BUDGET 2018 HEADLINES

10 OCTOBER 2017

Table of Contents

Business Taxation

There will be an increase in Employers PRSI of 0.1% from 10.75% to 10.85% with effect from 1 January 2018.

An 80% cap on the amount of capital allowances, and related interest, that can be claimed each year against related income is to be reintroduced for intangible assets acquired from midnight tonight. The stated aim is to ensure some smoothing of corporation tax revenues over time. Any excess allowances/interest can be carried forward to future years so the change will not give rise to a reduction in the overall relief available. There should be no impact for IP acquired on or before 10 October 2017.

Government reaffirms its commitment to 12.5% Corporation Tax – "the 12.5% tax rate is, and will remain, a core part of our offering".

In response to the recommendations contained in the Coffey report last month, a public consultation process has been launched as part of the Update on the International Tax Strategy. This consultation will run until 30 January 2018 and can be accessed through the following link – http://budget.gov.ie/Budgets/2018/Documents/Update_International_Tax_Strategy_Consultation.pdf .

A share-based remuneration incentive called the Key Employee Engagement Programme or "KEEP" is being introduced to facilitate the use of share-based remuneration by unquoted SME companies to attract key employees. Gains arising to employees on the exercise of KEEP share options will be liable to Capital Gains Tax on disposal of the shares, in place of the current liability to income tax, USC and PRSI on exercise. This incentive will be available for qualifying share options granted after 1 January 2018 and the full conditions will be set out in the Finance Bill.

There was no mention of any expansion of Entrepreneurs Relief for capital gains tax so the existing limit of €1 million that is subject to the 10% tax rate would appear set to continue in place for 2018.

[Back to top]

Income Tax

The standard rate band has increased by €750 for all taxpayers.

	Income taxable at 20%	**Income taxable at 40%**
Single person	Income up to €34,550	Income over €34,550
Married persons (one earner)	Income up to €43,550	Income over €43,550

The Home Carer tax credit has increased by €100 to €1,200.

The Earned Income tax credit has increased by €200 to €1,150.

The USC rates and bands for have changed from 1 January 2018 as follows:

USC rates and bands 2017		**USC rates and bands 2018**		
€0 - €12,012	@ 0.5%	€0 - €12,012	@ 0.5%	No change
€12,012 - €18,772	@ 2.5%	€12,012 - €19,372	@ 2%	€600 band increase & 0.5% rate decrease
€18,772 - €70,044	@5%	€19,372 - €70,044	@ 4.75%	0.25% decrease in rate
Over €70,044	@ 8%	Over €70,044	@ 8%	No change
Non-PAYE income over €100,000 – 3% surcharge		Non-PAYE income over €100,000 – 3% surcharge		No change

The USC relief for medical card holders is being extended for a further two years. Medical card holders and individuals aged 70 years and older whose aggregate annual income does not exceed €60,000 will pay USC at a maximum rate of 2%.

Other Personal Tax Measures

Mortgage interest relief in respect of qualifying loans provided to owner occupiers between 2004 and 2012 to purchase, repair, develop or improve the home was due to cease from 31 December 2017. The relief has been extended to 2020, but in a tapered manner. The relief will be restricted over the coming years as follows:

- 75% of existing relief in 2018
- 50% of existing relief in 2019
- 25% of existing relief in 2020

After 2020, mortgage interest relief will cease.

A 0% benefit in kind (BIK) is being introduced for one year in respect of electric vehicles. Electricity used in the workplace for charging such vehicles will also be exempt from BIK. A review of BIK treatment of motor vehicles will take place in advance of next year's Budget.

As provided for in Finance Act 2016, the rate of DIRT will be reduced by 2% for 2018. By 2020, the rate of DIRT will fall to 33%. The Minister did not announce any changes to the rate of the exit tax applicable to life assurance policies or fund investments.

[Back to top]

Property

The holding period to qualify for the exemption from Capital Gains Tax for certain land and buildings will be reduced from 7 years to 4 years. The full exemption on capital gains will now apply to those assets disposed of in years 5 to 7.

New agency 'Home Building Finance Ireland' (HBFI) announced to provide loans totalling up to €750m on market terms to fund residential development projects.

Vacant site levy increases from 3% to 7% in the second and subsequent years as the Government seeks to tackle so-called 'land hoarding'. The increased rate would first apply from 1 January 2019.

A new deduction of up to €5,000 per property for pre-letting expenses of a revenue nature will be introduced for owners of residential property that has been vacant for a period of 12 months or more. A clawback will arise 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.

There was no mention of any changes to the Help To Buy scheme for first time buyers that was introduced in Finance Bill 2016.

[Back to top]

Stamp Duty

Increase in the rate of stamp duty on commercial property from 2% to 6% with effect from midnight tonight. However, a stamp duty refund scheme will be introduced for commercial land purchased for the development of housing, provided the relevant development commences within 30 months of the land purchase.

[Back to top]

Indirect Tax

The Minister confirmed the reduced 9% VAT rate for the tourism and hospitality sector will be retained.

A VAT refund scheme will be introduced in respect of VAT paid on expenditure incurred by charities in 2018. The amount of VAT recoverable under the scheme will be based on the level of non-public funding a charity receives.

The VAT rate which applies to sunbed services (e.g. provided in tanning salons) will be increased from 13.5% to 23% with effect from 1 January 2018.

Duty on a packet of 20 cigarettes will be increased by 50 cent (including VAT) from midnight tonight (10 October 2017), with a pro rata increase on other tobacco products.

A tax on sugar-sweetened drinks ("sugar-tax") will be introduced on 1 April 2018, subject to State Aid approval. The tax will be levied at 30 cent per litre on relevant drinks containing more than 8 grams of sugar per 100 millilitres and 20 cent per litre on drinks where the sugar content is between 5 grams and 8 grams per 100 millilitres.

[Back to top]

Capital Acquisitions Tax

There were no changes announced to the CAT exempt thresholds.

[Back to top]

Agriculture

For the purpose of CAT agricultural relief and CGT retirement relief, agricultural land used for solar farms will continue to be classified as agricultural land. However, the amount of the farmland that can be used by the solar farm will be restricted to 50% of the total farm acreage.

Consanguinity stamp duty relief at a rate of 1 per cent for inter-family farm transfers is being extended for a further three years.

A renewable heat incentive (“RHI”) is being introduced with an initial budget of €17m.

[Back to top]

Compliance Measures

Additional funds are being allocated to the Revenue Commissioners to increase its technical capacity to tackle complex tax avoidance and transfer pricing cases, with specific reference to the Revenue's Competent Authority role.

In preparation for PAYE Modernisation, a range of compliance interventions (with a focus on ICT capacity and data analytics) will be made to ensure compliance with employer PAYE obligations.

[Back to top]

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