

## Welcome to the Winter 2013 edition of our newsletter.

As always this newsletter is designed to keep you informed. We hope you enjoy reading the newsletter remember, we are here to help you so please contact us if you need further information on any of the topics covered or indeed to discuss issues that might concern you. In this issue we have tried to cover briefly topical items that were introduced in the 2014 budget. As usual most of this newsletter is about tax. The topics below are just touched on if you require further information on these do not hesitate to contact us. 2013 has been another difficult economic year for Ireland, there seems to be some signs of recovery. Finally we would like to thank all our clients and business partners for their support over the year and wish you all a very happy Christmas and a prosperous New Year.

## Key Measures

A construction stimulus was introduced in the budget through the Home Renovation Incentive and extension of the Living City initiative. The Home Renovation Incentive is a relief of 13.5% of qualifying expenditure with registered building contractors. Relief will be split over two years following the year in which the works are carried out and applies to expenditure in the €5,000 to €30,000 range.

The rate of Capital Gains Tax (CGT) has been retained at 33%, and around €20m is projected as the cost of an entrepreneurial CGT relief on gains from investments in the period from 1 January 2014 to 31 December 2018. Whether this relief goes far enough is questionable, and there is a strong argument that a reduction in the CGT rate for entrepreneurial disposals would have had a greater impact.

Enhancements to the R&D tax credit regime, with SMEs expected to benefit from the increase in the amount of eligible expenditure qualifying for the credit on a full-volume basis from €200,000 to €300,000.

The removal of Employment and Investment Incentive relief from the Higher Earners' Restriction rules for a three-year period, making an attractive relief more accessible to investors and increasing available funds to investee companies.

There will be an increase in the annual cash receipts threshold for VAT from €1.25m to €2m with effect from 1 May 2014.

## Reminder:

Under the Revenue Commissioners' "Small Benefit Exemption" scheme, employers can provide employees with a non cash benefit up to the value of €250 once every Tax year for example a €250 gift voucher. This is exempt from Income Tax, Universal Social Charge (USC) and employee & employer's PRSI.

## Personal Tax Measures

While PAYE/PRSI rates and bands were untouched, a number of budget measures will reduce individuals' spending power. So while people would look at the personal band and credits and think that there is no change, there are a list of measures that could affect your personal tax when you look at the finer details of the budget. A lot of this pain will not be noticeable until people go about their 2014 business.

- In order to limit tax relief for contributions which yield a pension of no more than €60,000 per annum, a new €2m (down from €2.3m) pension fund limit has been introduced.
- The application of PRSI to unearned income (e.g. interest or rents) and the confirmed expiration of the reduced rate of employer's PRSI from 4.25% to 8.5% on earnings up to €356 per week.
- Restriction of tax relief for medical insurance premiums to the first €1,000 for adults and €500 for children.
- Removal of top slicing relief, which had reduced the tax on termination payments from the marginal rate to the individual's average rate for the previous three years.
- Also don't forget and how could you at this stage that the full years local property tax (LPT) will be due for 2014.
- There is also a change to the operating of the one parent tax credit system. A tax increase for a non-principal carer previously claiming the one-parent family tax credit. This will be as much as €2,490 per annum after the reduction in the standard rate cut-off point (from €36,800 to €32,800) is taken into account.

### Some measures that were introduced which might reduce tax bills and encourage investment:

- The removal of the Employment and Investment Incentive (EII) relief from the High Earners' Restriction (HER) for a period of three years.
- A two-year 'tax holiday' for the long term unemployed who set up in business. The budget provides for a deduction against income of a new business up to a maximum of €40,000 per annum will be provided for individuals who set up a qualifying, unincorporated business between 1 January 2014 and 31st December 2016. USC and PRSI are not covered by the relief.
- To encourage start ups, the Minister introduced a Capital Gains Tax relief for entrepreneurs who build and sell two successful businesses.

## VAT

### The main points in relation to VAT are:

- The reduced VAT rate of 9%, which was due to expire on 31 December 2013, has been retained indefinitely. The rate principally applies to supplies to the tourism and hospitality sector.
- A new measure is to be introduced requiring that VAT reclaimed by a customer on an invoice will be repayable to Revenue if the invoice remains unpaid more than six months after the VAT reclaim. This measure is due to take effect in respect of VAT reclaimed from 1 January 2014 onwards. Consequently, potential claw-backs of VAT on outstanding invoices could arise from the July/August 2014 VAT period onwards.
- There will be an increase in the annual turnover threshold for businesses to qualify for the cash receipts basis of accounting for VAT. With effect from 1 May 2014, businesses with an annual turnover from VAT taxable supplies of less than €2 million may apply for the cash receipts basis. The current threshold is €1.25 million.

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*Merry Christmas & a  
Happy New Year from all at*

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