

Brief tax highlights

Budget 2019 summary

On 9 October 2018, the Minister for Finance and Public Expenditure and Reform, Paschal Donoghue T.D., (the "Minister") delivered his Budget 2019 speech. We have set out below a brief overview of the key Tax highlights arising from Budget 2019 as announced. Further details regarding the changes highlighted by the Minister, as well as measures not specifically announced in his speech, are awaited in the draft Finance Bill which is due to be published on 18 October 2018.



Tax Highlights

Policy outlook and international tax reform

- commitment to Ireland's 12.5% corporate tax trading rate
- introduction of an exit tax (effective from midnight on 9 October 2018) as part of Ireland's commitment to implementing the Anti-Tax Avoidance Directive ("**ATAD**") as outlined in '*Ireland's Corporation Tax Roadmap*' released by the Irish Government in September 2018. The exit tax will be charged at a rate of 12.5% and will apply to unrealised capital gains where companies migrate or transfer assets offshore in circumstances where they leave the scope of Irish tax
- introduction of a Controlled Foreign Company ("**CFC**") regime (from 1 January 2019), as required by ATAD, designed to prevent the diversion of profits to offshore entities in low or no-tax jurisdictions
- commitment to a review of Ireland's transfer pricing rules in 2019

Domestic and international companies

- Start-Up Relief from corporation tax for profit-making start-up companies which create and maintain jobs extended until the end of 2021
- review of peer-to-peer lending for the crowdfunding sector
- extension of Film Relief until the end of 2024, together with a new short-term tapering regional relief (details to be confirmed) starting at 5% for productions in designated areas (subject to State Aid approval)
- Future Growth Loan scheme (details to be confirmed) to be launched to support the SME sector
- amendment and commencement of the Accelerated Capital Allowances scheme for employer-provided fitness and childcare facilities
- introduction of a new Accelerated Capital Allowances scheme in respect of gas-propelled vehicles and refuelling equipment
- focus on employer PAYE compliance interventions in tandem with the introduction of real time reporting as part of PAYE Modernisation which will come into effect on 1 January 2019
- changes to the Key Employee Engagement Programme ("**KEEP**"), a share-based remuneration scheme available to unquoted SMEs, including: (i) maximum annual market value of shares that may be awarded increased to 100% of taxable emoluments, such as salary, bonus and benefit-in-kind, (up from 50%), (ii) replacing the current three-year limit in respect of the quantum of share options granted under the KEEP regime with a lifetime limit; and (iii) increase in the quantum of share options that can be granted under the KEEP regime from €250,000 to €300,000
- extension of the 0% BIK rate for electric vehicles (due to end at the end of 2018) for a further three years, and extension of VRT relief for hybrid and plug-in vehicles until the end of 2019

Real estate

- acceleration of increased interest deductibility in respect of rented residential properties to 100% (up from 85% in 2018)
- no change to the rates of stamp duty

Employment and individual taxes

- increase of 0.1% in the employer contribution to the National Training Fund levy (resulting in an increase in the rate of employer PRSI from 10.85% to 10.95%), with a further increase of 0.1% planned for 2020
- increase in the weekly threshold for the higher rate of employer PRSI (class AL) from €376 to €386
- increase of €750 in the standard rate band, which determines the point at which the higher rate of income tax applies, from €34,550 to €35,300 for single persons and from €43,550 to €44,300 for married couples with one earner
- increase of €502 in the ceiling of the second USC rate band (2%) from €19,372 to €19,874
- reduction in the third USC rate from 4.75% to 4.5%
- entry point for USC remains at €13,000 per annum
- increase of €200 in the 'earned income' credit for self-employed individuals from €1,150 to €1,350
- increase of €300 in 'home carer' credit from €1,200 to €1,500
- increase of €10,000 in the Group A tax-free threshold in respect of Capital Acquisitions Tax from €310,000 to €320,000 (effective for gifts and inheritances received on or after 10 October 2018)

Agri-sector

- removal of restrictions in respect of income averaging for farmers with off-farm income (allowing such farmers to smooth their tax liability over a five-year cycle)
- extension of stock relief, a long-standing farming tax relief that encourages investment in improving stock quality, until the end of 2021
- extension of Young Trained Farmer relief from the charge to Irish stamp duty until the end of 2021

VAT

- increase in the rate of VAT in respect of tourism activities, such as catering, hairdressing and admission to cinema and theatrical performances, from 9% to 13.5% (with effect from 1 January 2019) with the exception of newspapers and sporting facilities
- reduction in the rate of VAT on electronically supplied publications (such as e-books) from 23% to 9%

Miscellaneous measures

- no change to the carbon tax provisions
- increases in betting duty from 1% to 2% in respect of bets placed by customers in the State, and from 15% to 25% in respect of commission earned by betting intermediaries

9 October 2018

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