24/7 ACCOUNTS®

Budget Summary 2014

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BUDGET SUMMARY 2014

INCOME TAX

The following are details of the Budget Statement of 15 October 2013, as made by the Minister for Finance.

Tax Credits

The only change in relation to tax credits is the replacement of the One Parent Family Tax Credit with the Single Person Child Carer Tax Credit.

Tax Credit	2013 €	2014 €
Single Person	1,650	1,650
Married or in a Civil Partnership	3,300	3,300
PAYE Credit	1,650	1,650
Widowed Person or Surviving Civil Partner (without dependent children)	2,190	2,190
One Parent Family Tax Credit	1,650	Abolished
Single Person Child Carer Tax Credit	-	1,650
Incapacitated Child Credit Max	3,300	3,300
Blind Tax Credit: Single Person Married or in a Civil Partnership - One Spouse or Civil Partner Blind Married or in a Civil Partnership - Both Spouses or Civil Partners Blind	 1,650 1,650 3,300	 1,650 1,650 3,300
Widowed Parent Bereaved in 2013 2012 2011 2010 2009 2008	 - 3,600 3,150 2,700 2,250 1,800	 3,600 3,150 2,700 2,250 1,800 -
Age Tax Credit: Single or Widowed or Surviving Civil Partner Married or in a Civil Partnership	 245 490	 245 490
Dependent Relative	70	70
Home Carer	810	810

Marginal Rate Reliefs

Relief (Allowed at the taxpayer's top rate of tax)	2013 € Max	2014 € Max
Employing a Carer	50,000	50,000

Disclaimer

The material in this guide is provided for general information purposes only and does not constitute professional advice. It is necessarily in a condensed form. It should not be regarded as a basis for ascertaining the liability to tax in specific circumstances. Readers are advised to seek professional advice with regard to their particular factual situation concerning specific tax or other matters before taking any decision or course of action.

Tax Rates and Tax Bands.

The tax rates and bands remain unchanged at 20% (standard rate) and 41% (higher rate).

The table below sets out the tax rates and bands.

Personal Circumstances	2013 €	2014 €
Single or Widowed or Surviving Civil Partner, without dependent children	32,800 @ 20% Balance @ 41%	32,800 @ 20% Balance @ 41%
Single or Widowed or Surviving Civil Partner, qualifying for One Parent Family Tax Credit (2013), Single Person Child Carer Tax Credit (2014)	36,800 @ 20% Balance @ 41%	36,800 @ 20% Balance @ 41%
Married or in a Civil Partnership, one Spouse or Civil Partner with Income	41,800 @ 20% Balance @ 41%	41,800 @ 20% Balance @ 41%
Married or in a Civil Partnership, both Spouses or Civil Partners with Income	41,800 @ 20% with increase of 23,800 max. Balance @ 41%	41,800 @ 20% with increase of 23,800 max. Balance @ 41%

Exemption Limits

The exemption limits for persons aged 65 years and over remain unchanged:

Personal Circumstances	2013 €	2014 €
Single or Widowed or a Surviving Civil Partner, 65 years of age & over	18,000	18,000
Married or in a Civil Partnership, 65 years of age & over	36,000	36,000

Marginal Relief may apply, subject to an income limit of twice the relevant exemption limit.

The above exemption limits are increased by €575 for each of the first two dependent children and by €830 for the third and subsequent children.

Medical Insurance premiums

A new limit has been introduced on the relieveable amount of medical insurance premiums for policies which are renewed or entered into on or after 16 October 2013.

The relief per person covered by a policy will be either:

- Per adult, the lesser of the premium paid in respect of that individual, or €1,000 and
- Per child, the lesser of the premium paid in respect of that child, or €500.

A child for the purposes of this particular provision includes a student over 18 years and under 23 years who is in full-time education.

Relief will continue to be granted at 20%.

Benefit-in-Kind
The basis of the BIK rate applicable to motor vehicles will change from miles to kilometres with effect from 1 January 2014.

Business travel lower limit	Business travel upper limit	Percentage of original market value
Kilometres	Kilometres	
-	24,000	30%
24,000	32,000	24%
32,000	40,000	18%
40,000	48,000	12%
48,000	-	6%

Single Person Child Carer Tax Credit
The One Parent Family Tax Credit will be abolished with effect from 31 December 2013 and replaced by the "Single Person Child Carer Tax Credit".

The new tax credit will be granted to the primary carer who is either the parent, or to an individual who has a qualifying child in their custody and maintains that child for the whole or the greater part of a year of assessment. The credit will be granted for a child up to the age of 18 years or, if over 18 years, where they are in full-time education.

The credit can also be claimed in the case of a permanently incapacitated child where the incapacity occurred before age 21, or if older, while the child was in full time education.

The child must reside with the claimant for the whole or greater part (more than six months) of the year of assessment. If the child was born in the year of assessment, he or she must reside with the claimant for the greater part of the period from when he or she was born. A child can only be the subject of one claim, and a claimant can only make a claim for one child for a year of assessment irrespective of the number of children that reside with him or her.

The additional €4,000 standard rate band will continue to apply.

Start Your Own Business (SYOB)
An incentive for individuals who have been long-term unemployed for at least 15 months prior to starting their own business will provide a two-year exemption from the charge to income tax up to a maximum of €40,000 income per annum.

Additional information will be provided in the Finance (No.2) Bill 2013.

Abolition of Top Slicing Relief
Top Slicing Relief will be abolished in respect of all ex-gratia payments, in respect of both redundancy and retirement, made on or after 1 January 2014.

The basic and increased exemptions, or the alternative of Standard Capital Superannuation Benefit exemption are unaffected by this change.

Magdalen Laundries Payments
Ex-gratia payments made to beneficiaries under a scheme administered by the Minister for Justice, Equality and Defence in respect of women who were admitted to and worked in Magdalen Laundries will not be subject to income tax, and as a consequence Universal Social Charge will not apply.

In addition, they will not attract a charge to Capital Gains Tax or be treated as a gift or inheritance for the purposes of Capital Acquisitions Tax. The exemption applies to payments made on or after 1 September 2013.

DIRT

Deposit Interest Retention Tax and Exit Taxes on Life Assurance Policies and Investment Funds

A new higher single unified rate of 41% for DIRT and the exit tax that applies to life assurance policies and investment funds, will be introduced with effect from 1 January 2014. The previous differential rates based on payment frequency will no longer apply.

UNIVERSAL SOCIAL CHARGE (USC)

The Standard Rates of USC are unchanged for 2014:

USC Thresholds 2013 & 2014	
Income	**Rate**
Income up to €10,036.00	2%
Income from €10,036.01 to €16,016.00	4%
Income above €16,016.00	7%

The Reduced Rates of USC are unchanged for 2014:

USC Thresholds 2013 & 2014	
Individuals aged 70 years or over whose aggregate income for the year is €60,000 or less. Individuals (aged under 70) who hold a full medical card whose aggregate income for the year is €60,000 or less.	
Income	**Rate**
Income up to €10,036.00	2%
Income above €10,036.00	4%

Note 1. 'Aggregate' income for USC purposes does not include payments from the Dept of Social Protection.

Note 2. A 'GP only' card is not considered a full medical card for USC purposes.

The Exempt Categories remain unchanged:

2013 & 2014
Where an individual's total income for a year does not exceed €10,036
All Dept of Social Protection payments
Income already subjected to DIRT

3% Surcharge (non-PAYE income)
The surcharge of 3% on individuals who have non-PAYE income that exceeds €100,000 in a year, regardless of age, remains unchanged.

LOCAL PROPERTY TAX (LPT)

In relation to Local Property Tax, a half year charge applied in 2013. From 2014 onwards, a full year's charge will apply. Full details are available on www.revenue.ie

Home Renovation Incentive Scheme

The Budget provides for a Home Renovation Incentive Scheme which will run from 1 January 2014 to 31 December 2015. The Scheme provides for tax relief for homeowners by way of a tax credit at 13.5% of qualifying expenditure on repair, renovation or improvement work carried out on a principal private residence. Qualifying expenditure is expenditure subject to the 13.5% VAT rate. The work must cost a minimum of €5,000 (exclusive of VAT) which would attract a credit of €675. Where the cost of the work exceeds €30,000 (exclusive of VAT), a maximum credit of €4,050 will apply. The credit is given over the two years following the year in which the work is carried out.

The work must commence on or after 1 January 2014 and be carried out during 2014 or 2015. Homeowners must be LPT compliant in order to qualify under the Scheme while building contractors must be tax compliant in order to carry out works. The Scheme will be administered through Revenue's online systems. Further information will be available on www.revenue.ie

PENSIONS

Maximum allowable pension fund

The maximum allowable pension fund on retirement for tax purposes, known as the Standard Fund Threshold (SFT), is to be reduced from €2.3 million to €2 million from 1 January 2014.

A higher threshold (known as a Personal Fund Threshold (PFT)) may apply if, on that date, the capital value of an individual's pension rights is greater than €2 million. However, in no case may a PFT exceed €2.3m (the current value of the SFT). Pension rights arising under defined benefit (DB) arrangements have to be valued on 1 January 2014 for PFT purposes using the current standard valuation factor of 20. In the case of rights arising under defined contribution arrangements, the capital value for PFT purposes remains, as before, the value of the assets in the arrangement that represent the member's accumulated rights on that date i.e. the value of the fund.

In addition, the valuation factor to be used after 1 January 2014 for establishing the capital value of an individual's DB pension rights at the point of retirement (i.e. at a benefit crystallisation event (BCE)) is being changed from the current standard factor of 20 to a higher age–related factor that will vary with the individual's age at the point at which the pension rights are drawn down. The age–related factors will range from 37 for DB pension entitlements drawn down at age 50 or under to a factor of 22 where they are drawn down at age 70 or over.

Where, however, part of a DB pension has been accrued at 1 January 2014 and part after that date, transitional arrangements will allow the capital value of the pension at retirement to be calculated by way of a "split" BCE calculation so that the part accrued up to 1 January 2014 will be valued at a factor of 20 and the part accrued after that date valued at the appropriate higher age-related factor.

Full details of the changes will be published in Finance (No.2) Bill 2013.

Film Relief

The start date of the new (tax credit model) Film Relief scheme will be brought forward to 2015 from 2016 and the definition of 'eligible individual' is being extended to include non-EU individuals. This extension is subject to EU state-aid approval and a commencement order.

RELEVANT CONTRACTS TAX (RCT)

There were no changes announced in the Budget.

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.

Increase in the Farmer's Flat-Rate Addition from 4.8% to 5%

The flat-rate scheme compensates unregistered farmers for VAT incurred on their farming inputs.
The farmer's flat-rate addition will be increased from 4.8% to 5% with effect from 1 January 2014.

Anti-Evasion Measures

Further measures designed to combat VAT evasion are to be introduced.

CAPITAL ALLOWANCES AND TAX INCENTIVE SCHEMES

Living City Initiative

This provision, which already includes Limerick and Waterford, will be extended to include residential properties constructed prior to 1915 and extended to other cities – Cork, Galway, Kilkenny and Dublin.

This Initiative is subject to EU State Aid approval and a commencement order.

CORPORATION TAX

Research & Development (R&D) Tax Credit

The R&D Tax Credit regime provides for a 25% tax credit for incremental expenditure on certain research and development (R&D) activities over such expenditure in a base year (2003). 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 threshold. The amount of expenditure so allowed on a volume basis was increased to €200,000 in Finance Act 2013 and is now being increased again to €300,000.
The limit on the amount of qualifying research and development expenditure that can be outsourced to

another company is also being increased from 10% to 15%.

CAPITAL GAINS TAX

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 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 or
(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.

CGT Retirement Relief
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 lease out their farmland over the long term to younger farmers.

CAPITAL ACQUISITIONS TAX

There were no changes announced in the Budget.

EXCISES

Alcohol Products Tax (APT)
APT rates on all alcohol products are increased with effect from 16 October 2013. The increases, when VAT is included, amount to

- 10 cent on a pint of standard beer and cider,
- 50 cent on a standard 75 cl bottle of wine,
- 10 cent on a standard measure of spirits, and
- €1.97 on a standard 70 cl bottle of whiskey (40% alcohol content).

Pro-rata increases are also being applied to other alcohol products.

Tobacco Products Tax (TPT)
TPT rates are increased with effect from 16 October 2013. The increase amounts to 10 cent, inclusive of VAT, on a packet of 20 cigarettes, with pro rata increases on other tobacco products. The minimum TPT rate on cigarettes is also increased.

Mineral Oil Tax (MOT)
There are no changes to MOT rates.

Air Travel Tax
The Air Travel Tax is being reduced to zero with effect from 1 April 2014.

STAMP DUTY

Bank Levy
An annual levy of €150m is being introduced in relation to the banks and certain other financial institutions for the years 2014 to 2016. Full details will be provided in the Finance (No.2) Bill 2013.

Pension Scheme Levy
The 0.6% pension scheme levy introduced to fund the Jobs Initiative in 2011 will be abolished from 31 December 2014. An additional levy on pension funds at 0.15%, to continue to help fund the Jobs Initiative and to make provision for potential State liabilities which may emerge from pre-existing or future pension fund difficulties, will apply to pension fund assets in 2014 and 2015.

Enterprise Securities Market (ESM) Companies
An exemption from stamp duty is being introduced in respect of the transfer of shares in companies which are listed on the Enterprise Securities Market of the Irish Stock Exchange.

Young Trained Farmers
The eligibility requirements for the stamp duty relief for Young Trained Farmers for the purchase of agricultural properties is being extended by adding three more qualifying courses to the list of relevant qualifications required to obtain the relief.

PRSI

There were no changes announced in the Budget.

VEHICLE REGISTRATION TAX (VRT)

Extension of VRT Reliefs for Electric, Plug-in Hybrid Electric, Hybrid Electric, and Flexible Fuel vehicles

The period of VRT relief for Electric, Plug-in Hybrid Electric, and Hybrid Electric vehicles has been extended until December 2014. The rates of each of the reliefs remain unchanged.

The period of VRT relief for Flexible Fuel vehicles has not been extended and will end on 31 December 2013.

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

www.revenue.ie

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