Press Release on Budget 2018
Reaction from Irish Tax Institute

10 October 2017

Irish Tax Institute President David Fennell welcomes measures announced regarding Ireland's SMEs and entrepreneurs in today's Budget.

Brexit

Minister for Finance Paschal Donohoe highlighted the challenges posed by Brexit today when he told the Dáil "there is likely to be permanent changes to the country's trade patterns because of the UK vote to leave the European Union."

In light of this upcoming challenge for Irish indigenous business, the Institute particularly welcomes the introduction of a Brexit loan scheme for SMEs. The €300 million short-term loan scheme, with competitive rates, will allow SMEs to innovate at a time when they are most at risk and need to diversify. This includes food companies, which are uniquely exposed - 42% of food exports went to the UK in 2016, according to the CSO[1].

Share options regime

The Institute welcomed the announcement last year that a share based incentive scheme would be implemented and now it is due to be launched on 1 January 2018.

Key Employee Engagement Programme (KEEP) is a share-based remuneration incentive to facilitate the use of share-based remuneration by unquoted SME companies to attract key employees and of course, retain them. 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 will be available for qualifying share options granted between 1 January 2018 and 31 December 2023.

The Institute again advocated for a share-based scheme in its recent report and awaits the release of further details with interest. "There is a global war for talent and we welcome any move to encourage skilled workers to remain and thrive in Ireland", said Mr. Fennell.

[1] CSO, Goods Exports and Imports December 2016 (February 2017), http://www.cso.ie/en/releasesandpublications/er/gei/goodsexportsandimportsdecember2016/.

Merging USC and PRSI

Irish Tax Institute President David Fennell has also welcomed the announcement of a working group on merging USC and PRSI. “This is positive news yet there are many issues to consider as it is a complex task that will take several years to complete,” said Mr. Fennell.

The Squeezed Middle

The Institute welcomes the increase to the threshold for the higher income tax band of 40% by €750 for a single earner. This is a positive first step in lifting the tax burden on workers in Ireland’s ‘squeezed middle’. “This is the start of a journey and much focus should be placed on it in the long term,” according to Mr. Fennell.

The USC rates were also lowered – the 5% rate is now 4.75% and the 2.5% is down to 2%. The Institute has long called for Ireland’s tax system to be more competitive internationally. “We can’t lose sight of the longer term goal – the fact remains there is an income tax rate of 52% for earners over €70,044, which is hindering us in the global race for talent.”

Corporate Tax

The Institute welcomed the consultation recommended by the recent report on Ireland’s corporation tax by economist Seamus Coffey. The report also found that Ireland has a transparent, stable and competitive corporate tax regime.

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