the construction of the child's principal private residence and the market value of the site does not exceed €254,000
- exemption from capital gains tax for Irish companies making disposals from substantial holdings in trading companies located in the EU or countries with which Ireland has concluded a double taxation treaty.

Self assessment

Individuals

- 31 January 2005 - payment of capital gains tax for disposals made from 1 October 2004 to 31 December 2004
- 31 October 2005 - payment of capital gains tax for disposals made from 1 January 2005 to 30 September 2005
- 31 January 2006 - payment of capital gains tax for disposals made from 1 October 2005 to 31 December 2005
- 31 October 2005 - filing of 2004 return of income (including gains)

Companies - development land[a]

- 31 January 2005 - payment of capital gains tax for disposals made from 1 October 2004 to 31 December 2004
- 31 October 2005 - payment of capital gains tax for disposals made from 1 January 2005 to 30 September 2005
- 31 January 2006 - payment of capital gains tax for disposals made from 1 October 2005 to 31 December 2005
- 31 October 2005 - filing of 2004 capital gains tax return of development land disposals - in practice, inclusion of gain on corporation tax return is sufficient

[a] For disposals of assets other than development land by companies, the preliminary tax payments and filing deadlines are the same as those for a company in relation to its income (see "Corporation tax-self assessment").

Capital acquisitions tax

General

Capital acquisitions tax (CAT) comprises both gift and inheritance taxes.

The taxes apply when a person becomes beneficially entitled to property, either by way of a gift or on a death, for less than full consideration.

Gifts or inheritances taken on or after 5 December 1991 are aggregated with later gifts or inheritances received under the same group threshold in order to arrive at the amount of tax payable.

The charge to CAT for gifts or inheritances taken on or after 1 December 1999 is residence based and will generally arise on the entire property received where the disponer or the beneficiary is resident or ordinarily resident in Ireland. If neither the disponer nor the beneficiary is resident or ordinarily resident in Ireland, the charge is only in respect of the property which is situated in Ireland. Gifts or inheritances received before 1 December 1999 and gifts and inheritances received from a trust existing on 1 December 1999 are generally subject to the former domicile based rules.

Tax-free thresholds

The following tax-free thresholds apply for gifts and inheritances. There are three categories which are based on the relationship between the disponer and the beneficiary:

Group A: Applies where the beneficiary is a child or minor child of a deceased child of the disponer, or the foster child of the disponer subject to certain conditions. This threshold also applies to inheritances taken by a parent from a deceased child, subject to certain exceptions. Some inheritances taken by a parent from a child may be totally exempt.

Group B: Applies where the beneficiary is a lineal ancestor, lineal descendant (other than a child, or minor child of a deceased child), a brother, sister, or a child of a brother or sister of the disponer.

Group C: Applies where the beneficiary is not related as outlined for group A or group B.

The threshold levels for gifts and inheritances in 2005 are:

Group A: €466,725
Group B: €46,673
Group C: €23,336.

Funding of gift and inheritance tax

The proceeds of certain life policies, insofar as they are used to defray gift or inheritance tax, are not liable to gift or inheritance tax.

Self assessment

Self assessment applies to gift and inheritance tax. The recipient of any gift or inheritance is obliged to make a return, within four months of the date of the benefit, where 80% of the group threshold is exceeded and, where liable to tax, to pay the tax due. The donor of a gift or a person creating a lifetime discretionary trust is also, in certain circumstances, obliged to make a return. Self assessment also applies to probate tax.

Capital acquisitions tax

Rate

The rate of tax for gifts and inheritances taken on or after 1 December 1999 is 20%. Tax is applied to the amount of the gift or inheritance in excess of the tax-free threshold.

Tax is calculated on the total of gifts and inheritances received on or after 5 December 1991 within the same group threshold. A deduction is given for tax on previous gifts or inheritances taken from 5 December 1991.

Main exemptions and reliefs

A number of exemptions and reliefs are provided for and these include the following:

- the first €3,000 of gifts taken by a donee from any one disponer in a calendar year
- an exemption from CAT for gifts and inheritances between spouses
- an exemption from CAT for a gift or inheritance consisting of a dwelling house that is the only or main residence of the beneficiary, subject to certain conditions
- a 90% reduction in the market value of business assets and agricultural assets, provided certain important conditions are complied with
- gifts or inheritances for public or charitable purposes.

Discretionary trusts

There is a once-off levy of 6% on certain discretionary trusts which may, in particular circumstances, be reduced to 3%. At present the levy becomes payable on the latest of the following events:

- the date property is placed in settlement
- the date of death of the settlor
- the date on which the youngest principal object of the trust attains the age of 21.

Discretionary trusts which are liable to the once-off levy are also liable to an annual levy of 1%.

Value added tax (VAT)

General

VAT is a transaction based tax and is chargeable when a taxable person supplies goods or services in Ireland in the course or furtherance of a taxable business. It is also chargeable on the purchase of specified services from suppliers outside Ireland, on imported goods and on intra-Community acquisitions of goods.

“Taxable persons” includes persons carrying on business in Ireland whose annual turnover exceeds the following limits; €51,000 where goods are supplied and €25,500 where services are supplied.

Foreign traders supplying taxable services in Ireland or selling goods from stocks held in Ireland are obliged to register for Irish VAT. Such traders do not have the benefit of the above registration thresholds unless they have a fixed place of business in Ireland.

Unregistered persons in receipt of certain services from abroad deemed to be supplied in Ireland (known as 4th Schedule Services) must register for Irish VAT if those services are received for business purposes. They are also obliged to register for VAT if they make intra-Community acquisitions which exceed €41,000 in a 12 month period.

Accounting for VAT

Taxable persons are obliged to register for VAT and to submit bi-monthly returns in respect of supplies and purchases made in the two-month period. In certain cases, monthly or annual returns may be submitted. Some taxable persons may elect to account for their VAT liability on the basis of cash received in a taxable period rather than on the basis of invoiced sales.

Rates

The rates of VAT and the main categories to which they apply are:

	Rate %
Taxable goods/services not subject to one of the other rates, ie standard rate	21
Exported goods, fertilisers, books, food, oral medicine, children’s clothing and children’s footwear	0
Livestock and greyhounds	4.8[a]
Real property, building services, newspapers and periodicals, hotel and holiday accommodation, short term car and boat hire, tour guide services and certain agricultural services	13.5
Heating fuel, electricity, restaurant services, cinema and cabaret admission, hot take-away foods, waste disposal services, admission to exhibitions, the services of veterinary surgeons, cakes and non-chocolate biscuits	13.5
Hairdressing & other similar services, repair & maintenance of movable goods, photographic services, laundry & dry cleaning and driving instruction	13.5

[a] Rate applies with effect from 1 January 2005 (previously 4.4%)

Exempt activities

The supply of certain goods and services is exempt from VAT. These include most banking services, insurance services, education and training, medical services, passenger transport, funeral undertaking, lotteries and services of trade unions.

"Section 13A"

Taxable persons may be authorised to import and make intra-Community acquisitions of goods and to purchase goods and services in the State without having to incur the VAT normally chargeable if at least 75% of their annual turnover is comprised of exports and/or zero rated intra-Community supplies.

Customs and excise duties

Customs

Goods imported from non-member countries of the European Union (EU) are liable to customs duty at the appropriate rates specified in the EU's common customs tariff (CCT). Reduced rates may apply if the imported goods qualify under any of the EU's preferential tariff arrangements. No customs duties arise on imports from other EU countries.

Duty reliefs may be availed of, subject to prior authorisation, through various customs procedures, for example:

- goods imported for processing and re-exportation outside the EU
- goods re-imported after processing in non-EU countries
- where the duty on raw material is more than the duty on the finished goods
- production materials and capital equipment not available from EU suppliers.

Excise

Excise duties are charged on a limited range of goods eg hydrocarbon oils (including petrol and diesel), LPG, spirits, beer, wine, cider and perry, and tobacco products consumed in Ireland.

Various drawbacks, rebates and allowances may be claimed depending on the use to which the goods are put.

Excise duties are normally not charged on the export or sale of excise goods to other EU countries but special control arrangements apply to intra-EU movement of excise goods.

Sample rates of excise duties (exclusive of VAT)

Item	Rate
Unleaded petrol	44.26 cent per litre
Diesel used as a propellant:	
- ultra low sulphur[a]	36.80 cent per litre
Kerosene (for other than propellant)	3.17 cent per litre
Spirits	€39.25 per litre of alcohol (55 cent per half-glass)
Wine (75 cl bottle, 12% alcohol)	€2.04 per bottle
Beer (4% alcohol)[b]	45 cent per pint
Cigarettes	€3.80 per 20

[a] Maximum 50mgs per kilo
[b] 50% relief for small breweries

Vehicle registration tax

All road vehicles are subject to an excise duty known as vehicle registration tax (VRT). The rates as a percentage of the "open market selling price" for motor cars are as follows:

- Up to 1400 cc 22.5%
- 1401 to 1900 cc 25%
- Greater than 1900 cc 30%

A refund of 50% of the amount of VRT paid will be granted in respect of motor cars fitted with hybrid electric engines.

Special reliefs may apply to cars imported temporarily by non-residents, or imported on transfer of residence to Ireland.

Stamp duty

Rates

Transfer of certain stocks and shares..1%

Issue of shares, on or after 2 December 2004,
by a capital company (capital duty)..............................0.5% of consideration

Premiums on leases of land and other real property[†]........................0% - 9%

Average annual rent reserved by lease
(rate depends on length of lease)..1% - 12%

Mortgages of Irish property where amount secured exceeds
€254,000 (maximum duty €630)..0.1%

Transfer/purchase of property[†]

All forms of property (other than stocks and shares and residential property) such as land, buildings, goodwill, book debts, cash on deposit and benefits of contracts, attract stamp duty at the rates set out below.

Up to €10,000	Exempt
€10,001 - €20,000	1%
€20,001 - €30,000	2%
€30,001 - €40,000	3%
€40,001 - €70,000	4%
€70,001 - €80,000	5%
€80,001 - €100,000	6%
€100,001 - €120,000	7%
€120,001 - €150,000	8%
Over €150,000	9%

Transfer/purchase of residential property[†]

	Owner occupiers			Non owner occupiers
	New property under 125 sq m	New property over 125 sq m[a] /secondhand property		New / second-hand property
		First time buyer	Other owner occupiers	
Up to €127,000	Exempt	0%	0%	0%
€127,001 - €190,500	Exempt	0%	3%	3%
€190,501 - €254,000	Exempt	0%	4%	4%
€254,001 - €317,500	Exempt	0%	5%	5%
€317,501 - €381,000	Exempt	3%	6%	6%
€381,001 - €635,000	Exempt	6%	7.5%	7.5%
Over €635,000	Exempt	9%	9%	9%

[a] Special valuation rules apply to the purchase of new properties over 125 sq m by owner occupiers, thereby significantly reducing the liability.

[†]Notes:

- On all purchases of property a single rate will apply to the entire consideration.
- Gifts are chargeable on their market value at the same rates as for other conveyances.

Stamp duty

Exemptions and reliefs

Item	Treatment
Transfers between associated companies where the necessary 90% beneficial ownership relationship exists and where certain other conditions are satisfied	Exempt
Transfers on certain reorganisations, takeovers and mergers	Exempt
Most transfers of surplus assets by liquidator to shareholder	Nil
Covenants to children, charities etc	Exempt
Most transfers of foreign shares	Exempt
Most transfers of foreign land	Exempt
A wide range of financial services instruments	Exempt
Transfers of Irish government stocks	Exempt
Transfers under wills	Exempt
Transfers between spouses (including certain transfers on divorce)	Exempt
Transfers of intellectual property such as copyright, trademarks and patents	Exempt

Transfers of property other than stocks and shares between related persons are charged at half the usual rate of duty.

Tax treaties

Treaties are in force with the following countries:

- Australia
- Austria
- Belgium
- Bulgaria
- Canada
- China
- Croatia
- Cyprus†
- Czech Republic
- Denmark
- Estonia
- Finland
- France†
- Germany
- Greece
- Hungary
- Iceland
- India
- Israel
- Italy
- Japan
- Korea (Republic of)
- Latvia
- Lithuania
- Luxembourg
- Malaysia
- Mexico
- Netherlands
- New Zealand
- Norway
- Pakistan
- Poland
- Portugal
- Romania
- Russia
- Slovak Republic
- Slovenia
- South Africa
- Spain
- Sweden
- Switzerland
- United Kingdom
- United States
- Zambia

†These treaties are being re-negotiated.

Treaties are being negotiated with:

- Argentina
- Chile
- Egypt
- Kuwait
- Malta
- Morocco
- Singapore
- Tunisia
- Turkey
- Ukraine

Corporation tax payments

Transition table

Minimum preliminary tax payment schedule 2005-2006

Accounting period ending in	minimum % of final liability due 6 weeks before end of accounting period	amount due six months after end of accounting period
2005	72	[1]
2006	90	----

[1] For all companies, including small companies, the second instalment must bring the total preliminary tax payments up to at least 90% of the final tax liability for the accounting period.

©2005 PricewaterhouseCoopers. All rights reserved. "PricewaterhouseCoopers"refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity. *connectedthinking is a trademark of PricewaterhouseCoopers LLP.

Contacts

Dublin

Colm Kelly
Head of tax & legal services
Banking, International financial services

Enda Faughnan
Banking and Capital markets

Jim McDonnell
Banking and Capital markets

Pat Wall
FDI, Insurance,
Investment management

Mary Walsh
International structuring,
Inward investment

John Kelly
Pharmaceuticals

Paraic Burke
International structuring,
Stamp duty

Jean Delaney
Pharmaceuticals

Mary Honohan
Transfer pricing,
Consumer products

Jim Miggin
Property/Construction, Retail

Carmel O'Connor
Utilities, Consumer products

Terry O'Driscoll
International structuring, M&A,
Consumer products

Joe Tynan
Technology, International structuring

Maureen Gutkin
Technology, International structuring, Inward investment

Feargal O'Rourke
Entertainment & media,
Technology, International structuring

George Reddin
Services, Public sector

Dermot Reilly
Business and Wealth Services

Teresa McColgan
Business and Wealth Services,
IFRS

Denis Cremins
Business and Wealth Services,
High net worth, Pensions

Mark Carter
Employment Taxes, HR services

Gearoid Deegan
Employment Taxes,
Share incentive schemes

Alan Bigley
Company administration services, Pensions

Damian McCarthy
Customs and International Trade

John Fay
VAT

Cork

Anne Fitzgerald
Pharmaceuticals, SMEs

Limerick

Anita Kissane
Corporate tax, VAT

South East

Jim McCleane
Business and Wealth Services

LANDWELL Solicitors

(Correspondent law firm of PricewaterhouseCoopers)

Jim Trueick
Employment & immigration,
Litigation

Gerry Bohan
Commercial and corporate restructuring

Garrett Breen
Intellectual property,
Regulatory law and litigation

Edward Evans
Commercial & financial services

Ursula McMahon
Corporate restructuring

PRICEWATERHOUSECOOPERS

Dublin
Wilton Place, Dublin 2
Tel + 353 (0) 1 678 9999
Fax + 353 (0) 1 662 6200

George's Quay, Dublin 2
Tel + 353 (0) 1 678 9999
Fax + 353 (0) 1 704 8600

Cork
1 South Mall, Cork
Tel + 353 (0) 21 427 6631
Fax + 353 (0) 21 427 6630

Galway
Harr-Mack House, IDA Small Business Centre,
Tuam Road, Galway
Tel + 353 (0) 91 764 620
Fax + 353 (0) 91 764 621

Kilkenny
20 Patrick Street, Kilkenny
Tel + 353 (0) 56 772 1998
Fax + 353 (0) 56 776 5962

Limerick
Bank Place, Limerick
Tel + 353 (0) 61 212 300
Fax + 353 (0) 61 416 331

Waterford
Ballycar House, Newtown,
Waterford
Tel + 353 (0) 51 874 858
Fax + 353 (0) 51 872 312

Wexford
Cornmarket, Wexford
Tel + 353 (0) 53 52400
Fax + 353 (0) 53 52440

PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in Ireland to carry on investment business.

For further information visit:
www.pwc.com/ie

Correspondent law firm of PricewaterhouseCoopers
www.landwellglobal.com/ie

*connectedthinking™