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# Global Reward Update
## Ireland - Budget 2017

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### Key Points to Know

The 2017 Budget delivered by the Irish Minister for Finance impacts the share scheme regime and aspects of personal taxation, including for internationally mobile employees. Key updates include:

- A 0.5% reduction on each of the lower Universal Social Charge (USC) rates (from 1% to 0.5%, 3% to 2.5%, and 5.5% to 5.0%).
- The Special Assignee Relief Programme (SARP) and Foreign Earning Deduction (FED) schemes have been

extended to 2020, which positively impact internationally mobile employees who qualify. The FED scheme reduced the minimum number of days spent abroad to 30 and also expanded coverage to include Pakistan and Colombia.

- Announcement of a new share scheme incentive focused on Small and Medium-Sized Enterprises (SMEs) to be introduced in 2018.

- Under an amendment to the capital gains tax entrepreneur relief effective 1 January 2017, the tax rate will be reduced from 20% to 10% for gains up to €1 million.

## Overview

The Irish Minister for Finance, Michael Noonan, Teachta Dála (TD), delivered Budget 2017 on Tuesday, 11 October 2016, against a backdrop of strong economic growth, despite uncertainties surrounding how Brexit will affect the Irish economy. From a personal tax perspective, the tax measures introduced see much anticipated cuts to the Universal Social Charge (USC) rates, along with measures to improve Ireland's competitiveness in the international arena.

## Main Changes

The following are the main changes to be aware of:

**Universal Social Charge (USC)**

As had been widely publicized, the minister announced a reduction to the lower USC rates of 1%, 3%, and 5.5%, each by 0.5% effective 1 January 2017. The higher USC rate of 8% will remain in place, which means that the marginal rate will remain at 52% for income levels in excess of €70,044. The marginal rate for those with income of up to €70,044 will be reduced to 49%.

For self-employed individuals, income in excess of €100,000 will continue to be liable to USC at the higher rate of 11%. The USC exemption for those earning less than €13,000 will continue to apply. The new rates and bands for employment income are as follows:

| USC Band | USC Rate |
|---|---|
| First €12,012 | 0.5% |
| Next €6,760 | 2.5% |
| Next €51,272 | 5% |
| Balance | 8% |

### Special Assignee Relief Programme (SARP)

The SARP scheme, which was due to expire at the end of 2017, has been extended for another three years until the end of 2020. There were no references made to any changes or enhancements to the scheme.

### Foreign Earning Deductions (FED)

The FED scheme has also been extended to 2020. In addition, the scheme was tweaked to reduce the minimum number of days to be spent abroad from 40 days to 30 days. The list of qualifying countries was also expanded to include Pakistan and Colombia. This adds to a significant number of countries already covered in Asia and the Middle East, and increases the current scope of coverage in Central and South America, including Brazil, Mexico, and Chile.

### Share Scheme Incentives for Small and Medium-Sized Enterprises (SMEs)

Following a public consultation carried out earlier this year, the minister flagged a new share scheme to be introduced in Budget 2018 that will focus on SMEs. More information will be provided when further details are made available by the Irish government.

### Capital Gains Tax Entrepreneur Relief

The minister announced an amendment to capital gains tax (CGT) entrepreneur relief, which was introduced in Finance Act 2015. On gains up to €1 million, the tax rate applied to gains arising on the disposal of qualifying assets after 1 January 2017 has been reduced from 20% to 10%. Gains in excess of €1 million will still be chargeable at a 33% tax rate. The minister indicated that the €1 million lifetime limit will be reviewed in future budgets.

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## Deloitte's view

The minister announced the terms of reference for a review of the corporate tax system, and we would like to see an equivalent review of the personal tax regime, which has become increasingly complex and contains a range of inequalities. A clear strategy to reduce the personal tax burden on work/earned income remains a key priority for the future.

The extension of the SARP scheme to 2020 provides certainty for mobile workers, but does not enhance the existing scheme.

While the announcement of a new share scheme incentive for SMEs is welcomed, it is disappointing that it will not have a wider focus and implementation will be delayed until 2018. The minster noted that any new scheme would have to satisfy EU State Aid rules. We hope the Department of Finance will consult widely on the proposed SME share scheme to ensure it fits its purpose and achieves its intended goals.