Anne Brady McQuillans DFK

BUDGET 2014

The Minister for Finance, Mr Michael Noonan T.D. delivered Budget 2014 on the 15th October 2013 and introduced a package of 25 measures to help stimulate business growth and job creation. The following is a brief summary of the main areas outlined:

INCOME TAX

Income Tax and Universal Social Charge (USC) rates remain unchanged

Start Your Own Business exemption - An exemption from Income Tax (up to a maximum of €40,000) will be provided for a period of two years, to individuals who set up an un-incorporated business, where they have been unemployed for a period of 15 months prior to establishment.

Pension Tax Relief - Pension contributions made by high earners will be capped at €65,000 p/a.

One Parent Tax Credit - The current “One parent family” tax credit will be replaced by the “Single Person Child Carer” tax credit, effective 1 Jan 2014. The credit will be of the same value but will only be available to the principal carer i.e. individual in receipt of social welfare payment for the child.

Tax Relief for Medical Insurance - Tax relief available on medical insurance premiums will be restricted to the first €1,000 per adult insured and the first €500 per child insured.

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Home Renovation Incentive - Tax relief will be available at a rate of 13.5% on qualifying expenditure (minimum €5,000, maximum €30,000) on home renovations and improvement work carried out in 2014 & 2015. Relief will be granted by way of a tax credit, split equally over two years following the year of expenditure.

Top slicing relief - This relief will no longer be available from 1 Jan 2014.

Tax Relief on Loans to Acquire an Interest in a Partnership - Relief will be withdrawn on a phased basis over 4 years. New loans taken out from 15 Oct 2013 will no longer qualify. Existing claimants will retain the relief on a reducing basis until 1 January 2017.

Employment and Investment Incentive - Will not be classified as specified relief for the High Earners Restriction for a period of three years.

Exempt Income - Lump sum compensation payments to Magdelene Laundry survivors will be Income Tax exempt.

DIRT - The rate of Deposit Interest Retention Tax (DIRT) and exit tax that applies to life assurance policies and investment funds will increase to 41% (previously 33%).

CORPORATION TAX

Research and Development Tax Credit

Base Year – it is intended to eventually phase out the base year method of calculation. In the interim, the amount of expenditure eligible for the tax credit on a full volume basis is being increased from €200,000 to €300,000. This will assist smaller companies to access the credit without reference to the base year. The ultimate phasing out of the base year should improve the overall international competitiveness of the regime.

Outsourcing – the amount of qualifying expenditure on R&D outsourced to third parities is being increased from 10% to 15%.

Key Employees – To assist companies in attracting key employees, they can transfer the tax-free benefit of the R&D tax credit to key employees. Changes are to be introduced to remove some barriers to assist in the take-up of this scheme.

CAPITAL GAINS TAX (CGT)

Property Purchase Incentive – The existing relief from CGT, in respect of the first 7 years of ownership, on properties purchased between 7th extended by one further year to the end of 2014. Where the property is held for seven years, the gains accrued in that period will be exempt from CGT.

Entrepreneurial Relief – New incentive to encourage investment and re-investment in assets used in new productive trading activities. This will apply where an individual, who has paid CGT on the disposal of assets, reinvests these proceeds in a new business between 1st December 2018 and subsequently disposes of this investment no earlier than three years after the investment. The tax payable on the disposal will be reduced by the lower of the CGT paid on the earlier disposal and 50% of the CGT due on this disposal of the new investment.

Retirement Relief – Relief is to be extended to disposals of long term leased farmland, at least five years. Disposal must be to a person other than a child of the individual disposing of the land.

STAMP DUTY

Exemption for transfers of shares listed on Enterprise Securities Market of Irish Stock Exchange - 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.

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 existing pension levy is to increase to 0.75% for the year 2014. This levy will be reduced to 0.15% for 2015.

VAT

Threshold for Cash receipts basis increased to €2m from 1st
9% rate for the Tourism & Hospitality industry remains in place.
The farmer's flat-rate addition increased from 4.8% to 5%.

Excise Duties

- 10c on a pack of cigarettes
- 10c increase on alcohol products;
- 50c on a 75cl bottle of wine
- Air Travel Tax abolished 1 April 2014
- Petrol & Diesel duty unchanged

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Public Expenditure

- Free GP care for under 5's
- Medical Card: Reduction in income thresholds for over 70's to €900 for a couple and €500 for a single person
- Telephone Allowance discontinued.
- Maternity benefit standardised to €230 p/w.
- No reduction in basic social welfare rates
- Jobseeker's Allowance & Supplementary Welfare Allowance reduced for all recipients under 25 from 1 January 2014. See www.welfare.ie.
- Invalidity Pension rate reduced. See www.welfare.ie.
- Child Benefit remains unchanged.
- No Illness Benefit for the first 6 days.
- Prescription charges increased to €2.50 per item, monthly cap €25.
- Drugs Payment Scheme increased to €144.
- Death Grant of €850 - abolished.

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