FINANCE (NO. 2) BILL 2013

LIST OF ITEMS

Finance Bill - List of Items

Part 1 - Measures announced in the Budget

Income Tax

Section 7 One Parent Family Tax Credit

This tax credit is to be replaced with a 'Single Person Child Carer Tax Credit' with an equal value and an equal entitlement to the additional standard rate band. This new credit will only be available to the primary carer of the child. Practical implementation issues are being considered while the Bill progresses through the Oireachtas.

Other Income Tax

Section 8 Medical Insurance Tax Relief

The scheme of tax relief for medical insurance premiums is being restricted. Currently tax relief is available at the standard rate on the full amount of any premiums regardless of the level of medical cover. Tax relief will, from 16 October 2013, be restricted to the first €1,000 per adult and the first €500 per child of any premium. The portion of any premium that is payable in excess of these ceilings will not qualify for tax relief.

Section 4 Top Slicing Relief

Tax relief for lump sums from approved occupational pension schemes are unaffected by this measure, which abolishes top slicing relief for *ex-gratia* payments made on or after 1 January 2014. *Ex-gratia* (or discretionary) payments are sometimes made on the termination of the holding of an office or employment, or on death or disablement grounds. Top slicing relief has been available for such awards where the non-statutory element of the payment is less than €200,000. This relief currently acts to reduce the tax rate on the final amount to be charged, to the average effective rate of tax paid for the three years prior to redundancy, retirement, death or disablement.

Section 5 Home Renovation Incentive (HRI)

A scheme of tax relief for home renovation work is being introduced. Relief will be granted at a rate of 13.5% on qualifying expenditure up to a maximum of €30,000 ex VAT. The minimum expenditure must be €5,000 ex VAT. Relief will be granted by way of tax credit split over two years following the year in which the works are carried out. The scheme will run from 25 October 2013 until 31 December 2015. Works carried out in 2013 will be deemed to have taken place in 2014 and the credit will be awarded in 2015 and 2016.

Section 3 Tax Relief for Acquiring an Interest in a Partnership

This relief will be withdrawn on a phased basis over 4 years. Relief will not be allowed for new loans taken out after 15 October 2013. The relief will be reduced by 25% per annum until its eventual total abolition in 2017. Existing claimants will retain the relief, on a reducing rate basis until 1 January 2017.

Section 16 Employment and Investment Incentive (EII)

The Employment and Investment Incentive will be removed from the High Earners' Restriction for a period of three years in order to stimulate investment in SMEs.

SECTION 16 CAPITAL ALLOWANCES FOR PLANT AND MACHINERY

Capital allowances for plant and machinery used in manufacturing trades that are claimed by passive investors in a leasing trade, will be included as a specified relief for the purposes of the high earners' restriction.

SECTION 6 START YOUR OWN BUSINESS (SYOB)

As an employment activation measure, the Start Your Own Business incentive will provide an exemption from Income Tax up to a maximum of €40,000 per annum for a period of two years, to individuals who set up a qualifying, un-incorporated business, having been unemployed for a period of at least 15 months prior to establishing the business.

TAX ON SAVINGS

SECTION 23 DEPOSIT INTEREST RETENTION TAX (DIRT) RATE

The standard rate of retention tax that applies to deposit interest is being increased by 8 percentage points and will now be 41% for payments made at least once annually. The higher rate of Deposit Interest Retention Tax (DIRT), currently 36% for interest paid less frequently than annually is to be abolished, so that all deposit interest is liable to tax at the same rate (41%). The increased rates will apply to payments, including deemed payments, made on or after 1 January 2014. In addition, the exemption for certain interest paid on "special term accounts" will be abolished for such accounts opened after Budget night; and credit union "regular share accounts" will be subject to DIRT on interest/dividend payments made after 1 January 2014.

SECTION 30 EXIT TAXES ON LIFE ASSURANCE POLICIES AND INVESTMENT FUNDS

The rates of exit tax that apply to life assurance policies and investment funds and other investment products are being increased. The new rate will be 41% (an increase of 8% on the rate for relevant payments and 5% on the previous 36% rate for non-relevant payments. The increased rates will apply to payments, including deemed payments, made on or after 1 January 2014. Increases will also apply to the higher rates charged on personal portfolio investment undertakings and personal portfolio life products (to increase from 56% to 60% where correctly declared and from 74% to 80% where not correctly declared).

PENSION TAXATION

SECTION 18 STANDARD FUND THRESHOLD (SFT)

The maximum allowable pension fund on retirement for tax purposes, the Standard Fund Threshold (SFT), is being reduced from €2.3 million to €2.0 million from 1 January 2014 with protection arrangements for individuals with pension rights valued above the reduced threshold at that date. In addition, the current single valuation factor of 20 used to place a value on Defined Benefit pension rights for SFT purposes is being replaced from 1 January 2014 with a range of higher valuation factors that vary with the age at which the pension rights are drawn down.

CAPITAL GAINS TAX

SECTION 42 CAPITAL GAINS TAX PROPERTY INCENTIVE RELIEF

The incentive relief from CGT for properties purchased between 7 December 2011 and 31 December 2013 introduced in Budget and Finance Act 2012 is being extended by one year to include properties bought to the end of 2014.

SECTION 43 CAPITAL GAINS TAX ENTREPRENEURIAL RELIEF

A CGT incentive is being introduced to encourage entrepreneurs (in particular "serial" entrepreneurs) to invest in assets used in new productive trading activities. The measure will apply where an individual, who has paid capital gains tax on the disposal of assets, makes investments in a new business in the period 1 January 2014 to 31 December 2018 and subsequently disposes of this investment no earlier than three years after the date of investment. The CGT payable on the disposal of this new investment will be reduced by the lower of (i) the CGT paid by the individual on a previous disposal of assets in the period from 1 January 2010 and (ii) 50% of the CGT due on the disposal of the new investment. Commencement of this measure is subject to receipt of EU state-aid approval.

SECTION 41 CAPITAL GAINS TAX RETIREMENT RELIEF

CGT retirement relief is being further extended to disposals of leased farmland in circumstances where, among other conditions, the land is leased over the long-term (a minimum lease of 5 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 to transfer their farm to lease out their farmland over the long term to younger farmers.

STAMP DUTY

SECTION 68 LEVY ON FINANCIAL INSTITUTIONS

A levy is to be introduced on certain financial institutions. The levy is projected to raise €150m per annum and will be calculated by reference to liabilities (that is, deposits) where any interest payable on the account is subject to DIRT. The levy will be at 35% of the amount of DIRT paid by the financial institution in 2011, but will not apply to institutions who paid less than €100,000 in DIRT in that year.

SECTION 66 EXEMPTION OF ESM SHARES FROM STAMP DUTY

This section removes the Stamp Duty charge (currently 1%) on transfers of shares in companies listed on the Enterprise Securities Market (ESM) of the Irish Stock Exchange (ISE). The ESM is the ISE's market for growth companies. This measure is subject to a commencement order.

SECTION 67 LEVY ON PENSION FUNDS

The Bill provides that an additional 0.15% levy will apply on top of the current 0.6% stamp duty levy on pension fund assets for the year 2014. The levy will be reduced to 0.15% for 2015.

FILM RELIEF

SECTIONS 24 AND 25 FILM RELIEF

The Bill extends the definition of 'eligible individual' to include non EU talent, in conjunction with the introduction of a withholding tax. Subject to EU State Aid approval and a commencement order.

LIVING CITY INITIATIVE

SECTION 31 LIVING CITY INITIATIVE
The Bill extends the scope of the initiative to include residential properties constructed in 1914 or earlier, in certain designated areas. This initiative is subject to EU State Aid approval and a commencement order. It is also proposed to extend the initiative to other cities such as Cork, Galway, Kilkenny and Dublin.

CORPORATION TAX

SECTION 21 RESEARCH AND DEVELOPMENT (R&D) TAX CREDIT
A number of enhancements to the R&D Tax Credit regime were announced on Budget Day on foot of the Review of the regime which was also published on Budget Day

The R&D tax credit applies to the amount of qualifying R&D expenditure by a company in a given year that is in excess of the amount spent in 2003, which is the 'base year' for the regime. In line with the Programme for Government, 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 and Finance Act 2013 increased that amount to €200,000. The amount of initial expenditure which can qualify without reference to the base year is being increased to €300,000 in Section 21 of the Bill.

The amount of expenditure on R&D outsourced to third parties which is allowed to qualify for the credit is limited to 10% of the total amount of expenditure on R&D qualifying for the credit in a given year. This limit is being increased from 10% to 15% in Section 21 of the Bill.

Since 2012, a company with an entitlement to the R&D Tax Credit can surrender a portion of the credit to employees who meet the definition of a 'key employee'. Subject to certain conditions, the employee can use the benefit of the tax credit to reduce their own income tax liability. Section 21(1)(c) of the Bill provides that where a company has made an incorrect claim for the R&D tax credit and surrenders an amount of that credit to a key employee, the tax foregone can be recovered from the company instead of the employee. The amendment is being made in conjunction with an amendment in section 13 of the Bill which removes the liability for a claw-back from the employee.

SECTION 38 COMPANY RESIDENCE
As announced in Budget 2014, Section 38 of the Finance Bill amends the company residence rules contained in section 23A of the TCA to ensure that mismatches, that can exist between tax treaty partners in certain circumstances, can no longer be used to allow companies to achieve 'stateless' status in terms of their place of tax residence.

INDIRECT TAXES

VALUE-ADDED TAX

SECTION 56 RETENTION OF THE 9% VAT RATE

The 9% VAT rate on tourism related services was due to expire at the end of this year. This will now be retained at 9% to consolidate the gains made in terms of employment and activity in the sector.

SECTION 61 INCREASE IN VAT CASH ACCOUNTING THRESHOLD

The annual VAT cash receipts basis threshold for small to medium businesses is being increased from €1.25 million to €2 million with effect from 1 May 2014. This change will assist small to medium businesses in the critical area of cash-flow and reduce administration.

SECTION 62 INCREASE IN THE FARMER'S FLAT-RATE ADDITION FROM 4.8% TO 5%

The farmer's flat-rate addition is being increased from 4.8% to 5% with effect from 1 January 2014. The flat-rate scheme compensates unregistered farmers for VAT incurred on their farming inputs. The flat-rate addition is reviewed annually in accordance with the EU VAT Directive and the increase to 5% in 2014 continues to achieve full compensation for farmers.

EXCISE

SECTION 51 ALCOHOL

Excise duty on a pint of beer or cider and a standard measure of spirits was increased by 10 cent (including VAT) from midnight on 15 October 2013; excise on a 75cl bottle of wine was increased by 50 cent (including VAT) from midnight on 15 October 2013.

SECTION 50 TOBACCO EXCISE

The Excise Duty on a packet of 20 cigarettes was increased by 10 cent (including VAT), with a pro-rata increase on other tobacco products, with effect from midnight on 15 October 2013.

PART 2 - FURTHER MEASURES INCLUDED IN THE BILL

INCOME TAX

SECTION 12 PAYE TAX CREDIT

A provision in the Finance Bill will copperfasten current Revenue practice in relation to adult dependant allowances that may be payable as part of social welfare pensions. The change ensures that the adult dependant allowance is income of the claimant for the purposes of the tax code.

SECTION 9 HEALTH EXPENSES RELIEF

As 'psychologist' and 'speech and language therapist' are designated professions under the Health and Social Care Professionals Act 2005, the definition of educational psychologist is being updated and the definition of speech and language therapist is being removed as it is no longer required.

OTHER INCOME TAX

SECTION 2 JOBSPLUS

This measure ensures that grants paid to employers who are participating in the JobsPlus Scheme, administered by the Department of Social Protection, will not be subject to tax.

SECTION 14 TAX RELIEF ON THIRD LEVEL FEES

An anti-avoidance measure is being included to prevent individuals from claiming the relief who have received a refund of fees from the third-level institution, having withdrawn from the course.

SECTION 19 EMPLOYEE SHARE OWNERSHIP TRUSTS

The legislation is being amended to allow ex-employees to remain in the ESOT for a period of 20 years, as is currently available to existing employees.

SECTION 73 MAGDALEN REDRESS SCHEME

Legislation is being put in place to ensure that *ex-gratia* payments to women who were admitted to and worked in Magdalen laundries will not be subject to tax.

SECTION 28 HIGH EARNERS' RESTRICTION AND DOUBLE TAXATION RELIEF

Technical amendments are being made to the legislation that provides for the high earners' restriction to ensure that individuals who claim double taxation relief are treated equitably for the purposes of calculating the restriction.

SECTION 15 SPORTSPERSON RETIREMENT RELIEF

The Bill extends the relief to allow it in cases where a sportsperson retires to another EU or EFTA country. This change is being made in response to EU Commission concerns.

SECTION 13 RELIEF FOR KEY EMPLOYEES ENGAGED IN R&D ACTIVITIES

Since 2012, a company with an entitlement to the R&D Tax Credit can surrender a portion of the credit to employees who meet the definition of a 'key employee' as set out in Section 472D TCA 1997. Subject to certain conditions, the employee can use the benefit of the tax credit to reduce their own income tax liability. Budget 2014 announced some modest amendments to the relief to remove barriers to take-up. Specifically, Section 13(f) of the Bill removes the claw-back liability from an employee where a company has made an incorrect claim for the R&D tax credit and surrendered an amount of that credit to a key employee. This amendment operates in conjunction with Section 21 of the Bill which provides that the tax foregone can be recovered from the company instead. Section 13 also contains a number of other technical amendments to the scheme to ensure that it operates as intended.

SECTION 10 GARDA RESERVE ALLOWANCE

The Bill provides for the exemption from income tax of the annual allowance of €1,000 paid to volunteer members of the Garda Reserve.

SECTION 11 BENEFIT-IN-KIND: METRIC MEASUREMENTS

As the legislation relating to benefit-in-kind is still determined in miles it has been necessary for employers and payroll providers, in correctly calculating the notional pay associated with the use of a company car, to carry out additional calculations to convert distances and usage into miles. An amendment is proposed to rectify this.

SECTION 17 PROFESSIONAL SERVICES WITHHOLDING TAX

Schedule 13 of the Taxes Consolidated Act, 1997 is updated regularly via the Finance Bill as the Revenue Commissioners become aware of new accountable persons or where the list of existing accountable persons need to be amended or deleted to reflect name changes, amalgamation of agencies or dissolutions etc. In addition, the PSWT legislation in Chapter 1 of Part 18 is being amended to extend the definition of accountable persons which currently includes bodies listed and their 51% subsidiaries, within the meaning of the Companies Act, to also include bodies under the control of one or more accountable persons (e.g. bring joint ventures into the PSWT net). Changes are made also to provide that where a medical practitioner is providing medical services as an employee, rather than as a self-employed practitioner, authorised insurers may make the payment to the employer rather than directly to the practitioner.

INCOME TAX/CAPITAL GAINS TAX

SECTION 29 SECURITIES ISSUED BY IRISH WATER

Section 37 Taxes Consolidation Act 1997 (TCA) provides that interest on securities issued by certain semi-State companies may be paid by them without deduction of tax. Section 607(1)(d) TCA provides that securities issued by certain commercial semi-State bodies shall not be chargeable assets for Capital Gains Tax. The purpose of this provision is to add Irish Water to the list of companies who qualify for these exemptions.

SECTION 26 OBLIGATION ON PRINCIPALS TO DEDUCT RELEVANT CONTRACTS TAX

Relevant Contracts Tax applies to payments made by a principal contractor to a subcontractor under a relevant contract (this is a contract to carry out, or supply labour for the performance of relevant operations in the construction, forestry or meat processing industries). At present there is no incentive for a principal to self-correct in a situation where Relevant Contracts Tax was not operated, once the due date for the return has passed. Approval is sought to amend section 530F of the Taxes Consolidation Act, 1997 to address this.

STOCK RELIEF

SECTION 20 YOUNG TRAINED FARMERS

Provision is being made for the addition of 3 new qualifying courses for the purposes of qualifying for the 100% rate of YTF stock relief.

SECTION 20 STOCK RELIEF FOR REGISTERED FARM PARTNERSHIPS

As part of the EU State Aid approval process certain conditions are being attached to the special 50% rate of stock relief for registered farm partnerships.

CAPITAL GAINS TAX

SECTION 39 REMITTANCE BASIS OF ASSESSMENT

This anti-avoidance measure amends section 29 (Capital Gains Tax remittance basis) of the TCA to provide that an amendment made in Finance Act 2013 operates as intended by replacing the reference to "chargeable gains" with a reference to "the proceeds from the disposal of an asset". The amendments provided that, where income or gains which were subject to the remittance basis are transferred to a spouse or civil partner of the individual who claimed the remittance basis, that is, the income or gain will still be taxable when remitted to the State notwithstanding that it has been transferred.

SECTION 40 RESTRICTION OF LOSSES

Provisions are included in the Bill to restrict the extent of losses that may be claimed for CGT purposes in situations where a loan or part of a loan relating to the purchase of the disposed asset has been forgiven or written off by the lender.

STAMP DUTY

SECTION 65 YOUNG TRAINED FARMER RELIEF

This section adds three courses to the list of relevant qualifications required to apply for Young Trained Farmer (YTF) relief from Stamp Duty, and to update references in the Stamp Duties Consolidation Act 1999 to the body which certifies such courses, which is now called the Qualifications and Quality Assurance Authority of Ireland.

PENSION TAXATION

SECTION 18 PRE-RETIREMENT ACCESS TO FUNDED ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS).

Finance Act 2013 introduced section 782A Taxes Consolidation Act which allows members of occupational pension schemes to draw down up to 30% of their AVCs. Section 782A contains an "override" provision to enable this access to AVCs without the need for changes to be made to pension scheme rules or trust deeds. Minor changes to the wording are required to strengthen this "override" provision.

SECTION 18 TAX RELIEF ON SPOUSES AND CHILDRENS' (S&C) CONTRIBUTIONS DEDUCTED FROM RETIREMENT LUMP SUMS.

A technical amendment is being made to ensure that tax relief on S&C contributions deducted from the retirement lump sums of public servants who retired under the Incentivised Scheme of Early Retirement (ISER) is provided as intended.

CORPORATION TAX

SECTION 35 PROVISIONS WHERE COMPANIES CEASE TO BE RESIDENT IN THE STATE – 'EXIT TAX'

Section 627 of the Taxes Consolidation Act (TCA) provides for an 'exit tax' on certain companies that cease to be resident for tax purposes in Ireland. Such companies are deemed to have disposed of their capital assets at market value (other than assets which are used for the purposes of a continuing trade in Ireland). In response to recent decisions of the Court of Justice of the European Union in relation to the 'exit tax' regimes of other Member States, the Bill amends Ireland's regime. The amendments provide for an optional scheme of deferred payment of the 'exit tax' in cases where a liability arises on unrealised gains on the migration of a company from Ireland to another EU or EEA Member State.

SECTION 28 DOUBLE TAX RELIEF ON EQUIPMENT LEASE RENTALS

Section 28(1)(c) of the Bill will enhance double taxation relief in respect of leasing income by providing for the carry-forward of unrelieved foreign tax against future taxable profits from the same source of income. This measure will be of particular benefit to the aircraft leasing industry. Section 28 also makes two additional separate unrelated amendments to Schedule 24 of the TCA 1997.

SECTION 33 LOSS RELIEF FOR PARTICIPATING INSTITUTIONS

The Bill provides for the removal of the 50% restriction on the amount of prior year trading losses a NAMA participating institution (PI) can set off against trading profits. The remaining PIs comprise AIB and Bank of Ireland, of which the State owns 99.8% and 15% respectively. This amendment protects the value of deferred tax assets at the banks, improving capital ratios under the new Basel III rules and enhancing the valuation of the State's equity holdings in the two banks.

SECTIONS 22, 27, 28, 32, 34, 36 & 37 OTHER CORPORATION TAX CHANGES

The Bill includes a number of amendments of a more technical nature which are summarised hereunder:

- Section 28(1)(b)(i) and Section 32 of the Bill amend Schedule 24 and Section 77 of the TCA respectively, to clarify the operation of double taxation relief for foreign tax incurred to ensure that the double tax relief available under those sections cannot create a loss for tax purposes.

- Section 37 of the Bill provides for The Teaching Council to be included in the list of specified non-commercial State-sponsored bodies that are exempt from certain tax provisions (Schedule 4 of the TCA).

- Section 34 of the Bill provides for a technical amendment to the provisions governing group relief for losses to ensure that amendments made in Finance Act 2012 operate as intended. The amendment deletes wording from clause (II) of Section 411(1)(c)(ii) which has caused some uncertainty as to which company was required to be quoted on a recognised stock exchange. The amendment clarifies that it is the parent of the subsidiary company which must be quoted on a recognised stock exchange.

- Section 22 of the Bill provides for an exemption from interest withholding tax on payments by certain companies to other group companies resident in the State. The exemption eliminates the administrative burden which currently arises for companies and Revenue from the operation of such withholding tax, but will not affect the underlying charge to taxation.

- Section 36 of the Bill provides for a number of minor technical amendments to the provisions relating to Real Estate Investment Trusts which were introduced in Finance Act 2013, to ensure that they operate as intended.

- Finance Act 2013 introduced provisions to enable the Revenue Commissioner to exchange tax information with the U.S. authorities as envisaged under an Intergovernmental Agreement that was signed in December 2012 (Intergovernmental Agreement between Ireland and the United States of America to Improve International Tax Compliance and Implement FATCA). Section 27 of this Bill makes a technical amendment to those provisions to correct the deadline for transmitting information to the US under the terms of the agreement.

TAX ADMINISTRATION AND REVENUE POWERS

SECTION 71 REPAYMENT OF TAX

A number of changes are proposed in relation to repayment of tax. It will now be a requirement that when making a claim for repayment of tax on the basis of an error or mistake in their tax return, a taxpayer must make this claim by way of amending their tax return and self-assessment, in keeping with the full self-assessment regime brought in by Finance Act 2012. Finally, the changes are intended to clarify within the repayment provisions that Revenue issuing a refund of tax does not mean that they cannot subsequently re-examine the claim for refund and seek repayment of the tax and also to include the amendment of tax returns relating to pre-2013 within the amended full self-assessment provisions of Part 41A to put them on a legislative footing.

SECTION 70 CHARGEABLE PERSONS: SELF-ASSESSMENTS

This is largely a technical section which:
- clarifies that the electronic system, ROS, may provide an indicative tax calculation upon which the taxpayer can base their self-assessment;
- clarifies that where a taxpayer is separately assessed, rather than singly or jointly assessed, and where the taxpayer wishes Revenue to complete the self-assessment for him or her, then both spouses / civil partners must have their returns submitted before Revenue will complete the self-assessment on the taxpayer's behalf;
- clarifies the situations in which a taxpayer can amend their tax return: a taxpayer can only amend their tax return under section 959V where the amendment arises from claiming an allowance, credit, deduction or relief due under the Acts, where the amendment is necessary to amend an error or mistake, or where the amendment is necessary to comply with some other provision of the Acts. Furthermore, the taxpayer must identify the reason for amending the tax return;
- provides that where an amendment to a tax return relates to the CGT elements of that tax return, then the requirement that returns which were filed electronically must be amended electronically shall not apply.

SECTION 72 RETENTION OF RECORDS IN ELECTRONIC FORMAT

It is proposed to amend section 887 of the Taxes Consolidation Act, 1997 to put beyond doubt the requirements for businesses in relation to the retention of records in electronic format.

SECTION 74 MITIGATION OF REVENUE PENALTIES AND REVENUE OFFENCES

Section 1065 of the Taxes Consolidation Act, 1997 provides that the Minister for Finance may mitigate any fine or penalty either before or after judgment by the courts. This power is additional to powers of the Revenue Commissioners to stay, compound, mitigate and further mitigate penalties and fines and to discharge a person imprisoned for an offence before the expiry of the period of imprisonment. The Revenue Commissioners have reviewed their powers and have concluded that certain of these are no longer necessary or appropriate therefore their removal is proposed. It is proposed also that the Minister will no longer retain the powers given to him under this section.

SECTION 75 STATEMENT OF AFFAIRS

It is proposed to amend Section 960R, Taxes Consolidation Act 1997 to require that a Statement of Affairs also contain details of the person's income and outgoings, so that the Collector-General will be better able to make an informed decision as to the person's means and therefore ability to pay (or not) outstanding tax debts.

SECTION 76 CONFIDENTIALITY

The proposed amendment will ensure that taxpayer confidentiality as it applies to Revenue officers will also apply to external service providers that Revenue may from time to time engage – thereby making it an offence for any such service provider to disclose taxpayer information otherwise than in accordance with the Acts. The amendment will also ensure that if either a Revenue officer or a service provider look for information from a taxpayer which they claim is required for the purposes of the Tax Acts, but isn't, they will also be in breach of the taxpayer confidentiality provisions.

SECTION 77 ELECTRONIC ISSUING OF NOTICES OF ATTACHMENT

It is proposed to amend Section 1002 Taxes Consolidation Act 1997 to provide that the Collector-General, when issuing notices of attachment, may do so electronically where this is feasible. It is desirable that a clear legislative basis for doing this be included in the Finance Bill so that there can be no doubt as to the validity of such an electronic notice of attachment.

INTERNATIONAL TAX AGREEMENTS

SECTION 78 RATIFICATION OF DOUBLE TAX AGREEMENTS (DTAS) WITH UKRAINE, AND TAX INFORMATION EXCHANGE AGREEMENTS (TIEAS) WITH MONTSERRAT AND DOMINICA

It is intended that the Finance Bill will provide for the listing of the Orders containing the above Agreements in Schedule 24A of the Taxes Consolidation Act 1997. This is a routine item that is generally included in Finance Bills. It is the final stage of the ratification process for these agreements.

TECHNICAL AMENDMENTS

SECTION 79 AMENDMENTS TO THE DEFINITION OF "THE DIRECTIVE"

The amendments change the definition of "the Directive" in sections 630 & 831 TCA 1997. The amendments clarify that the reference to the Directive means a reference to the Directive as amended. This will facilitate future amending Directives or treaty accessions when new Member States accede the EU

INDIRECT TAXES

VALUE-ADDED TAX

SECTION 57 VAT DEDUCTIBILITY ON THE TRANSFER OF A BUSINESS

VAT deductibility on services related to the transfer of a business will be restricted to services which relate to the transfer of a taxable business. In this case, service costs associated with the transfer of business can only be deducted where the supplies made by that business are taxable. The transfer of an exempt business, therefore, would not qualify for deductibility on services related to the transfer.

SECTION 63 VAT RATE APPLYING TO THE SUPPLY OF HORSES & GREYHOUNDS, ETC

The VAT rate applying to (a) the supply of live horses, other than those intended for use as foodstuffs or for use in agricultural production, (b) the supply of greyhounds, and (c) the hire of horses, is being increased from 4.8% in order to comply with the Judgement in the European Court of Justice Case C108/2011. The rate applying to these supplies will be 9%, the lowest available reduced rate of VAT. However, the 4.8% rate will continue to apply to livestock in general, and to horses that are intended for use as foodstuffs or for use in agricultural production.

In addition, the VAT rate on 'no foal, no fee' insemination services will be increased from 4.8% to the 13.5% reduced rate, so that the same 13.5% rate applies to all insemination services, for all animals, including livestock, horses and greyhounds. The 13.5% rate also applies to the supply of livestock and horse semen. It should be noted that horse breeding and minding will continue to qualify as agricultural services under the flat-rate farmer scheme.

SECTION 60 VAT CAPITAL GOODS SCHEME AND RECEIVERS – EXTENSION OF FINANCE ACT 2013 MEASURE

Finance Act 2013 provided that receivers became accountable under the VAT capital goods scheme for obligations of the defaulter under that scheme, for the duration of receivership. However, the provision only related to receivers appointed after the passing of Finance Act 2013. This provision is being broadened to apply to receivers who were appointed *before* Finance Act 2013, so that the same obligations, liabilities and entitlements should apply to all receivers. This measure is being introduced with effect from 1 May 2014 to allow a period of transition to the new arrangement.

SECTIONS 58 & 59 ANTI-AVOIDANCE MEASURE: DISALLOWANCE OF INPUT VAT

Businesses which have not paid for supplies (in full or part) within a six month period will be required to repay the VAT claimed on those supplies. This is an anti-avoidance measure and in addition the provision will aid small to medium enterprises in the area of cash flow by encouraging prompter payments.

CARBON TAX

SECTION 49 CARBON TAX

The Bill provides for small technical changes to some definitions in regard to the carbon tax on solid fuels. The Bill also provides for the introduction of a relief from solid fuel carbon tax for solid fuels with a high biomass content. The relief will be limited to the biomass element of the finished solid fuel.

SECTION 44 MINERAL OIL TAX

The Bill amends the provisions for licensing of mineral oil traders, so that a licence shall not be granted where, in relation to dealings in or with mineral oil, there has been a failure to comply with a requirement of excise law by the applicant or the premises or place concerned and that failure has not been remedied. Similar provision is made for where there has been a failure to comply with the conditions attaching to a mineral oil trader's licence. The Bill also amends the provisions for the liability of persons in certain circumstances for the excise duty on an excisable product by introducing a provision aimed at addressing the problem of supply and delivery of marked gas oil for laundering.

SECTION 44 AUTO-DIESEL REPAYMENT SCHEME

Some minor technical changes are being proposed to the section dealing with the auto-diesel repayment scheme introduced in Budget 2013.

EXCISE

SECTION 45 GENERAL EXCISE

This section addresses the liability of persons in certain circumstances for the excise duty on excisable products where those excisable products have been knowingly or recklessly supplied for use in the fraudulent evasion of excise duty. This section also provides for a number of minor technical amendments in the area of general excise law.

SECTION 46 ALCOHOL

Provision is being made under excise law to allow for the forfeiture of alcohol that is held on unlicensed premises.

SECTION 47 TOBACCO

Provision is being made for the power to be granted to a Revenue officer to search baggage and other receptacles for illicit excise products.

SECTION 48 APPEALS

Provision is being made to allow for those excise matters which do not currently have a right of appeal to the Appeals Commissioners to be given that right.

SECTION 53 VRT

The VRT relief available for the purchase of hybrid and electric vehicles is being extended to the end of 2014.

SECTION 54 VRT PENALTIES

The Bill will include a provision to bring VRT penalties in line with other excise offences.

SECTION 52 BETTING DUTY

The Bill provides for changes to the section on betting duty necessitated by the publication of the Betting (Amendment) Bill 2013 in July last. The changes are in regard to certain definitions, licensing periods and licence fees.

REVENUE POWERS - EXCISE

SECTION 74 POWERS AND FUNCTIONS

Provision is made to allow a revenue officer assigned to the criminal assets bureau to carry out any power, function or duty for which he has been authorised in writing.

MINOR TECHNICAL AMENDMENTS

SECTION 79 MINOR TECHNICAL AMENDMENTS

There are a number of minor technical amendments included which will update and correct references.