

KM&D Karl McDonald
& COMPANY

Karl McDonald

KARL McDONALD & COMPANY ACCOUNTANTS

21 Belvedere Place, Dublin 1 - Phone: +353 1 855 4188 - info@karlmcDonald.ie

Visit our website: www.karlmcDonald.ie

Budget

18

Budget 2018



BUDGET SUMMARY 2018

The following are details of the Budget Statement of 10 October 2017, as made by the Minister for Finance and Public Expenditure and Reform.

Income Tax

The tax credits and tax bands changes are in bold.

Tax Credits

Tax Credit	2017 €	2018 €
Single Person	1,650	1,650
Married or in a Civil Partnership	3,300	3,300
Employee Tax Credit	1,650	1,650
Earned Income Tax Credit Max	950	1,150
Widowed Person or Surviving Civil Partner (without qualifying child)	2,190	2,190
Single Person Child Carer Tax Credit	1,650	1,650
Incapacitated Child Credit Max	3,300	3,300
Blind Tax Credit:		
Single Person	1,650	1,650
Married or in a Civil Partnership - One Spouse or Civil Partner Blind	1,650	1,650
Married or in a Civil Partnership - Both Spouses or Civil Partners Blind	3,300	3,300
Widowed Parent:		
Bereaved in 2017	-	3,600
Bereaved in 2016	3,600	3,150
Bereaved in 2015	3,150	2,700
Bereaved in 2014	2,700	2,250
Bereaved in 2013	2,250	1,800
Bereaved in 2012	1,800	-
Age Tax Credit:		
Single or Widowed or Surviving Civil Partner	245	245
Married or in a Civil Partnership	490	490
Dependent Relative	70	70
Home Carer Tax Credit	1,100	1,200

Tax Rates and Tax Bands

Personal Circumstances	2017 €	2018 €
Single or Widowed or Surviving Civil Partner, without qualifying child	33,800 @ 20% Balance @ 40%	34,550 @ 20% Balance @ 40%
Single or Widowed or Surviving Civil Partner, qualifying for Single Person Child Carer Credit	37,800 @ 20% Balance @ 40%	38,550 @ 20% Balance @ 40%
Married or in a Civil Partnership, one Spouse or Civil Partner with Income	42,800 @ 20% Balance @ 40%	43,550 @ 20% Balance @ 40%
Married or in a Civil Partnership, both Spouses or Civil Partners with Income	42,800 @ 20% with increase of 24,800 max. Balance @ 40%	43,550 @ 20% with increase of 25,550 max. Balance @ 40%

Exemption Limits

The exemption limits for persons aged 65 years and over remain unchanged:

Personal Circumstances	2017 €	2018 €
Single or Widowed or a Surviving Civil Partner, 65 years of age & over	18,000	18,000
Married or in a Civil Partnership, 65 years of age & over	36,000	36,000

The above exemption limits are increased by €575 for each of the first two dependent children and by €830 for the third and subsequent children.

Marginal Relief may apply, subject to an income limit of twice the relevant exemption limit.

Mortgage Interest Relief

Relief is extended to existing recipients for a further three years on a tapered basis. Qualifying interest applies for each of the three years at the following rates:

	2017	2018	2019	2020
Qualifying Interest	100%	75%	50%	25%

The interest ceilings are also reduced for each of the three years as follows:

First time buyers				
	2017 €	2018 €	2019 €	2020 €
Single (unmarried or not in a civil partnership)	10,000	7,500	5,000	2,500
Married, in a civil partnership, widowed, or a surviving civil partner	20,000	15,000	10,000	5,000
Non-first time buyers				
	2017 €	2018 €	2019 €	2020 €
Single (unmarried or not in a civil partnership)	3,000	2,250	1,500	750
Married, in a civil partnership, widowed, or a surviving civil partner	6,000	4,500	3,000	1,500

No relief will be available from 1 January 2021.

Key Employee Engagement Programme (KEEP)

A new share option scheme will be introduced for employees of unquoted Small and Medium Enterprises with effect from 1 January 2018, subject to EU approval. Under this new scheme, any gain realised on the exercise of a qualifying share option, granted in the period 1 January 2018 to 31 December 2023, will be exempt from Income Tax, USC and PRSI, provided certain conditions are met.

Any gain on the subsequent disposal of the shares acquired under KEEP will be subject to Capital Gains Tax (CGT) in the normal way.

Pre-letting Expenses – Rented Residential Property

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. The expenditure must be incurred within the 12 month period before it is let as a rented residential premises.

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 four years. The relief will be available for qualifying expenses incurred up to the end of 2021.

Universal Social Charge (USC)

The USC changes are in bold.

Standard Rates of USC

USC Thresholds			
2017	Rate	2018	Rate
Income up to €12,012.00	0.5%	Income up to €12,012.00	0.5%
Income from €12,012.01 to €18,772.00	2.5%	Income from €12,012.01 to €19,372.00	2%
Income from €18,772.01 to €70,044.00	5%	Income from €19,372.01 to €70,044.00	4.75%
Income above €70,044.00	8%	Income above €70,044.00	8%

Reduced Rates of USC

USC Thresholds			
Individuals aged 70 years or over whose aggregate income for the year is €60,000 or less.			
Individuals (aged under 70) who hold a full medical card whose aggregate income for the year is €60,000 or less.			
2017	Rate	2018	Rate
Income up to €12,012.00	0.5%	Income up to €12,012.00	0.5%
Income above €12,012.00	2.5%	Income above €12,012.00	2%

Note 1. 'Aggregate' income for USC purposes does not include payments from the Dept. of Employment Affairs and Social Protection.

Note 2. A 'GP only' card is not considered a full medical card for USC purposes.

Exempt Categories

These remain unchanged:

2017	2018
Where an individual's income for a year does not exceed €13,000	Where an individual's income for a year does not exceed €13,000
All Dept. of Employment Affairs and Social Protection payments	All Dept. of Employment Affairs and Social Protection payments
Income already subjected to DIRT	Income already subjected to DIRT

3% Surcharge (non-PAYE income)

The surcharge of 3% on individuals who have non-PAYE income that exceeds €100,000 in a year remains unchanged.

Value Added Tax (VAT)

Sunbed Services

The VAT rate on sunbed services will be increased from 13.5% to 23% with effect from 1 January 2018.

Charities

A compensation scheme is being introduced for charities which are unable to reclaim VAT on inputs. A capped amount will apply to the scheme, with pro-rata payments made where the amount claimed exceeds the amount available. Details of the scheme will be made available when complete.

Capital Gains Tax (CGT)

CGT property incentive for land and buildings held for minimum period of seven years

An amendment will be made to section 604A of the Taxes Consolidation Act 1997, which relates to the CGT relief for gains in respect of land and buildings that are held for a minimum period of seven years. The amendment will provide that gains in respect of land or buildings that were acquired between 7 December 2011 and 31 December 2014 will be exempt from CGT if they are sold after four years and within seven years from the date they were acquired.

Capital Acquisitions Tax (CAT) / CGT

Leasing of agricultural land for solar energy production - CAT agricultural relief and CGT retirement relief

Amendments will be made to CAT agricultural relief and CGT retirement relief so that the leasing of agricultural land for the production of solar energy will not affect entitlement to the reliefs, where the area of the land which is leased for that purpose does not exceed 50% of the total area of the land concerned.

Details will be included in the Finance Bill.

Corporation Tax (CT)

Accelerated capital allowances for energy-efficient equipment

The accelerated capital allowances scheme for energy-efficient equipment is being extended for a further three years until 31 December 2020.

Capital allowances for intangible assets

Following the recommendation of Mr Seamus Coffey in his Review of Ireland's CT Code, a cap of 80% will apply in respect of the amount of capital allowances for an intangible asset, and any related interest expense, that may be deducted from relevant trading income arising from the intangible asset in an accounting period.

The cap applies in respect of expenditure incurred on intangible assets on or after 11 October 2017.

Details will be included in the Finance Bill.

Excise

Sugar Sweetened Drinks Tax (SSDT)

The SSDT will be introduced, subject to formal approval by the European Commission, in April 2018. It will apply to first supplies in the State of water and juice based drinks with added sugar and a total sugar content of 5g or more per 100 millilitres.

Sugar content (per 100 millilitres)	Rate
between 5g and 8g	20 cent per litre
8g or more	30 cent per litre

Drinks supplied in concentrated form will be assessed on the basis of the sugar content of the drink at the dilution level intended for consumption.

Tobacco Products Tax (TPT)

TPT rates are increased with effect from 11 October 2017. The increase amounts to 50 cent, inclusive of VAT, on a packet of 20 cigarettes in the most popular price category, with pro rata increases on other tobacco products. An additional 25 cent inclusive of VAT is being added to the price of 30g packets of Roll Your Own (RYO) tobacco.

Alcohol Products Tax (APT)

There are no changes to the APT rates.

Mineral Oil Tax (MOT)

There are no changes to the MOT rates.

Stamp Duty

Transfer or conveyances of non-residential property

The stamp duty on the purchase or transfer of non-residential property (including land) is increased from 2% to 6%. The new rate takes effect for conveyances or transfers of such property that are executed on or after 11 October 2017. Stamp duty is payable by the purchaser.

A stamp duty refund scheme will be introduced in relation to commercial land purchased for the development of housing. Developers will need to have commenced the relevant development within 30 months of the land purchase to qualify for the refund.

Leases of non-residential property

The rate of stamp duty charged on the premium component is increased from 2% to 6%. A premium is an additional amount (usually payable in a lump sum) that may or may not be payable in addition to the rent. There is no change in the rates of stamp duty on the rent component of a lease. The new rate takes effect for leases that are executed on or after 11 October 2017.

Consanguinity relief and agricultural property

The consanguinity rate of stamp duty was due to expire on 31 December 2017 but is to be extended for another three years. On or after 11 October 2017, it is to be charged at 1% of the consideration instead of being set at half the rate of stamp duty that applies to non-residential property. This means that the amount of stamp duty payable will remain unchanged.

This relief applies to transfers of agricultural property between certain blood relatives where the transferee is a young trained farmer who intends to farm the land or lease the land to someone who farms the land for a period of six years.

Vehicle Registration Tax (VRT)

There are no changes to VRT.

Benefit in Kind

Electric Cars and Vans

From 1 January 2018 to 31 December 2018, where an employer provides an employee or director with an electric car or van, no taxable benefit will arise for the employee or director.

This exemption is limited to cars or vans which derive their motive power solely from electricity (no exemption is available in respect of hybrid cars or vans).

Charging points for Electric Vehicles

The provision of charging points on site by an employer for the electric charging of vehicles will not give rise to a taxable benefit for the employee or director from 1 January 2018.

Legal Disclaimer

This leaflet is intended to describe the subject in general terms. As such, it does not attempt to cover every issue which may arise in relation to the subject. It does not purport to be a legal interpretation of the statutory provisions and consequently, responsibility cannot be accepted for any liability incurred or loss suffered as a result of relying on any matter published herein.