



BUDGET SUMMARY 2018

What does it mean for you!!



O'DONOVAN LAVIN
ACCOUNTANTS & BUSINESS ADVISORS

BUDGET SUMMARY 2018

The Minister for Finance Paschal Donohoe on the 10th October 2017 presented his 2018 Budget. Below we have summarised some of the key points in this Budget which we hope you will find informative.

Tax Credits:

The only changes in relation to tax credits are the introduction of an increase in Earned Income Tax Credit and the increase in the Home Carer Tax Credit:

Tax Credit	2017	2018
	€	€
Single Person	1,650	1,650
Married or in a Civil Partnership	3,300	3,300
PAYE Tax Credit	1,650	1,650
Widowed Person or Surviving Civil Partner (without qualifying child)	2,190	2,190
Single Person Child Carer Tax Credit	1,650	1,650
Incapacitated Child Credit Max	3,300	3,300
Blind Tax Credit:		
Single Person	1,650	1,650
Married or in a Civil Partnership		
One Spouse or Civil Partner Blind	1,650	1,650
Married or in a Civil Partnership		
Both Spouses or Civil Partners Blind	3,300	3,300
Widowed Parent:		
Bereaved in 2017	-	3,600
Bereaved in 2016	3,600	3,150
Bereaved in 2015	3,150	2,700
Bereaved in 2014	2,700	2,250
Bereaved in 2013	2,250	1,800
Bereaved in 2012	1,800	--
Age Tax Credit:		
Single or Widowed or Surviving Civil Partner	245	245
Married or in a Civil Partnership	490	490
Dependent Relative	70	70
Home Carer Tax Credit	1,100	1,200

Earned Income Tax Credit:

The Earned Income Tax Credit will be increased by €200 from €950 to €1,150.

Earned Income Credit	2017 €	2018 €
20% Subject to Maximum Credit	950	1,150

Where an individual qualifies for the Earned Income Tax Credit and PAYE Credit the combined Tax Credits cannot exceed €1,650.

Tax Rates & Tax Bands		
The bands have changed as follows:		
Personal Circumstances	2017	2018
	€	€
Single or Widowed or Surviving Civil Partners, without qualifying child	33,800 @ 20% balance @ 40%	34,550 @ 20% balance @ 40%
Single or Widowed or Surviving Civil Partner, qualifying for Single Person Child Carer Credit	37,800 @ 20% balance @ 40%	38,550 @ 20% balance @ 40%
Married or in a Civil Partnership, one Spouse or Civil Partner with Income	42,800 @ 20% Balance @ 40%	43,550 @ 20% Balance @ 40%
Married or in a Civil Partnership, both Spouses or Civil Partners with Income	42,800 @ 20% with increase of 24,800 max. Balance @ 40%	43,550 @ 20% with increase of 25,550 max. Balance @ 40%

Exemption Limits:

The exemption limits for persons aged 65 years and over remain unchanged:

Personal Circumstances	2017	2018
	€	€
Single or Widowed or a Surviving Civil Partner, 65 years of age & over	18,000	18,000
Married or in a Civil Partnership, 65 years of age & over	36,000	36,000

The above exemption limits are increased by €575 for each of the first two dependent children and by €830 for the third and subsequent child.

Marginal relief may apply, subject to an income limit of twice the relevant exemption limit.

UNIVERSAL SOCIAL CHARGE (USC):

The USC charge has generally been reduced by 0.5% in the lower bands. The 8% rate remains unchanged excepting that Self Employed income in excess of €100,000 will be liable at 11%.

There was no change to the USC Exemption threshold of €13,000.

USC Thresholds			
2017		2017	
	Rate		Rate
Income up to €12,012	0.5%	Income up to €12,012	0.5%
Income from €12,012.01 to €18,772	2.5%	Income from €12,012.01 to €19,372	2%
Income from €18,772 to €70,044	5%	Income from €19,372 to €70,044	4.75%

Income from €70,044 to €100,000	8%	Income from €70,044 to €100,000	8%
PAYE Income in Excess of €100,000	8%	PAYE Income in Excess of €100,000	8%
Self Employed Income in excess of €100,000	8%	Self Employed Income in excess of €100,000	11%

Reduced Rates of USC
USC Thresholds
Individuals aged 70 years or over whose aggregate income for the year is €60,000 or less.
Individuals (aged under 70) years who hold a full medical card whose aggregate income for the year is €60,000 or less

2017	Rate	2018	Rate
Income up to €12,012	0.5%	Income up to €12,012	0.5%
Income above €12,012.00	2.5%	Income above €12,012.00	2%
		Total Income Less than €13,000	Exempt

BIK on Electric Cars & Vans:

A 0% rate of BIK will apply to electric vehicles provided by an employer to an employee in 2018 which is available for private use. This is to facilitate a comprehensive review on the operation of BIK on vehicles which will be considered in the context of next year's Budget. Electricity used by the employee in the workplace to charge the car will also be exempt from BIK. This exemption does not apply to hybrid cars.

Amalgamation of PRSI and USC

The minister outlined his intention to establish a working group in 2018 to carry out a review of the possible integration of PRSI and USC.

Mortgage Interest Relief:

Mortgage Interest Relief in respect of owner occupier mortgages taken out between 2004 and 2012 was due to finish at the end of 2017. This will be extended for a further 3 years on a tapered basis until 2010 as follows:

	2017	2018	2019	2020
Qualifying Interest	100%	75%	50%	25%

The interest ceilings are also reduced for each of the three years as follows:

	2017 €	2018 €	2019 €	2020 €
Single (unmarried or not in a civil partnership)	10,000	7,500	5,000	2,500
Married, in a civil partnership, widowed or a surviving civil partner	20,000	15,000	10,000	5,000
Non-first time buyers				
	2017 €	2018 €	2019 €	2020 €
Single (unmarried or not in a civil partnership)	3,000	2,250	1,500	750
Married, in a civil partnership, widowed or a surviving civil partner	6,000	4,500	3,000	1,500

No relief will be available from 1 January 2021.

Key Employee Engagement Programme (KEEP):

A new share option scheme will be introduced for employees of unquoted Small and Medium Enterprises with effect from 1 January 2018, subject to EU approval. Under this new scheme, any gain realised on the exercise of a qualifying share option, granted in the period.

1 January 2018 to 31st December 2023, will be exempt from Income Tax, USC and PRSI, provided certain conditions are met.

Any gain on the subsequent disposal of the shares acquired under KEEP will be subject to Capital Gains Tax (CGT) in the normal way.

Pre-letting Expense incurred on Rented Residential Property:

A new deduction for pre-letting expenses of a revenue nature incurred on a property which has been vacant for a period of 12 months or more will be introduced to encourage owners of vacant residential properties to bring these into the rental market. The expenditure must be incurred within the 12 month period before it is let as a rented residential premises.

A cap of €5,000 per property will apply and the relief will be subject to a clawback if the property is withdrawn from the rental market within 4 years. The relief will apply to qualifying expenses incurred up the end of 2021.

CAPITAL ACQUISITIONS TAX (CAT)

Leasing of agricultural land for solar energy production – CAT agricultural relief and CGT retirement relief:

Amendments will be made to CAT agricultural relief and CGT retirement relief so that the leasing of agricultural land for the production of solar energy will not affect entitlement to the reliefs, where

the area of the land which is leased for that purpose does not exceed 50% of the total areas of the land concerned.

Details will be included in the Finance Bill.

CAPITAL GAINS TAX (CGT)

An incentive which was introduced in Budget 2012 in respect of properties purchased between 7th December 2011 and 31st December 2013. Budget 2014 extended the scheme to include properties purchased up to the end of 2014.

Where a property purchased during this period is held for 7 years, any potential gains relating to the initial 7 years of ownership is exempt from CGT.

Budget 2018 has reduced the 7 year ownership period down to 4 years. Hence any gains arising on the disposal of a qualifying property attributable to the first 4 years of ownership will be exempt from CGT.

SME's:

€300 million euro to be available to SME's to support the effects of Brexit. Details of the funding will be made available when complete.

INDIRECT TAXES

VAT:

There will be an increase in the Vat rate for sunbed services from 13.5% to 23%.

The 9% Vat rate on tourism will remain the same.

Charities:

A Vat refund scheme to compensate Charities for the Vat they incur on their purchases will be introduced in 2019 in respect of Vat incurred in 2018. The Vat refund will be in proportion to the level of non-public funding they receive.

TOBACCO PRODUCTS TAX (TPT):

TPT rates are increased with effect from midnight on the 10th October 2017. The increase amounts to 50 cent, inclusive of VAT, on a packet of 20 cigarettes, with pro-rata increases on other tobacco products.

Tax on Sugar Sweetened Drinks:

A tax on sugar sweetened drinks will be introduced in April 2018 at a rate of 30 cent per litre on drinks with over 8 grams of sugar per 100 millilitres and a rate of 20 cent per litre on drinks with between 5 and 8 grams of sugar per 100 millilitres. This is to coincide with the introduction of a similar sugar tax in the UK.

Stamp Duty:

Stamp Duty on commercial property transactions will rise from 2% to 6% with effect from midnight on the 10th October 2017.

National Minimum Wage:

The national minimum wage will increase from €9.25 gross per working hour to €9.55 gross per working hour from 1st January 2018.

- ❖ Worker under age 18 will be entitled to €6.69 (currently €6.48) per working hour.
- ❖ Workers in the first year of employment over the age of 18 will be entitled to €7.64 (currently €7.40) per working hour.
- ❖ Workers in the second year of employment over the age of 18 will be entitled to €8.60 (currently €8.33) per working hour.

Social Welfare Payments:

- ❖ There will be a €5 increase in the weekly rate for all Social Welfare payments to take effect from the 26th March 2018 with a proportionate increase for qualified adult dependants.
- ❖ The rate payable for a qualified child will be increased from €29.80 to €31.80.
- ❖ The maximum personal rate of Illness Benefit and Jobseeker's Benefit will be increased to €198.
- ❖ Maternity Benefit and Paternity Benefit will be increased to €240 per week.

Childcare:

The free pre-school childcare programme will be extended in September 2018, ensuring entitlement to a full 2 year service.

If you require clarification on any of the items contained within this Newsletter please do not hesitate to contact us and we would be delighted to speak with you.

O'DONOVAN LAVIN
ACCOUNTANTS & BUSINESS ADVISORS



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O'DONOVAN LAVIN

ACCOUNTANTS & BUSINESS ADVISORS

**1 MOUNT KENNETT PLACE
HENRY STREET
LIMERICK**

**TEL: 061 411 000
FAX: 061 411 001**



Twitter: @ODLLimerick



Facebook: www.facebook.com/odonovanlavin

Website: www.odonovanlavin.ie

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