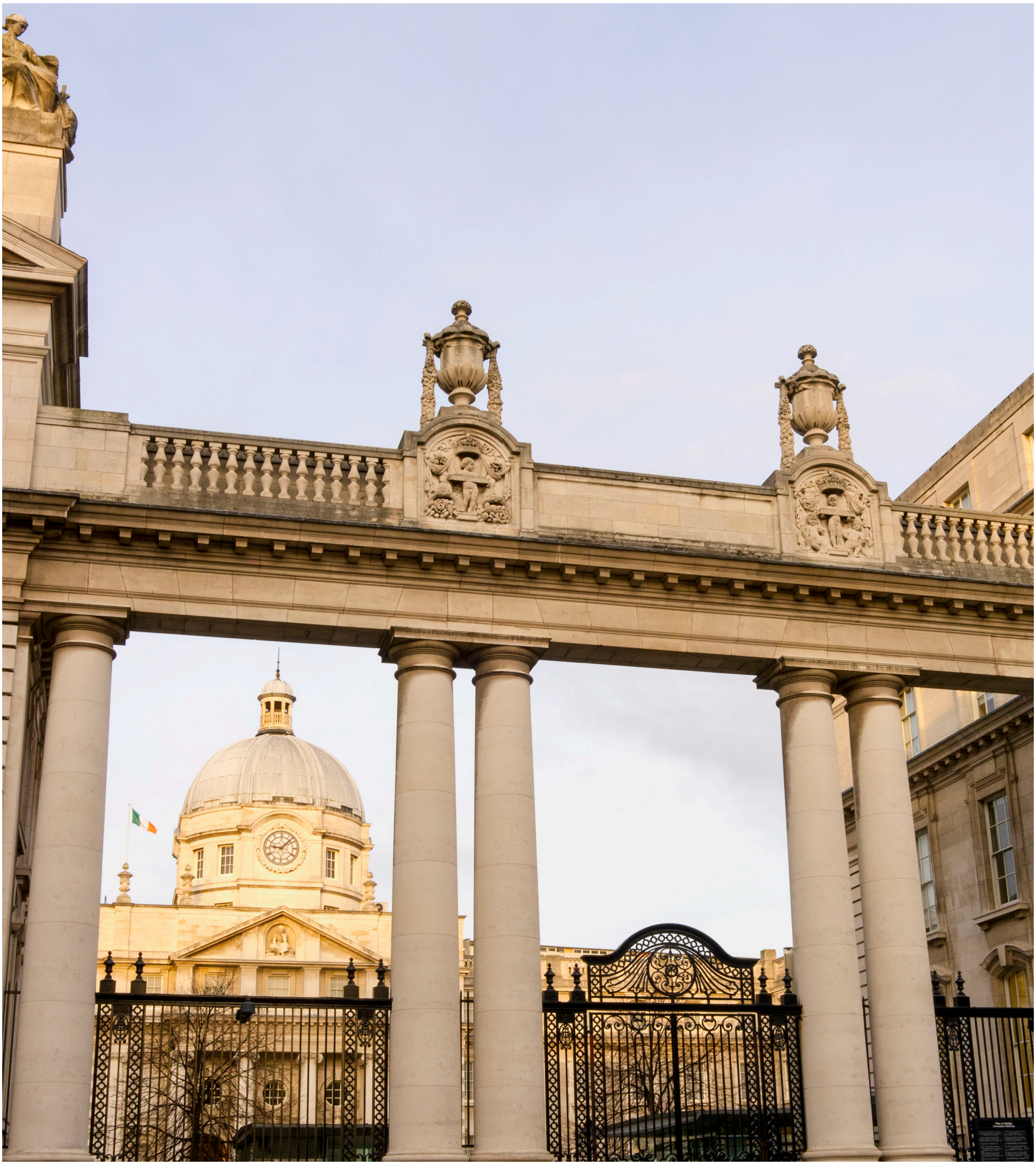
MAZARS BUDGET REPORT
2017



FRANCE IRELAND CHAMBER OF COMMERCE

MAZARS

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ABOUT MAZARS

In providing tailored solutions to the individual needs of our clients, Mazars examine and offer a comprehensive range of tax services to national and international clients with a particular emphasis on helping them to structure their businesses and financial affairs tax efficiently.

Mazars has one of the largest teams of tax specialists in Ireland and provides a full range of tax services to small and medium sized enterprises, private and publicly quoted companies and individuals. Our approach entails coming forward with ideas and solutions that bring added value to clients, based on a comprehensive understanding of each client's particular business. We are part of the International Mazars organisation, Europe's largest independent firm of accountants and advisors, and as such are ideally placed to provide advice on cross border transactions and international tax issues.

Our areas of specialisation include:

CORPORATE TAX SERVICES

INTERNATIONAL TAX STRUCTURING

TRANSACTION SUPPORT & DUE DILIGENCE

VAT SERVICES

RESEARCH & DEVELOPMENT / KNOWLEDGE DEVELOPMENT BOX

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INTRODUCTION

In his sixth Budget, but first under the new coalition government, Minister Noonan today announced €500m of tax cuts. The theme of the Budget was continued focus on economic recovery and making Ireland capable of withstanding BREXIT. It is fair to say that the majority of today's announcements had already been played out in the media. There were however a few welcomed surprises.

The Department of Finance, together with the Irish Fiscal Advisory Council, forecasts that GDP will grow by 4.2% in 2016. The economic uncertainty introduced by BREXIT has prompted the Department of Finance to forecast GDP growth for 2017 at 3.5%. The final outcome will ultimately depend on the terms of the negotiation between the UK and the EU and whether we have a "hard" or "soft" BREXIT. In considering these projections, it is important to bear in mind that there were over 2 million people employed in 2016, with a further 43,000 expected to be employed by the end of 2017. While employment numbers are still not at 2007 levels, it is not as concentrated in one sector.

Irrespective of how BREXIT will unfold, what is known is that it will pose an increased risk to the Irish economy. In this context, the Minister announced specific measures to assist particular sectors of the economy, this is in addition to measures which are intended to protect against future economic shocks. These include:

- Extension of the Special Assignee Relief Programme (SARP) and the Foreign Earnings Deduction (FED) programmes until 31 December 2020. The FED is also to be enhanced by reducing the minimum number of days required to be spent abroad from 40 to 30. This measure should prove particularly beneficial in helping smaller businesses who are seeking to identify and trade in new markets.
- The retention of the reduced 9% VAT rate for the tourism and hospitality sector. It is believed that the lower rate will act as a buffer for the sector against the weakness in sterling which increases the cost of holidaying in Ireland for British tourists.
- To encourage entrepreneurship, the reduced Capital Gains Tax rate of 20% is to be further reduced to 10%. The limit of €1 million of chargeable gains will not be amended. The Minister indicated that he would review the limit in future Budgets. All other aspect of the relief remain unchanged.

Details of the Help to Buy scheme which was originally discussed in July were announced. It has been clarified that the scheme is limited to first time buyers of newly developed property. The scheme will provide a rebate of income tax paid over the previous four tax years up to a maximum of 5% of the purchase price of a new home up to a value of €400,000, to first time buyers of new houses. Pro rata rates will apply to lower priced houses and a full rebate calculated on €400,000 will also apply to houses in excess of €400,000 and up to €600,000. No rebate will be paid on house purchases in excess of €600,000. The Scheme will apply to the purchase of newly built primary residences by first time buyers from 19 July 2017 until 31 December 2019. Given that second hand properties are not within the scope of the scheme, the Home Renovation Scheme has been extended for a further two years until the end of 2018.

In a continued focus to address the housing shortage and encourage landlords to rent vacant properties, the intention is for interest deductibility for residential landlords to be restored in full. However, this restoration is to be on a phased basis from the current 75% to 80% in 2017. Thereafter relief will increase by instalments of 5% until the full 100% deductibility is restored, subject to fiscal constraints.

From an employment tax perspective, the highly anticipated USC rate cuts were announced. While there were no changes to the headline income tax rates or bands, the home carers credit has been increased by €100 with effect from 1 January 2017. Continuing on from last year's Budget, the Earned Income Tax Credit is to be increased by €400, bringing it to €950.

While the Minister acknowledges the importance of FDI for the Irish economy, today's Budget did not announce any new initiatives. Given the consultation process undertaken earlier in the year on employee share schemes, it had been hoped that details of a new scheme would have been announced. Instead, what was announced today was an intention to develop a new SME-focussed, share-based incentive scheme to be introduced in Budget 2018. While it is acknowledged that European Commission approval is required, given the importance of attracting and retaining employee talent, the measure should be fast tracked rather than waiting another 12 months.

The Minister also announced that the Revenue Commissioners are today launching a consultation process which is intended to lead to a fundamental redesign and modernisation of the PAYE system.

It is projected that the national debt will decrease to 76% of GDP by the end of this year. While European Stability and Growth Pact recommends a target of 60%, the Minister today announced a target debt to GDP ratio of 45% to be attained by the mid-2020's. To attain this, the Government needs to ensure continued employment creation. This needs to be driven by targeted measures for both the SME and FDI sectors. Today's announcements are first steps.

Finance Bill 2016 is expected to be published in the next week, with this being enacted in late November or early December. The Bill will contain greater detail on how measures announced today will operate.

Frank Greene
Head of Mazars Tax

1. INCOME TAX

UNIVERSAL SOCIAL CHARGE (USC)

Each of the lower three USC rates have been reduced by half a percent. There is also an adjustment to the bands to ensure that the salary of a full time worker on the minimum wage remains outside the top rates of USC. Income of €13,000 or less is exempt from USC. In all other cases, the following rates will apply for 2017:

2017	
Exempt	€13,000
First €12,012	0.5%
Next €6,760	2.5%
Next €51,272	5%
Balance	8%

Self-employed income in excess of €100,000 will be subject to USC at 11% on the excess.

Medical card holders and individuals aged 70 years and over whose aggregate income does not exceed €60,000 will now pay a maximum USC rate of 2.5%.

HELP-TO-BUY SCHEME

An income tax rebate incentive is being introduced to assist first time buyers of new homes to fund the deposit required under the Central Bank rules.

This measure will comprise of a rebate of income tax paid (including DIRT but not USC) by an individual or by joint purchasers over the previous four years of up to 5% of the purchase price of properties valued up to €400,000. Where new homes are valued between €400,000 and €600,000, the maximum relief (i.e. €20,000) will continue to be available. No relief is available where the value of the property in excess of €600,000.

The house must be a new build and applicants must take out a mortgage of at least 80% of the purchase price. The incentive is open to applicants who have signed contracts to purchase their home on or after 19 July 2016 (subject to Oireachtas approval) and the scheme will run until the end of 2019.

INTEREST RELIEF – RENTED RESIDENTIAL PROPERTY

The deduction available for qualifying interest payments on monies borrowed to purchase, improve or repair residential rental property is being increased from 75% to 80%. This measure will apply to both new and existing mortgages.

The level of deductible interest will then be increased by a further 5% per annum until the full 100% is restored i.e. in the year 2021. This increase to 100% however is subject to their being the available fiscal resources.

CAPITAL ACQUISITIONS TAX

The economy is improving and asset prices are increasing. This has resulted in higher tax demands when passing family homes down a generation. To address this and lower the tax burden for individuals, the capital acquisition tax thresholds for gifts and inheritances have been increased as outlined below:

Group	Category	Old Threshold	New Threshold
Group A	Gifts and inheritances from parents to their children	€280,000	€310,000
Group B	Gifts and inheritances made to parents, siblings, nieces, nephews and grandchildren	€30,150	€32,500
Group C	Gifts and inheritances made to all others (except spouses and civil partners who are exempt)	€15,075	€16,250

HOME CARER TAX CREDIT

There has been an increase in the Home Carer Tax Credit from €1,000 to €1,100. This is to assist one income families who care for children or the elderly in the home.

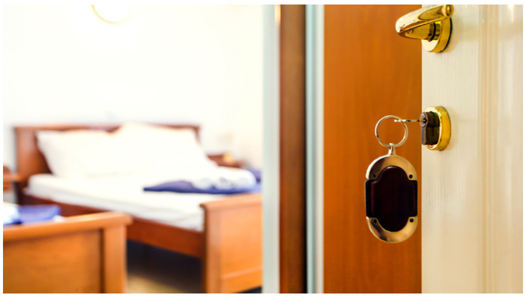
EXTENSION OF HOME RENOVATION INCENTIVE (HRI)

The HRI is being extended until 31 December 2018. The HRI provides for tax relief by way of an Income Tax credit at 13.5% of qualifying expenditure on repairs, renovations or improvement work carried out on a main home or rental property by qualifying contractors.

RENT- A-ROOM RELIEF

The maximum income tax exemption for income received from the letting of rooms in a person's principal private residence is being increased from €12,000 to €14,000 for 2017 and subsequent years.

This is to incentivise home-owners to rent out vacant rooms at current market prices while remaining below the threshold. It is hoped that it will help to increase the levels of student accommodation.



SELF-EMPLOYED TAX CREDIT

The Earned Income tax credit will be increased from €550 to €950. This credit applies to individuals who earn self-employed income (including farmers) as well as business owner and managers who are ineligible for a PAYE credit on their salary income.

LIVING CITY INITIATIVE

The Living City Initiative is being modified to encourage an increase in the participation in the scheme. This comprises extending the availability of the scheme to landlords, while for residential applicants it removes the restriction on the maximum floor size of the property, the requirement that the property must have been previously used as a dwelling, and reduces the minimum amount of expenditure needed to qualify.

SPECIAL ASSIGNEE RELIEF PROGRAMME (SARP)

SARP is being extended for a further 3 years until the end of 2020. SARP provides for Irish tax relief on a proportion of income earned by employees who are assigned by their employer to work in Ireland and who previously worked for that employer for a minimum period of 6 months in a country with which Ireland has a double taxation agreement or has a tax information exchange agreement. Other conditions also apply.

FOREIGN EARNINGS DEDUCTION (FED)

The Foreign Earnings Deduction (FED) is a tax relief available to employees of Irish companies who spend time working overseas in certain qualifying countries (see table below). The minimum number of days for travel is being reduced from 40 to 30 per annum. FED is also being extended until the end of 2020 and the qualifying countries are being extended to include Colombia and Pakistan in order to help smaller businesses to identify and trade in such markets.

Qualifying countries – FED Group	
2012 Qualifying countries	Brazil, China, India, Russia and South Africa
2013 & 2014 Additional Qualifying countries	Algeria, Democratic Republic of Congo, Egypt, Ghana, Kenya, Nigeria, Senegal and Tanzania
2015 Additional qualifying countries	Bahrain, Chile, Indonesia, Japan, Kuwait, Malaysia, Mexico, Oman, Qatar, Saudi Arabia, Singapore, South Korea, Thailand, United Arab Emirates and Vietnam
2017 Additional qualifying countries	Columbia and Pakistan

START YOUR OWN BUSINESS RELIEF

The Start Your Own Business scheme has been extended for 2 years until the end of 2018. This scheme provides for relief from income tax for long term unemployed individuals who start a new business. The scheme provides an exemption from income tax up to a maximum of €40,000 per annum for a period of two years to individuals who set up a qualifying business. The individual must have been unemployed for a period of at least 12 months prior to starting the business.

FISHERS TAX CREDIT

This is a new tax credit introduced in Budget 2017 as a result of the marine tax review in 2015. The measure is aimed at attracting and retaining employment in the fishing sector. The relief enables fishers to claim an income tax credit of €1,270 per annum if they have fished for wild fish or wild shellfish for at least 80 days in a tax year.

CAPITAL ALLOWANCES FOR ENERGY EFFICIENT EQUIPMENT

The scheme of accelerated capital allowances for energy efficient equipment is to be extended to farmers and self-employed individuals. This measure was first introduced in Finance Act 2008 for certain energy efficient equipment used in a company's trade and has been extended on the recommendation of the agricultural tax review. This measure should help businesses in the farming and marine sectors to invest in energy efficient equipment and receive the full amount of the capital allowances in the first year.

FARMERS INCOME AVERAGING

The income averaging regime permits a farmer's taxable profit to be averaged over 5 years. Budget 2017 has amended this provision to allow an "opt out" for farmers in a single year of unexpectedly poor income. This facility will be available immediately and should provide cash-flow assistance for farmers.

MORTGAGE INTEREST RELIEF

The Minister announced his intention to extend mortgage interest relief to 2020 (from 2017) to improve the affordability of mortgage repayments for existing recipients. The details of this will be in Budget 2018.

SHARE-BASED REMUNERATION

Following on from the recent public consultation and review of share-based remuneration, it is intended that a new share-based incentive scheme will be introduced which will focus more on small/medium enterprises. This will be introduced in Budget 2018.

SINGLE PERSON – PAYE TAXPAYER	2016 €	2017 €
Gross income	40,000	40,000
Income tax liability	5,940	5,940
PRSI liability	1,600	1,600
USC liability	1,493	1,290
Total liability	9,033	8,830
Net income	30,967	31,170
Annual gain		203
Change as a % of net income		0.65%

SINGLE PERSON - SELF-EMPLOYED	2016 €	2017 €
Gross income	60,000	460,000
Income tax liability	15,040	14,640
PRSI liability	2,400	2,400
USC liability	2,593	2,290
Total liability	20,033	19,330
Net income	39,967	40,670
Annual gain		703
Change as a % of net income		1.76%

MARRIED COUPLE – ONE INCOME, TWO CHILDREN	2016 €	2017 €
Gross income	36,000	36,000
Income tax liability	1,250	1,150
PRSI liability	1,440	1,440
USC liability	1,273	1,090
Total liability	3,963	3,680
Child Benefit	3,360	3,360
Net income	35,397	35,680
Annual gain		283
Change as a % of net income		0.8%

MARRIED COUPLE – TWO INCOMES	2016 €	2017 €
Husband – employment income	40,000	40,000
Wife – self-employed income	50,000	50,000
	90,000	90,000
Pension contributions	4,050	4,050
Taxable income	85,950	85,950
Income tax liability	15,360	14,960
PRSI liability	3,600	3,600
USC liability	3,536	3,081
Total liability	22,496	21,641
Net income	63,454	64,309
Annual gain		855
Change as a % of net income		1.35%

RETIRED INDIVIDUAL	2016 €	2017 €
Occupational Pension	15,000	15,000
Contributory Old Age Pension*	12,132	12,347
Total income	27,132	27,347
Income tax liability	1,881	1,924
PRSI liability	0	0
USC liability	210	135
Total liability	2,091	2,059
Net income	25,041	25,288
Annual gain		247
Change as a % of net income		0.99%

**Increase to take effect from March 2017*

2. BUSINESS TAX

TAX RATE

The 12.5% remains the "cornerstone" of Ireland's corporation tax strategy.

UPDATE ON IRELAND'S INTERNATIONAL TAX STRATEGY

The Minister announced a further update to Ireland's International Tax Strategy in today's Budget speech. Detailed analysis of this update is set out in section 6 of our report.

SECTION 110 AND FUNDS

The Minister announced that further amendments are necessary to address issues arising in relation to Irish property investments. The draft amendments concerning Irish funds will be included in the Finance Bill following appropriate consultation, along with proposed amendments concerning unintended uses of Section 110 companies published on 6 September. Our detailed analysis of these proposed changes are set out in section 5.

REVIEW OF CORPORATION TAX CODE

Following the September announcement to review the corporation tax code by an independent expert, the Minister has appointed Mr Seamus Coffey, an independent economist, to undertake this review.

It is understood that the purpose of the review is to:

- Achieve the highest levels of transparency from an international perspective. This is to include the automatic exchange of information on tax rulings with other jurisdictions.
- Ensuring that the corporation tax code does not provide a preferential regime to any taxpayer.
- Implement Ireland's commitment to tackle harmful tax competition and aggressive tax planning by enforcing the OECD's Base Erosion and Profit Shifting (BEPS) project recommendations.
- Delivering tax certainty to investors by maintaining a competitive tax offering.
- Maintaining the 12.5% tax rate.

It is intended that the recommendations will be made to the Minister by the end of mid-2017.

TACKLING OFFSHORE TAX EVASION

To tackle those engaged in offshore tax evasion, a series of comprehensive measures are to be introduced. This programme will be underpinned by applying advanced analytical techniques. This will draw on information already exchanged via FATCA, EU and OECD information sharing initiatives. New legislation will be introduced with the intention of encouraging early disclosure of liabilities in respect of offshore assets and accounts. The new measures will seek to:

- Preclude the possibility of making a qualifying disclosure on or after 1 May 2017; and
- Introduce a strict new liability offence for the failure to return details of offshore accounts and other assets.

The introduction of these measures are to be welcomed from an Irish perspective as it will help to demonstrate that we are an open and transparent jurisdiction. It will also help to address internationally that we do not advocate base erosion.

DIRT (DEPOSIT INTEREST RETENTION TAX)

To incentivise savers, the current DIRT rate of 41% will be reduced by 2% each year for the next four years, until it reaches 33% in 2020.

TACKLING NON-COMPLIANCE

Revenue is committed to increasing its resources to combat non-compliance. Revenue will employ fifty additional full time staff members on audit and investigation activities, as well as investing in enhanced ICT systems and equipment. This will result in an increased number of compliance interventions by Revenue.

3. CAPITAL TAX

CGT ENTREPRENEUR RELIEF

The Minister announced a reduction in the CGT Entrepreneur Relief rate from 20% to 10%. This is in line with the Programme for a Partnership Government. The reduced rate of capital gains tax will apply to net chargeable gains arising on qualifying disposals by individual owners of a trade or business. The relief remains subject to a lifetime limit of €1 million. The Minister did however note that the limit is subject to review in future Budgets. All other aspects of the relief remain unchanged.

Whilst the reduction of the capital gains tax rate for entrepreneurs from 20% to 10% is to be welcomed, it still falls short of the equivalent measure in the UK. Its UK counterpart provides for a 10% CGT rate on gains on disposals of a business up to a lifetime limit of £10 million.

RAISED BOG RESTORATION INCENTIVE SCHEME

Payments under the new raised bog restoration incentive scheme to relevant owners and rights holders will be exempt from Capital Gains Tax. Further details are to be provided in the Finance Bill.

FARM RESTRUCTURING RELIEF

Farm Restructuring Relief is being extended until 31 December 2019. Farm restructuring relief permits a farmer to restructure their farm land without a charge to capital gains tax arising. All other aspects of the relief remain unchanged.

4. VAT & EXCISE DUTIES

FARMER'S FLAT RATE ADDITION

The Farmers Flat Rate of 5.2% is being increased to 5.4% with effect from 1 January 2017.

TOURISM SECTOR

The 9% reduced VAT rate for the hospitality sector, which was introduced in 2011 as part of the Government Jobs Initiative for tourism related services, has again been retained.

CHARITIES

In general, charities are exempt from VAT under the EU VAT Directive and consequently cannot recover VAT incurred on expenditure. This can represent a significant operational cost. The Minister has instructed his officials to re-engage with the Irish Charities Tax Reform Group to discuss options in light of the report produced last year by the group which examined how charities might be compensated for the irrecoverable VAT.

TOBACCO PRODUCTS TAX

With effect from midnight on 11 October 2016 the cost of a standard 20 pack of cigarettes increases by an extra 50 cents (including VAT) with pro rata increases on the sale of related tobacco products.

ALCOHOL AND MOTOR FUELS

There were no announced increases in the excise duty relating to alcohol, petrol or diesel.

EXCISE DUTY RELIEF FOR MICROBREWERIES

The special excise duty relief for microbreweries, which reduced the standard rate of Alcohol Products Tax by 50% on beer produced in microbreweries up to 30,000 hectolitres per annum, is being extended to apply to microbreweries which produce not more than 40,000 hectolitres per annum.

CARBON TAX

The fuel inputs used to create high efficiency electricity in combined heat and power plants are being fully exempted from carbon tax.

VEHICLE REGISTRATION TAX (VRT)

The VRT reliefs available for the purchase of hybrid electric vehicles and plug-in hybrid electric vehicles are being extended to 31 December 2018. Electric vehicles and electric motorcycles are being extended to 31 December 2021.

SUGAR TAX

A Sugar Tax on sugar-sweetened drinks will be introduced by April 2018 to coincide with the introduction of a similar tax in the UK. A consultation process will commence today and run to 3 January 2017.

5. IRISH PROPERTY INVESTMENTS

A proposed amendment announced by the Minister on 6 September, in certain instances, seeks to tax foreign investors in respect of debt that derives its value from Irish land. Last month's amendment, to have effect in respect of interest paid from 6 September, apply to Irish securitisation structures only and was introduced in response to concerns raised that "vulture funds" are targeting loan portfolios secured on Irish property with a particular focus on the residential sector and the reported substantial write down of loans being achieved on acquisition by such structures.

In common with banks internationally, Irish banks have traditionally entered into securitisation transactions in order to raise funding, release regulatory capital and to generate cash. A considerable number of these securitisation portfolios include loans backed by Irish land, both residential and commercial. The recovery in Irish asset values over recent years can be attributed in part to the sales of loans by NAMA and the Irish banks which have enabled those banks to recover and consequently have reduced the exposure of the Irish economy to this debt. Irish securitisation vehicles have played a significant role in this process.

The stated purpose behind the amendment is to address the perceived misuse of the s110 legislation so that securitisation vehicles are ring-fenced for bona-fide securitisation purposes. As currently drafted, the effect of the amendment will be to restrict the deductibility of profit participating interest where that interest is payable on a loan, mortgage or other financial asset attributable directly or indirectly to Irish property. To the extent that the interest represents an arms' length rate it remains fully deductible. In practical terms, it is likely that profits of impacted companies will be significantly higher than the low levels of €2,000 or so reported in the recent media coverage and will be taxable at the applicable rate of 25%. Similar restrictions for foreign investors in Irish property fund structures have also been heralded with the detail to be announced in the Finance Bill.

The restriction will not apply where the interest is paid by the s110 company to: a company within the charge to corporation tax in Ireland; certain types of offshore funds classified as distributing funds; pension schemes and life assurance funds that are approved by the Revenue Commissioners; and to a person resident in an EU or EEA Member State.

The proposed amendment applies to profits earned from Tuesday 6 September 2016. Where the s110 company holds other assets not impacted by this proposed amendment then an apportionment of expenses between the separate activities carried on by the company will be necessary.

There will be no benefit to international investors based outside of the EU and EEA from using an Irish securitisation structure in acquiring loans or other financial assets where they derive their value from Irish real estate. The rationale behind excluding bona fide structures in reputable jurisdictions with which Ireland has concluded a Double Tax Treaty from the scope of the proposed amendment is not clear, particularly in light of previous tax legislation aimed at encouraging international investment directly in Irish property, providing for tax free gains where the property was held for seven years. This legislation will continue to produce tax free gains for investors until 2021, for property purchased up to 31 December 2014.

There has been negative impact in the industry since the proposed amendment was released, with concerns being expressed by investors as to the future of s110 companies generally, given the highly mobile nature of the industry and the option of moving to competing jurisdictions including Luxembourg and the Netherlands. Transactions that were previously to be carried on in Ireland, generally without any link to Irish property, are instead being undertaken in other EU jurisdictions.

The introduction of a de minimis requirement to deal with international transactions where Irish debt in part secured on Irish property might form part of an overall EU pool or where corporate debt is acquired that is to some extent secured on Irish land would assist with preserving Ireland's securitisation industry.

The effect of the de minimis exclusion would be to exclude from the amended legislation companies that acquire Irish debt incidentally. An exclusion for regulated vehicles with securities listed on an EEA exchange would also be helpful for the industry. Discriminatory treatment for s110 companies as compared with non-Irish companies performing similar roles and holding similar types of assets should be avoided, in order to preserve the Irish securitisation industry and the wider financial services industry to which securitisation structures are central.

The press release issued by the Department of Finance to announce the proposed amendment acknowledged the use of securitisations as a support to financial intermediation as part of Ireland's overall financial services offering. Also acknowledged is the essential nature of the securitisation and funds industries to Ireland's financial services sector, with the sector overall employing about 38,000 people and having over 13,000 professionals dedicated to the funds sector alone. Care will be needed in drafting the final legislation to avoid a shift from Ireland as a location of choice for setting up securitisation structures to Luxembourg, the Netherlands or other jurisdictions.

6. IRELAND'S INTERNATIONAL TAX STRATEGY

"Rock solid" is how the Minister describes the government's commitment to the 12.5% rate. The rationale behind the challenge to the EU Commission's decision on the Apple State Aid case is highlighted, being the need to defend the integrity of our tax system, the need for certainty for taxpayers and the need for us to defend our sovereign competence in taxation.

The requirement for Ireland to meet international commitments in terms of required deadlines around the OECD and EU's initiatives on tax transparency, information exchange, and BEPS (Base Erosion and Profit Shifting) is paramount. Measures implemented in Ireland to date include Country by Country Reporting and the OECD exchange of information requirements in respect of tax rulings as agreed in BEPS Action 5. Ireland recognises that tax transparency and access to information is key to tackling the global problems of tax avoidance and aggressive tax planning. In the wake of the Panama Papers, our domestic legislation will require amendment in the Finance Bill to ensure that Revenue have the necessary additional powers in order to gain access to all relevant information.

Ireland will implement changes in line with agreed deadlines in relation to the Anti-Tax Avoidance Directive, which will see three of the other key BEPS recommendations implemented across Europe, comprising hybrid mismatches, interest deductibility, and Controlled Foreign Company provisions. In addition to its very active role in shaping the Anti-Tax Avoidance Directive, Ireland has played an active part in developing the BEPS multilateral instrument, to provide the mechanism for extensive changes to tax treaties globally. The new transfer pricing rules agreed at OECD level in May need now to be considered to ensure Ireland's transfer pricing rules meet the standards set out in the revised OECD transfer pricing guidelines.

Member States are considering further proposals to tackle aggressive tax planning including the potential reform of the Interest and Royalties Directive and a proposal for a common EU Black List of third jurisdictions.

Ireland is actively engaging with these initiatives and is also an active participant in the EU Code of Conduct Group which examines harmful tax competition within the EU. Over the next year, other proposals will be debated by Member States, including on improving dispute resolution mechanisms and requiring disclosures of aggressive tax schemes. Ireland already has a mandatory disclosure regime in operation and is supportive of the need for co-ordinated EU action in these areas. The European Commission is to relaunch its proposal on the CCCTB Directive later this year. Ireland will engage fully in these discussions, while assessing whether it is in our best interests, as taxation remains an area for unanimous decision making. Ireland continues to disagree with tax rate harmonisation, minimum levels of taxation and the inappropriate encroachment of State aid rules into the Member State competence of taxation.

The review of Ireland's corporation tax code launched with Budget 2017 will include consideration of further actions Ireland may need to take to ensure full compliance with the OECD BEPS recommendations.

The impact of Brexit and the resulting changed relationship between the UK and the European Union for Ireland as an economy with close ties to both is highlighted as a significant factor for Ireland in considering the competitive position for attracting investment and jobs. The severity of any impact on Ireland is dependent on the future shape of the UK's relationship the EU, especially regarding trade, financial flows and the movement of labour. With this in mind, a number of taxation measures have been announced in the Budget that are aimed at getting Ireland Brexit ready, including measures for SMEs, the agri-food sector, Irish exporters and entrepreneurship. Mainly indigenous manufacturing sectors that are highly exposed to trade with the UK include:

- Food and beverage;
- Electrical equipment;
- Materials manufacturing; and
- Traditional manufacturing.

These sectors are highly dependent on the UK as a destination for exports and for overall turnover and are also highly reliant on the UK as a source of intermediate goods for the production process. The most exposed sectors are generally comprised of Irish based businesses that are small in scale, highly linked to the rest of the economy, have high levels of regional employment and have relatively low profit levels.

Ireland's tourism sector, accounting for over 150,000 jobs in Ireland is also highly dependent on the UK market, accounting for nearly €1 billion in revenues in 2015.

Sectoral focused measures are being introduced in Budget 2017 to enable these sectors remain competitive and to trade in diversified markets. The measures include:

- the reduced capital gains tax rate for entrepreneurs available in certain circumstances, from 20% to 10%;
- the extension of the Special Assignee Relief Programme (SARP);
- the extension and amendment of the Foreign Earnings Deduction; and
- the retention of the 9% VAT rate to assist the tourism and hospitality sector.

A €150 million loan fund will be developed in conjunction with the Strategic Banking Corporation of Ireland to improve cash flow management and to reduce the cost of short term borrowings. The loan fund will be low cost and highly flexible and is aimed at enabling farmers improve management of their cash flow and to reduce cost of short term borrowings, particularly important when facing currency and price volatility.

Pharmaceutical manufacturing and financial and ICT services, sectors with high foreign ownership, have a substantial export relationship with the UK. Key to these sectors are the 12.5% corporation tax rate, the R&D tax credit and Knowledge Development Box, and the announcement of an extension of the SARP are key policy measures that will help Ireland to remain competitive to these and other foreign sectors and to continue to attract jobs.

In recognition of the uncertainties ahead, the Government has committed to the establishment of a "rainy day fund" and a new medium term debt to GDP ratio of 45% to ensure that public finances are in a positon to withstand any Brexit-related shocks.

Work is also being carried out by the Revenue Commissioners to scope out potential customs issues and identify approaches aimed at minimising costs to business and to facilitate trade. The Minister also commits on behalf of the Government to continuing to work with Irish stakeholders, EU partners and with the UK with the aim of ensuring a strong future UK-EU relationship and a well-managed EU withdrawal.

The cornerstone of our competitive offering being the 12.5% rate of corporation tax as supplemented by the best in class R&D tax credit and Knowledge Development Box (KDB) is reaffirmed, as is the alignment of both of these incentives with attracting real jobs and substance to Ireland. An evaluation of the R&D tax credit published with Budget 2017 highlights the beneficial impact the credit has had in encouraging innovation and investment in research and development in Ireland. The KDB was introduced at the beginning of the year to support all companies carrying out substantive innovative activities in Ireland and an additional benefit for small companies who wish to avail of the KDB is to be implemented shortly. The Government's commitment to the 3 year corporation tax start up relief is highlighted.

Ireland remains committed to constructive and respectful engagement with developing countries in relation to tax matters. New tax treaties were entered into with developing countries in last year's Finance Act that were more appropriately balanced in terms of taxing rights and we continue to encourage other developed countries to follow our example, in carrying out a spillover analysis into the impact of their tax systems on the economies of developing countries.

Ireland is also an active participant in the EU Platform for Good Tax Governance, which brings together representatives from governments, business and civil society to discuss approaches to targeting tax evasion and avoidance.

SUMMARY OF PERSONAL TAX RATES AND BANDS

INCOME TAX RATES AND BANDS

SINGLE PERSON				
Bands	2017		2016	
Standard	20%	€33,800	20%	€33,800
Top	40%	Balance	40%	Balance

SINGLE PARENT/WIDOWED PARENT/ SURVIVING CIVIL PARTNER PARENT				
Bands	2017		2016	
Standard	20%	€37,800	20%	€37,800
Top	40%	Balance	40%	Balance

MARRIED OR CIVIL PARTNERSHIP (DUAL INCOME)				
Bands	2017		2016	
Standard	20%	€67,600*	20%	€67,600*
Top	40%	Balance	40%	Balance

*Maximum amount allowed where one individual is working is €42,800

UNIVERSAL SOCIAL CHARGE			
2017		2016	
Exempt	€13,000	Exempt	€13,000
First €12,012	0.5%	First €12,012	1%
Next €6,760	2.5%	Next €6,656	3%
Next €51,272	5%	Next €51,376	5.5%
Balance	8%	Balance	8%

2.5% rate applies for individuals 70 or over and individuals who hold full medical cards with income up to €60,000

Self employed income in excess of €100,000 regardless of age @11%

TAX CREDITS

	2017	2016
Personal	€	€
Single	1,650	1,650
Married/Civil Partnership	3,300	3,300
Widowed	2,190	2,190
One Parent Family Credit (including widowed)	1,650	1,650
PAYE	1,650	1,650
Earned Income Credit (Self Employed & Business owner / managers)	950	550
Child		
Incapacitated child (max)	3,300	3,300
Widowed Parent		
Year 1-5	3,600	3,600
Dependent Relative (max)	70	70
Blind Person		
Single	1,650	1,650
Married/CivilPartnership (both blind)	3,300	3,300
Home Carers (max)	1100	1,000
Age Credit		
Single/Widowed	245	245
Married/CivilPartnership	490	490
Age Exemption Limits - over 65 years of age		
Single/Widowed	18,000	18,000
Married/CivilPartnership	36,000	36,000
Rent Allowance		
Single - Under 55 (max)	400	400
Single - Over 55 (max)	800	800
*Married - Under 55 (max)	800	800
*Married - Over 55 (max)	1,600	1,600

*Also relates to Widowed, Surviving Civil Partner or in a Civil Partnership

LOCAL PROPERTY TAX

INCOME TAX RATES AND BANDS

		LOCAL AUTHORITY REDUCED LPT RATE BY				
Valuation Band	Standard Rate	1.5%	3%	7.5%	10%	15%
0 to 100,000	90	88	87	83	81	76
100,001 to 150,000	225	221	218	208	202	191
150,001 to 200,000	315	310	305	291	283	267
200,001 to 250,000	405	398	392	374	364	344
250,001 to 300,000	495	487	480	457	445	420
300,001 to 350,000	585	576	567	541	526	497
350,001 to 400,000	675	664	654	624	607	573
400,001 to 450,000	765	753	742	707	668	650
450,001 to 500,000	855	842	829	790	769	726
500,001 to 550,000	945	930	916	874	850	803
550,001 to 600,000	1,035	1,019	1,003	957	931	879
600,001 to 650,000	1,125	1,108	1,091	1,040	1,012	956
650,001 to 700,000	1,215	1,196	1,178	1,123	1,093	1,032
700,001 to 750,000	1,305	1,285	1,265	1,207	1,174	1,109
750,001 to 800,000	1,395	1,374	1,353	1,290	1,255	1,185
800,001 to 850,000	1,485	1,462	1,440	1,373	1,336	1,262
850,001 to 900,000	1,575	1,551	1,527	1,456	1,417	1,338
900,001 to 950,000	1,665	1,640	1,615	1,540	1,498	1,415
950,001 to 1,000,000	1,755	1,728	1,702	1,623	1,579	1,491
Property valued at 1.2m	2,300	2,265	2,231	2,127	2,070	1,955
Property valued at 1.5m	3,050	3,004	2,958	2,821	2,745	2,592

LPT Rate Reduced by	Local Authority
1.5%	Louth County Council
3%	Longford County Council
5%	Cork County Council
7.5%	Kildare County Council Monaghan County Council
10%	Cork City Council
15%	Clare County Council Dublin City Council D/L Rathdown County Council Fingal County Council South Dublin County Council

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