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Relate

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Budget 2014

Budget 2014 was announced on 15 October 2013. Some of the measures announced, for example, the increase in duties on alcohol, came into effect on 16 October 2013. Others will take effect from late 2013, from January 2014 or from mid-2014.

Some elements of these measures may change when the *Finance (No. 2) Bill 2013* and the *Social Welfare and Pensions Bill 2013* are enacted.

This issue of *Relate* covers some of the main changes announced in the areas of social welfare, health services, education and training, housing, small and medium enterprises, supports for investment in business and taxation. It also describes some measures announced previously that will take effect in 2014. Some of the announcements span a number of areas – in such cases the change will be listed under one heading only.

Social welfare

Jobseeker's Allowance and Supplementary Welfare Allowance

At present, claimants of Jobseeker's Allowance (JA) or Supplementary Welfare Allowance (SWA), who are under 25 years of age and who do not have children, receive a reduced weekly payment. For people aged 18-21 years this payment is €100 per week. For claimants aged 22-24 years the payment is €144 per week.

All JA and SWA recipients who have children receive a personal rate of €188 per week plus qualified child increases. Recipients may also get an increase for a qualified adult, if applicable.

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From 14 January 2014, new claimants of Jobseeker's Allowance who are aged between 18 and 24 years will receive €100 per week. New claimants aged 25 years will receive €144 a week. The rates for existing claimants will not change. The arrangements for new claimants who have children will remain the same as at present. The same provisions apply to Supplementary Welfare Allowance claimants from 9 January 2014.

The reduced rates of Jobseeker's Allowance will apply to people aged 25 years and under who exhaust their entitlement to Jobseeker's Benefit (JB) and transfer to JA.

From January 2014, people aged 18-25 who were getting an age-related reduced rate of JA and who participate in the Back to Education Allowance Scheme (BTEA) will get a maximum BTEA rate of €160 a week. Any means are deducted from this rate.

From January 2014, people aged 18-25 who are getting an age-related reduced rate of JA and take up a SOLAS (formerly FÁS), VTOS or Youthreach course will get a maximum rate of €160 per week.

Maternity Benefit and Adoptive Benefit

The minimum weekly rate of Maternity Benefit and Adoptive Benefit is currently €217.80, while the maximum weekly rate is currently €262 (these rates are linked to earnings in the relevant tax year).

From 6 January 2014, the minimum and maximum rates of Maternity Benefit and Adoptive Benefit will be standardised at €230 per week for new claimants. Existing claimants will not be affected.

Child Benefit

No new changes to Child Benefit were announced in Budget 2014. Child Benefit will be standardised at €130 per month for each child from January 2014, as announced in Budget 2013.

Back to School Clothing and Footwear Allowance

The Back to School Clothing and Footwear Allowance (BTSCFA) is unchanged for all children under 18. In 2014, BTSCFA will no longer be paid for those aged 18 years or over who are in third-level education. It will continue to be paid for those aged between 18 and 22 who are in second-level education.

Household Benefits Package

The Household Benefits Package consists of a free television licence, an electricity or gas allowance and a telephone allowance.

The Telephone Allowance will be discontinued from January 2014 for existing and new recipients. The value of the allowance is €9.50 per month per household.

The Free TV Licence and Electricity Allowance or Gas Allowance will continue to be paid with no changes to rates.

Illness Benefit and Injury Benefit

From 6 January 2014, Illness Benefit will not be paid for the first 6 days of any claim. Illness Benefit is currently payable after 3 days. The same provision applies to Injury Benefit, which is payable under the Occupational Injuries Benefit Scheme.

State Pension (Transition)

As previously announced, the State Pension (Transition) will no longer be paid from January 2014 to people who reach age 65 on or after 1 January 2014.

Invalidity Pension

People receiving the weekly Invalidity Pension currently move from a rate of €193.50 to a rate of €230.30 at age 65. This higher rate will be discontinued for people who reach their 65th birthday from 2 January 2014. The rate payable will continue to be €193.50 per week until the person reaches age 66.

This measure is being undertaken in line with the abolition of the State Pension (Transition) from January 2014.

People who are getting Invalidity Pension (existing and new recipients) will continue to be automatically transferred to State Pension (Contributory) at age 66 and they will then get €230.30 per week.

The rate payable to all qualified adults of people claiming Invalidity Pension will be standardised at €138.10 per week. This measure will apply to spouses and partners who reach their 66th birthday from 2 January 2014. Qualified adults who are currently aged 66 and over are not affected.

Rent Supplement and Mortgage Interest Supplement

From January 2014, the minimum contribution towards Rent Supplement and Mortgage Interest Supplement for couples will increase from €35 per week to €40 per week. This change applies to new and existing recipients. The minimum contribution of €30 for single people, including single people with children, will not change.

The Mortgage Interest Supplement scheme will be closed to new entrants from 1 January 2014. For existing recipients, the scheme will be wound down over a four-year period from 1 January 2014 to 1 January 2018.

Legislation to implement the new Housing Assistance Payment (HAP) will be introduced in 2014. The scheme will transfer responsibility for recipients of Rent Supplement with a long-term housing need to housing authorities. Following enactment of the relevant legislation, a HAP testing phase will be carried out in seven local authorities. Full rollout of the scheme will follow.

Bereavement Grant

From 1 January 2014 the Bereavement Grant of €850 will be discontinued.

The Widowed or Surviving Civil Partner Grant of €6,000 will continue to be payable and assistance with funeral costs under the Exceptional Needs Payments scheme will still be available. A deceased person's social welfare payment will continue to be paid for six weeks to their spouse or partner, where their spouse or partner is also getting a weekly social welfare payment.

Recovery of social welfare payments

It was announced that the value of certain illness-related social welfare payments will be recovered by the Department of Social Protection from insurance companies in respect of compensation awards arising from personal injuries claims.

Activation schemes

EU Youth Guarantee

As part of the implementation of the Youth Guarantee, which is to be finalised and submitted to the EU by the end of 2013, it is proposed to:

- Allow people aged under 25 to access the JobsPlus employment incentive scheme after six months or less of employment
- Provide for an additional intake of 1,500 young people on to the JobBridge internship scheme
- Ensure that 1,000 places on the Tús community work placement scheme are targeted at young people
- Develop a pilot programme to support young unemployed people to take up opportunities under schemes such as 'Your First EURES Job'
- Ring-fence a minimum of 2,000 additional training places on Momentum education and training projects for people aged under 25

Childcare for Community Employment scheme participants

Part-time childcare places for Community Employment scheme participants under the Childcare Education and Training Support (CETS) scheme are to be introduced in early 2014.

PRSI on unearned income

It was announced in Budget 2012 that PRSI would apply to certain types of unearned income from 2013. In Budget 2013, the exemption from PRSI for certain modified rate contributors on self-employed earned income and unearned income was abolished and it was announced that from January 2014, unearned income for everyone else would become liable for PRSI.

In 2013, people paying modified rate contributions (mainly civil and public servants recruited before April 1995) became liable to PRSI of 4% (paid at Class K) on earned self-employed income and any unearned income (from 1 January 2013) and on self-employed income which comes under PAYE (from 28 June 2013).

In 2014, unearned income for employed people and pensioners aged under 66 will become liable for PRSI. People aged under 16 and over 66 will remain exempt from PRSI and will not be liable for the new charge. Unearned income from rents, investments, dividends and interest on deposits and savings will be liable to PRSI at 4% from 1 January 2014, provided the person is a *chargeable person* in accordance with the Revenue definition.

PAYE taxpayers who are not considered chargeable persons by Revenue will not be liable for the new PRSI charge. A person is not a chargeable person if their annual income from non-PAYE sources is less than €3,174 and is taxed under the PAYE system. (Generally such income is taxed by reducing a person's tax credits to account for tax payable. If you have paid Deposit Interest Retention Tax (DIRT) on your non-PAYE income you are not required to pay further income tax on this income.)

Anyone with unearned income of over €3,174 per year is considered to be a chargeable person and will be liable for the new 4% PRSI charge. They will pay the charge under Revenue's self-assessment system (Pay and File). The new PRSI charge will be paid at Class K and will not entitle the person to any social insurance benefits.

Health services

Free GP care for children aged 5 years and under

Free GP care will be introduced during 2014 for children aged 5 years and under. There are approximately 240,000 children in this age group. This measure will require legislation.

Medical cards and GP Visit Cards for people aged over 70

The weekly income limits for medical cards for people aged over 70 will reduce from €600 to €500 for a single person and from €1,200 to €900 for a couple. It is planned to have the necessary legislation to enact this measure in place by the end of 2013 or early 2014.

The upper income limits for the GP Visit Card for people over 70 will stay unchanged, at €700 per week for a single person and €1,400 per week for a couple.

Medical card holders taking up employment

Unemployed people who return to work will be entitled to retain a GP Visit Card for three years without a means test. Currently, unemployed people returning to work can retain their medical card for three years. This measure requires legislation and it is to be phased in during 2014.

Planned review of medical cards

A review is planned of all medical cards to remove ineligible and redundant cards.

Prescription charge

The prescription charge for medical card holders will be increased to €2.50 per item (from €1.50), up to a maximum of €25 per month per person or family (increased from €19.50). The new charges are expected to apply from 1 December 2013.

Generic drugs

The substitution of generic drugs and the phased introduction of reference pricing are expected to save €50 million in 2014 following the commencement of the *Health (Pricing and Supply of Medical Goods) Act 2013*.

Private in-patients in public hospitals

The *Health (Amendment) Act 2013* introduced a new system of charges for private in-patients using public hospital facilities. This will take effect from 1 January 2014.

Tax relief for medical insurance premiums

Tax relief for medical insurance premiums will be restricted to the first €1,000 per adult insured and the first €500 per child insured (including students aged 18-22 years in full-time education). This change applies to policies that are renewed or entered into on or after 16 October 2013. The rate of tax relief stays at 20%.

Mental health services

A further €20 million is allocated in 2014 for the development of mental health services. This will allow for extra staff to be recruited for mental health teams and suicide prevention initiatives.

National Children's Hospital

It was announced that €200 million from the proceeds of the sale of the National Lottery licence will be allocated to fund the construction of the National Children's Hospital.

Child and Family Agency

An extra €6.7 million has been allocated to support the reform of child welfare and protection services when the new Child and Family Agency is established in January 2014 – see *Relate*, October 2013.

Education and training

Primary and post-primary schools

Teacher numbers

The pupil/teacher ratio in schools will remain unchanged. An additional 1,400 teachers will be recruited in primary and post-primary schools to meet rising student numbers as well as maintaining existing levels of resource teachers for children with special needs.

School book rental scheme

Over the next three years €15 million will be available to invest in book rental schemes for schools that do not currently have them. These funds will be paid to schools as a seed capital grant. Schools in the Delivering Equality of Opportunity in Schools (DEIS) initiative will get €150 per child and non-DEIS schools will get €100 per child.

Further education and training

Participants in SOLAS (formerly FÁS), Youthreach or VTOS courses

From 1 January 2014, people receiving Invalidity Pension, Illness Benefit, One-Parent Family Payment, Farm Assist or Fish Assist will not be eligible to receive a SOLAS (formerly FÁS) or Youthreach training allowance in addition to a social welfare payment. This will apply to new participants only.

From 2014 on, SOLAS (formerly FÁS) apprentices will be required to pay a pro-rata Student Contribution in proportion to the time they spend in Institutes of Technology.

At present an additional payment of €20 is made to long-term unemployed participants in SOLAS (formerly FÁS) courses, the Vocational Training Opportunities Scheme (VTOS) and Youthreach. This additional payment will end for new entrants from 1 January 2014. Course participants will continue to receive meal and travel allowances.

Higher education

As signalled in Budget 2013, the Student Contribution will continue to increase by €250 per year for the academic years 2014/2015 and 2015/2016, to a maximum of €3,000.

All students who are eligible for student grants will continue to have the Student Contribution paid on their behalf. At present, two out of five students receive some form of student grant.

Other announcements in education and training

Quality Agenda for Pre-School Services

It was announced that €4.5 million will be allocated to support the implementation of the Quality Agenda for Pre-School Services. This will include recruiting more pre-school inspectors, supporting the implementation of the early education Síolta framework and Aistear curriculum for children aged up to 6, and assisting staff to meet new qualification requirements.

Area Based Childhood (ABC) programme

The ABC programme will be allocated €4 million in 2014. It aims to provide early intervention supports for children and families in areas of high disadvantage. Three pilot programmes are already in place and the programme will be implemented in additional locations in 2014.

Breakfast clubs

Additional breakfast clubs will be provided to support school-going children in disadvantaged areas.

Housing

Home Renovation Incentive

A scheme of tax relief for home renovation work is being introduced for a period of two years.

The Home Renovation Incentive (HRI) will provide an income tax credit of up to €4,050 to homeowners who carry out repair or improvement works on their principal private residences. It will be payable over the two years following the year in which the work is carried out. The credit will be calculated at a rate of 13.5% on all qualifying expenditure over €5,000 (exclusive of VAT), up to a maximum of €30,000 (exclusive of VAT).

Qualifying work includes extensions and renovations to the home, window-fitting, plumbing, tiling and plastering. Builders must be fully tax-compliant and all expenditure and relief claims will have to be registered electronically with the Revenue Commissioners.

It was originally announced that the HRI would only apply to qualifying work carried out in the years 2014 and 2015. However, the *Finance (No. 2) Bill 2013* provides that it will also apply to expenditure incurred from 25 October 2013, if all other conditions are satisfied. The *Finance Bill* also provides for an extension of the HRI until 31 March 2016 for expenditure on work for which planning permission is received by 31 December 2015.

Social housing

An extra €30 million will be allocated to the State's house-building programme, to provide a total of 500 new homes. Half of the money will go to building new infill developments and the rest will be invested in bringing long-term vacant housing units back into use.

There will be a new insulation scheme for local authority housing. It is expected that the €25 million being provided will improve the energy efficiency of 12,500 local authority homes.

Up to 150 new leased units will be provided for people with disabilities who are leaving institutional care and 175 new housing units will be provided for people with special needs. A total of €45 million is being provided for homeless accommodation.

Grant schemes

Part of the €200 million to be invested from the sale of the National Lottery licence will be allocated to the Better Energy Programme, which provides grants to homeowners to improve the energy efficiency of their homes. Part of the proceeds of the sale will be allocated to fund housing adaptation grants for older people and people with a disability.

Regeneration, remediation and resolution

A total of €79 million will be provided for the national regeneration programme in 2014, to include continuing works in Limerick; final works in Tralee and Ballymun; and further works in Dublin.

The Living City Initiative is being extended to Cork, Galway, Kilkenny and Dublin. The initiative aims to assist the regeneration of retail and commercial districts and encourage families to live in historic buildings in city centres. The eligibility criteria will now include all buildings built prior to 1915. EU state-aid approval will be required for this initiative.

A new fund of €10 million is allocated to resolve the problems at Priory Hall and a remediation scheme is being set up for homes affected by pyrite. A further €10 million will be provided for a resolution initiative for unfinished housing estates where there is no development bond to carry out essential public works such as footpaths, drainage and roads.

Housing tax reliefs

As previously announced, Rent Tax Relief will be reduced in 2014:

Maximum qualifying amounts for 2014

Single, under 55 yrs	€ 800
Single, over 55 yrs	€1,600
Married or in a civil partnership, widowed or a surviving civil partner, under 55 years	€1,600
Married or in a civil partnership, widowed or a surviving civil partner, over 55 years	€3,200

No new changes were announced to Mortgage Interest Relief, which only applies to mortgages taken out by 31 December 2012.

Small and medium enterprises (SMEs)

Supports for start-ups

County Enterprise Boards/Local Enterprise Offices will get additional funding of €3.5 million in 2014 for investment in supports for start-ups and growing businesses.

Trading-online voucher

A new national trading-online voucher scheme will be launched in 2014. The scheme, which has been allocated €5 million in 2014, aims to get 2,000 small Irish businesses trading online. Under a pilot scheme launched in October 2013, vouchers of up to €2,500 are being provided to 50 small companies to help them develop an online trading presence. The scheme will be administered by the Dublin City Enterprise Board and will target companies that employ fewer than 10 people and have a turnover of less than €2 million per year.

Threshold for review of credit applications

The threshold for credit applications that can be reviewed by the Credit Review Office will be increased from €500,000 to €3 million.

VAT cash threshold

The VAT cash threshold for SMEs will increase from €1.25 million to €2 million with effect from 1 May 2014.

SMEs communications strategy

This new communications strategy will aim to increase awareness of State supports among SMEs and to ensure that there is a greater awareness among businesses of the Credit Guarantee Scheme, which will be re-launched soon.

Building Business Capacity programme

A new Building Business Capacity programme will be launched on a pilot basis for 1,000 SMEs in 2014. The programme will provide two days of training with the aim of improving the capacity of SMEs to understand and use financial products. The course will also focus on making a strong business case when applying for credit.

Supports for investment in business

Relief from Capital Gains Tax

A new relief from Capital Gains Tax (CGT) is being introduced to encourage entrepreneurs to invest and re-invest in assets used in productive trading activities. The new relief will apply where someone who has already paid CGT on the disposal of assets invests in a new business in the period from 1 January 2014 to 31 December 2018 and disposes of this investment no earlier than three years after the date of investment.

The relief will be a tax credit equal to the lower of:

- CGT paid on the previous asset disposal in the period from 1 January 2010 or
- 50% of the CGT due on the disposal of the new investment

EU state-aid approval is required for this measure.

Research and Development Tax Credit

The Research and Development (R&D) Tax Credit regime provides for a 25% tax credit for expenditure on certain R&D activities over such expenditure in a base year (2003). The *Finance Act 2012* provided that the first €100,000 of qualifying R&D expenditure would benefit from the tax credit without reference to the 2003 base year. The amount of expenditure allowed on a volume basis was increased to €200,000 in *Finance Act 2013* and is now being increased again to €300,000.

Employment and Investment Incentive

The initial 30% relief available for investments under the Employment and Investment Incentive (EII) is being removed from the high earners' restriction for a period of three years.

Real Estate Investment Trusts

It is proposed to add Real Estate Investment Trusts (REITs) investments to the five investment options already in place under the Immigrant Investor Programme launched in 2012.

Taxation

Income tax

Start Your Own Business scheme

A Start Your Own Business (SYOB) scheme is being introduced to encourage long-term unemployed people to start their own business. The scheme will provide a two-year exemption from income tax (up to a maximum of €40,000 of income per year) for people who have been unemployed for at least 15 months prior to starting their own business.

One-Parent Family Tax Credit

From 31 December 2013, the One-Parent Family Tax Credit is to be replaced with a new Single Person Child Carer Tax Credit. The new credit will be to the same value but will be available only to the principal carer of the child (generally the person getting Child Benefit for the child).

The credit will be granted for a child up to the age of 18 years or, if older, where they are in full-time education. The credit can also be claimed in the case of a permanently incapacitated child where the incapacity occurred before the age of 21, or, if later, while the child was in full-time education.

Top Slicing Relief

Top Slicing Relief, which is a reduction of tax due on lump-sum payments, will no longer be available from 1 January 2014 in respect of all ex-gratia lump-sum payments for retirement or redundancy.

Magdalene Laundries payments

Lump-sum payments to women who were admitted to and worked in Magdalene Laundries will be tax-exempt. As a result, Universal Social Charge (USC) will not apply. In addition, payments will not be subject to Capital Gains Tax or be treated as a gift or inheritance for the purposes of Capital Acquisitions Tax. The exemption applies to payments made on or after 1 September 2013.

Pensions

Maximum allowable pension fund

The maximum allowable pension fund on retirement for tax purposes, known as the Standard Fund Threshold (SFT), is to be reduced from €2.3 million to €2 million from 1 January 2014.

A higher threshold, known as a Personal Fund Threshold (PFT), may apply if, on that date, the capital value of an individual's pension rights is greater than €2 million. However, in no case may a PFT exceed €2.3 million (the current value of the SFT). A number of other changes were announced in how pensions are valued.

Capital Gains Tax

The relief from Capital Gains Tax (CGT) (in respect of the first seven years of ownership) for property purchased between 7 December 2011 and 31 December 2013 is being extended by one year to include property bought to the end of 2014. Where property purchased in this period is held for seven years, the gains accrued in that period will not attract CGT.

Capital Gains Tax retirement relief is being further extended to disposals of leased farmland in circumstances where, among other conditions, the land is leased for a minimum lease of five years and the subsequent disposal is to a person other than a child of the individual disposing of the farmland. The purpose of the measure is to encourage older farmers who have no children to whom they can transfer their farm to lease out their farmland over the long term to younger farmers.

The Citizens Information Board provides independent information, advice and advocacy on public and social services through citizensinformation.ie, the Citizens Information Phone Service and the network of Citizens Information Services. It is responsible for the Money Advice and Budgeting Service and provides advocacy services for people with disabilities.

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Value Added Tax

VAT rate for tourism-related services

The 9% reduced VAT rate, which was introduced in 2011 as part of the Jobs Initiative for tourism-related services, was due to revert to 13.5% on 31 December 2013. The 9% VAT rate is being retained for 2014.

Farmer's flat-rate addition

The farmer's flat-rate addition will be increased from 4.8% to 5% with effect from 1 January 2014. The flat-rate addition scheme compensates farmers who are not registered for VAT in respect of the VAT paid on certain purchases.

Other duties and taxes

Deposit Interest Retention Tax

Deposit Interest Retention Tax (DIRT) is a tax on the interest earned from savings. The rate of DIRT, together with the rates of exit tax that apply to life assurance policies and investment funds, will be increased in 2014. Currently, the DIRT rate is 33% where payments are made annually or more frequently and 36% where payments are made less frequently than annually. The new DIRT rate for both situations will be 41% and will apply to payments made on or after 1 January 2014.

Air travel tax

Air travel tax will be reduced to zero with effect from 1 April 2014.

Excise duties

The excise duty on a packet of 20 cigarettes has been increased by 10 cent (including VAT) with a pro-rata increase on other tobacco products.

The excise duty on a pint of beer or cider, and on a standard measure of spirits, has been increased by 10 cent (including VAT). The duty on a 75cl bottle of wine has been increased by 50 cent (including VAT). Pro-rata increases applied to other alcohol products. All of these changes took effect from 16 October 2013.

Stamp duty

Levy on pension fund assets

A new levy of 0.15% on pension funds was announced which will apply in 2014 and 2015. The existing 0.6% pension scheme levy will be abolished from 31 December 2014. The effect of this change is that a levy of 0.75% will apply to pension fund assets in 2014 which will reduce to 0.15% in 2015.

Levy on domestic banks

An annual levy of €150 million is being introduced on banks and certain other financial institutions for the years 2014 to 2016. Full details are contained in the *Finance (No.2) Bill 2013*.

Film Relief

The start date of the new Film Relief scheme will be brought forward to 2015 from 2016 and the definition of *eligible individual* is being extended to include non-EU individuals. This extension is subject to EU state-aid approval and a Commencement Order. The new scheme will be on a tax credit model.

Appeal Commissioners

The Appeal Commissioners hear and decide on appeals from the public about decisions of the Revenue Commissioners on taxes and duties. The Appeal Commissioners will be reformed in 2014.

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