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TAX BOOKLET 2013

A guide to your tax affairs for the year 2013

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INCOME TAX RATES

Bands of taxable income	2013	2012
Single/Widowed (Without dependent Children)	€32,800 @ 20% Balance @41%	€32,800 @ 20% Balance @ 41%
Single Parent/Widowed Parent (With dependent children)	€36,800 @ 20% Balance @ 41%	€36,800 @ 20% Balance @ 41%
Married Couple/Civil Partners (one income)	€41,800 @ 20% Balance @ 41%	€41,800 @ 20% Balance @ 41%
Married Couple/Civil Partners (two incomes)	*€65,600@ 20% Balance @ 41%	*€65,600 @ 20% Balance @ 41%

*In the case of a married couple with two incomes, the standard rate band is €65,600 (made up of €41,800 plus an amount of €23,800 which may be transferred between spouses, if one spouse earns less than €23,800 there is a loss of some of the benefit of the higher band).

Income Exemption Limits

Aged 65 and over	2012 & 2013
Single/Widowed	€18,000
Married Couples	€36,000

The relevant exemption limits are increased by €575 for each of the first two dependent children and by €830 for the third and any subsequent dependent children.

Tax Credits @ 20%		2013	2012
		€	€
Single		1,650	1,650
Married / Civil Partners (Jointly assessed)		3,300	3,300
Widowed Person in year of bereavement/surviving civil partner		3,300	3,300
Widowed person no children (additional credit but not in the year of bereavement)		540	540
Widowed person/single person with dependent child (additional)		1,650	1,650
Additional tax Credits in years following bereavement			
Year 1		3,600	3600
Year 2		3,150	3,150
Year 3		2,700	2,700
Year 4		2,250	2,250
Year 5		1,800	1,800
Home carer's credit (see restriction Pg. 8)	Max	810	810
Incapacitated child	Max	3,300	3,300
Dependent relative (where income of dependent relative is less than €13,837)	Max	70	70

Tax Credits @ 20%		2013	2012
		€	€
Age credit	Single	245	245
	Married	490	490
Blind person	Single	1,650	1,650
	Married One spouse blind	1,650	1,650
	Married both spouses blind	3,300	3,300
Additional Credit Guide Dog *		165	165
PAYE		1,650	1,650
Deduction from Total Income			
Allowances @ 41%			
Allowance to employ a carer for an incapacitated person	Max	50,000	50,000

*Relief in respect of the cost of maintaining a guide dog (max €825 @ 20% = €165) may be claimed under the heading of Health Expenses.

Relief for the Long Term Unemployed

An employee who has taken up employment after being categorised as long term unemployed is entitled to two separate allowances, as follows:

Tax Allowance	Personal	Child*
	€	€
Year 1	3,810	1,270
Year 2	2,540	850
Year 3	1,270	425

*per qualifying child

An individual is treated as long term unemployed where they have been continuously unemployed for a minimum period of twelve months. The relief is also available for persons who have been in receipt of disability allowance, blind person's pension or invalidity pension for 12 months or more, illness benefit for 3 years or more, or who are released from prison after 12 months or more.

For 2012 and subsequent years of assessment the relief has been extended to individuals signing for PRSI contributions.

The employer is entitled to a double deduction for qualifying employees in respect of:

Emoluments paid to those employees in the first 36 months of employment and

PRSI contributions on those emoluments.

This provision shall cease to have effect by Ministerial order, and it will be replaced by another employment incentive scheme.

Residence

An individual is liable to Irish Income Tax on his/her worldwide income provided he/she is resident and domiciled for the tax year, subject to any specific relief under the relevant Double Taxation Agreement. To be resident an individual must be present in the State for:

183 days or more in a tax year, or

280 days in the current tax year and the preceding tax year, subject to a minimum of 30 days in each year.

Presence in the State at any time during the day will count towards determining residency for tax purposes.

Domicile can be a difficult concept but broadly means the country that an individual considers as his/her natural home.

An individual is "ordinarily tax resident" if he/she is tax resident for three consecutive tax years, where they cease to be resident they remain ordinarily resident for three years after the tax year of departure and can therefore remain taxable in Ireland. An ordinarily tax resident individual is chargeable to Irish income tax on worldwide income with the exception of profits of a trade or profession carried on abroad. Foreign investment income exceeding €3,810 in any tax year will be subject to Irish tax.

An Irish resident or ordinarily resident and domiciled individual will also be liable to Irish Capital Gains Tax on their worldwide gains. This leaves individuals ceasing to be Irish resident exposed to Irish tax on investment income and Capital Gains Tax for three years after the tax year of departure.

Despite the reference to three years in the paragraph above, an anti-avoidance provision imposes Capital Gains Tax on individuals who dispose of shareholdings during a period of temporary non-residence, described as absences of less than 5 years.

Split Year Treatment

An individual who arrives in Ireland with the intention of becoming resident in the following tax year is liable to income tax on employment income from the date of arrival. Similarly, a resident individual who leaves Ireland other than for a temporary purpose is liable to income tax on employment income up to the date of departure only. This "split year treatment" applies to employment income only.

Relief from a liability to Irish Income Tax may also arise under provisions of Double Taxation Agreements between Ireland and other States.

Cross Border Workers

Irish resident individuals employed abroad in a jurisdiction with which Ireland has a double taxation agreement can exclude income on employment earned abroad from Irish tax and the Universal Social Charge (USC). The employment abroad must be for a minimum period of 13 weeks and foreign tax must be paid on that income, and the duties must be performed wholly abroad. The individual must be present in Ireland for a minimum of one day a week during the period of qualifying employment. The relief does not apply to state or semi state employments.

An individual will be deemed present in the State if he/she is present at any time during the day

Remittance Basis of Assessment

Individuals domiciled outside Ireland are entitled to a "remittance basis" of assessment in Ireland on investment income and income from employment duties exercised outside Ireland under a foreign contract i.e. they are only subject to tax on income brought into the country.

Where an individual who is entitled to the remittance basis has transferred money to his/her spouse that individual will be taxed on the transfer post 1 January 2013.

For Non-domiciled individuals

Income:

Fully Taxable:

- All Irish source income, including the Irish workdays of a foreign employment and capital gains are taxable in Ireland regardless of whether they are remitted or not.

Not Taxable:

- Foreign employment income (non-Irish workdays) and investment income are taxed only where remitted.

Capital:

- Irish citizens who are not ordinarily resident but who are resident are taxed on foreign capital gains.
- Non-Irish domiciled are taxable on foreign capital gains only to the extent that they are remitted to the country.

Capital gains tax applies to all Irish specified assets regardless of residence, these include all land and buildings in the state as well as certain other assets for example mineral rights.

Special Assignment Relief Program SARP

OLD SARP

This relief applies from 1 January 2009 to 31 December 2015 for individuals who are assigned to work in Ireland from abroad for a period of at least one year. The relief reduced taxable earnings in excess of €100,000 by 50%.

The relief is only available to non-domiciled individuals who take up residence in Ireland for the first time, and exercise their duties in Ireland for the first time, in addition they must:

- Have been employed by an associated company of the Irish entity to which they are assigned prior to arrival in Ireland and continue to be paid by the overseas employer
- Previously have been tax resident and exercised the greater part of their employment in the relevant overseas jurisdiction.
- Be an employee of an EU, EEA, or treaty country (prior to 2010 the relief only applied to non EEA countries which were also treaty countries).

The overseas employer must operate Irish PAYE (and PRSI where appropriate) on the employment income. The relief will operate by way of a repayment of taxes otherwise payable after the year end.

Share awards are also eligible for tax relief under the SARP. The benefits are limited to the amount of income subject to PAYE.

NEW SARP

On 1 January 2012 a new form of SARP was introduced for 2012, 2013 and 2014. The main conditions to qualify for the new relief are that;

- the employee must be resident in the State and not resident elsewhere,
- the individual must have been a full time employee of a Company incorporated and resident in a Treaty State for 12 months prior to arriving in the State.

The relief is of value to new workers who come to or return to Ireland, or returning workers who have been outside Ireland for at least five tax years. While a number of conditions apply in order to obtain the relief it is not limited to either foreign employments or non-Irish domiciles.

Subject to conditions the relief is available for employees arriving between 2012 and 2014 and is available for five consecutive tax years.

The relief allows a basic salary and certain cash allowances to be excluded from tax. The relevant amount is valued at 30% of basic salary and allowances between upper and lower thresholds (€500,000 upper and €75,000 lower). The maximum relief is calculated as follows:

- €500,000 - €75,000 x 30% = €127,500
- €127,500 @ 41% = €52,275

In determining the emoluments for the €75,000 threshold certain key items of compensation are excluded:

- Benefits in kind including company cars and preferential loans
- Termination/ex-gratia payments
- Bonus payments whether contractual or otherwise
- Stock/Equity Options and
- Other share based remuneration

However, the above emoluments may be included in assessing the relief once the minimum threshold has been established.

The relief is only for Income Tax and does not apply for the Universal Social Charge or PRSI.

It is possible for employees and employers to obtain relief through the PAYE system so that the relief can have an immediate impact rather than waiting to the tax year end to make a claim. Employees making a claim however will automatically become chargeable persons for the year of claim which will result in a tax filing requirement. Employers will also have a reporting requirement to Revenue for various details surrounding such employee claims.

Making a claim under the new SARP provisions will mean that a deduction will not be claimable where another relief is claimed by the employee e.g. split year relief, Trans-border Relief, Special Assignment Relief Programme, R&D Incentive and the limited remittance basis that still exits.

Tax Tip

In addition to the exclusion of a relevant amount from tax an employer will also be able to bear the cost of certain items for a relevant employee on a tax free basis these include;

one return trip for the employee and family to the overseas country they are connected with; plus

Primary and/or Post Primary School fees of up to €5,000 per annum per child where the School has been approved by the Minister of Education.

Foreign Earnings Deduction

A deduction is to be made available for employees working temporarily overseas in the BRICS countries (Brazil, Russia, India, China and South Africa);

For 2013 and 2014 the list has been extended to include Algeria, the Democratic republic of the Congo, Egypt, Ghana, Kenya, Nigeria, Senegal and Tanzania.

The deduction is subject to a maximum claim of €35,000 and applies for the tax years 2012, 2013 and 2014.

In order to receive this deduction the employee must spend at least 60 days working in a BRICS country in a tax year or in a continuous 12 month period. These "qualifying days" must form part of a period of at least 10 consecutive days spent working in the BRICS country.

The deduction does not apply to employees paid out of the public revenue of the State e.g. civil servants, Gardaí and members of the defense forces or individuals employed with any board, authority or similar body established by or under statute.

The deduction is calculated based on the amount of time spent working in the BRICS country and is calculated according to the following formula:

D*E/F

D is the number of qualifying days in the tax year
E is the net employment income in the tax year (including share awards and share option income but excluding benefits in kind, termination payments and restrictive covenants)
F is the number of days in the tax year that the individual held the office or employment

An example of how this relief works is as follows;

An individual who is tax resident in Ireland spends 120 qualifying days working in Brazil. The employment income for the year amounts to €100,000. The Foreign Earnings Deduction is calculated as follows.

(120*X €100,000) / 365
Specified amount = €32,877

Total employment earnings	€100,000
Less deduction	(€32,877)
Taxable Income	€67,123

The deduction is claimed at the end of the tax year when making an annual return of income for that year. A deduction will not however be claimable where another relief is claimed by the employee e.g. split year relief, Trans-border Relief, Special Assignment Relief Programme, R&D Incentive and the limited remittance basis that still exits.

Seafarer Allowance

An allowance of €6,350 from employment income is available to seafarers provided they are on an international voyage(s) i.e. a voyage beginning or ending in a port outside the State for at least 161 days in a tax year. This allowance cannot be claimed in conjunction with the split year treatment. The allowance is also available to crews of vessels servicing drilling rigs in Irish waters.

Tax Exemptions

The following are exempt from Income Tax provided specific conditions are satisfied:

- Artists resident in Ireland who produce original work that has cultural and artistic merit subject to a €40,000 limit
- Charities - investment and certain trade income
- Awards made by the Hepatitis C Tribunal.
- Income arising on monies received from settlement of a civil action by a totally incapacitated individual. Income arising on monies received by permanently incapacitated individuals for damages following assessment by the Personal Injuries Assessment Board, in addition the return arising from the investment of these monies is also exempt provided that the return exceeds 50% of the individual's total income and gains.
- Income arising from compensation payments made under an employment law enacted, in accordance with a decision of one of the relevant bodies listed below or made in accordance under a mediation process;
  - The Rights Commissioner
  - The Director of Equality Investigations
  - The Employment Appeals Tribunal
  - The Labour Court
  - The Circuit Court
- Sports organisations
- Income from woodlands
- Income received by Mna Tí in the Gaeltacht (Sceim na bhFoghlaimeoirí)
- Income received by foster parents from the Health Service Executive or from another body where the payment is in accordance with similar law from another EU Member State (including educational fees, certain medical expenses and other exceptional payments where complex special needs arise). In addition payments for foster children 18 or over until the age of 21 or until they complete their full time education who suffer from a disability are also exempted.

- Certain social welfare payments including payments to systematic short term workers i.e. people who do 3 days on and 2 days off work, or who work one week on and one week off.

The exemption for Income Tax for the categories of income described below was extended to Capital Gains Tax. However, it is a requirement that the aggregate of the person's income and gains must exceed 50% of their total income and gains in order to be exempted. The relevant categories of income and now gains are as follows:

- Income and Gains derived from the investment of certain compensation payments received by permanently incapacitated individuals or a trust established for the benefit of one or more individuals.
- Income and Gains derived from the investment of payments made to Hepatitis C and HIV victims
- Income and Gains from compensation payments made to thalidomide children and the income derived from the investment of such payments

Disability Benefit

For 2012 and subsequent years of assessment the exemption from tax for the first 36 days of disability benefit or occupational injuries benefit has been removed.

Maternity Benefit

With effect from 1 July 2013 maternity benefit, adoptive benefit and health and safety benefit payments will be treated as taxable income.

Child minding relief

Child minding relief is available where an individual minds up to three children (excluding their own children) in their own home. No tax will be payable on the child minding earnings received, provided the amount is not more than €15,000 per annum. If the child minding income exceeds this, the total amount will be taxable as normal under self-assessment. The annual minimum PRSI contribution for self-employed individuals of €253 per annum is payable.

Mortgage Interest Relief

Mortgage interest relief on loans taken out after 1 January 2013 has been abolished.

For pre 2013 loans interest relief can be claimed in respect of loans for the purchase, repair or improvement of a taxpayer's main residence. Mortgage interest relief is allowed at source by the lending institution, the relief is granted by reducing monthly repayments, or by directly crediting the individuals account.

The maximum relief available is outlined in the table below:

Individual Status	First Time Buyers	All Others
Single	€10,000	€3,000
Married	€20,000	€6,000

Relief is based on the lower of x% of interest paid, or the maximum relief as outlined above.

Relief is available for seven years starting with the year in which mortgage interest relief is first claimed applies to first time buyers .

First Time Buyers

Maximum available interest relief m denotes married/civil partner and denotes single in the table below.

Tax Yr first PPR purchased	2012	Available interest relief	2013	Available interest relief	2014	Available interest relief
2012	25%	€20 m €10 s	25%	€20 m €10 s	25%	€20 m €10 s
2011	25%	€20 m €10 s	25%	€20 m €10 s	25%	€20 m €10 s
2010	22.5 %	€20 m €10 s	22.5 %	€20 m €10 s	22.5 %	€20 m €10 s
2009	22.5 %	€20 m €10 s	22.5 %	€20 m €10 s	20%	€20 m €10 s
2008	30%	€20 m €10 s	30%	€20 m €10 s	30%	€20 m €10 s
2007	30%	€20 m €10 s	30%	€20 m €10 s	30%	€6m €3s
2006	30%	€20 m €10 s	30%	€6m €3s	30%	€6m €3s
2005	30%	€6m €3s	30%	€6m €3s	30%	€6m €3s
2004	30%	€6m €3s	30%	€6m €3s	30%	€6m €3s
2003	0%	0	0%	0	0%	0

Non First Time Buyers

Tax Yr first PPR purchased	2012	Available interest relief	2013	Available interest relief	2014	Available interest relief
2012	15%	€6m €3s	15%	€6m €3s	15%	€6m €3s
2011	15%	€6m €3s	15%	€6m €3s	15%	€6m €3s
2010	15%	€6m €3s	15%	€6m €3s	15%	€6m €3s
2009	15%	€6m €3s	15%	€6m €3s	15%	€6m €3s
2008	15%	€6m €3s	15%	€6m €3s	15%	€6m €3s
2007	15%	€6m €3s	15%	€6m €3s	15%	€6m €3s
2006	15%	€6m €3s	15%	€6m €3s	15%	€6m €3s
2005	15%	€6m €3s	15%	€6m €3s	15%	€6m €3s
2004	15%	€6m €3s	15%	€6m €3s	15%	€6m €3s
2003	0%	0	0%	0	0%	0

Rented Residential Property

Mortgage interest relief for rented residential properties is available at 75% of the actual interest paid in the relevant tax year. This measure applies to new and existing mortgages.

In order to claim tax relief for interest paid owners of rented properties are obliged to register their property with the Private Residential Tenancies Board (PRTB), failure to do so will result in interest relief being denied.

Energy Efficient Investment

Investment in works carried out to improve the energy efficiency of a residential property will qualify for tax relief. The investment must be in owner occupied properties and is for expenditure net of grants. The maximum spend qualifying for relief is €10,000 for a single person and €15,000 for a married couple, relief is calculated at 20% i.e. €2,000 single and €3,000 for a married couple. The relief will be provided by way of repayment in the tax year following the year in which the expenditure was incurred. The relief is subject to Ministerial order.

Home Carer Credit

A credit of €**810** is available for married couples jointly assessed, where only one spouse is working and the other cares for children (with an entitlement to social welfare child benefit), individuals over the age of 65, or incapacitated individuals in their home. Where the carers' income exceeds €6,700 in a year no credit will be available, where the carers' income exceeds €5,080 in a year, the tax credit is reduced by one half of the amount of the excess over €5,080 (subject to a maximum of €810).

The credit is not available to married couples that are taxed as single persons. Neither is the tax credit available to married couples with a combined income of €41,800 and who claimed the increased standard rate tax band for dual income couples.

Carer Allowance

An individual can claim an allowance where he/she has to employ a person to take care of an incapacitated family member. The carer may be employed on an individual basis, or through an employment agency. The maximum allowance is €50,000 per annum for each incapacitated individual. The allowance is available at the marginal rate of tax. The allowance will be granted in the first year that the individual becomes incapacitated.

Covenants

Covenants to permanently incapacitated adults are fully tax deductible. Covenants to a permanently incapacitated minor child are fully tax deductible if paid by a person other than a parent. Covenants to individuals aged 65 or over who are not incapacitated are deductible subject to a 5% limit of the covenanter's total income.

Medical Insurance

Tax relief on medical insurance premiums is granted at source and is given as a direct reduction in premiums. Relief is based on a standard rate (20%) deduction, and is granted on a current year basis.

An age related credit that was available up to 1 January 2013 is being replaced with a risk equalisation credit

Dental Insurance

Tax relief at the standard rate (20%) is available in respect of dental insurance premiums taken out for non-routine dental treatment.

Medical Expenses

Un-reimbursed medical expenses incurred on behalf of a taxpayer and his family including "dependants", may be set-off against income tax liability. Medical expenses include:

- Doctor/hospital care and prescription medicines
- Payments to Revenue approved nursing homes for dependants
- Physiotherapy
- Non-routine dental and ophthalmic expenses
- Routine maternity care including Caesarean sections
- Qualifying medical expenses incurred on behalf of a dependent relative (which includes any individual over the age of 65 or permanently incapacitated individuals whether they are relatives or not).

Relief is granted by way of a tax credit at the standard rate of tax, except in the case of nursing home expenses which will be granted by way of an allowance at the taxpayers' marginal rate of tax. A form MED2 should be completed in respect of non-routine dental expenses (this can be obtained from the dentist).

There is an exclusion for certain "non-essential" cosmetic surgery from qualifying for relief. Cosmetic surgery qualifies for relief where it is provided for a physical deformity arising as a result of a congenital abnormality, a personal injury, or a disfiguring disease.

Relief for hospital stays are restricted to expenses necessarily incurred in connection with the services of a medical practitioner, or to diagnostic procedures carried out on advice of a medical practitioner.

Relief for Nursing Home fees qualify for relief provided the nursing home concerned provides qualifying nursing care on site on a 24 hour per day basis. Private contributions towards the fair deal scheme for nursing homes qualify for relief.

Permanent Health Insurance

Premiums paid under approved permanent health insurance (PHI) schemes are tax deductible. The deduction cannot exceed 10% of the individual's total income. Relief is granted as a deduction against total income and is effectively relieved at the marginal rate of tax. Any benefits received are taxable and therefore subject to PAYE.

Third Level College Fees

Tax relief is available at the standard rate for the cost of fees paid for approved courses in approved colleges. In addition to full time courses it includes fees paid for part-time courses on behalf of students who do not have a third level qualification. The relief also applies to post graduate fees paid for third level education in private and public funded third level colleges in non-EU Member States. Tax relief for undergraduate fees is also allowable for accredited private third level colleges in EU Member States.

Tax relief is available for repeat years, for individuals taking more than one course and for individuals already holding a third level qualification.

An amount of fees is disregarded for relief as follows:

Year	Full Time Courses	Part Time Courses
2013	€2,500	€1,250
2014	€2,750	€1,375
2015	€3,000	€1,500

Where families have two or more children in third level education on a full time basis and where both are liable to the Student Contribution Charge, tax relief at 20% will be available on the aggregate paid above the disregarded amount. The current Student Contribution Charge is €2,500. The maximum relief available is €5,000.

Training Course Fees

Relief is available for fees between €317 and €1,270 paid in respect of Information Technology and Foreign Language courses, which are approved by FAS. These courses must at least 2 years duration and must not be a postgraduate course. This relief does not apply to payments made on behalf of dependants.

Rent-a-Room Scheme

Where a room in a persons' principle private residence is let as residential accommodation and the gross annual rental income is less than €10,000 per annum this rental income is exempt from tax. Where it exceeds €10,000 the rent is taxable in full.

Qualifying room rentals will not affect entitlements to claim mortgage interest relief. It will also not effect CGT relief on Principle Private Residence on the disposal of the dwelling, and will not lead to a stamp duty claw-back. The relief will not apply where the letting is between connected parties and rent relief is being claimed.

The relief will not be available where the person in receipt of the income is an employee of the person making the payment.

Tip: Consider keeping rental income below the €10,000 threshold.

Rent Relief for Private Accommodation

Rent paid in a tax year for private residential accommodation will qualify for tax relief in that year. The

relief will be granted by way of a tax credit at the standard rate of income tax i.e. 20% subject to certain limits.

The maximum available is as follows:

	Under 55	55 or Over
Single	€1,600	€3,200
Married/Widowed	€3,200	€6,400

The credit does not cover rent paid to certain public authorities or rent in respect of a letting for a period of 50 years or more.

The relief is to be phased out over a seven year period for tenants who on the 7th December 2010 were paying qualifying rent under a qualifying tenancy. The relief is due to be withdrawn in full for the tax year 2018 onwards. New tenants are precluded from claiming the relief from 8 December 2010.

Donations

Relief is available to individuals and companies in respect of donations to approved Charities/Educational Establishments (minimum €250). These include

- certain disadvantaged schools and donations to the state.
- charities, both domestic and third world
- first and second level schools and third level institutions both domestic and International
- donations to an approved sporting body used to fund expenditure on an approved projects

There is a restriction on the amount of tax relief available to an individual; this caps the amount of the contribution at 10% of the individuals' total income for the year of assessment.

In addition to this cap, with effect from 1 January 2013 there is an annual limit to the amount of donation it is capped at €1m. From 2013 all tax refunds will be granted directly to the approved body at a rate of 31%.

Gifts may comprise of public quoted shares and securities.

A tax credit may be available for a gift of a heritage item to an approved body. The relief is restricted to 50% (80% pre 2013) of the market value of the heritage item. The relief includes property, heritage gardens and accompanying buildings, the relief requires the consent of the Minister for Public Expenditure and Reform. The maximum credit available is capped at €6m in any one year with a minimum donation of €150,000 (or where there is a collection a single item of €50,000).

High Earners

Certain tax breaks available to high income earners are restricted with a tapering restriction applying to individuals with income in excess of €125,000 to ensure a minimum effective tax rate of 30%.

Taxable income is calculated by restricting qualifying deductions to 20% of the taxable amount.

If the individuals' income is less than €125,000 or if the reliefs claimed are less than €80,000 the restriction will not apply.

There is a full restriction on income in excess of €400,000 where there is a claim for specified relief in excess of €80,000 the amount that may be claimed is limited to the greater of €80,000 or 20% of the adjusted income.

A tapering relief applies to income between €125,000 and €400,000.

The following items specifically need to be considered:

- Calculation of double taxation relief and top slicing relief is applied before the relief to be claimed.
- Credits for any relief's or deductions are given before the application of the restriction (but after the carry forward of excess relief's from prior periods).

The effect of the restriction is to disapply the age limit for income tax.

INCOME TAX ADMINISTRATION

Self-Assessment - Pay and File

On 31 October each year, a self-employed individual/company director, PAYE worker with untaxed non PAYE income will be required to:

- File his/her Income Tax Return for the previous calendar year;
- Pay the balance of tax for the previous calendar year; and
- Make a Preliminary Tax payment for the current calendar year.
- Submit a tax computation at the time of filing the return

Payment and Compliance

The self-assessment system applies to individuals with non-PAYE income and to all directors controlling 15% or more of the share capital of a company (even if their entire income is subject to PAYE).

The definition of a chargeable person for self-assessment purposes includes PAYE taxpayers with non PAYE income where the non PAYE income is not taken into account under the PAYE system.

The system places an obligation on the individual to file a return, calculate the tax liability, submit a tax computation and pay the tax due. Returns for income arising in the year ended 31 December 2013 must be filed on or before 31 October 2014 to avoid a surcharge. The surcharge amounts to 5% of the amount of tax payable for the period subject to a maximum surcharge of €12,695, where the return is filed within two months of the deadline. Otherwise if the return is filed more than 2 months after the deadline, a surcharge of 10% is imposed subject to a maximum of €63,485.

Preliminary tax due for the tax year 2013 must be paid by 31 October 2013 if interest charges of .0219% per day are to be avoided. The tax paid must represent 90% of the individual's actual liability for 2013 or 100% of the final liability for 2012 (excluding BES relief and relief for investment in films).

Alternatively, for the tax year 2013, a taxpayer can elect to make a preliminary tax payment equal to 105% of the ultimate liability for 2011 (the pre-preceding year), provided a liability arose in that year. This option is only available to taxpayers that pay by direct debit in equal monthly installments. The final installment is payable in December 2013. Where a taxpayer is paying by direct debit for the first time, payment can be made by way of a minimum of three equal installments, and during the following year by way of eight equal installments.

Any balance of tax due for 2013 must be paid by 31 October 2014 (2012 balance falling due by 31 October 2013).

Where a repayment is made due to a Revenue error in applying the legislation, interest will be repaid from the date the tax was paid to the date of repayment otherwise no repayment is due. Refunds of overpayments of preliminary tax carry interest of 0.011% per day .

Tip: The 2012 tax return is due to be filed by 31 October 2013, where your total income for 2013 is less than that in 2012, consider basing your preliminary tax payment on your 2013 estimated liability.

Joint Assessment

Revenue may recover tax not paid within 28 days from the spouse who was not assessed. This is limited to the amount of unpaid tax referable to that spouse's income.

Pay and File Summary

The following is a summary of pay and file dates for the year 2013

File tax return for 2013	31 October 2014
Pay capital gains tax for 2013	
1 December 2012– 31 December 2012	31 January 2013
1 January 2013-30 November 2013	15 December 2013
1 December 2013 -31 December 2013	31 January 2014
Pay balance of tax for 2012	31 October 2013
(On-line Pay & File date for 2012 Tax Return)	14November 2013
Pay preliminary tax for 2013	31 October 2013
(On-line Pay & File date for 2013 Preliminary Tax)	14November 2013

Information included in Return

Taxpayers are required to disclose information in relation to any relief's claimed in their annual tax return, the relief's to be detailed are highlighted on the return forms. This will apply to individuals, both self-employed and employees and also to companies.

Failure to provide the relevant information may result in a penalty of €950, as well as a surcharge of:

5% of the tax due subject to a maximum of €12,695 – within two months of specified date.

10% of the tax due subject to a maximum of €63,458 – where return filed more than two months after the specified date.

INTEREST RELIEF FOR INDIVIDUALS

Relief on Profits and Rental Income

Relief is available for interest on money borrowed for business purposes where the money is used: -

- for the purposes of a trade or profession carried on by the individual
- for the purchase of, or expenditure on, a rented property (restricted to 75% in the case of residential property)
- to invest in or lend to a trading partnership in which the individual is an active partner
- to acquire an interest in or lend to a company which is a trading or a holding company. This relief will be unrestricted where:

  (a) The company is unquoted (if quoted, the investment should be made when the company was unquoted)

  (b) the individual has a material interest (minimum 5% of equity) and

  (c) the individual is a full-time or part-time director or employee.

Directors and employees (full-time and part-time) of a private trading or rental company, whether or not they have a material interest in the company (more than 5%) are entitled to unrestricted interest relief.

Certain anti-avoidance measures deny relief for non-business interest.

Anti-avoidance provisions provide for a restriction of interest relief where funds are invested in certain companies which use the funds to acquire industrial or commercial property from another company, in such cases the interest is restricted to the individual's return from the company only.

> Tip: There is no restriction on the amount invested and relief is given at the marginal rate of tax where employees/Directors have a material interest in the company i.e. greater than 5%. An individual should therefore minimize borrowings for investments where little or no interest relief is available e.g. an investment in quoted shares.

Interest relief does not apply where loans are taken out to acquire an interest in a company whose income arises wholly or mainly from rents or from income from property.

No interest relief will be available for loans taken out on or after 7 December 2010 to invest in certain trading companies. For loans described above which were taken out prior to 7 December 2010, interest on such loans will be deductible on a reduced basis as follows:

- 75% in 2011
- 50% in 2012
- 25% in 2013
- No relief will be available for 2014 onwards.

The relief is subject to the high earners restriction as outlined on page 10.

Rented Residential Property

There is a restriction on the tax relief available for interest paid on borrowings used to purchase or improve rented residential property. Relief will be restricted to 75% of the amount of interest paid; this will apply to both new and existing borrowings. Commercial properties will not be impacted by the change.

An individual is required to register any properties let with the Private Residential Tenancies Board (PRTB) in order to qualify for interest relief on rented residential properties.

Limited Partnerships

There are restrictions on non-active partners in respect of the set-off of losses, interest and capital allowances against non-partnership income. Relief will be available to non-active partners for set-off against income arising to the partnership only and will be limited to each partner's capital contribution to the partnership. The restrictions apply to interest paid, capital allowances in respect of expenditure and losses arising in a trade. The restriction is €31,750, which is the maximum that may be offset against other sources of income outside the partnership.

INVESTMENT INCOME

Standard Rate DIRT Accounts

With effect from 1 January 2013 there is a 3% increase in the rate of tax applying to interest on deposits and profits/gains from investments and life assurance policies and investment funds.

Income tax at **33%** (30% in 2012) is deducted at source by banks, building societies, Post Office Savings Banks, Credit Unions, Agricultural Credit Corporation and Industrial Credit Corporation from interest paid or credited on deposit accounts in the beneficial ownership of individuals resident in the State.

The tax deducted satisfies the individual's full liability to income tax but this income must be disclosed in the individual's return. For interest received on non-EU accounts the 33% rate also applies up to the standard rate tax band if the interest is returned on the individuals return and taxes are paid by their due date, otherwise a liability arises at 41%. Higher-rate taxpayers will continue to be taxed at 41% on such income, regardless of whether a timely tax return has been made or not.

36% DIRT Accounts

For interest paid or credited on certain deposit accounts where interest is credited at maturity e.g. tracker bonds, tax **at 36%** (33% in 2012) is deducted at source.

DIRT Exemptions

DIRT will not apply to the following individuals:

- individuals or their spouses aged 65 or over who are not liable to income tax where an appropriate declaration has been made
- incapacitated individuals who are under the exemption limits where an appropriate declaration has been made
- charities
- companies that do not have a corporation tax liability
- Non-resident individuals who complete a declaration of non-residence.

Investment Undertakings

The income from certain life assurance products and collective funds is not taxed as it arises and grows tax free within that fund (Gross Roll-Up).

The rates of exit tax applicable to investment undertakings have increased by 3% for chargeable events occurring on or after 1 January 2013 bringing it to 33% for regular distributions and 36% for other chargeable events.

The rate of exit tax applying to Personal Portfolio Investment Undertakings have also been increased by 3% bringing it to 53% for regular distributions and 56% for other chargeable events.

Anti-avoidance measures apply if the policy is not encashed within eight years of its inception. This is to prevent the avoidance of tax by continuously rolling over a policy. A repayment will be available if the policy is disposed of, this is to ensure that the total tax paid does not exceed the tax that would have been payable had the deemed disposal rules not applied (an election not to have the excess tax repaid may be made where the investment by Irish investors in the fund <15% of the value of the fund, in effect tax refunds may be claimed from the Revenue instead of the fund). Similar provisions apply to foreign policies, however there are relieving provisions where Irish investors account <10% of the fund's overall investment whereby it is not necessary for the fund to calculate the deemed disposal amount.

Tip: As the income is taxed on exit or after eight years you have the benefit of reinvesting the gross value of the funds thereby earning income on amounts that would otherwise be subject to tax.

Credit Unions

These offer two special forms of share accounts, as follows:

Special Share Account

Shares in a special share account are liable to **36%** (33% in 2012) DIRT on dividends.

Special Term Share Account

A special term share account for a term of either three or five years is available whereby the first €480 per annum of dividends in the case of the three year fund and €635 per annum in the case of the 5 year fund is exempt from DIRT and Income Tax. Any dividends received in excess of these amounts are liable to DIRT at **33%** (30% in 2012). Equivalent tax exemptions will apply in relation to interest on deposits held in special three and five year term accounts with other deposit taking financial institutions.

Regular Share Accounts

Tax at the marginal rate will continue to apply to interest on regular share accounts.

Reporting of Deposit Interest

Revenue powers exist to allow Revenue to make regulations obliging Financial Institutions including credit unions to return details of all interest and other like payments made to customers. On making appropriate regulations the Financial Institution will be obliged to get details of the person's tax reference number and provide this together with the customer's name and address to Revenue.

European Savings Directive

Deposit takers are required to capture information relating to foreign residents who earn deposit interest in Ireland, this information is returned to Foreign Revenue authorities annually.

Employment and Investment Incentive Scheme

Employment and Investment Incentive Scheme replaces the previous Business Expansion Scheme (BES). The scheme is open to all trades except for:

- Financing activities
- Dealing in or developing land
- Operating or managing nursing homes and hotels
- Professional service companies
- From 2013 the operation of hotels, guest houses and self-catering accommodation may be included in the scheme where the conditions of the Tourist Traffic Act are met.
- The lifetime limit that a company can raise is €10m with the annual amount being €2.5m.

An individual may invest up to €150,000 per annum in this scheme. The maximum limit applies separately to both spouses, provided that they both have sufficient income in their own right. Where full relief cannot be availed of in a tax year, the excess can be carried forward to subsequent years.

The period for which shares need to be held has been reduced from 5 years to three years. A claw-back of relief will arise if shares are disposed of within 3 years.

Tax relief for subscriptions for eligible shares has been reduced from 41% to 30%, with a further 11% relief granted if at the end of the holding period the company has increased its numbers of employees since the investment was made, or the company has increased its expenditure on research and development.

The Company must be an unquoted Company throughout the relevant period and either be resident in the State, or if an EEA State other than Ireland it must carry on business through a branch or an agency in the State and carry on relevant trading activities from a fixed place of business.

The scheme has been extended to 31 December 2020, (subject to a commencement order).

Seed Capital Relief

This relief was introduced to encourage individuals who cease employment to start up their own businesses using a company structure. The relief is given by way of a deduction against total income for the six years preceding the cessation of employment. The maximum available is €100,000 per annum.

This relief is given by way of a refund of PAYE paid by the individual over the six years preceding the year of investment. There is a minimum shareholding requirement of 15% for one year in order to qualify for the relief (previously two years).

The scheme is due to end on 31 December 2013.

The limit on the amount of money a company may raise from seed capital relief is €2,000,000 subject to a limit of €1,500,000 in any twelve month period.

> Tip: The investment may be made in two stages

Film Scheme – Companies and Individuals

This relief is given by way of deduction against total income and is confined to a maximum of 100% of €50,000 for any tax year. Any unrelieved amount can be carried forward to the next tax year. For companies, the maximum amount deductible is 80% of €3,810,000 to enable the production of a single film.

The cap on the maximum amount of funding per film is €50,000,000 (previously €35,000,000).

From 1 January 2012 the Company must provide the Revenue Commissioners with a compliance report within 6 months of completion of the film. Where this report is not filed, tax relief for the individual investor may be affected.

The scheme has been extended to 2020.

From 1 January 2016, film relief will no longer be available to individuals, instead a tax credit of 32% will be available to the production Company and will be available to offset against the Companys' Corporation Tax liability, where it exceeds the Corporate Tax liability the credit will be payable to the Company.

This is subject to EU approval and a Ministerial Order.

> Tip: Film schemes may be structured to favour small investors where a financial institution provides both the funding for the €50,000 contribution required by the individual and the balance of the loan amount, this reduces the return on the investment but can make the investment more affordable.

RETIREMENT & PENSIONS

Company Pension Schemes (Employees and Directors)

Annual contributions paid by an employee to a Revenue approved company pension scheme are tax-deductible. The relevant contribution must be made from the employee's total remuneration for the year from the employment. The relief available is subject to a salary cap of €115,000. It should be noted that this cap does not apply to employers contributions to an Occupational Pension Scheme (OPS).

The relief available is limited to the individuals marginal rate of income tax (max 41**%),**

Level of Allowable Contributions

Tax relief on pension contributions can be claimed by the self-employed and by members of Occupational Pension Schemes (OPS), for self-employed individuals the limit applies to Net Relevant earnings (NRE) and for employees/members of occupational pension schemes the limit applies to earnings; in a single tax year on the following basis:

Age	Limit	Actual Contribution Limit
Less than 30 years	15%	**€17,250**
Between 30 and 39	20%	**€23,000**
Between 40 and 49	25%	**€28,750**
Between 50 and 54*	30%	**€34,500**
Between 55 and 59	35%	**€40,250**
Over 60	40%	**€46,000**

(*The 30% rate also applies to specific individuals under 50 years old who are involved in occupations with a relatively short life span e.g. golfers, athletes and cricketers).

Tip: It may be worthwhile for an individual to make an additional voluntary contribution (AVC) if his or her individual contributions through the company are below the allowable limits.

Contributions paid between 1 January 2013 and the tax return filing date may, if an election is made, be treated as paid in 2012.

There is no restriction on employer tax relief so employer contributions should be maximized.

Self Employed Individuals

An individual who has relevant earnings from a trade, profession or non-pensionable office or employment is entitled to a deduction in respect of any premiums paid under a retirement annuity contract RAC and/or to a Personal Retirement Savings Plan PRSA.

The tax-deductible amount is limited to a percentage of Net Relevant Earnings (NRE) subject to the €115,000 cap referred to above. NRE includes income from trade, professions and non-pensionable employment less certain deductions e.g. qualifying interest on loans. The earnings of husband and wife are treated separately for the purpose of determining net relative earnings. The relief is available for each spouse with non-pensionable earnings.

A self-employed individual may avail of tax relief for the immediately preceding year by making a pension contribution by 31 October following that year.

Directors / Employees

Contributions to Revenue approved Occupational Pension Scheme OPS may qualify for tax relief subject to the limits referred to above.

Remuneration means salary, bonuses, taxable share incentive plans and benefits in kind. Relief is available at the employee's top tax rate.

Where the limits referred to in the table above have not been exceeded by virtue of regular contributions, an additional Annual Voluntary Contribution (AVC) may be made. The contribution may be made up to 31 October following the tax year in which the claim is made.

Entitlements on Retirement:

Self Employed:

- Use the total retirement fund to purchase a retirement annuity
- Withdraw 25% of the fund as a tax free lump sum and with the remaining 75%;
  - **a** Purchase a retirement annuity
  - **b** Draw down the balance (subject to the individuals marginal rate of tax)
  - **c** Invest in an approved retirement fund, subject to approved minimum retirement fund restrictions.

Employees:

- Use the fund to purchase an annuity; this is subject to a maximum of 2/3rds of the individual's final salary.
- Take 150% of final salary amount as a tax free lump sum and buy a retirement annuity with the balance of the fund.

Other Options/Restrictions:

Defined Contribution Schemes:

Withdraw 25% of the fund tax free and invest the remaining 75% in an ARF/AMRF.

Maximum Tax Free Lump sum payments:

- €200,000 (reduced by tax free lump sums taken on or after 7 December 2005).
- The next €375,000 taxed at 20%.
- Excess over €575,000 taxed at marginal rate plus USC.

Access to pension fund before retirement

For a limited period of three years from 28 March 2013 individuals who have made AVCs may access their AVCs before retirement. The amount that can be accessed is 30% of the accumulated value of the AVCs. This does not apply where the AVC was used to buy notional service. Where the option is exercised, and this may only be done on a once off basis the amount accessed by the individual will be subject to PAYE, but will not be subject to PRSI or USC.

Approved Retirement Funds/ Approved Minimum Retirement Funds

An ARF basically offers an alternative to buying an annuity on retirement, it can give more flexibility in how pension fund monies are invested, and it can form part of the individual's estate on death. Income and gains can be rolled up within the fund. However each year an ARF is deemed to distribute 6% of the ARF asset values at 31 December. The tax applies to an individual with an aggregate asset value greater than €2m at 30 Nov in a tax year. Assets held in a PRSA from which retirement benefits have been taken are also subject to the deemed distribution rule.

From 1 January 2012 onwards;

A 5% deemed distribution applies to a vested PRSA where the value is<€2m on 30 November in that tax year.

Where the aggregate value of the fund is greater than €2m at 30 November, the 6% rate applies to the entire fund.

The limit applies cumulatively to all ARFs/vested PRSAs held by an individual.

The imputed distribution is taxed at the individual's marginal tax rate. Actual distributions are deducted from imputed distributions.

Funds invested in an ARF can be withdrawn at any stage and in any amount, either by way of lump sum or regular income. Withdrawals are subject to an individual's top rate of tax.

Where the level of annual guaranteed income at retirement does not equals 1.5 times the maximum annual rate of the State pension i.e. €18,000 an amount must be invested to provide an annuity, the amount invested must equal 10 times the maximum annual rate of the State contributory pension at the time the ARF is being availed of; or the remainder of the pension fund after taking the tax free lump sum in an AMRF.

An AMRF locks away the minimum funds required as outlined above. No notional distribution rules apply.

Income from an AMRF may be withdrawn subject to income tax, but capital may not be withdrawn until 75 years of age.

- Funds may be transferred from one insurer to another.
- Benefits may be accessed from age 60 but must be accessed before age 75 (it is not necessary to retire to access benefits).
- An AMRF can form part of an individual's estate, in which case;
    - Payments to a child over the age of 21 at the date of death are charged to Income Tax at the 30%. Full distribution is exempt from Inheritance Tax if taken under Will or Intestacy.
    - Payments to a child under the age of 21 at the date of death are exempt from Income Tax and Capital Gains Tax, but liable to Capital Acquisitions Tax.
    - Transfer to a spouse's AMRF on death is exempt.

The €18,000 limit and 10 times the State pension limit of €119,800 are being set aside for three years; this is to ensure that people impacted by the higher limits were not negatively disadvantaged. Therefore the limits until 2016 are €12,700 and €63,500.

Where, on the passing of the Finance Act the specified income limits are exceeded then any AMRF owned by the individuals will immediately become an ARF.

Standard Fund Threshold (SFT)

The maximum allowable pension fund on retirement for tax purposes has been set at €2.3million with effect from 7 December 2010 (previously €5,418,085) or, an amount between €2.3m and €5.4m may apply if the sum of the capital value of pension benefits which the individual has become entitled to since 7 December 2005, and the capital value of the un crystallized pension rights of an individual on 7 December 2010 (i.e. the total pension fund that the individual had built up to that point) was greater than €2.3m) For the higher fund figure to apply, written notification must have been made to the Revenue by 6 June 2011. The relevant maximum will apply to the aggregate value of all pension provisions held by an individual.

Where a fund exceeds the relevant limit, the excess will be liable to a once-off income tax charge of 41% when the individual becomes entitled to draw down (irrespective of whether or not the fund is drawn down at that point in time); this is referred to as a benefit crystallization event. In addition, where an individual with a personal retirement savings account decides when taking pension benefits to leave funds in a PRSA rather than opting to transfer them to an Approved Retirement Fund this will also trigger a "Benefit Crystallization Event".

When the net after tax excess amount is drawn down from the pension scheme it is taxed further in the hands of the pension scheme member which can increase the effective tax rate to 62% of the gross value of the fund i.e. 41% tax on the benefit crystallization event plus 41% on the net distributable to the individual plus a 7% universal social charge.

The tax operates in practice by applying a factor of 20 times the annual pension entitlement plus the lump sum, a defined contribution scheme may rely on an actuarial valuation.

As the annual pension amount will also be subject to income tax a double charge to tax arises.

> Tip: It does not make sense to continue funding a pension where the fund will have an excess that is subject to a 41% tax charge. Where the value of a pension fund is likely to exceed the SFT, consideration ought to be given to alternative investments

Certain relief from the tax to reduce the immediate tax burden arising when the individual retires and their pension fund exceeds the SFT of €2.3m applies for public sector pensions.

An annual pension levy of .6% has been introduced in 2011 until 2014 on the value of private pension funds.

Relief on Retirement for Sports Persons

An additional relief applies for certain sports persons on retirement. It operates as a deduction of 40% against gross receipts from actual participation in the sport, (excluding income from sponsorship & advertising) for any 10 tax years of assessment for which he was tax resident in, and paid tax in Ireland in respect of that sporting activity since 6 April 1990. Relief is by way of repayment only and cannot be used to create or augment a loss. Repayments will not carry interest. It only applies to "sports" earnings and will be clawed back if the sports activity recommences.

PRSA

Employers are required to provide employees with access to a Personal Retirement Savings Account where they do not provide an occupational pension scheme. This involves an employer providing the facility to have pension contributions deducted from an employees' salary and transferred to the PRSA provider. Employees may elect to pay PRSA contributions in lieu of AVCs. The retirement benefits are the same as those for RACs with the same overall contributions applying (these include contributions by the employer where applicable).

> Tip: There is no requirement for an employer to contribute to the PRSA; however any contribution will be deductible from income tax/corporation tax.
>
> Tip: It is not necessary for an individual to retire in order to access benefits from RACs and PRSAs.
>
> Benefits are generally accessed from age 60 and must be accessed before age 75.
>
> Employees with PRSAs may retire as early as 50

Self-Administered Pension Funds

A company may provide for a director's pension via a self-administered pension scheme with the director as trustee of the scheme. The director can influence the investment policy, for example the scheme could make an investment solely in property.

> Tip: Self-administered pensions are a means by which a pension investment may be managed personally as opposed to through an insurance company and can offer greater flexibility in the type of asset that are invested in e.g. property.

Lump Sum Payments

Retirement – Termination Lump Sum Payments

Individuals leaving employment may receive tax free payments. There are three methods of calculating the tax-free amounts:

1) €10,160 plus €765 for each complete year of service with the employer.

2) The amount calculated at 1) above may be increased by an additional €10,000, provided no claim for relief for increased exemption has been made in the previous 10 years.

Or

3) Average salary for previous three years multiplied by the number of year's services and divided by fifteen. This is known as Standard Capital Superannuation Benefit (S.C.S.B)

The tax-free amounts under (2) and (3) above are reduced by tax-free amounts received/receivable from the employer's pension fund.

The exemption available in respect of termination payments is restricted to a lifetime limit of €200,000.

From 1 January 2013 this limit also applies to payments on death and disability. Any other payments will be taxable in full.

There are other exempt payments which can be made on ceasing employment, including statutory redundancy payments payable in accordance with the Redundancy Payments Acts 1967-2003, injury or disability payments for persons who may have to terminate employment early due to their medical condition, and also lump sums paid under approved pension schemes. Certain lump sum payments paid to employees in respect of pay restructuring schemes are also tax exempt (see below).

The entitlement to an employers rebate of Statutory redundancy has been removed with effect from 1 January 2013.

Top Slicing Relief

In addition to the above, Top Slicing Relief may apply. This seeks to tax the lump sum at the average rate of tax over the preceding 3 years if it is more beneficial than the rate applying in year of termination.

Where the PAYE deducted on the termination payment exceeds this amount, a refund should be claimed from the tax office after the end of the year in which the employment terminates.

From 1 January 2013 Top Slicing Relief will no longer be available on ex gratia lump sum payments where the non-statutory payment is €200,000 or over.

Lump-Sum Payment to Employees on Company Restructuring

An exemption in respect of a lump-sum payment not exceeding €7,620 plus €255 for each full year of service applies to employees who undergo a pay restructuring where the emoluments of the employees are reduced by at least 10%. For pay reductions higher than 15% the maximum amount is increased.

The relief applies where:

- the restructuring scheme is necessary to ensure the current or future viability of the company and
- at least 50% of the total numbers of employees are involved in the restructuring scheme or more than 75% of a class of employees provided the number of participating employees in that class comprises 25% of the total number of employees in the company.

Retraining Exemption

An exemption is available where retraining (in the form of a course as opposed to cash) is provided to employees as part of a redundancy package. An exemption of up to €5,000 for each eligible employee is available where an employee has more than two years continuous service. The course must be designed to improve skills in obtaining employment or setting up a business, and it must be completed within six months of the employee being made redundant. The exemption does not apply to the spouse or dependents of the employer.

Reporting Requirement

There is a requirement to report to the Revenue Commissioners any payment made on death, or on account of injury or disability.

EMPLOYEE SHARE SCHEMES

The Finance Act 2011 fundamentally changed the basis of taxation of all Share Schemes. Share schemes have been brought within the charge to PRSI and the Universal Social Charge, as well as subjecting the Shares to Employees PRSI.

- Share awards
- Unapproved share options
- Revenue approved profit sharing schemes
- Approved save as you earn schemes
- Approved share option plans

Employers are obliged to operate PAYE, PRSI and the USC in respect of share awards received by employees, and to allow the withholding of shares by the employer to fund the income tax and USC charge before transferring the balance of shares to the employee, where this liability has not already been met by the employee.

Share Options

Where an employee is granted share options by reason of an employment, a charge to income tax and USC will arise on the actual exercise of the option, irrespective of whether the employee retains or sells the shares. The charge to income tax will be the excess of the market value of the share on exercise over the option price and this share option gain will be taxable at the employee's marginal rate of tax.

The tax and USC must be paid by the employee within 30 days of the date of exercise of the option; a Form RTSO1 must be filed at the time the payment is made.

Share Purchase Schemes

Approved Profit Sharing Schemes and SAYE share options are exempt from income tax. However, on appropriation of shares to the APSS or on the exercise of the approved SAYE options, USC at a rate of up to 7% applies, employee PRSI of 4% and employer PRSI of 10.75% will also apply to the market value of the shares on this date.

Profit Sharing Schemes

A full-time employee or director, or a part-time employee, can be given up to €12,700 (€38,100 in the case of an Employee Ownership Trust where the shares are held for a period of at least ten years) worth of shares, tax free, each year under a Revenue approved profit sharing scheme (APSS). The scheme must be available to all employees on similar terms. To avoid an income tax penalty, the shares must be held in trust for a total of 3 years. If the shares are sold within 3 years, income tax is charged on 100% of the value of the shares.

A disposal of the shares may give rise to a Capital Gains Tax liability on the difference between the sales proceeds and the market value of the shares on the day that they are awarded. The scheme must have prior approval from the Revenue Commissioners and the cost of administering the scheme is tax deductible for the company.

Revenue will not approve a profit sharing scheme unless they are satisfied that there are no arrangements in place that provide for loans to be made to employees eligible to participate in the scheme. Shares cannot be shares in certain service companies.

> Tip: An employee profit sharing allocation may be a substitute for salary if certain conditions are met.

Save As You Earn Scheme (SAYE)

Companies may set up a Save as You Earn share option scheme (SAYE) which must be Revenue approved. A company may grant options under an SAYE scheme at a discount of up to 25% of the market value of the shares at the beginning of the saving period. Employees must make a commitment to monthly savings of between €12 and €500 from after tax income for a period of 3 years at the end of which the employee can use the savings to purchase shares. Any interest paid on the savings at maturity will be exempt from DIRT. The cost of setting up the SAYE scheme may be claimed by the company as a deduction against trading profits. No charge to income tax arises where the shares are purchased at the discounted price. The shares are liable to capital gains tax when disposed of, the base cost for Capital Gains Tax purposes being the amount the employee paid for the shares.

> Tip: As there is no obligation on the employee to use their savings to purchase the shares at the end of the designated savings period, an employee with an option to avail of this scheme ought to do so as they cannot suffer from a fall in the value of their shareholding during the life of the scheme.

Restricted Shares

Where shares are restricted an abatement of income tax to reflect the period of the restriction may be available. Where shares are held in a trust for employees which must be established in the State or in another EEA State by trustees resident in the State or in an EEA State, and where there is a genuine commercial restriction on the disposal of the shares, and where there is a valid written contract in place imposing the restriction on the sale.

The abatement amounts that apply to the income chargeable to tax are outlined below by reference to the period of restriction:

Years of Restriction	1	2	3	4	5	5+
Abatement	10%	20%	30%	40%	50%	60%

Where shares are forfeited the employee will be entitled to a rebate of tax paid.

Where the values of the shares are abated the base cost for capital gains tax is also reduced.

The charge to PRSI and USC is calculated by reference to the abated amount and not the full value of the shares.

Returns:

For share option schemes a return of information outlining details of beneficiaries must be provided to Revenue by 31 March after the end of the relevant tax year i.e. 31 March 2013 for 2012. Where a company or trustee fails to make the return relief may be withdrawn. In addition penalties will apply where an employer fails to make the required returns, and of course where a negligent or a false return is made.

The following table is a summary of the current tax treatment of share schemes:

Scheme Type	Income Tax @ 41%	USC @ 7%	Employee social security/ PRSI (4%)
Share Awards	Yes-PAYE	Yes-PAYE	Yes-PAYE
Share Option gains	Yes-Self Assessment (within 30 days of exercise)	Yes-Self Assessment (within 30 days of exercise)	Yes-PAYE (if no longer an EE subject to self assessment)
Approved Profit Sharing Schemes (APSS)	No	Yes-PAYE	Yes-PAYE
Save As You Earn Schemes	No	Yes-PAYE (if no longer an EE subject to self assessment)	Yes-PAYE (if no longer an EE subject to self assessment)

Tax Tip:

No charge to employers PRSI arises on share based remuneration and therefore it is still an attractive incentive for employers to incentivise employees.

BENEFIT IN KIND

All Benefits in Kind are subject to PAYE and PRSI and taxed as notional pay. Benefits are taxable when the benefit is provided or when the payment is made. Where the benefit provided to the employee does not exceed €250 in value there is no BIK, the amount is not cumulative over a number of benefits and only one such benefit may be provided annually.

Consequently there is an obligation to report and pay any tax due from the employee. In certain exceptional circumstances the employer may pay the tax on behalf of the employee, these situations are as follows:

Where the employee has insufficient income, in such cases the payment on behalf of the employee will be treated as a simultaneous deduction from the employee's liability to income tax.

Employers may make arrangements with the Revenue to account directly to the Revenue rather than through the normal PAYE system for the tax payable in respect of benefits provided to employees who are minor and irregular. Where the employer so accounts for the tax, the benefits will not form part of the total income of the employees and they will not be entitled to credit for or repayment of the tax accounted for.

Company Cars

Old cars The assessable annual cash benefit for the use of a company car is calculated at 30% of the original market value of the car. This percentage is reduced for high business mileage as follows:

Business Mileage

Exceeding	Not Exceeding	%
0	24,000 KM	30
24,001KM	32,000 KM	24
32,001KM	40,000 KM	18
40001KM	48,000 KM	12
48,001+ KM		6

New Cars For 2009 and subsequent periods emission allowances will be the basis for assessing benefit in kind on company cars.

Vehicle Emission Category	CO2 Emissions (CO2 g/KM)	OMV %
A	0-120	30%
B	>120-140g	30%
C	>140-155	30%
D	>155-170	35%
E	>170-190	35%
F	>190-225	40%
G	>225	40%

Tapering relief is available for high levels of business travel

Lower km	Upper Km	A,B.C OMV%	D,E OMV%	F,G OMV%
0	24,000	30	35	40
24,001	32,000	24	28	32
32,001	40,000	18	21	24
40,001	48,000	12	14	16
48,001	+	6	7	8

Employee Contributions: A reduction is available where an employee makes a general contribution to the running costs of the car; however a deduction is no longer available where an employee meets the specific cost of motor tax, insurance and running costs.

Foreign Travel: Where an employee is required to work abroad the notional pay is reduced by reference to the number of days spent working abroad. This is conditional on the employee's working a minimum of 30 days abroad and the car not being available for use by family members during the period of absence.

Further reduction: A 20% relief from BIK on cars applies to employees who work at least 20 hours per week, and whose annual business mileage exceeds 8,000 Kilometers. The employees must spend 70% or more of their time away from their place of work or business, and work a minimum of 20 hours per week on average. Revenue will require each employee to submit a logbook, which must be retained for up to six years.

Tip: It is more beneficial to use tapering relief where business mileage exceeds 32.001

Tip: Structure any employee contributions to maximize a reduction in BIK

Tip: It will be more beneficial for employees to make a general lump sum contribution to the cost of the car, instead of say meeting the cost of insurance, tax etc. as BIK is reduced € for € on any general contribution made by the employee for the use of the car.

Pooled cars do not attract BIK provided the car is available for the use of more than one employee and provided the car is not kept overnight at the employees home.

Company Vans

There is an exemption from Benefit in Kind on the provision of a company van where all of the following conditions are satisfied:

- The van is essentially used for the purposes of the employee's work
- The employer requires the van to be brought home

- The employee spends most of his/her working time away from the office

Where any of the above conditions are not met, a BIK charge of **5%** of the original market value applies.

Preferential Loans

- The specified rate for home loans is **4%** (5% pre 1 January 2013)
- The specified rate for all other loans is **12.5%** (13.5% pre 1 January 2013).

The preferential sum is calculated by reference to the balance of the loan as reduced by actual repayments as opposed to payments due under a loan agreement.

Accommodation

The benefit in kind is the amount, which could reasonably be expected to be obtained on a yearly letting. Where the living accommodation is owned by the employer, the amount referred to is as a rule of thumb calculated as 8% of the current market value of the accommodation.

Travel Passes

The provision by an employer of monthly or annual bus, train LUAS or ferry passes to directors and employees is exempt from income tax. It is also possible to structure the reduction of an employee's salary to cater for the provision of this benefit.

> Tip: Tax savings arising from the provision of travel passes may also reduce the cost of providing car parking spaces where employees can be encouraged to use public transport. The employee tax and PRSI saving on a €700 annual pass is c. €300 and employers PRSI saving of c. €75.
>
> The provision of a travel pass is an acceptable form of salary sacrifice.

Professional Subscriptions

With effect from 1 January 2011 professional subscriptions are subject to benefit in kind. However where the expense is incurred by the Company but where the individual if they had incurred it would have been entitled to a deduction for the expense on the basis that it was incurred wholly, exclusively and necessarily incurred in the course of the individuals employment duties then no BIK will arise.

A tax deduction for an annual membership fee of a professional body is available where;

There is a statutory requirement for membership of a professional body before the individual member can carry out the duties of their employment.

The individual is registered with a professional body and has a right by virtue of that membership to be heard in a court or tribunal on their own behalf or on behalf of a client.

There is a requirement for a current practicing cert for the individual to carry out the duties of his/her employment.

The duties of the employee require the exercise or practice of the occupation in respect of which the annual membership fee refers

The employee exercises or practices the occupation in respect of which the annual membership fee refers

Membership of the professional body is an indispensable condition of the tenure of the employment.

Other Exemptions

Where private use is incidental to business use, the following will not be subject to benefit in kind:

Mobile Phones

Computers and related equipment including high speed internet connections

Certain costs and expenses in respect of the provision of personal security assets and services to an employee will not be subject to benefit in kind where there is a credible and serious threat to a person's physical security resulting from their employment.

The provision of a new bicycle and/or related safety equipment up to a maximum of €1,000 where the bicycle is used to travel between home and the normal place of work. The exemption can only be claimed once every five years. If certain conditions are met it is possible to provide the benefit by reducing salary.

Anti-Avoidance

Anti-avoidance measures exist to restrict the exclusion of PAYE on shares given to an employee in an employers' company or a company controlled by an employer only. As well as applying to existing employees the measures also apply to previous employees who retain their benefits.

Unapproved salary sacrifice arrangements are subject tax.

MOTOR EXPENSES

A self-employed person can set off the motor expenses in respect of the use of a private car for business purposes.

Expenses Allowance and Motor Mileage for Employees

No tax liability is incurred where there is reimbursement by the employer of vouched expenses incurred for the purposes of the trade.

If a round sum expense allowance is given to an employee, it is regarded as income and taxed accordingly under PAYE. Subsequently, a claim for refund of income tax can be made based on allowable business expenditure incurred.

An employee may claim a mileage allowance, where they use their own private cars for business purposes and pay all expenses including petrol/diesel, insurance and other overheads. Provided the reimbursement is in accordance with Revenue guidelines at rates not in excess of Civil Service Mileage Rates, no prior agreement with the Inspector of Taxes is required.

CIVIL SERVICE MILEAGE RATES from 5 March 2009

(Rate per KM)

Official Mileage in A calendar year	Up to 6,437 Km (cents)	6,438 Km + (cents)
Engine capacity		
up to 1,200cc	39.12	21.22
1,201cc to 1,500cc	46.25	23.62
1,501 cc and over	59.07	28.46

Travel between home and work is not regarded as being for business purposes.

SUBSISTENCE ALLOWANCES

Subsistence allowance can be paid to employees who work away from base in carrying out their duties of employment.

CIVIL SERVICE SUBSISTENCE RATES From 5 March 2009

Over Night Allowance			Day Allowance		
Class of Allowance	Normal Rate	Reduced Rate	Detention	10 hrs or more	5 to 10 hrs
	€	€	€	€	€
A	108.99	100.48	54.48	33.61	13.71
B	107.69	92.11	53.87	33.61	13.71

Class	Salary
A	€69,659
B	€37,536

Normal Rate	Up to 14 nights
Reduced rate	Next 14 nights
Detention rate	Absence over 28 nights.

Special rules apply to absences over 56 nights.

The day and night allowance cannot be paid in respect of the same period

There are detailed rules and conditions governing the payment of subsistence allowances. Advice should be taken before proceeding with any payments.

LOCAL PROPERTY TAX

This tax is effective 1 July 2013 and will be calculated by reference to the market value of the residential property at 1 May 2013. The value at 1 May 2013 will be valid for three years until 31 December 2016.

The property includes the property plus one acre.

The tax will be calculated at a rate of 0.18% of the market value up to €1m and 0.25% on values above that level. There are a number of bands up to €1m, however the tax is calculated at the midpoint of the band (see table below).

Property Valuation Bands & LPT Ready-Reckoner

Band No.	Band Range	Mid point	2013	2014
01	0 – 100,000	50,000	45	90
02	100,001 – 150,000	125,000	112	225
03	150,001 – 200,000	175,000	157	315
04	200,001 – 250,000	225,000	202	405
05	250,001 – 300,000	275,000	247	495
06	300,001 – 350,000	325,000	292	585
07	350,001 – 400,000	375,000	337	675
08	400,001 – 450,000	425,000	382	765
09	450,001 – 500,000	475,000	427	855
10	500,001 – 550,000	525,000	472	945
11	550,001 – 600,000	575,000	517	1,035
12	600,001 – 650,000	625,000	562	1,125
13	650,001 – 700,000	675,000	607	1,215
14	700,001 – 750,000	725,000	652	1,305
15	750,001 – 800,000	775,000	697	1,395
16	800,001 – 850,000	825,000	742	1,485
17	850,001 – 900,000	875,000	787	1,575
18	900,001 – 950,000	925,000	832	1,665
19	950,001 – 1,000,000	975,000	877	1,755
20	Value greater than €1m assessed on the actual value as follows:			

This is a self-assessed tax will apply to all residential properties including rental properties and holiday homes. However, Revenue guidance will be available to assist with this valuation or alternatively, an independent valuation can be used. For 2013 a half year charge applies due to the start date.

Exemptions:

- First time purchasers of homes in 2013 to the end of 2016
- Purchasers of new or previously unoccupied homes - up to end of 2016
- Houses in unfinished ghost estates
- Certain homes vacated for 12 months or more by persons who are ill or elderly.
- Properties owned by charities
- Registered nursing homes
- Motor homes, vehicles or vessels.
- Homes with pyrite damage
- Homes subject to commercial rates
- Diplomatic properties
- Homes adapted for incapacitated individuals where adaptation costs exceed 25% of the market value.

The owner of the home is generally liable for the tax.

The return is due by the 7 May 2013 for paper filers and by the 28 May for online filers. The return is due prior to making the payment which is due by 1 July 2013.

Payment may be made by debit or credit card-funds taken on 21 July 2013, or by equal Installments from 1 July 2013 to 31 December 2013.

Payments may be made by way of salary or pension deduction.

There is a deferral scheme for those on low incomes.

The Household Charge will cease with effect from 1 January 2013 and the NPPR charge will cease with effect from 1 January 2014.

CORPORATION TAX

Companies resident in Ireland are liable to corporation tax on profits wherever arising.

Rates:

The standard rates of corporation tax may be summarised as follows:

	Trading Income	Non-Trading Income
2013	12.5%	25%

The 25% rate applies to trading income from dealing in and developing land other than fully developed land. In addition a windfall tax of up to 80% may apply to certain disposals of development land,

Trading losses and charges subject to the lower rate of tax may be offset against income taxed at a higher rate on a "value and credit basis".

Corporate Group Relief

Losses may be surrendered within a group or consortium subject to certain restrictions, which apply to losses in general. This applies to both Ireland and EU/EEA resident participants and to non EU residents in certain circumstances.

With effect from 1 January 2012 a Group may have a non EU/EEA parent if it is resident in a country with which Ireland has a double taxation agreement.

Close Companies

A surcharge of 20% is payable on the undistributed investment and rental income of a close company. Professional service companies are liable to a surcharge of 15% on one-half of its undistributed trading income and a surcharge of 20% on the undistributed rental and investment income.

For accounting periods ending on or after 1 January 2013. There is a deminimus threshold of €2,000 (previously €635) below which the surcharge will not apply.

The close company surcharge does not apply in situations where a company is the recipient of a dividend from a foreign subsidiary, and the company would be exempt from capital gains tax on the disposal of the shares in that subsidiary provided it is located in an EU or tax treaty country.

Where a close company settles money to a trust it will be treated as a distribution from the close company to the trustee of the trust, and will be subject to tax as a dividend in the hands of the trustee. In addition any sum received out of the settlement to the member of the close company or by the relative of such an individual will be chargeable to Income tax.

A close company that pays a dividend to another close company may jointly elect for the dividend "not" to be treated as a distribution. In effect this provides relief where a trading company pays a dividend to an investment/holding company as the income will not be treated as investment income in the holding company which will eliminate the close company surcharge.

Tip: Care needs to be exercised when making a payment from one Investment Company to another as this simply transfers the close company problem from one company to another.

Corporate donations to Charities and other Approved Bodies

Companies are allowed deduct, as a trading expense, donations made to charities and other approved bodies. The minimum amount of donation in any year is €250. The following are some of the bodies in which payments to will qualify for corporation tax relief:

- A body approved for education in the arts;
- A body approved as an eligible charity;
- An institute of higher education, or a body established for the sole purpose of raising funds for such an institution;
- Certain secondary level institutions;
- The Equine Foundation;
- An approved sports body for an approved project;

R & D Credit

Incremental research and development expenditure qualifies for a tax credit of 25%; this is in addition to a tax deduction at 12 ½ %, giving an effective write off for R&D expenditure of 37½%. Claims must be made within 12 months of the end of the period in which the expenditure is incurred.

A repayment of excess R&D tax credits is available over a three year period. The repayment is limited to the higher of the total corporation tax payable by the company in the previous ten years or the payroll tax liabilities of the company for the period in which the R&D is incurred.

R&D expenditure may be carried back to the prior period to generate a cash refund where the Company had a Corporation Tax payment in the proceeding accounting period.

Key Employee R&D Credit

A credit may be awarded to a key employee by means of a tax credit.

A key employee is described as an employee who has the following characteristics:

The employee must;

- Not be, or have been, a director of the company and must not be connected to a director of the Company.
- Not have, or have had a material interest (5%) in the company or be connected to a person who has a material interest in the Company.
- Perform 50% (prior to 1 January 2013-75%) of their activities in the conception or creation of new knowledge, products, processes, methods and systems.
- Have 50% (prior to 1 January 2013-75%) of the emoluments of the individual qualifying for R&D tax credit.

Other conditions:

- The amount that can be surrendered to the employee is capped at the amount of corporation tax due from the Company before taking the R&D tax credit into account, i.e. the company must be paying tax in order to avail of the relief.
- It is up to the Company to determine who receives the benefit of the reward and the amount of credit awarded.
- The employee must make a claim to Revenue for a tax refund.
- The individuals effective tax rate cannot be reduced below 23% (this includes jointly assessed spouses/civil partners). The credit does not apply to the USC. Unused credits may be carried forward indefinitely or until the employee leaves the Company.
- Revenue retain the right to clawback the credit if the R&D claim is denied on an audit. Revenue will seek to levy the clawback on the Company in priority to the employee.

R&D Tax Credit

The credit will be available for incremental expenditure incurred in any EU/EEA country, where the expenditure is not tax deductible in any other EU/EEA country.

The reference year for determining the incremental expenditure for all years is 2003, the first €200,000 (previously €100,000) of expenditure incurred does not refer to a base year, for expenditure in excess of €200,000 the base year reference still applies. To establish the incremental spend by reference to the base year, trades of Groups may be separated where they are carried on in separate geographic locations where they are located more than 20Kms apart. This allows a company to cease carrying out R&D activities, or dispose of an R&D facility in a particular location without impacting on the total R&D spend from other R&D centers in a Group.

Expenditure on R&D carried out by a third level college on behalf of the company or group also qualifies if it does not exceed 5% of the company or group's own R&D spends. Subcontracted costs to an unconnected third party, to a maximum of 10% of total qualifying expenditure, are also eligible for the tax credit. For accounting periods ending on or after 1 January 2012 a Company may claim the amount referred to above or €200,000 whichever is higher. The third party contractor cannot also claim the R&D credit and the Company must notify them in writing of this.

Grant aided expenditure on R&D only qualify for relief on a net of grant basis.

A tax credit is also available for construction or refurbishment work carried out on a building used for qualifying research and development activities. The credit is equivalent to 25% of the qualifying cost of construction or refurbishment and may be claimed in full in the year in which the expenditure is incurred.

New Company Start ups

An exemption from corporation Tax for the first three years of trading applies to certain new startup companies.

Where a company is incorporated after 14 October 2008 and commences to trade up to 31 December 2014 it is exempt from Corporation Tax and Capital Gains Tax on the disposal of assets used for the purposes of the new trade.

The exemption is subject to a liability threshold, and no relief will be available where profits exceed €480,000.

Corporation Tax Liability for the period	Availability of Relief
< €40,000	Full exemption
€40,000 to €60,000	Marginal relief
> €60,000	Fully taxable

The relief is restricted to new trades and does not apply where the trade was previously carried on by another person, or where the trade, or part of the trade was carried on by an associated company.

Any unused relief in the first three years of trading may be carried forward to subsequent periods.

The relief is limited to the amount of employer PRSI that is paid, or that amount that would have been payable if relief under the Employer Job PRSI Incentive scheme did not apply. There is a cap applied to the amount of employer PRSI per person which is capped at €5,000 per person, with an overall limit of €40,000.

The relief does not apply to companies carrying on professional services, nor does it apply to companies which carry on a trade of:

- land dealing,
- petroleum and mineral activities,
- aquaculture or agriculture,
- coal,
- road freight operations,
- export related activities,
- undertakings in difficulty

In addition, in order to comply with EU requirements it should be noted that Revenue may disclose details of relief granted under the scheme.

Payment and Compliance

Large Companies:
(A company with a corporation tax liability of €200,000 or more in the preceding year):

6 months before the end of the accounting period (day 21 of the 6th month)

- 50% of the previous year's final liability
- 45% of the current year's final liability
  One month before the end of the Accounting period (day 21 of the 11the month)
- 90% of the final liability (after taking into account the payment five months earlier)
  Filing Date (21st day of the 9th moth following the accounting period end)
- Balance of any tax due

A company's preliminary tax liability includes the corporation tax, close company surcharge and income tax liabilities for the accounting period, it also includes tax on chargeable gains, except for those arising from disposals of development land. To ensure interest charges will be avoided, the preliminary tax payment (the aggregate of the first and second installment) must represent at least 90% of the final tax liability for the accounting period.

Special arrangements exist to take account of chargeable gains arising in the last month of an accounting period and for accounting periods of one month's duration.

Small Companies
A small company i.e. where last year's Corporation tax liability was less than €200,000, may base its first installment on 100% of the previous years' liability.

New Companies
Where a company is a new company with a corporation tax liability of less than €200,000, for the first accounting period will not be required to pay preliminary tax for that period. A new company may pay tax for the first year when filing its tax return.

Group Companies
Where companies are large companies and members of the same Group, where one company has satisfied its preliminary tax obligations and paid in excess of 90% of the final corporation tax liability, and another company has not paid sufficient preliminary tax, then the excess paid by one company may be transferred to the other company to limit any exposure to interest.

Filing

The corporation tax return must be filed within eight months and 21 days of the Accounting period end, otherwise a surcharge will arise (23rd day where filed online).

Information included in Return

A company is required to disclose information in relation to certain incentives/relief's on their annual tax return, the relief's to be detailed will be highlighted on the return forms.

Failure to provide the relevant information may result in a penalty of €950, as well as a surcharge of 5% of the tax due subject to a maximum of €12,695.

Exemption for Disposal of Shareholdings

An exemption for Irish based companies from Capital Gains Tax on the disposal of shares in a subsidiary company. To qualify for the exemption, a 5% holding of ordinary shares must be held within a two year period of disposing of the shares. The shares must be held for a period of at least twelve months and must be held in a company located in an EU or treaty country.

The company being disposed of must be a trading company, or the holding company of a trading group (i.e. the holding company together with all other companies in which it has a 10% interest must consist wholly or mainly of trading activities).

Payment Dates for Capital Gains Tax

Payment of capital gains tax relating to a disposal of development land are treated in the same way as a disposal for an individual, see p.36

For disposals of assets other than development land, the payment and filing dates are as outlined above.

Special rules apply where a gain is made in the last month of the accounting period, this allows for top up payments to be made without an exposure to interest.

Penalties

Payment and filing deadlines may be extended to the 23rd of the month where the return is filed electronically via ROS the Revenue online system.

Date of Filing	Surcharge	Restriction
Return filed within two months of expiry of deadline	5% of tax payable maximum €12,695	25% of loss or relief maximum €31,740
Return filed 2 months or more after expiry of deadline	10% of tax payable maximum €63,485	50% of loss or relief maximum €158,715

Mandatory Reporting

Certain transactions which have the main benefit of obtaining a tax advantage are reportable to Revenue.

TAXATION OF DIVIDENDS

Dividend Withholding Tax (DWT)

A withholding tax, at the standard rate of income tax i.e. 20% applies to dividend payments and other profit distributions, including cash and scrip dividends, made by an Irish resident company.

DWT does not apply where the distribution is made to a 51% Irish tax resident holding company.

Exemption from withholding tax is available where certain declarations are made in the case of payments to certain shareholders, including:

- An Irish tax resident company,
- Charities, pension funds, certain retirement funds and certain sporting bodies,
- Companies resident in EU member states or tax treaty countries, not under the control of Irish residents,
- Listed companies and their 75% subsidiaries,
- Non-resident companies ultimately controlled by residents of EU Member States or tax treaty countries,
- Certain individuals entitled to receive tax free income,
- Certain employee share ownership trusts,
- Approved Retirement Funds (ARF) and Approved Minimum Retirement Funds (AMRF),
- PRSAs and certain Exempt Unit Trusts,
- Brokers in receipt of dividends for special portfolio investment accounts,
- Collective investment funds.

DWT does not apply to distributions not subject to tax in the recipient's hands (i.e. dividends from patent companies to qualifying shareholders).

Detailed conditions including the making of appropriate declarations, where necessary, must be met to avail of the above exemptions.

Irish individual shareholders will be taxable on the gross dividend at marginal rates, but will be entitled to a tax credit for the tax withheld by the company. The tax withheld by the company will be payable to Revenue by the 14th day of the month following the month in which a distribution is made, regardless of whether DWT applies to the distributions.

Withholding tax on intra-EU dividends, royalty payments and interest payments between associated companies is eliminated where a company owns 25% of another company or a third company owns 25% of each company.

Encashment Tax

A foreign dividend cashed by Irish Financial Institutions is subject to encashment tax @ 20%. This does not apply to non-resident individuals or charities. It also does not apply to cheques cashed in a retail branch of a bank.

Shares in Lieu of Dividends (Scrip dividends)

When a scrip dividend is given to a shareholder, the amount of the dividend to be converted to shares will be reduced by the standard rate of income tax i.e. 20% and the company shall pay to Revenue an amount equal to the tax withheld. The recipient is assessed for tax on the value received and that withheld i.e. the gross dividend and is given a credit for the amount withheld.

Tax on Dividends Received

Dividends received from Irish Companies are exempt from Corporation Tax.

Foreign Dividends (where >5% shareholding) are subject to tax at 25%.

A 12.5% rate applies where a Company receives dividends out of the trading profits of a Company which is tax resident in the EU or a country with which Ireland has a double Taxation Agreement, with a credit for the underlying foreign tax.

With effect from 1 January 2012 this relief is extended to parties to the OECD convention on Mutual Assistance in Tax matters.

CAPITAL ALLOWANCES

Capital Allowances are granted for tax purposes in lieu of depreciation.

Annual Allowance - Plant and Machinery

An annual allowance known as Wear & Tear allowance is granted for plant and machinery used in the trade in an accounting period.

The write off period for annual wear and tear allowances is eight years for expenditure incurred after 4 December 2002, i.e. 12½ % per annum on a straight line basis.

Balancing allowances or charges may arise where assets which have qualified for capital allowances are disposed of. Where the proceeds of the sale are greater than the tax written down value, a balancing charge arises or where the proceeds of disposal are less than the tax written down value of the asset then a balancing allowance arises.

Balancing charges will not arise where the proceeds on the disposal of an individual asset are less than €2,000. This will not apply to disposals between connected persons

Energy efficient equipment

Accelerated allowances of 100% in year one will be available for the purchase (as opposed to leased, let or hired) by companies only of certain new energy efficient equipment approved by the Minister for communications, Energy and Natural resources.

The list of approved expenditure has certain classes of minimum spend as follows:

Motors and drivers	€1,000
Lighting	€3,000
Building energy management systems	€5,000
Information and Communication Technology	€1,000
Heating and electricity provision	€1,000
Process and heating, ventilation and air conditioning systems	€1,000
Electric and alternative fuel vehicles	€1,000
Refrigeration and cooling systems*	€1,000
Process and heating, ventilation and air-con systems*	€1,000
Electric and alternative fuel vehicles*	€1,000

This regime is due to end on the 31st December 2014.

Intellectual Property Incentives

Tax relief on capital expenditure incurred in the acquisition of intellectual property including goodwill is available in certain circumstances.

Lessors

Lessors of plant and machinery are also entitled to the allowance if the burden of Wear & Tear on the asset is borne by them.

Motor Vehicles

The annual allowance for motor vehicles (other than taxi and short term hire vehicles-see below) is 12.5% on a straight line basis subject to a maximum qualifying cost of €24,000 for motor vehicles. The availability of capital allowances will depend on the level of carbon emissions of cars. The capital allowance or lease deduction and proportionate balancing allowance or charge depends on the categories of emissions as follows:

Carbon dioxide Emission Level Category/Classification Capital Allowance value threshold Leasing Restriction Limit Up to 155g/Km A/B/C €24,000* €24,000* 156g-190g/Km D/E Lower of 50% of €24,000 or cost Lower of 50% of €24,000 or cost >190g/Km F/G No allowances No allowances

The €24,000 limit applies irrespective of cost of the vehicle.

Electric Cars

There is an enhanced scheme of Capital Allowances for expenditure incurred on a car which is electric or runs on alternative fuels. An accelerated allowance of 100% is given by reference to the lower of the cost of the car and € 24,000.

Taxis

A taxi or short-term hire car is given an unrestricted write off of the purchase price at 40% per annum on a reducing balance basis. Existing taxi licence owners may write off the cost of their licence as a capital allowance against trading income. The taxi licence is treated as plant and machinery and the rates applicable above apply.

Sea Fishing Boats

A Special regime of allowances applies to expenditure on polyvalent and beam trawl fishing boats where the expenditure is certified by BIM. The allowances are available at the rate of 50% in year 1 and 20% of the balance for 5 years.

If a balancing allowance arises as a result of a compensation for the decommissioning of white fishing vessels, the balancing charge will be spread equally over five years commencing in the year in which the compensation is paid.

Industrial Buildings

The annual allowance for Industrial Buildings is 4% (available on a straight-line basis) on the net cost of the building. It is available to whoever holds the "relevant interest" in relation to the construction expenditure. Both owner-occupiers and lessors of Industrial Buildings are entitled to claim this allowance. Accelerated allowances are available in certain circumstances.

For an investor, any capital allowances unutilised against rental income of passive investors may be offset against non-rental income; this is subject to a maximum of €31,750.

There are anti-avoidance provisions which restrict capital allowances available to a subsequent purchaser of an industrial building on the disposal of industrial buildings from a company to an individual.

Anti-avoidance provisions also disallow interest relief on money lent to, or invested in, a company to acquire premises from another company where tax relief has not been fully utilised. The provision restricts the interest relief to the individuals return from the company.

Time Limits:

There is a two year deadline by which a developer must sell a building which qualifies for capital allowances in order for the purchaser to be entitled to base their capital allowances claim on the purchase price (rather than the developer's original construction cost).

Surcharge:

A property surcharge has been introduced for individuals who have gross income equal to or greater than €100,000.

The surcharge is in the form of an additional Universal Social Charge of 5% of the amount of income sheltered by property reliefs in a tax year.

Investors who claim accelerated capital allowances and investors in residential property projects will be subject to the surcharge.

When computing the amount of preliminary tax to pay for 2012, the USC payable must be taken into account as if it had been payable for the 2011 tax year.

The charge will not apply to owner occupiers.

Tax Life of Accelerated Capital Allowances Schemes

Investors in accelerated capital allowances scheme will no longer be able to use capital allowances beyond the original tax life of the particular scheme where the tax life ends after 1 January 2015. Therefore the last claim can be made on the later of the end of the tax life of the building and the end of 2014.

Summary of Reliefs:

Type of Property	Allowance/Relief Available
Hotels	15% per annum years (1-6) 10% (yr 7) if conditions are met Otherwise 4% P.A. where registered with Failte Ireland
Holiday Cottages	10% p.a. for 10 years if conditions are met Otherwise 4% p.a. where registered with Failte Ireland
Student Accommodation	100% year 1 deduction against rental income in year first let (s23 type relief)
Third Level education	15% per annum years (1-6) 10% (yr 7)
Nursing Home Residential Units	15% per annum years (1-6) 10% (yr 7)
Sports Injury Clinics	15% per annum years (1-6) 10% (yr 7)
Urban renewal 1999 Rural Renewal 1999 Town Renewal 2000	50% year 1 allowance 4% p.a. thereafter s23 type relief for residential properties
Living over the Shop	s23 type relief for residential properties Owner occupier relief available for non-residential property
Multi-Storey Car Parks	100% capital allowances on leases post 31/7/1998
Park and Ride	Owner occupiers: • 100% capital allowances Others: • 50% year 1 • 4% p.a. thereafter
Rental Refurbishment Scheme	15% per annum years 1-6 10% year 7

A summary of the above relief's are included in all tax booklets up to 2012.

Tax Life of a Building

The tax life of a building is normally ten years where accelerated capital allowances are claimed, see table above.

The retention period for certain facilities listed below is fifteen years, i.e. tax relief availed of will now be clawed back if a property is disposed o within fifteen years where the property was first used after 1 February 2007. This will also impact on the tax life for a subsequent purchaser who will now be entitled to write the expenditure off over a fifteen-year period. This provision impacts the following properties:

- Qualifying hospitals
- Convalescent homes
- Nursing homes
- Qualifying residential units
- Childcare facilities

Deemed Balancing Event:

Where any of the facilities listed above cease to be used as described and is put to some other use a balancing event will be deemed to have arisen, unless the properties are reinstated to their intended use within a period of six months.

Property Developers

Property developers or persons connected with property developers are excluded from claiming capital allowances where either the property developer or the connected person holds a relevant interest in the property and either party incurred expenditure on the construction of certain properties.

- Specific exclusions apply to:
- Qualifying hospitals
- Qualifying mental health facilities
- Certain childcare facilities
- Buildings within a qualifying Mid Shannon area in use as a holiday camp/other tourist facility.

Living City Incentive

A new incentive scheme has been introduced for certain special regeneration areas which focus on the conversion and refurbishment of dilapidated Georgian Houses constructed between 1714 and 1830 in Limerick and Waterford. The relief is available for owner occupier and commercial properties. The incentive is available for 5 years.

Owner occupiers: 10% pa. for 10 years where expenditure >10% of the market value of the building.

Commercial: 15% pa. for 6 yrs and 10% on yr. 7 where expenditure >10% of building.

This is subject to a commencement order

Property Tax Tips:

Maximise your claim for accelerated capital allowances prior to the end of the tax life of the building .In addition to any incentives available, relief is also available for interest on monies borrowed to purchase property (this is restricted to 75% 0f the interest paid).

The general restriction of €31,750 allowed against non-rental income (that applies to passive investments) is available for both husbands and wives, where there is sufficient taxable income spouses ought to invest in a property jointly.

As the €31,750 limit does not apply to rental income, convert as much as possible to rental income.

Where possible e.g. in the case of crèches and nursing homes consider becoming an active partner in the property investment as the €31,750 limit does not apply.

Consider structuring a partnership with a company where low tax rates may be availed of for income generated, and part of the capital growth in the property may be retained personally.

Always be careful when purchasing a tax incentivised property as the relief's available are generally built into the price.

Be aware of the high earners restriction allowed for reliefs which is limited to €80,000.

Dealing in Land

The Finance Bill 2013 has introduced a number of provisions dealing with Land dealing for individuals:

Debt forgiven after 12 February 2013, for debt incurred on development land will be taxable as income.

For losses occurring after 13 February 2013 a loss on the value of property must be realised in order to claim loss relief.

Interest must be paid (post 13 February 2013) in order to obtain tax relief.

CAPITAL GAINS TAX

Individuals resident or ordinarily resident in Ireland are liable to capital gains tax on disposals.

Individuals resident or ordinarily resident but not domiciled in Ireland are liable on gains arising on the disposal of assets situated in Ireland all foreign gains to the extent that those gains are remitted to Ireland.

Individuals neither resident nor ordinarily resident are liable on gains made on the disposal of certain specified assets, viz:

Land and buildings in Ireland.

Minerals in Ireland including related rights, and exploration or exploitation rights in a designated area of the continental shelf.

Unquoted shares deriving their value, or the greater part of their value, from such assets as mentioned above.

Assets of a business carried on in Ireland through a branch or agency.

An anti-avoidance section imposes CGT on individuals who dispose of shareholdings after 4 December 2002 during a period of temporary non-residence, a temporary period of non-residence is described as absences of less than 5 years.

Rates

The standard rate of Capital Gains Tax arising on disposals is 33% (Prior to 6 December 2012 the rate was 30 %).

Inflation Relief

In arriving at the chargeable gain on the disposal of an asset held for over twelve months, the allowable cost is to be adjusted for inflation based on the Consumer Price Index (Indexation).

Indexation relief is only available in respect of ownership of assets up to 31 December 2002. Expenditure incurred in 2003 and subsequent years of assessment do not qualify for indexation relief.

Year Expenditure incurred	Factor for disposal for year ended 5 April/31December:										
	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01	2001	2002	2003
1974/75	5.656	5.754	5.899	6.017	6.112	6.215	6.313	6.582	6.930	7.180	7.528
1975/76	4.568	4.647	4.764	4.860	4.936	5.020	5.099	5.316	5.597	5.799	6.080
1976/77	3.935	4.003	4.104	4.187	4.253	4.325	4.393	4.580	4.822	4.996	5.238
1977/78	3.373	3.432	3.518	3.589	3.646	3.707	3.766	3.926	4.133	4.283	4.490
1978/79	3.117	3.171	3.250	3.316	3.368	3.425	3.479	3.627	3.819	3.956	4.148
1979/80	2.812	2.861	2.933	2.992	3.039	3.090	3.139	3.272	3.445	3.570	3.742
1980/81	2.434	2.477	2.539	2.590	2.631	2.675	2.718	2.833	2.983	3.091	3.240
1981/82	2.012	2.047	2.099	2.141	2.174	2.211	2.246	2.342	2.465	2.554	2.678
1982/83	1.693	1.722	1.765	1.801	1.829	1.860	1.890	1.970	2.074	2.149	2.253
1983/84	1.505	1.531	1.570	1.601	1.627	1.654	1.680	1.752	1.844	1.911	2.003
1984/85	1.366	1.390	1.425	1.454	1.477	1.502	1.525	1.590	1.674	1.735	1.819
1985/86	1.287	1.309	1.342	1.369	1.390	1.414	1.436	1.497	1.577	1.633	1.713
1986/87	1.230	1.252	1.283	1.309	1.330	1.352	1.373	1.432	1.507	1.562	1.637
1987/88	1.190	1.210	1.241	1.266	1.285	1.307	1.328	1.384	1.457	1.510	1.583
1988/89	1.167	1.187	1.217	1.242	1.261	1.282	1.303	1.358	1.430	1.481	1.553
1989/90	1.130	1.149	1.178	1.202	1.221	1.241	1.261	1.314	1.384	1.434	1.503
1990/91	1.084	1.102	1.130	1.153	1.171	1.191	1.210	1.261	1.328	1.376	1.442
1991/92	1.056	1.075	1.102	1.124	1.142	1.161	1.179	1.229	1.294	1.341	1.406
1992/93	1.019	1.037	1.063	1.084	1.101	1.120	1.138	1.186	1.249	1.294	1.356
1993/94	-	1.018	1.043	1.064	1.081	1.099	1.117	1.164	1.226	1.270	1.331
1994/95	-	-	1.026	1.046	1.063	1.081	1.098	1.144	1.205	1.248	1.309
1995/96	-	-	-	1.021	1.037	1.054	1.071	1.116	1.175	1.218	1.277
1996/97	-	-	-	-	1.016	1.033	1.050	1.094	1.152	1.194	1.251
1997/98	-	-	-	-	-	1.017	1.033	1.077	1.134	1.175	1.232
1998/99	-	-	-	-	-	-	1.016	1.059	1.115	1.156	1.212
1999/00	-	-	-	-	-	-	-	1.043	1.098	1.138	1.193
2000/01	-	-	-	-	-	-	-	-	1.053	1.091	1.144
2001	-	-	-	-	-	-	-	-	-	1.037	1.087
2002	-	-	-	-	-	-	-	-	-	-	1.049
2003	-	-	-	-	-	-	-	-	-	-	1.000

Retirement Relief

Retirement relief is available for an individual aged 55 years or more on disposal of business assets owned and used for 10 or more years ending on the disposal date, it also applies to shares in a family trading company which have been held for at least 10 years. Periods of ownership of a deceased spouse may also be included in the calculation. This relief is limited to proceeds of €750,000 where the disposal is not to a child of the individual.

A disposal of a business to a child including a foster child supported by the donor for five years prior to the child turning eighteen years of age is not liable to capital gains tax regardless of the consideration provided the child retains the asset for 6 years. For the purposes of this exemption a child includes a nephew or niece who has worked in the business substantially on a full time basis for the period of five years ending with the disposal. Also, the definition of child may in certain circumstances include a grandchild.

Assets that are held outside a family company and used by that company also qualify for retirement relief provided that certain conditions are met.

Relief will only apply where the disposal of qualifying assets is for bona fide commercial reasons and not as part of a tax avoidance scheme.

Special relief also applies to compensation payments for the de commissioning of fishing vessels.

Where a disposal is made after 1 January 2014 by an individual who has reached the age of 66, the relief is restricted to €500,000, and in the case of the disposal of assets to a child or certain other individuals the relief for an individual aged 66 or over (post 1 January 2014) is restricted to qualifying assets with a market value of up to €3m with no relief for the excess.

Tips:

An individual is not in fact required to retire in order to avail of this relief.

A husband and wife each have a €750,000 individual limit, therefore a split of the business on commencement to trade ought to be considered

A company buyback of shares may be used in conjunction with retirement relief to ensure that no tax exposure arises if the amount received for the shares is €750,000 or less. In the case of a buyout of a retiring couple who both qualify for retirement relief, the amount may be increased to €1,500,000 where all conditions have been met.

A company buyback of shares is a useful way of using company funds as opposed to personal funds to buy out a dissenting or retiring shareholder. It also avoids taking new shareholders in to the company to fund a buyout. In addition the remaining shareholders maintain the same proportional percentage shares.

Plan to avail of the relief prior to the restrictions that are introduced from 1 January 2014 which encourages early gifting of the family business.

Exemptions and Relief

The following are a number of exemptions available to individuals:

- Annual gains of up to €1,270 for each individual. For married couples the exemption is €1,270 each, which is non-transferable.
- Sale of tangible moveable property not exceeding €2,540 e.g. antiques.
- Sale of tangible moveable property, which is a wasting asset and does not qualify for a capital allowances claim.
- Sale of principal private residence (except where sale proceeds reflect development value).
- Sale of dwelling house occupied rent-free by a dependent relative.
- Gains or profits on sales of Government Securities or Savings Certificates.
- Transfer of assets between spouses living together.
- Gains on the sale of Irish Government securities, where the security has been held for at least two years.
- Disposals of individual works of art which are valued at not less than €31,740 when loaned to an approved gallery or museum for public display for a minimum period of ten years from 2 February 2006 (for loans made prior to 2 February 2006 the loan period is six years).
- Transfer of a site from a parent to a child including a foster child supported by the donor for five years prior to the child turning eighteen years of age, provided it is for the construction of the child's principle private residence. The maximum marketable value of the site is €500,000. The relief is limited to one site per child (this is limited to 1 acre exclusive of the area where the house is to be built). The threshold applies where both parents make a simultaneous disposal of a site to a child.

- Gains arising from personal injury compensation payments to permanently incapacitated individuals, where the exempt income and gains are greater than 50% of an individual's total income and gains.
- Disposal of certain shares (see corporation tax section).

Property Relief

No Capital Gains Tax will apply to gains on purchases made between midnight on 6 December 2011 and the end of 2013, where the property is held for at least seven years. This includes all EU and EEA located properties. Gains on properties held for longer than seven years will be time apportioned.

Turf-Cutting Compensation Scheme

No chargeable gain will be deemed to arise on compensation payments, whether in money or money's worth made under the "Cessation of Turf Cutting Compensation Scheme".

Payment and Compliance

Capital Gains tax is a self-assessment tax. In summary, the following is the due payment and compliance dates:

Payment Dates for Capital Gains Tax

The payment dates for Capital Gains Tax have also been revised, the payment date previously 31 October following the year of assessment in which the gain arose has been revised to bring forward the payment date and provide for two payment dates as follows;

Period of Disposal	Date of Payment
1 January 2013-30 November 2013	15 December 2013
1 December 2013–31 December 2013	31 January 2014

Clearance Certificate

Where the proceeds of a sale of certain assets such as land and buildings are more than €500,000 a tax clearance certificate is required. In the absence of the certificate, the purchaser is obliged to deduct tax at 15% of the sale proceeds and pay the tax withheld to the Revenue within 30 days of making the deduction. This provision applies irrespective of the method of payment.

A credit will be available for the tax withheld against the purchasers CGT where the consideration for the disposal is in non-monetary format.

An agent may apply for a tax clearance certificate on behalf of a client.

CAPITAL ACQUISITIONS TAX

- Capital Acquisitions Tax (CAT) is a tax on gifts and inheritances.
- The following is a summary of the method of assessment to CAT:

Taxable Inheritance

A taxable inheritance arises in any of the following situations:

- The disponer is resident or ordinarily resident in Ireland at the date of the disposition
- The successor is Irish resident or ordinarily resident at the date of the inheritance
- The property is located in Ireland at the date of the inheritance

Taxable Gift

A taxable gift arises in any of the following situations:

- The disponer is resident or ordinarily resident in Ireland at the date of the disposition (not applicable to gifts under a Discretionary Trust)
- Where a gift is taken under a Discretionary Trust, the disponer is resident or ordinarily resident in Ireland at the date of the disposition or the date of death (if the gift is taken after the death of the disponer)
- The beneficiary is resident or ordinarily resident in Ireland at the date of the gift.
- Provided the settlor or beneficiary is not Irish domiciled, he is not deemed to be resident until after 1 December 2004 and then only if he has been resident in Ireland for 5 consecutive years of assessment immediately before the year of assessment in which the gift is received and is also resident at the date of the gift.

Gifts/inheritances taken on or after 5 December 1991 are aggregated with later gifts/inheritances in order to arrive at the current tax payable.

Only gifts/inheritances within the same group are to be aggregated.

Thresholds for CAT

The following maximum tax-free thresholds apply for gifts and inheritances:

Relationship to Donor	Post 6/12/2012	Pre 6/12/2012
Group 1	€225,000	€250,000
Group 2	€30,150	€33,500
Group 3	€15,075	€16,750

Group 1 - donee or successor is a child, minor child of a deceased child of the disponer, an adopted child, a foster child of the disponer subject to certain conditions, or a spouse of a deceased child. It also applies to inheritances taken by a parent from a deceased child, subject to certain conditions. Certain inheritances taken by a parent from a child may be totally exempt.

Group 2 - donee or successor is a lineal ancestor, lineal descendant (other than a child or minor child of a deceased child), a brother, sister, or a child of a brother or sister of the disponer.

Group 3 - donee or successor is not related as outlined in either of the previous classes.

Rates

A rate of 33% (30% prior to 6 December 2012), applies to all gifts/inheritances. This rate applies to the amount of gift or inheritance in excess of the tax-free threshold.

	Inheritances	Gifts
Threshold amount	0%	0%
Excess over threshold amount	33%	33%

The following exemptions and reliefs apply:

- Inheritances and gifts between husband and wife are exempt.
- Transfers of property by virtue of an order under the Family Law Acts 1995 or 1996.
- The first €3,000 of gifts from each disponer taken in a calendar year.
- Gifts or legacies applied for public or charitable purposes.
- Normal and reasonable payments received in the disponer's lifetime by family members for support, maintenance or education or by a dependent relative for support or maintenance.
- Life assurance policies (Section 60 policies) designed for the payment of CAT and used for this purpose within one year of the death of the Insured person. Any excess proceeds may be taxable.
- Dwelling houses, which are the only or main residence of the beneficiary (subject to certain conditions).
- Business Property Relief (see below).
- Agricultural relief (see farmers taxation page 42)

Private Residence Relief

The gift/inheritance of a private dwelling house is exempt from CAT provided:

- The beneficiary has continuously lived in the house as his only or main residence for 3 years prior to the date of the gift/inheritance.
- At the date of the gift/inheritance, the beneficiary is not beneficially entitled to any other dwelling house or to any interest in another dwelling house.

- If the beneficiary is under 55, he must either continue to live in the house for 6 years after the date of the gift/inheritance or in the event of sale, invest the proceeds of sale in another dwelling which will be his only or main residence, to avoid a clawback.

The relief is restricted in the case of gifts, relief will not be available where the property was the disponer's only or main residence during the three year period prior to the gift, there is an exception in the case where the disponer resides there due to old age or infirmity and relies on the services of the beneficiary.

There is also a restriction to properties owned by the disponer for the three year period prior to making the gift, this avoids situations whereby a parent buys property owned and occupied by a child and then gifts it back to the child.

Tip: It is not necessary for individuals to be related in order to avail of this relief.

If a person has an interest in another residential property it may, depending on circumstances be worth divesting yourself of this interest prior to receiving the gift.

Business Property Relief

The value of business assets is reduced for a gift/inheritance of relevant business property by 90% subject to a number of qualifications. The relevant business property must have been owned by the disponer, or his/her spouse for at least five years prior to the transfer in the case of a gift or two years in the case of an inheritance. The asset must remain in the business for at least six years to avoid a claw-back of the CAT relief.

Business relief also applies to a gift or inheritance of shares in a holding company that holds shares in one or more companies controlled by the beneficiary and his/her relatives, nominees or trustees.

A clawback of the relief will apply where the full proceeds from the disposal or compulsory acquisition are not fully expended within one year in the case of a disposal or within six years in the case of a compulsory acquisition made after 25 March 2002.

Where there is a disposal of land which qualified for agricultural relief or business asset relief in the period commencing six years after the date of the gift or inheritance and ending ten years after that date, there will be a clawback of the relief by reference to the development value of the land at the date of the gift or inheritance.

Tip: Agricultural property may qualify for Business Relief where it fails to qualify for Agricultural Relief.

It is not necessary for the business to be carried out in the State or for the property to be situated in the State for the relief to apply.

Payment and Compliance

There is a new Pay and File system (outlined below) which requires returns to be filed via ROS where reliefs and exemptions (other than a small gift exemption) are being claimed by the beneficiary.

Valuation Date	Return Filing and Payment Deadline
1 Jan – 31 Aug	31 Oct in the same year
1 Sep – 31 Dec	31 Oct in the following year

(Prior to 8 February 2012 the filing deadline was 30 September)

Interest Payments/Repayments

Interest on outstanding tax will be computed from 1 October each year.

There is a four year time limit for claiming repayments of overpaid tax, including the overpayment of probate tax; the four year period runs from the date of payment of the tax where the tax has been paid on time or from the valuation date where the tax has been paid late. Surcharge for Late Returns

Filed within 2 months of due date	5% (max €12,695)
Filed after 2 months of due date	10% (max €63,485)

Surcharge for Understatement

A surcharge applies to discourage understatement of asset values in self-assessment returns. The surcharge is:

(a) 10% if the declared market value was between 50% and 66% of the true value,

(b) 20% if the declared market value was between 40% and 49% of the true value,

(c) 30% if the declared market value was less than 39% of the true value.

Joint Account Limits

The amount that can be held in a joint account, which can be released to the survivor of a deceased person without prior Revenue approval, is €50,000

Record Retention

Records must be maintained for a period of 6 years commencing on the valuation date of the gift or inheritance.

Solicitors are liable for the CAT of beneficiaries in cases of probate on which they act.

DISCRETIONARY TRUST TAX

A discretionary trust set up on or after 11 April 1994 is subject to a once-off 6% levy based on the value of the assets in the trust on the latest of the following events:

- The date property is placed in settlement,
- The date of death of the settler where the discretionary trust is created under under the disponer's will, or
- The date on which the principal beneficiaries of the trust all attain the age of 21.

The 6% charge is reduced to 3% where the trust is created under a will and where all of the assets of a discretionary trust are appointed within 5 years of the assets being transferred to the discretionary trust.

Following the trust becoming subject to the 6% levy, a 1% levy is payable on each year (except the year in which the 6% levy is paid) on the market value of the assets in the trust.

The 6% and 1% tax also include entities that are "similar in effect" to trusts for example foundations which do not require trustees.

STAMP DUTY

Stamp Duty is a duty levied on documents or instruments, executed in Ireland, relating to conveyances and certain other transactions.

The rate of stamp duty levied depends on the head of charge under which an instrument is classified.

Trade In Scheme

No stamp duty will be payable by a person who accepts a property in exchange or in part exchange for a new house or apartment under a "trade in scheme". Under this arrangement stamp duty will only become payable when that person subsequently sells the house that was swapped. This relief will not apply to commercial property.

Non residential property

A rate of 2% applies to all non residential property. The 2% rate also applies to goodwill, loans and other property to the extent that it is not already exempt from duty.

Residential Property

Residential Property - Rate Structure

With effect from 8 December 2010 the rate of stamp duty that applies to residential property is as follows:

Property Value	Rate
Up to €1,000,000	1%
Over €1,000,000	2%

Exemptions & Reliefs

- Transfers between husbands and wives are exempt Certain transfers on divorce are exempt.
- Wills are exempt.
- Transfers of Irish government stocks are exempt.
- Transfers between associated companies are exempt, subject to certain conditions.
- Covenants to children and charities.
- Transfers on certain takeovers reconstructions and mergers.
- Transfers of assets from a liquidator to a shareholder on liquidation.
- Transfers of foreign land and shares
- Certain financial services instruments
- For transfers of agricultural land see Farming page X.
- The sale or transfer of trademarks and intellectual property.
- The sale or transfer of an EU single farm payment entitlement.

A 50% relief for transfers between related persons has been maintained until the end of 2014, until its abolition, an intra-family transfer of non-residential property will attract a 1% stamp duty rate.

Anti-Avoidance

Where a person makes a gift or a loan to a first time buyer, they may not reside in the property or the property may not be transferred to the donor/person making the loan except where the donor/lender is the parent of the first time buyer.

A charge to stamp duty will arise in respect of a contract or agreement, for the sale of an estate or interest in land in the State or a license or a long lease where 25% or more of the consideration has been paid under the contract or agreement.

Other Rates

1%	Transfer of Stocks and shares (first €1,000 is exempt)
0%-6%	Premiums on leases
1%-12%	Average annual rent (depending on the lease term)

VALUE ADDED TAX

Value Added Tax (VAT) is a tax on consumer expenditure and is charged when a taxable person supplies goods or services in Ireland in the course or furtherance of its taxable business. It is also chargeable on the purchase of specified services from supplier's abroad, on imported goods and on intra-community acquisitions of goods.

Registration

Registration is compulsory if turnover exceeds the following limits.

- Persons supplying services per annum* — €37,500
- Persons supplying goods per annum* — €75,000
- Intra community acquisitions of goods only & reverse charge VAT in a 12 month period — €41,000

Rates

Certain goods and services are exempt from V.A.T. e.g. all pre-school education facilities, promotion of and admission to live theatrical performances.

The rates of VAT and the main categories to which they apply are:

Goods and services not subject to one of the other rates i.e. standard rate.	**23%**
Exported goods, fertilisers, books, food including bakery products and oral medicine, Children's clothing and children's footwear.	**0%**
Livestock, live greyhounds and hire of horses	**4.8%**
Unregistered farmers (5.2% pre January 2013)	**4.8%**
Real property, building services, newspapers, Hotel and holiday accommodation, short term car and Boat hire, tour guide services and certain agricultural Services and sports facilities.	**13.5%**
Heating fuel, electricity, restaurant services, Cinema and cabaret admission, hot take away foods, waste disposal services, admission to exhibitions, the services of veterinary surgeons, cakes and Non-chocolate biscuits.	**13.5%**
Hairdressing and other similar services, repair and maintenance of movable goods, photographic services, laundry and dry cleaning and driving instruction.	**13.5%**
The supply of most banking services, insurance services, Education and training, medical services, passenger transport,funeral undertaking, lotteries and services of trade unions.	Exempt

*** 9%** rate applies to restaurant and catering services; hotel and holiday accommodation, admission to cinemas, theatres, certain musical performances, museums and art

gallery exhibitions; fairground and amusement park services; use of sporting facilities; hairdressing services; printed matter such as brochures, maps, programmes, leaflets, catalogs and newspapers; heritage facilities, certain exhibitions and open farms. From 1 January 2014 the rate on these goods and services will revert to 13.5%.

Section 13A

Taxable persons may be authorised to import and make intra-community acquisitions of goods and to purchase goods and services in the state without having to incur the VAT normally chargeable if at least 75% of their annual turnover is comprised of exports and/or zero rated intra-community supplies.

A penalty of €4,000 applies for every VAT period in which the taxpayer fails to notify Revenue that they no longer satisfy the conditions required for VAT 13A authorization.

Foreign Visitors

Non-EU visitors who purchase goods in Ireland and export them in their personal baggage can claim a VAT refund when they leave the EU.

Holiday Homes

An individual who elects to become taxable in respect of the letting out of a holiday home will be subject to a partial claw back of the VAT reclaimed on the purchase of the property if he cancels the registration within 10 years of the date of election.

Travel Agents Margin Scheme

This scheme applies to Tour Operators and travel agents, the profit margin realised on the sale of travel packages is subject to VAT at 23%. Vat will also apply to the profits realised on hotel reservation companies.

VAT incurred on conference accommodation in Ireland when it is supplied under the Travel Agents Margin Scheme is not recoverable.

Payment and Compliance

Taxable persons are obliged to register for VAT and submit bi-monthly returns by the 19th of the month (23rd where filed online via ROS) following the two month period in respect of supplies and purchases made in the two-month period. Unpaid tax attracts simple interest at the rate of .0274% per day.

Certain authorised persons may submit VAT returns on an annual basis rather than on the bi-monthly basis, and pay their VAT liability by direct debit, if permitted.

Certain interest penalties arise where insufficient VAT is remitted on the direct debit system. Where the balance of tax remaining to be paid by the authorised person at the end of the accounting period exceeds 20% of the actual liability for that period, simple interest is chargeable from a date six months prior to the date on which the authorised person is requires to furnish the annual return. Where returns and payments are submitted electronically via ROS (the Revenue online service) the due date will be extended to the 23rd of the month.

Penalties

A fixed penalty of €4,000 applies in respect of;

- Failure to submit a VIES return in respect of services
- Failure to provide specified documentation on a lease surrender or assignment of certain leases created before July 2008.
- Failure to provide documentation in relation to property transfers as part of a business sale.
- Failure to maintain the VAT history of properties held.

Cash Receipts

Some taxable persons may elect to account for their VAT liability on the basis of cash received in a taxable period rather than on the basis of sales. This is generally available where the primary supply of goods and services is to persons who are not registered for VAT or where the individuals' turnover is less than €1,000,000, (€1,250,000 with effect from May 2013). The cash receipts basis is not be available where a discount is given to a customer after the supplier issues a VAT invoice where no credit note has been issued in respect of the discount, in effect this makes the supplier liable to VAT on the discount.

A VAT return may be submitted by another person authorised to do so by the taxable person. Such a return is treated as if the taxable person supplied it for the purposes of the VAT Acts.

Margin Scheme – Second Hand Motor Vehicles and Agricultural Machinery

Dealers in second hand vehicles and agricultural machinery may opt to apply VAT to their profit margin in Sales. The dealer is not entitled to claim residual VAT in their purchase price and simply accounts for VAT @ 23% in the profit margin.

VAT on Property Rules

Commercial property transactions are subject to the following provisions:

- There is no VAT charge on the capitalized value of long leases.
- There is no distinction between short leases and long leases.

- There is an exemption from tax for all leases with an option to tax.
- The supply of new properties within the first five years is liable to VAT.
- The supply of old properties is exempt from VAT with a joint option to tax.
- A capital goods scheme will apply to properties for up to 20 years to readjust VAT recovery in line with the level of recovery entitlement of the business.

Anti-Avoidance

A site which is transferred as part of the value of a new house or apartment is subject to VAT.

Reverse charge mechanism in the Construction Sector

A reverse charge mechanism applies for VAT on supplies made by a subcontractor to a principal contractor in the construction sector.

A reverse charge means that instead of the subcontractor charging VAT on his supply to a principal and accounting to Revenue for the VAT, the principal contractor will account to Revenue for the VAT. Both the subcontractor and the principal will continue to claim input credits.

The reverse charge rules for the construction sector also apply to any person connected to the builder and not just the principal contractor. The definition of connected is wide and includes persons or bodies of persons connected by family or other personal ties, management, ownership, control, common purpose and certain legal ties.

Partial VAT Rebate on certain Company Cars

A business engaged in fully Vatable services may claim an input credit of 20% (a reduced amount applying for partially Vatable activities) of VAT incurred on the purchase or hire of company cars that are used at least 60% for business purposes. The input credit will only apply to cars within the scope of Bands A, B or C for VRT purposes and which are registered after 1 January 2009. If the car is disposed of or ceases to meet the 60% business test within 2 years, some or all of the VAT reclaimed will be clawed back by Revenue.

PAY RELATED SOCIAL INSURANCE

Pay Related Social Insurance (PRSI) is payable by employers, employees and Self-employed persons.

Employers and employees pay PRSI on the employee's salary after deduction of any contributions to an approved pension scheme.

Employers and employees PRSI is charged on all earnings from employments, including benefits in kind.

Universal Social Charge

Contributions by Employees;

PRSI	4%	All Income
Universal Social Charge	2%	€10,036
	4%	€10,037 to €16,016
	7%	Income >€16,016

- No Universal Social Charge applies to employees with a total Income of less than €10,036 (€4,004 for 2011).
- A reduced rate of USC of 4% applies to income over €16,016 to anyone in receipt of a medical card, or for individuals over 70 years of age. For 2013, the reduced rate only applies where the individual has income of less than €60,000 per annum.
- Employees earning €352 or less per week are exempt from PRSI. Prior to 2013, in any week where an employee is subject to full rate PRSI the first €127 of weekly earnings is disregarded.
- From 2014 PRSI will apply to non-employment income of employees.

Bankers Bonuses

A special USC rate of 4% applies to certain bankers' bonuses paid to employees of Financial Institutions that have received financial support from the State.

Employer Contributions:

PRSI	10.75%	ALL income
	4.25%	If Income €365 per week or less

Employee pension contributions do not qualify for PRSI or USC relief.

Employee and employer PRSI and the Universal social charge apply to all share awards.

Self Employed Individuals;

PRSI	4%	All Income
Universal Social Charge	2%	€10,036
	4%	€10,037 to €16,016
	*7%	€16,016 >€100,000
	*10%	>€100,000 (aged 70 and above)

There is a minimum annual PRSI contribution of €253

- For individuals with a total Income of less than €10,036 no Universal Social Charge applies.
- A reduced rate of USC of 4% applies to income over €16,016 to anyone in receipt of a medical card, or for individuals over 70 years of age during the tax year. For 2013, the reduced rate only applies where the individual has income of less than €60,000 per annum*.
- The 10% rate is reduced to 7% for individuals who reach the age of 70 during the tax year.*

USC

Certain limited deductions are allowed against the USC, these include;

- Trade Losses and capital allowances
- Business and rental expenses
- Legally enforceable maintenance payments
- Deposit interest income is exempt from the USC

Exemptions from the USC

The tax free element of a termination payment will be exempt from the USC, see pg. 17.

Statutory Redundancy

- Salary and pension payments made under a PAYE exclusion order to individuals resident in a treaty country.
- Social welfare payments
- Deposit interest
- Payments made by a spouse under a legally enforceable maintenance agreement, there is no exemption for any element of the payment relating to children.
- Payments made where an exclusion order is in place.

Employees PRSI

PRSI is charged on all earnings from employment including non-pecuniary income (benefits in kind).

In general, persons between 16 and 66 years, in insurable employment, must pay PRSI.

Self-Employed

Self-employed persons are liable for PRSI contributions in respect of income from a trade or profession, or from investment income. If you receive employment income or pension income you are exempt from self-employed PRSI on investment income including deposit interest. The exemption is lost if you have self-employed earnings.

The minimum contribution payable for 2013 is €253. Payment must be included with preliminary tax which is payable on or before 31 October each year.

Self-employed persons whose income from all sources is less than €5,000 for 2013 before deduction of capital allowances will not be liable to PRSI. This test is applied separately to the income of a husband and wife.

Self-employed individuals are liable to PRSI at 3% on their full reckonable earnings without any exemptions or any ceilings.

Employers PRSI

A two-tier system of employers' contributions applies i.e.

- where an employee earns less than €356 in any week a reduced rate of 4.25% applies.
- where earnings exceed €356 in any week the full rate of 10.75% applies to all earnings for that week.

All benefit in kind is subject to both employers and employees PRSI.

Domicile Levy

A €200,000 domicile levy applies to individuals who are domiciled in Ireland.

Their worldwide income must exceed €1m, and their liability to Irish tax must be less than €200,000.

The market value of Irish property owned by the individual on 31 December in the tax year exceeds €5m.

Where an individual is married there is a potential for the levy to apply to both spouses.

FARMERS TAXATION

Leasing of Farm Land

A lessor of agricultural land, who is aged 40 years or more or who is permanently incapacitated, is exempt from income tax in respect of certain leasing income. For any qualifying lease entered into on or after 1 January 2006, the limits are:

- €20,000 for a lease of 10 years or more
- €15,000 for a lease of between 7 and 10 years
- €12,000 for a lease of between 5 and 7 years

The lease income of the husband and wife are treated separately for the purpose of the relief, whether they are jointly assessed or not.

Sugar Beet Diversification

Provision is being made to allow farmers in receipt of the Diversification Aid element of the Sugar Beet Compensation Package to spread these payments over six years for the purpose of calculating taxable income. An election must be made by 31 October in the year of assessment following the year that the payments are made to the individual.

Capital Acquisitions Tax

Agricultural relief

A gift/inheritance of agricultural property including land, buildings and the new EU single farm payment entitlements, and other agricultural property including agricultural land, pasture and woodlands situated in a member state of the EU. (i.e. livestock and machinery) may be reduced by 90% of its market value for gift/inheritance tax when received by a qualifying farmer provided, the individual is Irish domiciled and 80% of the market value of his property after taking the gift/inheritance consists of agricultural property. Borrowing on an off-farm principal private residence may be taken into account in the calculation for the 80% test.

With effect from 8 February 2012 when applying the farmer test; only borrowings on the individual's only or main residence are deductible where those borrowings were used to purchase, improve or repair the property.

In addition a requirement that the individual be tax resident in the State for three years immediately following the gift or inheritance in order to avoid triggering a claw back of agricultural relief will no longer apply.

Where there is a disposal of land which qualified for agricultural relief or business asset relief in the period commencing six years after the date of the gift or inheritance and ending ten years after that date, there will be a claw back of the relief by reference to the development value of the land at the date of the gift or inheritance. Any interest arising as a result of this claw back will be calculated by reference to the date the land is sold (as opposed to the date of valuation date).

Claims for agricultural relief are submitted on form I.T.41.

Gifts or inheritances of agricultural property qualify for business relief (where the relevant criteria are met) in circumstances where it fails to qualify for agricultural relief. This relief reduces the market value of the gift/inheritance by 90%. Business relief will be clawed back if the assets are disposed of within 6 years, without being replaced with "other agricultural property" within a period of one or six years in the case of a sale or compulsory acquisition.

An anti-avoidance measure applies for transfers between spouses. It ensures that where the proceeds from the sale or compulsory acquisition are used to acquire agricultural property which has been transferred by the done or successor to his or her spouse, that property will not qualify as "other agricultural property" for the purpose of the reinvestment provision.

Tip: Prior to the receipt of a gift of farm assets ensure that 80% of your personal assets after receipt of the gift are agricultural assets.

Capital Gains Tax

Retirement relief

Where a person is over 55 years and has held and used business assets for at least 10 years ending on the disposal date (this can include assets held personally but used in the trade where shares are being disposed of) no capital gains tax arises if the disposal is to a child of the disponer (from 2007 relief is also available for a disposal to a grandchild). From 1 January 2005, the EU single farm payment entitlement also qualifies as an asset for the purposes of retirement relief provided the farmer qualifies for relief on the land being disposed of. Periods of ownership of a deceased spouse may also be included. Child includes a niece/nephew who has worked substantially on a full time basis for 5 years ending with the disposal. Relief is also available where the disposal is to an unconnected person provided the proceeds do not exceed €750,000. Marginal relief applies if the proceeds exceed this amount; this applies to restrict the relief to one half of the sale proceeds in excess of €750,000.

In addition, land which has been let for up to five years prior to a Compulsory Purchase Order being made, will qualify for retirement relief if it was used for farming for ten years prior to letting.

Where a disposal is made after 1 January 2014 by an individual has reached the age of 66 the relief is restricted to €500,000, and in the case of the disposal of assets to a child the relief for an individual aged 66 or over post 1 January 2014 is restricted to qualifying assets with a market value of up to €3m with no relief for the excess.

Tip: A farmer who participates in the EU "Early retirement from farming scheme" by leasing the land qualifies for the relief. Whilst called retirement relief an individual does not need to retire in order to qualify for the relief.

Capital Gains Tax Relief for Farm Restructuring

Capital Gains Tax relief will be available where the proceeds from the sale of a farm are reinvested for restructuring purposes. The sale and purchase of the farm land must occur within 24 months of each other, and the sale or purchase transaction must occur within the period 1 January 2013 to 31 December 2015.

The relief will apply to farm land swaps subject to certification by Teagasc.

This provision is subject to a commencement order and EU approval.

Dissolution of Farming Partnerships

A relief from Capital Gains Tax is available for five years until 31 December 2013 in the dissolution of a farming partnership where an asset was owned and used by a farming partnership for ten years prior to the dissolution of the partnership. Where one of the partners acquired a share of the partnership by way of an inheritance, the period of ownership and the use of the asset will run from the date the donor entered into the partnership. Where the partnership assets disposal takes place the asset will be treated as being acquired at the same time and for the same consideration as it was originally acquired by the partner who disposed of the asset.

The relief does not apply to trading stock.

VAT

A flat rate of 4.8% (5.2% pre 1 January 2013) applies to supplies of agricultural goods or services for unregistered farmers. The VAT rate for registered farmers and other businesses on the supply of livestock, live greyhounds and the hire of horses is 4.8%.

If a farmer engages in the supply of any other service and his turnover exceeds €37,500 in a calendar year, all activities including farming become subject to VAT at normal rates.

Tip: A flat rate farmer may reclaim VAT on expenditure incurred on the construction or improvement of farm buildings, farm structures, fencing, and drainage and land reclamation.

A VAT registered farmer can reclaim VAT on farm vehicles such as vans and pick-up trucks but not on passenger vehicles.

VAT on diesel is reclaimable.

Carbon Tax

The cost of farm diesel will be allowed as a double deduction for income tax/corporation tax purposes.

Stock Relief

An individual is entitled to enhanced stock relief of 100% (this is an enhanced rate from the standard rate of 25%) for a period of four years if he or she becomes a "qualifying farmer", within the meaning of the section. The standard rate has been extended to 2015, and the 100% rate for "Young Trained Farmers" has been also extended to 2015.

There is a specific list of qualifications that entitle an individual to be treated as a "qualifying farmer". This has been extended to include a Level 6 Specific Purpose Certificate in Farm Administration.

The cash equivalent amount of stock relief that can be received at 100% is limited to €40,000 p.a. and €70,000 in aggregate over the course of the scheme (4 yrs.).

A Registered Farm Partnerships (which up until 2013 was a milk production partnerships), a 50% increase in the value of trading stock will be available as opposed to 25% (this is 100% for Young Trained Farmers). For 2013 onwards beef and sheep farming partnerships qualify for the enhanced relief.

A milk production partnership is one which;

- Operates in accordance with the Partnership Act 1890.
- Is operative for a period of no less than 5 years.
- Is entered in the register of milk production partnerships, and
- Consists of at least one producer and one other person.

The deadline for claiming stock relief has been extended from 31 December 2012 to 31 December 2015.

Compulsory Disposal of Livestock

A special relief applies for farmers (both individuals and companies) resident in the state, in respect of profits resulting from the disposal of livestock due to any underlying disease eradication scheme. There are two separate reliefs:

- A farmer may elect not to have the profits taxed in the year in which it arises and have it taxed in equal instalments in each of the four succeeding accounting periods.
- He may further elect, if it suits him, to have the profits treated as arising in equal instalments in the year in which it actually arises and the following three years.
- Where the receipts from the compulsory purchase of livestock are reinvested in livestock, the farmer may elect to claim stock relief at 100%.
- This relief is extended to all animals and poultry.

Milk Quotas

Persons carrying on the trade of farming will be granted capital allowances for expenditure incurred in purchasing a milk quota. The capital allowances can be claimed by a farmer who leases a milk quota from a connected person (e.g. relative) and later purchases that quota. The period of write off is 7 years i.e. 15% p.a. in years 1-6 and 10% in year 7. Capital allowances also apply to the Milk Quota Trading System.

Stamp Duty

On a transfer to a related person, duty payable is restricted to half of the duty which would otherwise be payable. Stamp duty on transfers of land to young-trained farmers is reduced by 2/3rds.

The "young trained farmer" definition now includes Level 6 Specific purpose Certificate in Farm Administration.

There will be a claw back of Stamp Duty relief, where within 5 years of receiving a stamp duty relief the proceeds of a disposal of the property are not reinvested within one year in other land. The claw back is equal to the percentage of the proceeds not reinvested.

Tip: Where an individual does not qualify for relief as a young trained farmer, on a transfer to a related person duty payable is restricted to half of the duty that otherwise would be payable.

EU Single Farm Payment Entitlement

There is an exemption from Stamp Duty on the sale or transfer of an EU single farm payment entitlement.

MARITAL BREAKDOWN

Legally Enforceable Maintenance Agreements

Separated spouses are taxed as single persons with maintenance payments made being deductible in the hands of the payer and chargeable in the hands of the recipient. The deduction and charge also apply to the Universal Social Charge. Both may elect for joint assessment for income tax purposes if the following applies:-

- Both parties reside in Ireland in year of assessment
- Neither spouse has remarried, if divorced

Consequences of election

- Both parties assessed as a married couple
- No deduction for maintenance payments by paying spouse
- Recipient is not taxed
- Recipient does not pay PRSI or levies on maintenance payments

Social Welfare Benefits may be affected by election.

Where payment is made for the benefit of a child for whom the payer was entitled to child allowance, the payment is to be made without deductions of tax and the payment does not reduce the total income of the payer for income tax or USC purposes.

Where an individual is making maintenance payments to their separated or divorced spouse and is not jointly assessed with that spouse, those maintenance payments are deductible for the purposes of calculating the Universal Social Charge, see pg. 40.

Transfer of Assets - Divorced Persons

Disposal of assets under a Court Order pursuant to a decree of divorce will not give rise to a gain or a loss. The spouse is deemed to take the asset at the same time and at the same cost to the disponer unless the asset is part of trading stock.

Transfer of Assets - Separated Spouses

Disposal of assets pursuant to a Grant of Judicial Separation under The Family Law Act 1995 or to a Deed of Separation which takes place after 1 August 1996 will not give rise to a gain or a loss. The spouse acquiring the asset is deemed to take the asset at the same time and at the same cost to the disponer.

Capital Acquisitions Tax

A transfer between spouses as part of a separation agreement, court order or divorce settlement is exempt from CAT. This exemption applies to foreign divorces

recognised as valid in Ireland. Subsequent to a decree of divorce, ex-spouses have a Group 3 threshold in relation to each other i.e. stranger threshold (refer to CAT Threshold table).

CIVIL PARTNERSHIPS

Civil partnerships are treated the same as married persons in certain situations including the following:

- Payments by a child of a civil partner to an individual do not qualify for rent a room scheme.
- One parent family tax credits are available to civil partners after a relationship break up, notwithstanding the partners may be residing under the same roof.
- Principle private residence relief on the sale of a house occupied by a dependent relative of a civil partner.
- ARF distributions on the death of an individual made to a child of a civil partner of an individual.
- Annuity to a surviving civil partner.
- Maintenance payments to civil partners.

GLOSSARY

"Ireland" and "Irish" refer, except where otherwise stated, to the Republic of Ireland.

DISCLAIMER

The objective of this booklet is to provide a useful guide to Irish tax regulations. It provides a summary of the rules applying in the 2013 tax year, within the main categories of current taxation law. Accordingly, it cannot be regarded as a definitive outline and no liability can be accepted in respect of decisions taken in reliance on the information herein contained.

TAX BOOKLET 2013

A guide to your tax affairs for the year 2013