

BUDG€T

2018

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Prepared by the
Department of Finance
and the Department of Public
Expenditure and Reform



Rialtas na hÉireann
Government of Ireland

ECONOMIC POSITION

- Ireland's economy continues to grow strongly in 2017
- Economic growth of 3.5% forecast for 2018
- In 2018 Ireland is expected to be close to full employment
- Unemployment is now at its lowest since 2008, at 6.1% and forecast to fall to an average of 5.7% in 2018
- Deficit at 0.3% of GDP in 2017 and the 2018 deficit is expected to be at 0.2% of GDP
- A balanced budget in structural terms is projected for 2018

REWARDING WORK

- The entry point for the higher rate of income tax increases by €750 for all earners
- 2½% USC rate reduced to 2% and the ceiling for this new rate increased to €19,372
- 5% USC rate reduced to 4.75%
- These measures reduce the top marginal rate of tax on income up to €70,044 to 48.75%
- The Earned Income Tax Credit, for the self-employed increased to €1,150

HOUSING

- Retention of Help to Buy Scheme for first time buyers
- Funding to meet social housing needs of 25,500 additional households, including 3,800 directly built social houses.
- €1.8bn for Housing, including €75m for Local Infrastructure Housing Activation Fund
- €750 million of ISIF funds being made available to a new vehicle - Home Building Finance Ireland to boost supply of debt funding to residential development
- Increase in stamp duty on commercial property from 2% to 6%
- New deduction for pre-letting expenses to encourage owners to bring vacant residential property into the rental market
- Tapered extension for remaining recipients of Mortgage Interest Relief to 75% in 2018, 50% in 2019 and 25% in 2020
- The current vacant site levy of 3% to apply from 2018 will more than double to 7% for those who continue to hoard land in subsequent years

SUSTAINABLE BUSINESS MEASURES

- Capital allowances for intangible assets limited to 80% of the relevant income arising from the intangible asset in a tax year
- Funding towards a new €300m Brexit Working Capital Loan Scheme for SMEs.
- Funds of €25m to develop new Agriculture Brexit Loan Scheme(s)
- New incentive – KEEP –to assist SMEs in attracting and retaining skilled staff

BUILDING FOR THE FUTURE

- €60.9 billion to be spent in Gross Voted expenditure on public services which is €12,700 for every man, woman and child
- Overall capital expenditure will double between 2015 and 2021 - from €3.7 billion to €7.8 billion to enable investment in infrastructure.
- €75m for Local Infrastructure Fund to deliver up to 20,000 private houses by 2019/20
- €180m to fund the Public Service Stability Agreement in 2018
- Establishment of a Rainy Day Fund with at least €1.5bn of funding from ISIF

CREATING A HEALTHY IRELAND

- €685m increase in allocation to Health resulting in the highest level of investment in health in the history of our State
- Recruitment of 1,800 frontline healthcare staff
- €35m increase in allocation to the National Treatment Purchase Fund
- Introduction of a tax on sugar-sweetened drinks in April 2018
- VAT rate increase on sunbed services to 23% in line with the Government's National Cancer Strategy
- Excise duty increase on tobacco

FOCUSING ON FAIRNESS

- €5 increase in the State Pension from end March
- All weekly social welfare payments to increase by €5 per week including the carer's allowance, disability allowance and jobseeker's benefit and allowance from end March
- Increase earnings disregard for the one family payment and jobseekers transitional scheme by €20 per week, increase threshold for family income supplement threshold by €10 per week and increase the Qualified Child payment by €2 per week
- Christmas Bonus payment of 85% for all Social Welfare Recipients in 2017
- Funding to Tusla, the Child and Family Agency will be increased by over €40m
- Reduction in prescription charges for medical card holders under 70, a reduction in the threshold for the Drugs payment scheme to €134
- Home Carers will receive a €100 increase in tax credits
- USC relief extended for a further two years for medical card holders with earnings up to €60,000
- Minimum wage earners kept out of third USC band
- A new scheme to entitle Charities to a proportion of VAT based on the level of non-public funding in 2018.

IMPROVING PEOPLE'S LIVES

- €116m for emergency accommodation for homeless people
- Education spending of €10bn will include 1,300 new teachers, and 1,000 additional Special Needs Assistants
- Reduction of the pupil teacher ratio at primary level from 27 to 1 to 26 to 1
- Increase the National Training Fund levy in 2018 to provide €47.5m of additional investment in Higher and Further Education
- An additional €200m investment in Institutes of Technology.
- An extra 800 Gardaí and 500 civilian members to be hired in 2018
- €36m expansion of energy efficiency programmes, a €17m fund to rollout the Renewable Heat Incentive and schemes to incentivise the uptake of electric vehicles.
- Maintained stamp duty at 1% for inter-family farm transfers
- Increase of €19m for the new Department of Rural and Community Development.
- Additional €20m for childcare measures including further development of the free Pre-School programme
- Review of a Carbon Tax for Budget 2019