BUDGET 2014

Presented by

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RATES/CREDITS 2014

Personal Tax Credits		2013 €	2014 €
Single persons		1,650	1,650
Married or in civil partnership		3,300	3,300
Additional one-parent family		1,650	0
Single person child carer		n/a	1,650
PAYE		1,650	1,650
Age credit – Single		245	245
Age credit – Married/Civil partners		490	490
Home carer		810	810
Dependent relative tax credit		70	70
Rent relief			
Under age 55 single persons		200	200
Under age 55 married/civil partners		400	400
Aged 55 or over single persons		400	400
Aged 55 or over married/civil partners		800	800
Incapacitated child		3,300	3,300
Blind persons:	Single	1,650	1,650
	Married/civil partners (both blind)	3,300	3,300
Widowed additional credit		540	540
Widowed person bereaved in year of assessment		3,300	3,300
Widowed parent:	1st year after year of bereavement	3,600	3,600
	2nd year after year of bereavement	3,150	3,150
	3rd year after year of bereavement	2,700	2,700
	4th year after year of bereavement	2,250	2,250
	5th year after year of bereavement	1,800	1,800
Exemption limits – 65 – years and over			
Single/widowed/surviving civil partner		18,000	18,000
Married or in civil partnerships		36,000	36,000
Standard rate bands			
Single/widowed persons/surviving partner		32,800	32,800
Married couples, one income		41,800	41,800
Married couples, two incomes		65,600	65,600
One parent/widowed parent		36,800	36,800
Tax rates			
Standard rate		20%	20%
Top rate		41%	41%
PRSI			
Employee ceiling		No limit	No limit
Employee PRSI exemption		No exemption	No exemption
Employee PRSI rate		4%	4%
Employer PRSI (higher rate)		10.75%	10.75%
Employer PRSI (lower rate)		4.25%	8.5%
Self-employed ceiling		No limit	No limit
Self employed – minimum contribution		€500	€500
Self-employed PRSI rate		4%	4%
Universal Social Charge (USC)			
Exemption limit		€10,036	€10,036
€0 - €10,036		2%	2%
€10,037 - €16,016		4%	4%
> €16,016		7%	7%
Self-employed income > €100,000		10%	10%
Aged 70 and over/medical card holders, >€60,000		7% /10%	7%/10%

PERSONAL TAX

Income tax rates and bands

There have been no changes to the income tax rates and bands.

USC

There have been no changes to the USC rates and bands.

PRSI

No changes to the PRSI rates were announced. However, as a carry forward from Budget 2013, with effect from 1 January 2014, PAYE employees will be subject to PRSI on their unearned income, including rental, investment, dividends and bank deposit interest income.

In addition the 4.25% low rate of PRSI for employers is due to revert to 8.5% on 1 January 2014.

Medical insurance relief

Tax relief for medical insurance premiums will be restricted to the first €1,000 per adult insured and the first €500 per child insured. The tax credit for these premiums will remain at the standard tax rate.

One-parent family tax credit

This credit is to be replaced with a new single person child carer tax credit with effect from 1 January 2014. The new credit will be to the same value (€1,650) but will be available to the principal carer of the child only.

Home Renovation Incentive (HRI)

Tax relief of 13.5% will be available for qualifying expenditure on home renovation and improvement work. The relief will be granted by way of a tax credit split over two years following the year in which the works are carried out. The minimum expenditure must be €5,000 and relief will be provided on all qualifying expenditure up to a maximum of €30,000. The relief relates to the principal private residence of an individual only while the relevant contractors must be tax compliant.

Start Your Own Business (SYOB)

An exemption from income tax up to a maximum of €40,000 per annum will be provided for a period of two years to individuals who set up a qualifying, un-incorporated business, having been unemployed for a period of at least 15 months prior to establishing the business.

High Earners' Restriction (HER) amendments

The initial 30% relief for investments under the Employment and Investment Incentive Scheme (EIIS) will be removed from the HER calculation for a period of three years.

Capital allowances and losses on plant and machinery used in manufacturing trades, which are claimed by passive investors, will be included as a specified relief for the purposes of the HER.

Film relief

The new film relief scheme is being brought forward from 2016 to 2015. This means that the existing form of tax relief available to individuals investing in the film industry will cease a year earlier than expected. The definition of 'eligible individual' for the purposes of the relief is to be extended to include non-EU talent, in conjunction with the introduction of a withholding tax. This is subject to EU State Aid approval and a commencement order.

Tax relief on loans to acquire an interest in a partnership

This relief will be withdrawn on a phased basis over 4 years. Relief will not be allowed for new loans taken out from 15 October 2013.

Existing claimants will retain the relief on a reducing rate basis until 1 January 2017.

Lump sum payments

Top slicing relief will no longer be available in respect of all ex-gratia lump sum payments arising on or after 1 January 2014. All lump sum payments to individuals who worked in Magdalene Laundries will be exempt from tax.

Living city initiative
This will be extended to include residential properties constructed prior to 1915 and to include Cork, Galway, Kilkenny and Dublin. This initiative is subject to EU State Aid approval and a commencement order.

Pension contributions
Income tax relief at the marginal rate will remain for qualifying pension contributions.

Deposit Interest Retention Tax and exit taxes on life assurance policies and investment funds
The rate of retention tax that applies to deposit interest, together with the rates of exit tax that apply to life assurance policies and investment funds, is being increased to 41% (previously 33% or 36% depending on the frequency of the payment). The increased rate will apply to payments, including deemed payments, made on or after 1 January 2014.

Farmer taxation
The eligibility for young trained farmers relief is being extended by adding three more qualifying courses to the list of relevant qualifications required for the 100% rate of stock relief and for the stamp duty relief for the purchase of agricultural properties.

BUSINESS TAX
The Minister's speech contained 25 pro-business measures, many of which are non-tax related and some of which are covered elsewhere in this summary. The key corporation tax measures are set out below.

R&D tax credit
Last year the Minister announced that a full review of the R&D tax credit regime would be carried out. On foot of this review a number of changes have now been introduced:

- the first €300,000 of qualifying expenditure will benefit from the 25% R&D tax credit on a volume basis, with no requirement to refer to the 2003 base year spend. This is an increase of €100,000. For R&D expenditure in excess of €300,000 the relief continues to be based on incremental costs in excess of the 2003 spend.
- it is also intended that the base year 2003 will be phased out entirely over time.
- the limit on the amount of expenditure on R&D outsourced to third parties which can qualify for the R&D tax credit is being increased from 10% to 15%.
- since 2012, a company with an entitlement to the R&D tax credit can surrender a portion of the credit to key employees, effectively in the form of a tax free payment. Subject to certain conditions, the employees can use the benefit of the tax credit to reduce their own income tax liability. Amendments are being made to this element of the scheme to remove some barriers to take-up that were identified in the review process.

Foreign direct investment
In tandem with Budget 2014, the Minister also published Ireland's International Tax Strategy statement. Broadly, this reaffirms Ireland's commitment to maintaining an open and transparent tax regime. It also confirms our commitment to retaining the 12.5% corporation tax rate, "the tax rate is settled policy, we are 100% committed to the 12.5% corporation tax rate, this will not change".

The International Tax Strategy paper also notes the active role that Ireland is taking in the BEPS project, which broadly seeks to eliminate global tax mismatches and ensure that the global tax framework is "fit for purpose".

This is particularly relevant given the dramatic changes in recent years in how companies do business across borders.

An interesting change flagged in the Minister's speech is an amendment to the tax rules for certain Irish incorporated companies that are not regarded as tax resident anywhere. While the detail will be included in the Finance Bill, it will no longer be possible for such companies to remain "stateless" in terms of their tax residence.

Banking sector

The Minister introduced a levy on banks to operate in the period 2014 to 2016. The levy will be broadly based on the amount of DIRT tax paid by the banks in 2011 and mirrors what is already in place in several other EU Member States.

In a relieving amendment, the restriction on the use of tax losses generated by banks that transferred loans to NAMA has been lifted. Under the old provisions, the banks could only shelter half of their future taxable profits through the use of historic losses. This restriction has now been removed.

CAPITAL TAXES

Capital Gains Tax (CGT)

CGT rate remains unchanged at 33%.

CGT entrepreneurial relief

A new relief from CGT has been introduced to encourage individuals to reinvest in trading assets. The relief applies to individuals who have paid CGT on the prior disposal of an asset (since 01 January 2010). The reinvestment must be:

1. in "an asset for use in a new productive trading activity"/"new business";
2. made between 01 January 2014 and 31 December 2018; and
3. the new asset must be held for 3 years prior to its subsequent disposal.

The CGT payable on the disposal of the new asset will be reduced by the lower of:

- the CGT paid by the individual on a previous disposal of assets since 01 January 2010; and
- 50% of the CGT due on the disposal of the new investment.

The new relief is subject to EU State Aid approval.

7 year CGT holiday extended

The relief from CGT in respect of real property bought and held for at least seven years has been extended. This relief now applies to real property acquired before 31 December 2014.

Retirement relief for farmland under long leases

Retirement relief has been extended to include the disposal of leased farmland (minimum of a 5 year lease). The disposal must be to a person other than the child of the vendor.

This relief is aimed at encouraging older farmers with no children to lease out their farms to younger farmers.

Capital Acquisitions Tax (CAT)

CAT rate remains unchanged at 33%. There is no change to the tax-free thresholds.

Stamp duty

The transfer of shares in companies on the Enterprise Securities Market (ESM) of the Irish Stock Exchange will be exempt from stamp duty. This exemption is subject to commencement order.

Stamp duty rates otherwise remain unchanged.

INDIRECT TAXES

Retention of the 9% VAT rate

The temporary 9% VAT rate applying to the tourism and hospitality sectors is due to revert to 13.5% on 1 January 2014. The Minister has announced that the rate will remain in place for the foreseeable future.

Farmers flat rate addition

The flat rate addition, payable to unregistered farmers to compensate them for VAT incurred on costs, will increase to 5% from 4.8% from 1 January 2014. The VAT rate applicable to the sale of livestock remains at 4.8%.

Cash receipts basis

Traders whose turnover is below the current threshold of €1.25m are entitled to account to Revenue for VAT on sales when they get paid, rather than when they issue sales invoices. This threshold will be increased to €2m with effect from 1 May 2014 and will extend the availability of this important cash flow saving measure to a larger number of traders.

Excise changes

From midnight on Budget night, the excise applicable to a packet of 20 cigarettes will increase by 10 cents (with pro rata increases for other tobacco products), a pint of beer or cider or a standard measure of spirits will increase by 10 cents while a bottle of wine will increase by 50 cents (all increases are VAT inclusive). There is no change in the excise applicable to petrol, diesel or home heating oil.

VAT anti-fraud measures

To assist Revenue in combating the shadow economy, legislative changes will be introduced in three areas:

- disallowance of input VAT – businesses which have not paid (in full or in part) for supplies within six months will be required to repay the VAT claimed on those supplies (a similar provision already applies in the UK).
- quick reaction mechanism – allows Revenue to introduce an emergency and temporary reverse charge mechanism to certain goods and services to deal with sudden large scale VAT fraud.
- record keeping – powers to allow Revenue issue notices to traders to procure specific information where Revenue believe that the specified records might assist in identifying VAT fraud.

Air travel tax

This will be reduced to zero with effect from 1 April 2014 with the objective that airlines increase routes and flight numbers as a result of the initiative.

PENSIONS

Tax relief

Relief for pension contributions continues at the marginal rate of tax.

Pension levy

The 0.6% Pension levy introduced to fund the Jobs Initiative in 2011 will be abolished from 31st of December 2014. An additional levy on pension funds of 0.15% will, however, be introduced for 2014 and 2015. Therefore the total pension levy in 2014 will be 0.75% reducing to 0.15% in 2015.

Change to the maximum allowable pension fund.

The limit on the total capital value of pension benefits that an individual can draw in their lifetime, where those benefits are drawn after 7th of December 2005, has been reduced from €2.3 million to €2 million. This limit is known as the Standard Fund Threshold (SFT). Individuals with pension benefits in excess of €2 million on 1st of January 2014 will be able to protect the capital value of those rights by claiming a Personal Fund Threshold (PFT) subject to a maximum of €2.3 million, being the old SFT. Those who already have a PFT will retain it and do not need to take any action.

In valuing Defined Benefit rights the current capitalisation factor of 20 will apply for benefits accrued to 1 January 2014. It is proposed that benefits accrued after this date will be capitalised using a new age related factor. For example at age 50 or less the capitalisation factor will be 37 while at 65 it will be 26.

This leaflet is only a summary of the Budget Speech and is not intended to be a comprehensive guide. 15/10/13. Printed by Unique Publishing (01) 860 3477