Preliminary List of Possible Items being Considered for the Finance Bill

PART 1 - CONFIRMATION OF BUDGET RELATED ITEMS
(where further examination of details is needed in context of Finance Bill this is indicated)

Note:
- Items listed only imply an issue is under examination for the Finance Bill <u>not</u> any decision/commitment to make a change. Other items not included here may also arise before finalisation of the Bill.
- A number of items on this list are sensitive including certain anti-avoidance provision and it is essential that this list be kept confidential.

Income Tax

Increase in the Specified Rates for Preferential Home Loans and Other Loans
An employee in receipt of a preferential loan is charged income tax on the difference between the interest actually paid and the amount which would have been payable at the "specified" rates of interest for the loans. To reflect increases in interest rates, the specified rate in respect of home loans is being increased from 4.5% to 5.5% and the specified rate in respect of other loans is being increased from 12% to 13%. These changes will take effect from 1 January 2008.

Allowance for Rent Paid by Certain Tenants
The maximum level of rent paid for private rented accommodation on which tax relief can be claimed, at the standard rate of tax, has been increased for those aged under 55 years of age, from €1,800 to €2,000 per annum for a single person and from €3,600 to €4,000 per annum for widowed and married persons. For those aged 55 years and over, the maximum level of rent paid on which tax relief can be claimed has been increased from €3,600 to €4,000 per annum for a single person and from €7,200 to €8,000 per annum for widowed and married persons.

Rent-a-Room Scheme
The limit of the exemption from income tax which applies to rent received, where a person rents out a room or rooms in his or her principal private residence, has been increased from €7,620 to €10,000.

Business Expansion Scheme
The requirement that recycling companies must have received grant assistance before availing of the Business Expansion Scheme (BES) has been replaced by a requirement that their business proposals must be certified by an industrial development agency or County Enterprise Board before they avail of the scheme. As the BES is an approved State aid, it will be necessary to advise the European Commission of this change.

Tax Relief on Trade Union Subscriptions
The standard-rated tax allowance in respect of subscriptions paid by members of trade unions has been increased from €300 to €350 per annum. This is equivalent to a tax credit of €70 per annum.

Remittance Basis
The tax treatment of investment income and income attributable to the exercise of foreign employments outside the State is being extended to UK sourced income.

Fishing Industry
The tax code will be amended to assist in maximising the take-up of the decommissioning payments.

Employee Tax Credit
The employee (PAYE) credit is being increased by €70 per annum from €1,760 to €1,830.

Personal Tax Credit
The personal credit is being increased by €70 per annum from €1,760 to €1,830 in the case of a single person and by €140 per annum from €3,520 to €3,660 in the case of a married couple.

The One-Parent Family Tax Credit
The one-parent family credit is being increased by €70 per annum from €1,760 to €1,830.

Home Carer Tax Credit
The home carer credit is being increased by €130 per annum from €770 to €900.

Standard Rate Bands
The single standard band is being increased by €1,400 per annum from €34,000 to €35,400. The married one-earner band is being increased by €1,400 from €43,000 to €44,400. The married two-earner band is being increased from €68,000 to €70,800, with transferability limited to €44,400. The lone parent/widowed parent band is being increased by €1,400 from €38,000 to €39,400.

Age Exemption Limits
The annual limits under which all income is exempted from tax for those aged 65 years and over are being increased by €1,000 single and €2,000 married to €20,000 single and €40,000 married.

Additional Tax Credit for Certain Widowed Persons
The widowed person's tax credit is being increased by €50 per annum from €550 to €600.

Widowed Parent Tax Credit
The widowed parent tax credit applies to widowed parents with dependent children in the five years following the year of bereavement. The amount applicable for each of the five years is being increased as follows:

Year after year of bereavement	Current	Proposed
Year 1	€3,750	€4,000
Year 2	€3,250	€3,500
Year 3	€2,750	€3,000
Year 4	€2,250	€2,500
Year 5	€1,750	€2,000

Blind Person's Tax Credit
The Blind person's credit is being increased by €70 per annum from €1,760 to €1,830 in the case of a single blind person and by €140 from €3,520 to €3,660 in the case of a married couple where both spouses are blind.

Incapacitated Child Tax Credit
The incapacitated child credit is being increased in value from €3,000 to €3,660 per annum.

Age Tax Credit
The age credit is being increased by €50 per annum from €275 to €325 in the case of a single person aged 65 or over and by €100 from €550 to €650 in the case of a married couple where one spouse is or both spouses are aged 65 or over.

Mortgage Interest Relief
The current annual ceiling on the amount of interest that can be allowed on a mortgage is being increased for first-time buyers from €8,000/€16,000 single/married to €10,000/€20,000 single/married.

Capital Gains Tax

Dissolution of Farm Partnerships
A Capital Gains Tax exemption will be provided for the dissolution of farm partnerships and will run for 5 years. Details will be included in the Finance Bill.

Corporation Tax

Preliminary Tax Payment Arrangements for Small Companies
Small companies have the option of paying their preliminary tax at the lower of 90% of the final liability of the current accounting period or 100% of the final liability of the previous accounting period. The Corporation Tax liability threshold for treatment as a small company is being increased from €150,000 to €200,000. This will be effective from preliminary tax payment dates arising after 5 December 2007.

Preliminary Tax Payment Arrangements for Start-up Companies
Under the measure introduced in last year's Budget, new or start-up companies with a Corporation Tax liability of €150,000 or less, for their first accounting period are not required to pay preliminary tax in respect of that first accounting period. The tax liability threshold under this arrangement for new or start-up companies is also being increased to €200,000 and this change will also be effective from preliminary tax payment dates arising after 5 December 2007.

International Financial Reporting Standards (IFRS) Rule
Transitional arrangements which relax the interest charge on underpaid preliminary Corporation Tax for companies in very specific circumstances for certain companies whose accounts are based on International Financial Reporting Standards (IFRS) will be changed in the Finance Bill so that these arrangements can be used on a permanent basis.

Tax Credit Scheme for Research and Development Expenditure
The base year for expenditure which is used to calculate the qualifying incremental expenditure on research and development (R&D) under the tax credit scheme is being fixed at 2003 for a further 4 years to 2013. The change will provide an additional incentive for increased expenditure on R&D in future years and it will offer more certainty to industry in relation to the tax credit scheme. The look-back period will also be extended to 10 years.

It will be necessary to inform the European Commission about these changes from a State Aid perspective.

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Capital Allowances (and Expenses) for Business Cars
A revised scheme of capital allowances and leasing expenses for cars used for business purposes is being introduced. The revision will link the availability of such allowances and expenses to the CO_2 emission levels of the vehicles. Cars will be categorised by reference to CO_2 emissions with the emissions bands being broadly consistent with the new VRT system, as follows:

Category A Vehicles	Category B/C Vehicles	Category D/E Vehicles	Category F/G Vehicles
0-120g/km	121-155 g/km	156-190g/km	191g/km +

As regards leasing expenses, cars in Category A/B/C will benefit from a proportionately higher deduction than the actual leasing expenses where the cost of the car is less than €24,000. Cars in Category D/E will get 50% of the leasing expenses they would otherwise benefit from under the current scheme. Cars in Category F/G will not qualify for a deduction for leasing expenses.

The revised scheme will come into effect in respect of cars purchased or leased on or after 1 July 2008.

Stamp Duty

Residential Property
A reform of the manner in which stamp duty is charged on residential property was announced. This takes effect in respect of deeds executed on or after 5 November 2007.

Claw Back of Owner-Occupier and FTB Relief
The 5 year claw back period is being reduced to 2 years from 5 December 2007.

Financial Cards and Cheques
The duty on ATM/Debit cards is being reduced by 50% and charge cards/credit card accounts by 25%. The duty on Bills of Exchange (cheques) is being increased from 15 cent to 30 cent.

Commencing in 2008, financial institutions will be required to make a preliminary payment in December, of the stamp duties on financial cards due to be paid in the following year.

Stamp Duty and Capital Gains Tax

Site to Child
The exemption that applies where a parent transfers a site to a child to build a house is being increased to €500,000 (from €254,000).

Indirect Taxes

Excise

Tobacco Excise

The Excise Duty on a packet of 20 cigarettes was increased by 30 cents (including VAT) with a pro-rata increase on other tobacco products, with effect from midnight on 5 December 2007. This has been provided for by financial resolution on Budget night.

Alcohol Licensing Regime

Licensing fees for Off-licences are being increased from €250 per licence to €300 per licence with effect from 1 October 2008.

Excise on Electricity

Under the EU Energy Tax Directive all Member States are required to introduce an excise tax on electricity. In Ireland's case this must be done in 2008. From 1 October 2008 the following EU minimum rates will apply; 50 cents per megawatt hour (MWh or 1,000 units) for business use and €1 per megawatt hour for non-business use. However, electricity used by households will be exempt from the new charge as will electricity produced from renewables and combined heat and power generation. Electricity used principally for the purposes of chemical reduction and in electrolytic and metallurgical processes will be exempted. Energy products and electricity used to produce electricity are also being exempted from excise taxation. The overall cost and impact on electricity prices for business will be marginal.

VAT

VAT Registration Thresholds for SMEs

The VAT registration thresholds for small businesses are being increased from €35,000 to €37,500 in the case of services, and from €70,000 to €75,000 in the case of goods. These increases will take effect from 1 May 2008.

Reduced VAT Rate for Certain Agricultural Inputs Used to Produce Bio Fuel

The VAT rate on the supply of elephant grass rhizomes, seeds, bulbs, roots and similar supplies used for the agricultural production of bio-fuels will be reduced from 21% to 13.5% with effect from 1 March 2008.

VAT on Property Transactions

Provision will be made in the Finance Bill for the introduction of a new system for applying VAT to property transactions. The changes are designed to simplify the rules for VAT on property, while ensuring a more equitable treatment for taxpayers. The new rules will apply to both commercial and residential property supplied in the course of business. The VAT charge on sales of residential property is unchanged. The new system will take effect from 1 July 2008.

Reverse Charge Mechanism in the Construction Sector

A reverse charge mechanism for VAT on supplies made by a subcontractor to a principal contractor in the construction sector is being introduced with effect from 1 September 2008. This is a simplification measure. This measure will be the subject of consultation with the construction sector and the details will be outlined in the Finance Bill.

Taxation in Relation to Cars

Vehicle Registration Tax (VRT)

Under the revised VRT system the CO_2 emissions of a car will replace engine size as the criterion to determine the VRT rate payable on the car at point of registration. The VRT rates will continue to be applied to the Open Market Selling Price of the car. The revised VRT system will take effect on 1 July 2008. The following Table sets out the CO_2 Emission Bands and the relevant VRT rates under the revised VRT system.

CO_2 Emissions Bands	g CO_2/km	VRT Rates
A	0 - 120g	14%
B	121 - 140g	16%
C	141 - 155g	20%
D	156 - 170g	24%
E	171 - 190 g	28%
F	191 - 225g	32%
G	226g and over	36%

Vehicle Registration Tax (VRT) Relief Scheme for Hybrid Electric and Flexible Fuel Vehicles and VRT Exemption for Electric Vehicles

The existing 50% VRT relief scheme for series production hybrid electric vehicles and flexible fuel vehicles expires on 31 December 2007. The scheme is being extended in its current form from 1 January 2008 until 30 June 2008, at which point the revised VRT scheme based on CO_2 emissions will be implemented. From 1 July 2008 the relief for series production hybrid electric and flexible fuel cars will be adjusted to provide a relief of up to €2,500 on the VRT payable, in addition to the benefit of the new VRT CO_2 emission related system. This relief will apply until 31 December 2010.

An exemption from VRT is being introduced, with effect from 1 January 2008, for series production electric cars (i.e. cars which can be propelled solely by a rechargeable battery) and electric/battery-assisted bicycles. This exemption will also apply until 31 December 2010.

Tax Incentives

Film Relief

Extension and possible amendments to Section 481 Film Relief

Farmers Taxation

Income Averaging Provisions

Amendment to Income Averaging Provisions to assist Milk Production Partnerships

Sugar Beet Diversification Aid Payments

Provision 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 purposes of calculating taxable income.

PART 2 - PRELIMINARY LIST OF POSSIBLE ITEMS BEING CONSIDERED FOR THE FINANCE BILL (Other than Budget issues)

Note:
- Items listed only imply an issue is under examination for the Finance Bill not any decision/commitment to make a change. Other items not included here may also arise before finalisation of the Bill.
- A number of items on this list are sensitive including certain anti-avoidance provision and it is essential that this list be kept confidential.

Income Tax

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Business Expansion Scheme (BES) and Seed Capital Scheme (SCS)
The extension and amendment of the BES announced in Budget 2007 was approved by the European Commission in August 2007 and implemented via Ministerial Commencement Order in September 2007. These changes need to be included in Finance Bill 2008 in order to bring them permanently into effect.

Scheme of Tax Relief on Donations to Approved Bodies
The removal of the Irish Heritage Trust from the 'specified list' of organisations allowed tax relief on donations will be required. The Trust has now attained charitable status for the required period and thus does not require specific mention in the legislation.

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Approved Financial Participation Schemes
Tax Treatment of various Employee Financial Participation Schemes including Approved Share Options Schemes, Profit Sharing Schemes, Employee Share Ownership Trusts and Save As you Earn Schemes – proposals have been received in relation to a number of these from ICTU, IBEC and IPSA (The Irish Proshare Association).

Approved Financial Participation Schemes - Filing of Returns
A technical amendment may be required to provide for the automatic filing of returns for the four approved schemes.

Relief for Care of an Incapacitated Individual
Amendment proposed that would put current Revenue practice on a statutory footing. This relates to the relief being available in the year that the person becomes incapacitated.

Employee Benefit Trusts
Taxation of undistributed sums held in employee benefit trusts – this needs further consideration to prevent tax avoidance schemes emerging.

Restriction on High Earners
Technical adjustments may be required to these provisions.

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Employee Shares - Convertible
Tax treatment of shares issued to employees and directors where such shares have a 'convertible' clause. For example, shares are awarded at low value, which can later be *converted* to ordinary shares (of a higher value). Such abuses need to be countered.

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Donation of Heritage Items
Technical changes may be required to allow for the donations of heritage collections where the total value of the collection is over €50,000.

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Life Policies Gross Roll-up Regime – Declarations of Non-Residence
The International Life Insurance Industry representatives have requested that consideration be given to addressing the administrative burden associated with the processing of the declarations of non-residence for the foreign policyholders which account for almost all of their savings and investment contracts. Meetings between industry representatives, Revenue and Finance officials are ongoing with a view to addressing this issue.

Tax Treatment of Termination Payments and Payments Made on Account of Injury or Disability under Section 201 of the Taxes Consolidation Act 1997
It is proposed to examine the standard capital superannuation benefit (SCSB) and top slicing relief arrangements which apply to termination payments and to consider whether new arrangements should apply.

It is also proposed to review the arrangements surrounding the tax exemption which applies to payments on account of injury to or disability of the holder of an office or employment under section 201(2)(a) to determine if they need to be tightened up.

Corporation Tax

Possible Package to Address the FII Case
There are potentially 4 elements to this:
(a) Legislation to deal with tax treatment of foreign dividends received by companies following the decision in the ECJ FII case c-446/04.
(b) XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.
(c) Close Company Surcharge - It may be necessary to make a change to the rules to address the compatibility of an aspect of the close company surcharge rules with the EC Treaty.

Changes to the Fiscal Terms Governing Petroleum Exploration and Production
Introduction of a new profit resource rent tax on profits from petroleum and gas production in the State, following on the Government decision on this matter during the summer. New rates of tax ranging between 5% and 15% will apply to the profits from petroleum and oil production activity depending on the profitability of the oil field. The new tax will be in addition to the corporation tax rate of 25% which has applied to this activity since 1992.

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Allowance for Know-How – s768 TCA 1997
A review by Revenue of the provisions of this section – which deals with tax relief for certain expenditure on "know-how" that is bought by a person for use in a trade – indicates that certain amendments may be required to ensure that the legislation operates as originally intended. These matters are currently being examined.

CT Exemption for Com Reg
This item is being dealt as part of item number (118)

Tax Incentive for Energy Efficient Equipment
A proposal in this area was received from the Minister for Communications, Energy and Natural Resources for consideration in the context of the 2008 Budget. The proposal is for some form of additional incentive to be provided to companies in respect of expenditure on specified equipment used in their business which will save energy and reduce carbon emissions. The proposal is being examined.

Pensions Taxation

Tax Relief on Pension Contributions for Migrant Workers
EU Commission has a minor problem with an aspect of our legislation. The matter has been raised informally with the Commission and a possible solution which might obviate the need for a legislative amendment is being investigated.

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Certain Capital Allowances and Tax Exemption Items

Capital Allowances for Caravan and Camping Parks

A Non-Statutory scheme of capital allowances for building and structures erected in Caravan/Camping parks was removed from1 January 2006. There has significant pressure for an extension of the statutory scheme (4% pa over 25 years) to buildings in caravan/camping parks.

Childcare Facilities Capital Allowance Scheme

Amendments to capital allowances scheme possibly required to reflect new Childcare Regulations.

Financial Services

Securitisation

A number of possible changes are being examined in the following areas;

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- Define carbon credits/carbon permits and insurance/reinsurance polices as financial assets for the purposes of securitisation
- Clarify that financial assets held through a partnership interest will be allowed as qualifying assets for the purposes of securitisation
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Eight Year Deemed Disposal - Section 50 Finance Act 2006

Section 50 of Finance Act 2006 introduced a new chargeable event for investment undertakings, under which a tax charge would be triggered at the end of every 8-year period. A similar provision was also introduced in connection with life assurance policies and offshore funds. The funds industry argues that the rule applying to funds with a small number of Irish resident investors creates excessive administrative burden on the managers of such funds and that it makes Ireland uncompetitive.

Alternative proposals for easing the administrative burden are being considered.

Technical amendments will also be considered to ensure that the legislation operates as intended in relation to the calculation and payment of the exit tax.

Equalisation Reserves

Statutory Instrument 380 of 2006 requires non-life re/insurance undertakings to establish an equalisation reserve for a certain class of business. Under current legislation equalisation reserves are not allowable as a tax deduction in Ireland although they are allowable as such in most other EU countries.

The matter is being considered.

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Funds Industry
A number of proposed legislative changes have been made by the industry and are being examined. These are as follows:

- Permit a merger between two Irish funds to avail of stamp duty relief as currently applies to a merger between an Irish and a non-Irish fund
- Extend the provisions of Section 739H TCA 1997 to the reorganisation of an Irish sub-fund of one umbrella fund with an Irish sub-fund of another umbrella fund;
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Capital Gains Tax

Exemption for Digital Hub & Comreg
A provision to exempt the Digital Hub and Comreg from capital gains tax (and CT) is being considered

Site to Child
A change is being considered to ensure that the €254,000 limit (to increase to €500,000) applies to disposals made by both parents to a child at the same time.

Stamp Duty

Industrial & Provident Societies
A technical amendment is being made.

Share Transactions
Amendments may be introduced to deal with the issues arising from MiFID.

Insurance Levy and Financial Cards
Changes are being considered to deal with the making of assessments in the case of underpayments.

UCITS
Changes to allow for the re-organisation of UCITS is being considered.

Residential Leases / Rent
In the case of residential property, a lease for an indefinite term or a term not exceeding 35 years is exempt from stamp duty where the annual rent does not exceed €19,050; otherwise a 1% duty on the average rent arises. It is proposed to increase the annual rent threshold to €30,000.

First-Time Buyer Issues
Consideration is being given to introducing changes to deal with a number of issues that have been identified and require further consideration.

Capital Acquisitions Tax

Technical Issues
A number of technical changes are being considered to deal with the Registration of Deeds and Title 2006 and Double Taxation Agreements.

Repayment Claims
The issue of the period in which repayment claims can be made may be examined.

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Indirect Taxes

Excise

EU Energy Tax Directive Derogations
Under the EU Energy Tax Directive Ireland, like a number of other Member States, had special derogations which allowed specific excise duty reliefs of reduced or nil rates to apply to fuel used for (i) public transport services, including school transport services, (ii) rebates to disabled drivers, (iii) for navigation in private pleasure-flying, and (iv) for navigation in private pleasure craft.

The European Commission, who are the deciding authority, have not agreed to the extension of these derogations. Consequently, the excise reliefs in question have to be withdrawn. The Finance Bill will make the necessary legislative changes to withdraw the reliefs with effect from 1 November 2008. The full appropriate Irish rate will be applied in the case of public transport services, and for navigation in private pleasure-flying and private pleasure craft. XX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.

Revision of Structure of Mineral Oil Tax Rates
In addition to the standard rate for unleaded petrol of €442.68 per 1,000 litres, the Finance Acts also provide for higher rates for leaded petrol of €553.04, and super-unleaded petrol of €547.79. Removing the higher leaded and super-unleaded petrol rates is being considered as the reasons for introducing them no longer apply, such petrols are no longer available on the open market, and they respectively give rise to anomalies in relation to applying excise to aviation gasoline for private pleasure-flying and excise to bioethanol.

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Repeal Section 100(1) (e) of the Finance Act 1999
Section 100(1)(e) of the Finance Act 1999, provides excise relief for fuel oil intended for use in, or in connection with, the manufacture of alumina. Following two EU Commission Decisions, which found, as it also did in the case of Italy and France, the relief provided to be incompatible State aid, it is necessary to repeal Section 100(1) (e). Consideration is also being given to replacing the existing relief by widened its scope to cover heavy fuel oil where used for dual use, or more widely to energy products generally where used for dual use, to facilitate the relief being a general measure, and thereby not subject to State Aid rules. Italy has already widened its similar relief to make it a general measure.

Removal from the Finance Acts the Setting of Fees on Firearm Licences, etc
It has been agreed that DJELR/the Garda Síochána should take over the setting of the fees as well as the licensing of firearms. DJELR is in the process of providing for that in legislation. However, it requires that the setting of the excise duty/fee be removed from the Finance Acts, by repealing the relevant provisions through the Finance Bill 2008, with a Commencement Order being provided for the implementation of the repeal of the relevant sections, when DJELR are in a position to takeover the full process. The Tánaiste has agreed in principle to above arrangement.

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Technical Excise Amendment
Regulation of Warehousing
Section 109 of the Finance Act 2001 provides for the approval by Revenue of authorised warehousekeepers subject to certain conditions. In the light of difficulties that have arisen in regard to the responsibilities of authoried warehousekeepers, both as proprietors and tenants in the tax warehouse, it is proposed to amend this section to provide for;

- clarification of the relative responsibilities of authorised warehousekeepers who are proprietors of a tax warehouse and those who are tenants in that warehouse,
- clarification of the requirements for authorised warehousekeepers in relation to guarantees covering the risk for excise duty on products held in, and transported from, the tax warehouse,
- Strengthening of Revenue powers to refuse approval, and to revoke it, in certain circumstances.

<u>VAT</u>

Apply Reduced VAT Rate to Medical (Contraceptive) Products
The standard VAT rate of 21% applies to non-oral medicines (e.g. injections, ointments) as well as items such as condoms, bandages and syringes. Under EU VAT law it is not possible to apply a zero rate of VAT to these products. It would be possible to apply a reduced rate of VAT (13.5%) to condoms, however, it would be necessary to extend the reduction to the wider category of “non oral contraceptive” products, as otherwise the EU Commission would be likely to regard the change as creating a distortion of competition with such similar products, which is not allowed under EU law. Estimated cost €0.25m.

Preparatory Changes to Facilitate the Enactment of a VAT Consolidation VAT Act in 2009

The purpose of the new VAT Act will be to align our national VAT legislation with the new VAT Directive 2006/112/EC. The preparatory changes will focus primarily on two concepts in the Directive - taxable persons and economic activity.

The Directive describes a taxable person as "any person who carries out an economic activity". This covers all those who are engaged in business activities, whether they are required to register for VAT or not. The VAT Act, on the other hand, provides that a taxable person is a person who supplies taxable goods or services "in the course or furtherance of business". Only these persons must register and account for VAT. Accordingly it will be necessary in preparation for a new VAT Act to replace the existing definition of a taxable person in the VAT Act with the broader definition of a taxable person in the Directive. This change would not impose any additional obligations on persons engaged only in exempt activities or on flat rate farmers.

Arising from the changes to the definition of taxable person, it will be necessary to broaden the scope of the definition of business in the VAT Act to bring it into line with the definition of economic activity in the Directive. The proposed amendments will complement the provisions necessary for the operation of the Capital Goods Scheme and it is therefore proposed that they enter into force at the same time (1 July 2008).

Change Arising from ECJ Ruling that "No Show" Deposits Retained Are Not Liable to VAT

Amend the VAT Act to provide that VAT accounted for on a deposit for a supply is refundable if that supply is cancelled and the deposit is retained by the supplier. This amendment is necessary following an ECJ ruling.

VAT Cash Receipts Cases

Amend the VAT Act to provide that where a person on the cash receipts basis of accounting grants a discount to a VAT registered person after issuing a VAT invoice in respect of a supply, but fails to issue a credit note to cover the discount, the cash receipts basis of accounting will not apply to that specific supply.

Amendment in Relation to Hire Purchase Transactions Involving Finance Houses in Certain Cases

Finance Act 2007 amended the VAT Act in relation to hire purchase transactions involving finance houses so as to allow bad debt relief to finance houses where a customer defaults on repayments. It is considered appropriate to amend the provisions of the Act so that they extend to goods acquired from other Member States and to second hand means of transport and agricultural machinery supplied on hire purchase. This will provide a level playing field between new and second hand vehicles or machinery as well as between domestic and intra Community goods financed through hire purchase. It will ensure that finance houses will be entitled to bad debt relief in the event of default by customers in their payments for any goods financed through hire purchase, regardless of the type of goods involved or where they are sourced.

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Technical VAT Amendments

(i) <u>New means of transport</u>

Amend the VAT Act to extend the forfeiture provisions which apply to most breaches of the intra-Community acquisition rules so that they apply also to the intra-Community acquisitions of new means of transport which are purchased in another Member State without payment of VAT on the basis that they are liable to VAT in the State, but are then not declared as new means of transport liable to VAT in the State.

(ii) Update cross-references, definitions, etc.

<u>Tax Administration</u>

Professional Services Withholding Tax

There will be a routine update of the Schedule of Accountable Persons via additions, deletions and amendments.

RCT - Declarations

Amend section 531(6) of the TCA 1997 to permit the Revenue Commissioners to make regulations removing the requirement to make an RCT1 declaration from certain classes of principal contractors.

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RCT - Connected Persons Rule

Amend connected persons rule in section 531 of the TCA 1997 whereby any person connected to a construction company etc is deemed to be a principal contractor and required to operate RCT, so that it does not apply to "innocent" incidental connections.

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Tax Deductibility of Bribes to (Foreign) Public Officials

This is a proposal to add a provision in the Taxes Consolidation Act 1997 to prohibit a deduction for tax purposes of a bribe paid to foreign officials. The OECD has for some time taken the view that countries' tax legislation should deny a tax deduction for such bribes.

Review Enabling Provisions for PAYE Regulations

Following a review of the enabling PAYE provisions of the TCA and the PAYE Regulations, a number of amendments to primary legislation (section 986) are being considered, e.g. coding of small amounts of non-PAYE income; amendments due to IT developments (e.g. PAYE Online Service); an amendment giving Revenue the power to allow employers a derogation from compliance with certain regulations in certain specific circumstances (e.g. issuing of P45s in certain takeover situations).

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Residence
Proposed to amend the definition of "authorised officer" in section 818 (Interpretation) of Part 34 T.C.A. 1997 (dealing with provisions relating to the residence of individuals) so that all Revenue Officers can make enquiries on residence matters without specific authorisation.

Protective Notifications
Amendments are being considered to the Protective Notification regime introduced in Finance Act 2006 in respect of transactions that might ultimately be determined to be tax avoidance transactions, so as to make the regime more effective.

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Reporting of Foreign Rents Received
Proposed to amend the definition of "premises" in section 888 TCA 1997 (which is concerned with returns by, inter alia, agents in respect of rental income earned from real property in the State) so as to extend the definition to include real property outside the State. This means that, if an Irish letting agent is managing a foreign property on behalf of an Irish resident client, details of any rent received must be provided on request to a Revenue Inspector.

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Technical Amendments

Section 865 - 4 year Time Limit

In view of the ambiguity and conflict that arises between the 4 year time limit and certain other provisions (e.g. relief for certain sportspersons allows is over a 10 year period) it is proposed that the specific provisions giving rise to the ambiguity and conflict be amended to make it clear that repayments can be made notwithstanding the provisions of section 865(4) – 4-year time limit.

Mid-Shannon Scheme Amend Sec. 372AZ

Mid-Shannon Scheme - Delete/Amend State Aid provision in section 372AZ(1)(c

Double Tax Credits – Foreign Branches

Amendment to Schedule 24 of the TCA 1997 to provide that a particular formula introduced in FA2006 for the calculation of relevant income for the purpose of double taxation relief does not apply to profits of foreign branches.

Double Taxation Relief – Mergers Issue

Possible issue in relation to tax paid by pre-merged companies being allowed for double taxation relief purposes to the merged company.