BUDGET 2018

Tax Guide

- Second Budget of minority government of 32nd Dáil;
- Minor Reduction in USC rates and increases in thresholds;
- Increase of self-employed "earned income credit" and "home carer credit";
- Agricultural Relief and Retirement Relief for lands covered by Solar Panels;
- Increase in Stamp Duty on Commercial Property transactions
- Charities VAT Compensation Scheme to be introduced
- Mortgage Interest relief to be tapered out by 2021;
- Sugar Taxes on the way…;
- Reduced holding period to avail of CGT exemption from 7 years to 4 years;
- Share Option scheme to be introduced for SME employees;
- Revenue to invest in more ICT "big data" analytics and matching

Income Tax

There will be a €100 increase in the **Home Carer Tax Credit** from €1,100 to €1,200. This will help single income married couples with children or those who care for an elderly or incapacitated relative.

The **Earned Income Credit** introduced two years ago is to increase €1,150 per annum. This is available to taxpayers earning self-employed trading or professional income under Cases I, II and III of Schedule D and to business owner/managers who are ineligible for a PAYE credit on their salary income.

USC

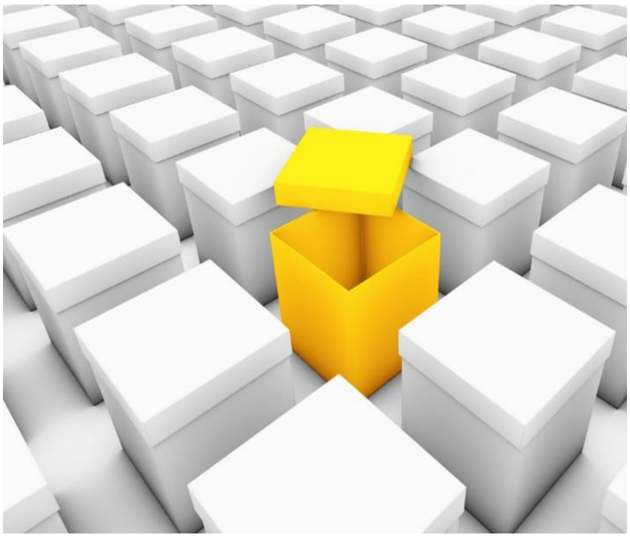
The **USC** entry threshold remains at €13,000. The Minister announced reductions in the USC rates as follows:-

€0 to €12,012 @ 0.5%
€12,013 to €19,372 @ 2.0%
€19,372 to €70,044 @ 4.75%
€70,045 to €100,000 @ 8%
PAYE income over €100,000 @ 8%

Self-employed income in excess of €100,000 will continue to attract the 11% rate. Medical card holders and individuals aged 70 years and over whose aggregate income does not exceed €60,000 will now pay a maximum rate of 2.0% USC.

SRCOP

The standard rate cut-off point (SRCOP) is to increase by €750 for all earners, from €33,800 to €34,550 for single individuals and from €42,800 to



€43,550 for married one earner couples from 1 January 2018.

CAT

The current **tax free thresholds** which applies primarily to gifts and inheritances for the various categories of relationships are unchanged. The **Group A** lifetime tax-free threshold applying to gifts and inheritances from parents to children remains at €310,000. The **Group B** lifetime tax-free threshold applying to gifts and inheritances made to parents, siblings, nieces, nephews or grandchildren remains at €32,50. The **Group C** lifetime tax-free threshold applying to gifts and inheritances made to all others (except spouses and civil partners who are exempt) remains at €16,250. CAT rate remains at 33%

Solar Farms

For the purposes of CAT Agricultural Relief and CGT Retirement Relief, land placed under solar infrastructure will continue to be classified as agricultural land provided the infrastructure does not cover in excess of 50% of the total farm acreage.

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Agri-Taxation

VAT Flat Rate Addition

The farmer's flat-rate addition remains at 5.4%.

Stamp Duty reliefs

The Consanguinity Stamp Duty relief at 1 per cent for inter-family farm transfers will continue for a further three years to 31 December 2020.

The exemption for **Young Trained Farmers** from stamp duty on agricultural land transactions also continues.

Stamp Duty

Non-residential Property

The level of stamp duty on commercial property transactions increases from 2 per cent to 6 per cent with effect from midnight 10th October 2017. In relation to commercial land purchased for the development of housing, it is intended to introduce a stamp duty refund scheme. The refund will be subject to certain conditions, including a requirement that developers will have to commence the relevant development within 30 months of the land purchase. Details will be set out in the Finance Bill.

VAT

Charities VAT Compensation Scheme

A VAT refund scheme is being introduced to compensate charities for the VAT they occur on their inputs. The scheme will be introduced in 2019 in respect of VAT expenses incurred in 2018. Charities will be entitled to a refund of a proportion of their VAT costs based on the level of non-public funding they receive. Details to follow in the Finance Act.

There will be no change to the **9% reduced rate** of VAT applying to the tourism sector.

Property Incentive

Help to Buy

An income tax rebate incentive was introduced to assist **first time buyers** of new homes to fund the deposit required under the Central Bank macro-prudential rules last year. It consists of a rebate of income tax paid over the previous four years up to 5% of the purchase price of up to €400,000.

Where new homes are valued between €400,000 and €600,000 the maximum relief (i.e. €20,000) will continue to be available. The house must be a new build and applicants must take out a mortgage of at least 80% of the purchase price. This scheme will run until the end of 2019.

Mortgage Interest Relief

There will be a tapered extension of mortgage interest relief for remaining recipients – owner occupiers who took out qualifying mortgages between 2004 and 2012. 75% of the existing 2017 relief will be continued into 2018, 50% into 2019 and 25% into 2020.

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Excise & Others

Tobacco Products Tax

The excise duty on a packet of 20 cigarettes is being increased by 50 cents (including VAT) with a pro-rata increase on the other tobacco products, with effect from midnight on 10 October 2017.

Sugar Tax

A 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 grams and 8 grams per 100ml at a rate of 20c per litre. A second rate will apply for drinks with a sugar content of 8 grams or above at 30c per litre.

BIK on Electric Vehicles

A 0% benefit-in-kind (BIK) rate is being introduced for electric vehicles for a period of 1 year. This will for allow for a comprehensive review of benefit in kind on vehicles which will inform decisions for the next Budget.

Electricity used in the workplace for charging vehicles will also be exempt from benefit in kind.

Capital Gains Tax

7-year CGT relief

For those who availed of the 7 year capital gains tax exemption, the Minister has introduced a significant change by reducing the holding period from 7 years to 4 years. This will allow the owners of qualifying assets to sell those assets between the fourth and seventh anniversaries of their acquisition and still enjoy a full relief from CGT on any chargeable gains.

Key Employee Engagement Programme ("KEEP")

A share-based remuneration incentive 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 between 1 January 2018 and 31 December 2023.

Rented Residential Property

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. A cap on 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.

Revenue Powers – Big Brother

In preparation for PAYE Modernisation and to ensure compliance with employer obligations a range of compliance interventions rolled out to include enhancing ICT capacity for data matching and analytics, and capability building.

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