The Highlights

CrowleysDFK
Chartered Accountants

€ Personal Tax

- Cuts to the two middle rates of **Universal Social Charge** – 2.5% rate cut to 2%; 5% rate cut to 4.75%.

  Incomes of €13,000 or less are exempt from the USC. Otherwise, rates are as follows:

Income €	Rate
0- 12,012	0.5%
12,012 - 19,372	2%
19,372 - 70,044	4.75%
70,044 +	8%

  - Self-employed income in excess of €100,000 at 3%.
  - The USC relief for medical card holders is being extended for another two years. Medical card holders and individuals aged 70 years and over whose aggregate income does not exceed €60,000 will now pay a maximum rate of USC of 2%.
  - Marginal tax rates on incomes up to €70,044 reduced from 49% to 48.75%.

- **Income tax bands -** the threshold which an individual will pay tax at the 40% rate of income tax will rise from its current level of €33,800 by €750 to €34,550.

- The **Home Carer Credit** will increase from €1,100 to €1,200.

- The **Earned Income Credit** will increase from €950 to €1,150.

- There will be a tapered extension to **mortgage interest relief** for remaining recipients - owner occupiers who took out qualifying mortgages between 2004-2012. 75% of the existing relief will be continued into 2018, 50% in 2019 and 25% in 2020. The relief will cease entirely from 2021.

- A new deduction for **pre-letting expenses** of a revenue nature incurred on a property that has been vacant for a period of 12 months is being introduced. The cap on the expenditure is €5,000 per property and the relief will be subject to a clawback if the property is withdrawn from the rental market within 4 years. The relief is available for qualifying expenses incurred up to the end of 2021.

- A share based remuneration incentive - **Key Employee Engagement Programme (KEEP)** is being introduced to facilitate the use of share based remuneration by unquoted small to medium enterprises to retain key employees. Gains arising to employees on the exercise of KEEP shares will be **subject to capital gains tax** as opposed to the current liability to income tax, USC and PRSI on exercise. This incentive will be available for qualifying share options granted between 1 January 2018 and 31 December 2023.

VAT

- Standard rate of VAT will remain at 23%.

- The reduced 9% rate of VAT for the tourism and hospitality sector, introduced in 2011, will remain.

- The rate of VAT on sun-bed services is being increased from 13.5% to 23% from 1 January 2018 in line with the government national cancer strategy.

- A **charities VAT compensation scheme** is being introduced in 2019 in respect of VAT expenses incurred in 2018. Charities will be entitled to a refund of a proportion of their VAT costs based on the level of non-public funding they receive.

Other Measures

- The **excise duty on a packet of 20 cigarettes** is being increased by 50 cents with a pro-rate increase on other tobacco products, and an additional 25c on roll your own tobacco. This will take effect from midnight on 10 October 2017.
- A **sugar tax** is to be introduced on the 1 April 2018. A tax of 30c will apply to drinks with a sugar content of 8 grams or more per 100ml. A tax of 20c will apply to drinks with a sugar content of between 5 grams and 8 grams per 100ml. These levels are consistent with the rates being introduced in the UK in April 2018 and Ireland's sugar tax will commence at the same time as the UK.
- A **0% benefit-in-kind** (BIK) is being introduced for electric vehicles for a period of one year. Electricity used in the workplace for charging vehicles will also be exempt from benefit in kind.
- State Pension will rise by €5 per week with effect from the last week in March 2018.
- All other weekly **social welfare** payments to increase by €5 per week, including the carer's allowance, disability allowance and jobseeker's benefit and allowance.
- Prescription charges are to be reduced for everyone with a medical card under the age of 70 from €2.50 to €2 per item and the monthly cap for prescription charges decreased from €25 to €20.
- There will be a reduction in the threshold for the Drugs Payment Scheme from €144 to €134.
- In order to assist small and medium businesses prepare for Brexit, a Brexit Loan Scheme will be introduced. A loan scheme of €300m, will be available at competitive rates to SMEs, to assist them with short term working capital requirements.

Stamp Duty

- The rate of stamp duty on **non-residential property will increase from 2% to 6%.**
- In relation to commercial land purchased for the development of housing, there will be the introduction of a stamp duty refund scheme. The refund will be subject to conditions, including a requirement that developers will have to commence the relevant development within 30 months of the land purchase.
- Consanguinity stamp duty relief at 1% for inter-family farm transfers is extended for a further three years.
- The exemption for young trained farmers from stamp duty on agricultural land transactions continues.
- The vacant site levy will increase from 3% to 7% in the second and subsequent years. In practical terms, the owner of a vacant site on the register who does not develop their land in 2018 will pay the levy of 3% in 2019 and then become liable to the increased rate of 7% from 1 January 2019.

Capital Gains Tax and Capital Acquisitions Tax

- There is a change to the **7-year CGT relief** that will allow the owners of qualifying assets to sell those assets between the fourth and seventh anniversaries of their acquisition and still enjoy full relief from CGT on any chargeable gains.
- The leasing of agricultural land for solar panels is to be classified as qualifying agricultural activity for the purposes of CAT agricultural relief and CGT retirement relief. This initiative is subject to the panels no more than covering 50% of the total farm holding.
- The life time thresholds for capital acquisitions tax remain unchanged.

Corporation Tax

- Confirmation of the 12.5% rate of tax.
- The deduction for **capital allowances for intangible assets,** and any related interest expense, will be limited to 80% of the relevant income arising from intangible assets in an accounting period.
- Accelerated capital allowances for energy efficient equipment is being extended until the end of 2020.

If you would like further information, please contact our Tax Department on 01 6790800 / 021 4272900

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