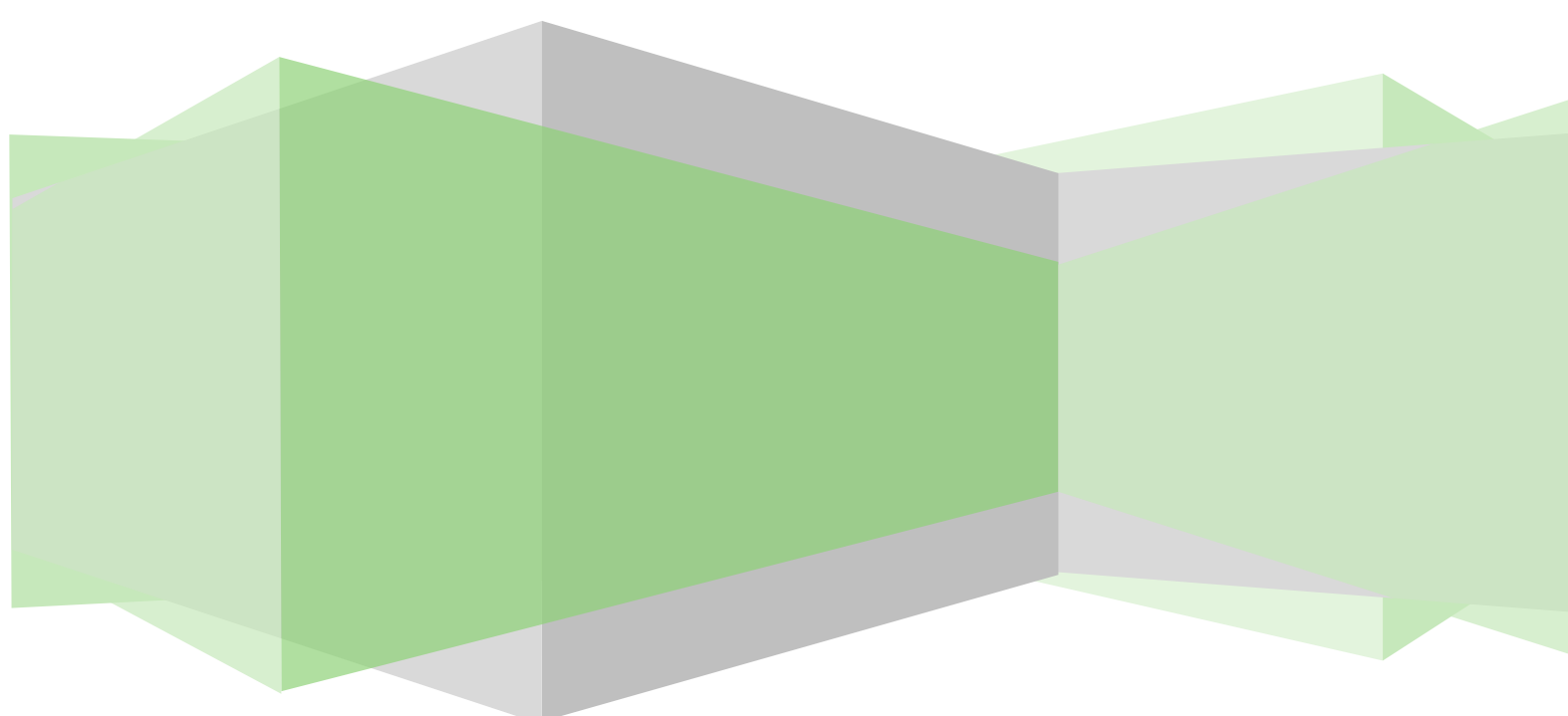


**Irish Creamery Milk Suppliers Association**



# **ICMSA Summary of Budget 2018**



# Summary of Budget 2018

## Department of Agriculture, Food and the Marine

Expenditure by the Department of Agriculture, Food and the Marine is set to increase from €1.47 billion to €1.56 billion which represents an increase of €64m in 2018. This represents a total spend of €1,284m in current expenditure and €272m in capital expenditure.

### Funding Farm Schemes

Funding for Farm Schemes under the Rural Development Programme has increased by €50m to €626m in 2018. The following are the main areas of expenditure:

- **Agri-Environment Schemes (GLAS, AEOS & ORGANICS)**

A total fund of €233.8m has been allocated for agri-environmental schemes including AEOS GLAS, REPS and Organics. There is no funding allocation to allow for the reopening of GLAS.

- **Areas of Natural Constraint (ANCs)**

The allocation for Areas of Natural Constraint (formerly Disadvantaged Areas) in 2018 has increased by €25m to €227m. The allocation of this additional funding has yet to be announced.

- **Targeted Agriculture Modernisation Scheme (TAMS)**

Funding for the Targeted Agricultural Modernisation Scheme (TAMS) has increased by €20 to €70m in 2018.

- **Beef Data Genomics Programme**

A total fund of €50 has been allocated for The Beef Data and Genomics Programme in 2018. This is €2m less than 2017.

- **Animal Welfare Scheme for Sheep**

Funding of €20m has been provided for the Sheep Welfare Scheme in 2018. This is €5m less than 2017.

- **Knowledge Transfer Programme**

Funding of €23m has been provided for Knowledge Transfer Programmes in 2018. This is €2.6m less than 2017.

- **Food Safety, Animal Health and Welfare**

Funding of €87m has been provided for food safety, animal and plant health including €34m for TB & Brucellosis eradication and €4.2m for animal welfare. This funding is up €2m in total on 2017.

- **Forestry**

€106m has been provided for forestry in 2018. This is €5.6m less than 2017

## General & Agri –Taxation Measures

Budget 2018 has provided for a number of changes to general and agri-taxation outlined as follows:

- **Income Tax**

The income tax rates remain unchanged.

- **Income Tax Bands**

An increase of €750 in the income tax standard rate band for all earners, from €33,800 to €34,550 for single individuals and from €42,800 to €43,550 for married one earner couples.

- **Earned Income Credit**

The Government has increased the Earned Income Credit to €1,150 from €950 for the self-employed including farmers who do not currently receive the PAYE Tax Credit of €1,650. This represents a €200 increase. ICMSA believe the Government should have equalised this to the PAYE Tax Credit and will continue to lobby for equalisation.

- **Universal Social Charge**

The first two Universal Social Charge rates have been reduced by 2.5% to 2% and 5% to 4.75% respectively. There will be an €600 increase to €19,372 for the second USC band ceiling.

- €0 to €12,012 @ 0.5%
- €12,013 to €19,373 @ 2%
- €19,374 to €70,044 @ 4.75%
- €70,045 to €100,000 @ 8%
- PAYE income in excess of €100,000 @ 8%
- Self-employed income in excess of €100,000 @ 11%
- Medical card holders and individuals aged over 70 years and over whose aggregate income does not exceed €60,000 pay a maximum rate of 2% USC.

- **Stamp Duty on Non- Domestic Properties**

Budget 2018 announced an increase in the stamp duty rate for all non-residential property transactions, including agricultural land, from 2% to 6%, (with a refund scheme to operate for land purchased for housing development, where the development commences within 30 months of land purchase).

However, two reliefs will continue to operate in relation to agricultural land:

- a) **Consanguinity relief**, which is available to close family members, has been extended by three years, and fixed at a rate of 1%, on transfers by gift or sale. There are terms and conditions with this relief presently including the transferor being less than 67 years of age.
- b) Farmers under 35 who qualify as **Young Trained Farmers** are fully exempt from stamp duty on farm transfers by gift or sale.

- **Capital Acquisitions Tax**

The 90 per cent Agricultural Relief from Capital Acquisitions Tax has been retained.

CAT Tax-Free Thresholds remain unchanged:

- The Group A lifetime tax-free threshold applying to gifts and inheritances from parents to children is €310,000,
- The Group B lifetime tax-free threshold applying to gifts and inheritances made to parents, siblings, nieces, nephews or grandchildren is €32,500.
- The Group C lifetime tax-free threshold applying to gifts and inheritances made to all others (except spouses and civil partners who are exempt) is €16,250

**Treatment of solar farms for the purposes of the Capital Acquisitions Tax (CAT) agricultural relief; Capital Gains Tax (CGT) retirement relief**

- For the purpose of CAT agricultural relief and CGT retirement relief, agricultural land placed under solar infrastructure will continue to be classified as agricultural land (formerly it would no-longer have been deemed agricultural land), but with a condition restricting the amount of the farmland that can be used for solar infrastructure to 50 per cent of the total farm acreage.

- **Income Volatility Management Tool**

The Department of Agriculture, Food and the Marine had committed to further consideration of an “Income Stabilisation” measure in Budget 2017, whereby some income can be deferred (or saved) in a period of high prices, to be drawn down in a period of lower prices as proposed by ICMSA. Budget 2018 did not implement this scheme, however, Minister Creed has noted that they are still looking at it in greater detail.

- **Capital Gains Tax Restructuring Relief**

Capital Gains Tax Restructuring Relief which allows farmers the opportunity for land consolidation through disposal and re-purchase in a tax efficient manner is available until December 2019.

- **€25m Low Income Loans**

A total loan fund of €25m will be available to support farmers. The fund is to be developed by DAFM in partnership with the Strategic Banking Corporation of Ireland (SBCI)

## **Social Welfare Issues**

- **Rural Social Scheme**

There is an increase of 250 in the number of places for this scheme, this will allow for a total of 3,350.

(Recipients of Farm Assist and Rural Social Scheme will qualify for the 85% Christmas bonus).

- **Increase in weekly Pensions and Payments**

€5 increase in all maximum weekly pension & social welfare payments (from end March 2018) including State Pension Contributory and Non-Contributory, Farm Assist and Rural Social Scheme.

## Measures in Further Detail

### Income Tax Rates, Bands and Credits

The income tax rates (20% & 40%) remain unchanged for 2018.

#### **The income tax bands have changed for 2018.**

#### **Standard Rate Bands**

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

### Selected Tax Credits

There was no change in the PAYE tax credits for 2018; there have been changes to the Earned Income Tax and Home Carers Tax Credit

	<b>Existing 2017</b>	<b>Proposed 2018</b>
Personal Tax Credits		
- Single	1650	1650
- Married	3300	3300
Single Person Child Carer Tax Credit	1650	1650
PAYE credit	1650	1650
<b>Earned Income Tax Credit (Max)*</b>	<b>950</b>	<b>1,150</b>
<b>Home Carer Tax Credit</b>	<b>1,000</b>	<b>1,100</b>

*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.*

### 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.

### Universal Social Charge

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- <b>€19,372</b>	<b>2%</b>
€18,772- €70,044	5.0%	<b>€19,373- €70,044</b>	<b>4.75%</b>
€70,045 - €100,000	8%	€70,045- €100,000	8%
> €100k (self-employed only)*	11%	>€100k (self-employed only)*	11%

The USC relief for medical card holders is being extended for a further two years. Medical card holders and individuals aged 70 years and older whose aggregate income does not exceed €60,000 will now pay a maximum USC rate of 2%.

\* 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%.

### 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)

### Value Added Tax (VAT)

The flat rate farmer rate is 5.4% which is the same as 2017.

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%.

### Stamp Duty

The Stamp Duty Rates changes as follows		
<b><u>Non Residential rates</u></b>		<b><u>Residential rates</u></b>
<u>Consideration</u>	<u>Rate of Duty</u>	<u>Consideration</u>
		<u>Rate of Duty</u>
Entire Consideration	6%	Up to €1,000,000
		Over €1,000,000
		1%
		2%

### Stamp Duty Exemption for Young Trained Farmers

This exemption was extended in 2015 until 31st December 2018.

### Consanguinity relief for Stamp Duty (non-residential property)

**This relief was extended in this budget for a further 3 years. The new expiry of this relief at the end of 2020**

This relief which gives a 1% Stamp Duty rate applying 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)

**This relief reduces the rate that applies on transfers of non-residential property from 6% to 1%.**

- The **transferor** must be **under the age of 67** at the date of the transfer
- The **transferee** must, for a period of **6 years** from the date of transfer either
  - Farm the land on a commercial basis AND either hold (or within a period of 4 years obtain) a recognised agricultural qualification OR spend 50% of their normal working time farming on a commercial basis (including the transferred land)
  - Lease the land to a farmer who has a recognised ag. qualification OR spends 50% of their normal working time farming on a commercial basis (including the transferred land)]