



## Welcome

We are pleased to bring you our summary of the tax measures set out in Budget 2019.

The Budget speech focused more on spending announcements than on taxation measures. The personal tax changes announced are modest and aimed at low- and middle-income earners. There were few new taxation measures announced for businesses, but the Brexit supports announced may be of benefit to some. Budget 2019 sees the first indication of the Government's approach to implementing the Anti-Tax Avoidance Directive with the introduction of an exit tax and the promised introduction of controlled foreign companies rules. More changes are expected in Finance Bill 2018, which is to be announced on 18 October.

Should you have any taxation or business questions, our experienced team will be happy to share their insights with you.

**John Byrne, Partner, Tax**

## Budget 2019 | 9 October 2018

### Snapshot of Budget

<b>Personal Tax</b>	<ul style="list-style-type: none"> <li>Modest changes to USC</li> <li>Income tax rates remain the same</li> <li>Increase to the income tax standard rate bands</li> <li>Increase to earned income credit of €200 for self-employed individuals</li> <li>Increase in home carer tax credit</li> <li>Relief for 100% of interest paid by landlords on residential properties with effect from 1 January 2019</li> </ul>
<b>Business Tax</b>	<ul style="list-style-type: none"> <li>Extension of three-year exemption from corporation tax</li> <li>Changes to the Key Employee Engagement Programme introduced last year which treats profits as subject to capital gains tax in place of income tax</li> <li>0% benefit-in-kind for electric vehicles of up to €50,000 extended for three years</li> <li>Accelerated capital allowances for employer-provided fitness and childcare facilities</li> <li>Accelerated capital allowances for gas-propelled vehicles and refuelling equipment</li> <li>Exit tax of 12.5% on unrealised gains for companies that migrate or transfer assets offshore</li> <li>Finance Bill to introduce controlled foreign company rules</li> <li>Increase in employer contribution to National Training Fund levy</li> </ul>
<b>VAT</b>	<ul style="list-style-type: none"> <li>The reduced 9% rate of VAT has been increased to 13.5%, with some exceptions</li> <li>Reduction in VAT rate of online publications from 23% to 9%</li> </ul>
<b>Capital Acquisitions Tax</b>	<ul style="list-style-type: none"> <li>Tax-free threshold for gifts/inheritances from parents to children increased from €310,000 to €320,000</li> </ul>
<b>Other Taxes</b>	<ul style="list-style-type: none"> <li>Price of 20 cigarettes to rise by 50c from midnight 9 October 2018</li> <li>All tobacco products will be chargeable to a minimum excise duty of €11 even if sold at a price lower than this</li> <li>1% VRT surcharge on diesel vehicles registered from 1 January 2019</li> </ul>

## PERSONAL TAXATION

### Tax rate

Income tax rates remain unchanged at standard rate of 20% and higher rate of 40%. As announced previously, the DIRT rate will fall to 35%.

### Standard rate cut-off point

The entry point to the higher rate of tax for single earners has increased by €750 from €34,550 to €35,300. There is a corresponding increase for single-income married couples of €750 from €43,550 to €44,300.

### Universal Social Charge (USC)

The USC will be lowered from 1 January 2019 by way of reduction in the third rate from 4.75% to 4.5%. There is a further increase to the second rate band from €19,372 to €19,874 from 1 January 2019.

The exemption for income less than €13,000 also remains unchanged.

Income	USC
From €1 - €12,012	0.5%
From €12,013 – €19,874	2%
From €19,875 – €70,044	4.5%
Over €70,044	8%

The 11% rate will continue to apply for self-employed income over €100,000.

### Home carer tax credit

The home carer tax credit is further increased from €1,200 to €1,500. The income threshold remains unchanged at €7,200.

### Earned income tax credit

The earned income tax credit has increased from €1,150 to €1,350 as announced in Budget 2018.

Personal tax credits and bands	2019	2018
<b>Personal tax credits</b>		
Single	€1,650	€1,650
Married	€3,300	€3,300
Paye	€1,650	€1,650
Earned income tax credit for self-employed	€1,350	€1,150
Home carer credit	€1,500	€1,200
<b>Age exemption limits (aged 65 and over)</b>		
Single	€18,000	€18,000
Married	€36,000	€36,000
<b>20% standard rate tax bands</b>		
Single	€35,300	€34,550
Married one income	€44,300	€43,550
Married two incomes	€69,100	€67,600

### Mortgage interest deduction for residential landlords

100% mortgage interest deduction has been restored for rented residential properties with effect from 1 January 2019. This follows gradual increase from restricted 75% of mortgage interest deduction for rented residential property.

### Employment & Investment Incentive (EIIS)

The Minister announced that he will introduce measures in the Finance Bill to resolve problems identified with this tax relief and to increase its efficiency and effectiveness.

### Benefit-in-kind

The 0% rate of benefit-in-kind for electric vehicles has been extended for three years. A cap of €50,000, based on the original market value of the vehicle, has been introduced.

### Drugs payment scheme

The monthly threshold for the drugs payment scheme is being reduced from €134 to €124 per month.

## BUSINESS TAXATION

### Corporation tax rate

As in previous years, there is a firm commitment given to retain the 12.5% corporation tax rate as a key part in Ireland's strategy to attract foreign direct investment.

### Three-year start-up relief

The relief provides for corporation tax relief for profit-making companies in their first three years of trading to create and maintain employment. It was due to expire at the end of 2018. However, Budget 2019 has extended it for a further three years until the end of 2021.

### Employer's PRSI

The Minister confirmed previously announced increases to the training levy, which means that employer's PRSI will increase to 10.95% in 2019 and 11.05% in 2020.

Budget 2019 announces that with effect from 1 January 2019, the weekly income threshold for the higher rate of employer's PRSI will increase from €376 to €386.

### Accelerated capital allowances for employer-provided fitness and childcare facilities

Originally introduced in Finance Act 2017, this measure has been amended and will take effect from 1 January 2019 to incentivise employers to provide fitness and childcare facilities to their employees. The employer will benefit from an accelerated deduction for capital investment costs.

### Accelerated capital allowances for gas-propelled vehicles and refuelling equipment

Budget 2019 provides for an acceleration of existing allowances where businesses opt for gas-propelled vehicles, which are seen as more environmentally friendly, in favour of diesel-fuelled vehicles.

### Key Employee Engagement Programme (KEEP)

KEEP is an incentive to facilitate the use of share-based remuneration in a tax-efficient manner by unquoted SMEs in order to attract and retain key employees, whereby gains are liable to capital gains tax on disposal only as opposed to being subject to income tax, USC and PRSI.

Budget 2019 introduces three separate measures:

- increase the ceiling on maximum annual market value of shares that may be awarded to equal the amount of the salary (up from 50%);
- replacement of the three-year limit with a lifetime limit; and
- increase the quantum of share options that can be granted under the scheme from €250,000 to €300,000.

### Crowd-funding regulations

To broaden the financing opportunities available to SMEs, the

Minister has committed to introducing regulations to address peer-to-peer lending companies. He has also committed to reviewing withholding tax obligations of such lenders.

### Film relief

The scheme provides for relief in the form of a corporation tax credit granted in respect of the cost of producing certain films. This was due to expire at the end of 2020, but has been extended in Budget 2019 until 2024.

The Budget also introduced a new short-term tapered regional uplift commencing at 5% for productions being made in certain designated regional areas. This is subject to State aid approval.

## INTERNATIONAL TAX

### Exit tax

As part of Ireland's commitment to implementing the Anti-Avoidance Tax Directive, Budget 2019 introduced an exit tax regime which takes effect from Budget night.

The tax will arise where companies migrate or transfer assets offshore and are no longer within the scope of Irish tax. An exit tax at 12.5% will apply to all unrealised gains.

### Controlled foreign company (CFC) rules

Budget 2018 announced that the government would introduce controlled foreign company (CFC) rules, to prevent the diversion of profits to offshore entities in low-tax or non-tax jurisdictions. To date, CFC rules have not been part of the Irish tax regime. Budget 2019 confirms that CFC rules will apply for accounting periods commencing on or after 1 January 2019.

### Transfer pricing

The Minister has also committed to carrying out a review of the existing transfer pricing legislation to ensure that it is in line with international best practice.

## VAT

The Minister has announced that the VAT rate on tourism-related services is to increase from 9% to 13.5%. This increase will apply to catering and restaurant supplies, tourist accommodation, cinemas, theatres, museums, hairdressing, horses, greyhounds, amusement parks, historic houses and open farms.

The reduced VAT rate of 9% for newspaper publications and sporting facilities will remain for 2019.

The VAT rate on electronically supplied newspapers and e-books will be reduced from 23% to 9%.

These measures will take effect from 1 January 2019.

## CAPITAL ACQUISITIONS TAX

Group thresholds are as follows:

GROUP A	GROUP B	GROUP B
Parent to child	Close relations	Relationship other than Group A or Group B
€320,000	€32,500	€16,250

## FARMING MEASURES

### Stock relief

Stock relief measures previously announced are being extended up to 31 December 2021.

### Averaging of farm profits

The averaging of farm profits regime is being extended to include off-farm trading income.

### Young trained farmers

Stamp duty relief for young trained farmers involved in agricultural land transactions is being extended up to 31 December 2021.

### Increased funding

Current expenditure funding of €57 million for the Department

## About Us

Established in 1941, Crowe is a leading accountancy and business advisory firm in Ireland. Throughout our 80-year history, we have developed an unrivalled understanding of the Irish business environment and built a national reputation in auditing, tax and business consultancy.

We work with a variety of clients across commercial and public sectors. Our services include Audit & Assurance, Tax, Corporate Insolvency & Recovery, Corporate Finance, Consultancy, and Outsourcing.

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of Agriculture, Food and Marine. In addition to this, €60 million in current and capital Brexit-related supports will be provided to strengthen the sector's ability to meet the challenges of Brexit.

Additional €53 million in capital funding to finance the first round of projects under the new Rural Regeneration Development funds.

## OTHER MEASURES

### Parental leave

A new paid parental leave scheme will be introduced to provide two extra weeks' leave to every parent of a child in their first year. It is planned to increase this to seven extra weeks.

### Minimum wage

Increase in minimum wage from €9.55 to €9.80 with effect from 1 January 2019.

### Betting

Betting duty on customers is to be increased to 2% on all bets placed in the State while the commission earned by betting intermediaries has increased from 15% to 25%.

### VRT relief

Extension to the VRT relief for conventional hybrids and plug-in electric hybrids to 31 December 2019.

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