Finance Act 2017

Summary of the main measures including those affecting the farming sector.

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Main 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 €1,150
- The two middle Universal Social Charge rates have been reduced with a small upward adjustment in the second band to match in with the minimum wage
- A Stamp Duty rate of 6% has been introduced on transfers of non-residential property. Purchases or gifts of agricultural land are included in the non-residential property category and are liable to this higher rate in the absence of reliefs.
- Consanguinity Relief from Stamp Duty is extended for a further three years with the previous upper age limit of 67 removed for the transferor.
- Stamp Duty Consolidation Relief which was previously available on eligible land transaction up to June 2011 has been reintroduced – subject to Ministerial Order
- There is no change in the Capital Gains Tax (CGT) and Capital Acquisitions Tax (CAT) rates
- The CAT thresholds have been left unchanged
- There are no changes to any of the VAT rates
- Availability of Energy Efficiency Equipment Accelerated Capital Allowances is to be extended to the end of 2020
- A general increase of €5 per week is to be applied to most Social Protection payments for 2018 from late March 2018
- The DIRT rate will decrease by 2% from its current rate of 39% to 37% for 2018 and will decrease by a further 2% each year until it reaches 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.

Standard Rate Bands

	At 20% Rate – the first			At 40%
	Existing 2017	**Change**	**Proposed for 2018**	
Single/Widowed	€33,800	**↑ €750**	**€34,550**	**Balance**
Married One Income	€42,800	**↑ €750**	**€43,550**	**Balance**
Married Two Incomes - Max	€67,600	**↑ €1,500**	**€69,100**	**Balance**
One Parent / Widowed Parent	€37,800	**↑ €750**	**€38,550**	**Balance**

Selected Tax Credits

There was no change in the tax credits for 2018

	Existing 2017	**Proposed 2018**
Personal Tax Credits		
- Single	1650	1650
- Married	3300	3300
Single Person Child Carer Tax Credit	1650	1650
PAYE credit **Earned Income Tax Credit (Max)***	1650 **950**	1650 **1,150**
Home Carer Tax Credit	**1,100**	**1,200**
Dependent Relative Tax Credit	70	70
Age Credit		
- Single	245	245
- Married	490	490

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 above.

* 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 €1,150. ***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.

	2018 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

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 **2018**. So where an individual earns below this amount no USC applies. Where the income exceeds €13,000 in 2018 then the revised rates apply as in the table below.

2017 USC Income Bands	2017 USC Rates	**2018 USC Income Bands**	**2018 USC Rates**
€0 - €12,012	0.5%	€0 - €12,012	**0.5%**
€12,013- €18,772	2.5%	€12,013- **€19,372**	**2.0%**
€18,723- €70,044	5.0%	**€19,373**- €70,044	**4.75%**
€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 maximum USC rate paid is reduced from 2.5% to **2.0%** for individuals who are EITHER above 70 years OR who hold a medical card AND whose aggregate income (not including Dept. of Employment Affairs and Social protection payments) is €60,000 or less.

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

	2017	**2018**
Income Tax	40%	40%
PRSI	4%	4%
Universal Social Charge	5%	**4.75%**
Total	49%	**48.75%**

Stock Relief

There were no 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. This is a requirement under EU State Aid provisions.

The Teagasc *"My Farm – My Plan"* document is the business plan template agreed with Revenue for certification.

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

Energy Efficiency Accelerated Capital Allowances

These accelerated allowances are available to companies and other trading structures who invest in energy efficient plant. This measure allows the purchaser to write off 100% of the purchase value of qualifying energy efficient equipment against profits in the year of purchase.

This measure was due to expire at the end of 2017 but is being extended to the end of 2020. Further information on the categories of investment covered are available from the SEAI.

Other Energy Efficiency Related Measures

- Funding of €17 million to fund the rollout of the Renewable Heat Initiative and schemes to incentivise the uptake of electric vehicles
- €36 million allocated to expansion of energy efficiency programmes for commercial and residential sectors

Corporation Tax

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

Value Added Tax (VAT)

There are no changes to any of the VAT rates.

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 **9%** reduced rate for tourism related services is to be maintained

Deposit Interest Retention Tax (DIRT)

This is a tax on interest paid or credited on deposits of Irish residents. The current rate of DIRT is 39%.

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 2018** the DIRT rate will decrease by 2% to **37%**.

Statutory Minimum Wage

The statutory minimum wage is due to increase from €9.25 per hour (set on 1st January 2017) to €9.55 per hour from 1st January 2018.

Stamp Duty

The Stamp Duty rate levied on non-residential property changed with effect from midnight 10th October 2017 as outlined below. Transitional arrangements to avail of the 2% rate are available for purchasers with binding contracts in place before 11th October and where the instruments are executed before 1st January 2018.

Rate for non-residential property (including agricultural land)*

	Pre midnight 10/10/2017		**From 11/10/2017**
Consideration	Rate of Duty	**Consideration**	**Rate of Duty**
Entire Consideration	2%	**Entire Consideration**	**6%**

Residential rates – **[No Change]**

	Pre midnight 10/10/2017		**From 11/10/2017**
Consideration	Rate of Duty	Consideration	Rate of Duty
Up to €1,000,000	1%	Up to €1,000,000	1%
Over €1,000,000	2%	Over €1,000,000	2%

***Consanguinity relief for Stamp Duty (for inter-family farm transfers)**

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 family members from 6% to 1% - effective from midnight 10th October.

[This differs from the previous operation of this relief (up to 10th October 2017) which applied a 50% reduction to the normal rate of stamp duty reducing the previous rate from 2% to 1%]

The **upper age limit of 67** for potential transferors of land on which the transferee wishes to claim consanguinity relief **has been removed following enactment of the Finance Act**.

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 Farm Consolidation Relief

This relief was previously available for eligible instruments executed prior to 30th June 2011. Finance Act 2017 has re-established this relief to apply on eligible transactions from 1st January 2018 to 31st December 2020. **However this relief will only come into operation by Ministerial order which has not yet been triggered.**

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.

The two land transactions involved in the consolidation must occur within 24 months (was 18 months for the previous version of this relief) of each other.

As previously, a certificate from Teagasc will be required stating that the transactions involved in the consolidation meet the conditions set out in guidelines (as yet to be published by Revenue)

The relief will have the effect of reducing the rate of stamp duty applying on eligible transfers of land from 6% to 1% of the consideration.

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.

Stamp duty refund scheme for commercial land

A stamp duty refund scheme has been introduced for commercial land purchased for the development of housing, provided the relevant development commences within 30 months of the land purchase.

Stamp Duty Exemption for Young Trained Farmers

Budget 2016 flagged the imminent introduction of the 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 **before the execution of the transfer** in order to be eligible for the Stamp Duty relief. **The Teagasc *"My Farm – My Plan"* document is the business plan template agreed with Revenue for certification.** A revised guideline document reflecting this requirement is expected to be issued by Revenue in due course.

Capital Acquisitions Tax (CAT)

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

The CAT thresholds have also remained unchanged

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

Capital Acquisitions Tax - Agricultural Relief - [no change to the general conditions in this Finance Act]

The conditions for a donee (receiving a gift) or successor (receiving an inheritance) to avail of CAT agricultural relief are 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 requirement that the farm be farmed on a commercial basis and with a view to the realisation of profits

Treatment of land under solar panels for the purposes of CAT Agricultural Relief

Previously land that was leased out for the purposes of siting solar panels was deemed no longer to be used for agricultural activity and so was deemed ineligible for **Agricultural Relief.**

As a result of this amendment, agricultural land leased out for the purposes of siting solar infrastructure will continue to be classified as agricultural property and so will be an eligible asset for Agricultural Relief.

This change is subject to a condition restricting the amount of the farm holding that can be used for solar infrastructure to **50 per cent of the area of the total farm holding** that was gifted or inherited.

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

Treatment of solar farms for the purposes CGT retirement relief

Previously land that was leased out for the purposes of siting solar panels was deemed no longer to be used for agricultural activity and so was deemed ineligible for retirement relief.
As a result of this amendment agricultural land leased out for the purposes of siting solar infrastructure **will continue to be classified as agricultural land and so will be an eligible chargeable asset for retirement relief**.
This continued access to the relief is subject to a condition restricting the amount of the total farm holding that can be used for solar infrastructure to **50 per cent of the area of the total farm holding**.
It applies to disposals made on or after 1st January 2018.

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.

Under Finance Act 2017 it will now be a requirement that the person availing of the relief for **disposals made on or after 1st July 2016** supply the following information on a specified form to Revenue

- his or her name and address;
- the consideration paid for the qualifying land, sold or exchanged by him or her, when that land was acquired by him or her;
- the consideration received by him or her for the qualifying land on the sale of that land and the consideration paid by him or her for the other qualifying land purchased by him or her;

- in the case of an exchange of qualifying land, the market value of the qualifying land conveyed or transferred by him or her for the purposes of the exchange and the market value of the other qualifying land received by him or her in exchange for that land;
- the incidental costs (such as auctioneers, accountancy, legal or valuation fees) relating to the acquisition, sale or exchange of the qualifying land.

Amendment to CGT relief on qualifying property assets purchased prior to 31st Dec 2014

This relief was introduced in Budget 2012 and catered for properties bought between 6th December 2011 and the 31st December 2014. Under the conditions of this relief where a property is purchased and held for more than 7 years then any capital gain that accrues in that seven year period will not be subject to CGT on its disposal.

This amendment reduces the holding period to qualify for full exemption from CGT, on any gain from 7 years to a minimum of 4 years with the aim of releasing potential development land for sale. It will apply to disposals made after 1st January 2018.

Social Welfare Changes

Child Benefit Rates (€/ Child)

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

Farm Assist

The payment rate for farm assist has increased by €5 per week with a €2 increase in weekly rate of Farm Assist for each qualified child dependant.

Selected Social Welfare Rates

The changes to some selected social insurance and social assistance payments are highlighted in bold below.

There is a general increase of €5 in the weekly rates with a proportionate increase for qualified adult dependents and a €2 increase in all qualified child dependant weekly payments.

	2017	**From March 2018**
State Pension (Contributory) (<80)	€238.30	**€243.30**
- Qualified Adult Increase	€158.80	**€162.10**
State Pension (Non-Contributory) (Max)	€227	**€232**
- Qualified Adult Increase	€150.00	**€153.30**
Jobseekers Allowance (aged 26 +)	€193	**€198**
Farm Assist	€193	**€198**
Invalidity Pension	€198.50	**€203.50**

These increases in social welfare payments are expected to take effect from week beginning 26 March 2018.

An 85% Christmas Bonus will be paid in December to certain recipients of a long-term Social Welfare payment.

Full details of all changes to Social Protection payment rates available here
http://www.welfare.ie/en/downloads/budfact18.pdf

Other measures announced

- **Sugar Tax** – A tax at a rate of 30c per litre on drinks with over 8g of sugar per 100ml and a reduced rate of 20c per litre on drinks with between 5 and 8g of sugar per 100ml.
- **Cigarettes** - Excise duty on a pack of 20 cigarettes will rise by 50c, with a pro-rata increase on other tobacco products. This will bring the price of cigarettes in the most popular price category to €12
- **Prescription Charges** - Reduction in prescription charges for all medical card holders under 70 from €2.50 to €2 per item with cap of €20
- **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 75% of the existing relief into 2018, 50% in 2019 and 25% in 2020. The relief will cease entirely from 2021.

Specific Measures Relating to Agriculture

The Department of Agriculture, Food and the Marine has been allocated €1.5 billion to cover both current and capital spending – an increase of €64 million.

- **BREXIT response loan scheme –** €25 million is to be provided to facilitate the development of a new Brexit response loan scheme for farmers, fishermen and food businesses in 2018. Similar to the previous Agri Cash Flow Support Loan this scheme is being developed in partnership with Strategic Bank Corporation of Ireland (SBCI)
- **Agri- environmental measures** – funding of €233.8 million to fund GLAS & Organics
- **Sheep Welfare Scheme** - €20 million to be made available next year
- **Areas of Natural Constraint (ANCs)** – funding of €227 million
- **Beef Data Genomics Programme** – funding of €50 million.
- **Targeted Agriculture Measures (TAMS)** - funding of €70 million.
- **Knowledge Transfer Programme** – funding of €23 million
- **Organic Farming Scheme** – funding of €11.7 million and a further €1.2m for Development of the Organic Sector.
- **Forestry** – Funding of €106 million
- **Horticulture Sector Funding** – Fund of €5 million to support capital investment.

Note:

This summary is based on the author's interpretation of the relevant Budget 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://www.budget.gov.ie/Budgets/2018/2018.aspx

Revenue Budget Information - http://www.revenue.ie/en/corporate/press-office/budget-information/2018//index.aspx

Department of Social Protection - https://www.welfare.ie/en/downloads/budfact18.pdf

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The **Teagasc *My-Farm My Plan* business plan document** is available to download from the following link
https://www.teagasc.ie/media/website/rural-economy/farm-management/MyFarm-MyPlan-Business-Plan.pdf