Summary of

2014 Budget Measures

Policy Changes

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Taxation Measures for Introduction in 2014

Measure	Yield/Cost 2014	Yield/Cost Full Year
Income Tax		
One-Parent Family Tax Credit is to be replaced with a new Single Person Child Carer Tax Credit from 1 January 2014. The new credit will be to the same value but will be available only to the principal carer of the child.	+€18m	+€25m
Other Income Tax		
From 16 October 2013, **Tax Relief for Medical Insurance** premiums will be restricted to the first €1,000 per adult insured and the first €500 per child insured.	+€94m	+€127m
Home Renovation Incentive (HRI) A scheme of tax relief for home renovation work is being introduced for a period of two years.	Nil	-€62m
Start Your Own Business (SYOB) An exemption from Income Tax up to a maximum of €40,000 per annum will be provided for a period of two years, to individuals who set up a qualifying, un-incorporated business, having been unemployed for a period of at least 15 months prior to establishing the business.	-€1m	-€1m
Top Slicing Relief will no longer be available from 1 January 2014 in respect of all ex-gratia lump sum payments.	Nil	+€22m
Employment and Investment Incentive Removal of the Employment and Investment Incentive from the High Earners' Restriction for three years	-€1m	-€1m
Capital allowances and losses on plant and machinery used in manufacturing trades which are claimed by passive investors will be included as a specified relief for the purposes of the high earners' restriction.	-	-
Tax Relief on Loans to Acquire an Interest in a Partnership This relief will be withdrawn on a phased basis over 4 years. Relief will not be allowed for new loans taken out from 15 October 2013. Existing claimants will retain the relief, on a reducing rate basis until 1 January 2017.	+€1m	+€4m

RELIEFS AND EXEMPTIONS **Film Relief** Extend the definition of ‘eligible individual’ to include non EU talent, in conjunction with the introduction of a withholding tax. Subject to EU State Aid approval and a commencement order.	-	-€15m
Capital Allowances and Tax Incentive Schemes **Living City Initiative** Extend to include residential properties constructed prior to 1915 and extend to other cities – Cork, Galway, Kilkenny and Dublin. This Initiative is subject to EU State Aid approval and a commencement order.	-	-€20m
CAPITAL GAINS TAX **Property purchase incentive** The inventive relief from CGT (in respect of the first 7 years of ownership) for properties purchased between 7 December 2011 and 31 December 2013 introduced in Budget and Finance Act 2012 is being extended by one year to include properties bought to the end of 2014. Where property purchased in this period is held for seven years the gains accrued in that period will not attract CGT. **CGT entrepreneurial relief** A new CGT incentive is being introduced to encourage entrepreneurs (in particular “serial” entrepreneurs) to invest and re-invest in assets used in new productive trading activities. The measure will apply where an individual, who has paid capital gains tax on the disposal of assets, makes investments in a new business in the period 1 January 2014 to 31 December 2018 and subsequently disposes of this investment no earlier than three years after the date of investment. The CGT payable on the disposal of this new investment will be reduced by the lower of (i) the CGT paid by the individual on a previous disposal of assets in the period from 1 January 2010 and (ii) 50% of the CGT due on the disposal of the new investment. Commencement of this measure is subject to receipt of EU State Aid approval.	- - 	- - (-€20m by 2018)

CGT Retirement Relief CGT retirement relief is being further extended to disposals of leased land in circumstances where, among other conditions, the land is leased over the long-term (a minimum lease of 5 years) and the subsequent disposal is to a person other than a child of the individual disposing of the farmland. The purpose of the measure is to encourage older farmers who have no children to whom to transfer their farm to lease out their farmland over the long term to younger farmers.	-€1m	-€1m
Excise Duties **Tobacco Products Tax** The Excise Duty on a packet of 20 cigarettes is being increased by 10 cents (including VAT) with a pro-rata increase on the other tobacco products, with effect from midnight on 15 October 2013. **Alcohol Products Tax** The excise duty of a pint of beer or cider, and a standard measure of spirits is being increased by 10 cent (including VAT); the duty on a 75cl bottle of wine is being increased by 50 cent (including VAT), with effect from midnight on 15 October 2013 **Shadow Economy** A continued focus on the shadow economy in the mineral oil and alcohol products sectors will lead to additional yield and provide a significant boost to the legitimate trade **Air Travel Tax** The Air Travel Tax is being reduced to zero with effect from 1 April 2014.	 +€15m +€145m +€20m -€28m	 +€15m +€145m +€20m -€36m
CORPORATION TAX **R&D TAX CREDIT** The Research and Development ('R&D') Tax Credit regime has been reviewed in 2013. A detailed report has been prepared by the Department and can be viewed on the Budget Website. On foot of this review, a number of changes are being introduced: **Base Year** Finance Act 2012 provided that the first €100,000 of qualifying R&D expenditure would benefit from the tax credit without reference to the 2003 base year and	 -€2m	 -€2m

Finance Act 2013 increased this amount to €200,000. The amount of expenditure so allowed is now being increased to €300,000.		
Outsourcing The amount of expenditure on R&D outsourced to third parties which is allowed to qualify for the credit is limited to 10% of the total amount of expenditure on R&D qualifying for the credit in a given year. This limit is being increased from 10% to 15%.	-€3m	-€3m
Key Employee Since 2012, a company with an entitlement to the R&D Tax Credit can surrender a portion of the credit to employees who meet the definition of a 'key employee'. Subject to certain conditions, the employee can use the benefit of the tax credit to reduce their own income tax liability. Amendments are being made to this element of the scheme to remove some barriers to uptake.	-	-
VAT		
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 due to revert to 13.5% on 31 December 2013. The 9% VAT rate is being retained.	-€290m	-€350m
Increase in VAT Cash Accounting Threshold The annual VAT cash receipts basis threshold for small to medium businesses is being increased from €1.25 million to €2 million with effect from 1 May 2014. This change will assist such businesses in the critical area of cash-flow and reduce administration.	-€15m	Nil
Increase in the Farmer's Flat-Rate Addition from 4.8% to 5% The farmer's flat-rate addition will be increased from 4.8% to 5% with effect from 1 January 2014. The flat-rate scheme compensates unregistered farmers for VAT incurred on their farming inputs.	-€8m	-€10m

Stamp Duty **Exemption for transfers of shares listed on Enterprise Securities Market of Irish Stock Exchange** The Enterprise Securities Market (ESM) is the Irish Stock Exchange's market for growth companies. It has been specifically designed to meet the funding needs of companies at earlier stages in their development. Transfers of such shares will be exempt from Stamp Duty on share transfers (1% on other shares). This section is subject to a commencement order.	-	-€5m
Stamp Duty **Levy on Financial Institutions** The Government has decided that a specific contribution to the Exchequer is to be obtained from the financial sector for the period 2014 to 2016. The contribution will be related to the amount of tax paid on deposit interest by the institution in the calendar year 2011. Full details will be contained in the Finance Bill. **Pension Fund Levy** The 0.6% stamp duty levy on pension fund assets is to increase to 0.75% for the year 2014. The levy will be reduced to 0.15% for 2015.	+€150m €135m	+€150m €135m
TAX ON SAVINGS **Deposit Interest Retention Tax and Exit Taxes on Life Assurance Policies and Investment Funds** The rate of retention tax that applies to deposit interest, together with the rates of exit tax that apply to life assurance policies and investment funds, is being increased and will now be 41% whether payments are made annually or more frequently (previously 33%) or are made less frequently than annually (previously 36%). The increased rates will apply to payments, including deemed payments, made on or after 1 January 2014.	+€105m	+€140m