Tax News

Budget 2013

Yet another austerity Budget. Minister Noonan was given a target of EUR3.5 billion in savings by the Troika and Budget 2013 attempts to do so through a combination of spending cuts and increased taxes.

The introduction of a value based Local Property Tax caught the headlines but there have been a number of other important tax changes, including an increase in capital tax rates.

Further details on these changes will be included in the Finance Bill which is expected to be published in early 2013.

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Local property tax replaces the household charge.

Local Property Tax (LPT)

The key features of the LPT are as follows:

- Applies to Irish residential property including rental properties
- Tax will be based on the market value of the property (a system of market value taxable bands up to EUR1m)
- Rate is 0.18% on properties up to a value of EUR1m. For properties valued over EUR1m a rate of 0.25% applies to the excess above EUR1m
- Property owners are liable for the LPT and must self assess the value of their property
- Comes into effect on 1 July 2013 with a payment date of 1 July 2013 for 2013 (phased payment option available)
- A half year LPT charge will apply in 2013. A full year charge will apply from 2014 onwards
- Replaces the household charge (EUR100). The NPPR (EUR200) charge will apply in 2013 and will be abolished from 2014 onwards.

There are some exemptions from the charge which will include:

- Properties bought by first time buyers in 2013 will be exempt from the LPT until the end of 2016
- New or previously unused properties purchased between 1 January 2013 and 31 December 2016 will be exempt up until the end of 2016.

USC
From 1 January 2013 standard rates of USC will apply to those aged 70 or over and with income of EUR60,000 or more.

KEY TAX MEASURES

Capital Taxes

- Capital gains tax rate and gift/inheritance tax (CAT) rate increased from 30% to 33% with effect from 6 December 2012
- The CAT free thresholds have been reduced by 10% with effect from 6 December 2012. The parent to child threshold is reduced from EUR250,000 to EUR225,000
- New relief from capital gains tax introduced for the sale of farmland where the proceeds are reinvested in other farmland.

Investments

- Rate of DIRT will increase from 30% to 33% from 1 January 2013
- Introduction of Real Estate Investment Trusts (REITs) as a structure for investing in properties.

Pensions

- Tax relief at marginal rates retained for pension contributions
- Changes to be introduced in 2014 to cap tax relief on pension funds delivering pension income greater than EUR60,000 per annum
- Option to withdraw up to 30% of the value of AVC funds available for 3 years from the passing of Finance Act 2013. Any withdrawals will be subject to marginal rate tax.

PRSI

- Minimum PRSI payment for self employed increases from EUR253 to EUR500 from 2013 onwards
- Weekly PRSI allowance for employees will be abolished from 2013 onwards
- Charge to PRSI to be extended to investment income for all individuals under age 66 from 2014 onwards.

There have been no changes announced yet to

- Income tax rates, tax bands and tax credits
- VAT rates
- Stamp duty rates
- CGT retirement relief
- CAT business and agricultural reliefs
- Tax residence rules.

Charitable donations

From 2013 onwards tax relief for donations will be given directly to the charity at a rate of 31%.

Tax incentives

Extension of the foreign earnings deduction to work in certain African countries.

And finally the disclaimer……

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