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BUDGET 2013

HIGHLIGHTS

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PERSONAL TAX

INCOME TAX

- There were no changes to the Income Tax rates.
- The exemption limits, tax credits and standard rate bands applicable for the tax year 2013 are set out in detail on the back page. There are no changes from the previous year.

UNIVERSAL SOCIAL CHARGE

- The only change to USC is that the reduced rate of USC for those over 70 years of age with an income in excess of €60,000 will be discontinued from 1 January 2013 and the standard rates of USC will apply (as detailed on the back page).

MORTGAGE INTEREST RELIEF

- Enhanced mortgage interest relief introduced in last year's budget will end on 31 December 2012. Thereafter anyone who purchases a new residential property will no longer qualify for mortgage interest relief.

PENSION CHANGES

- From 1 January 2014 tax relief on pension contributions will be allowable where the pension schemes will deliver income up to €60,000 per annum.
- Tax relief on pension contributions will continue at the marginal rate of tax.
- The levy on pension funds announced as part of the Jobs Initiative Scheme will not be renewed after 31 December 2014.
- An individual will now be allowed a once-off option to withdraw up to 30% of the value of additional voluntary contributions (AVCs) pre-retirement. Withdrawals will be liable to tax at the individual's marginal rate. This option will be available for 3 years from the passing of the Finance Bill 2013.

TERMINATION PAYMENTS

- 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.

BIK AND PREFERENTIAL LOANS

- From 1 January 2013 the specified interest rate used in calculating the taxable benefit for preferential loans will increase from 12.5% to 13.5%.
- The specified rate used to calculate the taxable benefit from home loans will decrease from 5% to 4%.

DIRT

- The rate of retention tax that applies to deposit interest is being increased from 30% to 33%.
- The rate of tax that applies to life assurance policies and investment fund payments made less frequently than annually is also being increased by 3% from 33% to 36%.
- The increased rates will apply to payments made on or after 1 January 2013.

MATERNITY BENEFIT

- Maternity benefit will be taxable for all claimants with effect from 1 July 2013. This benefit is not liable to USC.

FILM RELIEF

- The film tax relief scheme is to be extended to 2020.

BUSINESS TAX

CORPORATION TAX RATE

- The Minister reiterated in his Budget speech that the 12.5% Corporation Tax rate will remain in place indefinitely.

TAX EXEMPTION FOR START-UP COMPANIES

- The 3 year tax exemption for start-up companies is being extended to allow any unused relief arising in the first 3 years of trading to be carried forward.
- This is subject to the maximum amount of relief in any one year not exceeding the eligible amount of employer's PRSI in that year.

RESEARCH AND DEVELOPMENT TAX CREDIT

- The expenditure allowed on a volume basis for the purpose of the 25% R&D tax credit is being increased from €100,000 to €200,000.
- The R&D tax credit regime will be reviewed in 2013.

CLOSE COMPANY SURCHARGE

- The de minimis amount of undistributed investment, rental and professional 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.

VAT

- The annual VAT cash receipts basis threshold for small and medium enterprises is being increased from €1m to €1.25m with effect from 1 May 2013.

EXCISE DUTY RELIEF FOR HAULIERS

- A rebate of excise duty on auto-diesel for licensed road hauliers will be introduced from 1 July 2013.
- This initiative will be strictly policed to ensure the beneficiaries are fully tax compliant.

FOREIGN EARNINGS DEDUCTION

- Foreign earnings deduction is to be extended for work related travel to certain countries beyond the BRICs which support exports.

EMPLOYMENT AND INVESTMENT INCENTIVE SCHEME (EIIS)

- There is to be an extension of the EIIS from 2014 to 2020.

AVIATION SECTOR

- An accelerated capital allowance scheme over 7 years in relation to the construction of certain aviation-specific facilities will operate for a period of 5 years.

CAPITAL TAXES

CAPITAL GAINS TAX

- The rate of Capital Gains Tax is increased to 33% from 30% in respect of disposals made after 5 December 2012.

CAPITAL ACQUISITIONS TAX

- The rate of Capital Acquisitions Tax is increased to 33% from 30% in respect of gifts and inheritances made after 5 December 2012.
- The new thresholds are set out hereunder:

GROUP	POST	UP TO
	5 DECEMBER	5 DECEMBER
	2012 €	2012 €
A-Parent to child	225,000	250,000
B-Between related persons	29,887	33,208
C-Between non-related persons	14,944	16,604

PROPERTY TAX

LOCAL PROPERTY TAX (LPT)

- A new Local Property Tax will commence on 1 July 2013.
- LPT will be administered by the Revenue Commissioners.
- The tax will be charged at 0.18% of market value up to €1m.
- A rate of 0.25% will apply to any excess in value over €1m.
- Only a half year will be charged for 2013.
- There will be a system of taxable bands in increments of €50,000 for properties valued less than €1m.
- LPT will be calculated by applying the tax rate to the mid-point of the band.
- Properties valued over €1m will be assessed at the actual value (no banding will apply), i.e. 0.18% on the first €1m in value and 0.25% on the excess.
- Owners of residential properties including rental properties will be responsible for payment of the tax.
- The initial valuation will be valid up to and including 2016.
- Certain properties will be exempt from LPT. These exemptions largely correspond to exemptions from the Household Charge.
- Where LPT remains outstanding, a charge will attach to that property.
- In the case of the self-employed, the Revenue Commissioners will not issue a tax clearance certificate where there is unpaid LPT. In addition, non-compliance will be linked to the filing of an Income Tax return, thus exposing a self-employed taxpayer to an Income Tax surcharge.

HOUSEHOLD CHARGE / NON - PRINCIPAL PRIVATE RESIDENCE CHARGE (NPPR)

- The Household Charge will cease with effect from 1 January 2013.
- In relation to the Household Charge, any arrears that are not discharged before 1 July 2013 will be increased to €200 and will be collected through the LPT system.
- The NPPR charge will cease with effect from 1 January 2014. However, unpaid arrears together with any interest and penalties will remain a charge on the property.

REAL ESTATE INVESTMENT TRUST (REIT)

- A REIT is an established internationally recognised model for property investment which is to be introduced in order to allow investors to access property investment in a risk diversified manner. Qualifying income and gains in a REIT will be exempt from Corporation Tax at the level of the REIT company. The REIT is required to distribute profits annually for taxation at investor level.

FARMER TAXATION

STOCK RELIEF

- Stock relief of 25% has been extended for a further 3 years to 2015.
- The Young Trained Farmer stock relief of 100% is also extended for a further 3 years to 2015.
- There is an extension to the definition of registered farm partnerships to include other registered farm partnerships such as beef production partnerships for the purpose of the 50% rate of stock relief.

RELIEF FOR FARM RESTRUCTURING

- To enable farm restructuring, relief from Capital Gains Tax will be available where the proceeds of the sale of farm land are re-invested for the same purpose.
- The initial sale or purchase transaction must occur within the period commencing 1 January 2013 and ending on 31 December 2015. The sale and purchase of the farm land must occur within 24 months of each other.

REDUCTION IN THE FARMERS' FLAT RATE

- The farmers' flat rate addition will be reduced from 5.2% to 4.8% with effect from 1 January 2013.

MISCELLANEOUS

CHARITABLE DONATIONS

- A simplification of the scheme of tax relief for donations to charitable and other approved bodies is being introduced to give a blended rate of relief of 31%.

EXCISE DUTIES

- No increase on excise duty on diesel and petrol.
- Excise duty on a packet of cigarettes is increasing by 10 cent.
- Excise duty on a pint of beer or cider and a standard measure of spirits is being increased by 10 cent.
- Excise duty on a 75cl bottle of wine is being increased by €1 with pro-rata increases on other products.
- These increases will take effect from midnight on 5 December 2012.

MOTOR

- Motor tax rates and VRT will increase with effect from 1 January 2013.

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 a rate of €20 per tonne from 1 May 2014.

As this release is intended as a general guide to the subject matter, it should not be used as a basis for decisions.

For this purpose advice should be obtained which takes into account all the client's circumstances.

Every effort has been made to ensure the accuracy of the information in the release.

In view of its purpose the reader will appreciate that we are unable to accept liability for any errors or omissions which may arise.

PERSONAL TAX FACTS

TAX CREDITS FOR TAX YEAR 2013

	2013	2012		2013	2012
	€	€		€	€
PERSONAL					
Single	1,650	1,650	INCAPACITATED CHILD	3,300	3,300
Married	3,300	3,300	DEPENDANT RELATIVE	70	70
Widowed Person	2,190	2,190	BLIND PERSON		
Lone Parent	3,300	3,300	Single / Married	1,650	1,650
PAYE	1,650	1,650	Married (both blind)	3,300	3,300
WIDOWED PARENT BEREAVEMENT			AGE CREDIT		
Tax Credit year 1	3,600	3,600	Single / Widowed	245	245
- Tapering to year 5	1,800	1,800	Married	490	490

INCOME TAX RATES

SINGLE PERSONS 2013	MARRIED PERSONS 2013 (Two Incomes)
20% First €32,800	20% First €65,600*
41% Balance	41% Balance
LONE PARENT	(One Income)
20% First €36,800	20% First €41,800
41% Balance	41% Balance

*Transferable between spouses up to a maximum of €41,800 for any one spouse

INCOME EXEMPTION LIMITS

	2013	2012
	€	€
Single or Widowed 65 years or over	18,000	18,000
Married Couples 65 years or over	36,000	36,000

UNIVERSAL SOCIAL CHARGE

EMPLOYEES & SELF-EMPLOYED

2013	2012
0.00% on total earnings <€10,036	0.00% on total earnings <€10,036
2.00% on €0 to €10,036	2.00% on €0 to €10,036
4.00% on €10,037 to €16,016	4.00% on €10,037 to €16,016
7.00% on excess over €16,016	7.00% on excess over €16,016

PRSI

EMPLOYER	2013	2012
Contribution for Class A		
PRSI	10.05%	10.05%
Training Levy	0.70%	0.70%
TOTAL FOR EMPLOYER	10.75% on all income	10.75% on all income
	****4.25% on earnings less than €357 p.w.	****4.25% on earnings less than €357 p.w.
EMPLOYEE		
PRSI	**4.00% on all income	*/**4.00% on all income
SELF-EMPLOYED / DIRECTORS CONTRIBUTIONS		
PRSI	***4.00% on all income	***4.00% on all income

*First €127 p.w. exempt from PRSI. Abolished from 01 January 2013

**Not applicable if earnings less than €18,300 p.a. (€352 p.w.)

***4% subject to minimum payment of €500 (€253 in 2012)

**** 4.25% applicable until 31 December 2013.