

*Budget Review
Tax
2018*

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Building a better
working world

Budget Review 2018

- ▶ Minister's 1st Budget – 2nd post election
- ▶ Programme for Government – May 2016
- ▶ Annual Report 2017
- ▶ Tax Strategy Papers
- ▶ Pre Budget Submissions
- ▶ Tax Consultations in 2017
- ▶ Estimates of Receipts & Expenditures for 2017 – 7.10.17
- ▶ Budget 2018 – Tax & Social Welfare Aspects

Budget Review 2018

Programme for Government – Fine Gael / Independents – May 2016

Creating a Social Economy

- Sound public finances – stable and broad tax base
- Supportive environment for enterprise/employment
- More investment in economic regional and social infra.
- Just and fair society/more inclusive prosperity

Budget Review 2018

Programme for Government (cont.)

Reforming the Budget Process

| | |
|----------------------------------|-------------|
| | |
| Spring statement | April |
| Tax strategy Reports | July/August |
| Draft Allocation of Expenditures | September |
| New Initiatives | October |
| Cost neutral amendments | October |

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Programme for Government (cont.)

Housing

- Enhanced tax relief for landlords
- Reduction in VAT rate to 9% - new affordable homes (year 1)
- Vacant site levy from 2018
- New town/village renewal scheme (year 1)
- Retain mortgage interest relief after 2017

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Programme for Government (cont.)

Tax System

- Phasing out of USC
- Non indexing of tax credits/bands
- Removal of PAYE credit for high earners
- Higher excise rates on cigarettes
- Sanction enforcements – fuel laundering
- Sugar tax
- Improving tax compliance

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Programme for Government (cont.)

Tax & Competiveness

- Maintain the 12.5% corporation tax rate
- Engage with International Tax Reform
- Cooperate with BEPS
- Monitor the Knowledge Development Box
- Reduce the CGT rate on Start-ups – 10% (€10m cap)
- Earned income credit to €1,650 by 2018
- Share option incentives
- Small benefit vouchers to €650
- CAT – Band A to €500k

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Programme for Government (cont.)

Rural Development

- VAT rates – community groups
- VRT rates – community groups
- Start –up company CT relief to 2018

Farming

- Strategic changes to tax system
- Farm income – volatility & profitability
- Land transfers

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Programme for Government - Annual Report 2017

- Start Your Own Business scheme extended for 2 years
- Earned Income Credit – up to €900 (from €450)
- Reduction of USC rates – Budget 2017
- Review of corporation tax
- Help to Buy Scheme
 - **Maximum relief €20k -753 claims approved**
- Mortgage interest relief to be extended to 2020

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Programme for Government - Annual Report 2017

- Landlords – tax relief re social housing tenants
- Deductible interest relief up to 80% in 2017
- Rent a room ceiling - €14k
- Consultation process
- Living City initiative expanded

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Tax Strategy Group

Income Tax Reform proposals – July 2017

- Personal income taxes – 40% of total taxes in 2017 (€20.2bn)
- New SME share based incentive scheme – Budget 2018
- Gini coefficient - Ireland largest reduction in 2012
- USC – reduce highest rate (8%); medical card holders post 1.1.2018
- Withdrawal of tax credits for high earners
- Mortgage interest relief – taper extension

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Tax Strategy Group Landlords – July 2017

- **2016 Tax return disclosures**
- **Increase in interest relief to 100% by 2021**
- **Medium term supports – tax deduction for capital cost, CGT relief, social housing incentive**
- **Long term supports – pension vehicle, turnover tax v profits tax**

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Tax Strategy Group

Corporation tax – July 2017

- IREFs legislation working
- R&D Tax credits - €708m, 12% of CT receipts, monitor changes elsewhere
- KDB change – 19 May 2017
- Capital allowances on IP €2.6bn (2014) to €28.9bn (2015) - 989% increase – onshoring of IP
- Tax losses forward – Financial services €120bn out of €208bn (2015)
- CT yield - €7.8bn (2017) - €4.2bn (2012)
- Coffey review – publication imminent (now published)
- BEPS Multilateral Instrument – Ireland signed 7 June 2016 – ATAD Directive – 1.1.2019
- CCTB or CCCTB – Ireland engaging ‘constructively’

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Tax Strategy Group

VAT – July 2017

- 26% of tax yield – 2016 - €12.4bn
- Joint 7th highest VAT rate in EU
- 1% rate change - €410m

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Tax Strategy Group BREXIT – July 2017

- Just over 5 pages
- Direct taxes – little concern expressed
- Indirect taxes – expected administrative burden, pressure on VAT rates
- Disorderly BREXIT – tariffs, border controls
- Duty free – UK to Ireland €430, 200 cigarettes, 4 litres of wine, 16 litres of beer

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Tax Strategy Group

Stamp Duty/Other Issues – July 2017

- ▶ Applicability of stamp duty to share transactions
- ▶ Current rate – 1%
- ▶ Exemption level - €1k
- ▶ Enterprise Securities Market
 - ▶ Mid sized entities
 - ▶ Exemption from 5 June 2017
- ▶ Yield – 2017 - €1.2bn (33%)
- ▶ Financial Transaction Tax
- ▶ UK Position
- ▶ Consultation Process to 31 October 2017

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Coffey Report – September 2017

- Maintaining the 12.5% Corporation tax rate
- EU Anti Tax-Avoidance Directive (ATAD) –
 - Due to be effective in part in 2019
 - Recommends detailed consultation
 - Territorial versus credit
- Transfer Pricing
 - Recommends changes to be introduced by 2020
 - Extend to non-trading, SMEs, capital
 - Repeal of grandfathering
 - Recommends detailed consultation

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Coffey Report (Cont'd)

- Tax depreciation on intangible assets
 - Reintroduction of 80% cap
- International Dispute Resolution
 - Enhance Revenue's resources
- Other Recommendations
- Scrutiny of measures on State Aid
 - Supporting directive on mandatory disclosure
 - Passage of Taxation and Certain Other Matters (International Mutual Assistance) Bill through Dail/Seanad
 - Another review of Ireland's CT code following implementation of OECD/G20 initiative

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Pre Budget Submissions

IBEC

- Retain 9% VAT Rate (BREXIT measure)
- CGT Entrepreneur Relief - cap to €15m
- Introduce a SEIS type scheme
- Simplify R&D scheme
- Remove stamp duty on shares in Irish entities
- Introduce Enterprise management incentive scheme
- Consumer taxes
 - **Sugar tax – roll back on implementation**
 - **Reduce alcohol excise**

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Pre Budget Submissions

IBEC

- Increase entry point to high rate tax by €1k
- No PRSI/USC on approved stock options
- Standard rate on unapproved stock options
- Reduce the high rate of tax by 1% (over €70k)
- Tax residence rules
- Commit to 12.5% CT rate
- Review the KBD
- Implement BEPS
- Defend against CCCTB

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Pre Budget Submissions

Irish Tax Institute

- ▶ CGT rate – 4th highest in OECD, 10% above average, Entrepreneur relief
- ▶ R&D Outsourcing
- ▶ KBD for SMEs
- ▶ SME share based employee scheme
- ▶ Dividend income – flat tax rate

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Pre Budget Submissions

CCABI (Accountancy Bodies)

- ▶ Postponed accounting for VAT
- ▶ Merger of PRSI & USC
- ▶ SME share based remuneration – similar to UK scheme
- ▶ Section 291A TCA 1997 – time limit for claims
- ▶ Rebasing for CGT
- ▶ Independent review of Revenue customer service standards
- ▶ Legal professional privilege – new EC rules

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Tax Consultations in 2017 (Closed)

- Betting Tax Review
- Landlords
- Corporation Tax Code
- Sugar Tax

Budget Review 2018 – Pre Budget White Paper

| | 2017 (E.2016) €m | 2017 (E. 2017) €m | 2018 €m |
|------------------|---------------------|----------------------|---------------|
| Receipts | 54,431 | 58,079 | 56,385 |
| Expenditure | 55,702 | 56,624 | 58,339 |
| Deficit | -1,271 | 1,455 | -1,953 |
| GDP | €m | €m | €m |
| General Govt Bal | -2,435 | -993 | -92 |
| % of GDP | -0.1% | -0.3% | 0.0% |

Budget Review 2018 – Pre Budget White Paper

| | 2017 (E. 2016) - €m | 2017 (E. 2017) - €m | 2018- €m |
|-------------------|------------------------|------------------------|---------------|
| Customs/Excise | 6,258 | 6,070 | 6,064 |
| Capital Gains Tax | 721 | 795 | 842 |
| Capital Acq Tax | 462 | 450 | 472 |
| Stamp Duty | 1,335 | 1,200 | 1,298 |
| Income Tax | 20,463 | 20,245 | 21,594 |
| Corporation Tax | 7,653 | 7,965 | 8,327 |
| VAT | 13,280 | 13,425 | 14,027 |
| Local Prop Tax | 460 | 470 | 470 |
| | | | |
| Total | 50,632 | 50,620 | 53,094 |

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INCOME TAX

Budget Review 2018

Distribution of Income Earners

| | 2015 | 2016 | 2017 | 2018 |
|-----------|--------|--------|--------|--------|
| Total | 2.354m | 2.460m | 2.557m | 2.616m |
| | | | | |
| High Rate | 18% | 19.4% | 19.81% | 20.32% |
| Standard | 45% | 43.3% | 42.81% | 43.13% |
| Exempt | 37% | 37.3% | 37.38% | 36.55% |

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Average Tax Rates on Annual Earnings in % Terms

Single (Self Employed)

| € | 2009 | 2015 | 2016 | 2017 | 2018 |
|---------|-------|-------|-------|-------|-------|
| 14,000 | | | | 6.2% | 4.7% |
| 20,000 | 14.9% | 18.5% | 15% | 12.5% | 11.2% |
| 30,000 | 19.9% | 22.6% | 19.8% | 18% | 17% |
| 70,000 | | | | 34.6% | 33.9% |
| 150,000 | | | | 44.9% | 44.5% |

Budget Review 2018

Average Tax Rates on Annual Earnings in % Terms

Married (Self Employed), One Income, 2 Children

| € | 2009 B1 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------|------------|-------|-------|-------|-------|-------|
| 30,000 | 10.8% | 15% | 14.4% | 11% | 8.8% | 7.5% |
| 100,000 | 32.9% | 38.4% | 37.8% | 36.1% | 35.3% | 34.7% |

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STANDARD RATE OF TAX

2015
20%

2016
20%

2017
20%

2018
20%

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TOP RATE OF TAX

| <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|-------------|-------------|-------------|-------------|
| 41% | 40% | 40% | 40% |

But removal of the PRSI ceiling in 2011 and changes to Universal Social Charge need to be remembered

(Employee – 52%

Self employed – 55%)

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Tax relief available @ marginal tax rate

- ▶ Pension payments (within limits)
- ▶ Qualifying covenant payments
- ▶ Nursing home expenses
- ▶ Permanent health insurance
- ▶ Business Expansion Scheme (carried forward)

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Pensions

Pension Contributions

| | |
|----------------------|--------------|
| Income Limit 2010 | €150k |
| Income Limit 2011/17 | €115k |
| Income Limit 2018 | €115k |

Qualifying amounts limited – 15% to 40%

Budget Review 2018

TAX BANDS

| | <u>2010</u> | <u>2011 to 2014</u> | <u>2015/2017</u> | <u>2018</u> |
|---------------------|-------------|---------------------|------------------|-------------|
| | € | € | € | € |
| Single | 36,400 | 32,800 | 33,800 | 34,550 |
| Single Parent | 40,400 | 36,800 | 37,800 | 38,550 |
| Married one income | 45,400 | 41,800 | 42,800 | 43,550 |
| Married two incomes | 72,800 | 65,600 | 67,600 | 69,100 |

Married/Civil

Budget Review 2017

Exemption Limits

| | 2010 | 2011 – 2017 | 2018 |
|-----------|--------|-------------|--------|
| | € | € | € |
| 65 & Over | | | |
| Single | 20,000 | 18,000 | 18,000 |
| Married | 40,000 | 36,000 | 36,000 |
| | | | |

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Tax Credits

| | 2011 - 2015 | 2016 | 2017 | 2018 |
|----------------------|-------------|-------|-------|--------------|
| | € | € | € | € |
| Single | 1,650 | 1,650 | 1,650 | 1,650 |
| Married | 3,300 | 3,300 | 3,300 | 3,300 |
| PAYE | 1,650 | 1,650 | 1,650 | 1,650 |
| Earned Income Credit | | 550 | 950 | 1,150 |

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| | 2017 | 2018 |
|--------------------------------|---------|--------------|
| Other Personal Credits | | |
| Single Person Child Tax Credit | 1,650 | 1,650 |
| Home Carer | 1,100 | 1,200 |
| Dependent Relative | 70 | 70 |
| Incapacitated Child | 3,300 | 3,300 |
| Blind Persons – Single | 1,650 | 1,650 |
| Blind Persons – Married | 3,300 | 3,300 |
| Age – Single/Married | 245/490 | 245/490 |
| Fishers Tax credit | 1,270 | 1,270 |

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Tax on savings – Rate of Retention Tax

Bank Interest

| | |
|---------------|-------------------------------------|
| - 2013 | 33% |
| - 2014/16 | 41% |
| - 2017 | 39% (to reduce to 33% over 4 years) |
| - 2018 | 37% |

Interest on Special Term Accounts, Special Term Share Accounts opened after 15 October 2013 – normal DIRT

Life Products/Investment Funds

| | |
|-----------|-----|
| - 2013 | 36% |
| - 2014/16 | 41% |
| - 2017 | 41% |
| - 2018 | 41% |

Budget 2018

Mortgage Interest Relief

Position as at 2017

| Year of mortgage | First time buyer | Other | Ceiling |
|------------------|------------------|-------|-----------|
| 2004 to 2008 | N/a | 30% | €6k/€3k |
| 2009 & 2010 | N/a | 15% | €6k/€3k |
| 2011 & 2012 | 20% | 15% | €20k/€10k |

Available for 7 years

Was to expire by 2017

Extended to 2020

Budget 2018

Mortgage Interest Relief

| Year | Available relief |
|------|--------------------|
| 2018 | 75% of 2017 relief |
| 2019 | 50% of 2017 relief |
| 2020 | 25% of 2017 relief |

No relief in 2021

Budget 2018

Key Employee Engagement Program (KEEP)

- Share based remuneration incentive
- Directed at SMEs
- No income tax on award/exercise
- Option gains subject to CGT on disposal
- Options granted between 1.1.18 and 31.12.23
- Commencement subject to State Aid Approval

Budget 2018

Key Employee Engagement Program (KEEP)

- Example
- 10.4.18 Option granted – 10,000 €1 shares at market value
- 10.4.21 Option exercised – shares worth €30k
- 10.2.24 Shares sold – consideration €40k
- High rate taxpayer, 5% USC band

Budget 2018

Potential KEEP Benefit

| Action | Ordinary Options | KEEP Options |
|----------------------------------|------------------|---------------|
| On Grant – Income tax and USC | Nil | Nil |
| On exercise – income tax and USC | €9,750 | Nil |
| On Sale - CGT | €3,300 | €9,900 |
| Total Tax | €13,050 | €9,900 |

Budget 2018

Rented Residential Property

- New rental deduction
- Pre-letting expenses
- Qualifying expenses to 31.12.2021
- Maximum deduction of €5k per property
- Must have been vacant for 12 months or more
- Clawback if withdrawn from rental market within 4 years

Budget 2018

Benefit-in Kind

Employer provided Electric cars

- Normal BIK rate – up to 30%
- **Special rate of 0% for one year**

Workplace electricity exempt from BIK

Comprehensive review of BIK

Budget Review 2018

PRSI & LEVIES

Budget Review 2018

PRSI RATES

| | 2011 - 2017 | | 2018 | |
|-----------|-------------|-----------------|---------------|----------------|
| | Rate | Income | Rate | Income |
| Employee | 4% | No Ceiling | 4% | No Ceiling |
| Employers | 10.75% | No Ceiling | 10.85% | No Ceiling |
| Employers | 8.5% | €18,512/€19,552 | 8.6% | €19,552 |

Weekly threshold for liability to EE PRSI remains at €352

Budget 2018

Employer's PRSI National Training Fund Levy

- Part of employer's PRSI
- Payable in respect of Class A & H
- Current rate 0.7%

| Year | Rate |
|------|------|
| 2018 | 0.8% |
| 2019 | 0.9% |
| 2020 | 1% |

Budget Review 2018

PRSI RATES SELF EMPLOYED

2011 - 2017

| Rate | Income |
|------|------------|
| 4% | No Ceiling |

2018

| Rate | Income |
|------|------------|
| 4% | No Ceiling |

Minimum Contribution

€500

Exemption threshold

€5,000

Budget Review 2018

Universal Social Charge (USC)

Under 70s (and Over 70s/Medical Card holders with income of €60k and over)

2017

0.5% < €12,012

2.5% €12,013 to €18,772

5% €18,772 to €70,044

8% > €70,044

2018

0.5% < €12,012

2% €12,013 to €19,372

4.75% €19,372 to €70,044

8% > €70,044

Self Employed

11% > €100,000

11% > €100,000

Budget Review 2018

USC (continued)

Over 70's/Medical Card holders (with income less than €60k)

2017

0.5% < €12,012

2.5% > €12,012

2018

0.5% < €12,012

2% > €12,012

Extended for a further 2 years

Low income Exemption

2012 to 2014 - €10,036 (€193 per week)

2015 - €12,012 (€231 per week)

2016/17 - €13,000

2018 - €13,000

Amalgamation of USC & PRSI – Medium term process

Budget Review 2018

Single – Salary of €40k

| | 2017 | 2018 | |
|--------------------------------|---------------|---------------|--|
| Income | 40,000 | 40,000 | |
| Income Tax | 9,240 | 9,090 | |
| Tax Credits | (3,300) | (3,300) | |
| Net Income Tax | 5,940 | 5,790 | |
| PRSI | 1,600 | 1,600 | |
| USC | 1,290 | 1,187 | |
| Net Income | 31,170 | 31,423 | |
| Increase/(Decrease) in tax/USC | (253) | | |

Budget Review 2018

Married, two earners – Salaries of €52k and €28k

| | 2017 | 2018 |
|--------------------------------|---------------|---------------|
| Income | 80,000 | 80,000 |
| Income Tax | 18,480 | 18,180 |
| Tax Credits | (6,600) | (6,600) |
| Net Income Tax | 11,880 | 11,580 |
| PRSI | 3,200 | 3,200 |
| USC | 2,581 | 2,374 |
| Net Income | 62,339 | 62,846 |
| Increase/(Decrease) in tax/USC | (507) | |

Budget Review 2018

Married, one earner, no children, Salary of €120k

| | 2017 | 2018 |
|--------------------------------|---------------|---------------|
| Income | 120,000 | 120,000 |
| Income Tax | 39,440 | 39,290 |
| Tax Credits | (4,950) | (4,950) |
| Net Income Tax | 34,490 | 34,340 |
| PRSI | 4,800 | 4,800 |
| USC | 6,789 | 6,611 |
| Net Income | 73,568 | 74,249 |
| Increase/(Decrease) in tax/USC | (328) | |

Budget Review 2018

Married, one income, no children, Self employed - €120k

| | 2017 | 2018 | |
|--------------------------------|---------------|---------------|--|
| Income | 120,000 | 120,000 | |
| Income Tax | 39,440 | 39,290 | |
| Tax Credits | (4,250) | (4,450) | |
| Net Income Tax | 35,190 | 34,840 | |
| PRSI | 4,800 | 4,800 | |
| USC | 7,389 | 7,211 | |
| Net Income | 70,416 | 70,416 | |
| Increase/(Decrease) in tax/USC | (528) | | |

Budget Review 2018

CAPITAL GAINS TAX

Budget Review 2018

Capital Gains Tax

| | |
|-------------|------------|
| 2011 | 25% |
| 2012 | 30% |
| 2013/17 | 33% |
| 2018 | 33% |

Budget 2018

Change to 7 Year CGT Exemption

- Introduced by Finance Act 2012
- Land or buildings held in any EEA State (including Ireland)
- Acquired between 7.12.11 and 31.12.14
- Held for at least 7 Years
- Proportion of gain relating to 7 year holding exempt from CGT
- **Holding period to be reduced to 4 years**
- **Timing of change not stated**

Budget Review 2018

CORPORATION TAX



Corporation Tax

- **12.5% rate will remain a core part of offering**
- Publication of Coffey Report
- Launching of public consultation process
- Implementation of Anti-Tax Avoidance Directive (ATAD)
 - Interest limitation rules
 - Transposition of General Anti Avoidance Abuse Rule by 2019
 - Implement Controlled Foreign Company Rules by 2019
 - Exit tax by 2020
 - Anti-Hybrid rules by 2020

Corporation Tax

Launching of public consultation process (Cont'd)

- Adoption of further transfer pricing rules
 - Applying rules to pre 1 July 2010 agreements
 - Extending the rules to SMEs
 - Extending the rules to non-trading income
 - Documentation rules requirements
- Territorial v credit based taxed system

Budget 2018

BREXIT

- Additional capital expenditure of €4.3bn per annum to 2021
- Capital expenditure doubling to €7.8bn by 2021
- BREXIT loan scheme for SMEs
- Loan scheme fund of €300m
- Supported by EIB, EC and Strategic Banking Corporation
- Lending support for farmers

Budget 2018

Capital Allowances on Intangible Assets

- Introduced by Finance Act 2009
- Tax relief on cost – 15 years or accounts amortisation
- Pre 2015 interest and capital allowance cap of 80% of income
- Cap removed in 2015
- **Reinstated at 80% from midnight 10.10.2017**
- **Expenditure incurred after that date**

Budget 2018

Capital Allowances on Energy Efficient Equipment

- Introduced by Finance Act 2008
- Energy efficient equipment – specified list
- Tax relief on cost – 100% wear & tear relief – year 1
- Due to expire 31 December 2017
- **Relief extended to 31 December 2020**

Budget Review 2018

STAMP
DUTY

Budget 2018

Transfers of Commercial Property

- Rate of 2% since December 2011
- Rate to be increased to 6%
- Impacts transactions after midnight 10.10.17

Commercial land for residential housing

- Introduction of a rebate scheme
- Development must commence within 30 months of purchase
- Finance Bill to contain details

Budget Review 2018

EXCISE
DUTY

Budget Review 2018

| | 2016 | 2017 | 2018 |
|-----------------------------|-----------|-----------|-------------|
| Cigarettes (20) | +50c | +50c | +50c |
| Tobacco (roll your own) | +pro rata | +pro rata | +pro rata |
| Standard Bottle of wine | +0c | +0c | +0c |
| Pint of beer or cider | +0c | +0c | +0c |
| Standard measure of spirits | +0c | +0c | +0c |
| Petrol (per litre) | +0c | +0c | +0c |
| Diesel (per litre) | +0c | +0c | +0c |

2017 - Effective from midnight on 10 October 2017

Budget Review 2018

Sugar Tax

- ▶ Sweetened beverages (non alcoholic)
- ▶ Commencing on 1 April 2018
- ▶ Subject to State Aid approval
- ▶ Consistent with the UK

| Sugar Content | Tax Rate |
|------------------------------|---------------|
| 8 grams and over per 100ml | 30c per litre |
| 5 grams to 8 grams per 100ml | 20c per litre |

Budget Review 2018

CAPITAL ACQUISITION TAX



Budget Review 2018

Rates/Thresholds

| Rates | <u>2010</u> | <u>2013/15</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|-------------------------|--------------------|-----------------------|--------------------|--------------------|--------------------|
| Threshold Amount | 0% | 0% | 0% | 0% | 0% |
| Balance | 25% | 33% | 33% | 33% | 33% |
| | € | € | € | € | € |
| Threshold amount | <u>2010</u> | <u>2013/15</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| Child | 414 799 | 225,000 | 280,000 | 310,000 | 310,000 |
| Lin Ancestor/ Bro/Sis | 41,481 | 30,150 | 30,150 | 32,500 | 32,500 |
| Others | 20,740 | 15,075 | 15,075 | 16,250 | 16,250 |

Budget Review 2018

FARMERS

Budget Review 2017

Farmers

Inter-family farm transfers

- ▶ Stamp Duty relief - consanguinity
- ▶ Was to expire on 31 December 2017
- ▶ Extending for three years at 1% rate

Young Trained Farmers

- ▶ Stamp duty exemption on Agricultural land transactions
- ▶ Continues (expiry date 31.12.18)

Budget Review 2017

Farmers

Leasing of land for solar panels

- ▶ Classify as qualifying agricultural activity
- ▶ CAT agricultural relief
- ▶ CGT retirement relief
- ▶ Limit of 50% of total acreage

Budget Review 2018

VAT

Budget Review 2018

Rates

| <u>2011</u> | <u>2012 – 2017</u> | <u>2018</u> |
|-------------|--------------------|-------------|
| 0% | 0% | 0% |
| 13.5%/9% | 13.5%/9% | 13.5%/9% |
| 21% | 23% | 23% |

- Ø 9% VAT rate brought in by Finance (No.2) Act 2011 for certain activities
- Ø **Retained – no change to 9% rate for 2018**
- Ø **Sunbed Use – 23% rate with effect from 1.1.2018**

Budget Review 2018

Registration Threshold

| | € <u>2011 – 2017</u> | € <u>2018</u> |
|----------|-------------------------|------------------|
| Services | 37,500 | 37,500 |
| Goods | 75,000 | 75,000 |

Budget 2018

Charities Compensation Scheme

- Charities VAT exempt but no recovery
- Consultation process
- Compensation scheme from 1.1.2018 – claim 2019
- Proportion recoverable based on level of non-State funding
- Capped fund of €5m in 2019
- Claims restricted on a pro-rata basis
- Conditions:
 - **Registered with Charities Regulator**
 - **Tax clearance**
 - **Audited accounts**

Subject to review after 3 years

Budget Review 2018

Miscellaneous Measures

Budget 2018

Vacant Site Levy

- Introduced in 2015 Levied for each year from 2018
- Payable in 2019 (for 2018)
- Vacant site – greater than 0.5 hectares
- Zoned residential
 - Area with need for housing
 - Suitable for the provision of housing
 - Site (all or mainly) vacant
- Impacted by debt
- Planning Authorities creating register

Budget 2018

Vacant Site Levy

- Planning Authority determines value
- Appeal Process
- Rate was set at 3%

Increase the levy to 7% in year 2

Budget 2018

Vehicle Registration Tax

- Application of VRT on temporary import of leased vehicles
- Rebate scheme in place
- Ireland found to be in contravention of EU law
- Minister to bring forward proposals in 2018

Carbon Tax

- Review of carbon taxes – Budget 2019

Budget 2018

Revenue Initiatives

- Employer Compliance project
- E-commerce/Online Business compliance project
- Tax avoidance and base erosion capacity

Budget Review 2018

SOCIAL WELFARE SCHEME

Budget Review 2018

| Social Welfare Scheme | 2017 | 2018 |
|--|-------------|-------------|
| State Pension (contributory) [formerly OAP Pension - contributory] | | |
| Single | 238 | 243 |
| Married increase (spouse over 65) | 159 | 162 |
| State Pension (Non-contributory) [formerly OAP Pension – non-contributory] | | |
| Single | 227 | 232 |
| Married increase (spouse under 65) | 150 | 153 |

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| Job-seeker's Benefit (formerly unemployment benefit) | | 2017 | 2018 |
|--|--|------|------|
| Personal rate | | 193 | 198 |
| Person with qualified adult | | 321 | 329 |
| Job-seeker's Allowance (formerly unemployment assistance) | | | |
| Personal Rate - New Entrants under 25 (previously 22) | | 103 | 108 |
| New Entrants aged 25 | | 149 | 153 |
| Personal Rate - 26 years of age and over | | 193 | 198 |
| Person with qualified adult | | 321 | 329 |
| SWA - Personal Rate – 18 to 24 years of age (no children) | | 103 | 108 |
| Person (under 20) with qualified adult (with no children) | | 206 | 215 |

Budget 2018

- Christmas Bonus
 - **Increases to 85% this year**
- New telephone support scheme
- Jobplus recruitment incentive to hire older workers

- Prescription Charges (Under 70s)
 - **Monthly cap of €20 (from €25)**

Budget 2018

The Minister's conclusions

Sustainable and affordable tax reform

Broadening the tax base

Spending increases in line with growth

Risks, challenges and achievements

Budget Review 2018

Conclusion

Any final questions?



Thank you

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Important Information

The information in this pack is intended to provide only a general outline of the subjects covered. It should not be regarded as comprehensive or sufficient for making decisions, nor should it be used in place of professional advice.

Accordingly, Ernst & Young accepts no responsibility for loss arising from any action taken or not taken by anyone using this pack.

The information in this pack will have been supplemented by matters arising from any oral presentation by us, and should be considered in the light of this additional information.

If you require any further information or explanations, or specific advice, please contact us and we will be happy to discuss matters further.