AN BILLE AIRGEADAIS, 1986
FINANCE BILL, 1986

EXPLANATORY MEMORANDUM

PART I

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER I

Income Tax

Section 1 increases, for 1986-87 and subsequent years of assessment, the income tax exemption limits for aged persons. In the case of single and widowed persons (and married persons assessed as single persons) who are aged 65 years or over but under 75 years the exemption limit is raised from £3,000 to £3,150. Where such persons are aged 75 years or over, the limit goes up from £3,500 to £3,675. In the case of married persons, the exemption limit is increased from £6,000 to £6,300 where either spouse is aged 65 years or over and both are under 75 years. Where either spouse is 75 years or over, the limit is raised from £7,000 to £7,350.

Section 2 provides for the new rate bands which will apply for 1986-87 and subsequent years. The new bands are set out in the Table to the section. *Part I* of the Table sets out the rate bands applicable in the case of a single or widowed person (or a married person who is assessed to tax as a single person). The amount chargeable at 35 per cent. is increased from £4,500 to £4,700 while the top rate of tax is reduced from 60 per cent. to 58 per cent. *Part II* of the Table shows the rate bands applicable where a husband is assessed to tax in respect of his own and his wife's income. These rate bands are double those applicable to single persons.

Section 3 and the *First Schedule* give effect, in the customary form, to the alterations in personal reliefs announced in the Budget. The allowances, which are set out in the Table to the section, are—

(*a*) (i) the married personal allowance, which is being increased from £3,800 to £4,000;

(ii) the widowed personal allowance, which is being increased from £2,400 to £2,500 and, for the year in which a widow is bereaved, from £3,800 to £4,000;

(iii) the single personal allowance, which is being increased from £1,900 to £2,000;

(*b*) the single parent allowance, which is being increased from £1,400 to £1,500 in the case of a widowed parent and from

£1,900 to £2,000 in the case of other single parents. (This ensures that such parents will continue to receive, by way of main personal allowance and single parent allowance, amounts which will, in the aggregate, be equivalent to the married personal allowance of £4,000, that is £2,500 plus £1,500 in the case of a widowed parent and £2,000 plus £2,000 in the case of other single parents.);

(*c*) the employee (PAYE) allowance, which is being increased from £600 to £700;

(*d*) the age allowance, which is being increased, in the case of a single or widowed person (or a married person who is assessed to tax as a single person) aged 65 years or over, from £100 to £200 and, in the case of a married couple, either of whom is aged 65 years or over, from £200 to £400.

Section 4 provides for the abolition, with effect from 1986-87, of the income tax child allowance of £100 provided for by section 141 of the Income Tax Act, 1967. The section achieves this by rewriting section 141 so as to make it applicable to incapacitated children only, in respect of whom the tax allowance will continue to be £600. One of the conditions for relief stipulated in the existing section 141 is that the child must not have income exceeding £80 (although tapering relief is granted which runs out at a ceiling of £680 in the case of an incapacitated child). The new section 141 increases this income limit to £720 per annum (the same as applies for the single parent allowance) for eligibility for the full incapacitated child income tax allowance of £600, and provides for tapering arrangements under which that allowance will not run out until the child's income reaches a ceiling of £1,320.

Section 5 continues, for the year 1986-87, the special allowance of £286 in the case of employees who pay the higher rates of pay-related social insurance.

Section 6 is a technical amendment of section 8 of the Finance Act, 1979, which provides for a tax deduction (subject to a maximum of 10 per cent. of total income) in respect of premiums or other contributions under a permanent health benefit scheme. Tax relief is available only for schemes of permanent health insurance approved by the Revenue Commissioners. Under the legislation every individual policy or contract is a scheme and requires the approval of the Revenue Commissioners. The present section proposes that a policy of permanent health insurance issued on or after 6 April, 1986, will be a permanent health benefit scheme if it conforms with either a standard form of policy approved by the Revenue Commissioners or a form which varies from such a standard form in no other way than by such alterations thereto as are approved by the Revenue Commissioners and meet any stipulated conditions. Thus, it will no longer be necessary for the Revenue Commissioners to approve every individual policy.

Section 7 provides for a change in the method of charging to tax the benefit derived by a director of a company or an employee from an option granted to him by reason of his office or employment to acquire any asset including shares in a company. The existing treatment of such options, which is based on general law and case law, imposes a charge to tax on the director or employee by reference to the date the option is granted or, if later, the earliest date it is exercisable. The present section proposes that, in future, liability to tax will not normally arise until the date the option is exercised. The right to tax an option by reference to the date of grant will be retained

in cases where the option need not be exercised for more than seven years. In those cases a charge will also arise when the option is eventually exercised, subject to a credit for tax paid under the earlier charge. The section will apply to options granted on or after 6 April, 1986. In the case of options granted before that date, the existing arrangements will continue to apply. In the case of shares the charge under the section is not limited to options over shares in the employing company but applies also to options over shares in any company where the option has been granted by reason of the office or employment of the grantee.

Section 8 provides that, with effect from 1986-87, the period for which a participant in an approved profit sharing scheme must retain shares in order to avoid an income tax charge will be reduced from seven years to five years.

Section 9 amends section 12 of the Finance Act, 1984, so as to provide that relief for investment in corporate trades, in addition to being available in respect of eligible shares issued in the three years 1984-85, 1985-86 and 1986-87, will also be available in respect of eligible shares issued during the years 1987-88, 1988-89, 1989-90 and 1990-91.

Section 10 provides relief for any Irish resident individual in respect of dividends received from manufacturing companies which qualify for the 10 per cent. rate of corporation tax. In computing the individual's income for tax purposes the amount of such dividends will be reduced by one-half, subject to a maximum reduction of £7,000.

Chapter II

Taxation of Farming Profits

Section 11 provides for the continuance, for a further year, of the existing stock relief scheme for farmers.

Section 12 provides that farm tax paid under the provisions of the Farm Tax Act, 1985, will be allowable as a credit against the income tax liability of the individual paying the farm tax. The amount of income tax chargeable in respect of an individual for the year 1986-87 or any subsequent year of assessment, to the extent that the tax is appropriate to farming profits, will be reduced by the farm tax payable by him in the year of assessment in so far as that tax has been paid by him in that year.

Chapter III

Relief for Investment in Research and Development

This Chapter gives effect to the Budget proposal in relation to relief for private investment in research and new product development.

It provides for relief for an individual who subscribes for ordinary shares in an Irish resident company engaged in qualifying research and development on behalf of an Irish manufacturing sponsoring company on condition that the shares are retained for a minimum period of five years or for the term of the research and development project, if shorter. The shares must be issued in any of the years 1986-87 to 1990-91 inclusive. Where the shares are disposed of within the minimum period the relief is reduced by the amount received on disposal. The shares must not carry a present or future preferential right to dividends or to the company's assets on a winding up or a present or future preferential right to be redeemed. All shares in the company must be eligible shares and to qualify for relief in respect of

shares the amount subscribed for those shares must be used for the purposes of the carrying out of a qualifying research and development project for the benefit of the sponsoring company's manufacturing trade.

Qualifying research and development includes the development of a new product, invention or industrial process and the improvement or adaptation of an existing product, invention or industrial process.

The relief is granted by way of deduction from total income. The maximum amount in respect of which an individual can qualify for relief in any year is £25,000 but the minimum amount which can be subscribed for shares issued in any year in respect of any one research and development company is £200.

The sponsoring company must be one which is carrying on a trade wholly or mainly in the State and, to the extent of 75 per cent. of its receipts, the trade must consist of manufacturing which qualifies for relief under the 10 per cent. scheme. The trade must continue for at least three years after the time the shares qualifying for relief are issued but a shorter period of trading will suffice where the cessation of trading is due to a *bona fide* winding up of the company.

The research and development company must be incorporated and resident in the State. It must be unconnected with any other company. It must exist solely to carry out the qualifying research and development project which is the subject of the relief. Limitations are placed on the interest which the sponsoring company can hold in it. It must not be wound up for a period of five years from the date of issue of the shares qualifying for relief or before the research and development project comes to an end, if earlier.

The individual, in order to qualify for relief, must subscribe for the shares on his own behalf and he must not be connected with the sponsoring company. An individual is regarded as connected with the sponsoring company if he or an associate of his controls the company, is an employee or a paid director of the company or of a partner of the company, or is a partner of the company or if he possesses or can acquire more than 30 per cent. of the share capital of the company or a right which would entitle him to 30 per cent. or more of the company's assets on a winding up of the company. Certain payments of a commercial nature are disregarded in determining whether or not an individual is a paid director of the company.

The relief may be withdrawn in whole or in part if the individual withdraws his money from the research and development company within the minimum period or if he becomes connected with the sponsoring company during that period or if the company ceases to qualify (an exception is made where the company is wound up for *bona fide* commercial reasons) or if during that period any other specified conditions are broken.

A claim to relief may not be made before the later of 1 January, 1987, or, the date on which the qualifying research and development project has been carried out for four months, or, if earlier, the date on which the project has been completed. The claim must be made within two years of the end of the year of assessment in which the shares are issued or, if later, within two years of the end of the project period or the period of four months mentioned above whichever is applicable. Where an event occurs requiring the withdrawal of relief, notification must be given to the inspector of taxes by the individual or, in certain circumstances, by the research and development company or the sponsoring company.

There are special rules for calculating the capital gains tax liability on the disposal of shares which have qualified for relief. If the disposal proceeds exceed the amount of relief given there will be no reduction on account of that relief in the sums allowable as a deduction for capital gains tax purposes. If, however, the relief exceeds those proceeds, adjustments will be made so that there will be neither a gain nor a loss for capital gains tax purposes.

Section 13 is concerned with definitions and certain matters of a technical nature. Some of the more important definitions are—

"associate" means a spouse, a relative, a partner or a trustee in certain circumstances;

"control", in relation to a company, means ability to control the company now or in the future through possession of share capital, voting power or rights in a liquidation or other circumstances;

"ordinary shares" means shares forming part of the company's ordinary share capital i.e. all issued share capital other than shares carrying the right to a dividend at a fixed rate;

"the project period" means the period during which the qualifying research and development project is carried on and the arrangements between the research and development company and the sponsoring company are in existence;

"qualifying research and development project" means research and development of the type described above which is carried out wholly or mainly in the State;

"qualifying trade" means a manufacturing trade of the type referred to in the preamble above which is carried on on a commercial basis and with a view to the realisation of profit and is not a short-term venture in the nature of a trade;

"the relevant period", with regard to *sections 16* and *21,* which deal with the period during which the investor must not be connected with the sponsoring company or must not dispose of his shares, extends from the date of incorporation of the sponsoring company, or, if later, two years before the issue of eligible shares, to five years after their issue or, if earlier, the end of the research and development project. With regard to *section 17*, which deals with the period during which a company must be a qualifying research and development company, it means the period of five years from the date of issue of the eligible shares or the period of the research and development project, whichever ends first. In the case of *section 18*, which deals with the period during which a company must be a qualifying sponsoring company, it means the period of three years commencing with the issue of eligible shares or, if longer, the period of the research and development project.

Section 14 secures that, where an individual subscribes for new ordinary shares in a qualifying research and development company (see *section 17*) for the purpose of raising money for a qualifying research and development project he will, on due claim, be entitled to income tax relief in the form of a deduction from his total income of the amount invested in the shares. If the company has not begun the qualifying research and development project it must do so within two years of the issue of the shares. Relief is given for the year in which the shares are issued and may be claimed only after the company has carried on the qualifying research and development project for the minimum (generally four-month) period but may not be allowed before 1 January, 1987. Special arrangements apply in a case where the company is liquidated within the minimum period.

Relief given before the end of the relevant period may be withdrawn if it transpires subsequently that the claimant was not entitled to the relief.

This section also limits the operation of the relief to 1986-87 and the four years of assessment immediately following.

Section 15 provides that relief will be available only where an individual or married couple who are jointly assessed invest in any one research and development company £200 or more in any year and will not be available to the extent that the total amount of the

investment in such companies by an individual in any year exceeds £25,000.

Section 16 provides that, to qualify for relief, an individual must subscribe for the shares on his own behalf, and must not be "connected" with the sponsoring company in any of the ways described in the section. Directors, employees, persons in control of the sponsoring company and partners are excluded by the "connected" rule.

Ownership, directly or indirectly, of more than 30 per cent. of the share capital and loan capital of the sponsoring company or of the voting power in the company will disqualify an individual but, in the case of a director, payment of necessary expenses, normal dividends or reasonable fees in certain circumstances will not be a cause of disqualification.

The section contains other provisions clarifying the circumstances in which an individual may or may not be regarded as connected with a sponsoring company.

Section 17 provides that a company, if it is to be a qualifying research and development company for the purposes of the relief, must be incorporated in, and resident only in, the State. In addition, it must exist solely for the purpose of carrying out a qualifying research and development project. All issued shares must be eligible shares (i.e. it must not have special classes of shares) and the company must be unconnected with any other company. The sponsoring company must not have more than a 20 per cent. interest in it. The section contains special provisions relating to the dissolution and winding up of a company and to treating it as carrying out a qualifying research and development project in certain circumstances.

Section 18 provides that a qualifying sponsoring company must be incorporated in, and resident only in, the State. It must exist solely to carry on a qualifying manufacturing trade. It must show that the qualifying research and development project will benefit its qualifying manufacturing trade.

Section 19 sets out the circumstances in which a research and development company will be regarded as carrying out a qualifying research and development project. The company must itself carry out the qualifying research and development project on behalf of a qualifying sponsoring company or it may commission some other person (including the sponsoring company) to carry out the project. The project must be carried out at the risk of the research and development company and the Revenue Commissioners must be satisfied that the money raised on the issue of eligible shares will actually be used for the research and development project.

Section 20 deals with the manner in which any profits accruing to the research and development company from a successful project will be taxed. The company is to be treated as carrying on a manufacturing trade and its profits will be subject to the lower rate of tax applying to the profits of manufacturing trades.

Section 21 provides rules for dealing with the situation where a shareholder disposes of his shares within the relevant period. If these shares are disposed of otherwise than by way of a bargain at arm's length, no relief can be obtained. For arm's length disposals, the amount of consideration received must be subtracted from the relief otherwise available. No relief will be withdrawn, however, for disposals made between spouses living together.

The section also provides detailed rules for the identification of shares, where necessary, on a disposal.

Section 22 is a general anti-avoidance provision which secures that

an individual will not be entitled to relief in respect of shares which are issued for, or mainly for, tax avoidance purposes and not for *bona fide* commercial reasons.

Section 23 provides detailed rules for making claims. Broadly, these are as follows:

A qualifying research and development company which has issued eligible shares must supply a statement to the inspector of taxes certifying that it, the qualifying sponsoring company and the qualifying research and development project have complied with the conditions for the granting of the relief. If the inspector of taxes is satisfied with the information received, he will authorise the company to issue a certificate to each individual concerned which the individual must then send to his own tax district if he wishes to claim the relief. Penalties are prescribed for failure to comply with the section.

A claim may not be made before the later of 1 January, 1987, or the end of the initial four months during which the qualifying research and development project has been carried out or, if earlier, the ending of the project. A claim will not be admissible if not made within two years after the end of either the year of assessment in which the shares were issued or the period mentioned above, whichever is the later.

Section 24 sets out the machinery for withdrawing relief which was given and subsequently found not to be due.

Assessments under Case IV of Schedule D for the year for which relief was given are to be made for the purpose of withdrawing relief. Where a husband and wife cease to be jointly assessed to tax, any additional assessment to tax is to be made on the person who subscribed for the relieved shares.

An assessment may be raised within a period of ten years following the end of the year of assessment in which the event occurred, although extended time limits apply in the case of fraud or neglect. There are provisions for fixing the dates on which the tax charged becomes due and payable and the dates on which relief is regarded as having been given.

No assessment withdrawing relief may, however, be made by reason of an event occurring after the individual's death.

Section 25 provides that, should an event occur requiring the withdrawal of relief, notification must be made to the inspector of taxes by the individual or, in some cases, by the research and development company or the sponsoring company and persons connected with either company. In addition, the section gives powers to inspectors of taxes to require the provision of information. Penalties are to be imposed for failure to comply with the section.

Section 26 secures that the capital gains tax computations required on the disposal of shares will only be affected by this relief if the consideration received on disposal falls below the cost of acquisition. In that case an adjustment will be made so that no allowable loss will arise.

Where relief has been given for some but not all shares comprising a combined holding, any subsequent disposal must be initially matched with shares for which relief has been obtained, on a first in first out basis.

The section also provides rules for the treatment of shares in a reorganisation and for the adjustment of capital gains tax where relief is withdrawn.

Chapter IV

Interest Payments by Certain Deposit Takers

This Chapter provides for the application of a retention tax to interest paid or credited on or after 6 April, 1986, on certain deposits ("relevant deposits") with "relevant deposit takers" (banks and building societies). A relevant deposit taker must, on paying or crediting interest on a relevant deposit on or after 6 April, 1986, deduct tax at the standard rate of income tax in force at the time of payment or crediting. Exclusions are made in respect of certain types of deposit which are not regarded as relevant deposits for the purposes of the retention tax.

The deposit takers to which the retention tax applies are, broadly, the commercial banks, building societies, trustee savings banks, the Agricultural Credit Corporation, the Industrial Credit Corporation and the Post Office Savings Bank.

The disclosure provisions contained in section 175 of the Income Tax Act, 1967, whereby returns of amounts of interest in excess of £50 are made to the Revenue Commissioners, will not apply to relevant deposits.

Higher rate income tax payers will be liable to tax on the gross interest, from which tax at 35 per cent. is deducted at source, at the difference between their marginal tax rate and the standard rate. Companies within the charge to corporation tax in respect of such interest may offset the retention tax against their liability to corporation tax, with repayment of any excess. Subject to the latter exception and to exceptions made for charities and certain individuals in *section 35*, refunds of retention tax will not be made. Returns of, and payment of, retention tax deducted by a deposit taker must be made within 15 days of the end of the year of assessment in which the deduction took place. However, the deposit taker must, within 15 days from 5 October in the year of assessment, make a payment on account of the tax determined by reference to the interest which has accrued on relevant deposits since the previous 6 April.

A form of declaration is provided for in relation to deposits in the beneficial ownership of non-residents. Completion of the declaration in the case of a *bona fide* non-resident will exempt the deposit from the retention tax (i.e. it will not be a relevant deposit). A form of declaration is also provided for in relation to deposits the interest on which is applicable for charitable purposes and is exempt from income tax or corporation tax. Completion of the latter declaration will enable such deposits to be exempted from the retention tax.

The existing exemptions for small amounts of deposit interest payable on certain bank accounts will cease to apply as from 1986-87 to relevant interest.

Section 27 is concerned with definitions and certain matters of a technical nature. Some of the more important definitions are as follows:

"appropriate tax" sets out the rate of retention tax which is the prevailing standard rate of income tax;

"deposit" is defined in broad terms and embraces normal deposit accounts, certificates of deposit and time deposits;

"interest" is also defined in broad terms so as to embrace most forms of income arising on a deposit whether described as interest or not; however, exceptionally, a bonus paid on the redemption of a holding of ACC Bonus Bonds—First Series will not be treated as interest;

"relevant deposit" delineates the deposit accounts to which retention tax applies. Essentially the tax applies to all deposits, as defined, with the exception of inter-bank deposits and deposits with the Central Bank, debts on certain bank securities listed on a stock exchange,

deposits held in foreign branches of a bank, deposits denominated in a foreign currency, deposits beneficially owned by a non-resident where a declaration (*section 33*) has been made and certain deposits by charities where a declaration (*section 34*) has been made;

"relevant deposit taker" defines the institutions whose deposits are within the retention tax scheme. These have been referred to above;

"relevant interest" means interest on a relevant deposit paid on or after 6 April, 1986.

Subsection (2) provides, *inter alia*, that an amount of interest credited to an account is to be treated as a payment of interest.

Section 28 is the main taxing provision in the Chapter. It provides that the relevant deposit taker must deduct the retention tax on paying or crediting an amount of relevant interest. Payment of the net after-tax amount of interest acquits the relevant deposit taker of any obligation to pay the gross amount of interest. The relevant deposit taker must treat every deposit as a relevant deposit unless he is satisfied that it is not a relevant deposit.

Section 29 requires the relevant deposit taker to make annual returns to the Collector-General, for each year of assessment from 1986-87 onwards, of relevant interest paid in the year and the retention tax deductible from it. The return must be made within 15 days of the end of the year of assessment and must be accompanied by payment of any amount due in respect of the retention tax deductible. However, the relevant deposit taker must make, not later than 15 days from 5 October in the year of assessment, a payment on account of the retention tax due and that payment on account must be not less than the retention tax which would be attributable to interest which has accrued on relevant deposits with the deposit taker between 6 April and 5 October in the year of assessment. The section also makes technical provisions relating to the collection and recovery of tax and interest on tax from relevant deposit takers.

Section 30 terminates, with effect from 1986-87, the composite rate arrangements which applied to building societies up to 1985-86 under section 31 of the Corporation Tax Act, 1976. It also preserves, in the absence of those arrangements, provisions under which mortgagors pay interest gross to building societies and the corporation tax rate applicable to a building society's income is 35 per cent.

Section 31 provides that dividends on building society share accounts will continue to be treated as normal deposit interest. It also provides that, except in the case of a company within the charge to corporation tax in respect of relevant interest, and subject to special provisions for charities and certain individuals contained in *section 35*, no refunds of retention tax will be made. Relevant interest will be chargeable to tax under Case IV of Schedule D but, in general, it will not be subject to assessment unless there is a charge to income tax at the higher rates, a corporation tax charge or a surcharge on undistributed income of a discretionary trust involved. Credit for the retention tax deducted will be given in any such assessment made on relevant interest.

Special transitional provisions are made so that the operation of the preceding year basis of assessment for Case III, coupled with the treatment of Case III income as a single source, will not result in a double assessment or a loss of assessment where a deposit moves into or out of the retention tax scheme. The section also provides that the deposit interest exemptions provided for individuals by section 344 of the Income Tax Act, 1967, will not apply to relevant interest.

Section 32 provides that a relevant deposit taker must give, on request by a depositor, a certificate showing the gross relevant interest paid or credited, the retention tax deducted, the net amount paid or credited and the date of the relevant payment or crediting of interest.

Section 33 provides for a form of declaration in respect of deposits which are beneficially owned by persons who are not ordinarily resident in the State. Such a declaration must be made to a relevant deposit taker before he may pay interest on such a deposit without a deduction for appropriate tax. The declaration will apply to all deposits including those with building societies. It must be in a form prescribed or authorised by the Revenue Commissioners; it must declare that the person or persons beneficially entitled to interest on the deposit is or are not ordinarily resident in the State; and it must state the names, addresses of principal places of residence and the countries of ordinary residence of the person or persons so entitled to the interest. An undertaking must be given in the declaration that the relevant deposit taker will be advised if the non-residence conditions cease to be satisfied. Existing notices given to a bank under section 175 of the Income Tax Act, 1967, will have effect as declarations under this section up to 6 April, 1987, unless before that time the balance of the deposit is reduced to less than three-quarters of the amount of the deposit on 29 January, 1986 (Budget day). Certain declarations made before this Bill becomes law will, where made in a form authorised by the Revenue Commissioners, serve as declarations for the purpose of this section. The relevant deposit taker must keep the declarations for a prescribed period and make them available on request to an inspector of taxes. Where, after 5 April, 1986, a deposit subject to a notice under the said section 175 is closed, a declaration under this section must be made. If a declaration is not so made, the notice under section 175 must be made available to an inspector in the same way as a declaration under this section.

Section 34 provides for a form of declaration by a body of persons, trust etc. which is entitled to exemption from appropriate tax on deposit interest *(section 27 (1) (g))*. The declaration will be to the effect that the body of persons, trust etc. is entitled to charitable exemption from tax. Such a declaration must be made to a deposit taker before deposit interest may be paid without deduction of tax. The declaration must be in a form prescribed or authorised by the Revenue Commissioners and the body of persons, trust etc. concerned must have established with the Revenue Commissioners its entitlement to charitable exemption with respect to the relevant interest. The deposit taker must retain declarations under this section for a prescribed period and make them available on request to an inspector of taxes.

Section 35 provides for repayment of appropriate tax deducted from interest paid to a charity, a person aged 65 or over, or a permanently incapacitated person. Tax may be deducted from interest paid to a charity before, say, it has clearly established its entitlement to exemption from tax in respect of the interest: in such a case, tax may subsequently be repaid on proof of such exemption. Tax deducted at source may also be repaid to an individual aged 65 or over, or to a permanently incapacitated individual, who would not otherwise (because of personal reliefs, age exemption etc.) be liable to income tax on the relevant interest. Repayment will also be due if the spouse of the individual is aged 65 or over or is permanently incapacitated. Repayment to such individuals will be due after the end of the year of assessment in which the relevant interest is received.

Section 36 provides for penalties for failure to comply with the requirements of this Chapter.

Chapter V

Urban Renewal: Relief from Income Tax and Corporation Tax

This Chapter provides for the tax reliefs referred to in the Taoiseach's statement of 23 October, 1985, in connection with the redevel-

opment of the Custom House Docks Area and certain other designated inner-city areas in Dublin, Cork and Limerick. The reliefs are also being extended to designated areas in Waterford and Galway.

Section 37 contains certain definitions and provides that the *Third Schedule* is to supplement this Chapter. That Schedule contains descriptions of the Custom House Docks Area and of the other designated areas.

Section 38 provides, as respects all the designated areas, for the granting of capital allowances, for income tax and corporation tax purposes, in respect of commercial buildings and structures (offices, shops, leisure and car-parking facilities, etc.) on the same lines as the allowances available for industrial buildings and structures. The allowances will generally be given in respect of the cost of construction work carried out in the period from 23 October, 1985, to 31 May, 1989, but, as respects the Custom House Docks Area, will apply for the five-year period commencing on the date of approval of a proposed planning scheme for the site.

The allowances in question are, in general, a 50 per cent. initial allowance and a 4 per cent. annual allowance (with free depreciation for owner-occupiers but not for lessors). However, as regards the designated areas in Dublin other than the Custom House Docks Area, only one-half of those allowances will be available (i.e. a maximum of 50 per cent. of eligible capital expenditure will be relieved).

As respects multi-storey car-parks in respect of which relief may be claimed under this section, it is provided that the special reliefs (which do not include free depreciation) which are given under section 25 of the Finance Act, 1981, are, where otherwise applicable, not to apply. However, where a greater relief would be available under the said section 25 for designated areas in Dublin (other than the Custom House Docks Area), section 25, rather than this section, is to apply.

The relief is to apply only as respects buildings or structures used for the purposes of a trade or profession or let on commercial terms, and will not apply to any building or structure in use as, or as part of, a dwelling-house.

Section 39 provides for the granting of relief to lessors under section 23 of the Finance Act, 1981, for the construction or conversion cost of dwellings provided for rental in the Custom House Docks Area in so far as the work is carried out in the five-year period commencing when the planning scheme for the area is approved.

Tax relief under this section will, exceptionally, be available against all Case V rental income of the lessor without the restriction imposed by section 29 of the Finance Act, 1983 (which confined relief under section 23 to the rental income from the premises in respect of which relief was given). The normal rules relating to section 23 relief in regard to such matters as the size of flats or houses, the letting of premises for ten years and compliance with standards of construction will also operate for the purposes of this section.

Section 40 provides that a tax allowance will be available to owner-occupiers in respect of a dwelling newly-constructed or refurbished during the period from 23 October, 1985, to 31 May, 1989, in certain designated areas in Dublin, Cork, Limerick, Waterford and Galway. The individual who incurs the expenditure on construction or refurbishment must be the first owner and first occupier of the dwelling after that expenditure has been incurred. The allowance may be claimed in each of the first ten years of the life of the dwelling following construction or refurbishment provided that the dwelling is the sole or main residence of the individual. The annual allowance will be of an amount equal to 5 per cent. of the expenditure incurred by the individual, excluding site costs and net of all grants payable to him.

Section 41 provides that a double rent allowance as an expense in computing trading profits for tax purposes will be available to traders in the Custom House Docks Area and in the designated areas in Dublin, Cork, Limerick, Waterford and Galway. The relief may be claimed for each of the first ten years of each new lease entered into by traders during the period from 23 October, 1985, to 31 May, 1989, or, as respects the Custom House Docks Area, during the five-year period commencing when the planning scheme for the area is approved. The lessee must not be connected, directly or indirectly, with the lessor.

CHAPTER VI

Income Tax, Corporation Tax and Capital Gains Tax

Section 42 provides that, in respect of limited partnerships set up after 22 May, 1985, the right of the limited partners to set off losses and capital allowances arising out of the partnership trade against their other income will be restricted to the amount of their contribution to the limited partnership trade. The measure is designed to counter the abuse whereby limited partnerships have been used to create highly inflated tax losses which are then set off against other income of the limited partner, so circumventing tax liability.

Section 43 provides that tax relief in respect of donations to "GAISCE—the President's Award Scheme" will be available for a further year to 5 April, 1987.

Section 44 provides that where, for the purposes of income tax, corporation tax or capital gains tax, a person, when requested to do so by an inspector of taxes, fails to deliver a return of income to the inspector on or before a specified date in relation to the year for which the return is required, the person's liability to tax for that year will be increased by a surcharge of 10 per cent. of the tax payable. The "surcharge" is to be treated in all respects as part of the tax.

Section 45 amends section 30 of the Finance Act, 1976, so as to provide that, as respects—

(*a*) assessments to income tax or capital gains tax for the year 1986-87 and subsequent years, and

(*b*) assessments to corporation tax for accounting periods ending on or after 6 April, 1986,

the specified amount of tax, which a taxpayer must pay in order to avoid interest charges where an assessment is under appeal, is to be increased to 90 per cent. of the sum found ultimately to be due on determination of the appeal.

Section 46 raises from £3,500 to £4,000, the capital value used in determining—

(*a*) the capital allowances, and

(*b*) the deduction for running expenses,

to be granted for tax purposes in respect of motor cars used in the course of a trade, profession or employment. In the case of capital allowances, the increase applies to cars provided after 5 April, 1986, while in the case of running expenses, the increase applies to qualifying expenditure incurred after that date.

Section 47 extends for a further period of one year (to 31 March, 1988) the operation of the relief from income tax and corporation tax

provided by section 25 of the Finance Act, 1981, in respect of capital expenditure incurred on the construction of certain multi-storey car-parks. The relief takes the form of a 50 per cent. initial allowance and a 4 per cent. annual allowance, and is applicable in respect of structures of three or more storeys to be wholly used for the purposes of providing parking space for members of the general public.

Section 48 provides that, with effect from Budget day, wear and tear allowances (including free depreciation) and initial allowances for machinery and plant will be restricted by the amount of any grants effectively paid out of Exchequer funds. This will bring the treatment of such capital allowances into line with the net-of-grant rules which apply to new industrial buildings and to balancing allowances and charges in respect of machinery and plant. The new rules will not apply where grants had already been approved but not paid on Budget day or where applications for grants were under negotiation on Budget day and the grants are approved for payment before the end of 1986. The section also corrects an anomaly in the law by providing that the writing-down allowance for second-hand industrial buildings in respect of which grant aid is given will be made on a net-of-grant basis as has always been the case with new buildings.

Chapter VII

Corporation Tax

Section 49 effects technical amendments to sections 25 and 26 of the Corporation Tax Act, 1976, by removing certain restrictive time limits for raising assessments to recover tax credits paid to a company on foot of a claim to have losses, charges on income or capital allowances set off against franked investment income. The effect of the existing time limits is that, in certain circumstances, a company could on a later claim obtain greater relief by having the losses etc. set off against profits and an inspector of taxes could be outside the time limit for raising an assessment to recover the tax credit paid on foot of the earlier claim. The section also brings the two sections into line in relation to the time limit for lodging claims.

Section 50 empowers the Minister for Finance to withdraw certificates entitling a company to relief or exemption from corporation tax in respect of certain trading operations within Shannon Airport where the Minister is of the opinion that a company is engaged in activities which amount to an abuse of the certificate e.g. tax avoidance activities. The section provides for the issue of a warning notice requiring a company to desist from such activities and only where a company fails to comply with the notice can the certificate be revoked.

Section 51 provides for definitions of certain expressions for the purposes of the Corporation Tax Acts. Before a recent decision of the Supreme Court, the expression "total income brought into charge to corporation tax" was understood to refer to a company's total income before any deductions for charges, group relief or certain other amounts. The Supreme Court decided, however, that it meant total income after such deductions and that interpretation can in certain circumstances result in greater than intended amounts of export sales relief or relief under the "ten per cent. scheme" being due to some companies. This section restores the intended meaning of the expression in question.

Section 52 gives effect to the tax provisions of the Reduced Interest Scheme for Farmers in Severe Financial Difficulty, 1985, which was announced by the Minister for Agriculture on 22 October, 1985. The scheme is, with certain modifications, a one-year extension of a similar

scheme which was introduced in 1982 and in respect of which provision was made for tax relief for participating banks in section 28 of the Finance Act, 1982. The 1985 scheme provides for a credit against corporation tax payable by Allied Irish Banks plc for the accounting period during which relief from interest is allowed by the bank, with respect to certain loans to farmers, in accordance with the scheme. In the case of other concerns participating in the 1985 scheme (the Ulster Bank Limited and the Agricultural Credit Corporation) the Exchequer contribution is being made by way of direct grant.

Chapter VIII

Capital Gains Tax

Section 53 implements, with some modifications, the reduction announced in the Budget in the lower rates of capital gains tax in respect of disposals on or after 6 April, 1986. A rate of 35 per cent. will apply in respect of such disposals of assets held for more than three and not more than six years, and the rate for such disposals of assets held for more than six years will be 30 per cent.

Section 54 gives effect to the Government decision to encourage the development of the newly-founded Smaller Companies Market of the Irish Stock Exchange by allowing a favourable capital gains tax treatment for disposals of shares which are traded on that market. A rate of 30 per cent. will apply to disposals of such shares within three years from the date of publication of the Bill, irrespective of the period of ownership of the shares.

PART II

Customs and Excise

Section 55 defines an abbreviation.

Section 56 increases the rates of excise duty on cigarettes and other tobacco products as set out in the Fourth Schedule.

Section 57 increases the rate of excise duty on ordinary strength cider by 4p per gallon, with larger increases for perry and for stronger ciders. The section also introduces, with effect from 1 July, 1986, a provision for the deferred payment of excise duty on imported cider and perry.

Section 58 provides for increases in the rates of excise duty on certain hydrocarbon oils as follows:

Petrol	£1.07 per hectolitre
Diesel oil used in motor vehicles ...	£0.71 per hectolitre.

Section 59 provides for an increase of £0.858 per litre of alcohol in the main rate of excise duty on spirits. The section also provides for the abolition, with effect from 1 July, 1986, of the additional duty on immature spirits and of the additional duty charged for deferment of the duty on spirits.

Section 60 increases the rate of excise duty and the rate of drawback on beer by £3.30 the standard barrel. The section also introduces a provision whereby the Revenue Commissioners may repay the excise duty paid on beer deposited in warehouse for use in the manufacture of products, other than beer, for exportation.

Section 61 provides for increases in the rates of excise duty on wine

ranging from 4p per litre on ordinary strength wine to 7p per litre on sparkling wine. The section also increases the rates of excise duty on made wine to the same levels as those applying to wine and restructures the duty bandings for both wine and made wine so as to apply the same rate of duty to all wine and made wine in the 15 per cent. to 22 per cent. alcohol by volume category.

Section 62 provides for the phasing-out of the rebate of excise duty payable to table water manufacturers over a three-year period commencing on 1 March, 1986. The section also reduces the rate of excise duty on table waters to 36p per gallon from 1 October, 1986, and exempts soya milk from liability to the excise duty.

Section 63 provides for the abolition, with effect from 1 July, 1986, of certain minor excise allowances payable in respect of spirits, matches and tobacco extracts and nicotine.

Section 64 extends the provisions to combat betting duty evasion contained in section 76 (6) of the Finance Act, 1984, to any premises which are not registered in the register of bookmaking offices kept by the Revenue Commissioners.

Section 65 strengthens the law relating to the removal of prescribed markers from hydrocarbon oil and makes it an offence to deal in hydrocarbon oil from which a prescribed marker has been removed or to which a substance has been added to impede the identification in any hydrocarbon oil of such markers. The section provides, inter alia, for a penalty of £1,000 in relation to these offences and for the liability to forfeiture of equipment, hydrocarbon oil or conveyances used in connection with the offence.

Section 66 empowers an officer of Customs and Excise to enter premises of dealers in hydrocarbon oil and to search for and inspect, take copies of and retain for examination any documents believed to relate to dealing in oil. Subsection (3) provides for a penalty of £500 for obstructing an officer acting under the section.

Section 67 provides for abolition of the excise duties on tyres and tyre manufacturers' licences with effect from 1 September, 1986.

Section 68 provides for a reduction in the rate of excise duty on motor vehicle parts and accessories to 5 per cent. from 1 September, 1986, and for abolition of the duty from 1 January, 1987.

Section 69 provides for a reduction, with effect from 1 March, 1986, in the rates of excise duty charged on Category A motor vehicles (mainly motor cars and minibuses) to 24.7 per cent. of the chargeable value in the case of vehicles the engines of which have a cylinder capacity exceeding 2,012 cubic centimetres and to 21.7 per cent. of the chargeable value in the case of other Category A motor vehicles.

Section 70 provides for the new rates of road tax on private motor cars announced in the Budget, with effect from 1 March, 1986.

Section 71 confirms the following Orders:

S.I. No. 267 of 1985	Imposition of Duties (No. 279) (Motor Vehicles and Motor-cycles) (Amendment) Order, 1985.

This Order amended the definition of Category A motor vehicles in the Imposition of Duties (No. 236) (Excise Duties on Motor Vehicles, Televisions and Gramophone Records) Order, 1979 (S.I. No. 57 of 1979) to remove any doubts as to the type of vehicles liable to the

Category A rates of excise duty and introduced some other minor regulatory amendments to the motor vehicle and motor-cycle excise duty regimes.

S.I. No. 304 of 1985	Imposition of Duties (No. 280) (Excise Duties) (Vehicles) Order, 1985.

This Order rectified a textual defect in section 33 of the Finance Act, 1985, the section which substituted scales of road tax rates based on engine cubic capacity (c.c.) for those based on road tax horse-power, from 1 October, 1985.

S.I. No. 3 of 1986	Imposition of Duties (No. 281) (Hydrocarbons) Order, 1986.

This Order increased the rates of excise duty on certain hydrocarbon oils as follows:

Petrol	£0.74 per hectolitre
Diesel oil used in motor vehicles ...	£1.39 per hectolitre.

PART III

VALUE-ADDED TAX

Section 72 is a definitions provision.

Section 73 amends section 5 of the Value-Added Tax Act, 1972. *Paragraph (a)* deletes subsection (2) of the section consequent on the inclusion, by *section 83*, of food and drink supplied in the course of a restaurant, etc. business in the Sixth Schedule (goods and services liable at 10 per cent.) with effect from 1 July, 1986. *Paragraphs (b)* and *(c)* amend the section in relation to services received from abroad. *Paragraph (b)* inserts a new subsection in order to ensure that traders receiving for business purposes certain foreign services (in particular the leasing of vehicles from companies abroad) in respect of which VAT is not effectively payable in the supplier's country, are accountable for VAT in this country in the same manner as already applies in the case of certain other services received from abroad. *Paragraph (c)* inserts a provision whereby the recipient of certain foreign services for business purposes, who has an establishment in the supplier's country within the EEC and consequently would not be chargeable with VAT on such services, is made so chargeable in this country except where the services are directly for use at his foreign establishment. It also provides for accountability to tax of public bodies which receive such services from inside (where tax is not payable in the supplier's country) and from outside the EEC.

Section 74 amends section 8 of the Value-Added Tax Act, 1972, in order to include among the recipients of certain services received from abroad who are obliged to register for VAT those recipients affected by *paragraphs (b)* and *(c)* of *section 73*. The effect is that those recipients become accountable for tax in this country in respect of the services received.

Section 75, in confirmation of the Financial Resolution of 29 January, 1986, amends section 11 of the Value-Added Tax Act, 1972, to provide with effect from 1 March, 1986, for the increase in the 23 per cent. rate to 25 per cent. and the increase in the rate on livestock from 2.2 to 2.4 per cent. It also makes a technical amendment to the section where it relates to certain catering services, consequent on the reduction of the VAT rate on such services, by *section 83*, from 25 to 10 per cent. with effect from 1 July, 1986.

Section 76 amends, in *paragraph (a)*, section 12 of the Value-Added Tax Act, 1972, consequent on the insertion, by *section 73*, of the new subsection in section 5 of the VAT Act. It provides for the deduction of input tax, subject to the normal restriction on such deduction, incurred under the new subsection by recipients of foreign services. The section makes, in *paragraph (b)*, a technical amendment consequent on the insertion, by *section 79*, of provisions to defer repayment of VAT in certain circumstances.

Section 77 confirms the raising, by the Financial Resolution of 29 January, 1986, with effect from 1 March, 1986, from 2.2 to 2.4 per cent. of the compensatory flat-rate credit allowed to taxable persons purchasing agricultural produce or agricultural services from unregistered farmers, for transmission to those farmers as an addition to prices. The raising of the flat-rate credit is intended to compensate unregistered farmers for the increased tax borne by them through the increase in the 23 per cent. VAT rate to 25 per cent.

Section 78, in conjunction with *section 80*, amends the requirements of the Value-Added Tax Act, 1972, relating to the form and content of invoices and other documents. The section inserts a new subsection in section 17 of the Act in order to cater for the use of "paperless" invoicing. It specifies the circumstances in which invoice and other information furnished by one trader to another by electronic means is acceptable for VAT purposes.

Section 79 inserts a new subsection in section 20 of the Value-Added Tax Act, 1972, which enables the Revenue Commissioners to defer repayment of tax to a trader where an associate company has not made VAT returns or remitted the due tax. The effect of the subsection is that a trader seeking repayment of VAT who is interlinked with other traders could have the repayment suspended until the returns of all of the traders in the group have been received.

Section 80 amends section 32 of the Value-Added Tax Act, 1972, as it relates to the making of regulations governing the form and content of VAT invoices and other documents. It provides, consequent on the provisions inserted by *section 78,* for regulations to be made covering the furnishing of information for VAT purposes by electronic means.

Section 81 inserts a new paragraph in the First Schedule to the Value-Added Tax Act, 1972 (exempted activities) to provide for exemption from VAT of dental technicians' services and their supplies of dentures and other dental prostheses. This measure is in anticipation of the ending of a derogation under the EEC Sixth VAT Directive whereby Ireland and certain other Member States continued for a transitional period to tax such supplies.

Section 82 deletes from the Second Schedule to the Value-Added Tax Act, 1972 (goods and services liable at zero per cent.) the reference to ready-to-eat potato chips (the existence of which effectively makes them liable at the 25 per cent. rate) consequent on the application, by *section 83,* of the reduced rate of 10 per cent. to catering services generally and hot take-away food and drink, including the provision of potato chips.

Section 83 amends the Sixth Schedule to the Value-Added Tax Act, 1972 (goods and services liable at 10 per cent.) with effect (except in the case of *paragraph (a)*) from 1 July, 1986. *Paragraph (a)* brings certain fortnightly newspapers into the 10 per cent. rate category, and re-casts the definition of newspapers generally in the Schedule so as to remove the impression that might be given that imported newspapers were being discriminated against. *Paragraph (b),* and *(c)* with

certain modifications, confirm the Financial Resolution of 29 January, 1986. *Paragraph (b)* applies the 10 per cent. rate to the provision of food and certain drink and catering generally (including supplies of hot take-away food and drink), cinema admissions, and certain live entertainment. *Paragraph (c)* applies the 10 per cent. rate to the repair and maintenance of movable goods, the alteration of second-hand movable goods, certain work on immovable goods and personal services such as hairdressing, laundry, and health studio treatment. *Paragraph (d)* deletes the provision in the Schedule relating to repair and maintenance of certain vehicles and machinery consequent on the introduction, in *paragraph (c)*, of the general provision applying to repairs, maintenance and alterations.

PART IV

Stamp Duties

Section 84 imposes the levy on the banks which was announced in the Budget. The duty will be assessed on the average amount of current accounts and deposit accounts as at stated dates in each of the months in 1985 subject to certain adjustments including a threshold of £10,000,000. Rates of 0.25 per cent. and 0.316 per cent., as appropriate, will apply.

Section 85 imposes a stamp duty on the investment income and the profits on the realisation of the investments of life insurance companies arising in 1986. The duty is charged at the rate of 9 per cent. on the relevant income and profits other than the income and profits arising from investments which represent business outside the State, pension business, industrial assurance and credit union business. The companies are required to pay an estimated 90 per cent. of the duty by 1 November, 1986 and the balance by 30 June, 1987.

Section 86 imposes by way of stamp duty a levy on interest arising from loans made to certain companies. The loans affected are sometimes referred to as "section 84 loans". The duty is charged at the rate of 12 per cent. on statements, showing the amount of interest, which must be furnished to the Revenue Commissioners half-yearly. The section also revokes the Imposition of Duties (Stamp Duty on Certain Statements of Interest) Order No. 282 of 1986 which made similar provisions with effect on and from 30 January, 1986.

Section 87 charges the renunciation of a letter of allotment of stocks and shares to stamp duty where the company has not got a quotation on a recognised stock exchange. The section also revokes the Imposition of Duties (Stamp Duty on Letters of Renunciation) Order No. 278 of 1985 which made similar provisions with effect from 11 June, 1985.

Section 88 provides that in a case where a vendor enters into an agreement for the grant of a long lease or grants other rights in relation to the property being sold, the subsequent transfer of the property by the vendor will be chargeable to stamp duty without regard to the value of the agreement or the rights created. The section also charges to ad valorem stamp duty a deed of enlargement of a long term of years in property where the term has been created within 6 years of the date of the deed. The position where a contract for sale is entered into in the normal way is not affected.

Section 89 charges transfers on sale of stocks and shares to stamp duty at a uniform rate of 1 per cent. Previously certain transfers had been chargeable at a 2 per cent. rate. The section also revokes the

Imposition of Duties (Stamp Duties on Conveyances and Transfers on Sale of Stocks and Marketable Securities) Order, No. 276 of 1985 which made similar provisions for such transfers with effect from 23 May, 1985.

Section 90 charges to stamp duty an instrument which acknowledges that a leasehold interest has been either surrendered or merged in a superior interest. The section also revokes the Imposition of Duties (Stamp Duty on Certain Instruments) Order No. 277 of 1985 which was effective from 11 June, 1985, as regards the measures in this section and in *section 88*.

Section 91 is a technical provision which brings stamp duties within the ambit of the Provisional Collection of Taxes Act, 1927.

Section 92 extends the present exemption from stamp duty of voluntary transfers of agricultural property until 30 September, 1986. The exemption will apply for a further year from that date to such transfers where the person acquiring the property is under the age of 30 years and has completed an appropriate training course of not less than 150 hours.

PART V

CAPITAL ACQUISITIONS TAX

CHAPTER I

Discretionary Trusts

Sections 93 to *99* give effect to the decision announced in the Budget to impose a 1 per cent. annual charge on those discretionary trusts which were made subject to the 3 per cent. once-off charge introduced in the 1984 Finance Act.

Section 93 is a definitions section.

Section 94 provides that each chargeable trust will be deemed each year to take an inheritance of property in the trust. All the provisions of the Capital Acquisitions Tax Act, 1976, will apply to the inheritance so taken, save where varied by *section 95*. The 1 per cent. charge will not be payable in the same year as the 3 per cent. charge. The section also contains a provision to counter avoidance of the annual charge by appointments of property out of the trust for a short period.

Section 95 varies, for the purposes of the 1 per cent. annual charge, certain sections of the Capital Acquisitions Tax Act, 1976. It provides, *inter alia*, for the delivery of returns and the payment of tax on a self-assessment basis.

Section 96 exempts from the 1 per cent. charge trusts and property which are exempted from the 3 per cent. charge.

Section 97 provides that the tax is to be charged at the rate of 1 per cent.

Section 98 is designed to facilitate compliance and collection costs. It provides that the values of houses, lands and non-quoted shares agreed for one chargeable date will, subject to certain limitations, apply to the following two chargeable dates.

Section 99 is a penalty section.

Chapter II

General

Section 100 reduces, from 1.25 per cent. per month to 1 per cent. per month, the interest payable on refunds of capital acquisitions tax, and confirms that such interest is not subject to income tax. The section also provides that further changes in the rate of interest payable on refunds of capital acquisitions tax may be made from time to time by regulations made by the Minister for Finance.

Section 101 removes, in the case of husband-wife joint deposit accounts which exceed £5,000, the requirement that a financial institution may not, in the case of death of either spouse, pay to the survivor any part of the joint deposit without the consent of the Revenue Commissioners.

PART VI

Miscellaneous

Section 102 relates to the Capital Services Redemption Account. This section is in the same form as in previous years, and its purpose is twofold, viz—

(*a*) to adjust the provisional annuity for 30 years fixed last year, so as to take account of actual expenditure on Voted Capital Services in 1985 and

(*b*) to fix provisionally a new annuity for 30 years in respect of the estimated expenditure in 1986 on Voted Capital Services.

Section 103 implements for tax purposes the recommendation of the Law Reform Commission in their report, "Report on the Law Relating to the Age of Majority, the Age for Marriage and Some Connected Subjects (LRC5—1983)", that the age of majority (as for other purposes) should be reduced to eighteen years of age except in the case of incapacitated children for income tax purposes. Subject to certain exceptions, including the taxation statutes, the recommendation was implemented for general law by the Age of Majority Act, 1985. The exclusion of taxation statutes from the general measure is now being removed by this section subject to the recommended exception in respect of the incapacitated child. Accordingly in sections 138A (additional allowance for widows and others in respect of children) and 141 (incapacitated children) of the Income Tax Act, 1967, the references to age twenty-one years are being retained. If references to twenty-one years in those sections were changed to eighteen years some taxpayers could lose their entitlement to relief in respect of children who become incapacitated between the ages of eighteen and twenty-one years.

Section 104 provides that, if the Revenue Commissioners agree, records required for the purposes of certain taxation statutes may be stored, maintained, transmitted, reproduced or communicated by any electronic, photographic or other process approved of by the Commissioners. The section also provides that where records are preserved by such process a copy of any document which forms part of the records, will, subject to the rules of court, be admissible in evidence in any civil or criminal proceedings, to the same extent as the records themselves.

The section also provides for dispensing with the need to create

duplicate copies of assessments (formerly used as a basis for collection by the collectors of taxes). This takes account of the fact that the Collector-General extracts details of assessments from the computer in which those details have been recorded. It is also provided that certificates based on the electronic or other records will be *prima facie* evidence in Court proceedings for recovery of tax.

Section 105 amends section 429 of the Income Tax Act, 1967, section 30 of the Finance Act, 1976, and section 107 of the Finance Act, 1983, so as to provide for a reduction, from 1.25 per cent. per month to 1 per cent. per month, in the rate of interest payable on overpaid income tax, corporation tax, capital gains tax and residential property tax. The rate of interest chargeable on amounts of those taxes unpaid will remain at 1.25 per cent. per month. The section also provides that further changes in the rate of interest payable on overpaid tax may be made from time to time by regulations made by the Minister for Finance.

Section 106 transfers from the Minister for Finance to the Revenue Commissioners the power to appoint inspectors of taxes.

Section 107 deals with the "care and management" of taxes and duties.

Section 108 contains the provisions relating to short title, construction and commencement.

An Roinn Airgeadais,
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Section 106 transfers from the Minister for Finance to the Revenue Commissioners the power to appoint inspectors of taxes.

Section 107 deals with the "care and management" of taxes and duties.

This section is in the same form as in previous years, and its purpose is obvious.

Section 108 contains the provisions relating to short title, construction and commencement.

Section 102 relates to the Capital Services Redemption Acts.

(*a*) to adjust the provisional annuity for 30 years fixed last year, so as to take account of actual expenditure on Voted Capital Services in 1985 and

(*b*) to fix provisionally a new annuity for 30 years in respect of the estimated expenditure in 1986 on Voted Capital Services.

Section 103 implements for tax purposes the recommendation of the Law Reform Commission in their report, "Report on the Law Relating to the Age of Majority, the Age for Marriage and Some Connected Subjects (LRC5—1983)", that the age of majority (as for other purposes) should be reduced to eighteen years of age except in the case of incapacitated children for income tax purposes. Subject to certain exceptions, including the taxation statutes, the recommendation was implemented for general law by the Age of Majority Act, 1985. The exclusion of taxation statutes from the general measure is now being removed by this section subject to the recommended exception in respect of the incapacitated child. Accordingly in sections 138A (additional allowance for widows and others in respect of children) and 141 (incapacitated children) of the Income Tax Act, 1967, the references to age twenty-one years are being retained. If references to twenty-one years in those sections were changed to eighteen years some taxpayers could lose their entitlement to relief in respect of children who become incapacitated between the ages of eighteen and twenty-one years.

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