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FINANCE BILL 2015

At time of writing (November), Minister Noonan has delivered his pro-growth and pro-employment (and pre-election!) Budget speech and the "first cut" (the deepest, apparently) at the 2015 Finance Bill ("the Bill") has just issued.

A very brief outline of the changes to date (under summary headings) is:

PERSONAL TAXES

USC is being reduced with effect from 1 January next. While the 1.5% and 3.5% rates fall to 1% and 3%, the biggest change is the 7% rate falls to 5.5%. The net effect is to reduce the marginal rate of tax to 49.5% for those earning up to €70,044.

The Home Carer credit is increased (to €1,000; from €810), as is the income threshold (to €7,200; from €5,080).

The current "small" BIK exemption of €250 is doubled to €500.

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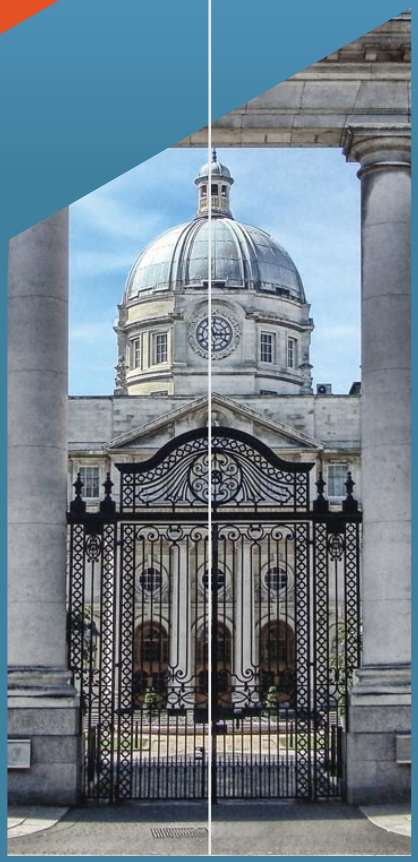

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FINANCE BILL 2015

Due to postal difficulties, some Standard Life shareholders missed the 18 March 2015 deadline to elect for CGT treatment; a Bill provision confirms CGT treatment can apply.

As well as the Home Renovation Incentive being extended by a year, the Bill also confirms the Water Conservation Grant is exempt from income tax, PRSI and USC, and that the next LPT valuation date has been pushed out by three years to November 2019.

CAPITAL TAXES

In a widely predicted move, the parent/child CAT exempt threshold increases from €225k to €280k; the other two thresholds remain the same, as does the 33% rate.

On a disposal of Irish property, a CGT clearance certificate (CG50) is required if the consideration exceeds €500k; that threshold is increased to €1 million for residential property sales only

SME SECTOR

Changes announced in last year's budget to the EII scheme (i.e. qualification criteria were relaxed and the maximum amounts that one company can raise increased to €5m pa and €15m in total) had not "commenced" pending EU approval, which has issued. Thus, these changes are now in effect from Budget Day.

There had been high hopes of a wide range of entrepreneur friendly tax changes, with the UK's Entrepreneur Relief (10% CGT rate; £10 million lifetime limit) attracting admiring glances. While there is some movement (33% CGT rate reduced to 20%; €1 million lifetime limit), it was greeted with two cheers at best; things became worse for those seeking a meaningful change with the Bill providing that the "entrepreneur" must, for at least three years prior to sale, either have owned the trading assets or, where trading through a company, have worked for that company and hold at least 15% of the shares.

At least something is (finally!) being done about a specific inequity between employed and self-employed with the introduction of an "earned income tax credit" of €550 for those (mainly the self-employed) not currently qualifying for the €1,650 PAYE credit. At one-third of the PAYE credit, let's hope the new credit is being phased in over three years to match the existing one. Unfortunately, there has been no change to the 3% USC surcharge for non-employment income over €100,000.

The three-year corporation exemption for certain start-up companies was due to expire this year but is extended by a further three years.

The Knowledge Development Box ("KDB") is designed to ensure an effective 6.25% corporate tax rate for trading involving certain intellectual property assets derived from R&D activities. Though the main focus is on attracting international business (and the Minister stressed our KDB provisions meet certain OECD set parameters), it can apply to SMEs in certain circumstances (i.e. "small companies" as defined in the KDB legislation).

The "contractor" review by Revenue of travel and subsistence expense claims by employees/directors of SME companies has caused much recent Revenue conflict for the SME sector. It was hoped the Bill would bring some much needed clarity following a consultation process earlier this year. The only change thus far is for non-resident directors. Hopefully, there is more to come.

OTHER

Some farming measures (stock relief and young trained farmer exemption) due to expire this year are extended by three years. In addition, a new €5,000 tax credit for succession farm transfer partnerships is another tax-based incentive to encourage early land ownership transfer to younger farmers.

At present, Revenue can, in enquiring about a tax liability, request information about named taxpayers from third parties and financial institutions. The Bill proposes this power be extended to unnamed taxpayers, whether individual taxpayers or a group/class thereof.

There are certain VAT anti-fraud measures, including a new power enabling Revenue to cancel a VAT number and make that cancellation public if that appears necessary.

The pension fund levy expires this year and is not being extended. It won't be missed.

RENT A ROOM RELIEF

Income arising to an individual in respect of the letting, for residential purposes, of a room or rooms in his/her home, including income arising from the provision of meals or other services supplied in connection with the letting, is exempt from income tax, PRSI and USC where the income is below €12,000. Revenue has clarified however that, income from the provision of accommodation to occasional visitors for short periods does not qualify for the relief as, the visitors use the accommodation as guest accommodation rather than for residential purposes. If you think you may have a tax liability in this regards, speak to us today.

PRELIMINARY INCOME TAX PAYMENTS

All Direct Debit customers and their agents have the facility to self-manage their Direct Debit payments for Preliminary Income Tax by using the Direct Debit Online application in ROS.

The advantages to a customer who chooses to pay Preliminary Income Tax by Direct Debit include:

- Improved cash flow planning
- Spreading payments over a twelve-month period
- Avoiding a substantial one-off payment

TERMINATION OF CARRY FORWARD OF CERTAIN UNUSED CAPITAL ALLOWANCES

With effect from 1 January 2015, any unused accelerated capital allowances, which are carried forward beyond the "tax life" of the building or structure to which they relate, are immediately lost for tax relief purposes. This essentially means that if the "tax life" has ended at any time up to the end of 2014, then the unused allowances are lost in 2015. Where the "tax life" is due to end later than 2014, then the allowances are lost in the year following the end of the "tax life".

The above restrictions do not apply to the following allowances:

- Non-accelerated (normal) industrial buildings allowance;
- Capital allowances claimed by persons who are actively engaged in their respective trades.
- Carry forward of specified reliefs (including capital allowances) which have not been allowed due to the High Earner's Restriction.
- Rented residential relief, commonly known as Section 23 Relief.

The restriction on carrying capital allowances forward is undoubtedly going to cause an increase in Income Tax liabilities. It would be prudent to establish how the restriction may affect you so that you can plan your cash flows effectively.

CONSTRUCTION UPDATE

Revenue has been very active in the construction industry in recent months, with a number of contractors receiving unannounced on-site visits from Revenue. Revenue are focusing on, proper operation of eRCT, HRI (Home Renovation Incentive) and VAT Reverse Charge Systems, classification of employees and subcontractors and the correct operation of PAYE.

From December 2015, there will be a new "Revenue Site Identifier Number" (SIN) mandatory field in the Contract Notification process in the eRCT system. Each contract will require a SIN when the Contract Notification process is being completed. The SIN is a system-generated identifying number which is applied to the location or locations where relevant operations are due to take place under a particular contract. Where a Principal contractor is updating the eRCT system with details of a new contract at a new location for the first time, the system will automatically provide a "Revenue Site Identifier Number" when they enter the location of the relevant operation. When identifying the location of relevant operations, Principals will be required to enter both the Site/Project Name and the Address.

The SIN will also be provided on the Contract Notification that issues to the Sub-contractor. Once the system has generated the SIN, the Principal or Sub-contractor should only enter the SIN instead of the location, for any further updates they make to the eRCT system in respect of the same location.

PAY AND FILE SUMMARY

The following is a summary of upcoming pay and file dates:

CAPITAL GAINS TAX

Payment of Capital Gains Tax for the disposal of assets made from 1 January 2015 to 30 November 2015	**15 December 2015**
Payment of Capital Gains Tax for the disposal of assets made from 1 December 2015 to 31 December 2015	**31 January 2016**

CORPORATION TAX

Filing date for Corporation Tax returns for accounting periods ending in March 2015	**21 December 2015**
Balancing payment of Corporation Tax for accounting periods ending in March 2015	**21 December 2015**

DIGITAL MARKETING FOR SME'S: 5 TOP TIPS

The internet is essential to successful companies today, and all businesses should have a clear internet/digital marketing plan. Start by assessing your business and considering the sort of online presence you need.

At the most basic level, you need a website where clients and prospects can find information about your business. However, many companies today see the internet as an active marketing tool, and at the higher end, some businesses will have full eCommerce capabilities where marketing and sales are completed online.

IS YOUR WEBSITE AN ASSET OR A LIABILITY?

Your customers expect you to have an online presence. When a prospect hears about your company, wants contact details or product information, or a former customer is looking to purchase again, the internet is usually their first interaction with you.

Your website is your shop front and first impressions count! It needs to reflect your brand, and be professional and up to date. If your site is hard to use or if it does not look professional and up to date, visitors will not return and prospects will take their business elsewhere.

ARE YOU SOCIAL AND MOBILE?

Across all demographics, there has been an explosion in Social Media. It's no longer optional: you need to be where your customers are. Whether you want to provide information, support, special offers or simply put a human face to the business, Social Media provides the tools.

Mobile internet usage has also rocketed, and a significant amount of online mobile activity is to Social Media sites. If you're site is not mobile friendly – you are driving people away. You can check to see if your website is mobile friendly here: http://www.google.com/webmasters/tools/mobile-friendly/

ARE YOU USING EMAIL MARKETING?

It's not all about new clients: data shows that for most businesses, it is easier to sell to existing clients.

Sending regular, informative emails to opted-in recipients is the most direct, inexpensive and effective marketing tool available. It keeps your brand "top of mind", informs clients and prospects about your services and enables you to grow your reputation.

ARE YOU MEASURING YOUR ONLINE PRESENCE?

Everything that happens online can be measured: you can see which marketing activities are working and which are not, and which products or services are being viewed most. You can tell where visitors are coming from and at what point they are leaving your site!

Tools such as Google Analytics capture all this information, and are a great way to access market research data, but this is only useful if you are reading and understanding it regularly.

USE FREE RESOURCES WISELY

Whether you're looking for digital marketing tools, resources or information, there are free resources available online. But be aware that they're not all great quality! Use your digital marketing plan to highlight what is important for your business, use this to determine where and when you need to invest to get the right advice and tools.

MAKE DIGITAL MARKETING WORK FOR YOU

There are great supports available from sources such as the Local Enterprise Offices, Enterprise Ireland and some of the larger online companies like Google and Microsoft.

As a business owner, it's vital to invest time in understanding the basics and to seek advice from the experts to maximise this opportunity to grow your business.

john@epresence.ie

€50m Extra for SMEs

An additional €50m has been made available to SMEs as part of the State-backed Strategic Banking Corporation of Ireland's (SBCI) second funding phase.

The announcement adds to the € 400m of lower cost finance available to businesses through SBCI which is funded by the State, European Investment Bank and German promotional bank KfW.

The SBCI aims to deliver lower cost, long-term, innovative and accessible funding to independent Irish SMEs. It will do this by offering flexible products, through its On-Lending partners, tailored to the SME market.

To date, some 1,600 companies have borrowed € 45m through the funds first two partners, AIB and Bank of Ireland. The additional € 50m will be available through SBCI partner Finance Ireland.

Finance Ireland will bring lower cost, longer term finance for SMEs who plan to invest in equipment, machinery or vehicles.

New lending products which are now available include;

- SME leasing: Two to five-year lending for cars, vehicles, plant and machinery;
- Hire Purchase: Similar to SME Leasing but allows for ownership at the end of the period.
- Contract Hire: Three to four-year terms for vehicles with lower monthly payments than lease or hire purchase;
- Rental Agreements: Two to five-year leasing for smaller office equipment or specialist equipment.

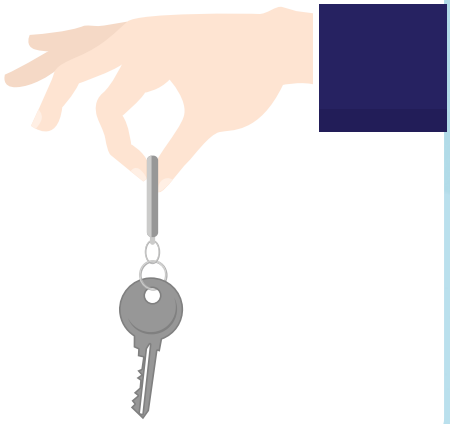
ARE YOU A LANDLORD?

If you are a landlord of a residential property, under the Environment (Miscellaneous Provisions) Act 2015, you need to notify Irish Water of the name(s) of your tenant(s) and the start date of your rental agreement.

If there is a change in occupation within your property you should also notify Irish Water within 20 days of an agreement start date.

Irish Water will then open an account in the name(s) of your tenant(s) and send a letter asking the tenant(s) to contact them. This will ensure that you are no longer liable for water charges while the tenants remain at your property.

If you notified Irish Water of a tenants' name before 1 October 2015, they do not require any further additional information from you.



No end in sight for EUR/USD rollercoaster ride

EUR/USD has continued to fluctuate significantly in the last 90 days, affording both buyers and sellers of dollars opportunities to act. As can be seen from the below graphic, there is a distinct yo-yo pattern to the way in which the pair has behaved and there is no indication that this trend will cease between now and the end of this year.

CURRENCY PAIR	AUGUST 4th	AUGUST 24th	SEPTEMBER 7th	OCTOBER 15th	OCTOBER 28th	DECEMBER 3rd	DECEMBER 16th
EURUSD	1.0900	1.1500	1.1100	1.1450	1.0900		
		↑	↓	↑	↓		
						ECB Meeting/	Fed Meeting/
						Press Conference	Rate Decision
% move		5.50%	-3.50%	3.00%	-4.80%		

Changing expectations as to what shape monetary policy will take in both the Eurozone and in the US has been behind a lot of the volatility. The most recent move lower in EUR/USD has been principally driven by two things:

- An increasing expectation that the ECB will extend/expand its stimulus programme, which would lead to an increase in supply and reduction in demand for the single currency.
- Heightened probability that the Fed will choose to hike rates for the first time since June 2006 at their next policy meeting in mid-December.

Should the rhetoric in the ECB press conference in early December be dialled down somewhat in regard to additional Quantitative Easing measures or should the Fed decide to leave rates as they are a fortnight later, we could easily see EUR/USD rebound higher.

Based on what we have seen recently, it is perhaps prudent for dollar sellers to examine their upcoming requirements and look to hedge dollar receivables at current levels, while buyers of the greenback should be ready to act if it rebounds above 1.13 again.

www.moneycorp.com

HOUSING AND RENTAL NEW INCENTIVES

The Government has finally reached agreement on a package of measures for the housing sector, following weeks of negotiations. These measures are an attempt to address a number of interlinked problems – among them the lack of housing supply and rising rents.

The measures include:

- A two year freeze on rent reviews
- A 90-day notification of a rent increase
- 100 per cent mortgage relief for landlords who take on social security tenants
- Developers could save € 20,000 per apartment under new construction rules.

The housing package, which will be in place by the end of November, will ensure a two year freeze on rent reviews.

Landlords will also have to provide evidence of three more similarly priced properties in their area to justify rent increases and must inform tenants on how to appeal excessive rents.

Landlords who claim they are selling the property or moving a family member into it must sign a statutory declaration of their intention.

The measures also include a tightening of legislation regarding antisocial tenants. If a landlord does not take action a third party can.

Rebates of up to € 8,500 will go to developers who build affordable homes.

iXBRL

There have been quite a few iXBRL developments since our last update this time last year. The extended 31 October filing deadline for 31 December 2014 year end has now expired; according to Revenue eBrief 94/15, "iXBRL financial statements filed after this date may incur a late filing surcharge". Furthermore, it goes on to say, "applications for refunds or tax clearance certificates may be withheld pending receipt of outstanding iXBRL returns".

Revenue has been quite active in preparing taxpayers for their iXBRL obligations, with lots of material on revenue.ie. In particular, their FAQs, with the 1.0 version available since March 2015, have been updated twice and contain over twenty A4 pages of material addressing the most likely questions to arise for those coming to terms with this new approach. In addition, the Revenue Operational Manual (41A.03.01) was updated in August 2015 and has almost thirty A4 pages of guidance for Revenue staff, which is also of benefit to taxpayers. If this material does not deal with the iXBRL query, Revenue's dedicated helpdesk is another option – iXBRL@revenue.ie

In terms of the impact of these changes, according to Revenue's annual report for 2014 "we estimate that approximately 17,500 cases will file financial statements in iXBRL by the end of 2015." This number seems likely to increase in 2016 and beyond.

STATUTE OF LIMITATIONS

The issue is this; at what point and in what circumstances will an alleged injured person (injured in body, property or reputation) be prevented from maintaining legal proceedings, for redress, due to delay in bringing the proceedings? All common law jurisdictions (such as Ireland) have a system for preventing the bringing of stale claims.

For lawyers, this is dangerous territory. If a lawyer makes a mistake about this issue (by failing to issue proceedings in time, say) it may, by definition, be impossible to rectify the mistake. The consequence of this error will be the loss to the plaintiff client of a chance to litigate the claim in court. The claim will be statute-barred. However, a new claim will then arise; the claim against the lawyer, for the error.

The current law in Ireland fixes different periods of time for the bringing of actions, depending on the nature of the claim (the legal basis for the claim). In addition, the law contains exceptions to the rules.

In general, an action founded on tort (other than personal injury actions based on negligence, nuisance, or breach of duty) or breach of contract shall not be brought after the expiration of six years from the date on which the cause of action accrued. A tort may be defined as a civil wrong other than breach of contract. An action in respect of personal injuries based on negligence, nuisance, or breach of duty shall not be brought after the expiration of two years from the date on which the cause of action occurred or when the claimant first had requisite knowledge of it.

The foregoing is enough to show why the territory is dangerous; it is strewn with "landmines" and it is easy to step on them. Therefore, you should consult your lawyer at the earliest opportunity in respect of any claim you believe you have.

WORKPLACE RELATIONS ACT

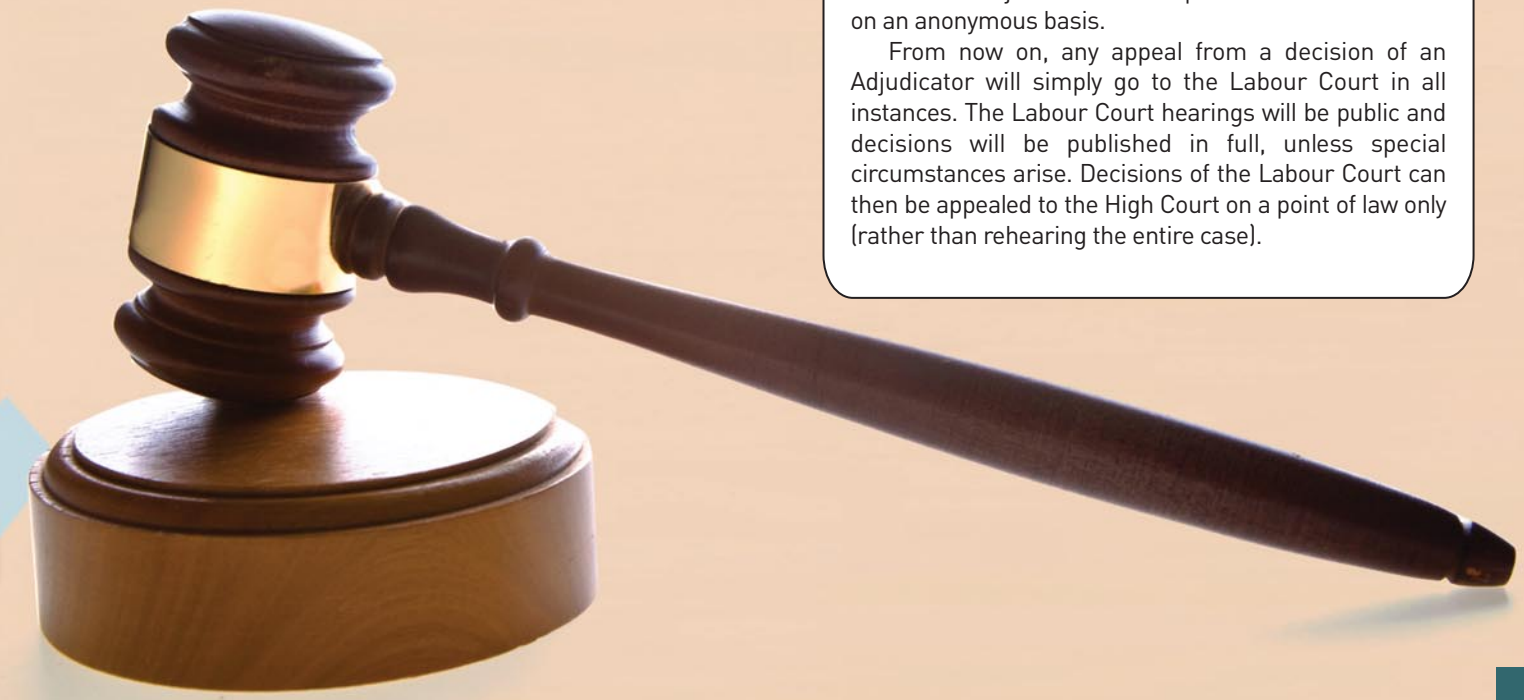
The bulk of the Workplace Relations Act (the "Act") came into effect on 1 October 2015. The objective of the Act is to reform Ireland's workplace relations bodies, delivering a "world-class workplace relations service providing an integrated industrial relations, adjudication and enforcement service which is simple to use, independent, effective, impartial, cost-effective and provides for workable means of redress and enforcement, within a reasonable period".

Previously, depending on the type of workplace dispute, an employee had to take their case to one or more of the Labour Relations Commission, the Equality Tribunal, a Rights Commissioner, the Employment Appeals Tribunal or the National Employment Rights Authority. In harmonising and de-cluttering the current system, the Act provides a single gateway for employment disputes in Ireland and replaces the previous maze of tribunals and courts. From now on all employment disputes will be referred to the newly established Workplace Relations Commission ("WRC") in the first instance. There is now one appeal body and that is the Labour Court.

Limitation periods for the referral of a dispute under any employment or equality legislation will be standardised to six months. This can be extended to twelve months where "reasonable cause" can be shown.

The Act encourages mediation and the early resolution of disputes without the need for parties to have to resort to formal adjudication where possible. If early resolution is not deemed appropriate, is refused by the parties, or if an attempted mediation is unsuccessful, a dispute will be referred to a single adjudicator at the WRC. This process is envisaged as being more inquisitorial than adversarial - the hearing will be held in private and evidence will not be on oath. Representation (legal or otherwise) will be allowed, but there are no references in the Act to the examination or cross-examination of witnesses. All decisions of adjudicators will be published on the internet on an anonymous basis.

From now on, any appeal from a decision of an Adjudicator will simply go to the Labour Court in all instances. The Labour Court hearings will be public and decisions will be published in full, unless special circumstances arise. Decisions of the Labour Court can then be appealed to the High Court on a point of law only (rather than rehearing the entire case).



IMPLICATIONS ON BUDGETING FOR 2016 AND BEYOND OF A POTENTIAL BREXIT

As we move towards year end, many companies are beginning to enter the budgeting process for 2016 and beyond. Whist this budgeting process needs to take into account current economic, currency and interest rate forecasts, there is always the risk of a major event, which could significantly impact these forecasts. In this context, Brexit, the vote expected in the second half of 2016, on a UK exit from the EU, is a risk that even if the event itself doesn't occur, may result in significant volatility in the run up to the referendum. Recent research from Morgan Stanley places the probability of a UK exit at 35%, however, as the Irish and Scottish governments can attest, referenda are unpredictable and sentiment can change quickly.

Ireland has very close links with the UK and so would be greatly impacted by a Brexit. Those trading with the UK, at a minimum would face increased administrative and regulatory costs, as well as potential changes to the common land border with Northern Ireland, the common travel area and the long standing associated automatic right for Irish people to work in the UK, among the many examples.

The severity of the impact on Ireland, depends on the ultimate relationship which the UK ends up having with the rest of the EU. There are many current models, which could form the basis for a future UK/EU relationship. One of the most discussed is the Norwegian model. In a recent Guardian article Espen Eide, the former Norwegian foreign minister wrote: "Those campaigning for Britain to leave the EU and choose the Norwegian way can hence correctly claim that a country can retain access to the single market from outside the EU. What is normally not said, however, is that this also means retaining all the EU's product standards, financial regulations, employment regulations, and substantial contributions to the EU budget. A Britain choosing this track would, in other words, keep paying, it would be 'run by Brussels', and it would remain committed to the four freedoms". Other commentators supporting a Brexit, believe it should go the route of Switzerland who have negotiated a series of bi-lateral trade deals covering certain sectors. They believe that the UK is an attractive trade partner due to its status as the world's fifth largest economy. However, it should be noted that Switzerland also has to abide by EU rules and regulations in the sectors covered by its trade deals with the EU.

Regardless of the model chosen, there will be an impact on Irish businesses on multiple fronts. A recent ESRI study believes the reduction in bilateral trade between Ireland and the UK could be 20% or more, this is an average figure and may be larger for certain sectors such as Agriculture and Food & Beverages, due to their dependence on exports to the UK. In the event that polls show that the result was favouring a Brexit, expectations are that €/£ could give up some of the gains it has made in recent years, probably moving back towards the 80p level. A similar move towards low $1.40s could also be expected against £/$. These moves would have obvious implications for the competitiveness of companies exporting into the UK. Possibly more impacted, however, would be those competing domestically against UK imports, as these imports would become significantly cheaper. It's key to note these exchange rates could occur while the UK is still engaged in exit negotiations, so trade barriers would not be in place, and UK imports would still have free access to Irish markets.

While companies should continue to budget for 2016 and beyond as normal, it's useful to consider these type of tail end risks which are deemed to be of a low probability but high impact in nature. These are risks which should be closely monitored and potentially insured away by use of hedging products. As noted above, however, its likely that even the potential of a Brexit, may be enough to cause significant volatility in 2016.

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