



Budget 2018

Budget 2018 Update – Main points

- Standard rate income tax band increased by €750 for 2018, giving a tax saving in 2018 of €150 for higher rate taxpayers.
- Earned income tax credit for the self-employed and proprietary directors increased by €200 to €1,150 for 2018.
- The lower USC bands and tax rates will be reduced in 2018. The maximum saving for higher earners is €178 pa.
- DIRT rate reduced to 37% in 2018 but no change announced in the exit tax rate of 41%.
- All State Pensions to increase by €5 pw from the end of March 2018. This will make the maximum State Pension €12,695 pa, or just €5 pa under the €12,700 pa specified income limit for the ARF option.
- Stamp Duty on the purchase of commercial (i.e. non-residential) property is increased from 2% to 6% with effect from midnight 10th October 2017.
- Mortgage interest tax relief for those who bought their homes between 2004 and 2012 is being phased out between 2018 and 2020. The relief will finish for these borrowers at the end of 2020.
- No change in CAT thresholds.
- New tax efficient share option scheme (called KEEP) will be introduced in 2018 for employees of unquoted SMEs.
- No changes announced in private pension tax reliefs or taxation of benefits.
- It is possible that other taxation and pension changes not announced in the Budget could be introduced in the Finance Bill, either at publication on 19th October 2017, or at the Committee Stage, scheduled for 7th to 9th November 2017.



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Standard rate income tax band increased

The standard rate income tax band will be increased in 2018 by €750:

	Band 2017	Band 2018
Single / Widowed without dependent children	€33,800	€34,550
One Parent Family	€37,800	€38,550
Married / Civil Partners, one earner	€42,800	€43,550
Married / Civil Partners, two earners	€42,800 + increase max €24,800*	€43,550 + increase max €24,800*

*The increase is the lower of €24,800 and the amount of income of the spouse / civil partner with the lower income. The increase is not transferable between spouses / civil partners.

For higher rate taxpayers, the €750 increase in the standard rate band amount to an effective tax saving of $20\% \times €750 = €150$ pa.

Increase in the earned income tax credit for the self-employed and proprietary directors

The self-employed and proprietary directors (and their spouse/civil partner working in the business) are not entitled to the €1,650 PAYE tax credit, available to all other taxpayers. In Budget 2016, a tax credit at standard was introduced for the self-employed and working proprietary directors and their working spouses/civil partners on their earned income, up to a current maximum credit of €950 per person. This maximum tax credit is being increased by €200 to €1,150 per person for 2018

Lower USC rates

The lower USC rates and bands have been reduced for 2018 as follows:

2017		2018	
Income band	USC rate	Income band	USC rate
Up to €12,012	0.5%	Up to €12,012	0.5%
Next €6,760	2.5%	Next €7,360	2.0%
Next €51,272	5.0%	Next €50,672	4.75%
Balance	8.0%	Balance	8.00%

The change in USC bands and rates leads to the following change in USC liability as between 2018 and 2017 at different levels of gross income:

Gross Income	USC 2017	USC 2018	Gain
€30,000	€790	€712	€78
€40,000	€1,290	€1,187	€103
€50,000	€1,790	€1,662	€128
€60,000	€2,290	€2,137	€153
€70,000	€2,790	€2,612	€178
€80,000	€3,589	€3,411	€178
€90,000	€4,389	€4,211	€178
€100,000	€5,189	€5,011	€178