KELLIHER O'SHEA

Chartered Accountants & Registered Auditors

Kelliher O'Shea, Chartered Accountants & Registered Auditors

Introduction

- This is the third post austerity budget in a row and is cautious in nature
- The government has reaffirmed its commitment to providing an attractive corporation tax regime
- The 9% VAT rate was maintained which for the tourism sector in Kerry is a welcome decision
- The introduction of a Charities VAT compensation scheme
- There were a number of personal tax amendments announced on Tuesday however these were small in nature
- No change to the personal tax rate of those earning over €70,000 who are paying tax at a rate of up to 55%
- Employer's PRSI is to increase by 0.1% each year for the next three years
- Minimum wage to increase by 30 cent to €9.55 per hour
- Reduction on the period required to hold certain property assets that qualified for CGT relief
- Increase in commercial stamp duty from 2% to 6% has taken effect. This will impact agricultural land purchases also
- Increase in vacant site levy from 3% to 7%
- Incentives for farmers to lease land for solar development
- 0% BIK rate for electric vehicles in 2018
- Employers to expect Revenue compliance interventions in anticipation of PAYE Modernisation taking effect from 1 January 2019

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Budget 2018

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Personal Tax

Universal social charge

- Targeted at low to middle income earners
- No change to the entry point of €13,000
- A 0.5% reduction to the current 2.5% rate and a 0.25% reduction to the current 5% rate
- The ceiling at which the new 2% will apply is increased to €19,372 to take into account the increase in the minimum wage
- Those earning up to €70,044 will have a new marginal rate of tax of 48.75%
- The 52% marginal rate continues to apply to incomes above €70,044 and the 55% rate for self employed income above €100,000
- The maximum benefit to any individual is €178 per annum
- Working group being established to look at amalgamating USC and PRSI over the medium term

Income tax bands

- The standard cut-off band being increased by €750 to €34,550 for a single person and €43,550 for single income couples who are married or in a civil partnership
- The maximum annual benefit amounts to €150

Earned income credit

- First introduced in 2016 to bridge the gap between taxes paid by those employed and self employed individuals
- The credit for 2018 will increase by €200 to €1,150
- It's still €500 lower than the PAYE credit of €1,650

Home carer credit

- An increase of €100 to the full credit bringing it to €1,200
- Available where the carer's income (excluding carer's benefit and carer's allowance) is €7,200 or less

Mortgage interest relief

- Previously announced in Budget 2017 that it would be extended to 2020
- Being phased out over the next 3 years at 75%, 50% and 25% of the existing relief available in 2017

Budget 2018

Business Tax

Key Employee Engagement Programme (KEEP)

- A new Revenue approved employee share option plan for start up companies and SMEs
- Currently employee share option schemes are subject to income tax at the date of exercise
- The new scheme will defer the taxation of gains on employee shares until the sale of those shares
- They will be subject to CGT rather than income tax
- Available for qualifying share options granted between 1 January 2018 and 31 December 2023

BIK on electric vehicles

- Proposed 0% BIK rate for electric vehicles in 2018
- Current BIK rates for cars range from 6% to 30% of the Original Market Value (OMV) depending on level of business mileage
- A comprehensive review of BIK on cars is to be undertaken

National Training Fund Levy

- An increase of 0.1% in 2018 to 0.8%
- It is collected as part of Employer PRSI which will increase to 10.85% in 2018
- An additional cost of employment on employers
- Expected to increase in 2019 and 2020 by 0.1% each year

PAYE compliance project

- Compliance interventions are to be expected in advance of PAYE Modernisation in January 2019
- PAYE Modernisation will require employers to submit real time information on income and taxes for each employee
- Employees will have online access to real time information
- No more P30s or P35s
- You need to review your employee data and payroll processes
- We will run a specific PAYE Modernisation seminar in the coming months

Budget 2018

Business Tax

Brexit Loan Scheme

- A €300m scheme for SMEs to innovate and expand into new markets
- Loans to be provided at competitive rates and aimed at helping with short-term working capital requirements
- Follows on from the Agricultural Cashflow Support Loan Scheme for farmers
- It is anticipated that the conditions for accessing the Brexit Loan Scheme will be similar to that of the scheme mentioned above

Taxation of intangible assets

- Cap on the annual deductibility of capital allowances related to intangible assets being reintroduced
- 80% cap reintroduced for expenditure incurred from midnight on Budget Day
- The cap merely limits the deductible amount in a given tax year

Accelerated capital allowances

- Scheme extended to 2020
- Allows 100% capital allowances to be claimed in the year of first use
- Qualifying equipment is included on a list maintained by The Sustainable Energy Authority of Ireland (SEAI)

Solar farm measures

- Agricultural land leased for solar development will retain its status as agricultural land for certain CAT and CGT reliefs
- The solar panels cannot cover more than 50% of the total farm acreage in order to claim the reliefs

VAT

9% reduced VAT rate

- The second reduced rate of 9% was maintained
- Applies to a range of goods and services principally in the tourism and hospitality sector
- This rate will come under further pressure in future budgets if the hospitality sector continues to perform strongly

Sunbed services

- Vat on sunbed services was increased to 23% from 13.5%

Charities VAT compensation scheme

- New scheme to partially compensate charities for VAT suffered on their operating costs
- Scheme will come into effect from 1 January 2018 and refunds will be payable one year in arrears
- The amount of eligible VAT that can be claimed will be linked to the amount of privately sourced income generated from fundraising, donations and subscriptions
- Required to be registered with the Charities Regulator and have a Tax Clearance Certificate
- Claims below €500 will not qualify
- The maximum fund available in 2019 will be €5m to cover all claims received

Property

7 year CGT exemption amendments

- Land & buildings acquired between 7 December 2011 and 31 December 2014 qualify for a CGT exemption
- Previously required to hold the assets for a minimum period of 7 years
- The amendment aims to enable owners to sell assets between the fourth and seventh anniversary of the acquisition date
- Further clarification is expected in the Finance Bill being published on 19 October 2017

Stamp duty on commercial property

- Non-residential property stamp duty rate has increased from 2% to 6% since midnight on Budget Day
- Applies to instruments executed on or after 11 October 2017
- Includes agricultural property but current reduced rates for intra-family and young trained farmers still apply
- Transitional measures are expected to be included in the Finance Bill to deal with binding contracts signed prior to 11 October 2017
- A stamp duty refund scheme will be introduced to encourage housing developments

Vacant site levy

- The Urban Regeneration and Housing Act 2015 introduced legislation to establish a vacant site register
- Relating to sites situated in an area in need of housing
- 3% levy in year 1 and 7% in subsequent years

Funding for developers

- Home Building Finance Ireland (HBFI) will provide commercial lending to viable residential development projects
- The fund is being allocated up to €750m
- HBFI will fund up to 80% of a project at an interest rate of 8% based on the latest information available

Pre-letting residential expenses

- Allow a deduction for pre-letting expenses of a revenue nature (routine repairs & maintenance) for a property vacant for 12 months or more
- Property has to be let for 4 years or the relief is subject to a clawback
- Cap of €5,000 per property and is available up to 31 December 2021