



## Purcell McQuillan – Commission on Taxation Briefing Update

[www.pmqtax.com](http://www.pmqtax.com)

With so much speculation on Budget 2011, we thought it useful to summarise some of the recommendations of the Commission on Taxation which have yet to be implemented. The recommendations set out below are those which would increase taxes. The Commission recommended a number of changes in the tax system which would have an overall neutral tax effect. However, given the state of the country's finances, it is unlikely that recommendations which would give rise to a cost to the Exchequer will be introduced. While we do not have any indication that most or all of the recommendations will be implemented, they serve as a useful reminder of possible changes to tax law in the forthcoming Budget.

1. Remove the employee PRSI ceiling on a phased basis. The current employee PRSI ceiling is €75,036.
2. Levy PRSI on employees in the same manner as the self-employed which would result in PRSI on investment income and rental income.
3. The 183 / 280 day residence tests should be strengthened. The proposals included a permanent home and centre of vital interests test.
4. The remittance basis for income tax and capital gains tax should be discontinued on a phased basis.
5. The introduction of an annual property tax for residential property with no deduction for borrowings.
6. Tax relief on charitable donations currently claimed by the self-employed to be treated in the same way as PAYE earners, i.e. tax relief being paid to the charity instead.
7. Cap the sportsman's relief to €350,000.
8. The CGT exemption on retirement relief on family business transfers should be subject to an overall monetary cap of € million. This relief currently reduces the taxable value of the family business by 90% of its market value. The Commission also recommended that this reduction going forward should be no more than 75% of the business value. Similarly the Commission recommended that the amount of business relief or agricultural relief that can be claimed (i.e. CAT reliefs) should also be reduced to 75% of the asset values and subject to an overall € million monetary cap.
9. Abolish CGT and stamp duty exemptions on the disposal of a site to a child.
10. A cap on the tax-free lump sum payable from a pension to €200,000. Any excess should be taxable at the standard income tax rate.
11. Income tax relief on *ex gratia* payments should continue but the tax-free payment restricted to €200,000.
12. The following tax reliefs or exemptions should be discontinued:
  - ◆ Capital allowances for childcare facilities / crèches (currently being phased out).
  - ◆ Tax exemption for patent royalties / patent dividends.

- ◆ Income tax relief for heritage buildings and gardens.
- ◆ Capital gains tax exemption for philanthropic and sports bodies on disposals of development land.
- ◆ Rent-a-room relief.
- ◆ Stock relief for farming business.
- ◆ Artists exemption.

**Purcell McQuillan would be pleased to speak with you on any of these recommendations.**

*While every care and attention has been taken to ensure the accuracy of the information contained in this email, specific professional taxation advice and clarification should always be sought.*

**Purcell McQuillan Tax Partners Limited, 17 Clyde Road, Dublin 4  
T: (01) 668 2700 F: (01) 668 2750 E: [pmq@pmqtax.com](mailto:pmq@pmqtax.com) W: [www.pmqtax.com](http://www.pmqtax.com)**

*© 2010 All rights reserved*