

BUDGET 2015

PERSONAL TAX

Income Tax/USC Changes for 2015

The standard rate band will increase by €1,000 from €32,800 to €33,800 for single individuals and from €41,800 to €42,800 for married one earner couples.

The top rate of income tax will be reduced from 41% to 40%.

The Universal Social Charge (USC) rates and bands will be changed as follows:

- Persons with income of €12,012 or less will be exempt from USC, otherwise:
- First €12,012 @ 1.5%
- €12,013 to €17,576 @ 3.5%
- €17,577 to €70,044 @ 7%
- €70,044 to €100,000 @ 8%

PAYE income in excess of €100,000 will be charged USC at 8%.

The USC rate on self-employment income in excess of €100,000 will be 11%.

Medical card holders whose aggregate income does not exceed €60,000 will pay a maximum USC rate of 3.5% as will individuals aged 70 years and over whose aggregate income is €60,000 or less.

Income tax relief at 20% will be available on water charges, up to a maximum of €500 per household per year. This tax relief will be paid in arrears.

DIRT

A DIRT refund scheme has been announced for first time home buyers. The relief will be available to individuals purchasing a property for use as their own residence, and will apply to interest on savings of up to 20% of the purchase price of the property. This will allow first time buyers to claim a refund directly from Revenue, of DIRT deducted from the interest received on their savings during the period of 4 years prior to the conveyance. The relief will be available for conveyances of properties purchased between 14 October 2014 and 31 December 2017.

There has been no change announced to the rate of DIRT, which remains at 41%.

Foreign Earnings Deduction

This is being extended for a further 3 years until the end of 2017 and qualifying countries are being extended to include Chile, Mexico and certain countries in the Middle East and Asia. The number of qualifying days abroad is being reduced from 60 to 40, the minimum stay in a country is being reduced to 3 days and travelling time is being included as time spent abroad.

Special Assignee Relief Programme

This is being extended for a further 3 years until the end of 2017 and the upper salary threshold of €500,000 is being removed. The residency requirement is being amended to only require Irish residency and the exclusion of work abroad is also being removed. The requirement to have been employed abroad by the employer is being reduced to 6 months.

Home Renovation Incentive

This is being extended to include rental properties owned by landlords subject to income tax for works done from 15 October 2014 until 31 December 2015.

Employment and Investment Incentive

The amount of finance that can be raised by a company will be increased to €5m annually subject to a lifetime maximum of €15m. The required holding period for shares is being increased by 1 year to 4 years. The relief will be extended to include investments in management and operation of nursing homes, medium sized enterprises in non-assisted areas, and internationally traded financial services certified by Enterprise Ireland. Hotels, guest houses and self catering accommodation already included in the scheme will be extended by a further 3 years. All these changes are subject to European Commission approval.

Seed Capital Scheme

This is being rebranded as “Start-up Relief for Entrepreneurs” (SURE) and will be extended to individuals who have been unemployed for up to 2 years.

Rent-A-Room Relief

The threshold for exempt income will increase from €10,000 to €12,000 per annum.

Artists’ Exemption

The threshold for exemption will be increased by €10,000 from €40,000 to €50,000. The exemption is also being extended to non-resident artists (i.e. to individuals who are resident or ordinarily resident in another EU or EEA State).

Pensions

The Minister confirmed that:

- the 0.6% Pension Levy will cease as scheduled at the end of 2014 and
- the remaining 0.15% levy will cease as scheduled at the end of 2015.

Capital Gains Tax

The capital gains tax rate remains unchanged at 33%.

The 80% rate of tax on windfall gains on land attributable to planning decisions is being abolished from 1 January 2015.

The property purchase incentive providing a relief from CGT for land or buildings in Ireland or another EEA country purchased before 31 December 2014 and held for a 7 year period is not being extended beyond 31 December 2014.

Capital Acquisitions Tax

See “Farming Tax” Section.

BUSINESS TAX

Corporation Tax Rate

The Minister stated that “the 12.5% tax rate is settled policy. It will not change”.

Research & Development (R&D) Tax Credit

The 25% R&D tax credit currently applies to qualifying expenditure which exceeds the company’s R&D expenditure in the year 2003 (the “base year”). The base year restriction is being removed from

1 January 2015. The effect of this is that all qualifying expenditure is now eligible for R&D tax credit.

3 Year Relief for Start-up Companies

The existing relief due to expire on 31 December 2014 is being extended to new business start-ups in 2015. The Minister has announced a review of the operation of this measure in 2015.

Capital Allowances for the Provision of Specified Intangible Assets

Capital allowances can be claimed on expenditure incurred by a company on certain intangible assets for use in a trade. Currently the amount of capital allowances is limited to 80% of the income from the trade in which the assets are used. This 80% restriction will be removed.

Accelerated Capital Allowances for Energy Efficient Equipment

The scheme of accelerated capital allowances for expenditure incurred by companies on certain energy-efficient equipment, which was due to expire on 31 December 2014, is being extended to the end of 2017.

Ireland's Roadmap for Tax Competitiveness

The Minister published a Roadmap for Ireland's Tax Competitiveness. The key actions not covered elsewhere in this bulletin are:

Default Corporate Tax Residency Rule

To combat the use of "double Irish" tax structures, from 1 January 2015 all new companies incorporated in Ireland will default to being tax resident in Ireland. There will be a transitional period up to 2020 for existing companies.

Intellectual Property Regime

The Minister intends to introduce a "Knowledge Development Box" income based tax regime for intangible assets in 2015 and will open a public consultation in late 2014.

VAT

VAT Rates

There are no changes in the VAT rates for 2015. It is confirmed that the reduced VAT rate of 9% will continue to apply to the tourist industry in 2015.

Farmer's Flat-Rate Addition

See "Farming Tax" Section.

STAMP DUTY

Stamp Duty Rates

There are no changes in stamp duty rates for 2015. See "Farming Tax" Section for stamp duty on agricultural leases and consanguinity relief.

EXCISES

Tobacco Products

Excise Duty on a packet of 20 cigarettes is being increased by 40 cents (including VAT) with a pro-rata increase on other tobacco products. Excise Duty on roll-your-own tobacco is being increased by 20 cents (including VAT) per 25g pouch. Increases take effect from midnight on 14 October 2014.

Alcohol, Diesel and Petrol

There is no change in Excise Duty on alcohol products, diesel and petrol.

The special relief, which halves the standard rate of Alcohol Products Tax on beers produced in microbreweries, is being extended to apply to microbreweries which produce not more than 30,000 hectolitres per annum (currently 20,000 hectolitres).

Vehicle Registration Tax (VRT) and Motor Tax

There is no change in the rates of VRT and Motor Tax.

VRT reliefs available for the purchase of hybrid electric vehicles, plug-in hybrid electric vehicles, plug-in electric vehicles, and electric motorcycles are being extended to 31 December 2016.

Mineral Oil

A 30 day deferral of excise duty is provided for mineral oil. This measure will be subject to a commencement order.

Natural Gas as a Transport Fuel

The excise rate for Natural Gas and BioGas as a propellant will be set at the current EU Minimum rate and this rate will be held for a period of eight years.

Betting Duty

The enactment of the Betting (Amendment) Bill 2013 will allow for the extension of Betting Duty to remote operators and betting exchanges in 2015.

FARMING TAX

Income Tax

Income averaging is being increased from 3 years to 5 years and will be available to farmers deriving income from another trade or profession where this is due to on-farm diversification.

There will be a 50% increase in the amounts of income exempted from long term leasing by 50% and a fourth threshold will be introduced for lease periods of 15 years or more with income exemption of up to €40,000. The 40 age threshold will be removed for individuals, and the relief will also be allowed where the lessee is a company.

CGT Relief for Farm Restructuring

The deadline for a first restructuring transaction is being extended from 31 December 2015 to 31 December 2016 and Teagasc certification guidelines are being amended to enable whole farm replacement to be eligible for the relief subject to meeting the conditions laid down by Teagasc.

CGT Retirement Relief

CGT Retirement Relief is being amended to allow for land which has been leased for up to 25 years

in total ending with a disposal to qualify for the relief (currently 15 years).

Relief is also being extended to land currently let under conacre arrangements which, before 31 December 2016, is either disposed of or leased out for minimum periods of 5 years to a maximum of 25 years ending with disposal.

CAT Agricultural Relief

From 1 January 2015, and subject to other conditions, CAT agricultural relief will be available only in respect of agricultural property gifted to or inherited by active farmers and to individuals who are not active farmers but who lease out the property on a long-term basis for agricultural use to such farmers.

Farmer's VAT Flat-Rate Addition

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

Stamp Duty on Agricultural leases

Agricultural leases between 5 and 35 years in duration to active farmers will be exempt from stamp duty.

Consanguinity Stamp Duty Relief

Consanguinity relief, which applies to transfers of non residential property to certain relatives, and halves the applicable rate of stamp duty, will be extended for a period of three years from 31 December 2014 in certain circumstances where the transferor is 65 years or under and the transferee is an active farmer.

Budget implementation

The Minister for Finance, Mr Michael Noonan, T.D., introduced the taxation elements of the 2015 Budget to Dáil Eireann on 14th October 2014. The summary above is of those taxation measures. The detailed legislation giving effect to most of these measures will be contained in the Finance Bill in January 2015. Provisions announced in the Budget speech may be changed or modified during the legislative process. New measures not announced in this Budget speech may also be introduced.

The detailed Government documents containing the Budget provisions (including the Minister's speech and Summary of Budget Measures) are available at:

<http://www.budget.gov.ie>