

# BUDGET 2018

## What you need to know



10 October 2017

### Budget 2018 - a summary 10 October 2017

Today, Paschal Donohue, Minister for Finance & Public Expenditure and Reform delivered the Budget for 2018 to the Dáil.

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### Pensions - a quiet budget for pensions

There were no significant changes in relation to pensions in Budget 2018. This was no surprise. Any structural changes are expected to be phased in over the next couple of years as the Pensions Authority starts to implement some of the pension changes agreed following their consultation process as well as transposing the requirements of the IORPS II directive into Irish law.

#### National Pensions Road Map / Auto-Enrolment

In September 2017 An Taoiseach Leo Varadkar announced plans to introduce a new auto-enrolment scheme for all workers in the private sector.

The Government has given a commitment to provide details of the five year Pensions Road Map by December 2017. They are seeking to automatically include 1 million workers (2/3rds of private sector workforce) who currently have no pension provision.

We await further details and contributions rates. The government have stated that they expect the first contributions for "auto-enrolled" employees to be paid in such accounts in 2021.

#### Social Welfare Pensions

The main announcement for Pensions in Budget 2018 related to increase to a €5 per week increase in all social welfare pension payments.

This means that the weekly rate of State Pension (Contributory) – Personal Rate will increase from €238.30 per week to €243.30 per week from March 2018.

#### Other Pension Changes

We wait for the Finance Bill 2017 (due to be published next Thursday 19 October 2017) to see if there will be "fine-tuning" of any monetary amounts/limits, rather than any wholesale changes to the structure and benefit options.

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### Pensions - No Changes

In summary, there were **no changes** to the following:

**Tax Relief - Employer Pension Contributions** - Corporation Tax relief will continue to be available on employer pension contributions - subject to the overall maximum pension limit.

**Tax Relief - Employee Pension Contributions** – This will continue at the marginal rate of income tax but subject to the Age Related Contribution Limits and Earnings Cap, if applicable (and overall Revenue Maximum Approvable Benefit limits).

**Employer Corporation Tax** - rate to remain at 12.5% on trading income.

**Earnings Cap** - amount to remain at €115,000.

**Retirement Lump Sum** - up to €200,000 remains tax-free and amounts from €200,000 to €500,000 will be taxed at 20%.

### **Standard Fund Threshold**

The Taxes Consolidation Act (Chapter 2C of Part 30) imposes a limit or ceiling on the total capital value of pension benefits that an individual can draw in their lifetime from tax-relieved pension products, where those benefits come into payment for the first time on or after 7 December 2005. This is called the Standard Fund Threshold (SFT) and is currently €2 million. There are significant additional tax liabilities where the limit is exceeded.

We will wait for the Finance Bill 2017 to see whether the SFT from 2018 has been amended in line with an earnings adjustment factor.

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## **Life & Taxation - DIRT and exit tax**

**Although there was no specific mention of the reduction in DIRT in Budget 2018, there is a scheduled reduction of 2% due for 2018 as part of an ongoing phased reduction in DIRT (until 2020) which was started last year.**

**Unfortunately the Minister did not remove the 1% Insurance Levy or reduce the rate of Exit Tax on Life Assurance Policies and Investment Funds and it remains at 41%.**

The following changes to Life Products & Taxation were announced:

### **Income Tax**

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.

### **Universal Social Charge (USC)**

#### **USC Rates & Bands from 1 January 2018:**

Incomes of up to €13,000 are exempt. Otherwise:

€0 to €12,012	0.50% (unchanged)
€12,012 – €19,372*	2.00% (was 2.50%)
€19,372* – €70,044	4.75% (was 5.00%)
€70,044+	8.00% (unchanged)

\*Increased by €600

Self-employed income over €100,000: 3% surcharge

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 €60,000p.a. will now pay a maximum USC rate of 2% (was 2.5%).

### **DIRT Tax, Exit Tax and Insurance Levy**

With regards to Savings and Investment, as mentioned previously the phased reduction in DIRT was introduced last year. This means that the rate of DIRT will reduce by 2% to 37% for 2018 (and will reduce further to 33% by 2020 in 2% p.a. increments). At that stage it will be in line with the current rate of Capital Gains Tax.

The Insurance Levy on Protection policies and investment/savings policies was not reduced or removed and remains unchanged at 1%. The rate of Exit Tax on Life Assurance Policies and Investment Funds was also unchanged and remains at 41%.

### **Savings: Corporate Deposits**

The current corporate exit tax rate remains at 25%, in line with corporation tax for non-trading income.

### **Capital Acquisition Tax (CAT)**

The **Group A Threshold** (gifts or inheritance to son/daughter) remains unchanged at **€310,000**.

The **Group B Threshold** (gifts or inheritance to brother/sister/nephew/niece/grandchild/grandparent) remains unchanged at **€32,500**.

The **Group C Threshold** (relationship other than A or B) remains unchanged at **€16,250**.

The rate of Capital Acquisition Tax remains at **33%**.

#### **Capital Gains Tax (CGT)**

Capital Gains Tax rate remains at **33%**.

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## **Taxation Annex**

Please [click here](#) to view the Budget 2018 Tax Policy Changes and Annexes.

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## **Need Further Information?**

If you have a query on any of the above points, please feel free to contact our **Technical Services Team** on **01 209 2020** or **techsupport@zurich.com** or your Zurich Life Broker Consultant.

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**10 October 2017**

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