

### Example 1: Individual Subject to Full Restriction

Mr. A, a single man, owns a property portfolio from which he receives €797,150 in 2006 in rents (net of expenses). His entitlement to property incentive reliefs for the year is €700,000.

He also invests €31,750 each in BES and Film relief (film relief is restricted to 80% of €31,750 i.e. €25,400).

In addition, Mr. A is in receipt of dividends of €160,000.

<b>Example 1: Position for 2007 if <u>no restriction</u></b>		€
Rents (net of expenses)		797,150
Less property incentive reliefs		<u>(700,000)</u>
Taxable rents		97,150
Dividends		<u>160,000</u>
Total income		257,150
Less other tax deductions		<u>(57,150)</u>
<b>Taxable income</b>		<b><u>200,000</u></b>
Tax:		
▪ 32,000 @ 20%		6,400
▪ 168,000 @ 42%		<u>70,560</u>
		76,960
Less personal tax credit		<u>(1,630)</u>
Final Tax		75,330
<b>Effective rate of tax:</b>	<b><math>\frac{75,330 * 100}{(797,150 + 160,000)}</math></b>	<b>7.87%</b>

<b>Example 1: Position for 2007 <u>applying new restriction</u></b>		€
Original taxable income		200,000
Add specified reliefs		<u>757,150</u>
Recomputed gross income		957,150
Specified reliefs restricted to greater of 50% of €957,150 or €250,000		478,575
<b>Original Taxable income</b>		<b>200,000</b>
Add restriction of specified reliefs (€757,150 less €478,575)		<u>278,575</u>
<b>Revised taxable income</b>		<b><u>478,575</u></b>
Tax:		
▪ 32,000 @ 20%		6,400
▪ 446,575 @ 42%		<u>187,561</u>
		193,961
Less personal tax credit		<u>(1,630)</u>
<b>Final tax</b>		<b>192,331</b>
<b>Effective rate of tax:</b>	<b><math>\frac{192,331 * 100}{(797,150 + 160,000)}</math></b>	<b>20.09%</b>

### Example 2: Individual Subject to Restriction with Taper

Mr. B, a single man, is a professional who has gross professional income of €400,000 in 2007. He has normal business expenses and overheads of €160,000. He has losses forward of €60,000.

He purchased as an investment a commercial property with capital allowances of €120,000 (these allowances must be set off first against rental income with any balance being set off against other income up to a limit of €31,750). He receives gross rental income of €40,000 for this property (€26,400 net of expenses). He also invests €31,750 each in BES and film relief.

In addition, Mr. B is in receipt of €200,000 in dividends. He is entitled to miscellaneous interest relief of €291,100.

<b>Example 2: Position for 2007 if <u>no restriction</u></b>	
	€
Rents (net of expenses)	26,400
Less property capital allowances	<u>(120,000)</u>
Taxable rents	Nil
Taxable trading income (net of expenses and losses forward)	180,000
Dividends	<u>200,000</u>
Total income	380,000
Less other tax deductions (includes excess property capital allowances of €31,750)	<u>(380,000)</u>
<b>Taxable income</b>	<b>Nil</b>
<b>Effective rate of tax:</b>	<b>Nil</b>

<b>Example 2: Position for 2007 <u>applying new restriction</u></b>		€
Original taxable income		Nil
Add specified reliefs (property capital allowances of €26,400 (i.e. only the part needed to shelter the rental income) plus other deductions €380,000 (including excess property capital allowances of €31,750))		<u>406,400</u>
Recomputed gross income		406,400
Specified reliefs restricted to greater of 50% of €406,400 or €250,000		250,000
<b>Original Taxable income</b>		<b>Nil</b>
Add restriction of specified reliefs (€406,400 less €250,000)		<u>156,400</u>
<b>Revised taxable income</b>		<b><u>156,400</u></b>
Tax:		
▪ 32,000 @ 20%		6,400
▪ 124,400 @ 42%		<u>52,248</u>
		58,648
Less personal tax credit		<u>(1,630)</u>
<b>Final tax</b>		<b><u>57,018</u></b>
<b>Effective rate of tax:</b>	<b><u>57,018 * 100</u></b> <b>(26,400 + 380,000)</b>	<b>14.03%</b>

**In this example, because Mr B's income is between €250,000 and €500,000, he benefits from the tapering arrangement so that he is not subject to the full effect of the new restriction.**

### Example 3: Individual Subject to Restriction with Restricted Reliefs Forward

Ms. D, a single woman, is a trader who has gross trading income of €500,000 in 2008. She has normal trading expenses and overheads of €140,000. She has trading losses forward of €40,000.

She has gross commercial rents of €60,000 (€43,600 net of expenses) for a commercial property which attracts capital allowances of €120,000 (these allowances must be set off first against rental income with any balance being set off against other income up to a limit of €31,750). She invests €31,750 each in BES and Film relief (film relief is restricted to 80% of €31,750, namely, €25,400).

She has specified reliefs carried forward after restriction in 2007 of €207,650. She also has capital allowances carried forward from 2007 of €30,100 that are deductible against rental income only.

Ms. D is in receipt of €400,000 dividends and claims €200,000 in miscellaneous interest relief.

<b>Example 3: Position for 2008 <u>before applying the restriction and after allowing restricted reliefs carried forward to be deducted</u></b>	<b>€</b>
Rents (net of expenses)	43,600
Less property capital allowances (€30,100 plus €120,000)	<u>(150,100)</u>
Taxable rents	Nil
Taxable trading income (net of expenses)	320,000
Dividends	<u>400,000</u>
Total income	720,000
Less other deductions (restricted reliefs forward €207,650 plus other deductions of €288,900 – includes excess capital allowances of €31,750)	<u>(496,550)</u>
<b>Taxable income</b>	<b><u>223,450</u></b>
Tax:	
▪ 32,000 @ 20%	6,400
▪ 191,450 @ 42%	<u>80,409</u>
	86,809
Less personal tax credit	(1,630)
Final tax	85,179
<b>Effective rate of tax: <math>\frac{85,179 * 100}{(43,600 + 720,000)}</math></b>	<b>11.15%</b>

**Example 3: Position for 2008 applying the new restriction**

€

Original taxable income	223,450
Add specified reliefs [property capital allowances €43,600 (i.e. only the part needed to shelter the rental income) plus other deductions €496,550 (including excess property capital allowances of €31,750)]	<u>540,150</u>
Recomputed gross income	763,600
Specified reliefs restricted to greater of 50% of €763,600 or €250,000	381,800
<b>Original Taxable income</b>	<b>223,450</b>
Add restriction of specified reliefs (€540,150 less €381,800)	<u>158,350</u>
<b>Revised taxable income</b>	<b><u>381,800</u></b>
Tax:	
▪ 32,000 @ 20%	6,400
▪ 349,800 @ 42%	<u>146,916</u>
	153,316
Less personal tax credit	<u>(1,630)</u>
<b>Final tax</b>	<b>151,686</b>
<b>Effective rate of tax:</b> $\frac{151,686 * 100}{(43,600 + 720,000)}$	<b>19.86%</b>

#### Example 4 – Individual with exempt and taxable income

Ms. X a single woman and a successful singer and songwriter earned €1,000,000 net of expenses from her song writing activities and copyrights payments from her previous compositions in 2007.

Profits from her performances during the year amounted to €400,000 net of expenses. Ms. X used no other tax reliefs in the year.

<b>Position for 2007: No restriction</b>	
	€
Exempt income (net of expenses)	1,000,000
Taxable income (net of expenses)	400,000
Total income	400,000
<b>Taxable income</b>	<b><u>400,000</u></b>
Tax:	
▪ 32,000 @ 20%	6,400
▪ 368,000 @ 42%	<u>154,560</u>
	160,960
Less personal tax credit	(1,630)
Final tax	159,330
<b>Effective rate of tax:</b>	<b>11.38%</b>
	<b><math>\frac{159,330 * 100}{(1,000,000 + 400,000)}</math></b>

<b>Position for 2007 <u>applying the restriction</u></b>		€
Original taxable income		400,000
Add specified reliefs		<u>1,000,000</u>
Recomputed gross income		1,400,000
Specified reliefs restricted to greater of 50% of €1,400,000 or €250,000		700,000
<b>Original Taxable income</b>		<b>400,000</b>
Add restriction of specified reliefs (€1,000,000 less €700,000)		<u>300,000</u>
<b>Revised taxable income</b>		<b><u>700,000</u></b>
Tax:		
▪ 32,000 @ 20%		6,400
▪ 668,000 @ 42%		<u>280,560</u>
		286,960
Less personal tax credit		<u>(1,630)</u>
<b>Final tax</b>		<b>285,330</b>
<b>Effective rate of tax:</b>	<b><u>285,330 * 100</u></b> <b>(1,000,000 + 400,000)</b>	<b>20.38%</b>



In 2008 Ms. X did some live performances for which she received €250,000 (net). She also did some composing for which she received €100,000 in tax exempt income (net of expenses). She has €300,000 of specified reliefs forward from 2007 but no other tax reliefs apart from personal tax credit.

<b>Position for 2008: No restriction</b>		€
Exempt income (net of expenses)		100,000
Taxable income (net of expenses)		250,000
Total income		250,000
Less specified reliefs forward from 2007 used in 2008		<u>(250,000)</u>
<b>Taxable income</b>		<b>Nil</b>
<b>Effective rate of tax:</b>		<b>Nil</b>

<b>Position for 2008 <u>applying the restriction</u></b>		€
Original taxable income		Nil
Add specified reliefs (€100,000 of exempt income plus €250,000 of the €300,000 of specified reliefs forward)		<u>350,000</u>
Recomputed gross income		350,000
Specified reliefs restricted to greater of 50% of €350,000 or €250,000		250,000
<b>Original Taxable income</b>		<b>Nil</b>
Add restriction of specified reliefs (€350,000 less €250,000)		<u>100,000</u>
<b>Revised taxable income</b>		<b><u>100,000</u></b>
Tax:		
▪ 32,000 @ 20%		6,400
▪ 68,000 @ 42%		<u>28,560</u>
		34,960
Less personal tax credit		<u>(1,630)</u>
<b>Final tax</b>		<b>33,330</b>
<b>Effective rate of tax:</b>	<b><u>33,330 * 100</u></b> <b>(100,000 + 250,000)</b>	<b>9.52%</b>

**In this example, because Ms. X's income is between €250,000 and €500,000, she benefits from the tapering arrangement so that he is not subject to the full effect of the new restriction.**

In 2009 Ms. X. earned taxable income of €100,000 net. She was in receipt of exempt income from copyright royalties of €100,000. She has €150,000 in specified reliefs forward from 2008 (€50,000 of which is specified reliefs forward from 2007 that were not used in 2007).

<b>Position for 2009: No restriction</b>		€
Exempt income (net of expenses)		100,000
Taxable income (net of expenses)		100,000
Total income		100,000
Less specified reliefs forward from 2008		<u>(100,000)</u>
<b>Taxable income</b>		<b>Nil</b>
<b>Effective rate of tax:</b>		<b>Nil</b>

<b>Position for 2009 <u>applying the restriction</u></b>		€
Original taxable income		100,000
Add specified reliefs		<u>100,000</u>
Recomputed gross income		200,000
<p>Recomputed gross income less than €250,000: <b>Therefore restriction does not apply.</b> Taxpayer's taxable income remains Nil as per computation above. In addition, taxpayer has restricted reliefs forward of €50,000 from 2008, which are un-used in 2009, available for carry forward for use in 2010.</p>		