

# Republic of Ireland Budget 2019

## Summary of the Facts



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# Commentary

Minister of Finance, Paschal Donohoe, delivered his 2nd budget today, 9th October.

His aim for the budget was to increase living standards with a balanced budget and to pave the way forward for the country in preparation of Brexit.

His opening message was how Ireland should be open for business to the Rest of the World and emphasised the importance of a no hard border to be imposed between Ireland and Northern Ireland.

He announced the launch of €300 million loan schemes for SME and for the Food and Agricultural sector, a €110m program for Brexit measures, and increased funds for the Peace program. These have been introduced to help to ensure the ROI is prepared and in the best position for Brexit.

He also announced the introduction of a Rainy Day Fund to increase the country's resilience to larger economic shocks. It is proposed to transfer some of the excess corporation tax collected last year to the Rainy Day Fund.

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# Personal Taxes

## Minimum Wage

From 1 January 2019 the minimum wage will be increased to €9.80.

## Tax Bands

The threshold at which individuals start paying the higher 40% rate of income tax will rise by €750, from €34,550 to €35,300.

The 4.75% USC rate will fall by 0.25% to 4.5% and the threshold at

which people start paying this rate will be increased from €19,372 to €19,874, meaning those benefiting from the increase in the minimum wage will remain in the 2% USC bracket.

## Tax Credits

The home carer tax credit is increasing by €300 to €1,500.

The earned income tax credit for

the self employed is increasing by €200 to €1,350.

## Mortgage Relief

The change to 100% mortgage interest relief for landlords has been brought forward to 1 January 2019. This is in marked contrast to the UK government's policy of increasingly restricting relief for landlords.

# Business Taxes

## Corporation Tax Rates

The Minister of Finance confirmed the government's commitment to maintaining the current corporation tax rate of 12.5%.

## PRSI

The weekly threshold for the higher rate of employer's PRSI is increasing from €376 to €386.

## PAYE

As previously announced, the PAYE rules are changing from 1 January 2019 to a real-time system which will require employers to, check the correct tax deductions for each employee before making payments and report employee payments in real-time.

## Transfer Pricing Rules

The government has committed to a review of transfer pricing rules

## Business Start Up

The Three Year Start Up relief scheme is to be extended until the end of 2021

## Capital Allowances

New accelerated capital allowances have been introduced for gas-propelled commercial vehicles and refuelling equipment, to encourage the use of a more environmentally friendly fuel.

New accelerated capital allowances have been introduced for employer-provided fitness and childcare facilities.

## Young Trained Farmer Stamp Duty

A three-year extension for the Young Trained Farmer stamp duty relief, until the end of 2021, has been announced.

## KEEP

Changes are being made to the Key Employee Engagement Programme (KEEP) to encourage use of the scheme. The changes include:

- increasing the maximum annual market value of share options that may be granted to 100% of salary
- replacing the three year limit with a lifetime limit
- increasing the overall value of options that may be awarded per employee from €250,000 to €300,000.

# Anti-Avoidance

New Controlled Foreign Company (CFC) rules will be introduced for accounting periods beginning on or after 1 January 2019, to prevent the artificial diversion of profits to offshore entities outside the

scope of Irish taxes.

A new exit tax of 12.5% will apply to unrealised gains going offshore and leaving the Irish tax system, effective from 10th October 2018.



# VAT and Excise Duties

## Hospitality Sector Special Rate

The special 9% VAT rate for the hospitality sector, including hairdressers, is to be abolished from January 2019, with the rate returning to 13.5%. However, VAT on newspapers and sporting facilities are to remain at 9%.

## Electronic Publications

The VAT rate on electronic publications is to be reduced from 23% to 9%, to bring it in line with

paper publications. This must be very welcome news for all book-lovers.

## Betting Tax

This is to increase from 1% to 2% for bookmakers, and from 15% to 25% for betting intermediaries.

## Cigarettes

Excise on cigarettes is to increase by 50 cents, effective from 10th October 2018. In addition the

minimum excise duty on cigarettes sold at below €11 will be the same as those sold at €11.

## Vehicle Registration Tax (VRT)

VRT relief for hybrid vehicles is to be kept until the end of 2019.

A 1% increase in VRT rates for diesel vehicles will apply to vehicles registered after 1 January 2019.

# Health and Social Welfare

## Prescription Charges

A reduction in prescription charges from €2 to €1.50 for all medical card holders over the age of 70 has been announced.

## GP Visit Cards

A €25 increase in the weekly income threshold for GP visit cards has been announced.

## Mental Health Services

The government has promised increased investment of €84 million in mental health services which will bring total funding for mental health up to €1 billion. This is a welcome announcement given that the Budget falls within Mental Health Week.

## Social Welfare Payments

All weekly social welfare payments are to increase by €5 per week from March 2019, and

the Christmas bonus will be fully restored to all social welfare recipients.

## Parental Leave

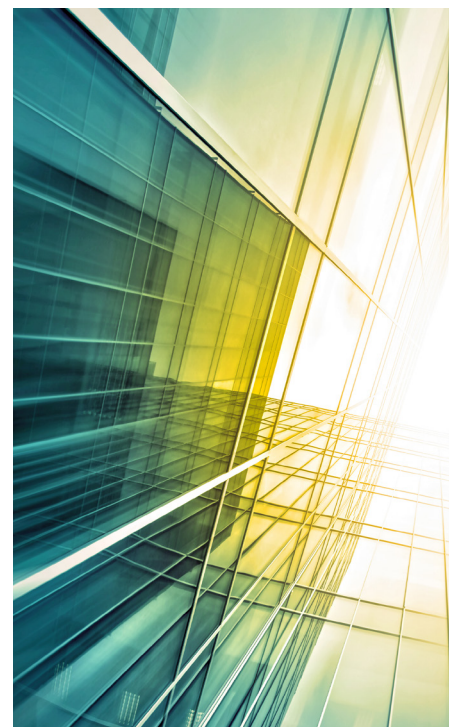
Two weeks paid parental leave for every parent of a child under one year old is to be introduced in November 2019, to be eventually increased to seven weeks. This is on top of the maternity and paternity leave options already in place.

## Child Payments

Qualified child payments are increasing by €2.20 per week for under 12 year olds and €5.20 per week for over 12 years olds.

## Back to School Allowance

Back to school clothing and footwear allowance rates are increasing to €25.



# Capital Acquisitions Tax

The lifetime tax-free allowance for gifts and inheritances from parent to child is increasing from €310,000 to €320,000, effective from 10th October 2018.



**DUNGANNON OFFICE**

36-38 Northland Row  
Dungannon  
BT71 6AP

T: +44 (0) 28 8775 2990

**ENNISKILLEN OFFICE**

1 Broadmeadow Place  
Unit 2 Castle Island Court  
Enniskillen BT74 7HR

T: +44 (0) 28 6632 2617

**OMAGH OFFICE**

43 Dublin Road  
Omagh  
BT78 1HE

T: +44 (0) 28 8224 4339

**BELFAST OFFICE**

Scottish Provident Building  
7 Donegall Square West  
Belfast BT1 6JH

T: +44 (0) 28 9091 8230

[info@cavanaghkelly.com](mailto:info@cavanaghkelly.com)  
[www.cavanaghkelly.com](http://www.cavanaghkelly.com)