AN BILLE AIRGEADAIS, 1964
FINANCE BILL, 1964

EXPLANATORY MEMORANDUM

PART I
Income Tax

Section 1 imposes Income Tax and Sur-tax for 1964-65 and continues previous enactments.

Section 2 introduces, with effect from the current year, a new form of Age Allowance for persons who have reached the age of 65 years. The allowance, which will be given irrespective of the amount of total income, will be one-fourth of unearned income subject to a maximum deduction of £150. But where the person has both earned and unearned income, the combined deductions for Age Allowance and Earned Income Relief are not to exceed £500—the existing limit for Earned Income Relief. (The Age Allowance which is being replaced is confined to incomes not exceeding £600).

Section 3 brings in a new relief for persons with small investment incomes who, because they are under 65 years of age, do not qualify for the Age Allowance provided for in section 2 of the Bill. Where the total income does not exceed £450, a deduction of one-fourth of the income, exclusive of any income receivable under certain kinds of dispositions, will be allowed. There is provision for marginal relief where the total income is somewhat in excess of £450. The new allowance is in substitution for, and not in addition to, any Earned Income Relief claimable by a person having earned income.

Section 4 is concerned with the deduction to be allowed, in computing profits for the purpose of Income Tax, for foreign tax paid by an Irish-resident company on profits arising abroad. At present the entire amount of such foreign tax is allowed as a deduction for Income Tax purposes notwithstanding that, under a Double Taxation Agreement, all or part of it may have been relieved by being allowed as a credit against Corporation Profits Tax. The section secures that the deduction for Income Tax purposes will be limited to so much of the foreign tax as is not allowed as a credit against Corporation Profits Tax.

Section 5 exempts the trading profits of the Voluntary Health Insurance Board from Income Tax.

Section 6 is connected with the extension of the new arrangements for collection of Income Tax and Sur-tax which will become operative for the whole country this year. It will enable the Collector-General to recover any arrears of tax which may remain outstanding on 1 January next when the existing system of local collection will be terminated.

Section 7 is designed to counteract avoidance of Sur-tax by means of payments for restrictive covenants. A typical case is where an undertaking is given to a company by a director or senior executive, in return for money or money's worth (such as a block of shares), not to enter the service of a competing concern or to set up on his own account in the same line of business. For purposes of the Sur-tax charge which the section imposes the amount received, which would come out of profits charged to Income Tax, is to be " grossed up " by reference to the standard rate of that tax. Sums paid or other consideration given for undertakings entered into before 14 April, 1964 (Budget Day) are excluded from the scope of the new charge.

Sections 8 and 9 and the ***First Schedule*** are concerned with the taxation of payments of compensation for loss of office and certain other payments connected directly or indirectly with the termination of an office or employment or a change in its functions or emoluments.

Section 8 imposes a charge to tax under Schedule E on the payments referred to, whether they are made in pursuance of a legal obligation or not. Sums paid before 14 April, 1964, however, or paid in pursuance of obligations incurred before that date are excluded from the new charge, as also are payments arising from a termination or change which took place before 14 April, 1964. Payments made on or after 14 April, 1964, in commutation of pensions are, however, not excluded even though the employment ended before that date.

Section 9 and the ***First Schedule*** provide various exemptions and reliefs from the charge to tax imposed by section 8. Payments on death in service, or on account of injury or disability, and lump sum payments under superannuation schemes are among the payments specifically excluded. Payments not exceeding £3,000 are totally exempt and, in the case of other payments, the charge is limited to the excess over £3,000. For the purpose of this exemption, however, two or more payments from the same employer, or from associated employers, may be aggregated.

Section 10 enables the making of Schedule A assessments on companies to be dispensed with in cases where the assessments, if made, would be allowable as deductions in the computation of trading profits or profits from lettings. The section is designed to secure that the total amount of tax payable will not be altered. In particular, the section preserves for companies the benefit of the allowance of one-third of annual value in the case of industrial buildings which do not qualify for allowances in respect of the capital expenditure on their construction. In certain circumstances, however, the total tax payable for a given year may be somewhat greater or less than it would otherwise have been. Any such increases or decreases will tend to balance over a period of years but, nevertheless, because of this feature, a company is allowed to elect that the new provision shall not apply in its case.

Section 11 authorises the making of arrangements for the payment of ground rents without deduction of Income Tax. Where such an arrangement operates, a deduction for the ground rent will be allowed to the payer and the recipient will be charged by direct assessment.

Section 12 enables interest on securities issued by Aer Rianta, Aer Lingus, and Aerlinte Eireann to be paid without deduction of Income Tax. Interest so paid will be assessable in the hands of the recipients.

PART II

Customs and Excise

Section 13 provides for increases in the rates of customs and excise duties and drawbacks on beer. The main rate of duty is increased by £1. 10. 3 per standard barrel, from £11. 16. 6 to £13. 6. 9.

Section 14 provides for increases in the rates of customs duties on imported spirits. The main rate of duty is increased by £1. 9. 7 per proof gallon, from £9. 11. 7 to £11. 1. 2.

Section 15 provides for a reduced rate of customs duty which will take effect on the day after the day on which the Act is passed, for whiskey wholly manufactured in Northern Ireland. The reduced rate is that which was in operation for such spirits prior to 15 April, 1964.

Section 16 provides for increases of $2\frac{11}{12}$d. per gallon in the rates of customs and excise duties on hydrocarbon oils (such as petrol and diesel road fuel). The rate of repayment of duty on diesel road fuel used in passenger services is increased from 6d. per gallon to 9d. per gallon. The rebates allowed on hydrocarbon oils (other than petrol) used otherwise than as road fuel are also increased by $2\frac{11}{12}$d. per gallon so that such oils continue to be relieved completely from duty.

Section 17 provides for increases in the rates of the customs and excise duties on unmanufactured tobacco and of the customs duties on manufactured tobacco. The main rate of duty on unmanufactured tobacco is increased by 5s. 1½d. per lb., from £2. 14. 10½ to £3. 0. 0. The rate of the existing rebate for hard pressed pipe tobacco is increased by 4s. 6d. per lb. and a new rebate of 4s. 6d. per lb. for other pipe tobaccos is introduced so that there is no effective increase in the duty on any class of home-made pipe tobacco. The section also authorises the Revenue Commissioners to make regulations and provides penalties for false statements made for the purpose of obtaining a rebate for any form of pipe tobacco.

Section 18 provides with effect from 1 August, 1964, for revised rates of duty for firearm certificates following the enactment of the Firearms Act, 1964.

Section 19 extends to persons entitled to possession of and to persons in charge of motor vehicles the provisions in the law relating to hydrocarbon oil offences which place on the owner of a vehicle the onus of proving that duty was paid and that no rebate was allowed on any oil kept in the fuel tank of, or used in, the vehicle.

Section 20 provides that, in proceedings under section 21 of the Finance Act, 1935, for hydrocarbon oil offences, a certificate signed by the State Chemist or by a person acting under his direction showing the result of an analysis of a sample of hydrocarbon oil may be tendered in evidence without proof. It also provides that the person who signs the certificate need not attend at the hearing of the proceedings except where a statement in the certificate is disputed by the defendant in which case such person will be given a reasonable opportunity of attending and giving viva voce evidence.

Section 21 provides for the exemption from road tax of specialised vehicles owned and used by local authorities for clearing roads affected by snow or ice. It also enables the authorities to hire vehicles and machinery for this purpose without extra road tax being chargeable. Farmers owning agricultural tractors which are taxed at preferential rates will be able to clear accommodation roads without incurring liability for additional tax.

PART III

Death Duties

Section 22 is concerned with the case of a trust fund, the life-tenant of which gives up his life-interest at a time when he is neither domiciled nor ordinarily resident in the State. In such circumstances Government and other securities which would have been exempt if the trust had been terminated by the death of the life-tenant may under existing law be liable to Death Duties. The section provides retrospective exemption from Death Duties in such a case.

PART IV

Stamp Duties

Section 23 provides, with effect from 1 August, 1964, for the exemption from Stamp Duty of certain instruments, including letters of allotment and powers of attorney.

Section 24 will replace section 45 of the Finance Act, 1963. It enables the Revenue Commissioners to enter into agreements for the composition of Stamp Duty on cheques and paying orders issued by local authorities and statutory bodies generally.

PART V

Corporation Profits Tax

Section 25 provides that, for the purposes of Corporation Profits Tax, losses arising on or after 1 January, 1962, may be carried forward and set off against subsequent profits.

Section 26 amends section 52 (3) of the Finance Act, 1920, so as to bring private unlimited companies within the ambit of Corporation Profits Tax as respects profits arising on or after 1 January, 1964.

Section 27 raises from £1,500 to £2,500 the limit on the deduction which may be allowed for the remuneration of a director in computing, for the purposes of Corporation Profits Tax, the profits of a director-controlled company. The new limit will apply as respects accounting periods ending after 31 December, 1963.

Section 28 provides that Corporation Profits Tax may be assessed by Inspectors of Taxes and collected by the Collector-General. The section, which will bring the procedures for the assessment and collection of Corporation Profits Tax into line with those applying to Income Tax and Sur-tax, is to come into operation on a date to be appointed by the Minister for Finance under section 35 (8).

PART VI

Miscellaneous

Section 29 relates to the Capital Services Redemption Account. Its purpose is—

(*a*) to adjust the provisional annuity for 30 years fixed last year by reference to the estimated expenditure on voted capital services in 1963-64;

(*b*) to fix provisionally a new annuity for 30 years in respect of the estimated expenditure in 1964-65 on voted capital services.

Section 30 preserves the entitlement to exports relief of licensed bacon curing companies whose bacon is purchased by the Pigs and Bacon Commission and subsequently exported by it under its centralised export arrangements.

Section 31 provides for the collection of so much of the tax, charged by an assessment which is under appeal, as is agreed between the appellant and the Inspector of Taxes not to be in dispute.

Section 32 enables the exemptions which at present attach to certain Government and other securities held by non-residents to be extended to securities issued by Aer Rianta, Aer Lingus and Aerlinte Eireann.

Section 33 deals with repeals. The effect of the repeal of paragraph (*c*) of subsection (8) of section 21 of the Finance Act, 1935, is to terminate the requirement that diesel-engined road vehicles must be registered with the Revenue Commissioners. The effect of the repeal of various provisions of the Manufactured Tobacco Act, 1863 (26 and 27, Vict. c. 7), is to enable cavendish and negrohead tobacco to be imported and sold without being warehoused and labelled.

Sections 34 and 35 are self-explanatory.

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