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IRELAND - BUDGET 2019

In Brief

9 October 2018

Budget 2019, announced on 9 October 2018, is aimed at delivering a balanced budget which will build strength and resilience for the future, with significant investment in housing, Brexit preparation, the health service, education, incentives for SMEs and a Rainy Day Fund to deal with larger economic shocks. Tax measures are limited. Revenue raising measures include the expected increase in the VAT rate on tourism and hospitality activities as well as increases in excise duty on tobacco, betting duty and a diesel surcharge. Tax cuts include modest reductions in Universal Social Charge (USC) and income tax, a small increase in the Group A tax free threshold for Capital Acquisitions Tax (CAT) as well as certain extensions to existing SME, film, VRT and agricultural reliefs.

Ireland's Corporation Tax Roadmap published last month sets out in detail the next steps to be taken by Ireland in implementing changes required under the EU Anti-Tax Avoidance Directives (ATAD) and the OECD's Base Erosion and Profit Shifting project (BEPS). The ATAD measures included in Budget 2019 are forecasted to be revenue neutral. As previously indicated, Controlled Foreign Company (CFC) rules will be included in Finance Bill 2018. A new ATAD compliant exit tax regime, to date expected in next year's Budget/Finance Bill, has an early introduction from 10 October 2018. However confirmation that the 12.5% rate will apply to unrealised capital gains where companies migrate/transfer assets offshore being 12.5% (rather than the 33% rate of tax on capital gains) will be welcomed. Once again the Government confirmed that the 12.5% corporation tax trading rate will not be changing and reaffirmed its commitment to a transparent, sustainable and legitimate tax regime.

Business

ATAD

Early introduction of exit tax from 10 October at 12.5% on unrealised capital gains where companies migrate/transfer assets offshore. CFC rules to be included in Finance Bill 2018.

VAT

VAT rate on tourism and hospitality activities to increase from 9% to 13.5%.

SMEs

Key changes to SME share option scheme (KEEP). Relief from corporation tax for start-up companies in their first three years of trading extended until the end of 2021. Measures to increase effectiveness of Employment and Investment Incentive to be included in Finance Bill 2018.

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Property

LPT
Commitment that any future changes to Local Property Tax (LPT) will be moderate and affordable. LPT Review Group's report will be published in due course.

Landlords
100% deduction restored (from 85%) for interest on loans used to purchase, improve and repair residential property.

Stamp Duty
Mooted increase in stamp duty from 1% to 6% on sale of multi-unit residential blocks did not appear in Budget 2019.

Personal

Income Tax
Increase in entry point to 40% tax band of €750 for all earners, e.g. from €34,550 to €35,300 for single person. Earned Income Credit for self-employed increased from €1,150 to €1,350.

USC
USC rates from 1 Jan 2019 to be 0.5%, 2%, 4.5% (down from 4.75%) and 8% with €502 increase to 2% rate band ceiling.

CAT
Small increase in Group A threshold (applying primarily to gifts and inheritances between parents and children) from €310,000 to €320,000.

What's Next?

Further detail on the measures announced in Budget 2019 will be contained in Finance Bill 2018, to be published on 18 October 2018. As ever, measures not announced on Budget Day may be introduced by the Government during the Finance Bill process.

Key Contacts

If you have any queries in relation to the above please contact your usual Walkers contact or any member of the Tax group.

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