Summary of

2013 Budget Measures

Policy Changes

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Contents

Taxation Measures for Introduction in 2013

Measure	Yield/Cost 2013	Yield/Cost Full Year
INCOME TAX		
Maternity Benefit to be taxable for all claimants with effect from 1 July 2013.	+€15m	+€40m
Top Slicing Relief will no longer be available from 1 January 2013 on ex-gratia lump sums in respect of termination and severance payments where the non-statutory payment is €200,000 or over.	Nil	+€10m
UNIVERSAL SOCIAL CHARGE		
The standard rates of USC will apply to those aged 70 years of age and over and medical card holders (PAYE/self-employed income earners) earning €60,000 and above with effect from 1 January 2013.	+€25m	+€38m
PRSI		
Removal of weekly PRSI allowance from full rate and modified rate PRSI contributors.	+€265m	+€289m
Increase in the minimum annual PRSI contribution for self-employed earners from €253 to €500.	+€13m	+€18m
Abolition of PRSI block exemption on income from a trade or profession with effect from 1 January 2013 for modified rate contributors. Removal of remaining block exemption from 1 January 2014.	+€8m	+€32m
OTHER INCOME TAX		
Foreign Earnings Deduction Extension of the Foreign Earnings Deduction for employment related travel to certain African countries.	-€0.5m	-€0.5m
Charitable Donations Simplification of the scheme of tax relief available for donations to charitable and other approved bodies, including the introduction of a blended rate of relief of 31%. Details of the changes are contained in Annex E.	-	-

BIK on preferential loans Increase from 12.5% to 13.5% in the specified interest rate used in calculating the taxable benefit from preferential loans, other than home loans. The specified rate used to calculate the taxable benefit from home loans is decreased from 5.0% to 4.0%. Specified interest rates are reviewed annually in the light of current interest rates available in the market. Net yield estimate is tentative. **Employment and Investment Incentive (EII)** Extend the EII from 2014 to 2020 subject to State Aid clearance.	+€1m -	+€1m -€25m (from 2014)
RELIEFS AND EXEMPTIONS **Film Relief** Extend the Film Tax Relief Scheme to 2020. Reform the operation of the scheme, by moving to a tax credit model in 2016, so as to ensure better value for tax payers' money, remove individual investors from the scheme and enhance the scheme so as to make Ireland even more attractive for foreign film and TV productions. **Aviation Sector** An accelerated capital allowance scheme, over seven years in relation to construction of certain aviation-specific facilities, will operate for a period of 5 years from commencement of the scheme. Restrictions will be imposed on the sideways setting of unused capital allowances against other income and there will be no exemption from the current treatment of the termination of carry forward of certain losses, which apply to capital allowances remaining unused after the end of the tax life of the building, where the investor is in receipt of rental income from the facilities or is not an active partner or active trader.	- -	+€20m (from 2016) -
LOCAL PROPERTY TAX Collection of the Local Property Tax (LPT) will commence on 1 July 2013. The LPT will be administered by the Revenue Commissioners. A half-year of LPT will be payable in 2013 with a full year payable in subsequent years. The tax will be charged at 0.18% of market value up to €1 million. A rate of 0.25% will apply to any excess value over €1 million.	+€250m*	+€500m*

The 0.18% rate is fixed for the lifetime of the Government but a "local decision factor" allowing local authorities to vary the rate by up to +/- 15% will apply from 2015. The Household Charge will cease with effect from 1 January 2013. The Non-Principal Private Residence (NPPR) Charge will cease with effect from 1 January 2014. However, unpaid arrears together with any interest and penalties that have accrued will remain a charge on the property to which they relate. Full details of the rates are contained in Annex B. * *Net of assumed deferrals of 15%.*		
CAPITAL GAINS TAX The current rate of 30% is being increased to 33%. This increase applies in respect of disposals made after 5 December 2012.	+€50m	+€51m
Carried interest provisions Review of carried interest provisions in the tax code with the aim of appropriate reform to make arrangements work as intended. The purpose of any reform would be to help companies involved in innovation activities to access investment from venture capital funds.	-	-
Relief for Farm Restructuring To enable farm restructuring, relief will be available where the proceeds of a sale of farm land are reinvested for the same purpose. The sale and purchase of the farm land must occur within 24 months of each other and the initial sale or purchase transaction must occur within the period commencing 1 January 2013 and ending on 31 December 2015. The relief will also apply to farm land swaps subject to certification by Teagasc for all transactions seeking relief. The commencement of the relief is subject to receipt of EU State Aid approval.	-€3m	-€5m

EXCISE DUTIES		
Vehicle Registration Tax (VRT) Rates of VRT are being increased with effect from 1 January 2013. Details of the revised rates are contained in Annex C.	+€50m	+€50m
Motor Tax Motor Tax rates across all categories will increase with effect from 1 January 2013. Details of the revised rates are contained in Annex C.	+€100m	+€100m
Alcohol Products Tax The excise duty on a pint of beer or cider, and a standard measure of spirits is being increased by 10c (including VAT); the duty on a 75cl bottle of wine is being increased by €1 (including VAT), with pro-rata increases on other products. These increases will take effect from midnight on 5 December 2012.	+€180m	+€180m
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 5 December 2012. The excise duty on roll-your-own tobacco is also being increased by 50c per 25g pouch with effect from midnight on 5 December 2012.	+€25m	+€25m
Carbon Tax The carbon tax will be extended to solid fuels on a phased basis. A rate of €10 per tonne will be applied with effect from 1 May 2013 and at a rate of €20 per tonne from 1 May 2014.	+€6m	+€22m
Auto-diesel excise duty relief for licensed road hauliers A relief from excise duty on auto-diesel for licensed road hauliers will be introduced from 1 July 2013. Under State Aid rules Ireland must inform the EU Commission.	-€35m	-€70m
CORPORATION TAX		
3 Year Relief for Start-up Companies This scheme provides relief from corporation tax on trading income (and certain capital gains) for new start-up companies in the first 3 years of trading. This relief is being extended to allow any unused relief arising in the first 3 years of trading due to insufficiency of	Nil	-€10m

profits to be carried forward for use in subsequent years. This is subject to the maximum amount of relief in any one year not exceeding the eligible amount of Employers' PRSI in that year.		
R&D Tax Credit The R&D Tax Credit regime provides for a 25% tax credit for incremental expenditure on certain research and development (R&D) activities over such expenditure in a base year (2003). 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 threshold. The amount of expenditure so allowed on a volume basis is being increased to €200,000. The R&D Tax Credit regime will be reviewed in 2013.	-€4m	-€4m
Amend the Close Company Surcharge The *de minimis* amount of undistributed investment and rental income which may be retained by a close company without giving rise to a surcharge on such income is being increased from €635 to €2,000. A similar increase is being made in respect of the surcharge on undistributed trading or professional income of certain service companies. This measure will assist cash-flow of companies by increasing the amount of income which a company can retain for use as working capital without giving rise to the surcharge.	-€1m	-€1m
REAL ESTATE INVESTMENT TRUSTS (REITs)		
An established, internationally recognised model for property investment – Real Estate Investment Trust (REIT) - is to be introduced. REITs are listed companies, used to hold rental property, which provide a return for investors similar to that of direct investment in property. Qualifying income and gains of a REIT will be exempt from corporation tax at the level of the REIT company. Instead, the REIT is required to distribute profits annually, for taxation at investor level. Full details of the measure will be contained in the Finance Bill and will include features to maintain taxing rights in the State over Irish immoveable property. The cost of this measure will be dependant on investor take-up of the REIT model.	-€2m	-€14m

VAT **Increase in VAT Cash Accounting Threshold** The annual VAT cash receipts basis threshold for small and medium enterprises is being increased from €1 million to €1.25 million with effect from 1 May 2013. This change will assist such businesses in the critical area of cash-flow and reduce administration. **Reduction in the Farmer's Flat-Rate Addition from 5.2% to 4.8%** The farmer's flat-rate addition will be reduced from 5.2% to 4.8% with effect from 1 January 2013. The flat-rate scheme compensates unregistered farmers for VAT incurred on their farming inputs. The flat-rate addition is reviewed annually in accordance with the EU VAT Directive. The new 4.8% rate continues to achieve full compensation for farmers.	 -€20m +€18m	 Nil +€21m
SUPPLEMENTARY PENSIONS **Pre-retirement access to funded Additional Voluntary Contributions** Individuals will be allowed a once-off option to withdraw up to 30% of the value of funded Additional Voluntary Contributions made to supplement retirement benefits. Withdrawals will be liable to tax at an individual's marginal rate. The option to withdraw will be available for 3 years from the passing of Finance Bill 2013. * Assume €200m in total over 3 years. **Changes to the maximum allowable pension fund** Changes will be put in place in 2014 to the maximum allowable pension fund at retirement for tax purposes (the Standard Fund Threshold). Other possible changes will also be made to give effect to the commitment in the Programme for Government to cap taxpayers' subsidies for pension schemes which deliver pension income of more than €60,000. The estimated full year savings are provisional at this time as further detailed analysis of the necessary changes and their impact will be required.	 +€100m* -	 -* +€250m

CAPITAL ACQUISITIONS TAX The current rate of 30% is being increased to 33%. This increase applies in respect of gifts or inheritances received after 5 December 2012. The current group tax free thresholds are being reduced by 10%. This reduction applies in respect of gifts or inheritances taken after 5 December 2012.	 +€20m +€10m	 +€27m +€15m
FARMER TAXATION **Stock Relief** Extend the general rate of stock relief of 25% for a further three years to 2015. **Young Trained Farmers stock relief** Extend the YTF rate of stock relief of 100% for a further three years to 2015. Subject to EU State Aid clearance. **Stock relief for registered farm partnerships** Extend definition of registered farm partnership to include other registered partnerships such as beef production partnerships for the purposes of the 50% rate of stock relief. Subject to EU State Aid clearance.	 - - -	 - - -
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, are being increased by 3 percentage points and will now be 33% for payments made annually or more frequently and 36% for payments made less frequently than annually. The increased rates will apply to payments, including deemed payments, made on or after 1 January 2013.	 +€50m	 +€64m
AGREEMENT BETWEEN IRELAND AND THE UNITED STATES OF AMERICA TO IMPROVE INTERNATIONAL TAX COMPLIANCE AND IMPLEMENT FATCA (FOREIGN ACCOUNT TAX COMPLIANCE ACT) Ireland has become one of the first countries to conclude an Intergovernmental Agreement with the United States to improve international tax compliance and implement FATCA. The Agreement provides for automatic reporting	 Nil	 Nil

and exchange of information between the Irish and U.S. tax authorities in relation to financial accounts held in Irish Financial Institutions by U.S. persons, and the reciprocal exchange of information regarding U.S. financial accounts held by Irish residents. This Agreement will assist in combating international tax evasion. The early conclusion of the Agreement will provide certainty and clarity to Irish financial institutions and assist them in preparing to meet their compliance obligations. It is intended that accompanying legislation will be published in the Finance Bill.		