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BUDGET 2018

BUSINESS TAXES & AGRICULTURE

Corporation Tax Rate

The Government reaffirmed its commitment to the 12.5% Corporation Tax - "the 12.5% tax rate is, and will remain, a core part of our offering". In response to the recommendations contained in the Coffey report last month, a public consultation process has been launched as part of the Update on the International Tax Strategy.

Key Employee Engagement Programme (KEEP)

In October 2016, the then Minister for Finance announced his intention to introduce a SME-focused, share-based incentive scheme in Budget 2018. The Minister announced the introduction of a Key Employee Engagement Programme (KEEP). This is designed to attract and retain key employees in small and medium enterprises (SME). It is available for qualifying share options granted between 1 January 2018 and 31 December 2023. Gains arising on the exercise of KEEP share options will be subject to Capital Gains Tax which is currently 33%, as opposed to current income tax treatment attracting marginal income tax rates. We understand that the tax liability will only arise on the disposal of the shares. Further detail on the operation of the scheme is expected in the Finance Bill.

Energy Efficient Equipment

The scheme of accelerated capital allowances for energy efficient equipment, which was due to expire at the end of the year, has been extended to 2020. The relief will be extended to 31 December 2020. Capital allowances are ordinarily available at a rate of 12.5% over 8 years. However, where qualifying energy efficient equipment is acquired, 100% of the expenditure qualifies for capital allowances in the year the equipment is acquired.

Capital Allowances for Intangible Assets

An 80% cap on the amount of capital allowances, and related interest, that can be claimed each year against related income is to be reintroduced for intangible assets acquired from midnight on 10 October 2017. This change was introduced on foot of a recommendation contained in the Coffey report, having previously been extended to 100% in 2015.

Brexit Loan Scheme

A loan scheme of up to €300M at competitive rates (circa 4%) will be made available to SMEs including food businesses. We understand that at least 40% will be for agriculture. An additional €25M has been earmarked for the agri-food sector. This scheme is to be run in conjunction with the SBCI (Strategic Banking Corporation) in 2018, similar to the loan scheme taken up by farmers earlier in this year.

Agricultural Land Used for Solar Farms

Agricultural land used for solar panels will qualify as agricultural land for the purposes of CGT retirement relief and CAT agricultural relief. Previously agricultural land diverted to use as a solar farm would not qualify for these reliefs. The amount of land capable of being used for solar infrastructure is restricted to 50% of the total farm holding.

Reduced Stamp Duty for Inter-Family Transfers

Consanguinity stamp duty relief which reduces stamp duty on inter-family transfers has been extended for a further 3 years.

Young Trained Farmer Stamp Duty

The relief from stamp duty for qualifying young trained farmers will continue.

ABOUT **BCA**

Byrne Casey & Associates Chartered Accountants is a long-established business and advisory firm based in Tullamore and also with an office in Merrion Square Dublin 2. We provide our clients access to a team of experts across accounting, statutory audit, taxation, outsourcing and company secretarial services.

Our firm has four partners and a staff of thirty-nine making it one of the largest accounting firms in Leinster outside of Dublin.

In addition to providing compliance based services such as audit, accounting, taxation and company secretarial services, we work with our clients to help them achieve their goals through proactive and commercial financial and tax planning.

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PERSONAL TAXATION

Income Tax

There is an increase to the income tax standard rate band by €750 from 1 January 2018 as follows:

Standard Rate Band	2017 (@ 20%, first)	2018 (@ 20%, first)	Increase
Single Person	€33,800	€34,550	€750
Married person (one income)	€42,800	€43,550	€750
Married persons (two incomes)	€67,600	€69,100	€1,500

There will be an increase in the Home Carer Credit from €1,100 to €1,200 which is available to individuals who work in the home.

There is an increase in the Earned Income Tax Credit from €950 to €1,150 which is available to self-employed individuals and proprietary directors who do not qualify for the employee PAYE tax credit.

USC

The changes to the USC rates and bands from 1 January 2018 are as follows:

USC Bands 2017	2017 Rates	USC Bands 2018	2018 Rates
€0 to €12,012	0.5%	€0 to €12,012	0.5%
€12,013 to €18,772	2.5%	€12,013 to €19,372	2%
€18,773 to €70,044	5%	€19,373 to €70,044	4.75%
Over €70,045	8%	Over €70,045	8%
Non PAYE income over €100,000 - surcharge	3%	Non PAYE income over €100,000 - surcharge	3%

Medical card holders and individuals aged 70 and over whose aggregrate income does not exceed €60,000 will pay a maximum rate of USC of 2%.

PRSI

An increase in employer contributions to the National Training Fund from 0.7% to 0.8% is being introduced from 1 January 2018. This will increase employer's PRSI for Class A and Class H from 10.75% to 10.85%. The rate will increase to 10.95% in 2019 and 11.05% in 2020.

BIK on Electric Motor Vehicles

Budget 2018 announced the introduction of a 0% BIK rate for electric motor vehicles for 1 year. In addition, electricity used in the workplace for charging such vehicles will also be exempt from BIK.

Medical expenses

The monthly threshold for the Drugs Payment Scheme (DPS) reduces from €144 per month to €134 per month. Prescription charges for medical card holders also reduced by 50 cent to €2 and a monthly ceiling of €20.

Capital Acquisitions Tax

We had anticipated some changes to the group thresholds, particularly in the parent/child group, in light of increasing property and assets values. However, no changes were announced to the CAT rate or the group thresholds.

PROPERTY

Stamp Duty on Commercial Property

The rate of stamp duty applying to commercial property (including agricultural lands and goodwill) increases from 2% to 6%. Stamp duty on non-residential leases will also increase to 6%. The increased rate will apply to instruments executed on or after 11 October 2017.

As an incentive to develop acquired lands, the Minister announced a Stamp duty refund scheme for commercial land purchased for housing development. The development must commence within 30 months of the purchase. Other conditions will be set out in the Finance Bill.

No change to rate applying to residential property which remains at 1% up to €1 million and 2% for residential properties over €1 million.

Capital Gains Tax ('CGT') Relief on Qualifying Land and Buildings

A relief from CGT was previously introduced for land and buildings purchased in Ireland or the EEA (EU countries plus Iceland, Liechtenstein and Norway) between 7 December 2011 and 31 December 2014. Under the previous rules the property had to be held for a period of 7 years before any gain arising on a sale would be exempt from CGT. It has now been proposed to reduce the holding period from 7 to 4 years for the relief to apply.

Pre-Letting Expenses for Vacant Residential Property
Generally pre-letting expenses are not allowed as a deduction against rental income. It is proposed to introduce a relief to allow for a deduction for pre-letting expenses incurred on a residential property up to 2021 that has been vacant for more than 1 year. The relief is capped at €5,000 per property and will be withdrawn if the property is taken off the rental market within 4 years. The relief is restricted to expenditure of a revenue nature, i.e. expenses of a short-term nature required to meet ongoing costs.

Mortgage Interest Relief
Relief for interest paid on certain home loans granted between 2004 and 2012 for purchase, repair, develop or improvement was to be allowed up to 31 December 2017. Relief will now be tapered out by 2020:

- 75% of the relief will be granted in 2018
- 50% in 2019
- 25% in 2020

Vacant Site Levy
The vacant site levy was set in 2015 for introduction in 2018. If land is not developed in 2018, a 3% levy will apply in 2019 on the market value of the site and if land is not developed in 2019, the levy due in 2020 is 7%.

Applies to vacant sites exceeding 0.05 hectares, with reduced and zero rates applying in certain circumstances. The levy will be applied to certain designated urban areas.

The market value is to be determined for local authorities by a suitably qualified person and will be payable by the registered owner to the local authority. There is a mechanism to appeal any valuation to the Valuation Tribunal. If the levy is not paid it will remain a charge on the site.

We understand that the Offaly, Laois and Westmeath County Councils have not finalised the register of vacant sites and that they will liaise with landowners throughout the review process.

House Building Fund
€750M to be made available for commercial investment at market rates in housing finance in the Home Building Finance Ireland fund (HBFI). The aim is to increase availability of debt funding for residential developments.

VAT & INDIRECT TAXES

9% Rate for Hospitality and Tourism Sector
The Minister, in acknowledging that the tourism and hospitality sector in our capital city is thriving, noted that he has a duty to the sector outside the cities where recovery has not been as buoyant and has committed to retain the 9% VAT rate for this sector.

VAT Refund for Charities In recognition of the works undertaken by charities, the Minister announced the introduction of a VAT Compensation Refund Scheme to compensate charities for the VAT they incur on their inputs. The scheme will come into operation on 1 January 2018 but will be paid one year in arrears to allow Revenue put systems in place to facilitate repayments.

Charities will be entitled to a refund of a proportion of their VAT costs based on the level of non-public funding they receive. For example, where a charity is 40% public funded, they may claim 60%, being the non-public share of their VAT input costs for the year. A total fund of €5M will be available, so if for example the claims for the year are €10M, the charity will only receive 50% of the amount claimed. Qualifying Charities must be registered with the Charities Regulator, hold a tax clearance certificate and provide a set of audited accounts for the year in which the claim is being submitted. VAT refunds valued below €500 will not qualify.

VAT Rate change In line with the Government's National Cancer Strategy, VAT rates on sunbeds are to rise from 13.5% to the standard VAT rate of 23%.

Sugar Tax A sugar tax is to come into effect from April 2018 which coincides with the UK's introduction of the sugar tax. 30 cent will be added to a litre of a sugar sweetened beverage containing more than 8grams/100ml. For similar beverages containing 5-8grams/100ml, 20 cent per litre will apply.

Excise Duty 50 cent is to be added to a pack of 20 cigarettes with a pro-rata increase on other tobacco products. The average price of 20 cigarettes will be €12 per pack.

No excise increases on alcohol, petrol or diesel.

VRT No changes announced to VRT relief on certain hybrid and electric vehicles. Relief from VRT up to €2,500 for hybrid vehicles and to a maximum of €5,000 for electric vehicles will continue to the end of 2018 and 2021 respectively.

WHAT'S COMING DOWN THE LINE

PAYE Modernisation

In Budget 2017, the then Minister for Finance, Mr Noonan announced a consultation process on future payroll operations in Ireland and the level and timing of tax reporting to Revenue.

With effect from 1 January 2019, all employers will be required to report pay, tax and other deductions, as well as details of employees leaving the organisation, at the same time as they run their payroll. In simple terms, payroll reports to Revenue will occur in Real Time. These changes will eliminate the future requirement for filing monthly Form P30's and the year end P35 return. Employees will no longer receive a P45 upon leaving employment nor will they get an annual earnings statement from their employer. The employee will be able to review their own tax position on-line via the Revenue website.

Revenue are of the view that the new system will alleviate a lot of the payroll administration for the employer. However key stakeholders are of the view it will put more onerous requirements on the employer, particularly in the period leading up to 1 January 2019.

The employers will have to get the data right first time and in real time. In the lead up to the change, employers should review their payroll processes and the collaboration within the relevant departments - HR/Finance/Operations to ensure that the required information is passed over to the payroll department in good time for real time reporting.

It may also be an opportunity to review information gathering and exchange within departments and implement automation information flows with a view to minimising human error and achieving cost efficiencies within departments.

The introduction of the modernised PAYE system will mark a fundamental change in terms of payroll reporting for employers across the board given that the nature of the reporting mechanism has not been altered since the introduction of the PAYE system in 1960. You should keep informed of developments of the new system by consulting with your tax adviser and following publications and updates on the Revenue website at www.revenue.ie

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PRSI/USC Merger

As part of the programme for a partnership government, there was a commitment to phase out the USC charge. However, it emerged over recent months that an amalgamation of the PRSI and USC charge was on the table. A working group is to be established in 2018 to consider how a mergered of the PRSI and USC charges could be achieved.

This merger will pose many challenges for the group. The government is committed to having a broad tax base. PRSI and USC charges as they currently stand are calculated at different rates and different income entry points. Other challenges which will require consideration are

- Individuals aged 66 and over are not liable to PRSI but they are liable to USC
- PRSI operates on a week-one basis whereas the USC is a cumulative, annual tax
- PRSI is a flat rate while USC is a progressive rate
- Who will benefit from the "merged tax charge", currently USC taxes forms part of the Exchequer Revenues while the PRSI goes to the national Social Insurance Fund.
- Would the new combined charge be compatible with our bi-lateral social security agreements?

The findings of the working group will be closely monitored. For example, certain groups of taxpayers, such as those over 66 years old, are unlikely to accept an additional tax charge on income. Due to the complexity of the task, it may take some time to implement.

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Design by www.graphicindex.com