



Budget 2014

– Summary of some of the main measures

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Income Tax Rates, Bands and Credits

There has been **no change** to the main income tax rates, tax bands or tax credits in this budget.

Standard Rate Bands

The Standard tax rate remains at 20% with the higher rate also unchanged at 41%

	At 20% Rate – the first	At 41%
Single/Widowed	€32,800	Balance
Married One Income	€41,800	Balance
Married Two Incomes	€65,600	Balance
- <i>Max Transferable between spouses</i>	€41,800	
One Parent / Widowed Parent	€36,800	Balance

Selected Tax Credits for 2014

	€
Personal Tax Credits	
- Single	1650
- Married	3300
Single Person Child Carer Tax Credit *	1650
PAYE credit	1650
Home Carer Tax Credit	810
Dependent Relative Tax Credit	70
Age Credit	
- Single	245
- Married	490

* The Single Person Child Carer Tax Credit replaces the One Parent Family Tax Credit from 1st Jan 2014. This new credit is the same value but will only be available to the main carer of the child

Tax Credits are applied as a straight deduction from an individual's income tax as calculated by applying the two tax rates and using the bands outlined above.

Age Exemption Limits

There are income thresholds set for people aged **above 65 years** and below which they can earn income and pay no income tax. These thresholds remain unchanged.

	2014 Limit
Single	€18,000
Married	€36,000

PRSI

Farmers pay the self-employed rate of PRSI known as Class S PRSI. This is applied to all income and there is only one rate so no bands apply.

The Class S rate remains unchanged at **4%**.

'Reckonable income' for the purposes of PRSI is profit after capital allowances but before reliefs and deductions

Universal Social Charge

The lower exemption threshold above which income becomes liable to the USC is **€10,036**. So where an individual earns below this amount no USC applies. Where the income exceeds €10,036 then the rates apply as in the table below.

Income	2014 USC Rates
€0 - €10,036	2%
€10,037 - €16,016	4%
> €16,016	7%*

* The maximum USC rate paid is 4%, for individuals above 70 years, whose aggregate income (not including Dept. of Social protection payments) is €60,000 or less.

Self-employed individuals with annual income exceeding €100,000 are subject to a 3% additional surcharge.

The Universal Social Charge is payable on gross income after relief for certain trading losses and capital allowances, but before relief for pension contributions.

Tax Relief on Health Insurance Premiums

From 16th October 2013, the tax relief at 20% for annual health insurance premia will be restricted to the first €1,000 per adult insured and the first €500 per child insured. No tax relief will be available on the excess above these amounts.

This tax relief is already factored into the premium charged by the health insurer.

The marginal rate of tax for employed / self-employed individuals (**under 70 years**) with a maximum income **below €100,000** remains unchanged as follows:

	<u>Self-Employed</u>	<u>Employed</u>
Income Tax	41%	41%
PRSI	4%	4%
Universal Social Charge	7%	7%
Total	52%	52%

Value Added Tax (VAT)

The standard rate of VAT remains at **23%**. The **13.5%** rate also remains unchanged
The **9%** reduced rate for tourism related services is to be maintained

The **flat rate farmer rate** is to increase to **5%** from 1st January 2014.
(increased from 4.8% in 2013).

DIRT

The rate of DIRT charged on ordinary deposit interest is to increase to **41%** (up from 33% in 2013). These DIRT increases come into effect on interest received on or after **1st January 2014**

The rate of exit tax applicable to life assurance policies and investment funds will also increase to 41% on the same basis.

Stamp Duty

Rates remain unchanged

Non Residential rates

<u>Consideration</u>	<u>Rate of Duty</u>
Entire Consideration	2%

Residential rates

<u>Consideration</u>	<u>Rate of Duty</u>
Up to €1,000,000	1%
Over €1,000,000	2%

Consanguinity relief for Stamp Duty (non-residential property)

This relief which gives a 50% deduction on the rate applying to transfers between related persons.(i.e. blood relations including lineal descendant, parent, grandparent, step parent, husband or wife, brother or sister of a parent or brother or sister, or lineal descendant of a parent, husband or wife or brother or sister & foster children)

This relief will still continue to apply to transfers of non-residential property, such as land, up to the end of 2014. This reduces the rate from 2% to 1%.

This relief will then be abolished from 1st January 2015.

This relief was abolished in Budget 2011 for transfers of **residential** property.

Young Trained Farmer Relief from Stamp Duty

The range of qualifications required to become eligible for young trained farmers relief will be extended to include three additional qualifying courses. This will apply for the stamp duty relief for the purchase of agricultural properties as well as the enhanced 100% stock relief for young trained farmers.

Capital Acquisitions Tax (CAT)

The rate of CAT is unchanged at **33%**

There was also no change made to the CAT thresholds

	Group	2014 Threshold
A	Son/ Daughter, minor child of deceased child	€225,000
B	Lineal Ancestor/ Descendent, brother sister, niece, nephew	€30,150
C	Any other person	€15,075

There was no change to the conditions or operation of Agricultural Relief.

Capital Gains Tax (CGT)

The rate of CGT is unchanged at **33%**

Capital Gains Tax Retirement Relief

- **CGT Retirement Relief on disposals of previously leased land to non-child recipients**

The provision to allow CGT retirement relief on disposals of land that was previously leased (for a period of at least 5 years) that was available where the final disposal was to a child of the land owner is now being extended to cases where the disposal is to a person other than a child of the land owner.

This measure attempts to remove the potential CGT disincentive that prevented land-owners considering long term leasing of land if their long term plan was to sell the land or transfer to a person other than their child.

- **CGT Retirement Relief Ceilings –becoming effective from 1st January 2014**

Transfers to children

With effect from the above date an upper limit of **€3 million** will be imposed on the value of the assets eligible for the relief where the **transfer is to a child** and where the transferring individual is **aged over 66 years**.

If the transfer takes place before 31st December 2013 then there will be no disposal proceeds limit imposed on eligibility for retirement relief.

Where the individual is aged between 55 & 65 years and is transferring the asset after 01/01/2014 and then no limit will apply on the relief.

Transfers to persons other than children of the disponent

With effect from the above date an upper limit of **€500,000** will be imposed on the value of the assets eligible for the relief where the transfer is **to a person other than a child of the disponent** and where the transferring individual is **aged over 66 years**.

If the transfer takes place before 31st December 2013 then the current €750,000 disposal proceeds limit will apply.

Where the individual is aged between 55 & 65 years and is transferring the asset after 01/01/2014 and then the €750,000 limit will apply on the relief.

Farmers thinking of transferring their farm assets should take note of these changes in retirement relief which come into effect on 1st January 2014.

- **CGT relief for newly purchased property**

This relief was introduced in Budget 2012 and caters for properties bought between 6th December 2011 and the 7th December 2013. The purchase period is now being extended up to 31st December 2014. Under the conditions of this relief where

a property is purchased and held for more than 7 years then any capital gain that accrues in that seven year period will not be subject to CGT on its disposal.

- **CGT Relief for re-investment of previous asset disposals in productive assets**

The measure applies where an individual makes an investment in assets for use in a new productive trading activity 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

- the CGT paid by the individual on a previous disposal in the period from 1 January 2010 and
- 50% of the CGT due on the disposal of the new investment.

Social Welfare Changes

Child Benefit Rates (€/ Child)

	2014 Rates (€/ month)	2013 Rates (€/ month)
1 st , 2 nd & 3 rd Child	€130	€130
4 th & subsequent child	€130	€140

These new rates come into effect from 1st January 2014.

The intention to have a single rate of €130/ child was announced in last year's budget.

Farm Assist

The payment rate for farm assist will remain unchanged as per table below.

Selected Social Welfare Rates

No change in the following social welfare payment rates

	<u>From January 2014</u>	<u>2013</u>
State Pension (Contributory)	€230.30	€230.30
State Pension (Non-Contributory)	€219	€219
Jobseekers Allowance	€188	€188
Farm Assist	€188	€188

Summary of other Social Welfare changes

- Jobseekers Allowance rates for those claimants without children

Age of Claimant	Rate of payment (€ per week)
18 – 24 years	€100
25	€144
26 +	€188

- The Telephone allowance of €9.50 / household / month will be discontinued from 1st January 2014
- The Bereavement Grant of €850 will be discontinued from January 2014.

Pension Changes

The tax relief on pension contributions has been maintained at the marginal rate of tax for those paying into pension schemes.

As announced in last year's budget the tax relief on these pension contributions will only apply to those pension schemes delivering income of **up to** €60,000 per annum with effect from 1 January 2014.

The stamp duty levy on pension funds is to be increased from 0.6% to 0.75% for 2014.

The levy will be reduced to 0.15% for 2015.

Specific Measures Relating to Agriculture

- **Review of Farmers Taxation** - The Departments of Finance and the Department of Agriculture, Forestry and the Marine will conduct an independent review of farmer taxation in 2014 to ensure that tax reliefs are focused on those areas where they are needed most and also to ensure tax payer value for money
- **New Beef Genomics Scheme** – funding of €23 million.
Will provide suckler farmers with a payment of €40 per calf in return for which the farmer will be required to take samples from stock bulls and a selection of suckler cows for genotyping.
- **Beef Technology Adoption Programme (BTAP)** - funding allocation of €5 million

- **Beef Data Programme** – continued for 2014 with a funding allocation of €10 million
- **Targeted Agriculture Measures (TAMS)** - funding of €15 million
- **Grassland Sheep Scheme** – funding of €15 million
- **Sheep Technology Adoption Programme (STAP)** – funding of €3 million
- **Disadvantaged Area Scheme** – funding of €195 million to maintain current level of payments
- **Forestry** – Establishment grants, forestry premia and forest support schemes to be maintained
- **Organic Sector Funding** - Funding of €1.84 million has been provided specifically for the support and development of the organic sector in 2014. This funding has been maintained at the same level as 2013.
- **Horticulture Sector Funding** – Fund of €4.2 million to support capital investment in horticulture provided. 2014 Scheme to be launched within the next month

Note

There may be changes or additions to some of these measures in the Finance Bill which is expected to be published in December.

References

Department of Finance Budget Section - <http://budget.gov.ie/Budgets/2014/2014.aspx>

Revenue Budget Information - <http://www.revenue.ie/en/press/budget/index.html>

Department of Social Protection -

<http://www.welfare.ie/EN/Topics/Budget/Bud12/Pages/Bud12Index.aspx>

Department of Agriculture, Food & the Marine -

<http://www.agriculture.gov.ie/press/pressreleases/2011/december/title,60013,en.html>