Budget Summary 2013

JBW CONSULTANTS
Listening Thinking Delivering

"For a nation to try to tax itself into prosperity is like a man standing in a bucket trying to lift himself up by the handle."- ***Winston Churchill***

LOCAL PROPERTY TAX

- The Minister introduced a new Local Property Tax. The rate of the Property Tax will be 0.18% of market value up to €1m and 0.25% on values above that level. Collection will commence on 1 July 2013. The initial valuation will be valid up to and including 2016, which will provide three-and-a-half years of certainty for property owners. Local authorities will have the power to vary the rates by 15% above or below the central national rates to better match their funding needs.
- Property tax will be payable on the basis of the market value of the property as assessed by the owner. Properties with a value of more than €100,000 and less than €1m will be assessed at the mid-point of valuation band of €50,000 width. For example, properties valued between €150,001 and €200,000 will be assessed at 0.18% of €175,000. Properties below €100,000 will be assessed at 0.18% of €50,000. Properties valued over €1 million will be liable at 0.18% on the first €1m and at 0.25% on the balance, with no banding applied. To aid owners, the Revenue Commissioners will provide valuation guidance to which owners can refer. Alternatively, owners will be free to use a competent valuer.

- Certain properties will be exempt from assessment. Any first-time house buyers in 2013 will be exempt from Property Tax for four years. Anyone who buys a previously unoccupied home will also be exempt from Property Tax up to the end of 2016. Other exemptions largely correspond to exemptions from the Household Charge.
- Property owners will be able to choose from a wide range of payment options. These will include direct debit, credit or debit cards, cash payments or "deduction at source" from salary/occupational pension or certain State payments. A deferral option will be available up to the end of 2017 where gross income less 80% of mortgage interest falls below €15,000 for single people and €25,000 for a couple. Marginal relief will apply where the income or adjusted income is €10,000 above the income limit, to permit deferrals of up to 50% of liability. Interest at a rate of 4% will apply to deferrals and may be settled on sale of property.
- The Household Charge will cease from 1 January 2013, and the NPPR Charge or "second homes charge" will cease with effect from 1 January 2014. Any arrears that are not paid on the Household Charge before 1 July 2013 will be increased to €200 and will be collected through the Local Property Tax system.

PRSI / USC and EMPLOYMENT TAXES

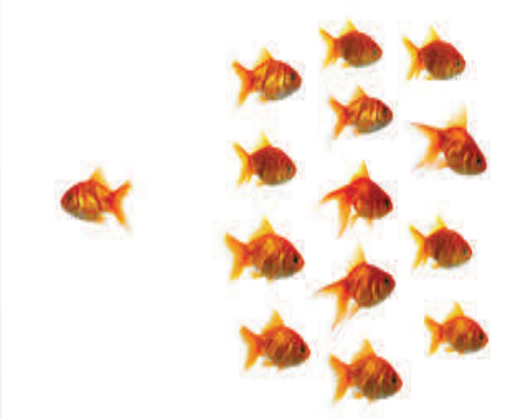
- Where modified PRSI rate payers have income from a trade or profession, such income and any unearned income (e.g. rental and investment income) they have will be made subject to PRSI with effect from 1 January 2013. Unearned income for everyone else will become subject to PRSI in 2014.

- The minimum level of annual contribution from the self-employed will rise from €253 to €500.
- The weekly PRSI allowance of €127 for employees will be abolished from 1 January 2013.
- Top Slicing relief will no longer be available from 1 January 2013 on ex-gratia lump sums in respect of termination and severance payments where the non-statutory payment is €200,000 or over.
- The reduced rate of USC for those over 70 years with an income in excess of €60,000 will stop from 1 January 2013 and the standard rates of USC will apply.
- The Foreign Earnings Deduction for work-related travel to certain countries beyond the BRICS will be extended.
- The specified interest rate on preferential loans on which BIK taxes will apply is decreased from 5% to 4% on home loans and is increased from 12.5% to 13.5% for all other loans

SMALL BUSINESS

The Minister announced a ten point plan to assist Small Businesses. The measures are as follows:

1. Reforming the 3 Year Corporation Tax Relief for Start Up Companies to allow unused credits to be carried forward to help create jobs and improve cash flow.
2. Amending the Close Company Surcharge by increasing the de minimis level from €635 to to €2,000 to reduce the administrative burden and assist cash flow
3. Increasing the amount of expenditure eligible for the R&D Tax Credit on a full volume basis (without reference to the 2003 base year) to €200,000 to encourage innovation and help cash flow
4. Increasing the VAT cash receipts basis accounting threshold from €1m to €1.25m to help cash flow
5. Extending the Foreign Earnings Deduction for work related travel to Algeria, Democratic Republic of Congo, Egypt, Ghana, Kenya, Nigeria, Senegal & Tanzania to help boost demand for Irish goods and services abroad
6. Extending the Employment and Investment Incentive scheme to 2020 to help companies access funding
7. Extending the general rate and Young Trained Farmers rate of stock relief, and amendments to the definition of registered partnerships for stock relief, to give a targeted assistance to the farming sector
8. Introducing a Capital Gains Tax relief for Farmers for land restructuring to give a targeted assistance to the farming sector.



9. Reviewing the 'carried interest' provision in the tax code to help small businesses involved in innovation activities access to funding from venture capital funds.
10. Announcing a joint Revenue and Department of Finance public consultation: 'Taxation of Micro Enterprises: Reduction in Compliance Costs' to identify ways to ease the administrative burden.

FARMING

- The general 25% rate and special 100% rate of stock relief, which were due to expire on 31 December 2012, have been extended for a further three years. The definition of registered farm partnerships will be widened to add other production partnerships, such as beef, and can avail of the enhanced 50% rate of stock relief.
- A relief from Capital Gains Tax arising on disposals of farm land for farm restructuring purposes will be introduced. The sale and purchase of lands must take place within 24 months of each other and the initial sale or purchase transaction must take place in the period 1 January 2013 to 31 December 2015.
- The Flat Rate VAT Addition reduces from 5.2% to 4.8% with effect from 1 January 2013

EXCISE & MOTOR

- The carbon tax will be extended to solid fuels on a phased basis over two years commencing after this winter period. A rate of €10 per tonne will apply with effect from 1 May 2013, and this rate will increase to €20 per tonne on the 1 May 2014.
- From 6 December, excise duty on a pint of beer or cider will rise by 10 cent, on a standard measure of spirits by 10 cent and on a 75cl bottle of wine by €1.
- Also from 6 December, the price of 20 cigarettes will increase by 10 cent and roll your own tobacco will increase by 50 cent per 25g pack.
- There is no increase on excise duty on diesel and petrol.
- There will be a fuel rebate scheme for hauliers from 1 July 2013.
- VRT and Motor Taxes will increase with effect from 1 January 2013. Higher rates of increase will apply to cars where the emissions is used to calculate the motor tax.
- A dual registration period will be introduced for Motor Vehicles . Therefore, in 2013 vehicles registered from the 1 January will carry a year tag of 131 and 132 for the second half of the year.

PENSIONS

- There will be a provision to allow people a once off withdrawal of up to 30% of Additional Voluntary Contributions (AVCs) to their pensions up until 2016. Withdrawal will be subject to the individual's marginal rate tax.
- Tax relief on pension contributions will continue at the marginal rate of tax.
- Tax relief on pension contributions will only serve to subsidise pension schemes that deliver income of up to €60,000 a year. This will take effect from 1 January 2014.
- The Pension Levy announced as part of the Jobs Initiative will not be renewed after 2014.

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SOCIAL WELFARE

- No reduction in any primary weekly rate of social welfare payment.
- The Child Benefit rate will be cut by €10 per month for the first two children and €18 per month for the third.
- There will be reductions in the telephone allowance scheme, and changes to the electricity allowance in 2013.
- The duration of Jobseeker's Benefit will be reduced by three months.
- People over 70 with an income of €600-€700 per week for a single person and €1,200-€1,400 per week for a couple will have their Medical Card replaced with a GP only card.
- The Drug Payment Scheme threshold is being increased from €132 to €144 per month.
- The prescription charge for Medical Card holders is being increased from 50 cent to €1.50 per item, and the monthly cap for a family is being increased from €10 to €19.50.
- The student contribution in Higher Education will be increased by €250 in each of the years 2013, 2014 and 2015.
- The number of placements available across the labour market activation schemes offered by the Department of Social Protection will be increase by 10,000 .

OTHER CHANGES AND CAPITAL TAXES

- A new relief rate of 31% will apply to all charitable donations.
- DIRT will be increased from 30% to 33%.
- The Government remains committed to the 12.5% Corporation Tax rate.
- Maternity Benefit will be treated as taxable income from 1 July 2013. As is the case with all social welfare payments Maternity Benefit will continue to be exempt from the USC.
- The Film Tax Relief Scheme (known as Section 481) will be extended to 2020.
- The VAT rate of the tourist industry will remain at 9% in 2013.
- The National Pensions Reserve Fund will develop a range of support funds for SMEs. The funds will range from €100m to €400m.
- The R&D tax credit will be amended to double the initial spend eligible for credit from €100,000 to €200,000 for expenditure on a volume basis without reference to the 2003 threshold.
- A new ten-year €175m Venture Capital Fund will be launched through Enterprise Ireland, which will fund 100 new and expanding Irish companies over the medium term.
- Capital Acquisitions Tax and Capital Gains Tax will rise by 3% to 33% from midnight on 5th December 2012.
- The current group tax free thresholds are being reduced by 10% from midnight on 5th December 2012.
- The Statutory Redundancy rebate of 15% is to be abolished