

Impact of Budget 2014 for Business



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Budget 2014 – Status Quo

No change to IT or USC

No increase in CGT or CAT

No increase in CT

No VAT increases

No increase in excise duty on petrol, diesel or home heating oil or gas

Tax relief at marginal rate on pension contributions

Budget 2014 – FDI

What the Minister said on FDI.

Three key elements to corporate tax strategy

Rate, reputation and regime

Rate is settled policy – 100% committed to 12.5% rate. “This will not change”

Reputation “Ireland wants to be part of the solution to this global tax challenge, not part of the problem”

Published international tax strategy statement

Finance Bill will include a change to our company residence rules aimed at eliminating mismatches

Re mobile FDI, want to play fair and play to win

Regime must remain competitive



Budget 2014 – Impact on Business

What the Minister said on the focus of the budget

“Creating jobs is the primary objective and today I am introducing a [sic] 25 pro-business and pro-jobs measures. The total cost of the tax elements is in excess of €500 million in a full year. This very significant investment is designed to help businesses in key sectors achieve their full growth potential and create jobs”



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Budget 2014 – Incentives

Retention of 9% VAT rate	€350 million
Home Renovation Incentive	€62 million
SYOB	€1m
Film Relief	€15m
Living City Initiative	€20m
CGT Entrepreneurial Relief	€20m (by 2018)
R&D changes	€5m
ESM stamp duty exemption	€5m
Airport travel tax	€36m
Farmers Flat rate change	<u>€10m</u>

Budget 2014 – Revenue Measures

One parent family tax credit	€25m
Tax relief for medical insurance premiums	€127m
Top Slicing Relief	€22m
Excise Duties	€180m
Stamp duty levy on banks	€150m
Increase in pension levy	€135m
DIRT increase	€140m

Budget 2014 – Pro employment

- Focus on employment
- Pro-jobs tax measures
- Sector driven
 - Tourism
 - Agri-food and fisheries
 - Property/construction
 - FDI
 - Entrepreneurship, innovation and investment
 - Banking and credit

Tourism and Hospitality Sector

1. VAT – Retention of 9% VAT rate

- Target:** To support and encourage growth in small businesses in the tourism sector.

2. Reduction of Air Travel Tax to 0%

- The rate of the Air Travel Tax will be reduced to 0% from 1 April 2014. The Air Travel Tax was introduced in March 2011 and since then a general rate of €3 has applied.

- Target:** To encourage the development of new routes leading to increased capacity and traffic flows.

Construction and Building Sector

- 1. Extension of the Living City Initiative - Gerard**
- 2. Home Renovation Incentive - Gerard**
- 3. Extension of CGT Relief for Property - Gerard**

Budget and Finance Act 2012 introduced a CGT incentive for property purchased in the period up to 7 December 2013. This purchase period is now being extended to 31 December 2014. Properties purchased in this extended period and which are held for a minimum of 7 years will not attract CGT on any gains if disposed of at that point. Proportionate treatment as well.

Construction and Building Sector

- €30m to be allocated to the State's house building programme which will deliver 500 houses, including new builds and the upgrade of previously uninhabitable units.
- Further €10m to be allocated for unfinished estates
- €10m allocated to resolve problems at Priory Hall

Farming/Agriculture and Food Sector

- 1. VAT – Increase in Farmers flat rate addition from 4.8% to 5%**
- 2. Review of Farmers Taxation** to target farming tax reliefs at the areas where they will have the most benefit.
- 3. Capital Gains Tax Retirement Relief**

CGT retirement relief extended to disposals of leased farmland in circumstances where, among other conditions, the land is leased over the long-term (a minimum lease of 5 years) and the subsequent disposal of the farmland is to a person other than a child of the individual disposing of the land.

Target: To encourage older farmers who have no children to transfer their farm to, to lease out their farmland over the long term to younger farmers.

Promoting Entrepreneurship

1. Capital Gains Tax Relief for re-investment of previous asset disposals in productive assets

- 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.
- **Target:** To encourage individuals to re-invest the proceeds of a previous asset disposal into new productive trading or a new company.

Promoting Entrepreneurship

2. Start Your Own Business (SYOB)

- A two year exemption from income tax up to a maximum of €40,000 per annum is being provided for individuals who have been unemployed for at least 15 months prior to starting their own unincorporated business.
- **Target:** To encourage individuals to move from unemployment to self-employment.

Stimulating Investment

1. Removal of Employment and Investment Incentive from High Earner's Restriction

- The initial 30% relief available for investments under EIS is being removed from the high earners restriction for a period of 3 years. The EIS provides that a maximum of €150,000 can be invested by an individual per annum.
- Will apply to share subscriptions made on or after 16 October 2013 and on or before 31 December 2016.
- Target:** To increase investment in Irish SMEs that are focused on job creation and expansion.

Stimulating Investment

2. Enterprise Securities Market – Transfers exempt from Stamp Duty

- Target:** To encourage more investors to back SMEs.

3. Inclusion of Real Estate Investment Trusts (REITs) as an investment option in the Immigrant Investor Programme

- Target:** To encourage investment in REITs.

Encouraging Innovation

1. Research and Development Tax Credit - Outsourcing

- The limits on the amount of expenditure on R&D outsourced to third parties which can qualify for the R&D Tax Credit is being increased from 10% to 15%.
- Target:** To assist small companies in performing R&D, and support the outsourcing of discrete R&D tasks to smaller businesses.

2. Research and Development Tax Credit – Base Year

- Intended ultimately that the base year will be phased out. In interim, the amount of allowable expenditure eligible on a full volume basis (without reference to the 2003 base year) is being increased from €200,000 to €300,000.

Encouraging Innovation

3. Research and Development Tax Credit – Key Employee

- The key employee provision is in place in order to assist companies to attract key talent, by allowing the company to transfer the tax-free benefit of the R&D tax credit to employees who meet certain conditions. Some minor changes to be made to this element of the tax credit to remove some barriers to take-up that were identified in the review of the R&D Tax Credit which took place this year.
- Target:** To help R&D performing companies to attract key talent.

Film Industry

Improve the new Film Relief to include non-EU talent

- The definition of ‘eligible individual’ is being extended to include non-EU talent, in conjunction with the introduction of a withholding tax.
- Target:** To attract major film productions and high-end television shows to Ireland by improving Ireland’s attractiveness to international movie stars.

Helping cash flow

VAT – Increase cash receipts basis to €2m

- The annual VAT cash receipts basis threshold for small to medium businesses is being increased from €1.25m to €2m with effect from 1 May 2014

- Target:** To assist small to medium businesses in the critical area of cash-flow and to reduce administration

Financing Growth

1. Trade Finance

- The Trade Finance Initiative would involve a tailored measure to support the growth of the export sector in Ireland. Discussions taking place with the EIB to consider the feasibility of support being granted by the bank to underpin additional trade by Irish companies.
- **Target:** To assist Irish exporters and businesses to increase exports and grow.

2. Credit Review Office – Increase Threshold

- Increase in the threshold for applications that can be reviewed by the Credit Review Office from €500,000 to €3m.

Financing Growth

3. SME Communications Strategy to increase awareness of State supports amongst SMEs. This strategy will also ensure that there is a greater awareness amongst businesses of the soon to be re-launched credit guarantee scheme.

4. Building Business Capacity to assist micro and small business to grow

- A programme, consisting of 2 days dedicated off site training together with expert mentoring support, to enhance SMEs business and financial capacity in relation to understanding and utilising a broader range of financial products, as well as equipping them with the necessary tools to make a strong business case when applying for credit. The programme will be launched on a pilot basis with 1,000 SMEs taking part next year.



Tackling the Shadow Economy

1. Introduction of VAT Anti-Fraud Measures
2. Introduction of Excise and Energy Tax Anti-Fraud Measures
3. Reform the role, functions and structure of the Office of the Appeal Commissioners and of the tax appeals system.

Budget 2014 – RICS Pre budget submission

1. Reduce VAT to 5% on services for home repairs, maintenance etc. of residential property
2. Target the Hidden Economy – UK Experian Report – 22.8% of home repair improvement sector
3. Investment in Energy Efficiency – 20% reduction by 2020 (res – 35%)
4. Reform CAT on inter generational transfers
5. Promote international investment in Ireland through REITs legislation and support involvement by pension and insurance funds in commercial and residential property on a syndicated basis

Budget 2014 – DCC Pre budget submission

1. Introduce CGT rate of 15% for investment in SMEs;
2. VAT – increase cash receipts threshold from €1.25m to €1.65m and increase “leeway” system;
3. Increase de minimis level of close company surcharge to €10k (currently €2,000)
4. Abolish PSWT
5. Revise EIS
6. Remove SARP cap and provide full exemption over €100k
7. R&D Tax Credit – increase outsourcing limit to 25% and amend surrender to key employees rule
8. Clarify tax position of receivers
9. Extend and expand tourism rate of VAT

Budget 2014 – IBEC pre budget submission

1. Reduce planned fiscal adjustment from €3.1 billion to €2.6 billion
2. **Support hospitality sector and encourage home improvement works:** Retain reduction in the 9% VAT rate for hospitality and related items and lower employer PRSI rate for low wage worker. Introduce a home improvement tax credit or grant incentive scheme.
3. **No increases in employment costs:** Do not introduce a statutory sick pay scheme or make further adjustments to the pricing of private beds in public hospitals, as this will push up employers' health insurance costs.
4. **Improve R&D tax credit scheme:** Reduce current uncertainty regarding the existing claim process and allow a greater use of outsourcing and contract specialist staff.
5. **Help entrepreneurs invest:** Introduce a preferential entrepreneur's capital gains tax regime to support investment in the employment generating enterprise sector of the economy. Increased use of state-backed investment funds and reform EIS.

Budget 2014 – Some ITI submission

Capital taxes on entrepreneurs

*Introduce a targeted reduced CGT rate for business
Investment, in default a CGT roll-over relief*

Income tax on entrepreneurs

*Address the USC disparity between the employed and
self-employed*

*Improve the attractiveness of the EIS – remove from
high earners' restriction*

Consider targeted measures for key employees

Tax supports for loan funding

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