

## **Finance Bill 2006 - Chapter 2A Section 485C Limitation on amount of certain reliefs used by certain high income individuals**

This provision places a restriction on the use of certain tax reliefs by high-income taxpayers. Unfortunately the list of tax reliefs to which the section applies includes S848A Donations to Eligible Charities and Approved Bodies.

The following explanation of the provision was included in the Ernst & Young/Sunday Business Post commentary on Budget 2006:

*“From the 1<sup>st</sup> January 2007, individuals with income in excess of €250,000 who have specified tax reliefs available to them will be restricted in the amount of tax relief they can claim each year. The specified reliefs that a person will be able to apply against their taxable income will be restricted to 50% of their gross income in any one tax year. Any excess reliefs will however be available for “carry-forward” to the following and subsequent years, subject to the 50% income cap.” (p. 9 Budget 2006, Ernst & Young/Sunday Business Post Dec. 2006)*

The tax relief scheme on donations as originally conceived places no upper limit on the amount that a donor can give to charity tax effectively in any year. The reason for this was to use taxation policy to actively promote the development of philanthropy in Ireland. This new provision effectively introduces a cap on the scheme for high income individuals thus potentially undermining the philanthropic incentive.

We understand the reasons that the Minister has introduced this provision in relation to tax relief schemes where there is a direct benefit to the investor in addition to the tax relief i.e. they have the benefit of the investment in an asset which will generate a return as well as the tax relief.

**However the tax relief scheme on donations is fundamentally different to other tax relief schemes specified in the schedule in that there can be no benefit to the donor other than the tax relief. The donation must be given at arms length with no strings attached. Therefore we believe that the S848A tax relief scheme should be removed from the “List of specified reliefs and method of determining amount of specified relief used in a tax year” in Schedule 25B of the Bill.**

### **ICTRG Request**

Please ask the Minister to table an amendment removing S848A Donations to Approved Bodies from the list of tax relief schemes subject to the Section 485C restriction.