



Budget 2018

## BUDGET 2018 – GENERAL COMMENT

The Irish State Budget for 2018 was announced today, 10<sup>th</sup> October 2017, by the recently appointed Minister for both Finance and Public Expenditure & Reform, Mr Paschal Donohoe.

The Minister's speech emphasised that the country's economy continues to show strong growth and outlined a number of measures which are intended to ensure that this growth continues in the short to medium term. However, GDP forecasts indicate that, although the economy is growing, it will expand at a slower pace next year than has been the case in recent years. The Department of Finance expects the rate of growth to fall to 3.5% in 2018, from a projected 2017 final outturn of 4.3%.

Other positive macroeconomic statistics include;

- The projected 2017 budgetary deficit is 0.3% of GDP, (beating the 0.4% that was forecast at this time last year). For 2018, the forecasted budgetary deficit is 0.2%.
- Unemployment is currently at its lowest level since 2008, (6.1% currently, and forecast to fall to 5.7% on average in 2018). In addition, government statistics indicate that 19 consecutive quarters of employment growth have been achieved.

The overall Budget package of €1.2bn was split between net tax reductions and net expenditure increases in respective proportions of 28%/72%, as has been mandated to the Minister in the Confidence and Supply Agreement in place between the Government and the main opposition party, Fianna Fáil. This agreement continues to be a very significant influence on the annual Budgetary process, informing and influencing the majority of Budget measures that were announced.

As noted above, the bulk of the measures announced were adjustments to Government expenditure items, inclusive of significant capital expenditure commitments to infrastructure. The principal focus of budgeted expenditure is on efforts to counter the current shortage of housing units, and to address homelessness, with a funding allocation of €1.83bn provided. Significant resources have been allocated to address this issue in recent Budgets, with limited results to date. However, it would appear that considerable Government resources in terms of funding and staffing have been allocated, with a commitment to complete construction of 3,800 new social houses next year.

The most significant expenditure adjustment is to Social Welfare - recipients will enjoy a second consecutive year of increases, (a €5 increase for all weekly benefits).

The tax measures announced will result in only marginal changes to most taxpayers' net income levels, with an increased net monthly income of €20-€40 per month in 2018 for most income levels. The most substantial taxation measure in terms of Budgetary impact is an increase in the rate of Stamp Duty applicable to Non-Residential Property, (increased from 2% to 6%). Being a tax on transactions, it is possible that this increased duty will result in a drop in the number of transactions on which it arises, and may lead to a slowdown in commercial property market activity.

Overall, the Budget appears to have been introduced with the intention of fostering continued stable and consistent economic growth. The Minister's ability to freely allocate the resources generated from the economy that is performing well appears to be constrained by a new "troika" that he must secure agreement from, consisting of;

- Fianna Fáil, on foot of the Confidence & Supply Agreement that is required to pass the Budget,
- The Independent TDs, with their support again required to pass the Budget, and
- EU/international lenders' restrictions on short and long term Government deficits and expenditure balances that must be complied with.

The measures announced by the Minister will not be of any material assistance to the vast majority of indigenous SMEs, nor will they reduce the burden of taxation on self-employed individuals paying Income Tax at an exceptional marginal tax rate of 55%. However, there is no expectation that the measures announced will destabilise an economy that is currently functioning, and growing well.

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N.B. This summary is intended for client information only. The contents are of a general nature and should not be used as a basis for making decisions. Specific advice should be sought from Conor Dillon, Liam Farrell, Niamh Boyd, Brian Little, Liam Murphy or Rosaleen Harrison.

## INCOME TAX & LEVIES

EFFECTIVE DATE

### TAX CREDITS, RATES, BANDS AND EXEMPTIONS:

The Standard Income Tax rate will remain at 20%, and the Marginal Income Tax rate will remain at 40%.

The cut-off point at which a taxpayers' income tax rate increases from the Standard Rate to the Higher Rate has been increased by €750 for all earners, with the bands increasing to €34,550 for single individuals and €43,550 for married one earner couples. 01/01/2018

The Earned Income Credit, introduced in 2016 for self-employed individuals and business owners who do not qualify for the existing PAYE tax credit, has been increased from €950 to €1,150 per annum. 01/01/2018

The Home Carer Tax Credit has been increased from €1,100 to €1,200 per annum. 01/01/2018

### UNIVERSAL SOCIAL CHARGE, (USC):

A number of changes are proposed to all USC rates and bands. The revised figures for 2018 will be as follows;

- €600 increase to the second band ceiling, up to €19,372 from €18,772 01/01/2018
- Incomes of €13,000 or less will be exempt from the USC, otherwise; 01/01/2018

2018 Band	2017 Band	2018 rate	2017 rate
Up to €12,012	Up to €12,012	0.5%	0.5%
€12,013 - €19,372	€12,013 - €18,772	2%	2.5%
€19,373 - €70,044	€18,773 - €70,044	4.75%	5%
€70,045 and above	€70,045 and above	8%	8%

- Self-employed Income in excess of €100,000 will remain subject to 3% USC surcharge
- USC relief for Medical Card holders is being extended for a further two years. Medical Card holders with income of €60,000 or less will now pay a maximum USC rate of 2% 01/01/2018
- USC for individuals over 70 years of age whose income is €60,000 or less will also be capped at 2% 01/01/2018

### MORTGAGE INTEREST RELIEF 01/01/2018

There is to be tapered extension of this relief for remaining recipients with 75% of the existing 2017 relief available in 2018. This will be reduced to 50% in 2019 and 25% in 2020. The relief will cease entirely from 2021.

### LOAN INTEREST RELIEF FOR RENTED RESIDENTIAL PROPERTY 01/01/2018

This measure was introduced in Budget 2017 to increase the deduction available for qualifying interest payments against rental income from a rented residential property. It was announced in 2017 that the allowable deduction will increase by 5% each year thereafter until it reaches 100%, with an 85% deduction being allowable in 2018. There was no amendment to this measure mentioned in the Minister's 2018 budget speech.

#### BENEFIT-IN-KIND ON ELECTRIC VEHICLES

01/01/2018

A new 0% benefit-in-kind (BIK) rate is being introduced on electric vehicles. Electricity used in the workplace for charging vehicles will also be exempt from BIK. This measure is being introduced for a period of one year to allow a comprehensive review of BIK on vehicles which will inform decisions for the next budget.

01/01/2018

#### KEY EMPLOYEE ENGAGEMENT PROGRAMME (KEEP)

This is a share based remuneration incentive being introduced to help SME companies attract and retain key employees. This will be covered in more detail in the Business Taxes section of this report.

01/01/2018

#### PRE-LETTING EXPENSES – RENTED RESIDENTIAL PROPERTY

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. Allowable expenses will be capped at €5,000 per property and the relief will be clawed back if the property is withdrawn from the rental market within four years. The relief will be available for qualifying expenses incurred up to the end of 2021.

#### HELP TO BUY

There were no changes announced to the help to buy scheme which was introduced in 2017.

## BUSINESS TAX CHANGES

	Effective Date
<b>CORPORATION TAX</b>	
The Minister confirmed that there would be no changes to the headline Corporation Tax rates.	01/01/2018
The rates of Corporation Tax, therefore, will remain as follows;	
<ul style="list-style-type: none"> <li>• 12.5% for trading income, applying to income arising from an active trade, &amp;</li> <li>• 25% for passive income, applying to investment income such as deposit interest, foreign income, rents, royalties etc, as well as for certain land dealing profits.</li> </ul>	
<b>KEY EMPLOYEE ENGAGEMENT PROGRAMME (KEEP)</b>	01/01/2018
The Minister announced a new scheme which will allow unquoted SMEs to provide attractive share-option schemes to employees. In contrast to the existing system of taxation for share-option schemes already in existence, employees will not be liable to Income Tax, USC, and PRSI on improvements in the value of shares between the date of granting the option and the date of exercising it.	
Capital Gains Tax will apply to a gain arising on disposal of the shares.	
It is proposed that the scheme will be available between 1 <sup>st</sup> January 2018 and 31 <sup>st</sup> December 2023, although EU approval under State Aid regulations is still to be confirmed and no detail has yet been provided as to the exact qualification requirements, beyond being an unquoted SME.	
<b>CAPITAL ALLOWANCES FOR INTANGIBLE ASSETS</b>	01/01/2018
The Minister announced the reintroduction of a restriction on capital allowances for intangible assets, which will limit both the deduction and any related interest expenses to 80% of the relevant income arising from the intangible asset. Any restricted amount can be carried forward for offset in a future year. The 80% restriction had been in place previously, but was removed in the 2015 Finance Act.	
<b>BENEFIT-IN-KIND ON ELECTRIC VEHICLES</b>	01/01/2018
A 0% benefit-in-kind (BIK) rate is being introduced for electric vehicles for a period of one year. Electricity used in the workplace for charging vehicles will also be exempt from BIK.	
<b>ACCELERATED CAPITAL ALLOWANCES FOR INVESTMENT IN ENERGY EFFICIENT EQUIPMENT</b>	01/01/2018
The accelerated capital allowances for investment in energy efficient equipment, which allows full relief to be claimed in year one of investment, was due to expire at the end of 2017 but has now been extended to the end of 2020.	

## HOUSING INITIATIVES

Effective Date

### THE HOUSING PROBLEM AND GOVERNMENT OBJECTIVES

The Minister acknowledged that the shortage in the supply of housing demands urgent and significant investment and focus. The Government have committed to additional expenditure of €1.83 billion for Housing in 2018, providing the greatest departmental increase in Budget 2018 expenditure in recognition of its social priority. It is estimated that there is an annual shortfall of 15,000 units per annum.

The Government's Rebuilding Ireland strategy sets out measures to increase the supply of housing, including:

- Opening up land supply and low-cost State lands
- Local Infrastructure Housing Activation Fund
- Planning Reforms – changes to spur housing construction and improve affordability
- A further €500m commitment to increase the direct building programme to 50,000 social housing units in the period to 2021, of which 33,500 to be delivered through construction. 3,800 of these are to be built in 2018 by Local Authorities and Approved Housing Bodies.
- Putting in place a National Planning Framework and land management actions
- Efficient design and delivery methods to lower housing delivery costs (including finance costs)
- NTMA financing of large-scale “on-site” infrastructure
- Measures to support construction innovation and skills

### HOUSING ASSISTANCE PAYMENTS (HAP)

The HAP Scheme which replaced Rent Supplements and which is operated by all Local Authorities has been allocated a further €149m, supporting a further 17,000 households.

### FINANCING HOUSING DEVELOPMENT

It is recognised that availability of finance is having a negative effect on the supply of Housing. The Minister has allocated €750m from the Ireland Strategic Investment Fund (ISIF) directly to the newly setup Home Building Finance Ireland (HBFI). HBFI will use the ISIF resources to provide debt funding on market terms to commercially viable residential investment projects whose land owners want to build houses.

The initiative will be designed to avoid distortions to the market and to comply with State-Aid rules.

### STAMP DUTY AND THE STAMP DUTY REFUND SCHEME

As outlined in Indirect Taxation Measures, the Minister has increased the Rate of Stamp Duty from 2% to 6% with effect from 11<sup>th</sup> October 2017 while no increase was applied to Residential Property.

The Minister also identified a Stamp Duty Refund Scheme, under which the stamp duty paid on the acquisition of development land will be refunded, subject to conditions including the requirement that Relevant Development commences within 30 months of the Land Purchase.

#### VACANT SITE LEVY

The Vacant Site Levy will be increased from 3% to 7% if the property is not developed in the second year following the imposition of the levy. The levy will continue to be charged at 7% for each subsequent year.

#### INCENTIVE TO RELEASE DEVELOPMENT LAND FOR HOUSING SUPPLY – CGT

The Minister will amend the 7 Year CGT Relief available for certain purchases of property in the period December 2011 to end 2014, with the intention of incentivising land-owners to release development lands for Housing Supply.

#### 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.

#### OTHER HOUSING INITIATIVES

The Minister is providing €75m for a second phase of the Local Infrastructure Housing Activation Fund (LIHAF). The LIHAF is supporting more than 30 projects engaged in the construction of more than 20,000 houses by 2021.

The Minister is providing an increase of €31m to the Social Housing Current Expenditure Programme to bring an extra 4,000 units into social use in 2018, primarily through the HAP Scheme.

The Minister has increased funding for homeless services for emergency accommodation and other supports by €18m to bring this funding to in excess of €116m per annum.



## FARMING

### EFFECTIVE DATE

#### FLAT-RATE ADDITION

01/01/2018

There is no change to the farmers' VAT flat rate addition which remains at 5.4%.

#### FARM RESTRUCTURING RELIEF

01/01/2018

There was no change to the existing farm restructuring relief, a relief for Capital Gains Tax for farmers selling land in order to purchase other land for the purposes of restructuring their farm. This relief was extended to 31<sup>st</sup> December 2019 in last year's budget.

#### ACCELERATED CAPITAL ALLOWANCES FOR INVESTMENT IN ENERGY EFFICIENT EQUIPMENT

01/01/2018

The accelerated capital allowances for investment in energy efficient equipment which allows full relief to be claimed in year one of investment is to be extended to the end of 2020.

#### STOCK RELIEF

The existing stock relief extension to 31<sup>st</sup> December 2018 will remain in place with no changes.

#### STAMP DUTY

The exemption from Stamp Duty for young trained farmers is to be continued. The Minister is maintaining consanguinity stamp duty relief at one per cent for inter-family farm transfers for a further three years.

#### LEASING OF AGRICULTURAL LAND FOR SOLAR PANELS

The Minister is proposing to provide for the leasing of agricultural land for solar panels to be classified as qualifying agricultural activity for the purposes of specific Capital Acquisitions Tax and Capital Gains Tax reliefs. The aim of this initiative, which is subject to the panels covering no more than 50 per cent of the total farm holding, is to support diversification, expand the generation of renewable energy, and help tackle climate change.

T.B.A.

## CAPITAL GAINS TAX

EFFECTIVE DATE

### CAPITAL GAINS TAX RATES

No change was made to the standard rate of Capital Gains Tax, which remains at the current rate of 33%.

Capital Gains Tax payment dates remain unchanged: 15<sup>th</sup> December for disposals during the period 1 January to 30 November, and 31<sup>st</sup> January for disposals in the preceding December.

### SEVEN-YEAR CAPITAL GAINS TAX RELIEF

10/10/2017

The Minister announced a reduction in the period which land or buildings purchased between 7<sup>th</sup> December 2011 and 31<sup>st</sup> December 2014 must be held in order to qualify for full Capital Gains Tax relief on disposal from seven years to four years.

### TREATMENT OF SOLAR FARMS

T.B.A.

For the purpose of Retirement Relief from Capital Gains Tax, agricultural land placed under solar infrastructure will now continue to be classified as 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.

### RETIREMENT RELIEF FROM CAPITAL GAINS TAX

No other changes were announced to Retirement Relief.

### ENTREPRENEURIAL RELIEF FROM CAPITAL GAINS TAX

No changes were announced to Entrepreneurial Relief.

## CAPITAL ACQUISITIONS TAX

EFFECTIVE DATE

No changes were made to the rate of Capital Acquisitions Tax, which remains at 33%. The CAT Exemption thresholds also remain unchanged.

RELATIONSHIP TO DISPONER	THRESHOLD
Child/minor child of deceased child/ favoured nephew/niece/parent	310,000
Lineal ancestor/descendant/brother /sister/nephew/niece parent	32,500
Others	16,250

### AGRICULTURAL RELIEF

T.B.A

For the purpose of CAT agricultural relief, agricultural land placed under solar infrastructure will continue to be classified as 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.

## INDIRECT TAXATION

VALUE ADDED TAX	EFFECTIVE DATE
<b>VAT RATES</b>	
There are no changes proposed to the standard VAT rate which remains at 23%, the reduced rate which remains at 13.5% or to goods or services which are zero rated.	01/01/2018
The second reduced VAT rate of 9% applicable to certain goods and services (mainly in tourism and related industries) has again been retained for a further year. The Minister noted that the retention of this rate would act as a buffer against increased costs for British tourists resulting from a weakened Sterling.	01/01/2018
In conjunction with the Government's National Cancer Strategy, the VAT rate on sunbed services is being increased from 13.5% to 23%. This increase is aimed at deterring sunbed use, due to evidence of a link between sunbed use and skin cancer.	01/01/2018
<b>CHARITIES VAT COMPENSATION SCHEME</b>	
A VAT refund scheme will be introduced for charities to compensate for the VAT which they incur on their inputs. Charities will be entitled to a refund of a proportion of their VAT costs, based on the level of non-public funding which they receive. The scheme will be introduced in 2019 in respect of VAT expenses incurred in 2018.	01/01/2018
<b>FARMERS FLAT RATE ADDITION</b>	
The farmer's flat-rate addition will remain at the rate of 5.4%.	
<b>EXCISE DUTIES</b>	
<b>TOBACCO PRODUCTS</b>	11/10/2017
The Excise Duty on a packet of 20 cigarettes is being increased by 50 cents (including VAT), with a pro-rata increase on other tobacco products, with effect from midnight on 10 <sup>th</sup> October 2017	
<b>ALCOHOL, PETROL AND DIESEL</b>	
There is no change to duties on alcohol, petrol or diesel.	
<b>SUGAR TAX</b>	
As announced in Budget 2017, a tax on sweetened beverages will be introduced on 1 <sup>st</sup> April 2018. Drinks with a sugar content of between five and eight grams per 100ml will attract a tax at a rate of 20c per litre. Drinks with a sugar content of above eight grams per 100ml will attract a tax rate of 30c per litre. These levels are consistent with the rates being introduced in the UK in April 2018.	01/04/2018

## SOCIAL WELFARE BENEFITS

### SOCIAL WELFARE BENEFITS

From the last week of March 2018, all weekly social welfare payments, including the state pension, carer's allowance, disability allowance, and job seekers benefit and allowance, will be increased by €5 per week. There were no changes to the rate of child benefit allowance.

PEOPLE OF PENSIONABLE AGE	NEW RATE PER WEEK	OLD RATE PER WEEK
	€	€
Contributory pension & Transition pension:		
Under 80		
- Personal rate	243.30	238.30
- With adult dependant <66	405.40	397.10
- With adult dependant 66 and over	461.30	451.80
Age 80 or over		
- Personal rate	253.30	248.30
- With adult dependant <66	415.40	407.10
- With adult dependant 66 and over	471.30	461.80
State Pension (Non Contributory):		
Under 80		
- Personal rate	232.00	227.00
- with a qualifying adult	385.30	377.00
Age 80 or over		
- Personal rate	242.00	237.00
- with a qualifying Adult	395.30	387.00
Widow(er) Contributory Pension: -		
- under 66	203.50	198.50
- 66 and under 80	243.30	238.30
- 80 or over	253.30	248.30
Widow(er)s Non-Contributory Pension: -	198.00	193.00
Invalidity Pension		
- Personal rate	203.50	198.50
- With qualified adult	348.80	340.20

CHILD BENEFIT	NEW RATE PER MONTH	OLD RATE PER MONTH
	€	€
Rate per child	140.00	140.00

PEOPLE OF WORKING AGE	NEW RATE PER WEEK €	OLD RATE PER WEEK €
Job Seekers Allowance & Supplementary Welfare Allowance:		
Personal Rate aged 18 to 21	107.70	102.70
Claimants age 18 to 21 years with qualified adult	215.40	205.40
Personal Rate aged 22 to 24	107.70	102.70
Claimants aged 22 to 24 years with qualified adult	215.40	205.40
Personal Rate at 25 years of age	152.80	147.80
Claimants aged 25 years with qualified adult	284.20	275.90
Personal Rate aged over 26	198.00	193.00
Job Seekers Allowance		
Claimants aged over 26 with qualified adult	329.40	321.10
Supplementary Welfare Allowance		
Claimants aged over 26 with qualified adult	327.40	319.10
Disability Allowance		
Personal Rate	198.00	193.00
Person with qualified adult	329.40	321.10
Other benefits:-		
Maternity Benefit	240.00	235.00
Carers Benefit Under 66	214.00	209.00
Carers Benefit 66 and Over	252.00	247.00

#### OTHER ALLOWANCES

A €20 increase in the earnings disregard for the One Parent Family Payment and Jobseekers' Transitional scheme was announced.

The threshold for the Family Income Supplement will rise by €10 per week for families with three children and there will be €2 per week rise in the rate of the qualified child payment.

A new Telephone Support Allowance of €2.50 per week for those receiving both the Living Alone and Fuel allowances will be introduced. The Minister also announced that there will be an increase in the Free Travel Scheme and the Fuel Allowance.

Prescription charges are to be reduced for everyone with a medical card under the age of 70 from €2.50 to €2 per item and the monthly cap for prescription charges decreased from €25 to €20. The threshold for the drugs payment scheme will fall from €144 to €134.

#### PATERNITY BENEFIT

There are no changes in the paternity benefit scheme which commenced in September 2016. It is paid for two weeks and is available for any child born or adopted on or after 1 September 2016. Paternity leave can be started at any time within the first 6 months following the birth or adoption placement.

#### CHRISTMAS BONUS

The Christmas bonus for social welfare recipients will remain at 85% of the recipient's weekly payment for Christmas 2017.

#### EMPLOYMENT SUPPORTS

There are no changes in the payments for Community Employment, Tus, Gateway and JobBridge. The Minister announced that there will be an additional 250 places for the Rural Social Scheme.

## OTHER PRINCIPAL MEASURES

### THE RAINY DAY FUND

Minister Donohoe announced a proposal to establish a 'Rainy Day Fund' in the coming year. It is proposed that at least €1.5 billion will be transferred from the Ireland Strategic Investment Fund into the Rainy Day Fund in 2018. It is also proposed that annual contributions of €500 million will commence in 2019. The aim of the fund is to help strengthen the national finances, especially in light of Brexit.

### HEALTH SERVICE

An increase of €685m in the allocation to the Department of Health was announced. This brings total funding to almost €15.3bn for 2018, which represents the highest ever level of health funding in the history of our country. There is also a reduction in prescription charges for all medical card holders under 70 from €2.50 per item to €2 per item with a subsequent reduction in the monthly cap from €25 to €20.

Minister Donohoe announced that additional funding is being provided for primary care developments, which will allow a number of initiatives to be progressed. In particular, the Government aims to make further progress in relation to the GP contracts and is hopeful that agreement can be reached on the introduction of additional services during 2018.

An additional €471 million of capital expenditure has been made available to cover the period 2018-2021. It is hoped that this funding will allow for investment in critical infrastructure including the delivery of the National Children's Hospital project and a range of other investments in primary and community care schemes.

### CHILDCARE

Next year will see an increase of 5.5% in funding for the Department of Children and Youth Affairs, bringing total funding to €1.35bn. The additional funding is aimed to support a range of childcare measures including further development of the extended free Pre-School programme, ensuring entitlement to a full two year service. The capitation rate for providers of the ECCE Pre-School Programme will increase by 7 per cent from September 2018.

The universal childcare payment for the under 3s and increased rates in targeted childcare subvention schemes introduced in September 2017, will continue to be supported in 2018 in advance of the introduction of the Single Affordable Childcare Scheme.

### SPORT AND CULTURE

Minister Donohoe re-iterated the Government's commitment to Creative Ireland, the five-year legacy programme for Ireland 2016 which places creativity at the centre of public policy.

As part of that total package to the Department of Transport, Tourism and Sport, Budget 2018 will also see a total allocation of €111 million in current and capital spending for sport next year.

Additional funding to the Department of Culture, Heritage and the Gaeltacht of €9 million in current funding and €4 million in capital is to be provided in 2018. There will also be additional funding provided for the Arts Council, the Irish Film Board, Culture Ireland, the National Cultural Institutions and the Creative Children initiative. There will also be additional allocations for our built and natural heritage and for Waterways Ireland.

Minister Donohoe outlined the Government's commitment to the implementation of the Twenty Year Strategy for Irish. There will be an increase of €2.5 million in the allocation for the Irish language and the Gaeltacht in 2018, with additional funding for the language planning process, including Údarás na Gaeltachta and various training programs in Irish.

### IRELAND AT THE CENTRE OF THE WORLD

The minister announced an increased allocation for the Department of Foreign Affairs and Trade of €23 million which includes an allocation to grow our global footprint for overseas staff. An increase in funding of €13 million for the Department of Defence was also announced.

#### BREXIT

The Minister announced a Brexit Loan Scheme to assist Small and medium businesses that will need to grow and look to expand to new European and international markets post Brexit. This scheme will make available up to €300m at competitive rates to SMEs, including food businesses given their unique exposure to the UK market, to help them with their short-term working capital needs.

The Department of Business, Enterprise and Innovation will have an additional budget to enable the recruitment of 40 staff across the Department and enterprise agencies to help deal with the challenges and opportunities arising from Brexit.

#### EDUCATION

The Minister announced education spending for 2018 of over €10 billion. The main expenditures will be as follows:

- 1,300 new teaching posts for 2018.
- €1.7bn for special education needs - over 1,000 additional Special Needs Assistants can be recruited in time for September 2018, bringing the total number of SNAs to over 15,000.
- The Minister for Education will also announce in the coming weeks details of an additional €200m PPP investment in the sector that will support regional development.
- Increasing the National Training Fund levy in 2018 from 0.7 per cent to 0.8 per cent to provide €47.5m of additional investment in the Higher and Further Education Sectors next year. The levy will rise to 0.9 per cent in 2019 and to 1.0 per cent in 2020.

#### CLIMATE CHANGE

€36 million has been allocated to facilitate the expansion of energy efficiency programmes across the public, commercial and residential sectors together with €17 million to fund the rollout of the Renewable Heat Incentive and to incentivise the uptake of electric vehicles. In addition to the VRT relief of a maximum of €5,000 and the SEAI grant of up to €5,000 already in place, to further incentivise the take up of electric vehicles, the minister proposes the introduction of a 0 per cent rate of Benefit in Kind (BIK) in 2018.

It is intended that the ESRI will carry out a review of carbon tax with a view to bringing forward proposals in Budget 2019 around the role of the tax in driving changes to behaviour in households and business.

#### TOURISM AND TRANSPORT

The Minister announced €112m for funding to improve tourism and marketing Ireland abroad. There will also be €414m funding for transport to support increased public transport services and improvements to our road networks. The minister referred to BusConnects as a programme of priority investment for public transport, which plans to fundamentally transform Dublin's bus system so that journeys by bus will be fast, reliable, punctual, convenient and affordable.

#### JUSTICE

There will be an additional allocation of €63 million for the Justice Sector. Funding has been made available to recruit an additional 800 Gardaí along with a further 500 civilian staff.

#### CORPORATE TAX CODE REVIEW

In last year's budget the appointment of Seamus Coffey as head of the review of the corporate tax code was announced. Seamus Coffey's report has now been published. It sets out a roadmap for Ireland to implement a range of reforms over the coming years up to the end of 2020. The report recognises the importance of certainty and identifies the need for consultation and in response the Minister has announced that he is launching a public consultation process.



## APPENDIX A – CHANGES IN NET INCOME

The examples below demonstrate the effect of the changes to Income Tax and Universal Social Charge rules in 2018.

	SINGLE	MARRIED SPOUSE NOT EARNING	MARRIED SPOUSE EARNING *
	NET INCOME INCREASE €	NET INCOME INCREASE €	NET INCOME INCREASE €
<b>PAYE INCOME</b>			
€12,000	0	0	0
€14,000	1	1	0
€18,000	30	30	0
€20,000	53	53	0
€25,000	66	66	2
€30,000	78	78	30
€35,000	241	91	55
€45,000	266	266	119
€55,000	291	291	144
€70,000	328	328	482
€100,000	328	328	557
€150,000	328	328	657
€175,000	328	328	657
<b>SELF EMPLOYED</b>			
€12,000	0	0	0
€14,000	210	10	0
€18,000	230	30	0
€20,000	253	53	0
€25,000	266	266	2
€30,000	278	278	430
€35,000	441	291	454
€45,000	466	466	519
€55,000	491	491	544
€70,000	528	528	882
€100,000	528	528	957
€150,000	528	528	1,057
€175,000	528	528	1,057

\* Assumes incomes of both spouses are equal and combine to total the income levels shown.

## APPENDIX B – INCOME TAX CREDITS

	2018 €	2017 €	CHANGE €
Single Person	1,650	1,650	0
Married Couple	3,300	3,300	0
Home Carer	1,200	1,100	100
Widow or Widower – additional	540	540	0
Widow/Parent - Bereavement Year	3,300	3,300	0
Widow/Parent – years 1-5 after Bereavement	1,800 to 3,600	1,800 to 3,600	0
Single Person Child Carer	1,650	1,650	0
Incapacitated Child	3,300	3,300	0
Dependent Relative	70	70	0
Blind Person	1,650	1,650	0
Both Spouses Blind	3,300	3,300	0
Age Allowance - Single/Widowed	245	245	0
- Married Couple	490	490	0
Employee PAYE Allowance	1,650	1,650	0
Self-Employed Income Credit	1,150	950	200
Fishers Tax Credit	1,270	1,270	0

## APPENDIX C – UNIVERSAL SOCIAL CHARGE & PRSI

<u>UNIVERSAL SOCIAL CHARGE</u>			
PROPOSED 2018		EXISTING 2017	
Exemption Threshold	€13,000	Exemption Threshold	€13,000
€0 to €12,012	0.5%	€0 - €12,012	0.5%
€12,013 to €19,372	2%	€12,013 to €18,668	2.5%
€19,372 to €70,044	4.75%	€18,669 to €70,044	5%
€70,045 to €100,000	8%	€70,045 to €100,000	8%
PAYE Income over €100,000	8%	PAYE Income over €100,000	8%
Self Employed Income over €100,000	11%	Self Employed Income over €100,000	11%
<u>PRSI</u>		<u>PRSI</u>	
Class A (Employee) PRSI Rate	4%	Class A (Employee) PRSI Rate	4%
Class S (Self Employed) PRSI Rate	4%	Class S (Self Employed) PRSI Rate	4%
Maximum Weekly Tapered PRSI Credit	€12	Maximum Weekly Tapered PRSI Credit	€12

## APPENDIX D – INCOME TAX RATES AND BANDS

There was an increase of €750 to the Standard Rate Band for all earners, while there was no change to the Income Tax Rates. Current rates and bands are set out below.

### INCOME TAX EXEMPTION LIMITS

AGE EXEMPTION LIMITS	2018 €	2017 €	CHANGE €
- Single or Widowed	18,000	18,000	0
- Married Couples	36,000	36,000	0

### INCOME TAX RATE BANDS

SINGLE OR WIDOWED PERSONS	
2018 FIRST €34,550 @ 20% = €6,910 BALANCE OVER €34,550 @ 40%	2017 FIRST €33,800 @ 20% = €6,760 BALANCE OVER €33,800 @ 40%
SINGLE OR WIDOWED LONE PARENT	
2018 FIRST €38,550 @ 20% = €7,710 BALANCE OVER €38,550 @ 40%	2017 FIRST €37,800 @ 20% = €7,560 BALANCE OVER €37,800 @ 40%
SINGLE INCOME MARRIED COUPLE	
2018 FIRST €43,550 @ 20% = €8,710 BALANCE OVER €43,550 @ 40%	2017 FIRST €42,800 @ 20% = €8,560 BALANCE OVER €42,800 @ 40%
TWO INCOME MARRIED COUPLE	
2018 FIRST €69,100 @ 20% = €13,820 BALANCE OVER €69,100 @ 40%	2017 FIRST €67,600 @ 20% = €13,520 BALANCE OVER €67,600 @ 40%