Tax News

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Earlier this afternoon Paschal Donohoe delivered his first Budget as Minister for Finance.

The Budget was relatively light on tax changes. Some small tax cuts were announced which will benefit most of those who pay the USC and income tax.

There is a change to capital gains tax relief which should benefit many of those who purchased property between 7 December 2011 and 31 December 2014.

The main items of interest for private clients are set out below. The Finance Bill which is scheduled to be published on 19 October 2017 will include further details on the measures announced today. It may also include some additional changes.

Patrick Kinnane

Patrick Kinnane, Director
e-mail: patrick@kta.ie **Tel:** (+353 1) 660 8000

Capital Gains Tax

7 year exemption

Positive news regarding the "7 year exemption" for land and buildings purchased in the period from 7 December 2011 up to 31 December 2014. A condition of the relief is that the property must be held for 7 years to qualify.

The change announced today means that a sale between the 4th and 7th anniversary of purchase will qualify for the full relief.

The change when introduced will mean that a property purchased on 1 February 2014 can be sold free of capital gains tax in the period 1 February 2018 to 1 February 2021. The Finance Bill should confirm the date from which the change takes effect.

Entrepreneur relief

There have been no changes announced to entrepreneur relief. In last year's Budget Minister Noonan stated that the EUR1m threshold would be reviewed in future Budgets.

It is possible that the Finance Bill will include some changes to this relief.

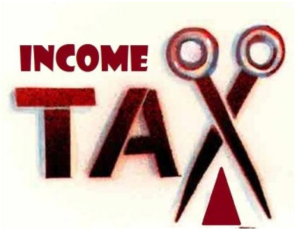
Stamp duty

- Rate of stamp duty on commercial property will increase from 2% to 6% from midnight
- A stamp duty refund scheme will be introduced for commercial land which is developed for housing within 30 months of purchase
- Rate of stamp duty on residential property remains unchanged at 1%.

Share Based Remuneration

A new share based incentive scheme for employees of unquoted SME companies is to be introduced. It will be known as the “Key Employee Engagement Programme” (KEEP). It will allow employers to grant KEEP options to certain employees.

Under the KEEP any gain arising on the exercise of a KEEP share option will be charged to capital gains tax rather than income tax. In addition the tax charge will only arise on the sale of the shares rather than the exercise of the option. This incentive is subject to EU State Aid approval.



Income taxes - 2018

- There will be an increase of EUR750 in the income tax standard rate band to EUR34,550 for a single person and EUR43,550 for married couples with one earner
- Earned Income Credit increased by EUR200 to EUR1,150
- Home Carer Credit increased by EUR100 to EUR1,200
- As announced in last year’s Budget the rate of DIRT will decrease to 37% in 2018, 35% in 2019 and 33% from 2020 onwards.

“Our position is clear. The 12.5 per cent tax rate is, and will remain, a core part of our offering”.

USC

There has been a decrease in some of the rates applying to income below EUR70,044. No change to the higher rates. The 2018 rates are set out below – (2017 rates in brackets).

First EUR12,012	0.5% (no change)
Next EUR7,360	2% (2.5%)
Next EUR50,672	4.75% (5%)
Next EUR29,956	8% (no change)
Over EUR100,000 (Note 1)	8%/11% (no change)
Note 1: 11% rate applies to self-employment and investment income.	
Note 2: Maximum USC for individual age 70 or over with income below EUR60,000 is 2%.	

No change to:

- Corporation tax rates
- Capital gains tax rates
- Gift/inheritance tax rates and thresholds
- Income tax rates
- PRSI rates
- VAT rates
- Fund rates (41%).

And finally the disclaimer……

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Kennelly Tax Advisers, Fleming Court, Fleming Place, Mespil Road, Dublin 4, D04 N4X9
Tel: (+353 1) 660 8000

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