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smart thinking

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# BUDGET HIGHLIGHTS 2018



## BUSINESS TAX

### CORPORATION TAX RATE

- The Minister reiterated in his Budget speech that the 12.5% Corporation Tax rate will remain in place indefinitely.

### CAPITAL ALLOWANCES

- The deduction for capital allowances for intangible assets, and any related interest expense, will be limited to 80% of the relevant income arising from the intangible asset in an accounting period.
- The scheme of accelerated capital allowances for energy efficient equipment is being extended to 31 December 2020.

### VAT

- The 9% VAT rate on tourism and services sector is retained.
- An increase in the VAT rate on sunbed services from 13.5% to 23% was announced.
- A VAT refund scheme is being introduced to compensate charities for the VAT they incur on their inputs. This scheme will be introduced in 2019 in respect of VAT expenses incurred in 2018.

### KEY EMPLOYEE ENGAGEMENT PROGRAMME (KEEP)

- An incentive scheme is being introduced to facilitate the use of share-based remuneration by unquoted SME companies to attract and retain key employees.

### TRAINING FUND LEVY

- From 1 January 2018 there will be a 0.1% increase in the National Training Fund Levy from 0.7% to 0.8%. This is payable by employers in respect of reckonable earnings of employees in class A and class H employments.

### BENEFIT IN KIND

- A 0% Benefit In Kind rate is being introduced for electric vehicles for a period of one year.

### BREXIT LOAN SCHEMES

- A new loan scheme of up to €300M was announced to assist SMEs with their short-term working capital needs to put in place the necessary changes to help their business grow into the future.
- Brexit response loan schemes were also announced for the agri-food sector.

## FARMER TAXATION

### FARMERS FLAT RATE

- There was no change to the farmers flat rate addition announced in the Budget speech.

### SOLAR INFRASTRUCTURE

- For the purpose of CAT agricultural relief and CGT retirement relief, agricultural land placed under solar infrastructure will continue to be classified as agricultural land, but with a condition restricting the amount of the farmland that can be used for solar infrastructure to 50% of the total farm acreage.

### STAMP DUTY

- Consanguinity Stamp Duty relief at 1% for family farm transfers has been continued for a further 3 years.
- The exemption for young trained farmers from Stamp Duty on agricultural land transactions continues.

## PROPERTY

### IRELAND STRATEGIC INVESTMENT FUND

- The Minister announced a €750m investment fund to be made available for commercial investment in housing finance. The funds will be made available through a new vehicle to be known as Home Building Finance Ireland (H.B.F.I.)

### STAMP DUTY

- The rate of Stamp Duty on commercial property transactions increases from 2% to 6% with effect from midnight on 10 October 2017.
- A Stamp Duty refund scheme relating to commercial land purchased for the development of housing is to be introduced subject to certain conditions including a requirement that developers will have to commence the relevant development within 30 months of the land purchase.

### VACANT SITE LEVY

- The 3% levy that applies in the first year is to increase to 7% in the second and subsequent years. This means that any owner of a vacant site on the register who does not develop the land in 2018 will pay a 3% levy in 2019 and will become liable to the increased rate of 7% from 1 January 2019.

### 7 YEAR PROPERTY CGT RELIEF

- The 7 year period for which owners had to retain qualifying assets to enjoy full relief from Capital Gains Tax (CGT) is reduced to 4 years. Accordingly owners can sell qualifying assets between the fourth and seventh anniversaries of their acquisition and still obtain full relief from CGT on such chargeable gains.

### PRE-LETTING EXPENSES

- To encourage owners of vacant residential property to bring that property into the rental market, a new deduction is being introduced for pre-letting expenses of a revenue nature incurred on a property that has been vacant for a period of 12 months or more.
- Allowable expenses of €5,000 per property will apply, and the relief will be subject to clawback if the property is withdrawn from the rental market within 4 years. The relief will be available for qualifying expenses incurred up to the end of 2021.





## PERSONAL TAX

### INCOME TAX

- There were no changes to the Income Tax rates.
- The exemption limits, tax credits and standard rate bands applicable for the tax year 2018 are set out in detail under the **Personal Tax Facts** section.
- A number of changes have been made to the rates and bands for USC which are set out in detail under the **Personal Tax Facts** section.
- Medical card holders and individuals aged 70 years and over whose aggregate net income is less than €60,000 will pay a maximum USC rate of 2%.

### TAX CREDITS

- The Minister has increased the Earned Income Credit by €200 to €1,150. The Home Carer Credit has also been increased by €100 to €1,200.

### MORTGAGE INTEREST RELIEF

- A tapered extension of mortgage interest relief for owner occupiers who took out qualifying mortgages between 2004 and 2012 was announced. 75% of the existing 2017 relief will be continued into 2018, 50% in 2019 and 25% in 2020. This relief will cease entirely from 2021.

## MISCELLANEOUS

### EXCISE DUTIES

- Excise Duty on a packet of 20 cigarettes is being increased by 50c with a pro rata increase on other tobacco products and an additional 25c on roll your own tobacco. This will take effect from midnight on 10 October 2017.
- Tax on sugar sweetened beverages is to be introduced on 1 April 2018. The tax will apply to sugar sweetened drinks with a sugar content between 5 - 8 grams per 100ml at a rate of 20c per litre. A second rate will apply for drinks with sugar content of 8 grams or above per 100ml at 30c per litre.

### SOCIAL WELFARE

- A €5 increase on all weekly Social Welfare payments was announced together with a further €5 increase in the State pension. These changes will take effect in the last week of March 2018.
- The Christmas bonus payment of 85% will again be paid to all Social Welfare recipients in 2017.

### FAMILY SUPPORTS

- The free pre-school programme will be extended to provide a full 2 year service.
- The Minister announced an increase in the earnings disregard for the One Parent Family payment and the Jobseekers Transitional scheme by €20 per week.
- The threshold for receipt of the Family Income Supplement is also increasing by €10 per week for families with up to 3 children.
- The weekly rate for the qualified child payment will also increase by €2 per week.

### DRUG PAYMENT SCHEME

- The drug payment scheme threshold is to be reduced from €144 to €134 per month.
- Prescription charges have been cut from €2.50 per item to €2 with the monthly cap decreasing from €25 to €20 for medical card holders under the age of 70.

# PERSONAL TAX FACTS

## TAX CREDITS FOR TAX YEAR 2018

	2018 €	2017 €		2018 €	2017 €
<b>PERSONAL</b>					
Single	1,650	1,650	<b>INCAPACITATED CHILD</b>	3,300	3,300
Married	3,300	3,300	<b>DEPENDANT RELATIVE</b>	70	70
Widowed Person	2,190	2,190	<b>BLIND PERSON</b>		
Single Person Child Carer	1,650	1,650	Single / Married	1,650	1,650
Home Carer Credit	1,200	1,100	Married (both blind)	3,300	3,300
<b>Earned Income Credit*</b>					
	1,150	950	<b>AGE CREDIT</b>		
<b>PAYE</b>	1,650	1,650	Single / Widowed	245	245
<b>WIDOWED PARENT BEREAVEMENT</b>			Married	490	490
Tax Credit year 1	3,600	3,600			
- Tapering to year 5	1,800	1,800			

\* No Earned Income Credit where individual entitled to a PAYE credit.

## INCOME TAX RATES

### SINGLE PERSONS 2018

20% First €34,550  
40% Balance

### LONE PARENT

20% First €38,550  
40% Balance

### MARRIED PERSONS 2018

(Two Incomes)  
20% First €69,100\*\*  
40% Balance

### (One Income)

20% First €43,550  
40% Balance

## INCOME TAX EXEMPTION LIMITS

	2018 €	2017 €
Single or Widowed 65 years or over	18,000	18,000
Married Couples 65 years or over	36,000	36,000

\*\* Transferable between spouses up to a maximum of €43,550 for any one spouse.

## UNIVERSAL SOCIAL CHARGE

### EMPLOYEES & SELF-EMPLOYED

#### 2018

0.00% on total earnings < €13,000  
 0.50% on €0 to €12,012  
 2.00% on €12,013 to €19,372  
 4.75% on €19,373 to €70,044  
 8.00% on €70,045 to €100,000

#### 2017

0.00% on total earnings < €13,000  
 0.50% on €0 to €12,012  
 2.50% on €12,013 to €18,772  
 5.00% on €18,773 to €70,044  
 8.00% on €70,045 to €100,000

**PAYE INCOME** 8.00% on excess over €100,000

8.00% on excess over €100,000

**SELF-EMPLOYED** 11.00% on excess over €100,000

11.00% on excess over €100,000

## PRSI

### EMPLOYER

#### 2018

#### 2017

#### Contribution for Class A

PRSI 10.05%  
 Training Levy 0.80%  
 Total for Employer 10.85% on all income  
 8.5% on earnings less than €376 p.w.

10.05%  
 0.70%  
 10.75% on all income  
 8.5% on earnings less than €376 p.w.

### EMPLOYEE

PRSI \*4.00% on all income

\*4.00% on all income

### SELF-EMPLOYED / DIRECTORS CONTRIBUTIONS

PRSI \*\*4.00% on all income

\*\*4.00% on all income

\* Not applicable if earnings less than €18,300 p.a. (€352 p.w.)

\*\*4.00% subject to a minimum payment of €500

As this release is intended as a general guide to the subject matter, it should not be used as a basis for decisions.

For this purpose advice should be obtained which takes into account all the client's circumstances.

Every effort has been made to ensure the accuracy of the information in the release.

In view of its purpose the reader will appreciate that we are unable to accept liability for any errors or omissions which may arise.