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### Budget 2014

Welcome to our newsletter for 2013/2014! We have included some information about the Budget which was presented by Minister Michael Noonan on 15th October 2013. A brief summary of the most relevant measures arising from this is included on page 2, as well as a reminder of measures from previous Budgets which you may only notice this year. We also have a list of common tax credits that are available, as well as some tax saving and money saving tips which may be helpful to your situation.

Please note that the information is in summary form only and some elements are subject to commencement orders.

### General comments on Budget 2014

This Budget contains some interesting, imaginative provisions which is a contrast to previous budgets; also for a change there appears to be more good news than bad, hopefully a sign that the long promised recovery is underway, albeit slowly. Some of the expected tax increases did not take place, e.g. rates for capital gains tax and capital acquisitions tax have not increased as had been anticipated, although they are still quite high. The homeowners improvement tax credit is welcome and will reward tax compliant businesses which is long overdue, as well as providing additional work for the construction trade. The extension of the capital gains tax relief for gains on properties should continue to assist the property market recovery, and there are good opportunities for long term investment here. CGT retirement relief provisions remain unchanged, while the reduction in the pension fund threshold will not affect too many people; also pension relief is still available at 41%. The Government plans to invest via Nama in new homes and offices in Dublin which should assist in relieving the current lack of supply. Also the commitment to ensure that the majority of borrowers in mortgage arrears will be put on "sustainable solutions" within 12 months is positive.

The burden of relatively high income taxes remains with a combined tax, USC and PRSI rate of 52% for many people once earnings exceed €32,800 (or €41,800 for single earner married couples); hopefully this will reduce in future years.

The increase of DIRT and exit tax to 41% (45% when PRSI is added) is designed to stop people saving and instead to consume or invest in other economic areas e.g. property. Coupled with very low rates of deposit interest, a net savings rate of about 1%-1.5% maximum is not attractive, and investment funds subject to exit tax on growth are also hit.

As always, the Budget measures (apart from those taking effect from midnight) will be enacted in the Finance Act, which the Government plan to have passed before the year end.

Future Budgets have to take place by 15th October under EU fiscal rules, and it is almost certain that the income tax pay and file date will be brought back in 2014 to possibly as early as 30th June—so it's **essential** to get your 2013 tax information to us early next year, no more last minute rush in October/November!

### Lewis & Co news

We have had a good year here in Stillorgan, it continues to be very busy with a lot of work on.

In the office we have been joined by Rachel Long, who is working 15 hours per week as our receptionist. She works Monday—Wednesday.

Anna passed her Institute of Tax exams and is sitting the final exams next year, she is awaiting her results for her final Chartered exams. Cherian passed his driving test during the year.

Ben and Keith have also been studying hard for their QFA (Qualified Financial Advisor) qualification, which is needed for pension and

financial planning advice. So far we have passed 5 exams thankfully! The sixth and last is in January 2014.



We have our new website nearly ready which should be going live in the next week or two, keep checking on [www.lewisco.ie](http://www.lewisco.ie).

We wish to thank you very much for your continued support, and look forward to continuing to serve you over the coming year.

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## TAX RATES 2013-2014

(changes in **bold**)

Income tax 20% and 41%	
USC 2% up to	€10,036
4% on next	€ 5,980
7% over	€16,016
10% self employed with income of over €100k	
Capital gains tax	33%
Capital acquisitions tax	33%
Stamp duty 1% (2% on commercial property)	
DIRT	33%/ <b>41%</b>
Exit tax	33%/ <b>41%</b>
VAT	<b>5%</b> , 9%, 13.5% & 23%

## TAX CREDITS

Personal €1,650 single/€3,300 married couple	
PAYE	€1,650
One parent <b>carer</b>	€1,650
Home carers	€810
Age €245 single/€490 married	
Incapacitated child	€3,300
Rent a room up to €10k tax free	
Childcare services up to €15k income tax free	
Rent relief gone for people starting to rent post Dec 2010, reducing for existing tenants	
Tuition fees including registration fee over €2,000 and up to €5,000	

## TAX BANDS

Single person	€32,800
at 20%, balance at 41%	
Married couple, one income:	
	€41,800
Married couple, two incomes:	
	€41,800 + €23,800 = €65,600
Exempt (over 65s only):	
Single	€18,000, married €36,000

## CAT tax free thresholds

Parent-child	€225,000
Sibling/grandchild	€30,150
Other	€15,075

These apply to total of all gifts/  
inheritances since 5 April 1991

## OTHER

Annual gift exemption €3,000  
(from multiple people)

Annual capital gains tax gain  
exemption: €1,270

Capital gains in Jan-Nov 2013  
pay by 15/12/13; gains in Dec  
2013 must be paid by 15/01/14

Taxable gifts received up to 31  
Aug 2013 to be paid and filed by  
31 Oct 2013.

Income tax filing deadline is 31  
October 2013, 14 November if  
paying and filing online. **This is  
likely to be brought back to 30  
September or possibly 30 June  
in 2014—please note!!**



# Budget 2014

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## Highlights

- No change to rates of capital gains/capital acquisitions tax.
- Home renovation plan will give a tax credit for expenditure of over €5,000 and under €30,000; qualifying expenditure includes extensions, new windows, plumbing, plastering, tiling etc. The credit is at the rate of 13.5% and is receivable over 2 tax years—it only applies to work done by registered-and tax compliant-contractors.
- VAT cash receipts threshold increased to €2m (from 1 May 2014)
- Extension of CGT relief on any gain arising on property purchased (in any EEA State) by end 2014 and held for 7 years
- Retention of 9% VAT rate
- Zero rating of air travel tax (currently €3 per person) from 1 April 2014
- New income tax relief scheme for starting own business if unemployed for 15 months; also removal of EII relief from high income earners restriction to promote investment.
- CGT rollover relief for new investments—applies to CGT paid by individuals after 1 Jan 2010—may be credited against future gains where reinvested in “productive trading activities”.
- GP cards for under 5s
- R&D credit now up to €300k eligible for relief
- CGT retirement relief on leased land enhanced

## Lowlights

- DIRT rate increasing to 41% from 1 Jan 14
- Pension levy being increased to 0.75% for 2014, then reduced to 0.15% after that
- Pension standard fund threshold reduced to €2 million from €2.3 million, and changes to defined benefit calculation
- Abolition of top slicing relief on termination payments from 1 Jan 2014
- Adjustment to medical card income limits for over 70s—€900 weekly for married couples and €500 weekly for single persons
- VAT input credits will be disallowed if the invoice remains unpaid after 6 months. This can also be a highlight depending on whether you are the business who is owed money! It may encourage faster payments.
- Bereavement grant of €850 withdrawn
- Telephone allowance for pensioners removed
- Cuts to social welfare payments for U25s
- One parent family tax credit will now only apply to the principal carer of the child
- Tax relief for medical insurance premiums restricted to first €1,000 for an adult and €500 for a child
- Tax relief on interest on loans to acquire an interest in a partnership removed for new

## Tax reminders for 2013 onwards

- Minimum PRSI contribution is now €500 in 2013, up from €253 in 2012
- Donations for self assessed taxpayers will no longer be deductible from income, instead the charity will receive the benefit of the tax relief
- Make sure you declare interest on foreign bank accounts on time, otherwise it is taxed at a higher rate
- PRSI will apply to all income in 2013 for class B, C and D taxpayers, and to all taxpayers from 2014, which will be an additional liability of 4% on rental and investment income for class A contributors
- Rent credit reducing in 2013 by up to €160
- 7% USC chargeable to over 70s who have income in excess of €60k pa
- Employers' PRSI going up from 4.25% to 8.5% from 1 Jan 2014 for earnings under €356 pw

## Property tax (LPT)

Your second Local Property Tax payment must be paid by 1st January 2014 if you are paying by cheque. If paying by Revenue debit, this will be taken on 21st March 2014. The full year amount will be payable, so double the amount you paid this year.

If you have not made a return to date, there is a 10% surcharge on your 2012 income

or corporation tax liability, so it is very important to ensure that your returns are up to date. If you consider that your property is exempt, you must still make a return and claim the relevant exemption. Please contact us now if you have not yet made any return. Also if you never paid the household charge or NPPR these are still collectible and NPPR in particular carries very heavy late filing penalties.

The NPPR is now finished, so if you paid in 2013 you will not have to make another NPPR return.

We are still uncertain if LPT is a deductible expense for landlords, we await Revenue clarification. It is likely to be allowed as a deduction but from what date remains to be seen.



## Tax saving tips

1. Still possible to contribute to pension and receive tax relief at 41% for 2012 and 2013 (usual age and upper income limits apply)
2. Capital gains tax relief available for properties purchased by the end of 2014 and held for seven years. This has driven some of the property sales this year and it may be worth looking again at property as an investment if you consider it is good value; no tax is payable on any gain so long as you keep it for 7 years.
3. Medical expenses—keep your receipts, can claim for food for coeliacs, travel expenses to hospital, some dental expenses, prescriptions, GP costs etc
4. Claim cost of a carer for a family member up to €50k
5. Permanent health insurance/income protection gives tax relief at 41% so reduces the cost of the premium
6. Bike to work scheme—buy a new bike, plus equipment, every 5 years as an employee
7. Retirement relief for over 55s, no requirement to retire and potential to extract value from a business or company tax free
8. Incorporating your business restricts tax to 12.5%
9. Bring indebted personal properties into companies to reduce income tax liabilities
10. Contribute to film relief by end 2014 or EIIS (BES)
11. Give (or receive) €3,000 tax free to or from anyone, many times over! E.g. both parents can give €3,000 each to child & spouse, grandchildren etc. Essential inheritance tax planning especially with the reduction in CAT lifetime thresholds.
12. Give €250 voucher (not cash) to employees at Christmas tax free
13. Rent a room in your home—€10k tax free
14. Look after children (other people's!) in your home, up to €15,000 tax free per year—some conditions apply.
15. Buy a low emissions car (less than 155 g/km) and claim €24k for capital allowances even if you only pay (say) €2k for it. Note that no capital allowances are available for cars over 190 g/km new or old.
16. Renovate your rented property if you are a high earner—effective tax relief of 52% assuming the expense is fully deductible
17. Transfer some shares into the name of your spouse so that when you sell them you will both get a CGT exemption of €1,270 each
18. Sell loss making assets or investments before ones which will realize a gain so that you can offset the losses, or sell within the same tax year.
19. Use the TaxSaver commuter scheme to purchase your bus or rail ticket, tax saving of up to 52% and cheaper fares.
20. Employ your spouse and children to utilise their tax thresholds and credits.
21. Leave your ARF pension fund in your will to your child (over 21)—restricted to 30% income tax and no inheritance tax implications (talk to us for more detail)
22. There are several Government schemes to get unemployed people back to work which benefit employers—e.g. grant of up to €10k, JobBridge, Work Placement Programme etc, Tús scheme for charities.

### Revenue audits

Please be sure to keep receipts for expenses claimed, as Revenue will disallow expenses which cannot be evidenced. This is relevant for pension contribution certificates, medical expenses receipts, donations as well as normal business receipts/invoices. You are required to keep receipts for 6 years in case of inspection by Revenue—you may destroy anything older than this so why not have a spring clean and get rid of anything older than 2007!

It is also important to pay enough preliminary tax; Revenue will request the balance of income tax immediately if insufficient preliminary tax was paid, and they are increasingly charging interest on underpaid amounts. The rules are: you must pay 100% of the previous year's liability, or 90% of what you think it will be.

*File your tax early to plan ahead for any liabilities—remember likely earlier filing date in 2014.*

## General money saving tips

1. Shop around for car and home insurance every year, never take the renewal quote without first comparing it with at least 3-4 other providers
2. Change telephone and electricity providers, often electricity providers give you a deal for one year so it can make sense to change every year
3. Keep a record of what you spend on a weekly, monthly and annual basis. Use budgeting tools from e.g. [www.mabs.ie](http://www.mabs.ie) to estimate income and expenditure.
4. Sign up for supermarket reward schemes
5. Make payments online instead of writing cheques (50c duty per cheque, plus bank charges, plus postage)
6. Pay motor tax for the year if possible as it is cheaper than paying quarterly
7. Avoid keeping a balance on your credit card, try to switch to lower cost finance
8. 1890 telephone numbers are expensive and not covered in call packages, use the regional number instead (Google the 1890 number to find it)
9. Cut back on little used TV packages; consolidate broadband/TV/phone with one provider
10. Try to eliminate draughts in your house to reduce your heating bills; this can be done cheaply and can save a lot of money as well as help you keep warm!
11. Replace 50w halogen downlighters with 3w LED equivalents—if you have just 12 you could save €200 per annum.
12. Buy a coffee machine instead of spending €2 per coffee!

## Revenue mileage and subsistence rates

These rates are approved by Revenue for the civil service and employees, and may be used as a guideline for working out business use of a car etc.

### Kilometerage rates

Engine capacity	Up to 1.2l	1.2-1.5l	1.5l and over
Up to 6,437 kms	39.12 c	46.25 c	59.07 c
Over 6,437 kms	21.22 c	23.62 c	28.46 c

Journeys between home and the place of work (temporary or permanent) are not reimbursable (i.e. normal commuting) but business journeys from work or after deducting the distance to work from home are allowable.

### Daily subsistence rates:

5-10 hours absence from normal place of work:	€13.71
Over 10 hours absence from normal place of work:	€33.61

# LEWIS & Co

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PROFESSIONAL  
SERVICE,  
INDIVIDUAL ATTENTION

## INVESTMENT ADVICE

Please come and see us first about pension plans, income protection/permanent health insurance, life assurance, mortgage protection, serious illness cover etc. We are agents for the main companies in the Irish market and will be able to give you informed advice based on our knowledge of your financial position, also these policies are generally sold on a commission basis so there is no extra charge.

## FREE FINANCIAL HEALTHCHECK!

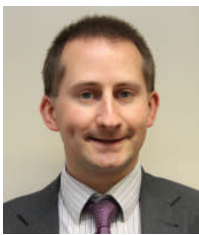
We would be delighted to give you a free one hour consultation to review your personal income and expenses and see if we can help you to manage your personal finances, as well as plan for the future.

## PLEASE REFER US!

We are always grateful for referrals from existing clients.



## Meet our team



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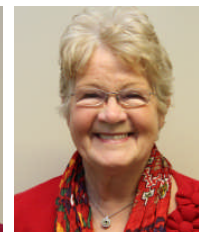
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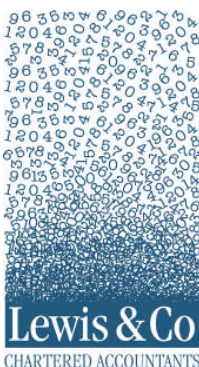
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