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# BUDGET 2014

## HIGHLIGHTS



## PERSONAL TAX

### INCOME TAX

- There were no changes to the Income Tax rates.
- The exemption limits, tax credits and standard rate bands applicable for the tax year 2014 are set out in detail under the Personal Tax Facts section.

### UNIVERSAL SOCIAL CHARGE & PRSI

- Unearned income (e.g. rental income) is now subject to USC & PRSI for all taxpayers from 1 January 2014.

### MEDICAL INSURANCE

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

### HOME RENOVATION INCENTIVE

- A scheme of tax relief for home renovation work is being introduced for a period of 2 years.
- This incentive will provide an Income Tax credit to homeowners who carry out renovation and improvement works on their Principal Private Residence in 2014 and 2015.
- The incentive is payable over the 2 years following the year in which the work is carried out.
- The credit will be calculated at a rate of 13.5% on all qualifying expenditure over €5,000 up to a maximum of €30,000.
- Qualifying works include extensions and renovations to the home which are carried out by fully tax compliant contractors.

### TERMINATION PAYMENTS

- Top Slicing Relief will no longer be available from 1 January 2014 on ex-gratia lump sums in respect of termination and severance payments.

### SINGLE PERSON CHILD CARER TAX CREDIT

- The present One-Parent tax credit of €1,650 which may be claimed in full by both parents will only be available to the principal carer of the child from 1 January 2014.

### DIRT

- The rate of retention tax that applies to deposit interest is being increased from 33% to 41%.
- The rate of retention tax that applies to life assurance policies and investment fund payments made less frequently than annually is also being increased from 36% to 41%.
- The increased rate will apply to payments (including deemed payments) made on or after 1 January 2014.

### FILM RELIEF

- The start date of the new film relief scheme is being brought forward to 2015 from 2016.
- The definition of eligible individual is being extended to include non-EU talent, in conjunction with the introduction of a withholding tax. This will be subject to EU state aid approval and a commencement order.

### HIGH EARNERS RESTRICTION

- Investments into the Employment Investment Incentive Scheme has been removed from the High Earners Restriction for a period of 3 years.
- Capital allowances and losses on plant & 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.

### MAGDALENE LAUNDRIES

- Lump-sum payments to claimants who worked in the Magdalene Laundries will be tax exempt.

### PENSIONS

- The standard fund threshold is being reduced from €2.3m to €2m from 1 January 2014.

## BUSINESS TAX

### CORPORATION TAX RATE

- The Minister reiterated in his Budget speech that the 12.5% Corporation Tax rate will remain in place indefinitely.

### START YOUR OWN BUSINESS

- An exemption from Income Tax up to a maximum of €40,000 per annum will be provided for a period of 2 years to individuals who set up a qualifying unincorporated business. The individual must have been unemployed for a period of at least 15 months prior to establishing the new business.

### INTEREST ON PARTNERSHIP LOANS

- 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.

### RESEARCH & DEVELOPMENT TAX CREDIT

- The expenditure allowed for the purpose of the 25% R&D tax credit is being increased from €200,000 to €300,000.
- The amount of expenditure on R&D outsourced to third parties which is allowed to qualify for the credit is being increased from 10% to 15% of the total amount of expenditure on R&D qualifying for a credit in a given year.
- The entitlement to surrender R&D tax credits to key employees is to be amended to remove some barriers to the uptake of the scheme.

### VAT

- The annual VAT cash receipts basis threshold for small to medium businesses is being increased from €1.25m to €2m with effect from 1 May 2014.
- The 9% reduced VAT rate which was due to revert to 13.5% on 31 December 2013, is being retained.

## CAPITAL TAXES

### CAPITAL GAINS TAX

- No changes to the rate of CGT were announced in the Minister's Budget speech.

### ENTREPRENEURIAL RELIEF

- A new incentive is being introduced to encourage entrepreneurs to re-invest in assets used in new productive trading activities.
- The relief will apply where an individual who has paid CGT on the disposal of assets makes an investment in a new business in the period 1 January 2014 to 31 December 2018.
- The individual must retain the investment for a minimum of 3 years.
- The relief will be a tax credit equal to the lower of CGT paid on the previous asset disposal or 50% of the CGT due on any gain from the future disposal of the new investment.

### PROPERTY PURCHASE INCENTIVE

- Relief from CGT (in respect of the first 7 years of ownership) for properties purchased between 7 December 2011 and 31 December 2013 is being extended by 1 year to include properties bought to the end of 2014.
- Where property purchased in this period is held for 7 years, the gains accrued in that period will not attract CGT.

### CAPITAL ACQUISITIONS TAX

- No changes to the rate of CAT were included in the Minister's Budget speech.
- The current class thresholds are set out hereunder:

GROUP	€
A-Parent to child	225,000
B-Between related persons	30,150
C-Between non-related persons	15,075

## FARMER TAXATION

### YOUNG TRAINED FARMERS

- The eligibility for Young Trained Farmer relief is being extended by adding 3 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.

### CGT RETIREMENT RELIEF

- CGT Retirement Relief is being further extended to the disposals of leased land in circumstances where the land is leased over a long-term (a minimum lease of 5 years). The subsequent disposal must be to a person other than a child of the individual disposing of the farmland.

### INCREASE IN THE FARMERS' FLAT RATE

- The farmers' flat rate addition will be increased from 4.8% to 5.0% with effect from 1 January 2014.

## STAMP DUTY

### ENTERPRISE SECURITIES MARKET

- The transfer of shares on the ESM will be exempt from stamp duty. This is subject to a commencement order.

### PENSION FUND LEVY

- The 0.6% stamp duty levy on pension fund assets is to increase to 0.75% for 2014.
- The levy will be reduced to 0.15% for 2015.

## MISCELLANEOUS

### EXCISE DUTIES

- No increase in excise duty on diesel and petrol.
- Excise duty on a packet of cigarettes is increasing by 10c.
- Excise duty on a pint of beer or cider and a standard measure of spirits is being increased by 10c.
- Excise duty on a 75cl bottle of wine is being increased by 50c.
- These increases will take effect from midnight on 15 October 2013.

### AIR TRAVEL TAX

- Air Travel tax is being reduced to zero with effect from 1 April 2014.

### LIVING CITY INITIATIVE

- The Living City initiative for certain special regeneration areas which focuses on the refurbishment of dilapidated Georgian houses constructed between 1714 and 1830 is extended to include residential properties constructed prior to 1915.
- The Initiative which was piloted in Waterford and Limerick has now been extended to Cork, Galway, Kilkenny and Dublin.

### NAMA INVESTMENT

- NAMA expects to have approved €2bn in funding for Irish projects between 2011 and 2015 towards the construction of 4,500 new houses and apartments in Dublin, in addition to office accommodation in the city centre and investment in commercially viable retail projects.
- NAMA is also willing to make €2bn in vendor capital available for the purchase of commercial properties in Ireland.

### SUBSIDISED FINANCIAL TRAINING PROGRAMME

- This new programme will consist of 2 days dedicated off-site training together with expert mentoring support.
- The programme will be carried out in conjunction with the Skillnets Management Works Programme and is designed to improve the financial capability of SMEs.

# PERSONAL TAX FACTS

## TAX CREDITS FOR TAX YEAR 2014

	2014	2013		2014	2013
	€	€		€	€
<b>PERSONAL</b>					
Single	1,650	1,650	<b>INCAPACITATED CHILD</b>	3,300	3,300
Married	3,300	3,300	<b>DEPENDANT RELATIVE</b>	70	70
Widowed Person	2,190	2,190	<b>BLIND PERSON</b>		
One-Parent Family	0	1,650	Single / Married	1,650	1,650
Single Person Child Carer	1,650	0	Married (both blind)	3,300	3,300
<b>PAYE</b>	1,650	1,650	<b>AGE CREDIT</b>		
<b>WIDOWED PARENT BEREAVEMENT</b>			Single / Widowed	245	245
Tax Credit year 1	3,600	3,600	Married	490	490
- Tapering to year 5	1,800	1,800			

## INCOME TAX RATES

<b>SINGLE PERSONS</b>	<b>MARRIED PERSONS</b>
2014	2014
	<b>(Two Incomes)</b>
20% First €32,800	20% First €65,600*
41% Balance	41% Balance
<b>SINGLE PARENT</b>	<b>(One Income)</b>
20% First €36,800	20% First €41,800
41% Balance	41% Balance

## INCOME EXEMPTION LIMITS

	2014	2013
	€	€
Single or Widowed 65 years or over	18,000	18,000
Married Couples 65 years or over	36,000	36,000

\*Transferable between spouses up to a maximum of €41,800 for any one spouse

UNIVERSAL SOCIAL CHARGE

EMPLOYEE & SELF-EMPLOYED

2014	2013
0.00% on total earnings < €10,036	0.00% on total earnings < €10,036
2.00% on €0 to €10,036	2.00% on €0 to €10,036
4.00% on €10,037 to €16,016	4.00% on €10,037 to €16,016
7.00% on excess over €16,016	7.00% on excess over €16,016

PRSI

EMPLOYER	2014	2013
Contribution for Class A		
PRSI	10.05%	10.05%
Training Levy	0.70%	0.70%
TOTAL FOR EMPLOYER	10.75% on all income *8.5% on earnings less than €357 p.w.	10.75% on all income *4.25% on earnings less than €357 p.w.
EMPLOYEE		
PRSI	**4.00% on all income	**4.00% on all income
SELF-EMPLOYED / DIRECTORS CONTRIBUTIONS		
PRSI	***4.00% on all income	***4.00% on all income

\* 4.25% applicable until 31 December 2013  
\*\* Not applicable if earnings less than €18,300 p.a. (€352 p.w.)  
\*\*\* 4.00% subject to minimum payment of €500.