



Finance Bill

2018

Update of previous Budget 2019 summary

Summary of the main measures

including those affecting the farming sector.

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Finance Bill 2018—additional detail

- EU State Aid lifetime cap of €70,000 on measures applying to young farmers (p 6)
- Young Trained Farmer Relief from Stamp Duty— certified business plan now required when looking for a repayment of stamp duty (p 7)
- Amendment relating to return of information to Revenue regarding particulars to the transactions subject to CGT Restructuring Relief (p 11)
- Amendment to Capital Gains Tax-Site to Child Relief (p 11)
- The CAT thresholds outlined in the original budget document contained an error in the Group C threshold—the correct figure for 2019 is €16,250 (p 9)

Main Budget 2019—Headline Items

- The standard rate bands have been increased with the income tax rates (20% & 40%) remaining unchanged.
- The Earned Income Tax Credit has been increased by €200 to **€1,350**.
- The third rate of Universal Social Charge has been reduced to 4.5% with an upward adjustment of just over €500 in the second band to match with the minimum wage.
- There is no change in the Capital Gains Tax (CGT) and Capital Acquisitions Tax (CAT) rates.
- The group A (parent to child) CAT threshold has been increased to **€320,000**.
- Young Trained Farmer Relief from Stamp Duty was extended for a further three years until the end of 2021
- There are no changes to any of the farmer related VAT rates. The VAT rate for tourism activities was increased back to 13.5%
- A general **increase of €5 per week** is to be applied to most Social Protection Payments for 2019 from late March 2019.
- Jobseekers Benefit is to be made available to the self-employed
- The DIRT rate will **decrease by 2%** from its current rate of 37% to **35%** for 2019 and will decrease to 33% by 2020.

Income Tax Rates, Bands and Credits

The standard rate bands have been increased with the income tax rates (20% & 40%) remaining unchanged.

	At 20% Rate - the first			At 40%
	Existing 2018	Change	Proposed 2019	
Single/Widowed	€34,550	↑ €750	€35,300	Balance
Married One Income	€43,550	↑ €750	€44,300	Balance
Married Two Incomes — Max	€69,100	↑ €1,500	€70,600	Balance
One Parent/ Widowed Parent	€38,550	↑ €750	€39,300	Balance

Selected Tax Credits

There has been an increase in both the **Earned Income Tax Credit** and the **Home Carer Tax Credit**.

Tax Credits are applied as a straight deduction from an individual's income tax as calculated by applying the two tax rates and using the bands outlined.

	Existing 2018	Proposed 2019
<u>Personal Tax Credits</u>		
- Single	€1,650	€1,650
- Married	€3,300	€3,300
Single Person Child Tax Credit	€1,650	€1,650
PAYE credit	€1,650	€1,650
Earned Income Tax Credit (Max)*	€1,150	€1,350
Home Carer Tax Credit	€1,200	€1,500
Dependent Relative Tax Credit	€70	€70
<u>Age Credit</u>		
- Single	€245	€245
- Married	€490	€490

* The Earned Income tax credit is calculated at 20% of an individual's earned income (excluding earned income that is taken into account for the PAYE Tax Credit) subject to a maximum of €1,350. *Where an individual has earned income that qualifies for the Earned Income Tax Credit and PAYE Tax Credit, the combined tax credits cannot exceed €1,650*

Age Exemption Limits

There are income thresholds set for people aged above 65 years and below which they can earn income and pay no income tax. These thresholds remain unchanged.

	2019 Limit
Single	€18,000
Married	€36,000

PRSI

Farmers pay the self-employed rate of PRSI known as Class S PRSI. This is applied to all income and there is only one rate so no bands apply.

The Class S rate remains unchanged at **4%**.

'Reckonable income' for the purposes of PRSI is profit after capital allowances but before reliefs and deductions.

The weekly income threshold for the higher rate of employers PRSI is to be increased from €376 to **€386**

Universal Social Charge

The Universal Social Charge is payable on gross income after relief for certain trading losses and capital allowances, but before relief for pension contributions.

The lower exemption threshold above which income becomes liable to the USC will remain at **€13,000** for **2019**. So where an individual earns below this amount no USC applies. Where the income exceeds €13,000 in 2019 then the revised rates apply as in the table below.

2018 USC Income Bands	2018 USC Rates	2019 USC Income Bands	2019 USC Rates
€0—€12,012	0.5%	€0—€12,012	0.5%
€12,013—€19,372	2.0%	€12,013— €19,874	2.0%
€19,373—€70,044	4.75%	€19,875—€70,044	4.5%
€70,045—€100,000	8%	€70,045—€100,000	8%
> €100k (self-employed only)*	11%	> €100k (self-employed only)*	11%

* Self-employed individuals with annual income exceeding €100,000 are subject to a 3% additional surcharge – an effective 11% rate of USC. Those in receipt of PAYE income only in excess of €100,000 will be subject to a max USC rate of 8%.

The marginal rate of tax for employed / self-employed individuals (**under 70 years**) with a maximum income **below €70,044** is as follows:

	2018	2019
Income Tax	40%	40%
PRSI	4%	4%
Universal Social Charge	4.75%	4.5%
Total	48.75%	48.5%

Stock Relief

All existing stock relief measures (**General Stock Relief; Stock Relief for Registered Farm Partnerships; Stock Relief for Young Trained Farmers**) were renewed for a further three years until the **end of 2021** but apart from that there were no operational changes made to stock relief in this budget

The legislation enacting the enhanced **stock relief for young trained farmers** (100% relief for up to 4 years for qualifying farmers) outlined in *Section 667B TCA 1997* contains a requirement for the applicant to submit a business plan to Teagasc for certification in order to qualify for the relief. The Teagasc **“My Farm – My Plan”** document is the business plan template agreed with Revenue for certification.

This business plan template can be downloaded from <https://www.teagasc.ie/media/website/rural-economy/farm-management/MyFarm-MyPlan-Business-Plan.pdf>

The business plan must be submitted for certification **on or before 31st October in the year following the first year of assessment.**

Income Averaging

The eligibility for the current income averaging system has been extended to allow farms to utilise this measure where either spouse **or civil partner has an off-farm trading or professional income or is a director of a company carrying on a trade or profession where they control more than 25% of the share capital of the company.**

Corporation Tax

There is no change to the corporation tax rate which will remain at **12.5%**

Value Added Tax (VAT)

The **flat rate farmer addition** rate remains at **5.4%**.

The VAT rate applying to sales and purchases of livestock remains at **4.8%**.

The standard rate of VAT remains at **23%**. The **13.5%** rate also remains unchanged.

The **VAT** rate for tourism related services is to be increased from 9% (introduced in 2011) to **13.5%** from January 2019

The 9% VAT rate is to be retained for newspaper publications and the VAT rate for electronic publications is to be reduced from 23% to **9%**

Deposit Interest Retention Tax (DIRT)

This is a tax on interest paid or credited on deposits of Irish residents.

It was announced in Budget 2017 that the DIRT rate would decrease by 2% each year from 2018 to 2020 until it reaches 33%.

From **1st January 2019** the DIRT rate will decrease by 2% from its current rate of 37% to **35%**.

Statutory Minimum Wage

The statutory minimum wage is to increase by 25 cents from its current rate of €9.55 per hour to **€9.80** per hour (as from 1st January 2019).

EU State Aid Cap on measures applying to young farmers

An overall **lifetime cap** of **€70,000 per farmer** on the value of the three reliefs/credits outlined below is to be applied, in order to comply with EU State Aid regulations.

- Young trained farmers stamp duty relief
- Enhanced stock relief for Young Trained farmers
- Succession farm partnerships tax credit

Stamp Duty

There was no change to the rates of stamp duty announced in this budget.

Non Residential Property (including land)		Residential Property	
Consideration	Rate of Duty	Consideration	Rate of Duty
Entire Consideration	6%	Up to €1,000,000	1%
		Over €1,000,000	2%

Consanguinity relief for Stamp Duty

Consanguinity Relief for inter-family farm transfers of non-residential property will continue to be available up to 1st January 2021.

The relief reduces the effective rate applied on lifetime land transfers by gift between certain related persons from 6% to 1% .

Consanguinity relief applies to transfers between related persons.- i.e. blood relations including lineal descendant, parent, grandparent, step parent, husband or wife, brother or sister of a parent or brother or sister, or lineal descendant of a parent, husband or wife or brother or sister & foster children.

Stamp Duty Exemption for Young Trained Farmers

This exemption which was due to expire at the end of this year is being extended for a further 3 years until **31st December 2021**. This extension will be subject to a Commencement Order.

Budget 2016 introduced an additional requirement (specified by the European Commission under State Aid rules) that the Young Trained Farmer applicant must complete a **Business Plan** and present it to Teagasc for certification prior to claiming this relief.

Finance Bill 2018 proposed an amendment whereby an applicant is looking to claim a repayment of stamp duty already paid owing to the fact that they have acquired the relevant qualification after the date of execution of the transfer must submit a business plan to Teagasc for certification before the refund can be claimed

Stamp Duty Exemption for Young Trained Farmers (contd.)

The Teagasc My Farm-My Plan document is the Revenue approved business plan template. This template can be downloaded from <https://www.teagasc.ie/media/website/rural-economy/farm-management/MyFarm-MyPlan-Business-Plan.pdf>

Stamp Duty Farm Consolidation Relief

There were no changes announced to this relief.

Consolidation relief may apply where land is disposed of and replaced with other land with the end result of a less fragmented and more viable farming operation.

Purchase and sale transactions that take place between the dates of 1st January 2018 to 31st December 2020 are potentially eligible for the relief. The two land transactions involved in the consolidation must occur within 24 months of each other.

A certificate from Teagasc will be required stating that the transactions involved in the consolidation meet the conditions set out in guidelines - see section on CGT Restructuring Relief (page 11) for link to guideline document.

Claimants of the relief must commit to retaining ownership of their interest in the qualifying land and use the land for farming for a period of 5 years from the date of first claiming the relief.

The relief has the effect of reducing the rate of stamp duty applying on eligible transfers of land from 6% to 1% on the excess of the value of land purchased over the value of land sold as part of the consolidation transactions.

Capital Acquisitions Tax (CAT)

The rate of CAT is unchanged at **33%**

There has been an increase in the Group A CAT thresholds as outlined below - applies in respect of gifts and inheritances received on or after the 10th October

	Group	2018 Threshold	2019 Threshold
A	Son/Daughter, minor child of deceased child	€310,000	€320,000
B	Lineal Ancestor/ Descendent, brother, sister, niece, nephew	€32,500	€32,500
C	Any other person	€16,250	€16,250

Capital Acquisitions Tax—Agricultural Relief—(no change in this Budget)

The conditions for a donee (receiving a gift) or successor (receiving an inheritance) to avail of CAT agricultural relief as follows:

- They must continue to meet the Farmer Test (the 80% agricultural property test)
- The eventual user of the property subject to the relief must meet the Active Farmer test as set out below.

To meet the Active Farmer test the final user of the agricultural property must either:

- Hold (or obtain within 4 years of receiving the property) a recognised agricultural qualification (as listed for the young farmer stamp duty exemption qualifications listed in schedule 2,2A or 2B to the Stamp Duties Consolidation Act 1999) AND who farms the property on a commercial basis with a view to the realisation of profits for a period of 6 years from the valuation date for the property **OR**
- Spend 50% of that individual's normal working time* farming agricultural property (including the property received) on a commercial basis with a view to the realisation of profits for a period of 6 years from the valuation date for the property **OR**
- Lease the whole or substantially the whole of the agricultural property, comprised in the gift or inheritance for a period of not less than 6 years commencing on the valuation date of the gift or inheritance, to an individual who satisfies either of the previous two criteria.

**Definition of “normal working time”*

- Normal working time including both on-farm and off-farm working time approximates to 40 hours per week.
- An individual spending an average of 20 hours per week working on the farm will meet the 50% of normal working time criteria.
- Where it can be shown that an individual’s normal working time is less than 40 hours a week, then the 50% requirement will be applied to the actual hours worked, subject to the overriding requirements that the farm be farmed on a commercial basis and with a view to the realisation of profits.

Capital Gains Tax (CGT)

The general rate of CGT is unchanged at **33%**

Capital Gains Tax Retirement Relief

There were no changes to the general conditions or operation of Retirement Relief from Capital Gains Tax announced in this budget

CGT Farm Restructuring Relief

To enable farm restructuring, relief from Capital Gains Tax has been available (subject to conditions) where land disposed of by either sale or exchange has been reinvested into other land.

The deadline for the completion of the **first** restructuring transaction is **31st December 2019**.

Both restructuring transactions must still be completed within a 24 month period.

Finance Bill 2018 also proposes to amend the legislation relating to this section to require information such as

- the applicants name and address;
 - the consideration paid for the qualifying land, sold or exchanged by the applicant, when that land was acquired;
 - the consideration received by the applicant for the qualifying land on the sale of that land and the consideration paid them for the other qualifying land purchased by them and
 - detail on the incidental costs relating to the acquisition, sale or exchange of the qualifying land
- to be submitted too Revenue at the same time as the tax return is submitted

The guideline document for this relief (& Consolidation Relief from Stamp Duty) is available here - <https://www.agriculture.gov.ie/media/migration/foodindustrydevelopmenttrademarkets/agri-foodandtheeconomy/CapitalGainsTaxStampDutyReliefGuidelines270718.pdf>

Capital Gains Tax—Site to Child Relief

This section (section 603A TCA1997) is to be amended to allow **both a child and his/ her spouse or civil partner** to avail of the relief allowing a site (max area of 1 acre and max value of €500,000) to be transferred to a child of the parents/ civil partners or a child of one of the parents/ civil partners and avail of relief from Capital Gains Tax. The amendment will apply to disposals made on or after 1 January 2019.

Social Welfare Changes

Selected Social Welfare Rates

The changes to some selected social insurance and social assistance payments are highlighted in bold below. These changes are expected to take effect from March 2019.

	2018	From March 2019
State Pension (Contributory)(<80)	€243.30	€248.30
- Qualified Adult Increase	€162.10	€165.40
State Pension (Non-Contributory) (Max) **	€232	€237
- Qualified Adult Increase	€153.30	€156.60
Jobseekers Benefit	€198	€203
Jobseekers Allowance (aged 26+) **	€198	€203
Farm Assist **	€198	€203
Invalidity Pension	€203.50	€208.50

** Means Tested Payments

There is a general increase of €5 in the weekly rates with a proportionate increase for qualified adult dependents and a €2.20 increase per week for children under 12 and €5.20 for children over 12 years.

The Christmas Bonus will be paid at 100% rate in December to certain recipients of a long-term Social Welfare payment.

More detail on these rates can be found here <http://m.welfare.ie/en/Pages/bud19s1.aspx>

Jobseekers Benefit

This benefit was previously mainly only available to Class A PRSI contributors. This budget outlined plans to extend this benefit in late 2019 to self-employed Class S contributors including farmers. Qualification for this benefit will be based on PRSI contribution history.

More detail will be made available here http://www.citizensinformation.ie/en/social_welfare/social_welfare_payments/unemployed_people/jobseekers_benefit.html

Farm Assist

The payment rate for farm assist has increased by €5 per week with a €2.20 increase in weekly rate of Farm Assist for each qualified child dependant.

Child Benefit Rates (€/ Child)

Child Benefit rates have not changed and remain at €140/ month.

Parental Leave

A new paid parental leave scheme will be introduced in November 2019 to provide two extra weeks' leave to every parent of a child in their first year.

Other measures announced

- **Cigarettes**—Exercise duty on a pack of 20 cigarettes will rise by 50 cent, with a pro-rata increase on other tobacco products. This will bring the price of cigarettes in the most popular price category to €12.70.
- **Betting Tax** - Increased from 1% to 2% for all bookmakers
- **Mortgage Interest Relief**—For homeowners that took out qualifying loans between 2004 and 2012 there will be a tapered extension of Mortgage Interest Relief of 50% of the existing relief into 2019 (reduced from 75% for 2018) falling to 25% in 2020. The relief will cease entirely from 2021.
- **Landlord Mortgage Interest Relief** - trading profit interest deduction on loans used to purchase, repair or improve a residential property is to be restored to 100% from 1st January 2019
- **Vehicle Registration Tax** - There will be a 1% increase in VRT for newly registered **diesel** vehicles. VRT relief for hybrid vehicles has been extended until the end of 2019.
- **Drug Payment Scheme** - the amount that participants in this scheme have to contribute themselves will be reduced by €10 from €134 to **€124**
- **Prescription Charges**—Reduction in prescription charges for all medical card holders under 70 from €2 to **€1.50 per item.**
- **GP Visit Cards** - €25 increase in the weekly income threshold
- **Affordable Childcare Scheme** - income thresholds have been raised

Specific Measures Relating to Agriculture

The Department of Agriculture, Food and the Marine has been allocated €1.616 billion to cover both current and capital spending.

- **Areas of Natural Constraint (ANCs)** - Payments due to increase by 10% - funding of €250 million;
- **BREXIT resilience package**—€78 million allocated to improve resilience in the farming sector;
- **Beef Environmental Efficiency Pilot (BEEP)** - targeted at Suckler Farmers to further improve the carbon efficiency of beef production- €20 million fund;
- **Forestry**—Funding of €103 million for the support and development of forestry
- **Targeted Agriculture Measures (TAMS)** - funding of €70 million;
- **Agri-environmental measures**—funding of €203 million to fund GLAS & Organics;
- **Horticulture Sector Funding**—Fund of €6 million to support the horticultural sector
- **Organic Sector Funding** - Fund of €12.2 million
- **Future Growth Loan Scheme** - to provide long term, unsecured investment finance for farmers and small scale companies in the food and seafood sectors

Schedule for Finance Act 2018

The Finance Bill 2018 will be debated by both houses of the Oireachtas and will be signed into law as Finance Act 2018 around the middle of December.

Note:

This summary is based on the author's interpretation of the relevant Budget and Finance Bill measures and should not be taken as a definitive interpretation of these measures. For all individual tax queries you are advised to seek professional tax advice from your own accountant/ tax adviser.

References

Department of Finance Budget Section - <http://budget.gov.ie/Budgets/2019/2019.aspx>

Revenue Budget Information - <https://www.revenue.ie/en/corporate/press-office/budget-information/2019/index.aspx>

Department of Social Protection - <http://m.welfare.ie/en/Pages/Budget-2019.aspx>

Department of Agriculture, Food & the Marine - <https://www.agriculture.gov.ie/press/pressreleases/2018/october/title,121111,en.html>

