

TAX ALERT



Finance Bill 2008

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Finance Bill 2008 Published

This alert summarises the provisions published today by the Department of Finance in Finance Bill 2008. Ernst & Young Tax Services will issue an additional alert later this evening that will consider the most significant measures in further detail.



John Heffernan
Partner

What's New – Measures not Announced in Budget 2008

Business Taxes – New Measures include:

- new provisions to be introduced regarding the tax treatment of foreign dividends received by companies and related changes to the close company surcharge and foreign tax credit rules;
- amendment to the employee share ownership trusts legislation;
- new anti-avoidance legislation governing taxation of undistributed sums held in employee benefit trusts;
- changes to life assurance companies carrying on business on a “freedom of services” basis in an offshore state;
- introduction of a new profit resource rent tax on profits from petroleum and gas production in the state;
- anti-avoidance amendments to the tax relief for Know-How;

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- introduction of a 100% first year capital allowance write-off for certain specific energy efficient equipment;
- share buy-back costs incurred by a company to be disallowed;
- capital allowances regime for caravan and camping parks;
- carbon credits/carbon permits and insurance/reinsurance policies to be defined as financial assets for securitisation purposes;
- new proposals to reduce the administrative burden resulting from the eight year deemed disposal rules for investment undertakings;
- proposal to permit a merger between two Irish funds to avail of stamp duty relief;
- proposal to extend section 739H (investment undertakings: reconstructions and amalgamations) to the reorganisation of an Irish sub-fund of one umbrella fund with an Irish sub-fund of another umbrella fund;
- provision that share transfers meeting MiFID reporting requirements will satisfy Intermediary Relief stamp duty requirements;
- Revenue to be allowed assess stamp duty levies paid by financial institutions on financial cards, cheques and the 2% non-life levy;
- increase in the annual rental limit from €19,050 to €30,000 on leases of certain residential property to exempt the lease from stamp duty;
- new legislation to facilitate e-stamping to be introduced;
- withdrawal of special derogations under the EU Energy Tax Directive that provide full or partial relief from mineral oil tax (including for public passenger transport vehicles) with effect from 1 November 2008;
- revision of structure of mineral oil tax rates;
- restrictions to the application of cash receipts basis of accounting;
- extension of VAT bad debt relief granted to finance houses involved in Hire-Purchase transactions;
- changes to the Relevant Contracts Tax (RCT) connected persons rule to prevent its unintentional application in certain situations;
- no tax deduction to be allowed for illegal payments (e.g. bribes);
- introduction of amendments to the VAT Act to align national VAT legislation with the VAT Directive 2006/112/EC;
- VAT not applicable on “No Show” deposits retained by suppliers;
- increase in penalties for VAT offences;
- reduction in the VAT rate applicable to non-oral medical contraceptive products.

Personal Taxes – New Measures include:

- technical adjustment to the legislation relating to the restriction of reliefs of high earners;
- clarification of tax rules on salary sacrifice;
- introduction of an additional income tax charge on shares with a “convertible clause” (deferred shares);
- increase in the upper limit of the save as you earn (SAYE) scheme to €500;
- change to the taxation arrangements of compulsory disposal of farming stock;
- amendments to the capital allowances scheme to reflect new childcare regulations;
- change in site to child rules to ensure the new €500,000 limit applies to disposals made by both parents to a child at the same time;
- CGT Retirement relief to be amended to introduce a “motive” test;
- introduction of a sliding scale of minimum VRT charges from 1 July 2008;
- new definition on “short term self drive” in Vehicle Registration Tax.

Budget Measures - Additional Details Published as Promised

Business Taxes – Additional information in relation to the:

- linking of capital allowances and tax relief for leasing expenses for cars used for business purposes to the CO₂ emission levels of the vehicles (including an enhancement of relief for lower emission vehicles);
- changes to transitional arrangements regarding preliminary tax for certain companies preparing IFRS accounts;
- tax relief on fishing vessel decommissioning payments;
- extension of section 481 Film Relief for another four years to 31 December 2012 and increase in the film limit to €50 million (subject to EU approval);
- fixing of the base year for research and development expenditure at 2003 for a further four years to 2013 and extension of the look back period to 10 years;
- introduction of a new relief from CGT on the dissolution of farm partnerships.

Personal Taxes – Additional details in relation to the:

- extension of the remittance basis of taxation to UK sourced income.

Indirect Taxes – Additional information in relation to the:

- introduction of a new VAT property regime with effect from 1 July 2008;
- introduction of reverse charge in the construction sector with effect from 1 September 2008.

Budget Measures - Confirmed as Announced

Business Taxes – Confirmations include the:

- reform of stamp duty on residential property;
- changes to the Business Expansion Scheme regarding recycling companies;
- increase of the corporation tax liability threshold for treatment as a small company to €200,000;
- increase in the tax liability threshold for special preliminary tax arrangements for start-up companies to €200,000;
- removal of the clawback of income tax where farmers on income averaging enter a milk production partnership;
- spreading for income taxation purposes (over six years) of the “Diversification Aid” element of sugar beet compensation packages.

Personal Taxes – Confirmations include the:

- increases in tax bands and personal tax credits;
- reduction of the claw-back period for stamp duty exemption for first-time buyers and other owner-occupiers to two years;
- increase in the annual ceilings for mortgage interest relief for first-time buyers to €10,000 (single person) and €20,000 (married);
- increases in the maximum rent on which tax relief can be claimed;
- increase in the rent-a-room exemption limit from €7,620 to €10,000;
- increase in tax relief on trade union subscriptions to an effective tax credit of €70 per annum;
- increases in the specified rates for preferential home loans (to 5.5%) and other loans (to 13%);
- reduction in stamp duty on financial cards;
- increase in stamp duty on bills of exchange, including cheques;
- increase in site to child exemption from stamp duty and capital gains tax to sites valued up to €500,000.

Indirect Taxes – Confirmations include the:

- increase in VAT registration thresholds for small businesses from €35,000 to €37,500 in the case of services and from €70,000 to €75,000 in the case of goods with effect from 1 May 2008;
- reduction in the VAT rate of bi-fuels from 21% to 13.5% with effect from 1 March 2008;
- Vehicle Registration Tax (VRT) changes to align VRT categories with CO₂ emissions of vehicles;
- revision of the VRT relief scheme for hybrid electric and flexible fuel vehicles;
- Mineral Oil Tax relief changes;
- tobacco Excise Tax changes;
- revisions to the alcohol licensing regime;
- introduction of an electricity tax.

Disclaimer

The material in this guide is provided for general information purposes only and does not constitute professional advice. It is necessarily in a condensed form. It should not be regarded as a basis for ascertaining the liability to tax in specific circumstances. Readers are advised to seek professional advice with regard to their particular factual situation concerning specific tax or other matters before taking any decision or course of action.

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