



BUDGET HIGHLIGHTS 2015

Budget 2015

14 October 2014

Welcome

We are pleased to provide our summary of the main taxation measures announced in Budget 2015 together with an outline of the economic projections supporting the drafting of the budget.

After seven successive austerity budgets it is most welcome to be commenting on a budget that sets out measures which somewhat reduce the income tax burden and begins the process to reform the universal social charge.

Finance Bill 2014 will be introduced on 23 October 2014. Our team will be closely monitoring the Bill and we will be issuing commentary on the main provisions as they arise. Any member of our growing team will be delighted to assist you with any taxation or business questions you may have.

Please contact us for more information on how we can help you.

Kind Regards
from all the team at RTW

Personal Tax

- Changes in USC rates
- 41% income tax rate reduced to 40%
- Increase in the income tax standard rate bands
- Income tax relief on water charges up to maximum of €500 at 20%
- Refund of DIRT on savings for first time buyers

Pensions

- 0.6% pension levy to end in 2014 with additional 0.15% pension levy to expire at the end of 2015

Business Tax

- Extension of three-year exemption from corporation tax
- R&D base year fully phased out from 1 January 2015
- Ireland's existing intangible asset tax provisions enhanced
- Improvements to the Employment and Investment Incentive Scheme
- Consultation on Knowledge Development Box to begin in 2014
- Range of reliefs introduced to incentivise farming
- "Double Irish" tax arrangement to be abolished
- SARP extended for a further three years until the end of 2017

VAT

- The reduced 9% rate of VAT on tourism-related activities to be retained
- Increase in unregistered farmer's flat rate addition from 5% to 5.2%
- Changes to place of supply rules for some cross-border services

Capital Gains Tax

- Property purchase incentive not extended
- Windfall tax of 80% on development land to be replaced
- Retirement relief amended to increase the term allowed for the leasing of farmland

Capital Acquisitions Tax

- CAT agricultural relief amended to target active farmers

Other Taxes

- Extension of consanguinity relief from stamp duty
 - Stamp Duty exemption on agricultural leases
 - Price of 20 cigarettes to rise by 40c from midnight
 - The extension of betting duty to remote operators and betting exchanges
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Personal Tax Credits and Bands	2015	2014
Personal Tax Credits		
Single	€1,650	€1,650
Married	€3,300	€3,300
PAYE	€1,650	€1,650
Age Exemption Limits (aged 65 and over)		
Single	€18,000	€18,000
Married	€36,000	€36,000
20% Standard Rate Tax Bands		
Single	€33,800	€32,800
Married one income	€42,800	€41,800
Married two incomes	€67,600	€65,600

Personal Taxation

The higher tax rate of 41% will be reduced to 40%.

PRSI

The 4% PRSI rate will apply to all taxpayers under 66 years of age.

Universal Social Charge (USC)

Income	USC
From €0 - €12,012	1.5%
From €12,013 - €17,576	3.5%
From €17,577 - €70,044	7%
Over €70,044	8%

Medical card holders and those aged over 70 years whose aggregate income is €60,000 or less will pay a maximum rate of 3.5%. The normal rates of USC applies to those aged 70 years and over, and to medical card holders earning €60,000 and above.

An 11% rate applies to self-employed income over €100,000.

Rent-A-Room Relief

From 1 January 2015, the threshold for exempt income under the rent-a-room scheme is being increased from €10,000 to €12,000 per annum.

Home Renovation Incentive (HRI)

This incentive is being extended to include expenditure by landlords on the renovation or improvement of residential rental properties.

Water charges relief

Tax relief at 20% will be available in respect of water charges up to a maximum of €500 per annum. The relief will be paid annually in arrears.

Artist exemption

The threshold for artists' exemption will be increased from €10,000 to €50,000 and will apply to individuals resident or ordinarily resident in Ireland or another EU/EEA member state.

First time buyers DIRT relief

First time buyers will receive a refund of DIRT deducted on any savings used to purchase their home. The refund will apply from 14 October 2014 to 31 December 2017 in respect of savings up to a maximum of 20% of the purchase price. Presumably we will see the major financial institutions offering special accounts for this purpose.

Business Taxation

Corporation tax rate

The 12.5% corporation tax rate will be maintained.

Tax residence of companies

As a default measure (subject to the provisions of double tax treaties) all companies incorporated in Ireland from 1 January 2015 will be tax resident in Ireland. For existing companies utilising the current rules there will be a transitional period up to the end of 2020.

3 year tax exemption for start-up companies

The relief from corporation tax on profits is being extended to new businesses starting in 2015. This measure will be reviewed in 2015.

Changes to R&D tax credit

From 1 January 2015 the 2003 base year restriction will be removed.

Capital allowances for expenditure on intangible assets

Under current rules companies are only permitted to utilise allowances up to a maximum of 80% of the trading income from the trade in which the acquired assets are used. This restriction will no longer apply.

Accelerated capital allowances for expenditure on Energy Efficient Equipment

The availability of accelerated capital allowances on energy efficient equipment is being extended for three years up until the end of 2017.

Employment and Investment Incentive Scheme

Subject to EU approval being granted, companies will be permitted to raise €5m per annum under this scheme with a lifetime maximum of €15m. Activities that are permitted to avail of the scheme will now include nursing



homes, medium sized enterprises in non-assisted areas and internationally traded financial services certified by Enterprise Ireland. Hotel, guest houses and self catering accommodation activities can avail of this incentive for a further three years.

Investors will be required to hold their shares for four years instead of three years.

Foreign Earnings Deduction

This tax relief for employees travelling to and working in certain foreign countries is being extended to include Chile, Mexico, and some other countries in the Middle East and Asia. The requirement to have 60 qualifying days spent in those countries is being reduced to 40 days, the minimum stay in a country is reduced to three days and travelling time will be taken into account as time spent abroad.

Special Assignee Relief Programme

This is a relief aimed at foreign workers working in Ireland. It is being extended for an additional three years up to the end of 2017. Further amendments are being made to make it easier for employees to avail of the relief.

Knowledge Development Box

The Government plans to introduce an income-based tax incentive regime for intangible assets and will open consultations on this issue in late 2014 with measures to be introduced in next year's Finance Bill. Similar measures have proved very attractive in the UK.

VAT

The reduced VAT rate of 9% for goods & services mainly related to the tourism and hospitality industry will remain for 2015.

Cross-border EU telecommunications, broadcasting and electronically supplied services, from 1 January

2015, will be charged to VAT in the Member State of the consumer and not the supplier (also known as the MOSS scheme). As a net recipient of these services, it is estimated that Ireland will gain VAT revenues of €100m in 2015, rising to €150m in 2019.

Capital Gains Tax

Property purchase incentive

As was well flagged in advance of the Budget, the relief from CGT on properties purchased since 7 December 2011 and retained for at least seven years is to be abolished for purchases after 31 December 2014.

Windfall tax on development land

The special 80% windfall tax introduced in 2009 on profits from the rezoning of development land is being abolished from 1 January 2015. In future disposals of such land will be subject to the relevant rates of CGT or income tax as appropriate, in the same manner as disposals of any other assets.

Farming Taxes

The past year has seen a comprehensive review by government of farmer taxation schemes and today we have seen the announcement of some significant changes in this area.

Income Tax

The exemption from income tax on long-term leasing of farmland is being enhanced. The requirement that the lessor is aged 40 years or over is being removed. The amount of income exempted is being increased by 50% - so that for example in the case of land leased for a seven-year period the exempt amount will increase from €15,000 to €22,500 - and a fourth category covering leases of 15 years'

duration is being introduced with an exemption of €40,000 per annum.

Changes have also been introduced to the "income averaging" method of taxing farm profits. The term is being increased from three years to five years and will now be extended to cases where there is on-farm diversification.

Capital Acquisitions Tax

This relief, which reduces the taxable value of agricultural assets for gift or inheritance tax by 90%, will now be available only for beneficiaries who are "active farmers" or alternatively those who let the property on a long-term lease to active farmers.

Capital Gains Tax

CGT retirement relief will now apply to the disposal of land that has been leased for 25 years up to the date of disposal - previously the maximum period of the lease was 15 years.

There is also currently a relief from CGT on farm restructurings. The first transaction in the restructuring had to take place by 31 December 2015 but this deadline is now being extended by 12 months.

Stamp Duty

Consanguinity relief reduces by 50% the stamp duty payable on transfers of certain assets between close blood relatives. This relief is being abolished from 31 December 2014, except it has been extended by three years in cases where the transferor is 65 years of age or under and the transferee is an active farmer.

Agricultural leases of between 5 and 35 years duration will also be exempt from stamp duty.

Value Added Tax

The unregistered farmer's flat rate addition will be increased from 5% to 5.2%.

Other Taxes

Excise duties

Excise duty on a packet of 20 cigarettes is being increased by 40 cents. There is no increase however in the excise duty on alcohol or motor fuel.

Economic Overview

Today's Budget is presented in the context of 4.7% growth in economic output for 2014, and a growth forecast of 3.9% for 2015.

Following seven austerity Budgets the Minister has taken the growth opportunity to loosen the Budget purse strings ever so slightly.

He proposes to reduce tax revenues by €420 million and to increase net voted expenditure by €630 million. However, tax buoyancy from a growing economy counter-balances these adjustments so that the Budget Deficit envisaged in 2015 is reduced by €1,445 million compared to 2014.

The 2015 Budget envisages a Current Budget Deficit of €3.73 billion and a Capital Budget Deficit of €2.75 billion.

Notwithstanding the tax reductions announced today, the improved performance of the economy is providing considerable tax growth so that overall, the Minister projects Tax Revenues of €42.3 billion in 2015, a

3.1% increase on the expected out turn of €41.04 billion for 2014.

On the expenditure side, the increase in the Capital and Current Spend of €215 million and €430 million respectively represents a 5.1% growth in the Capital Budget, and a 0.9% growth in Current Budget spending compared to 2014.

These are very modest changes and reflect the ambitions of the Government not to alter the direction of the public finances for a short term economic impetus.

The dramatic improvement in the Government's control of public finances is reflected in the Budget Deficit as a % of GDP over each of the last five years and into next year as follows:-

	% of GDP
2010	12.2
2011	10.1
2012	8.2
2013	7.3
2014	3.7
2015 (projected)	2.7

The trend is positive, and in the next few years we can at last see the opportunity of balanced budgets, and perhaps a reduction in the overall debt burden.

About Us

RTW is ten years in existence and specialises in looking after the requirements of small, medium and large businesses and also acts as advisors on all matters of taxation and finance. Our team of qualified accountants bring with them a wealth of skills and knowledge gained over the years.

Our firm offers a range of services including:

- Auditing and Accounting
- Management Accounts
- Consultancy Services
- Bookkeeping
- Payroll
- Personal Taxation
- Corporate Taxation
- Capital Gains Tax
- Capital Acquisitions Tax
- Stamp Duty
- VAT
- PAYE/PRSI
- Subcontractors' Tax
- Company Secretarial
- Business Start Up
- Budgets and Cash Flow Statements

We place maximum emphasis on partner availability to our clients and have committed considerable resources to ultra modern computer facilities.

RTW

Chartered Accountants

16 Woodstown Village Centre, Knocklyon, Dublin 16.

Tel: +353 1 4958250 Fax: +353 1 4953868

E-mail: info@rtw.ie Website: www.rtw.ie

Claire Rynne FCA
crynne@rtw.ie

Gerard Tully FCA
gtully@rtw.ie

Registered Auditors and Authorised to carry out Investment Business by Chartered Accountants Ireland



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