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TAX & ACCOUNTING

Budget 2015 Report

This budget, for the first in a long time, saw a greater emphasis placed on tax cuts and increases in public expenditure. This is in stark contrast to the raft of tax increases and spending cuts over the last number of years.

There were a significant number of announcements which should enhance Ireland's attractiveness for foreign direct investment. Meanwhile, with a lot of recent focus, the 'Double Irish' loophole is set to be abolished meaning that all new companies registered in Ireland will now be automatically tax resident here.

There have been some announcements which should incentivise the construction sector, in particular, the abolition of the 80% windfall tax. It is hoped that this might increase housing supply, therefore, curtailing the current property price escalation.

There is some good news for individuals earning under €70,000 per year with the changes to the income tax band, marginal tax rates and USC. Those earning above €70,000 will continue to be subject to a marginal rate of up to 55%.

In overall terms, the budget signalled good news for most sectors which should support growth in our economy and help to create additional jobs. The first draft of the Finance Bill will be released in the coming weeks which will provide more detail on the Minister's announcements.

Except where noted below, the changes outlined in yesterday's budget will come into force from 1 January 2015.



1. Company taxation

Tax residence

This signals the abolition of the 'Double Irish' structure. Any new company's registered in Ireland will now be considered Irish tax resident automatically.

Companies registered prior to 1 January 2015 will have a transition period for this change until the end of 2020.

R & D

The base year restriction has now been removed.

Specified intangible assets

The 80% cap on the allowances and the interest expense restriction are to be removed. Customer lists will also now be considered to be a qualifying specified intangible asset.

Pension levy

The 0.6% levy is to be abolished at the end of 2014 and the 0.15% additional levy will be abolished at the end of 2015.

Start-up exemption

The start-up exemption has been extended to companies commencing to trade in 2015.

Energy efficient equipment

The accelerated capital allowances scheme is being extended to 2017.

2. Property

CGT – Seven year exemption

The seven year exemption available for properties purchased between 7 December 2011 and 31 December 2014 will not be extended.

Windfall Tax

The windfall tax of 80% applying to land disposals or land development where the gains are as a result of a planning decision will be abolished. The normal 33% CGT rate will now apply to such disposals.

Deposit Interest Retention Tax

First time buyers can obtain a refund of DIRT on savings used to fund the deposit on the purchase of their home. The refund will apply from budget night to the end of 2017 and is subject to a maximum of 20% of the property purchase price.

Home Renovation Incentive

The incentive has been extended to owners of rental properties who are subject to income tax. This applies from budget night to the end of 2015.

3. VAT & Excise Duties

9% VAT rate

The 9% VAT rate for the tourism sector remains in place.

Excise duties

From budget night, a pack of cigarettes increases by 40c.

There will be no increases on alcohol, diesel or petrol.

Microbreweries

Microbreweries' excise duty relief will now apply to those breweries not producing more than 30,000 hectolitres per year.

VRT

The VRT reliefs for purchases of hybrid and electric vehicles are being extended to the end of 2016.



4. Agriculture

Farm restructuring - CGT relief

The deadline for the completion of the first farm restructuring transaction has been extended to 31 December 2016.

Whole farm replacement will be eligible for relief where certain conditions have been satisfied.

CGT retirement relief

Farm land which has been leased for up to 25 years, in total, will qualify for relief.

There are also changes to provide relief for disposals of land outside the family for land let under conacre arrangements.

CAT Agricultural relief

CAT agricultural relief will only be available for agricultural property gifted to or inherited by active farmers. However, the relief will also be available to non-active farmers who lease the land on a long-term basis for agricultural use.

Stamp duty on agricultural leases

Agricultural land leases between five and 35 years in length will be exempt from stamp duty.

Consanguinity relief

The relief has been extended for three years where the transferor is over 65 years of age and the transferee is an active farmer. The relief halves the rate of stamp duty applicable to non-residential property on transfers between relatives.

Farmer's flat rate addition

The rate will increase from 5% to 5.2%.

5. Income tax

Rate band

The amount of at which a single person is subject to the marginal rate of tax has been increased from €32,800 to €33,800.

Higher rate of income tax

The marginal rate of tax will decrease from 41% down to 40%.

Universal Social Charge (USC)

The USC rates of 2% and 4% have been decreased to 1.5% and 3.5% respectively.

Incomes under €12,012 will now be exempt from the USC (previously €10,036). The third rate of USC (i.e. 7%) will now kick in at €17,576 (previously €16,016) and a new 8% rate will apply to incomes in excess of €70,044.

Previously, self-employed income in excess of €100,000 was subject to a rate of 10% but this has now increased to 11%.

Medical card holders and those aged over 70 with income of €60,000 or less will be subject to a maximum USC rate of 3.5%.

Artists' exemption

The artists' exemption threshold has been increased from €40,000 to €50,000. The exemption has also been extended to non-Irish residents who are resident in an EU member state or EEA jurisdiction.

Rent-a-Room relief

Individuals can now receive up to €12,000 rental income, free of tax, for a room in their home. This increases from the previous threshold of €10,000.

**Water charges**

Income tax relief at a rate of 20% will be available on water charges paid in a year up to a maximum of €500 per household. This relief is available in arrears (i.e. relief in 2016 for charges paid in 2015).

Foreign Earnings Deduction (FED)

The relief has been extended by three years to 2017. Mexico, Chile and certain countries in the Middle East & Asia will be included. The number of qualifying days abroad has reduced from 60 to 40 days and the minimum stay in a country is decreased to three days.

Special Assignee Relief Programme (SARP)

Similar to the FED, SARP is being extended by three years to 2017. Only Irish residence will now be required and the higher salary threshold has been removed. The exclusion for working abroad is being removed and individuals may now only be employed abroad for a minimum of six months.

Seed Capital Scheme

The scheme is now available to individuals unemployed for up to two years. The scheme is being rebranded as the 'Start-Up Relief for Entrepreneurs'.

Employment & Investment Incentive

A qualifying company can now raise finance up to a maximum of €5 million per year with an increased lifetime cap of €15 million. The investors must now hold the investment for a four year period, however. The scope for qualifying businesses has also been extended.