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Irish Budget 2019 – It's about Securing Our Future

Budget 2019 commentary and analysis by Mairead O'Grady, Tax Partner, RBK Chartered Accountants. RBK is hosting 2 budget briefings in Athlone and Dublin. We are available for commentary on Budget 2019.

In Minister Paschal Donohoe's second budget speech, he highlighted that it was responsible and sensible, and consistent with maintaining stability. He is giving record levels of funding to public services, helping those on low and middle incomes, and balancing our books, for the first time since 2007. It is an attempt to make Ireland Brexit ready and try to secure our future. In his own words, "it is a responsible budget for a modern and caring Ireland that aims to be at the centre of a changing world".

Commenting on the Budgetary measure introduced, Tax Partner, Mairead O'Grady outlines that Minister Donohue explained that we were a decade on from our economic crisis and he felt that our economy is again growing, our public finances are balanced and we have made real progress. However, he cautioned that the risks and challenges that we now face are equally real in terms of dealing with our housing crisis and Brexit.

The most significant Income earning measure introduced in today's Budget that is due to raise close to €500million in additional taxes in 2019 is by withdrawing the 9% VAT rate from the tourism sector. This was widely publicised but there was still hope that it would remain. However, the Minister felt that the reduced rate had already done its job and that re-instating the 13.5% VAT rate now allows him to fund other priorities.

Aside from significant public funding in all sectors, the Budget announced a Rainy Day Fund of €500m to be added to annually, the purpose of which is to increase our State's resilience to future Economic shocks. This along with the Brexit measures introduced in the form of a Loan Scheme for SME's and the Agri/Food Sector, and other targeted and Customs measures, will seek to ensure that Ireland is in the best possible position to respond to the challenges that Brexit may bring.

Some of the specific measures introduced in the budget were as follows:

Income Taxes and USC

- An increase of €750 in the Standard Rate band and an increase in the Home Carers credit from €1,200 to €1,500.
- An increase in the Self Employed Earned Income credit from €1,150 to €1,350.
- Some reduction in USC rates and an increase in bands.

Business taxation

- The announcement of a review of EIIS to make it more attractive to businesses. These details should be available in the Finance Bill in less than 2 weeks.
- Improvements to the Key Employee Engagement Programme (KEEP) by extending it's thresholds.
- The retention of the 9% VAT for Newpapers and the introduction of it for electronically supplied newspapers.
- The retention of the 9% VAT for Sporting facilities.
- The extension of the 3 years start up tax exemption for companies.
- Accelerated capital allowances for Employer provided fitness and childcare facilities.

- The introduction of accelerated capital allowances for gas propelled vehicles and refuelling equipment.
- The extension of VRT relief for hybrid vehicles and BIK relief for electric vehicles.
- Tax relief available on 100% of Interest paid on loans to purchase Residential property from 1st January 2019.

Corporation and International Taxation

- The reiteration of the commitment to the 12.5% rate.
- As part of Irelands commitment to the anti tax avoidance directive, it firstly introduces a new compliance exit tax of 12.5% from tonight. This will seek to tax unrealised capital gains where companies migrate or transfer assets abroad and leave the scope of Irish tax. Secondly, it provides for the introduction of a controlled foreign companies (CFC) regime designed to prevent the diversion of profits to offshore entities.

Farming

- The extension of the young trained farmers stamp duty relief for a further 3 years to 31.12.2021.
- The extension of stock relief and the extending of Income averaging to farmers with off farm income.

Finally, another more conservative than expected change was the increase in the Group A threshold for Gifts from Parents to Children for CAT purposes from €310,000 to €320,000.

Overall according to Ms O'Grady, the Minister feels that "Our public finances are balanced but that we must continue to maintain a broad and stable tax base to ensure that our spending is efficient and sustainable and that our economy is as resilient in bad times as it is dynamic in good times". The Budget leaves many people, in particular businesses, wanting more as there has been no significant measures or initiatives to promote business or entrepreneurship. It is however a safe and conservative Budget and is putting a cushion in place for us in the event of potentially harsh economic times ahead.