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Irish Budget 2017 – Prudence and Public Services

Commenting on the tax changes in the Budget, **Ronan McGivern, Tax Partner, Russell Brennan Keane** said that "the two key factors shaping this Budget are the domestic housing crisis and the external risks to Ireland's economy, and in particular the risks associated with Brexit. In this regard the measures introduced for first time buyers may not be enough to stimulate supply. In relation to protecting against future economic risks the Minister has focused on putting in place "shock absorbers" to assist in eliminating such shocks with the intention of ending the "boom and bust cycles" that we have seen in the past. Specific measures include:

Income taxes

- Introduction of a Help-to-Buy scheme providing a rebate of income tax paid by first time buyers over the previous four years to facilitate the purchase of a new home
- Phased restoration of tax relief for interest on loans applied in the purchase, improvement or repair of rented residential accommodation
- Extension of Home Renovation Incentive until 31 December 2018
- Reducing the 1%, 3% and 5.5% rates to 0.5%, 2.5% and 5% respectively. In addition the Minister has reiterated his intention to continue this trend with the aim of ultimately eliminating the USC
- Increasing the income ceiling for the Rent a Room scheme from €12k to €14k.
- Increase in the income ceiling for the 2.5% rate of USC to €18,772 to ensure anyone on the minimum wage is outside the scope of the top USC rate
- Increase in the Home Carer Credit from €1,000 to €1,100
- Reduction in the rate of DIRT over the next four years 41% to 33% (reduction of 2% each year)
- Commitment to undertake a review of the tax treatment of employee share schemes to develop a new SME focused share based incentive scheme with a view of introducing it in the next Budget.

Entrepreneurship

- Enhancing the CGT entrepreneurs relief by further reducing the rate of CGT from 20% to 10% as well as committing to reviewing in future budgets the €1m lifetime threshold to which the reduced rate applies
- The Earned income tax credit of €550 introduced in Budget 2016 to be increased by €400 to €950.
- Retention of the 9% VAT rate on tourism activities.
- Extension of Start your own business relief until the end of 2018

Capital acquisitions tax

· Increase in the current Group A (parents to children) tax free threshold from €280,000 to €310,000 in respect of gifts or inheritances

· Increase in the Group B and C thresholds to €32,500 and €16,250 respectively.

· Stated intention to further increase the tax free thresholds in future budgets

Corporation tax and international taxation

- Reiteration of the commitment to the 12.5% rate

- Appointment of an external expert to undertake a review of Ireland's corporation tax code
- Further amendments to be made to S110 TCA 1997 targeted at perceived abuses of the legislation in relation to funds and property
- Extension of SARP and FED reliefs to the end of 2020. Reduction in the minimum number of foreign days to qualify for FED from 40 to 30.

Other provisions that the Minister announced include the following:

- Introduction of a tax on sugar sweetened drinks aligned with the introduction of the UK's tax proposal in terms of time frame and structure in April 2018.
- Increase in excise duty for a packet of 20 cigarettes by 50 cents (including VAT) and pro-rata increases on other tobacco products.
- Package of measures aimed at supporting the farming communities including increase in the flat rate addition from 5.2% to 5.4%, extending farm restructuring relief until 31 December 2019, extending the scheme of accelerated capital allowances for energy efficient equipment to sole traders
- Introduction of an annual income tax credit of €1,270 for fishermen
- A focus by the Revenue on offshore tax evasion.

Overall according to Mr. McGivern, "This budget is quite unique given the number of parties "fingerprints" on it. The Minister in the first Budget of this Government has delivered a careful budget that is focused on prioritising the repair of public services. The country has come a long way from the depths of the recession and the Minister has stressed the importance of acting responsibly and implementing a prudent fiscal policy. As a small open economy Ireland is more exposed than other economies to external shocks outside our control. One thing that the Government can do however is have a contingency in place to deal with such shocks. The Minister has recognised this and is to be commended for his commitment to establish a contingency fund available to future Governments to be deployed in a counter cyclical manner. Long term planning of this nature is to be welcomed".