

BUDGET SUMMARY 2015



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A C C O U N T A N T S

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DIRT

First time buyers DIRT relief

Relief from DIRT on savings used by first time buyers toward the deposit on a home is being introduced from 15 October 2014.

UNIVERSAL SOCIAL CHARGE (USC)

The rates and thresholds of the USC are changed as follows:

The Standard Rates of USC

USC Thresholds			
2014		2015	
	Rate		Rate
Income up to €10,036.00	2%	Income up to €12,012.00	1.5%
Income from €10,036.01 to €16,016.00	4%	Income from €12,012.01 to €17,576.00	3.5%
Income above €16,016.00	7%	Income from €17,576.01 to €70,044.00	7%
		Income above €70,044.00	8%

The Reduced Rates of USC

USC Thresholds			
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.			
2014	Rate	2015	Rate
Income up to €10,036.00	2%	Income up to €12,012.00	1.5%
Income above €10,036.00	4%	Income above €12,012.00	3.5%

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

2014	2015
Where an individual's total income for a year does not exceed €10,036	Where an individual's total income for a year does not exceed €12,012
All Dept of Social Protection payments	All Dept of Social Protection payments
Income already subjected to DIRT	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 remains unchanged.

Home Renovation Incentive Scheme

The Budget provides for the Home Renovation Incentive Scheme to be extended to landlords subject to income tax. Full details will be included in the forthcoming Finance Bill.

Employment and Investment Incentive (EII) and Seed Capital Scheme

A number of extensions have been announced to the EII scheme. They include

- increasing the required holding period for shares from 3 to 4 years,
- the amount of finance that can be raised by a company under the EII will be increased to €5m annually subject to a lifetime maximum of €15m,
- the scheme will include Medium sized enterprises in non-assisted areas and internationally traded financial services subject to Enterprise Ireland certification.

The inclusion of hotels, guest houses and self-catering accommodation in the scheme will be extended by a further three years and the management and operation of Nursing Homes for three years will also be included.

These extensions are subject to EU state-aid approval and a commencement order.

There is no change to the tax provisions in the Seed Capital Scheme which will be re-launched in the coming months.

Foreign Earnings Deduction (FED)

FED was introduced in 2012 for the tax years 2012 to 2014 in respect of income earned whilst working in Brazil, Russia, India, China or South Africa.

With effect from 1 January 2013, the number of states was extended to include Algeria, Democratic Republic of Congo, Egypt, Ghana, Kenya, Nigeria, Senegal and Tanzania.

FED has now been extended up to the tax year 2017 and, with effect from 1 January 2015, the number of states will be extended to include Japan, Singapore, South Korea, Saudi Arabia, the United Arab Emirates, Qatar, Bahrain, Indonesia, Vietnam, Thailand, Chile, Oman, Kuwait, Mexico, and Malaysia.

The qualifying conditions will be eased by deeming time spent travelling to a relevant state, or from a relevant state to Ireland or to another relevant state, to be time spent in a relevant state. Also, from 1 January 2015, the number of whole days of continuous presence requirement in a relevant state will be reduced from 4 to 3 and the number of qualifying days requirement in a continuous period of 12 months will be reduced from 60 to 40.

VAT

Increase in the Farmer's Flat-Rate Addition from 5% to 5.2%

The flat-rate scheme compensates unregistered farmers for VAT incurred on their farming inputs.

The farmer's flat-rate addition will be increased from 5% to 5.2% with effect from 1 January 2015.

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 being retained.

CORPORATION TAX

Company Residence

Finance Bill 2014 will amend Ireland's company tax residence rules to provide that all companies that are incorporated in Ireland will be tax resident here, unless regarded as resident in a territory other than the State for the purposes of a tax treaty. The change will come into effect for new companies from 1 January 2015 while a transition period will apply until the end of 2020 for existing companies. This change will bring Ireland's rules into line with the rest of the OECD.

Research & Development (R&D) Tax Credit

The R&D Tax Credit regime provides for a 25% tax credit for the amount of qualifying R&D expenditure incurred by a company in a given year that is in excess of the amount spent in 2003, which is known as the base year for the regime.

As recommended in the 2013 Review of Ireland's R&D Tax Credit regime, the base year restriction is now being removed, effective from 1 January 2015.

3 Year Relief for Start-up Companies

This scheme provides relief from corporation tax on trading income (and certain capital gains) for new start-up companies in the first 3 years of trading. The value of the relief is linked to the amount of Employers' PRSI paid by a company in respect of its employees, subject to a maximum of €5,000 per employee and an overall limit of €40,000 in any year. This relief was due to expire at the end of 2014 and is being extended to companies commencing a qualifying trade in 2015.

Intangible Assets

The current regime for intangible assets provides capital allowances for expenditure incurred on the provision of certain intangible assets for use in an Irish trade. This measure is being enhanced:

- The use of such allowances in any accounting period is currently restricted to a maximum of 80% of the income from the relevant trade in which the acquired assets are used with any excess carried forward for offset against trading income in subsequent accounting periods. Any related interest expense deduction which may be allowed for borrowings incurred on such an acquisition is similarly restricted. This restriction on aggregate allowances (and related interest) will be removed.

- The definition of 'specified intangible asset' contained in this provision will also be amended to include customer lists.

Further details will follow in the Finance Bill.

Accelerated Capital Allowances for Energy-efficient Equipment

This is a measure to incentivise companies to invest in energy-efficient equipment. It allows them to deduct 100% of capital expenditure incurred on eligible equipment (that meets specified energy-efficiency criteria) from trading profits in the year of purchase rather than over the usual 8 year period for plant and machinery. This measure was due to expire at the end of 2014 and following a review by the Department of Communications, Energy and Natural Resources is being extended to the end of 2017.

CAPITAL GAINS TAX (CGT)

Property 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 2014 is not being extended beyond 31 December 2014.

Windfall Tax

Windfall tax provisions introduced in 2009 which apply an 80% rate of tax to gains from disposals of land, where those gains are attributable to a relevant planning decision by a planning authority, are being abolished in the case of disposals made on or after 1 January 2015. This will mean that chargeable gains arising from disposals of land made on or after 1 January 2015 subject to these planning decisions will be subject to capital gains tax at the standard rate of 33% in common with other disposals of land while individuals or companies engaged in the trade of dealing in or developing land will be subject to income tax or corporation tax on their income or profits, as appropriate, at the normal rates attributable to those activities.

Retirement Relief

CGT retirement relief is being amended so that, subject to other conditions, land that has been leased for up to 25 years in total (increased from 15) ending with disposal will qualify for the relief.

Amendments are also being made to provide (in the case of land disposals outside the family) that land currently let under conacre arrangements which end with disposal on or before 31 December 2016 or which (before 31 December 2016) is instead leased out for minimum periods of 5 years to a maximum of 25 years ending with disposal will, subject to other conditions, also qualify for CGT retirement relief.

CGT farm restructuring relief

The capital gains tax relief for farm restructuring (e.g. sale, purchase or exchange of land) is to be amended so that the deadline for completion of the first restructuring transaction is extended to 31 December 2016.

Full details will be included in the forthcoming Finance Bill.

CAPITAL ACQUISITIONS TAX (CAT)

Agricultural relief

CAT relief is available in respect of gifts and inheritances of agricultural property including land, subject to certain conditions.

At present, individuals are entitled to the relief based on a definition of 'farmers' that is related to asset values.

A change is being introduced to target the relief at active farmers to ensure productive use of agricultural property.

From 1 January 2015, and subject to other conditions, the relief will be available only in respect of agricultural property gifted to or inherited by an individual who subsequently uses the property for agricultural purposes for a period of not less than six years or who leases out the agricultural property for not less than six years for agricultural use. To qualify for the relief the beneficiary or lessee must spend not less than 50 per cent of his or her normal working time farming agricultural property (including the agricultural property comprised in the gift or inheritance) on a commercial basis and with a view to the realisation of profits from that agricultural property.

The amendment applies in relation to gifts or inheritances taken on or after 1 January 2015.

EXCISES

Alcohol Products Tax (APT)

There are no changes to the APT rates.

Relief for microbreweries

From 1 January 2015, the special relief reducing the standard rate of Alcohol Products Tax by 50% on beers produced in microbreweries which produce not more than 20,000 hectolitres per annum is being extended to apply to microbreweries which produce not more than 30,000 hectolitres per annum with a corresponding increase in the volume of beer eligible for relief.

Tobacco Products Tax (TPT)

TPT rates are increased with effect from 15 October 2014. The increase amounts to 40 cent, inclusive of VAT, on a packet of 20 cigarettes in the most popular price category, with pro rata increases on other tobacco products. An additional 20 cent, inclusive of VAT, is being added to the price of a 25g pack of roll-your-own tobacco. The minimum TPT rate on cigarettes is also increased.

Mineral Oil Tax (MOT)

There are no changes to MOT rates.

STAMP DUTIES

Consanguinity relief applies a rate of stamp duty equal to ½ the normal rate of ad valorem stamp duty on certain conveyances or transfers on sale of non-residential land between certain closely related persons. The relief was due to expire on 31 December 2014.

The Minister announced that the relief is being extended for a further three years to apply to transfers or conveyances executed prior to 1 January 2018.

The relief will be confined to a conveyance or transfer of land by a person who is less than 66 years of age. The transferee must be a farmer who will, from the date of the transfer or conveyance, spend not less than 50 per cent of his or her normal working time farming with a view to the realisation of profits from the land.

Relief on Leasing of Certain Lands

Relief from stamp duties is being provided in relation to a lease of land for a term not less than 5 years and not exceeding 35 years where the land is used exclusively for farming carried on by the lessee on a commercial basis and with a view to the realisation of profits. The lessee must, from the date on which the lease is executed, farm the land for not less than 50 per cent of his or her normal working time. The relief will be recoverable by assessment if any of the conditions governing the relief (other than as a result of the death or permanent incapacity of the lessee) cease to be complied with within the first 5 years of the lease.

PRSI

There were no changes announced in the Budget.

VEHICLE REGISTRATION TAX (VRT)

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

The period of VRT relief for Electric, Plug-in Hybrid Electric, Hybrid Electric vehicles, and for Electric motorcycles, has been extended until December 2016.

The rates of each of the reliefs remain unchanged.

Disclaimer

The material in this guide is provided for general information purposes and does not constitute professional advice. It is necessary 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.

BUDGET SUMMARY 2015

INCOME TAX

The following are details of the Budget Statement of 14 October 2014, as made by the Minister for Finance.

Tax Credits

The only change in relation to tax credits is the introduction of the new relief for water charges.

Tax Credit	2014 €	2015 €
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
Single Person Child Carer Tax Credit	1,650	1,650
Incapacitated Child Credit Max	3,300	3,300
Blind Tax Credit:		
Single Person	1,650	1,650
Married or in a Civil Partnership - One Spouse or Civil Partner	1,650	1,650
Blind		
Married or in a Civil Partnership - Both Spouses or Civil Partners	3,300	3,300
Blind		
Widowed Parent:		
Bereaved in 2014	-	3,600
Bereaved in 2013	3,600	3,150
Bereaved in 2012	3,150	2,700
Bereaved in 2011	2,700	2,250
Bereaved in 2010	2,250	1,800
Bereaved in 2009	1,800	-
Age Tax Credit:		
Single or Widowed or Surviving Civil Partner	245	245
Married or in a Civil Partnership	490	490
Dependent Relative	70	70
Home Carer	810	810

Rent-a-room scheme

The threshold for exempt income under the rent-a-room scheme, which applies to sums arising where a person rents out a room or rooms in his or her principal private residence, is being increased from €10,000 to €12,000 per annum.

Marginal Rate Reliefs

Relief	2014 € Max	2015 € Max
(Allowed at the taxpayer's top rate of tax)		
Employing a Carer	50,000	50,000

Standard Rated Reliefs

(Allowed at 20% tax rate)

Relief for water charges

The Budget provides for tax relief for water charges at the rate of 20% of the annual water charges paid in the previous year subject to a maximum relief of €100 (€500 @ 20%).

The relief will be given for water charges paid in the previous tax year e.g. relief for water charges paid in tax year 2015 will be given in tax year 2016.

Tax Rates and Tax Bands

The tax rates and bands have changed as follows:

Personal Circumstances	2014 €	2015 €
Single or Widowed or Surviving Civil Partner, without dependent children	32,800 @ 20% Balance @ 41%	33,800 @ 20% Balance @ 40%
Single or Widowed or Surviving Civil Partner, qualifying for Single Person Child Carer Credit	36,800 @ 20% Balance @ 41%	37,800 @ 20% Balance @ 40%
Married or in a Civil Partnership, one Spouse or Civil Partner with Income	41,800 @ 20% Balance @ 41%	42,800 @ 20% Balance @ 40%
Married or in a Civil Partnership, both Spouses or Civil Partners with Income	41,800 @ 20% with increase of 23,800 max. Balance @ 41%	42,800 @ 20% with increase of 24,800 max. Balance @ 40%

Exemption Limits

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

Personal Circumstances	2014 €	2015 €
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

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.

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