Summary of

2018 Budget Measures

Policy Changes

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Taxation Measures for Introduction in 2018

Measure	Yield/Cost 2018	Yield/Cost Full Year
USC		
• 2.5% rate reduced to 2%	-€72m	-€83m
• €600 increase to €18,772 band ceiling	-€21m	-€24m
• 5% rate reduced to 4.75%	-€84m	-€99m
Total cost of USC measures	-€177m	-€206m
USC Rates & Bands from 1 January 2018: Incomes of €13,000 are exempt. Otherwise: • €0 – €12,012 @ 0.5% • €12,012 – €19,372 @ 2% • €19,372 – €70,044 @ 4.75% • €70,044+ @ 8% • Self-employed income over €100,000: 3% surcharge Marginal tax rate on incomes up to €70,044 reduced from 49% to 48.75% The USC relief for medical card holders is being extended for a further two years (revenue neutral as already in tax base). Medical card holders and individuals aged 70 years and older whose aggregate income does not exceed €60,000 will now pay a maximum USC rate of 2%.		
Income Tax		
An increase of €750 in the income tax standard rate band for all earners, from €33,800 to €34,550 for single individuals and from €42,800 to €43,550 for married one earner couples.	-€132m	-€152m
An increase in the Home Carer Tax Credit from €1,100 to €1,200	-€7m	-€8m
An increase in the Earned Income Credit from €950 to €1,150	-€17m	-€31m
Excise Duties		
Tobacco Products Tax The excise duty on a packet of 20 cigarettes is being increased by 50 cents (including VAT) with a pro-rata increase on the other tobacco products, and an additional 25c on roll your own tobacco. This will take effect from midnight on 10 October 2017.	+€64m	+€64m

Sugar Tax A tax on sugar sweetened beverages is to be introduced on 1 April 2018. The tax will apply to sugar sweetened drinks with a sugar content between 5 grams and 8 grams per 100ml at a rate of 20c per litre. A second rate will apply for drinks with a sugar content of 8 grams or above at 30c per litre.	+€30m	+€40m
Benefit in Kind on Electric Vehicles A 0% benefit-in-kind (BIK) rate is being introduced for electric vehicles for a period of 1 year. This will for allow for a comprehensive review of benefit in kind on vehicles which will inform decisions for the next Budget. Electricity used in the workplace for charging vehicles will also be exempt from benefit in kind.	-€0.5m	
Other Income Tax		
Mortgage Interest Relief Tapered extension of mortgage interest relief for remaining recipients – owner occupiers who took out qualifying mortgages between 2004 and 2012. 75% of the existing 2017 relief will be continued into 2018, 50% into 2019 and 25% into 2020. The relief will cease entirely from 2021. (Generates an exchequer yield as the full relief is currently in the tax base.)	+€51m	+€175m
Key Employee Engagement Programme (KEEP) A share-based remuneration incentive is being introduced to facilitate the use of share-based remuneration by unquoted SME companies to attract key employees. Gains arising to employees on the exercise of KEEP share options will be liable to Capital Gains Tax on disposal of the shares, in place of 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.	-	-€10m
Pre-letting Expenses – Rented Residential Property To encourage owners of vacant residential property to bring that property into the rental market, a new deduction is being introduced for pre-letting expenses of a revenue nature incurred on a property that has been vacant for a period of 12 months or more. A cap on allowable expenses of €5,000 per property will apply, and the relief will be subject to clawback if the property is withdrawn from the rental market within 4 years. The relief will be available for qualifying expenses incurred up to the end of 2021.	-€1.5m	-€3m

VAT **Increase in the VAT rate on sunbeds from 13.5% to 23%** In line with the Government's National Cancer Strategy, the VAT rate on sunbed services is being increased from 13.5% to the standard rate of 23% from 1 January 2018, in order to deter sunbed use, due to clear evidence of a link between sunbed use and skin cancer. The VAT increase will result in a minimal Exchequer gain. **Charities VAT Compensation Scheme** A VAT refund scheme is being introduced to compensate charities for the VAT they occur on their inputs. The scheme will be 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. An amount of €5m will be available to the scheme in 2019.	€0m €0m	€0m €5m
Capital Gains Tax **Changes to section 604A of the Taxes Consolidation Act 1997 (Relief for certain disposals of land or buildings aka the 7-year CGT relief)*** An amendment will be made to Section 604 of the Taxes Consolidation Act 1997, otherwise known as the 7-year CGT relief, which will allow the owners of qualifying assets to sell those assets between the fourth and seventh anniversaries of their acquisition and still enjoy a full relief from CGT on any chargeable gains.	€0m	€0m
Capital Acquisitions Tax **Treatment of solar farms for the purposes of the Capital Acquisitions Tax (CAT) agricultural relief; Capital Gains Tax (CGT) retirement relief** For the purpose of CAT agricultural relief and CGT retirement relief, agricultural land placed under solar infrastructure will continue to be classified as agricultural land (formerly it would no-longer have been deemed agricultural land), but with a condition restricting the amount of the farmland that can be used for solar infrastructure to 50 per cent of the total farm acreage.	€0m	€0m

Compliance **Employer PAYE Compliance Project** In preparation for PAYE Modernisation a project is required to ensure compliance with employer obligations. A range of compliance interventions will be required. Resources will include enhancing ICT capacity for data matching and analytics, and capability building.	€50m	€50m
eCommerce/Online Business Compliance Project Building on knowledge gained in National Compliance Imperative in 2017, a compliance project tackling risks identified by e-commerce and online businesses.	€30m	€30m
Tax avoidance and base erosion capacity Build high level technical capacity to tackle complex tax avoidance and transfer pricing cases. Also to support Competent Authority role, including MAPs. Required to protect tax base and contribute to additional yield.	€20m	€20m
Corporation Tax **Capital Allowances for Intangible Assets** This measure will provide that the deduction for capital allowances for intangible assets, and any related interest expense, will be limited to 80% of the relevant income arising from the intangible asset in an accounting period. Full details of this measure will be contained in the Finance Bill.	€150m	€150m
Accelerated Capital Allowances for Energy Efficient Equipment This is a measure to incentivise companies to invest in energy efficient equipment. This measure was due to expire at the end of 2017 and following a review by the Department of Finance is being extended to the end of 2020.	€0m	€0m

Stamp Duty **Change of rate of Stamp Duty on Non-Residential Property from 2% to 6%** **Extension of Consanguinity Relief and Change of Rate of Relief** (This is an extension of a relief, net amount coming in should not change)	€376m €0m	€376m €0m
Increase in employer contribution to National Training Fund levy From 1st January 2018 there will be a 0.1% increase (from 0.7% to 0.8%) in the National Training Fund Levy payable by employers with respect of reckonable earnings of employees in Class A and Class H employments.	€58m	€63m