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Budget 2019

Budget Briefing – 10 October 2018

Budget 2019

Introduction

Mike Sheehan

Business Taxes

Frances Lenihan

Personal / Employment Taxes

Jackie Coughlan

Wrap-Up

Mike Sheehan

Mike Sheehan

Budget 2019

At a Glance

	€ B
Available Cash	3.4
Tax Breaks	(0.4)
Tax Increases	0.8
Available Funds	<hr/> 3.8

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At a Glance

	€ B
Housing – General	0.47
Housing – Social and Affordable	1.25
Health	1.05
Education	0.7
Capital Projects	0.3
Total Additional Spend	<hr/> 3.77

Budget 2019

The Minister Giveth

	Full Year
	€ m
USC Reductions	123
Tax band widening	161
Tax credit increases	72
Other Income Tax	38
Hybrid Cars	19
Others	45
	<hr/>
Tax Reliefs	458

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The Minister Takes Away

	Full Year
	€ m
Tobacco	62
Betting Duty	51
Diesel VRT	25
VAT	560
“Better PAYE Compliance”	50
0.1% Training Levy	77
	<hr/>
Total Additional Tax	825

Frances Lenihan

Business Taxes

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VAT

- **Tourism Activities**

- Increase in the VAT rate applicable to tourism activities from 9% to 13.5% (we expect this to apply to hotel accommodation, restaurant meals etc.)
- Rate change with effect from 1 January 2019

- **Printed newspapers and certain electronically supplied publications**

- Printed newspapers to retain the 9% VAT rate
- The VAT rate on certain electronically supplied publications (e-books and electronically supplied newspapers) will be reduced from 23% to 9%
 - Also with effect from 1 January 2019

- **Sporting Facilities**

- The supply of sporting facilities (swimming pools, gyms, leisure facilities etc.) to retain the 9% VAT rate

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Excise Duties

- **Excise Duties**

- 50 cent increase on a packet of 20 cigarettes
- Pro-rata increase on other tobacco products
- Additional 25 cent on roll your own tobacco
- Increase in Minimum Excise on tobacco products so that all packs of 20 cigarettes sold below €11 will have the same excise applied as cigarettes sold at €11
- All effective from midnight on Budget Day

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VRT

- **Hybrid Vehicles**

- VRT relief on hybrid vehicles will be extended to the end of 2019

- **Diesel Surcharge**

- 1% VRT surcharge on the registration of diesel vehicles across all VRT bands

- **WLTP**

- VRT categories will be based on the new WLTP measuring system (Worldwide Harmonised Light Vehicle Testing Procedure)
- Result in an increase in VRT on most new cars
- This is estimated to result in an average of between 2% and 4% point increase in the VRT rate from 2020 in addition to the 1% surcharge on diesel cars
- Transitional arrangements resulting in smaller increases will be in place before then

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Agritaxation

- **Income Averaging**

- Extended to farmers with off-farm income
- More in Finance Bill

- **Stamp Duty**

- Extension of Young Trained Farmers Stamp Duty Relief to the end of 2021

- **Stock Relief**

- Extended to the end of 2021

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Corporation Tax

- Commitment to **12.5% corporation tax rate** for trading income

- **Three Year Start-Up Relief**
 - Relief for profit-making start-up companies that create and maintain jobs
 - Extended for a further three years until end of 2021

- **Accelerated Capital Allowances for Gas-Propelled Vehicles and Refuelling Equipment**
 - To encourage the use of natural gas and biogas as a substitute for diesel

- **Accelerated Capital Allowances for Employer Provided Fitness and Childcare Facilities**
 - Aims to incentivise employers to provide fitness and / or childcare facilities
 - Measure was introduced in Finance Act 2017
 - Commence with effect from 1 January 2019

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Corporation Tax

- **Film Relief** for companies
 - Credit relief extended to 2024
 - New tapered uplift proposed for productions in areas designated under the State Aid regional guidelines
 - Subject to State Aid approval
- **Employment and Investment Incentive Scheme (EIIS)**
 - Measures to be bought forward in Finance Bill
 - to “increase its efficiency and effectiveness”

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International Tax Landscape

- Ongoing developments in the **international tax landscape**
 - OECD's Base Erosion and Profit Shifting (BEPS) project
 - EU Anti-Tax Avoidance Directives (ATAD)
 - US Tax Reform

- **Ireland's Corporation Tax Roadmap**
 - Published by the Finance Minister on 5 September 2018
 - Identified a programme of action for implementing changes in relation to Ireland's corporation tax regime, not only in Budget 2019, but over a number of years
 - Referenced a number of consultations with taxpayers for Q4 2018 and throughout 2019;
 - Interest deductibility limitations and the ATAD anti-hybrid provisions (Q4 2018)
 - Review of Ireland's Transfer Pricing Provisions (early 2019)
 - Alternative options of moving to a territorial regime and simplification of the double tax relief rules (early 2019)

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International Tax Landscape

- **Exit Tax**

- Section 627 TCA 1997 included an exclusion from the application of an exit tax at a rate of 33% where companies migrated or transferred assets offshore and where certain conditions are met
- Changes were expected as it was required in line with EU ATAD changes (which require the changes to be effective from 1 January 2020)
- Changes announced which are effective from midnight on Budget Day
- Exit tax is to apply at a rate of 12.5% on any unrealised gains once the assets leave the scope of Irish taxation

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International Tax Landscape

- **Controlled Foreign Company (“CFC”) rules**




- Aim to deter companies from shifting profits into non-genuine low tax structures
- Effective for accounting periods beginning on or after 1 January 2019
- Department of Finance has confirmed that Ireland intends to implement “Option B”, as included in Article 7 of the ATAD
- On 7 September 2018 the Department of Finance published a CFC Feedback Statement which encouraged stakeholders to provide feedback on the proposed CFC rules that will be included in Finance Act 2018
- Responses were required to be submitted by 28 September 2018
- A number of areas in the CFC Feedback Statement go beyond ATAD and as such we await further updates in the Finance Bill and throughout Q4 2018

Jackie Coughlan

Personal Taxes


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Income Tax Band Cuts

Income Tax Bands	2018	2019	Change
Single Person	€34,550	€35,300	 €750
Married, Single Income	€43,550	€44,300	 €750
Married, 2 Incomes	€69,100	€70,600	 €1,500

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USC Changes

USC Bands (Employees)	2019	Change
€0 - €12,012	0.5%	—
€12,013 - €19,874 *	2%	—
€19,874 - €70,044	4.5%	 0.25%
>€70,044	8%	—

- Increased by €502
- Measures ensure that workers on minimum wage €9.80 do not pay top rates of USC
- Marginal rate on incomes up to €70,044 reduced from 48.75% to 48.5%
- Income over €100k – no change to 3% surcharge for self employed persons

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Home Carer Credit

- Increased from €1,200 to €1,500
- Claimable where spouse/civil partner works in the home caring for:
 - Child (under 16 / under 18 & in full time education)
 - Individual over 65
 - Individual permanently incapacitated by reason of mental or physical infirmity
- Carer can earn income of up to €7,200 without impacting on the credit
- Carer's income does not take account of DSP carer benefit/allowance

Earned Income Credit

- Increased from €1,150 to €1,350
- Applies to those earning trading or professional income
- Includes employed directors (>15% holding) who don't qualify for employee tax credit
- Aggregate of employee tax credit and earned income credit capped at €1,650

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- Further increase of 0.1% in employer contribution to National Training Fund Levy
- Forms part of Employer PRSI rate – Class A and H
- Increase of 0.1% will yield €69m
- Weekly threshold for higher rate of ER PRSI will increase from €376 to €386 from 01/01/2019



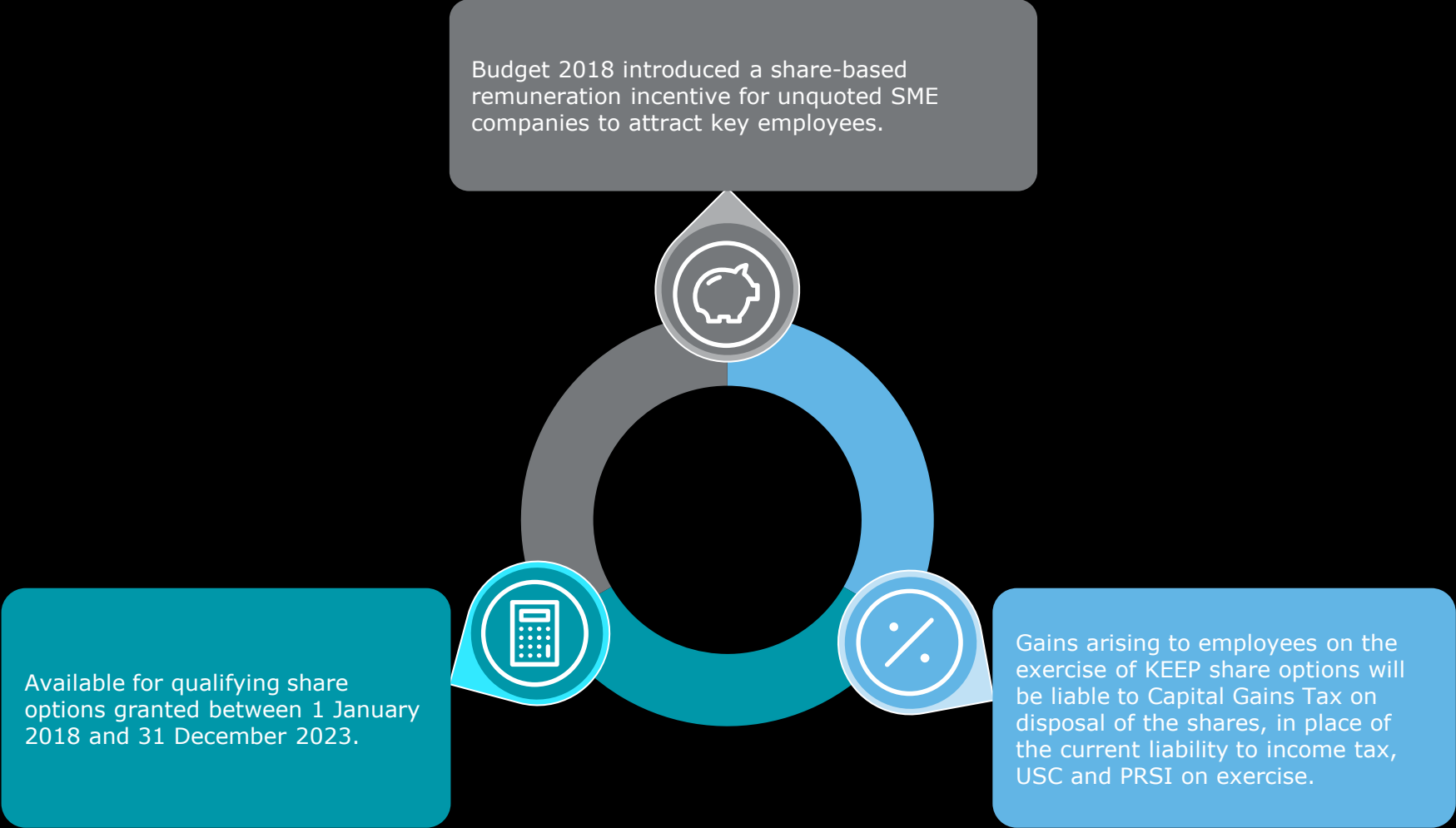
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Other Income Measures

Target Areas	Measures
Mortgage Interest Relief for Landlords	<ul style="list-style-type: none">• Interest on loans used to purchase, repair or improve residential properties• Restricted to 75% deduction from 07/04/2009 – 31/12/2016• Relief was due to increase on incremental basis until full relief restored in 2021• 100% interest deduction will apply from 1 January 2019
Benefit in Kind	<ul style="list-style-type: none">• 0% BIK rate for electric vehicles provided to employees• Extension from 31 December 2018 to 31 December 2021• Cap of €50,000 on the Original Market Value• Exemption also applies to the provision of facilities in the workplace to charge vehicles

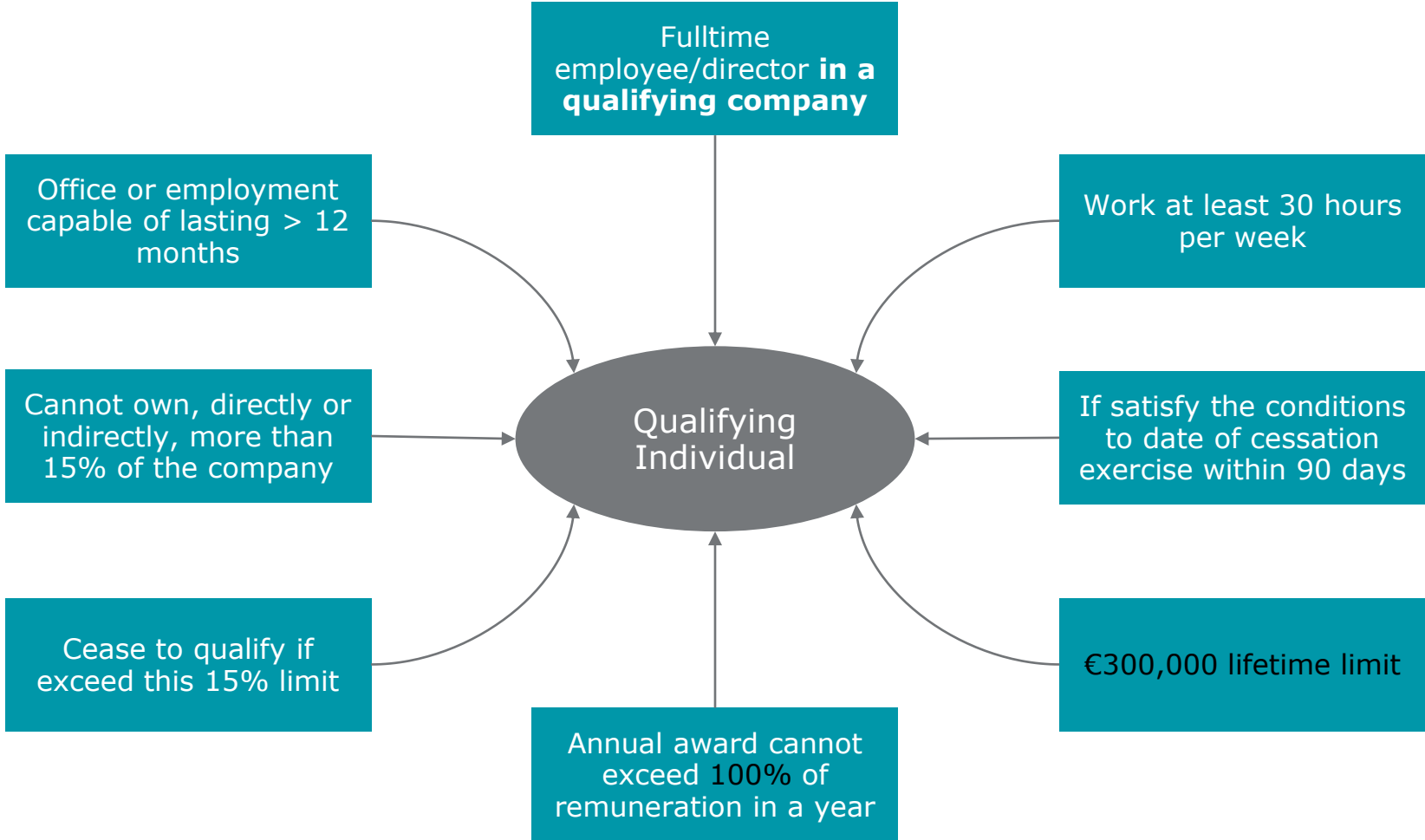
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Key Employee Engagement Programme (“KEEP”)



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KEEP: Qualifying Individual Changes



Key Employee Engagement Programme (“KEEP”)

Example

- Option granted 11 October 2018 to buy 10,000 shares at €1 per share. Market value of shares at date of grant is €1 per share.
- Option exercised 11 October 2021, 10,000 shares purchased at €1 per share. Market value at date of exercise is €2 per share.
- Shares sold 11 October 2022, 10,000 shares sold at market value of €3 per share.
- Individual’s employment income (excluding options) is in excess of €70,044.

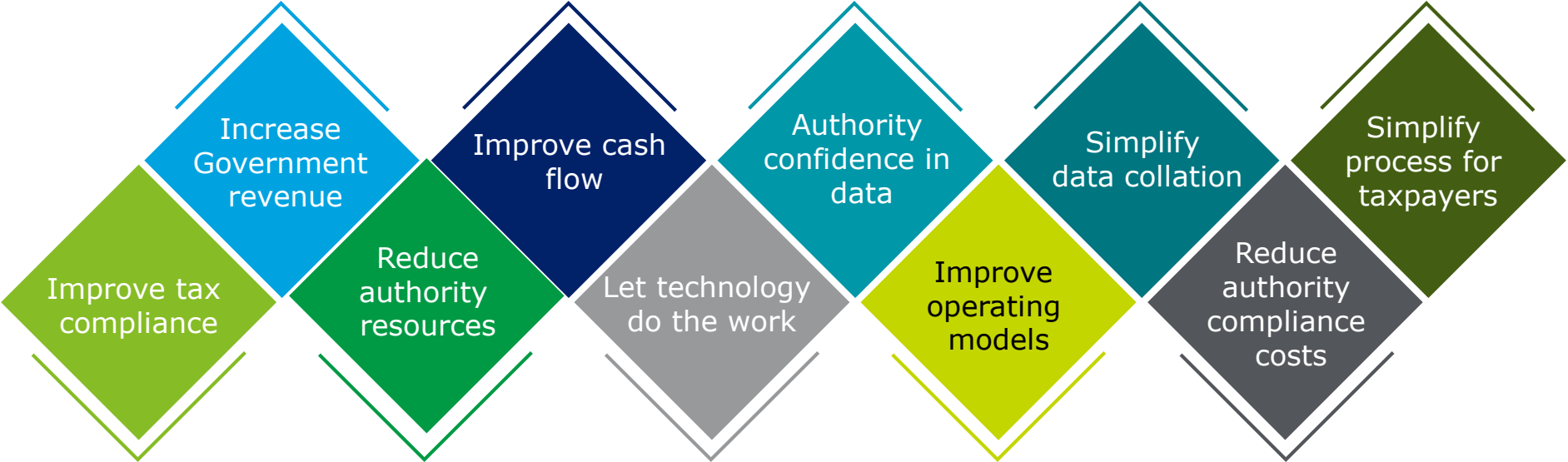
	Non-KEEP Options	KEEP Options
Liability at Grant	N/A	N/A
Liability at Exercise	€5,200 (52%)	N/A
Liability on Sale	€3,300 (33%)	€6,600 (33%)
Total Tax Liability	€8,500	€6,600

Results in a 19% tax saving on the gain at exercise and the full tax liability is deferred to the date of sale.

PAYE Modernisation

Introduction to PAYE Modernisation

Tax Authorities around the globe are moving into the 'Age of Digital'. There is a shift from a focus on 'Employee' (tax returns compliance) to focus on 'Employer' (payroll taxes compliance), from retro-active to pro-active taxation.



Current Payroll Procedures

- Apply latest P2C to calculate IT/USC/PRSI to be deducted
- Provide employee with payslip showing pay and deductions
- Monthly/quarterly P30 submission – only required to report & pay taxes due
- P45/P46 for employees ceasing and commencing during the year
- File P35 by February of following year detailing pay for each employee

What is Changing

Revenue Payroll Notification (RPN) will replace P2C (tax credit certificate)

RPNs will be available in real time for new employees

Payroll software uses details returned in the RPN to calculate tax

On or before making a payment employer must report:

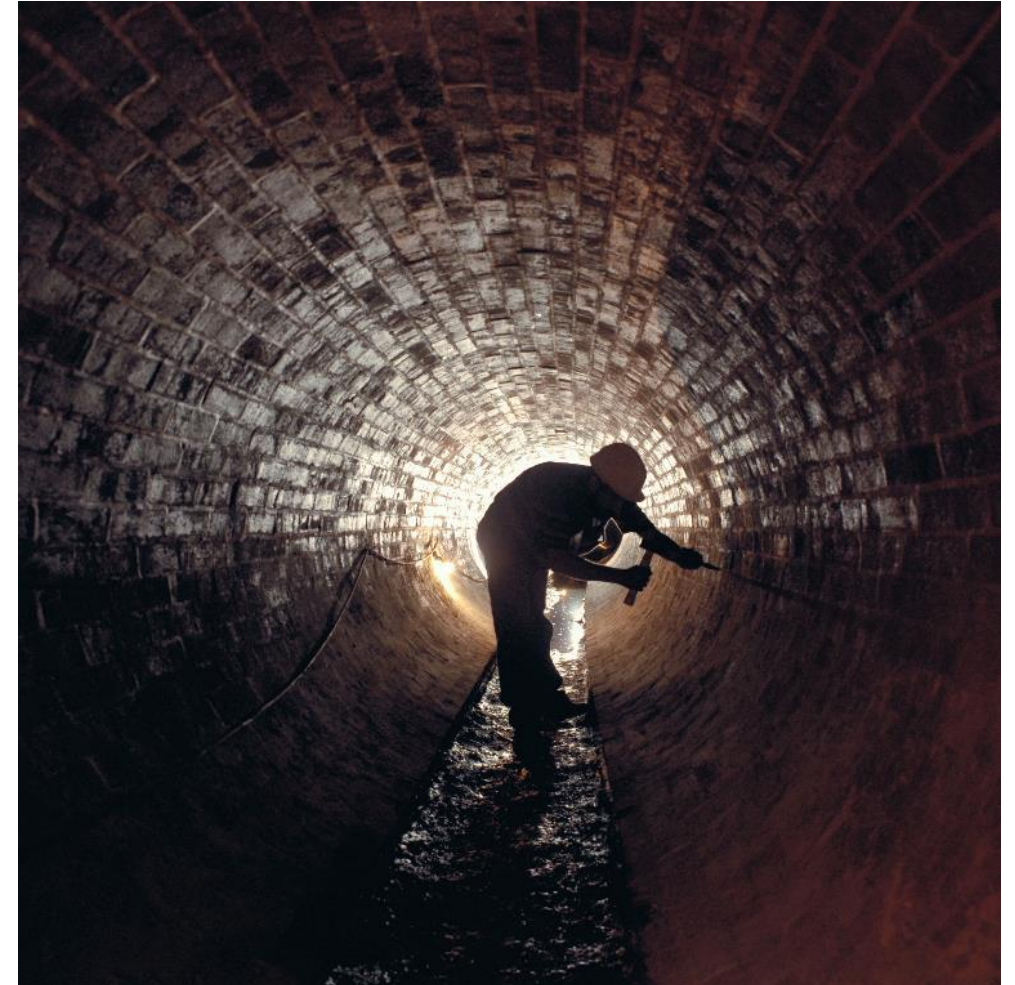
- Amount of pay
- Payment date
- Income tax/USC/PRSI/LPT deducted

Revenue issues statement by 5th of following month showing liability

Employer can accept or amend the statement

Statement deemed a return by 14th where no action taken

Payment is due as normal (23rd for ROS pay and file)

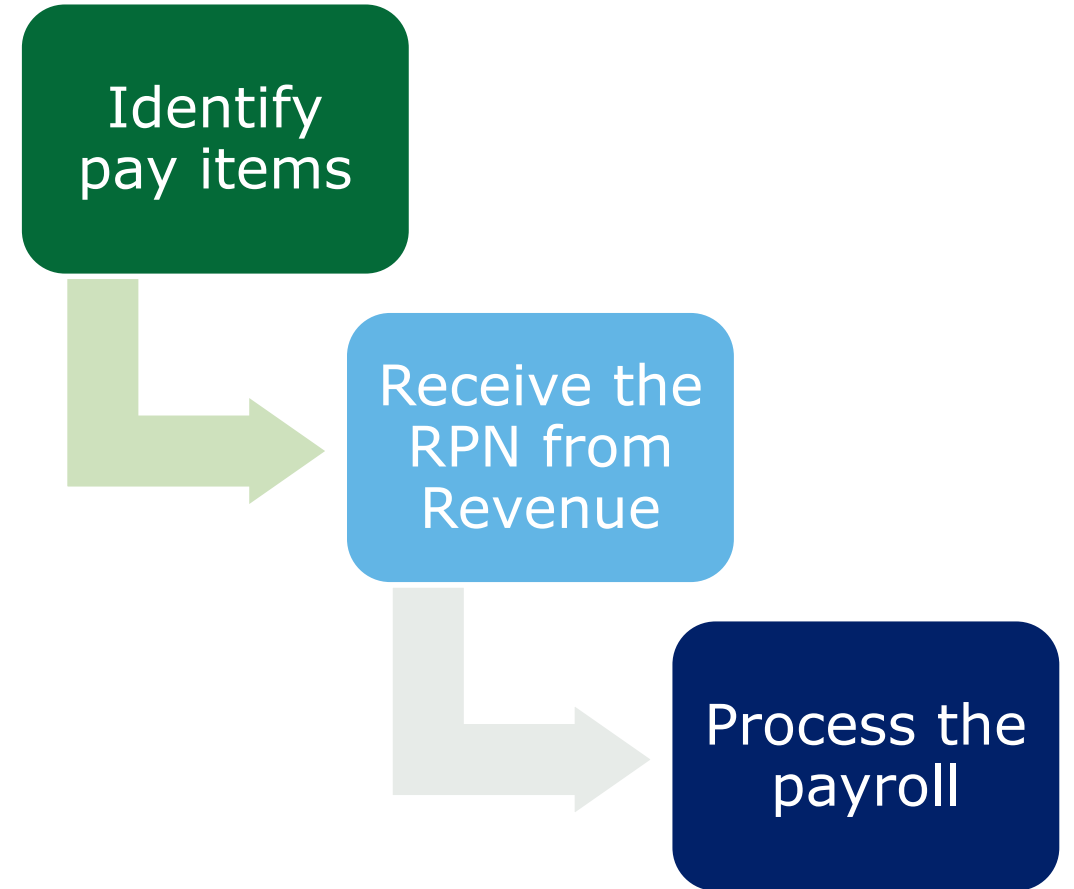


What are reportable items ?

Every item of your current payroll will now need to be reported to Revenue.

This includes:

- Benefits and Notional payments
- Restricted Stock Units
- Taxable Expenses



Expenses and Notional Pay Items

Taxable Cash Reimbursements

Where employees are reimbursed for taxable expenses through an expense system, i.e. outside of payroll, a separate payroll submission is required on or before the reimbursement date of the cash payment.

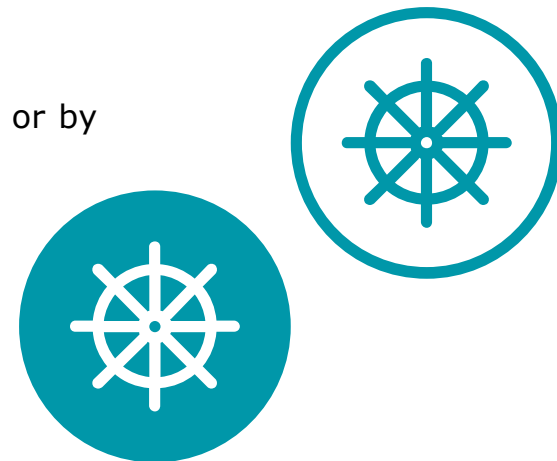
- Recommended approach is to align the date of reimbursement with the payroll date

Notional benefits

Revenue have indicated that the notification date can be either

(i) The day the notional payment is made; or

(ii) The earlier of the next pay day following the notional payment, i.e. the day salary is paid or by the 31st of December.



Preparing for 1 January 2019

For each payroll identify:

- What are the pay elements?
- How does the information get to payroll?
- Review of position to date on each item
- Do procedures need to change?

Employers must ensure they have:

- Registered all employees
- Received an up to date Tax Credit Certificate (P2C) for each employee
- Correct Personal Public Service Number (PPSN) for all employees.
- Completed the P45 process correctly

List of employees to be provided:

- Current employees (including directors)
- Employees on long term leave such as maternity leave or sick leave
- Pensioners in receipt of payments
- Seasonal or temporary employees who have not been given a P45
- Employees on a career break who have not been issued a P45
- Employees for whom PAYE exclusion orders have been received

By 31 October 2018

Mike Sheehan

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Year End Tax Planning

€3000 - Gift from each parent to each child

€1270 - CGT exemption

€500 – Tax free vouchers

Rollover – CGT losses

EIIS – Investments

Maximise pension contributions

**Thank
You**



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