AN BILLE AIRGEADAIS, 1968
FINANCE BILL, 1968

EXPLANATORY MEMORANDUM

PART I

INCOME TAX

Section 1 imposes Income Tax and Sur-tax for the year 1968-69. The rate of Income Tax remains unaltered at 7s. 0d. in the £. The rates of Sur-tax also remain unchanged but the highest rate (9s. 0d. in the £) commences at £6,500 instead of £7,500.

Section 2 provides that, where expenditure is incurred in acquiring industrial know-how for use in a trade, the cost will, where not allowable under existing law, be allowed as a deduction in computing the profits of the trade for the purposes of Income Tax, Sur-tax and Corporation Profits Tax. The relief will not apply where the know-how is acquired together with a trade or part of a trade acquired as a going concern, or where the vendor and purchaser are closely connected, for example, in the case of companies under common control.

Section 3 provides a measure of relief from tax under Schedule E in respect of lump sums paid as compensation for loss or possible loss of future remuneration brought about by the reorganisation of a business in which the recipient is employed. Broadly speaking, the relief secures that the recipient may claim repayment of so much of the tax deducted on payment of the lump sum as would not have been payable if the lump sum had been paid in equal annual instalments over three years.

Section 4 reduces the number of rates of wear and tear allowance to three—10 per cent., 12½ per cent., and 25 per cent.—in respect of certain plant and machinery provided on or after 1 April, 1968. These rates are inclusive of the increase of one-fourth allowable in respect of certain plant and machinery provided prior to that date.

Corresponding provision in relation to Corporation Profits Tax is made in section 29 (1) of the Bill.

Section 5 provides that, as from the year of assessment commencing on 6 April, 1969, no assessments will be made under Schedule A in respect of the ownership of property, or under Schedule B in respect of the occupation of land, nor will the annual value under Schedule A or assessable value under Schedule B be taken into account in computing total income for the purposes of the Income Tax Acts.

The section will effectively put an end to tax liability under Schedules A and B. The income will still, however, nominally remain chargeable under those Schedules. A comprehensive body of legislation will be introduced in the autumn which will completely remove the charge under Schedules A and B, and provision will be made to secure that farming profits, formerly chargeable under Schedule B, do not automatically become chargeable under Schedule D.

Section 6 provides that a person who is chargeable under Schedule D on the profits of a trade, profession or other activity must keep records to enable him to make a true return of income and must retain the records for a period of six years.

Sections 7 to *11* contain provisions enabling the Revenue Commissioners to make estimates of sums which an employer should remit under the Pay As You Earn Regulations (*a*) where he has not made any payment in relation to a particular month or months and (*b*) where he has not lodged an end-of-year return or where the return which he lodged is considered to be incorrect.

Section 7 relates to a particular Income Tax month or months.

Section 8 relates to the end-of-year return.

Section 9 applies the provisions regarding payment of interest on unpaid tax under the Pay As You Earn system to unpaid amounts of tax due under section 7 or 8.

Section 10 applies the procedure in relation to Income Tax appeals to appeals against estimates made under section 7 or 8.

Section 11 provides the usual Revenue priority in bankruptcy in relation to amounts due under section 7 or 8.

Section 12 grants to a taxpayer an additional personal allowance of £100 for purposes of Income Tax and Sur-tax for the year of marriage if his marriage takes place in 1968-69 or any later year.

Section 13 raises from £50 to £70 the limit for the returns required to be made by banks and other financial institutions to the Inspector of Taxes of interest paid without deduction of tax.

Section 14 provides that expenditure incurred or sums made available by a trader for scientific research which are at present excluded from relief if the research is not related to the particular trade carried on by the trader, will qualify for relief in future.

A consequential amendment in relation to Corporation Profits Tax is effected by section 29 (2) of the Bill.

Section 15 provides for the determination of an appeal by the Appeal Commissioners where a person who has given notice of appeal does not attend before them at the time and place appointed for the hearing and where an application for postponement made by a person who attends on behalf of the appellant is refused. This is intended to secure that in such circumstances the taxpayer has the right of rehearing before the Circuit Court.

Section 16 provides that, where it does not appear to the Appeal Commissioners that an appellant is overcharged by an assessment, they shall determine the appeal by ordering that the assessment shall stand good. This will remove a doubt regarding the appellant's right to have the case reheard by the Circuit Court.

Section 17 increases from £1,250 to £2,000 the maximum deduction which may be allowed for Sur-tax purposes in respect of earned income.

PART II

Customs and Excise

Section 18 provides for increases in the rates of customs and excise duties and drawbacks on beer. The main rate of duty is increased by £1 10s. 3d. per standard barrel from £19 10s. 8d. to £21 0s. 11d.

Section 19 provides for increases in the customs duties on imported spirits (other than spirits of United Kingdom origin). The main customs rate is increased by £2 4s. 4d. per proof gallon from £13 8s. 0d. to £15 12s. 4d.

Secton 20 provides for increases of 1.95d. 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 road services is increased from 1s. 6d. to 1s. 8d. per gallon. The rebates allowed on hydrocarbon oils (other than petrol) used otherwise than as road fuel are also increased by 1.95d. per gallon so that such oils continue to be relieved completely from duty.

Section 21 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 customs duty on unmanufactured tobacco is increased by 3s. 5d. per lb. from £3 16s. 2.5d. to £3 19s. 7.5d. per lb. The section also provides for a further reduction of one-tenth, with effect from 1 July, 1968, in certain protective elements in the tobacco duties in respect of tobacco products of United Kingdom origin, in accordance with the Free Trade Area Agreement.

Section 22 provides for the imposition of a special excise duty of 3s. 5d. per lb. on all duty-paid stocks of tobacco, whether manufactured or unmanufactured, held by tobacco manufacturers at 5 p.m. on Budget Day.

Section 23 provides for an increase of 5s. 10d. per gallon in the customs duty on imported wine of all classes. The separate rates for sparkling wine at different strengths are replaced by one rate and certain other simplifications are made in the structure of the duties on sparkling wine. The section also provides for a further reduction, with effect from 1 July, 1968, in the protective element in the additional customs duty on still wine in bottle of United Kingdom origin, in accordance with the Free Trade Area Agreement.

Section 24 provides for an increase of 5s. 10d. per gallon in the rates of excise duty on Irish wine. The section also provides for further small increases in these rates, with effect from 1 July, 1968, in accordance with the Free Trade Area Agreement.

PART III

Death Duties

Section 25 extends the Estate Duty relief granted by Section 29 of the Finance Act, 1965 (as amended by Section 19 of the Finance Act, 1966). It increases from £350 to £1,000 the amount by which the Estate Duty payable in respect of a widow's benefit is abated. It also increases the abatement referable to a child's benefit from £250 to £500. The range of estates in which the relief will apply is increased from £25,000 to £100,000.

PART IV

Corporation Profits Tax

Section 26 provides that an Irish investment trust company which fulfils certain conditions will not be chargeable to Corporation Profits Tax on dividends paid to it out of the profits of companies which have borne British corporation tax.

Section 27 raises from £2,500 to £4,000 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, 1967.

Section 28 continues for a further period of three years the exemption from Corporation Profits Tax hitherto enjoyed by certain public utility companies, building societies and The Agricultural Credit Corporation Ltd.

Section 29 makes, in relation to Corporation Profits Tax, amendments consequent on those made as regards Income Tax by section 4 (rates of wear and tear allowance on certain plant and machinery) and section 14 (capital expenditure on scientific research).

PART V

Turnover Tax

Section 30 facilitates the taking of legal proceedings against a registered person who purchases goods or services in circumstances where Turnover Tax is chargeable, without notifying the supplier that tax is payable. This is achieved by prescribing the precise manner of notification by the purchaser.

PART VI

Wholesale Tax

Section 31 amends the law relating to Wholesale Tax so as to ensure that tax will be chargeable on money received from a registered person unless he has given his registration number in writing to his supplier.

PART VII

Miscellaneous

Section 32 relates to the Capital Services Redemption Account. The section is in the same form as in previous years and 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 1967-68, and

(*b*) to fix provisionally a new annuity for 30 years in respect of the estimated expenditure in 1968-69 on voted capital services.

Section 33 extends exports tax relief to profits arising from work carried out in the State on the rendering to non-residents of design and planning services in connection with chemical, civil, electrical or mechanical engineering works executed outside the State.

Section 34 introduces a measure of unilateral relief from double taxation for companies which have been granted exports tax relief and which invest the relieved profits in a foreign subsidiary. The relief extends to foreign tax borne on dividends and interest resulting from such investment. It applies to investment in countries with which this State has not concluded a double taxation agreement. Broadly speaking, the amount of the relief is the full amount of the foreign tax or one-half of the Irish tax, whichever is the lesser.

Section 35 provides for the giving of "Shannon" relief or exports tax relief, as the case may be, in respect of profits arising from sales between associated companies operating in the State which, apart from such sales, do not sell goods in the home market.

Section 36 provides that employees will not be liable to tax in respect of payments received under the Redundancy Payments Act, 1967. The section also ensures that a lump sum payment made by an employer under that Act will rank as a business expense.

Section 37 increases to 60 per cent. the initial allowance of 50 per cent. applicable to capital expenditure on new machinery and plant incurred in the period 1 April, 1968 to 31 March, 1971. It also repeats the provisions in relation to capital expenditure incurred before 1 April, 1968.

Section 38 extends to 31 March, 1971, the period of operation of the initial allowance of 20 per cent. which applies to industrial buildings other than hotels and market garden buildings.

Section 39 abolishes, with effect from 6 April, 1968, the Corporation Duty imposed by Section 11 of the Customs and Inland Revenue Act, 1885. The yield from this duty is negligible.

Section 40 provides for the determination by the Minister for Finance from time to time of the rate of interest to be paid on deposits in a new type of account to be known as an " investment account " which it is proposed to authorise trustee savings banks to open for their depositors. Deposits in investment accounts will earn a higher rate of interest than that paid on ordinary deposits in trustee savings banks. The interest will be chargeable to Income Tax.

Section 41 enables the Minister for Posts and Telegraphs to regard as broadcasting licence fees the payments which will be made by the Ministers for Social Welfare and Defence in respect of licences issued under the free radio and television licence schemes and to make refunds in respect of the unexpired portions of licences as from the date of introduction of the schemes, namely, 1 July, 1968. It is intended that the rate of refund will be 1/12th of the annual licence fee for each month or part thereof for which the unexpired licence is then valid.

Section 42 provides for the exemption, with effect from 1 July, 1968, of paraplegics and certain other disabled persons from motor taxation on any vehicle specially constructed or adapted for use by them. It also exempts from tax lightweight invalid vehicles.

Section 43 provides for a reduction in the rate of taxation for certain tractor-drawn combinations of vehicles designed for working on rough ground or on unmade roads. From 1 July, 1968, the normal rate applicable to these vehicles will be £31 10s. 0d.

Section 44 repeals provisions of the Finance (Excise Duties) (Vehicles) Act, 1952, related to concessionary rates of motor taxation for motor vehicles substantially constructed in the State and pre-1926 hackney vehicles. These provisions are being repealed in order to comply with the requirements of the Anglo-Irish Free Trade Area Agreement. The rates in question are, in fact, no longer effective.

Section 45 confirms the Imposition of Duties (Excise Duties) (Vehicles) Order, 1968, which reduced from 1 April, 1968, the rates of motor taxation on foreign-assembled vehicles to that appropriate to Irish-assembled vehicles and clarified the taxation position of vehicles used as school buses. The section also enables appropriate repayments to be made where foreign-assembled vehicles were taxed at the higher rates applicable before 1 April, 1968, for a period extending beyond that date.

Sections 46 and *47* are self-explanatory.

An Roinn Airgeadais,
Meitheamh, 1968.

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