

BUDGET 2019

Tax Guide

- Third Budget of minority government of 32nd Dáil;
- €1.5Bn “rainy day fund” to be established
- Reduction in middle USC rate and increase in lower threshold;
- Increase of self-employed “earned income credit” and “home carer credit”;
- Income Averaging criteria to be extended to farmers with off-farm income;
- No changes in Stamp Duty on Commercial or Residential Property transactions
- VAT Rate on tourism sector restored to 13.5% from 1 January 2019
- Interest relief on rental residential accommodation to be restored to 100%;
- Changes to Share Option scheme for SME employees, to improve take up;
- Anti-Avoidance Exit Tax to take effect from Budget night
- Increase in minimum wage and introduction of two weeks paid Parental Leave



Income Tax

There will be a €300 increase in the **Home Carer Tax Credit** from €1,200 to €1,500. This will help single income married couples with children or those who care for an elderly or incapacitated relative.

The **Earned Income Credit** introduced three years ago is to increase to €1,350 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

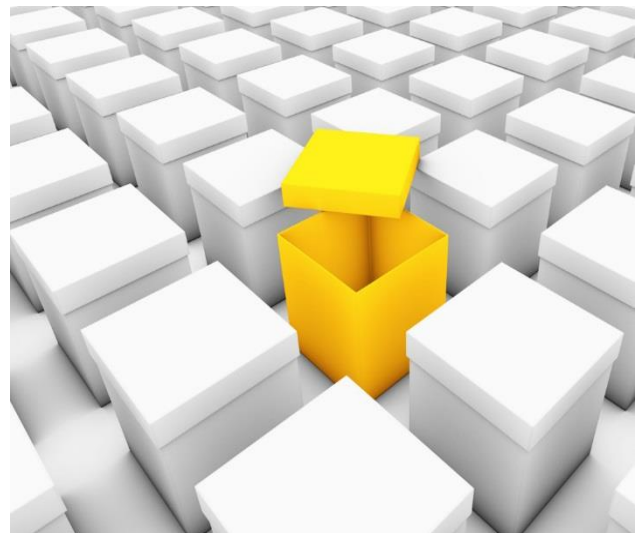
The **USC** entry threshold remains at €13,000. The Minister announced changes to USC rates / bands as follows:-

- €0 to €12,012 @ 0.5%
- €12,013 to €19,874 @ 2.0%
- €19,875 to €70,044 @ 4.5%
- €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 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 €34,550 to €35,300 for single individuals and from €43,550 to €44,300 for married one earner couples from 1 January 2019.



CAT

The **Group A** lifetime tax-free threshold applying to gifts and inheritances from parents to children increases from €310,000 to €320,000. The **Group B** lifetime tax-free threshold applying to gifts and inheritances made to parents, siblings, nieces, nephews or grandchildren remains at €32,500. 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%

Property Incentive

Rented Residential Mortgages

The proposed tapered extension of mortgage interest relief for rented residential accommodation has been accelerated to allow landlords offset 100% of the interest against rental income with effect from 1 January 2019.



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Agri-Taxation

VAT Flat Rate Addition

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

Stock Relief

The existing stock relief measures are being extended for a further three years to 31 December 2021.

Stamp Duty Relief

The exemption for **Young Trained Farmers** from stamp duty on agricultural land transactions is extended for another three years to 2021.

Income Averaging

The qualifying criteria for Income Averaging is being extended to include farms with off-farm trading income.

Anti-Avoidance Exit Tax

As part of Ireland's commitment to implementing the **Anti-Tax Avoidance Directive (ATAD)**, Budget 2019 introduces a new ATAD compliant exit tax regime from Budget night. It will tax unrealised capital gains where companies migrate or transfer assets offshore such that they leave the scope of Irish tax. The rate for the new ATAD compliant exit tax will be set at 12.5%. Early introduction of this measure will provide certainty to businesses currently located in Ireland and considering investing in Ireland in the future.



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VAT

Reduced VAT Rate Changes

There will be an increase in the rate of VAT in the **tourism sector** to 13.5% from 1 January 2019.

The reduced rate of 9% will be retained for **sporting facilities** and **newspaper publications** and there will be a reduction in the rate for **electronic publications** from 23% to 9%.

Corporation Tax

Corporation Tax Rate

The 12.5% Corporation tax rate remains unchanged.

Controlled Foreign Companies

New Controlled Foreign Company (CFC) rules, in line with the Anti-Tax Avoidance Directive (ATAD), will apply for accounting periods beginning on or after 1 January 2019.

Film Tax Credit

Film corporation tax credit is being extended until December 2024.

Start-up Companies Relief

The three-year tax relief for certain start-up companies is being extended until the end of 2021.

Accelerated Capital Allowances

The Accelerated Capital Allowances for Employer-Provided **Fitness and Childcare Facilities** is to be amended from 1 January 2019. Its purpose is to incentivise employers to provide fitness and/or childcare facilities for the use of their employees, by providing an accelerated deduction for the capital investment costs incurred (certain of which are currently allowed over 8 years).

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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 9 October 2018.

Diesel Surcharge

A 1% VRT surcharge is being brought in for diesel engine passenger vehicles registering in the State from 1 January 2019.

Betting Duty

There will be an increase in the betting duty on bets placed by customers in the State:

- from 1% to 2% for all bookmakers and
- from 15% to 25% on the commission earned by betting intermediaries.

VRT on Hybrids / Plug-ins

The VRT relief available for conventional hybrids and plug-in electric hybrids is being extended for a period of one year, until end 2019.

Employers

Paid Parental Leave

A new paid parental leave scheme will be introduced in November 2019 to provide two extra weeks' leave to every parent of a child in their first year. The Government intends to increase this to seven extra weeks over time.

Employers PRSI

The weekly threshold for the higher rate of employer's PRSI will be increased from €376 to €386 from 1 January 2019.

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Key Employee Engagement Programme ("KEEP")

The share-based remuneration incentive introduced last year to facilitate the use of share-based remuneration by unquoted SME companies to attract key employees is being enhanced. Gains arising to employees on the exercise of KEEP share options will be liable to Capital Gains Tax on disposal of the shares. Qualifying share options must be granted between 1 January 2018 and 31 December 2023. The changes are:

- to increase the ceiling on maximum annual market value of shares that may be awarded to equal the amount of the salary (up from 50%);
- to replace the three-year limit with a lifetime limit; and
- to increase the quantum of share options that can be granted under the scheme from €250,000 to €300,000.

Minimum Wage Increase

From 1 January 2019 the hourly minimum wage is to increase to €9.80 per hour from the existing €9.55 per hour.

0% BIK on Electric Vehicles

The 0% Benefit-in-kind rate for electric vehicles is being extended for a period of 3 years, with a cap of €50,000 on the Original Market Value of the vehicle.

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

