Rialtas na hÉireann
Government of Ireland

Budget 2019

Summary of Budget 2019 Taxation Measures – Policy Changes

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Taxation Measures for Introduction in 2019

Measure	Yield/Cost 2019	Yield/Cost Full Year
USC The following changes to USC will apply from 1 January 2019. • €502 increase to €19,372 band ceiling • 4.75% rate reduced to 4.5% Total cost of USC measures The increase in the 2% rate band ceiling will ensure that a full-time adult worker who benefits from the increase in the hourly minimum wage rate from €9.55 to €9.80 will remain outside the top rates of USC. The reduction in the third rate of USC will ensure that the marginal tax rate on incomes up to €70,044 is reduced from 48.75% to 48.5%. **USC Rates & Bands from 1 January 2019:** Incomes of €13,000 are exempt. Otherwise: • €0 – €12,012 @ 0.5% • €12,012 – €19,874 @ 2% • €19,874 – €70,044 @ 4.5% • €70,044+ @ 8% • Self-employed income over €100,000: 3% surcharge	-€105m	-€123m
Income Tax An increase of €750 in the income tax standard rate band for all earners, from €34,550 to €35,300 for single individuals and from €43,550 to €44,300 for married one earner couples.	-€138m	-€161m
An increase in the Home Carer Tax Credit from €1,200 to €1,500.	-€21m	-€24m
An increase in the Earned Income Credit from €1,150 to €1,350.	-€27m	-€48m
Excise Duties The excise duty on a packet of 20 cigarettes is being increased by 50 cents (including VAT) with a pro-rata increase on the other tobacco products; and there will be an additional 25c on roll your own tobacco. Both measures will take effect from midnight on 9 October 2018.	+ €59.4m	+ €59.4m

Minimum Excise Duty There will be an increase in Minimum Excise Duty on tobacco products so that all cigarettes sold below €11 will have the same excise applied as cigarettes sold at €11. This will also take effect from midnight on 9 October 2018.	+ €2.4m	+ €2.4m
Betting Duty An increase in the betting duty on bets placed by customers in the State will provide the additional yield: • from 1% to 2% for all bookmakers and • from 15% to 25% on the commission earned by betting intermediaries	+€39.5m	+€51.6m
Vehicle Registration Tax		
Diesel Surcharge A 1% VRT surcharge is being brought in for diesel engine passenger vehicles registering in the State from 1 January 2019.	+€25m	+€25m
Extension of VRT relief for hybrid and plug-in hybrid vehicles The VRT relief available for conventional hybrids and plug-in electric hybrids is being extended for a period of one year, until end 2019.	-€16m	-€16m
Extension of 0% BIK rate for electric vehicles The 0% Benefit-in-kind rate for electric vehicles is being extended for a period of 3 years, with a cap of €50,000 on the Original Market Value of the vehicle.	-€3m	-€3m
Other Income Tax The increase in the amount of interest paid in respect of loans used to purchase, improve or repair a residential property that may be deducted by landlords will be accelerated to 100% from 1 January 2019.	-€10m	-€18m
Key Employee Engagement Programme (KEEP) A share-based remuneration incentive 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 disposal of the shares, in place of the current liability to income tax, USC and PRSI on exercise. This incentive is available for qualifying share options granted between 1 January 2018 and 31 December 2023. Three separate measures:	€0m	-€10m

• to increase the ceiling on maximum annual market value of shares that may be awarded to equal the amount of the salary (up from 50%); • to replace the three-year limit with a lifetime limit; and • to increase the quantum of share options that can be granted under the scheme from €250,000 to €300,000.		
AGRITAXATION **Income Averaging (removal of restrictions relating to farmers with off-farm income)** Income averaging allows eligible farmers to calculate their taxable income as the average of their income in the current year and the previous four years, on a rolling basis, thus smoothing their tax liability over a 5 year cycle.	-€1m	-€2.5m
Stock relief (extended for 3yrs until end 2021) Stock relief is a long-standing farming tax relief that encourages investment in improving stock quality and thus output. There are three separate measures: • the 25% General Stock Relief on Income Tax; • the 50% Stock Relief on Income Tax for Registered Farm Partnerships; and • the 100% Stock Relief on Income Tax for Certain Young Trained Farmers (YTF).	-€8m	-€8m
VAT **VAT rate on tourism activities to increase to 13.5%, with the exception of newspapers and sporting facilities** Services and goods currently applying at 9% will increase to 13.5% from 1 January 2019. With economic analysis indicating that there is a decline in competitiveness in the sector, it has been decided to increase these activities to the 13.5% rate. Newspapers and sports facilities, however, will be retained at the 9% VAT rate.	+€466m	+€560m
VAT rate on electronically supplied publications reduced from 23% to 9% The VAT rate on e-books and electronically supplied newspapers is being reduced from 23% to 9% with effect from 1 January 2019. This follows recent agreement among EU Finance Ministers to allow Member States apply reduced VAT rates on digital publications.	-€6m	-€8m

Capital Acquisitions Tax **Increase Group A threshold to €320,000** The current Group A tax free threshold which applies primarily to gifts and inheritances from parents to their children is being increased from €310,000 to €320,000. This increase applies in respect of gifts or inheritances received on or after the 10th of October. The cost of this change is estimated to be -€6.9 million in 2019 (as payments for CAT relate to inheritances from 1 September to 31 August each year). The full year cost, from 2020 onwards, is estimated to be €8.1 million.	- €6.9m	- €8.1m
Compliance **Employer PAYE Compliance Implementation** Revenue's updated PAYE system will be fully operational from 1 January 2019. Once implemented, this system is expected to yield additional Exchequer savings arising from increased compliance levels of taxpayers.	+€50m	+€50m
Corporation Tax **Film Relief** The scheme provides relief in the form of a corporation tax credit related to the cost of production of certain films. The credit is granted at a rate of 32% of qualifying expenditure which is capped at €70 million. The credit was due to expire at the end of 2020 and will now be extended until 2024. A new, short-term, tapered regional uplift commencing at 5% is also being introduced, subject to State aid approval, for productions being made in areas designated under the State aid regional guidelines.	-€2m	-€5m
Three Year Start Up Relief (Section 486C) Three Year Start Up Relief provides corporation tax relief for profit-making start-up companies which create and maintain jobs. The relief is being extended a further three years, until the end of 2021.	-€5.7m	-€5.7m
Accelerated Capital Allowances for Employer-Provided Fitness and Childcare Facilities This measure, introduced in Finance Act 2017, is being amended and commenced with effect from 1 January 2019. Its purpose is to incentivise employers to provide fitness and/or childcare facilities for the use of their employees, by providing an accelerated deduction for the capital investment costs incurred (certain of which are currently allowed over 8 years).	-€1.9m	-€0.6m
Accelerated Capital Allowances for Gas-Propelled Vehicles and Refuelling Equipment This is a measure to encourage investment in gas-propelled vehicles and refuelling equipment. The use of natural gas and biogas as a substitute for diesel is seen as a more environmentally friendly fuel for large vehicles such as HGVs and busses. This measure provides	-€1m	€0m

for the acceleration of existing allowances and therefore is cost-neutral over the lifespan of the assets. **Corporation Tax – Anti Tax Avoidance Directive** **Exit Tax** As part of Ireland's commitment to implementing the Anti-Tax Avoidance Directive (ATAD), Budget 2019 introduces a new ATAD compliant exit tax regime from Budget night. It will tax unrealised capital gains where companies migrate or transfer assets offshore such that they leave the scope of Irish tax. The rate for the new ATAD compliant exit tax will be set at 12.5%. Early introduction of this measure will provide certainty to businesses currently located in Ireland and considering investing in Ireland in the future. **Controlled Foreign Company (CFC) Rules** The Finance Bill will also provide for the introduction of a Controlled Foreign Company (CFC) regime as required by the ATAD. CFC rules are an anti-abuse measure, designed to prevent the diversion of profits to offshore entities (the CFCs) in low- or no-tax jurisdictions. CFC rules are traditionally a feature of territorial tax regimes. As Ireland has a worldwide tax regime, CFC rules have not previously been a feature of the Irish corporate tax regime	€0m €0m	€0m €0m
Stamp Duty **Extension of Young Trained Farmers Stamp duty Relief** (section 81AA SDCA 1999) for a further three years to 31/12/2021	- €15m	- €15m
Employer's PRSI From 1 January 2019 the weekly income threshold for the higher rate of employer's PRSI will increase from €376 to €386. This follows a recommendation of the Low Pay Commission to ensure that the increase in the hourly minimum wage does not lead to work disincentives for workers, in particular those seeking to work full-time. **Increase in employer contribution to National Training Fund levy** From 1 January 2019 there will be a 0.1% increase (from 0.8% to 0.9%) in the National Training Fund levy payable by employers in respect of reckonable earnings of employees in Class A and Class H employments. From 1 January 2020 there will be a further 0.1% increase (from 0.9% to 1.0%) in the National Training Fund Levy payable by employers in respect of reckonable earnings of employees in Class A and Class H employments. This will yield an additional €74m in 2020 and €81m full year yield.	-€2.5m +€69m	-€3m +€77m