

BUDGET BRIEFING

OCTOBER 2013

 **GlackenAccountants**
— registered auditors & accountants —

Dear Reader,

Welcome to this special Budget Briefing edition. It was good to see initiatives being introduced for the start ups. However, younger people and the elderly make feel disappointed by the announcements made for them.

Please feel free to make contact if you need clarification on any of these points.

Best wishes

Tracey Glacken

ENTREPRENEURSHIP

Start up Businesses

For the long term unemployed i.e. those who have been unemployed for 15 months or longer a new initiative was announced yesterday. Those setting up an unincorporated new business will be exempt from Income Tax for the first two years. This will be a welcome to any start ups as there has not been any real initiative for the start up sole trader in recent times.

VAT

The special rate of 9% will continue.

The threshold for accounting for VAT on a cash receipts basis will increase from €1.25m to €2m. Again, this should assist SME's with their cashflow as it will bring more businesses into the VAT on cash receipts basis and they will not have to be accounting for VAT on an invoice which may not be paid for a long period of time.

Farmer's flat rate of VAT has been increased to 5% from 4.8%.

Capital Gains Tax

Entrepreneurs who re-invest the proceeds from the disposal of assets on which CGT had previously been paid will be given a relief. The relief will be a tax credit equal to the lower of the CGT paid on the previous asset disposal or 50% of the CGT due on any gain from the future disposal of the new investment. EU state-aid approval is required for this measure. The new investment must also be in productive trading activities.

Employment and Investment Incentive

To assist SME's to expand their business the restriction on high earners investing in EEI's has been removed for a period of 3 years. They can now invest up to the annual limited of €150,000.

Banking

The Credit Review Office will be able to deal with applications up to €3m. Any SME who has been refused a loan under this amount can apply to the review office to have their application reviewed.

Home Renovation Incentive

In an attempt to regularise the 'black market' construction business and home renovation incentive scheme has been introduced. A homeowner who spends a minimum of €5,000 and up to €30,000 on home improvements in 2014 and 2015 will receive a tax credit over two years following the year of works. The credit will be calculated at a rate of 13.5% and will support tax compliant construction businesses.

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Property

Property purchased before the end of 2014 will be exempted from Capital Gains Tax if the property is held for a period of 7 years.

INCOME TAX

There has been no change to the standard rate cut offs or tax credits. Neither has Universal Social Charge or PRSI been affected.

Top Slicing Relief on ex-gratia payments has been abolished.

For anyone paying medical insurance a cap has been introduced on the amount of relief available. For an adult this will be capped at €1,000 and for a child the amount will be €500. Any policies over the value of this will not qualify for relief e.g. A family of 2 adults and 2 children paying €3,000 for a policy will get 100% relief.

The 'One Parent Family' tax credit will be replaced by a 'Single Person Carer' tax credit. Rather than both parents claiming the credit as has happened in the past only one of the parents will be nominated as the main carer and will be awarded the credit.

Excise duty on tobacco has increased by 10c per packet of 20 cigarettes and beer, cider and spirits. A bottle of 75cl wine has increased by 50c.

From 2014 a single rate of 41% for DIRT will apply on exit of life assurance policies and investment funds.

Banking sector to make a contribution of €150m annually to the Exchequer from 2014 to 2016.

Pension relief to continue to be allowable at the marginal rate of tax.

OTHER ANNOUNCEMENTS

Free GP care for children aged under 5.

Maternity Benefit will be standardised at a payment of €230 per week.

Unearned Income such as rental income will now be liable to Universal Social as previously announced in Budget 2013.

Lump sum payments to claimants from the Magdalene Laundries will be exempt from tax.

Air travel tax is being reduced to zero.

New changes are being introduced for medical card holders. The income threshold for over 70's has also been decreased. This means that a married couple over 70 with earnings greater than €900 per week will not be entitled to a medical card.

The elderly will also see an end to some of their household benefits.

Glacken Accountants
Registered Auditors & Accountants
41 Pearse Street
Ballina
Co. Mayo

Telephone: 096 73880

Website: www.glackenaccountants.com

Email: info@glackenaccountants.com