



Budget 2019

10 October 2018

RONAN MCGIVERN

TAX PARTNER

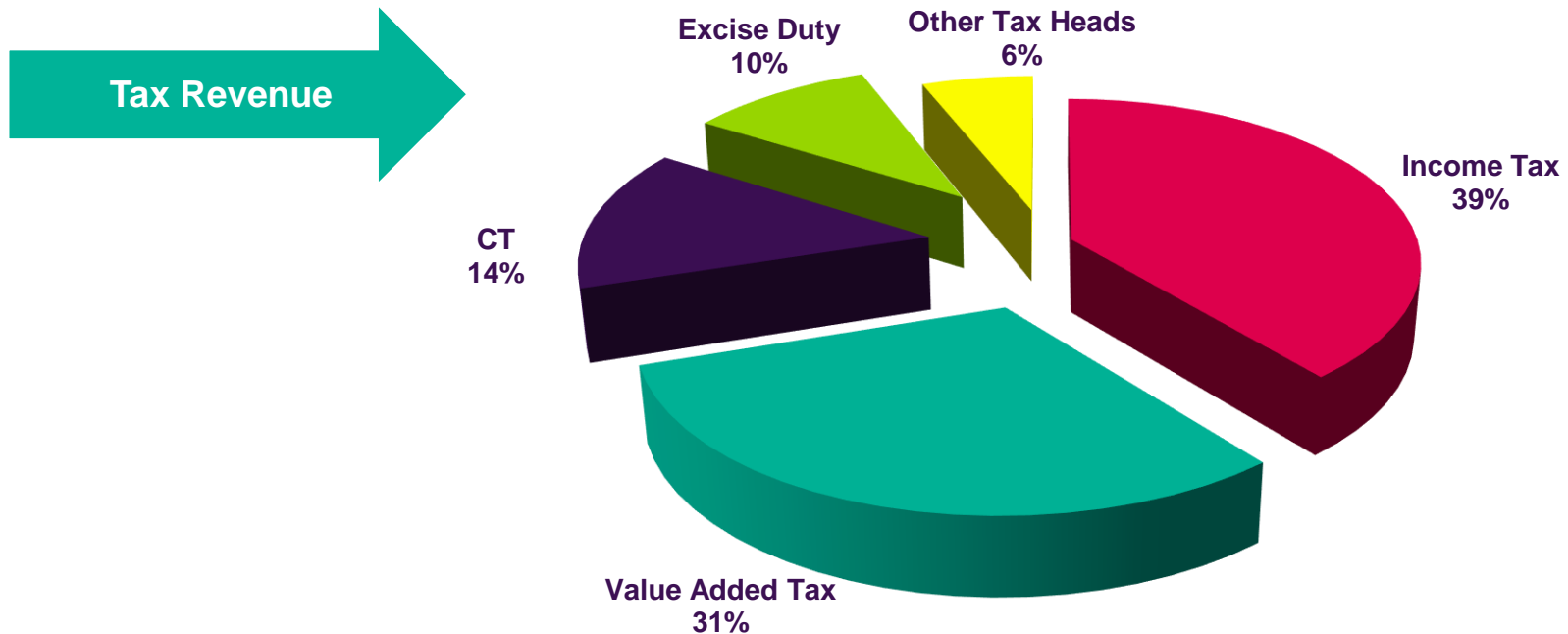
RBK

We're by your side



***“Budget 2019 is
about securing our
Future, renewing the centre”***

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%
TOTAL	37,529	-127	-0.3%	1,871	5.2%

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

Backdrop - Negatives

International Uncertainty

- > Brexit
- > EU Developments - Italy
- > 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

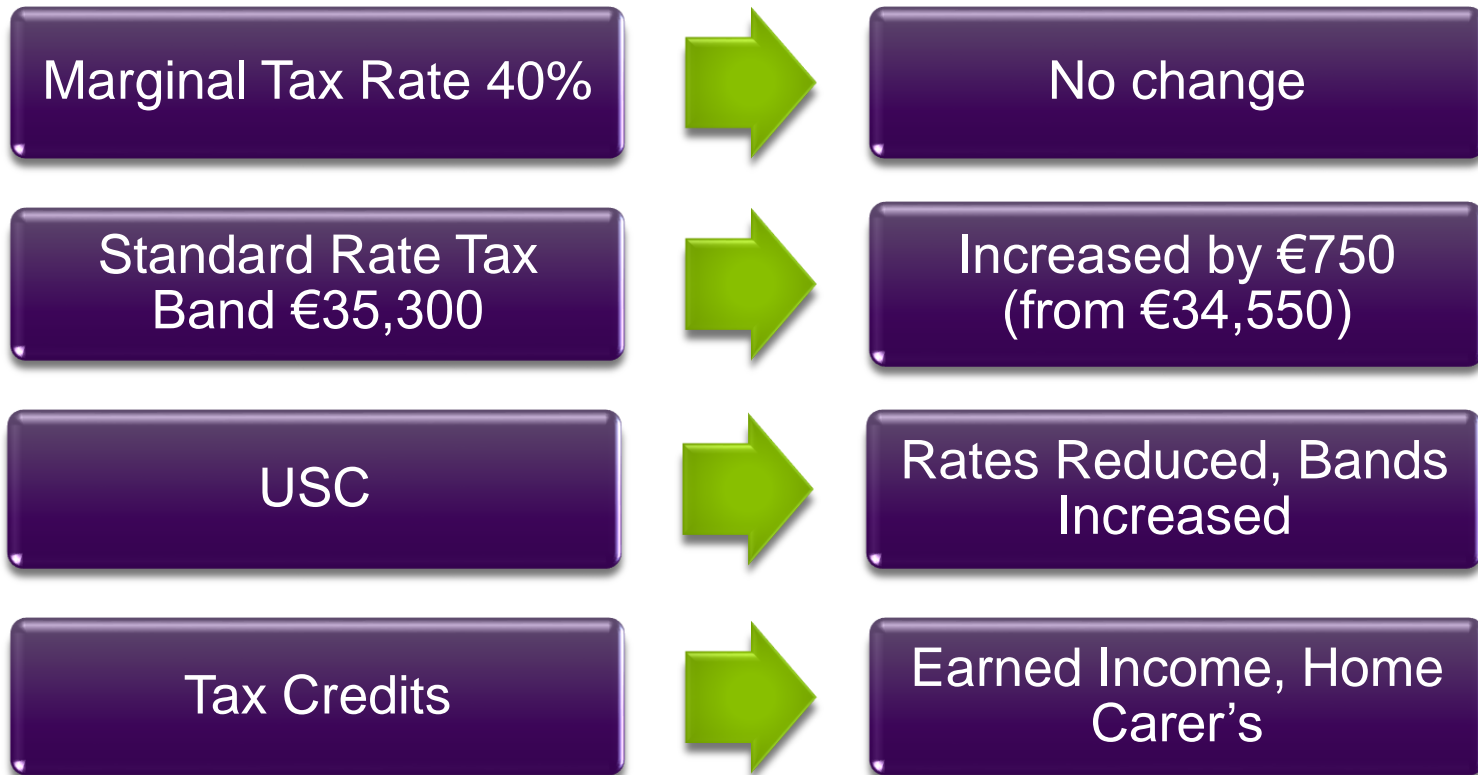
Brexit Measures

- > 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
- > Increasing funding for the PEACE programme
- > 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 1st January 2019.

Other Measures

- > **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 per cent 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

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**

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 had been an outlier internationally in not having CFC rules
- > With the publication of the Anti-Tax Avoidance Directive (ATAD) it was inevitable that Ireland would have to introduce CFC rules
- > The detail is to be included in the Finance Bill 2018 and the rules will be effective for accounting periods beginning on or after 1 January 2019

Corporation Tax

Exit Tax regime

- > At a high level an exit tax seeks to charge a company tax on the unrealised gain arising where it migrates tax residence out of the jurisdiction
- > Irish tax legislation has had Exit Tax provisions for many years. There were, however a number of exceptions to the provisions making it relatively easy for a company to migrate tax residence out of Ireland without triggering an exit charge

Corporation Tax

Exit Tax regime

- > The new regime is expected to remove these exceptions making it more difficult to migrate tax residence out of Ireland. Where the exit tax has applied in the past the deemed disposal was subject to CGT at a rate of 33%
- > The new provision seeks to tax the unrealised gain on exit at a 12.5% rate, details will be in the Finance Bill.
- > 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

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 tax credit

- Granted at a rate of 32% of qualifying expenditure capped at €70m
- Due to expire at the end of 2020 – extended until the end of 2024
- A new short term regional uplift commencing at 5% is being introduced, subject to State aid approval

> **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
- > Stock Relief
- > Stamp Duty
 - > Extension of young trained farmers relief

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, hairdressers
 - > To take effect from 1st January 2019
- > **9% rate is to remain for newspapers and sporting facilities**
- > **A reduction to 9% (from 23%) for the VAT rate on e-books and electronically supplied newspapers**

Vehicle Registration Tax (VRT)

- > 1% Surcharge for new diesel engine cars registered from 1st January 2019
- > An extension to reliefs for hybrids and plug-in electric hybrids extended for a further year to 31st 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 which applies primarily to gifts and inheritances from parents to their children is being increased from €310,000 to €320,000
- > Effective in respect of gifts or inheritances received on or after 10th October 2018
- > No changes to Group B or C tax free thresholds

Capital Taxes

- > No changes to:
 - > CAT Business Property Relief
 - > CGT Entrepreneur Relief
 - > CGT Retirement Relief
- > Application of the 66 year age threshold for unlimited relief on family transfers – outdated and counter productive



Other Measures

Other Measures

> **Crowd Funding**

- > Regulation of crowdfunding “*in conjunction with the Central Bank*”
- > Review of the withholding tax obligations for peer-to-peer lending activities with a view to amendment as appropriate following the introduction of regulation

> **Tax Appeals Commissioners (TAC)**

- > Widely acknowledged that the TAC is not working as it should with significant backlogs in the system
- > Minister has published an independent review of the operations and resources
- > 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
- > Introduction of new paid parental leave scheme from November 2019 (2 weeks leave increasing to 7 weeks over time)

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

“This is responsible; this is sensible; this is consistent with maintaining stability in the public finances”



Thank you



We're by your side

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