Budget 2018 - a round-up of media speculation about the tax measures

9 October 2017

The housing situation

- An increase in stamp duty on commercial property – currently 2%
- Extensions of mortgage interest relief for the negative equity generation (albeit likely to be at a reduced level)
- The retention of the Help to Buy Scheme but with some changes possible
- The seven year holding period for capital gains tax exemption on commercial property may be shortened to prevent land hoarding.
- For similar reasons, the 3% vacant site levy may be increased.
- A capital fund for rural builders may be introduced.
- Inheritance tax thresholds for the family home could be increased.

Tax and Work

- Modest cuts may be coming for middle/low income earners. Speculation is for a gain of €5-6 a week for the average earner.
- The two levers used could be:
  - USC rate cuts - the 5% and possibly 2.5% rates.
  - An increase of up to €1,000 in the entry point to the 40% income tax rate (currently €33,800).
- A move to further narrow the €700 gap between the earned income credit for the self-employed (currently €950) and the PAYE tax credit of €1,650.
- An increase in the employer payroll "training fund" levy from 0.7% to possibly 1% by 2020.
- A multi-year project to merge the PRSI and USC regimes.

Families

- Some reduction in the benefit in kind charge for company provided electric cars, as well as lower toll charges for electric car users.
- Confirmation of the scheduled reductions in Deposit Interest Retention Tax (DIRT) for savers – due to fall from 39% now to 37% in 2018.
- Extension of relief from the middle 5% USC rate for medical card holders earning less than €60,000 pa.
- Possible increases to the VAT rate of some goods and services.

Business and Brexit

- The retention of the 9% VAT rate for the hospitality sector.
- Expansion of the Foreign Earnings Deduction to promote growth in new markets
- Announcement of a new employee share scheme for small businesses.
- Some possible reductions in Capital Gains Tax – either a reduction in the headline rate of 33% or an extension to the lower 10% rate for entrepreneurs

Foreign Direct Investment

- Measures to increase the taxation of intellectual property by limiting capital allowance deductions to 80% of related IP income.
- Announcement of public consultations about key changes required on foot of OECD and EU global tax changes (and recommended in the recent review of corporation tax by Seamus Coffey).

Other revenue raising measures

- The old reliables – increase in duty on cigarettes and possibly alcohol.
- A carbon tax increase may be introduced which would increase the cost of fuel.
- A new sugar tax to be introduced possibly April 2018 (to coincide with the introduction of a sugar tax in the UK).
- A possible increase in the bank levy.