



Chartered Tax Advisors | Certified Public Accountants | Registered Auditors

BUDGET 2018

At a Glance

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## Personal Tax

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- Reduction in the 2.5% USC rate to 2% and increase of the band to which this applies by €600 to €19,372.
- Reduction in 5% USC rate to 4.75%.
- Marginal rate on incomes up to €70,044 reduced from 49% to 48.75%.
- USC relief for medical card holders extended by a further two years. Medical card holders and individuals over 70 whose aggregate income does not exceed €60,000 will now pay maximum USC rate of 2%.
- Increase of €750 in the income tax standard rate tax band for all earners.
- Increase in Home Carer Tax Credit to €1,200.
- Increase in Earned Income Tax Credit to €1,150.
- Tapered extension of mortgage interest relief for remaining recipients – owner occupiers who took out qualifying mortgages between 2004 and 2012. 75% of existing 2017 relief will be continued in 2018, 50% into 2019 and 25% in 2020. The relief will cease from 2021.
- 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 12 months or more. A cap of €5,000 per property will apply and relief will be subject to clawback if the property is withdrawn from rental market within 4 years. The relief will be available for qualifying expenses incurred up to 31<sup>st</sup> December 2021.
- 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 the disposal of the shares, in place of the current liability to income tax, USC and PRSI on exercise. It will be available for qualifying share options granted between 1<sup>st</sup> January 2018 and 31<sup>st</sup> December 2023.

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## Capital Acquisitions Tax

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- Agricultural land placed under solar infrastructure will continue to be classified as agricultural land for the purposes of Capital Acquisitions Tax agricultural relief and Capital Gains Tax retirement relief on the condition that the total amount of farmland that can be used for solar infrastructure is less than 50% of total farm acreage.

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## Capital Gains Tax

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- An amendment is being introduced to Section 604 TCA97 (7 year CGT relief) which will allow owners of qualifying assets to sell those assets between the fourth and seventh anniversary of their acquisition and still enjoy full relief from Capital Gains Tax.

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## Corporation Tax

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- The deduction of capital allowances for intangible assets will be limited to 80% of the relevant income arising from the intangible assets in the accounting period.
- Accelerated capital allowances for energy efficient equipment due to expire at the end of 2017 is being extended to the end of 2020.

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## VAT

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- Increase in VAT rate on sunbeds from 13.5% to 23% from 1<sup>st</sup> January 2018.
  - VAT refund scheme being introduced to compensate charities for VAT incurred on inputs. It will be introduced in 2019 for VAT expenses incurred in 2018. Charities will be entitled to a refund for a proportion of their VAT costs based on level of non-public funding they receive.
  - VAT rate on tourism sector to remain at 9%.
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## Miscellaneous

- Increase in excise duty on cigarettes by 50 cent and tobacco by 25 cent from midnight on the 10<sup>th</sup> October 2017.
- New tax on sugar sweetened beverages to be introduced on 1<sup>st</sup> April 2018. For beverages with a sugar content between 5 grams and 8 grams per 100ml the tax will be 20 cent per litre. A second rate will apply for beverages of 8 grams or more per 100ml at 30 cent per litre.
- A 0% benefit in kind rate is being introduced for electric vehicles for a period of 1 year. Electricity used in the workplace to charge vehicles will also be exempt from benefit in kind.
- Change in rate of Stamp Duty on Non-Residential Property from 2% to 6%.
- Increase in employer contribution to National Training Fund levy from 0.7% to 0.8% in respect of reckonable earnings of employees in Class A and Class H.
- 12.5% of corporation tax remains unchanged.
- Reduction in prescription charges for all medical card holders under 70 from €2.50 to €2 per item. The monthly cap drops from €25 to €20, with the threshold for the Drugs Payment Scheme dropping from €144 to €134.
- From the last week of March, €5 per week increase in all weekly social welfare payments, including disability allowance, carer's allowance, Jobseekers' Allowance and State pension.

### Tax Rates

	2017	2018
Standard tax rate	20%	20%
Higher tax rate	40%	40%

### Standard Rate Band

Single/widowed	€33,800	€34,550
Married couple one income	€42,800	€43,550
Married couple two incomes	€67,600	€69,100
One parent family	€37,800	€38,550

### Changes in Tax Credits

Home carer tax credit	€1,100	€1,200
Earned income credit	€950	€1,150

### Universal Social Charge

2017		2018	
First €12,012	0.5%	First €12,012	0.5%
Next €6,760	2.5%	Next €7,360	2%
Next €51,272	5%	Next €50,672	4.75%
Balance over €70,044	8%	Balance over €70,044	8%
Relevant income > €100,000	11%	Relevant income > €100,000	11%

- Total incomes of €13,000 or less are exempt.

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