



Budget Briefing 2015

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TAX CHANGES

Income Tax

Rate Band

An increase in the standard rate band of income tax by €1,000 from €32,800 to €33,800 for single individuals and from €41,800 to €42,800 for married one income couples

Married couples where both spouses are earning the standard rate band is increased from €65,600 to €67,600

Rate

A reduction in the higher rate of income tax from 41% to 40%

** Full details are included at Appendix A*

USC

There have been a number of changes to the USC rates and bands as follows:

Exemption increased from €10,036 to €12,012

2% rate reduced to 1.5%

4% rate reduced to 3.5%

7% applicable up to €70,044

PAYE earners will pay 8% rate on all income above €70,044

Self-employed persons will pay 11% on income in excess of €100,000

Extension of the exemption from the 7% rate of USC for medical card holders whose aggregate income does not exceed €60,000, who will now pay a maximum rate of 3.5% USC

Individuals aged 70 years and over whose aggregate income is €60,000 or less will pay a maximum rate of 3.5% USC

** A full table of USC changes is included at Appendix B*

RELIEFS & CREDITS

Water Charges	Tax relief at 20% will be provided on water charges, up to a maximum of €100 (€500 @ 20%) per annum. This relief will be paid in arrears.
Rent-A-Room Relief	The threshold for exempt income under the rent-a-room scheme is being increased to €12,000 per annum.
Home Renovation Incentive	The HRI is being extended to include rental properties owned by landlords subject to Income Tax. Full details will be provided in the Finance Bill.
Artists' Exemption	The threshold for the artists' exemption will be increased by €10,000 to €50,000. The Exemption is also being extended to certain non-resident artists.
Employment and Investment Incentive	<p>A number of extensions have been announced to the EII scheme. They include:</p> <ul style="list-style-type: none"> • 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.
Seed Capital Scheme	The scheme is being rebranded as "Start-Up Relief for Entrepreneurs" (SURE) and being extended to individuals who have been unemployed up to 2 years.
Foreign Earnings Deduction	The FED introduced in 2012 is being extended for a further 3 years until the end of 2017. The number of qualifying countries has been extended. The number of qualifying days abroad is being reduced from 60 to 40, the minimum stay in a country is reduced to 3 days and travelling time is being included as time spent abroad.
Special Assignee Relief Programme	SARP is being extended for a further 3 years until the end of 2017 and the upper salary threshold is being removed. The residency requirement is being amended to only require Irish residency and the exclusion of work abroad is also removed. The requirement to have been employed abroad by the employer is being reduced to 6 months. Further details will be provided in the Finance Bill.

CAPITAL GAINS TAX

Rate	There has been no change to the rate of CGT
Property purchase incentive	The incentive relief from CGT for properties purchased between 7 December 2011 and 31 December 2014 is not being extended beyond 31 December 2014. Where property was purchased in this period and is held for seven years the gains accrued in that period do not attract CGT.
Windfall tax	Windfall tax provisions introduced in 2009 which apply an 80% rate of tax to certain profits or gains from land disposals or land development, where those profits or gains are attributable to a relevant planning decision by a planning authority, are being abolished from 1 January 2015. Such gains will now attract standard rate CGT of 33%.

V.A.T.

Rate	There have been no changes to the standard or reduced rates of VAT. The 9% VAT rate for tourism related services is being retained.
EU Cross Border Supplies	With effect from 1 st January 2015 Cross-border EU telecommunications, broadcasting and electronically supplied services will be charged to VAT in the Member State of the consumer and not the supplier.

CORPORATION TAX

Rate	There have been no changes to the rate of Corporation Tax
Company Residence	News laws will be enacted to provide that all companies incorporated in Ireland will be tax resident in Ireland. The new laws will take effect from 1 st January 2015 for new companies and transitional arrangements will apply to existing companies up to 31 st December 2020.
R&D Tax Credit	The 2003 base year restriction for claiming the eligible R&D credit of 25% is abolished with effect from 1 st January 2015.
3 Year Relief for Start-up Companies	The 3 year relief from corporation tax for start-up companies is being extended to 2015. This relief is limited to the amount of Employer PRSI paid by the company.
Capital Allowances for the Provision of Specified Intangible Assets	This measure provides capital allowances for expenditure incurred by a company on the provision of certain intangible assets for use in a trade. The use of such allowances in any accounting period is currently restricted to a maximum of 80% of the trading income from the relevant trade in which the acquired assets are used. This 80% restriction on aggregate allowances (and any interest expense incurred on borrowings to fund the expenditure) will be removed.
Accelerated Capital Allowances for Energy Efficient Equipment	The 100% capital allowances available for investment in specified energy efficient equipment which was due to expire at the end of 2014 has been extended to the end of 2017.

DIRT

First time buyers

First time buyers will be able to reclaim DIRT deducted on deposits within the 48 month period prior to the date of purchase of their first home up to a limit on such savings of 20% of the consideration paid for the new home

The relief applies to properties purchased between 14th October 2014 and 31st December 2017

Rate

There has been no indication of a reduction in DIRT from 41% to 40% in line with the reduction in the higher income tax rate. This may be clarified in the Finance Bill

CAPITAL ACQUISITIONS TAX (CAT)

Rate

There are no changes to CAT rates or thresholds

** A schedule of current thresholds is included at Appendix C*

PENSIONS

Levy

The levy has been reduced from 0.6% to 0.15% with effect from 1st January 2015 and will be abolished at the end of 2015

Miscellaneous

The reduction in the higher income tax rate has a knock on effect on tax relief on personal pension contributions for high earners

FARMING

Long Term Leasing

There is an exemption from income tax in place for long term leasing of farm land. The annual exemption limits have been increased as follows:

Lease Term	Current Exemption	Proposed Exemption
> 5 Years	€12,000	€18,000
> 7 Years	€15,000	€22,500
>10 Years	€20,000	€30,000
>15 Years	€20,000	€40,000

The scheme has also been extended to include incorporated farm companies as the lessee and the removal of the requirement for qualifying lessors to be over 40.

Income Averaging

Income averaging is extended to farmers where there is on-farm diversification

The period of averaging has been increased from 3 years to 5 years

Flat-Rate VAT

The farmer's flat-rate addition will be increased from 5% to 5.2% with effect from 1 January 2015. The flat-rate scheme compensates unregistered farmers for VAT incurred on their farming inputs.

Relief for Farm Restructuring

Farm restructuring relief is currently available where the first transaction in the restructuring (e.g. sale, purchase or exchange of land) is carried out by 31 December 2015 with the restructuring to be completed within 24 months. The deadline for the completion of the first restructuring transaction is being extended to 31 December 2016.

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 currently let under conacre arrangements which;

- (i) ends with disposal on or before 31 December 2016 or;
- (ii) 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. *(Full details will be provided in the Finance Bill).*

CAT Agricultural Relief

Currently agricultural relief is available to any individual who qualifies “as a farmer”, which is based purely on an asset value test at the date of gift/inheritance.

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

From 1 January 2015, to qualify for the relief, the beneficiary must either use the property for agricultural purposes for a period of not less than 6 years or lease out the property for agricultural use for not less than 6 years.

There is a further requirement that the beneficiary or the lessee must spend not less than 50% of his/her normal working time farming agricultural property on a commercial basis (Active Farmer).

Agricultural relief is retained at 90% provided the above conditions are met.

Stamp Duty on Agricultural Leases

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

Consanguinity Relief

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

EXCISE DUTIES

Tobacco Products

From midnight on 14th October 2014, the excise duty on a packet of 20 cigarettes is being increased by 40 cents and on 25gm pouches of tobacco is being increased by 20 cent. There is a pro-rata increase on the other tobacco products.

Excise Duty relief for Microbreweries

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.

Vehicle Registration Tax (VRT)

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

No Change

Alcohol, Petrol / Diesel

EXPENDITURE

CHANGES

Social Welfare

Child Benefit increase of €5 per child per month from 1st January 2015

A 25% bonus to Social Welfare recipients for Christmas 2014

Increase of €1.30 per week for Living Alone Allowance

A new water subsidy of €100 per annum for all recipients of the Household Benefits package including recipients of the Fuel Allowance Scheme

Back to Work Family Dividend

A new back to work family dividend to be introduced whereby families in receipt of Social Welfare will retain the full qualified child increase of €29.80 per week per child for 12 months after their return to work and 50% of the payment in the second year

Appendix A

Income Tax

TAX CREDITS	2014 €	2015 €
Single Person	1,650	1,650
Married Couple	3,300	3,300
Single Parent – additional (Primary Carer)	1,650	1,650
Incapacitated Child	3,300	3,300
Widowed Person - Additional	540	540
Dependent Relative	70	70
Blind Person	1,650	1,650
Home Carers Credit	810	810
Age Credit – Single	245	245
Age Credit – Married	490	490
Employee Credit	1,650	1,650

Tax Bands & Rates	2014 €	2015 €
Single Person	32,800	33,800
Additional Band For Single Parent (Primary Carer)	4,000	4,000
Married Couples		
One Income	41,800	42,800
Two Incomes	65,600	67,600
Tax Rate Applicable To Above Bands	20%	20%
Tax Rate Applicable To Balance of Income	41%	40%

Appendix B

Universal Social Charge (USC)

The Standard Rates of USC

USC Thresholds			
2014		2015	
	Rate		Rate
Income up to €10,036	2%	Income up to €12,012	1.5%
Income from €10,036 to €16,016	4%	Income from €12,012 to €17,576	3.5%
Income above €16,016	7%	Income from €17,576 to €70,044	7%
		Income above €70,044	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	2%	Income up to €12,012	1.5%
Income above €10,036	4%	Income above €12,012	3.5%

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.

Appendix C

Capital Acquisitions Tax Thresholds

RELATIONSHIP TO DISPONER	From 6th Dec 2012 €
Son / Daughter	225,000
Parent / Sibling / Niece / Nephew/ Grandchild	30,150
Relationship other than above	15,075

THANK YOU

If you have any queries on the budget or on any other matters, please contact us at:

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