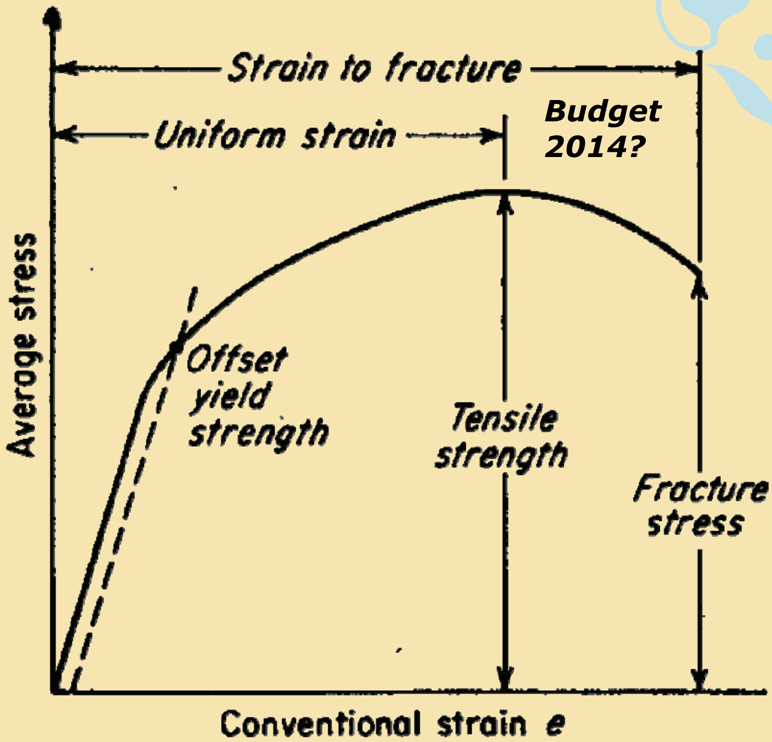
Budget Summary 2014



> *"An unlimited power to tax involves, necessarily, a power to destroy; because there is a limit beyond which no institution and no property can bear taxation."*

JBW CONSULTANTS
Listening Thinking Delivering

CPA IRELAND MEMBER FIRM

INCOME TAX

- One-Parent Family Tax Credit is to be replaced with a new Single Person Child Carer Tax Credit from 1 January 2014. The new credit will be to the same value but will be available only to the principal carer of the child.
- From 16 October 2013, Tax Relief for Medical Insurance premiums will be restricted to the first €1,000 per adult insured and the first €500 per child insured.
- Top Slicing Relief will no longer be available from 1 January 2014 in respect of all ex-gratia lump sum payments.
- Tax Relief on Loans to Acquire an Interest in a Partnership will be withdrawn on a phased basis over 4 years.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.

"A penny saved is worth two pennies earned …… after taxes!"

- Home Renovation Incentive (HRI) - A scheme of tax relief for home renovation work is being introduced for a period of two years. 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 up to a maximum of €30,000. The relief will be linked to the Principal Private Residence of an individual and the contractor must be tax compliant.

- Film Relief – Extension of the definition of 'eligible individual' to include non EU talent, in conjunction with the introduction of a withholding tax. Subject to EU State Aid approval and a commencement order.
- The Living City Initiative introduced for Waterford in the 2013 Budget is to be extended to include residential properties constructed prior to 1915 to include other cities – Cork, Galway, Kilkenny and Dublin. This Initiative is subject to EU State Aid approval and a commencement order.
- The DIRT 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 and will now be 41% whether payments are made annually or more frequently (previously 33%) or are made less frequently than annually (previously 36%). The increased rates will apply to payments, including deemed payments, made on or after 1 January 2014.

CAPITAL GAINS TAXES

- Property purchase incentive - The incentive relief from CGT (in respect of the first 7 years of ownership) for properties purchased between 7 December 2011 and 31 December 2013 introduced in Budget and Finance Act 2012 is being extended by one year to include properties bought to the end of 2014. Where property purchased in this period is held for seven years the gains accrued in that period will not attract CGT.

- CGT entrepreneurial relief - A new CGT incentive is being introduced to encourage entrepreneurs (in particular "serial" entrepreneurs) to invest and re-invest in assets used in new productive trading activities. The measure will apply where an individual, who has paid capital gains tax on the disposal of assets, makes investments in a new business in the period 1 January 2014 to 31 December 2018 and subsequently disposes of this investment no earlier than three years after the date of investment. The CGT payable on the disposal of this new investment will be reduced by the lower of (i) the CGT paid by the individual on a previous disposal of assets in the period from 1 January 2010 and (ii) 50% of the CGT due on the disposal of the new investment. Commencement of this measure is subject to receipt of EU State Aid approval.

"The art of taxation consists of plucking the goose so as to obtain the most feathers with the least hissing."

SMALL BUSINESS

- 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.
- Employment and Investment Incentive Scheme (EIIS) - The initial 30% relief available for investments under the Employment and Investment Incentive is being removed from the high earners restriction for a period of 3 years. The EII provides that a maximum of €150,000 can be invested by an individual per annum. Therefore, by lifting the restriction on the initial 30% relief, these investors should be encouraged to invest more funds in the EII and improve the availability of funds to SMEs.
- 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 high earners' restriction.
- Building Business Capacity - A programme, consisting of 2 days dedicated off site training together with expert mentoring support, to enhance SMEs business and financial capacity in relation to understanding and utilising a broader range of financial products, as well as equipping them with the necessary tools to make a strong business case when applying for credit. The programme will be launched on a pilot basis with 1,000 SMEs taking part next year.

"Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it."

FARMING

- CGT Retirement Relief is being further extended to disposals of leased land in circumstances where, among other conditions, the land is leased over the long-term (a minimum lease of 5 years) and the subsequent disposal is to a person other than a child of the individual disposing of the farmland. The purpose of the measure is to encourage older farmers who have no children to whom to transfer their farm to lease out their farmland over the long term to younger farmers.
- The farmer's flat-rate addition will be increased from 4.8% to 5% with effect from 1 January 2014. The flat-rate scheme compensates unregistered farmers for VAT incurred on their farming inputs
- Review of Farmers Taxation - The Departments of Finance and the Department of Agriculture, Forestry and the Marine will conduct an independent review of farmer taxation in 2014 to ensure that tax reliefs are focused on those areas where they are needed most and also to ensure tax payer value for money.

EXCISE & DUTY

- The Excise Duty on a packet of 20 cigarettes is being increased by 10 cents (including VAT) with a pro-rata increase on the other tobacco products, with effect from midnight on 15 October 2013.
- The excise duty of a pint of beer or cider, and a standard measure of spirits is being increased by 10 cent (including VAT); the duty on a 75cl bottle of wine is being increased by 50 cent (including VAT), with effect from midnight on 15 October 2013.
- Stamp Duty Exemption for transfers of shares listed on Enterprise Securities Market of Irish Stock Exchange. The Enterprise Securities Market (ESM) is the Irish Stock Exchange's market for growth companies. It has been specifically designed to meet the funding needs of companies at earlier stages in their development. Transfers of such shares will be exempt from Stamp Duty on share transfers (1% on other shares). This section is subject to a commencement order.
- Stamp Duty Levy on Financial Institutions - The Government has decided that a specific contribution to the Exchequer is to be obtained from the financial sector for the period 2014 to 2016. The contribution will be related to the amount of tax paid on deposit interest by the institution in the calendar year 2011. Full details will be contained in the Finance Bill.
- Pension Fund Levy - The 0.6% stamp duty levy on pension fund assets is to increase to 0.75% for the year 2014. The levy will be reduced to 0.15% for 2015.

"The way taxes are, you might as well marry for love."

PENSIONS

- 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 measure was announced last year but will only take effect from 1 January 2014.
- The 0.6% Pension Levy announced as part of the Jobs Initiative will not be renewed after 2014.
- However additional new levy for 2014 & 2015 of 0.15%

SOCIAL WELFARE

- The income thresholds for the Over 70s Medical Cards to be lowered to €900 per week for a couple and €500 for a single person.
- Roll out of Free GP Care for children aged 5 announced, but no start date detailed.
- Extension of the €100 reduced rate of Jobseeker's Allowance and Supplementary Welfare Allowance to existing recipients who reach 22, and for new entrants aged up to 24 on or after 1 January 2014.
- The bereavement grant of €850 will be discontinued from January.

John B. White & Co.
3 Church Street
Dungarvan
Co. Waterford

Phone: +353(0)58 45878
Fax: +353(0)58 48435
E-mail: info@jbw.ie
Web: www.jbw.ie
Skype: john-b-white
Twitter: JBWCo
Linkedin: john-white

VAT

- Retention of the 9% reduced VAT rate - The 9% reduced VAT rate, which was introduced in 2011 as part of the Government Jobs Initiative for tourism related services, is due to revert to 13.5% on 31 December 2013. The 9% VAT rate is being retained.

- Increase in VAT Cash Accounting Threshold - The annual VAT cash receipts basis threshold for small to medium businesses is being increased from €1.25 million to €2 million with effect from 1 May 2014. This change will assist such businesses in the critical area of cash-flow and reduce administration.
- Increase in the Farmer's Flat-Rate Addition from 4.8% to 5%
- VAT Anti-Fraud Measures - (i) Disallowance of input VAT – Business which have not paid for supplies (in full or part) within a six month period will be required to repay the VAT claimed on those supplies. (ii) Quick reaction mechanism – Allows Revenue to apply an emergency and temporary reverse-charge measure to certain goods or services to address sudden and massive VAT fraud. (iii) Requirement to keep specific records – Provision is being made to allow Revenue issue a notice requiring businesses to procure specific information in circumstances where Revenue has reasonable grounds for believing that the records specified might assist in identifying VAT fraud.

CORPORATION TAX

- The Research and Development ('R&D') Tax Credit regime was reviewed in 2013 resulting in a number of changes being introduced:

"There is no worse tyranny than to force a man to pay for what he does not want merely because you think it would be good for him."

- Base Year - Finance Act 2012 provided that the first €100,000 of qualifying R&D expenditure would benefit from the tax credit without reference to the 2003 base year and Finance Act 2013 increased this amount to €200,000. The amount of expenditure so allowed is now being increased to €300,000.
- Outsourcing - The amount of expenditure on R&D outsourced to third parties which is allowed to qualify for the credit is limited to 10% of the total amount of expenditure on R&D qualifying for the credit in a given year. This limit is being increased from 10% to 15%.
- Key Employee - Since 2012, a company with an entitlement to the R&D Tax Credit can surrender a portion of the credit to employees who meet the definition of a 'key employee'. Subject to certain conditions, the employee 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 uptake.