



# Budget 2019

10 October 2018

FIONA MURPHY  
TAX PARTNER  
RBK

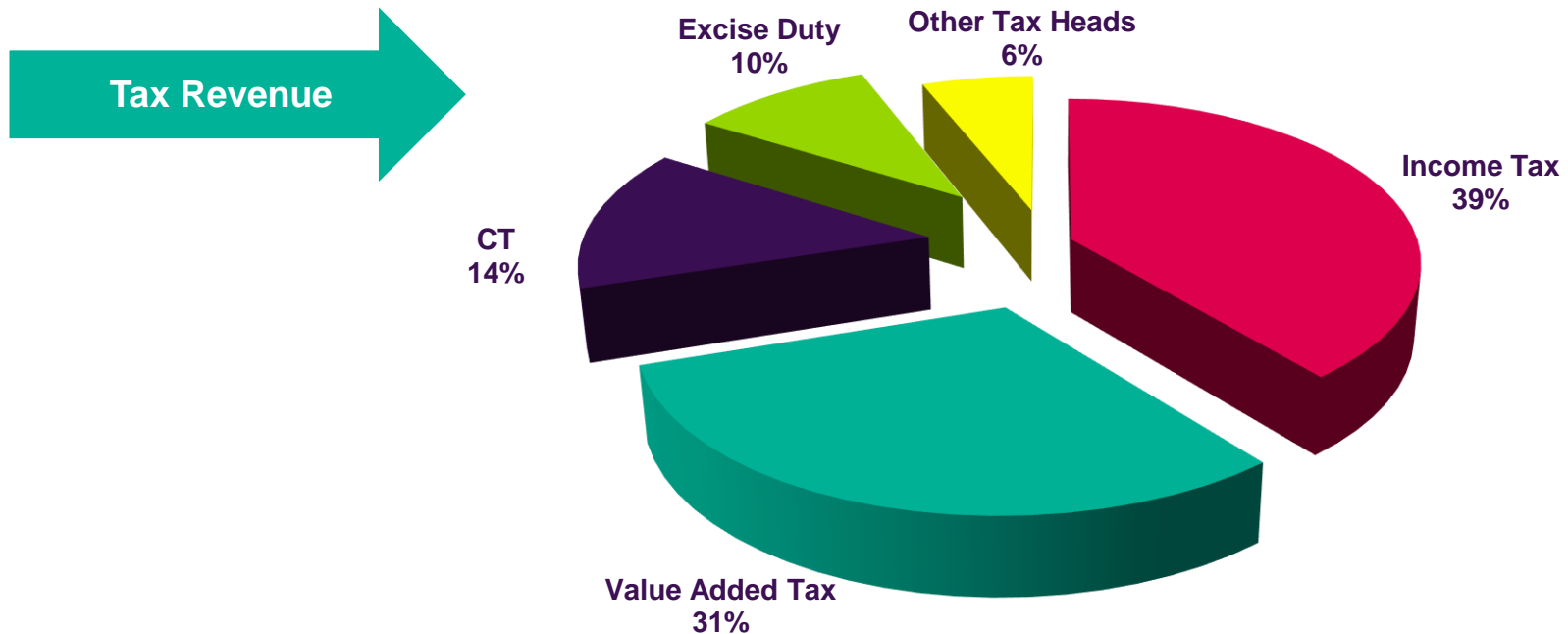
We're by your side

***“Budget 2019 is  
about securing our  
future”***

# Backdrop - Positives

- > Good global growth forecasts – Government revenues were up 5% on the same period last year
- > Strong growth in domestic economy
- > Low unemployment – increasing tax revenue and reduced pressure on social welfare spending
- > Record numbers in employment

# Tax Receipts of €37,529 million



€ million	End Sept '18 Outturn	Vs Profile		Year on Year	
Income Tax	14,535	-8	-0.1%	930	6.8%
Value Added Tax	11,571	-39	-0.3%	552	5.0%
Corporation Tax	5,159	306	6.3%	489	10.5%
Excise Duty	3,879	-339	-8.0%	-337	-8.0%
Other Tax Heads	2,385	-48	-2.0%	237	11.0%
<b>TOTAL</b>	<b>37,529</b>	<b>-127</b>	<b>-0.3%</b>	<b>1,871</b>	<b>5.2%</b>

# Backdrop - Negatives

## International Uncertainty

- > Brexit
- > EU Developments
- > US Tax and Trade Reforms
- > Trade war and protectionism

## Domestic Challenges

- > Housing Crisis
- > General Election - continuation of the Confidence and Supply agreement?
- > Ongoing “hangover” from the crash

# Brexit



# Brexit Challenges

- > The political, economic and diplomatic challenge of our generation
- > Possibility of a no deal Brexit has influenced decisions in relation to Public Finances
- > Risk of a no deal Brexit is still very much on the table. Uncertainty is a very big problem.
- > Huge risks for Ireland as well as the global economy

# Brexit Measures

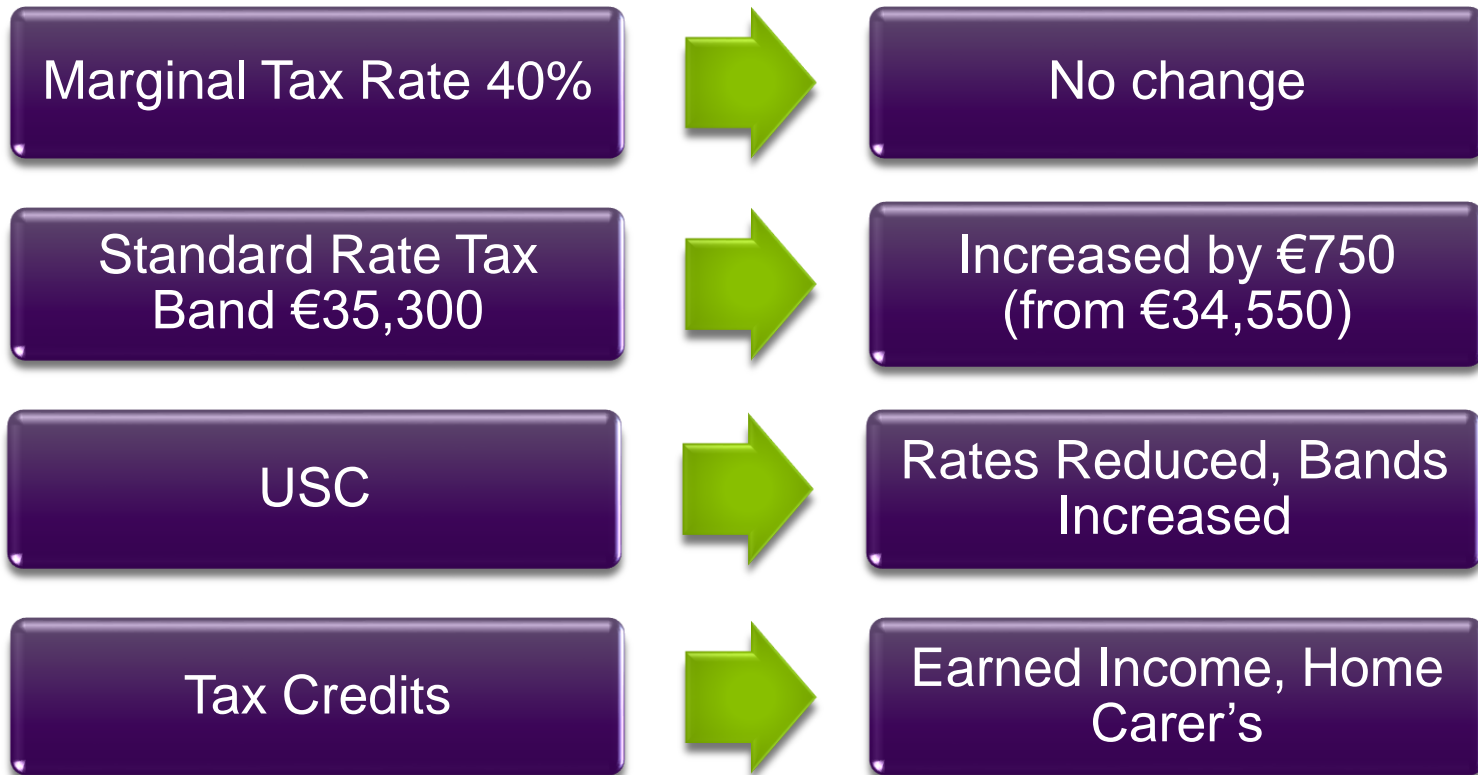
- > Balancing the books
- > Investing in Capital Infrastructure
- > Human Capital Initiative – Investing in schools and universities
- > Future Growth Loan scheme for SMEs and agricultural and food sector
- > Provision of €110m for Brexit measures across a number of departments
- > Establishment of a “Rainy Day Fund”





# Income Tax

# Income Tax Changes



**Total tax rate for individuals earning less than €70,044 to be reduced to 48.5% (from 48.75% in 2018)**

# Tax Credits

## *Earned Income Credit*

- > “PAYE Credit” for self employed introduced in 2016
- > 2019 – increased to €1,350 (from €1,150 in 2018)

## *Home Carers Credit*

- > Available on caring for one or more dependents (not spouse)
- > 2019 – increased to €1,500 (from €1,200 in 2018)

# USC Rates & Bands

Income Range	2018 Rate	Income Range (Income < €13,000 exempt)	2019 Rate
€0 - €12,012	0.5%	€0 - €12,012	0.5% (no change)
€12,012 - €19,372	2%	€12,012 - €19,874	2% (no change)
€19,372 - €70,044	4.75%	€19,874 - €70,044	4.5%

Income over €70,044: USC rate of 8% (no change)

Over 70 years and income under €60,000: USC rate of 2%

Self employed income over €100,000: 3% surcharge remains

# Income Tax - DIRT

- > Reduction in DIRT – Introduced in Finance Act 2017
- > 2% pa over next 2 years

Year	Rate
2018	37%
2019	35%
2020	33%

# Property Measures

# Landlord – Interest Deductibility

- > Budget 2017: full deductibility was phased over a period between 2017 & 2021
- > Budget 2019: acceleration to 100% of interest paid may be deducted by landlords with effect from 1<sup>st</sup> January 2019.

# Local Property Tax

- > Review/consultation process commenced 2018
- > Report to be published “in due course”
- > Commitment that any changes will be “moderate and affordable”



# Business Taxes



# Corporation Tax

- > Ireland has a stable and competitive Corporation Tax system
- > 12.5% tax rate to remain
  - “Our longstanding 12.5 % rate will not be changing”*
- > Corporate tax revenue has been growing strongly
- > €0.7bn corporate tax receipts is estimated as a “one-off”, due to a change in international accounting standards
- > Once off receipt used to capitalise the rainy day fund

# Corporation Tax

## Controlled Foreign Company (CFC) rules

- > Anti-abuse provisions designed to prevent the diversion of profits to offshore entities located in low tax/no-tax jurisdictions (CFC)
- > Ireland has been an exception internationally in not having CFC rules
- > Publication of the Anti-Tax Avoidance Directive (ATAD): inevitable that Ireland would have to introduce CFC rules
- > Detail is to be included in the Finance Bill 2018
- > Effective for accounting periods beginning on or after 1st January 2019

# Corporation Tax

## Exit Tax regime

- > An exit tax seeks to charge a company tax on the unrealised gain arising where it migrates tax residence out of the jurisdiction
- > Current Exit Tax at 33%, with exceptions applying.
- > The new provision seeks to tax the unrealised gain on exit at a 12.5% rate.
- > Effective from Budget night

# Corporation Tax

## Transfer Pricing

- > Finance Act 2010 introduced formal transfer pricing provisions, with a carve out for SMEs
- > Minister has committed to review and update Ireland's transfer pricing provisions in 2019 to ensure Ireland's tax system is in line with international best practice

# Corporation Tax

## Start up Exemption

- > **Reduced rate of CT**

0% CT on profits of €320k and minimum 8 employees

- > **Being extended for a further three years until the end of 2021**

# KEEP Share Options

## Introduced in Budget 2017

- > Deferral of tax event
- > Gain arising on exercise of KEEP share options liable to CGT on disposal of the shares
- > Apply to share options granted between 1 Jan 2018 and 31 Dec 2023

**Limited uptake / perceived shortcomings**

# KEEP Share Options

## Budget 2019 Changes

### Increase:

- > Ceiling on annual Market Value of shares to 100% of salary (increase from 50%)
- > Value of options awarded per employee to €300,000\* (previously €250,000)

\* €300,000 is now a lifetime limit (previously 3 years)



# KEEP Share Options

## Issues Still to be Addressed

- > Holding company definition?
- > Dormant companies / non-resident companies in group?
- > Employee of single company v group role?

- > **Tax Relief for risk capital in qualifying SME's**
- > **Targeted at job creation and retention**
- > **Income tax relief up to max €150,000 p.a. up to 2020**
  - Relief initially available at 30% of investment
  - Additional 10% available if employment and R&D conditions met
- > **Consultation process – November 2017**
  - Findings due Q3 2018

## Finance Bill

- > Priority package
- > Address problems identified
- > Increase efficiency and effectiveness

# Business Taxes

## > **Business Taxes – other measures**

- Film relief Corporation tax credit
  - Due to expire at the end of 2020 – extended until the end of 2024

## > **Accelerated Capital Allowances**

- Employer-Provided Fitness and Childcare facilities

# Business Taxes

## > Gas propelled vehicles – accelerated allowances

- Encourage investment in gas-propelled vehicles and refuelling equipment
- Targeted at large vehicles such as HGVs and buses as a substitute to diesel

## > BIK Rate for Electric Vehicles

- 0% BIK rate extended for 3 years
- Capped at €50,000 on the Original Market Value

# National Training Levy

- > Increase in employer contribution to National Training Fund
- > Employer Levy to increase by 0.1% in 2019 and 2020
- > Employer PRSI / Levy:
  - ❑ 2018            10.85%
  - ❑ 2019            10.95%
  - ❑ 2020            11.05%

# Farming



# Agri Sector

## Farm Income Averaging

- > Calculation of taxable income as an average over 5 years
- > Intended to assist farmers with income volatility by smoothing liability over a 5 year cycle
- > Budget 2019 announced the removal of the current restrictions which restricts farmers with off – farm income sources from opting into the averaging system



# Agri Sector

## Stock Relief

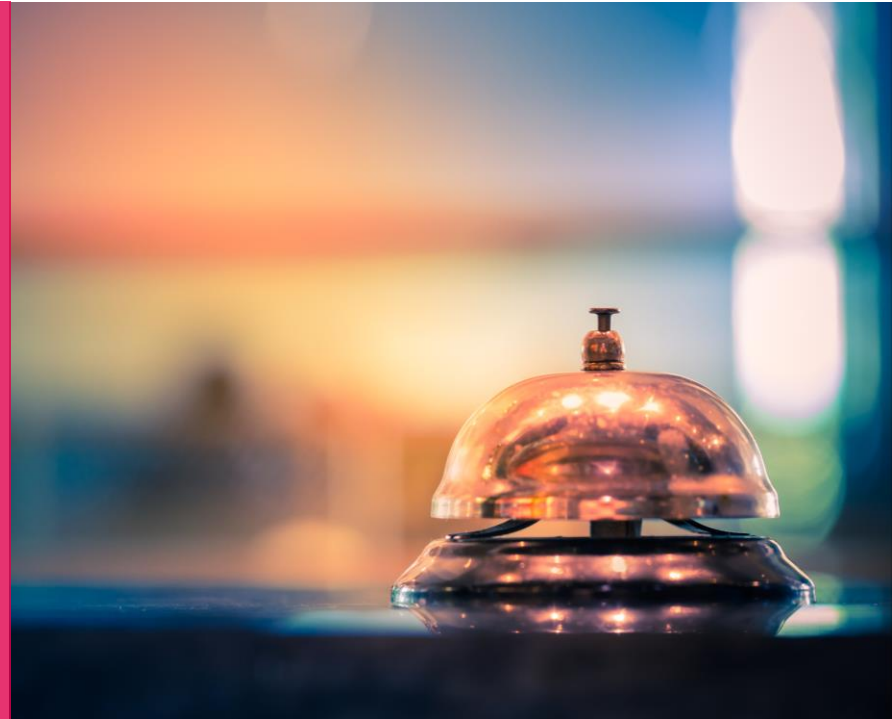
- > Relief based on increased investment in stock as a deduction against taxable profits, as follows:
  - 25% general relief
  - 50% for registered farm partnerships
  - 100% for certain young trained farmers
- > The relief was due to expire at the end of 2018, but has now been extended to 31st December 2021.

# Agri Sector

## Stamp Duty

- > **Consanguinity Relief at 1% remains until end of 2020**
  - 1% Stamp Duty applying to inter-family farm transfers
  - The 67 year age limit for the transferor was removed under Finance Act 2017
  
- > **Exemption for young trained farmers extended for an additional 3 years to the end of 2021**

# Indirect Taxes



# Value Added Tax

- > **VAT rate for tourism activities**
  - Much publicised increase in rate from 9% to 13.5% for tourism sector
  - Hotels, restaurants, admission to theatres etc.
  - To take effect from 1<sup>st</sup> January 2019
- > **9% rate is to remain for newspapers and sporting facilities**
- > **9% VAT rate on e-books and electronically supplied newspapers (previously 23%)**

# Vehicle Registration Tax (VRT)

- > **1% Surcharge for new diesel engine cars registered from 1<sup>st</sup> January 2019**
- > **An extension to reliefs for hybrids and plug-in electric hybrids extended for a further year to 31<sup>st</sup> December 2019.**

# Customs & Excise

## > Cigarettes

- 50c on pack of 20 cigarettes
- 25c on roll your own tobacco
- Minimum Excise Duty so that cigarettes below €11 to have same excise as those sold at €11
- Effective midnight

## > Betting Duty

- Up to 2% (from 1%) for all bookmakers
- Up to 25% (from 15%) on the commission earned by betting intermediaries

# Capital Taxes



# Capital Taxes

- > 33% rate of CGT and CAT remain
- > Current Group A tax free threshold increased from €310,000 to €320,000
- > Effective in respect of gifts or inheritances received on or after 10<sup>th</sup> October 2018
- > No changes to Group B or C tax free thresholds
- > No changes to CAT Business Property Relief or CGT Retirement Relief or CGT Entrepreneur Relief





# Other Measures

# Other Measures

## > Crowd Funding

- Regulation of crowdfunding “*in conjunction with the Central Bank*”
- Review of the withholding tax obligations

## > Tax Appeals Commissioners (TAC)

- Widely acknowledged that the TAC is not working as it should.
- Review of the Workload and operations of TAC published
- Various recommendations including
  - Appointment of Chairperson
  - Additional staffing resources and
  - Funding for IT infrastructure

# Social Welfare

- > Increases in Social Welfare rates – €5 per week on all payments
- > Christmas Bonus restored
- > Increased spending
- > Minimum wage increased to €9.80
- > Weekly threshold ER PRSI increased from €373 to €386

**What's Next?**



# What's Next?

- > Brexit – final resolution required
- > US trade policy
- > International tax reform
- > Digital services tax
- > Housing – questionable whether the package will be sufficient. Time to review the policy on “tax based property incentives”?
- > Extension of the confidence and supply agreement or General Election?

# Missed Opportunities

- > SARP
- > Capital Tax Rates
- > CAT thresholds
- > Entrepreneur Relief
- > Merger of PRSI / USC
- > 3% surcharge for self employed

# Conclusion

**“The Budget I have announced today  
is a progressive budget with an  
emphases on strengthening our  
national finances”**



# Thank you



**We're by your side**

Fiona Murphy  
Tax Partner  
T: (090) 6480600  
E: [fmurphy@rbk.ie](mailto:fmurphy@rbk.ie)

#### Disclaimer

While every effort has been made to ensure the accuracy of information within this publication is correct at the time of going to print, Russell Brennan Keane do not accept any responsibility for any errors, omissions or misinformation whatsoever in this publication and shall have no liability whatsoever. The information contained in this publication is not intended to be an advice on any particular matter. No reader should act on the basis of any matter contained in this publication without appropriate professional advice.