Budget 2018 - what the experts say

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Budget 2018 - read what the experts think about today's measures

Irish business group Ibec believes the Budget will help support further job creation and business investment.

Ibec CEO Danny McCoy said: "This is largely a positive budget for business, employment and the wider economy.

"The income tax package is a welcome change of direction towards reducing the burden on average income earners and it will help businesses to attract and retain talent.

"Ensuring that those on an average income will not be taxed at the marginal rate in future sends out a positive message that work will be rewarded.

"Coupled with some improvements to share benefits schemes, this represents a sensible reform of the income tax system."

Simon McKeever, chief executive of the Irish Exporters Association, said he welcomed the introduction of the small "Brexit Loan Scheme" which may assist small and medium business in Ireland with short term working capital.

However, he said there was no real clarity around the scheme yet and he looked forward to seeing the implementation procedures, adding that he hoped the conditions of the scheme will help those hardest hit.

Mr McKeever also said the IEA welcomed the "very small moves" in taxation measures, but warned that there is still a huge amount more that needs to be done to maintain the country's competitiveness at home and internationally.

But he said the IEA was very disappointed with the "only" €200 increase in Earned Income Credit for the self-employed as this Budget was the perfect opportunity to match equality between PAYE and the self-employed sector.

He said that levelling the playing field between PAYE workers and the self-employed is an issue that has been long overdue.

"Ireland needs to have a taxation system that does not penalise the risk-takers who drive the economy and create employment, we need to reward entrepreneurs and not propagate a potential barrier to business development and we feel that this was a missed opportunity," he stated.

Budget 2018 makes steady progress in reducing high rates of tax for low and middle-income earners but there is still some way to go before Ireland finds "the sweet spot" to protect the country against the challenges of Brexit.

That is according to **Chartered Accountants Ireland President Shauna Greely.**

Commenting on Budget 2018, Shauna Greely said the changes to the income tax rate band and the USC for those on the average wage are positive as this cohort faced a sharp income tax hike on moving from the 20% rate band to the 40% rate band.

"The changes will encourage greater productivity and business activity as extra income from overtime and bonuses won't all be eaten up by tax, USC and PRSI," she said.

But she said it was "disappointing" that the self-employed taxpayer still does not enjoy the same tax credits as employees.

Ms Greely also noted that Brexit concerns for Irish businesses which trade in UK imports were not adequately addressed in the Minister's speech.

"While financial assistance for the SME and Agri-food sectors are positive, Chartered Accountants Ireland calls for a change to VAT import rules to deal with upfront VAT costs under the current system which will take effect when the UK leaves the EU," she added

Irish Tax Institute President David Fennell said he welcomed the measures regarding SMEs and entrepreneurs in today's Budget.

Mr Fennell said the Institute particularly welcomed the introduction of a Brexit loan scheme for SMEs.

"The €300m short-term loan scheme, with competitive rates, will allow SMEs to innovate at a time when they are most at risk and need to diversify," he said.

The Irish Tax Institute President also welcomed the announcement of a working group on merging USC and PRSI.

"This is positive news yet there are many issues to consider as it is a complex task that will take several years to complete," he stated.

The Institute also praised the increase to the threshold for the higher income tax band of 40% by €750 for a single earner.

"This is a positive first step in lifting the tax burden on workers in Ireland's "squeezed middle". This is the start of a journey and much focus should be placed on it in the long term,' Mr Fennell said.

Commenting on today's Budget, **Merrion economist Alan McQuaid** said that Paschal Donohoe had delivered some positive income-tax adjustments for hard-pressed workers.

The economist said this should boost consumer spending in 2018.

"With the tax reductions and improving labour market, personal spending is in our view likely to increase next year by around 2% in real terms, up marginally from an expected rise of 1.9% in 2017," Mr McQuaid said.

He also said that the Government's spending plans on both the current and capital side will also help to boost employment and further reduce the numbers out of work.

Lorraine Griffin, Head of Tax at Deloitte, said Budget 2018 includes measures which will be welcomed by the business community, such as the new share based remuneration scheme for SMEs ‘KEEP’.

Ms Griffin said the new KEEP initiative could prove an effective tool for attracting and retaining key staff.

"While some measures were taken to reduce the personal tax burden for workers, and close the tax differential between employed and self-employed individuals, there is more that needs to be done to overhaul the personal tax system and reduce marginal tax rates," she stated.

"Budget 2018 took a step in the right direction today and it is hoped the consultation on reforming the PRSI and USC system will address these issues further and provide a roadmap for future changes," she added.

Jim Clery, Partner and Head of Real Estate at KPMG, said the stamp duty rate rise on non-residential property is a very radical change which will "significantly" reduce the number of transactions next year.

"The estimated additional yield of €375m from this measure appears highly ambitious given the €9 billion of transactions needed to generate it," Mr Clery said.

"It is a surprise to see that there are not clear measures to cover contracts already in place and we can only assume that this will be remedied shortly. The proposed introduction of a stamp duty refund scheme should help reduce the cost for developers who purchase commercial land for housing development and meet the relevant conditions," he added.

Investec economists Philip O'Sullivan and Ronan Dunphy said today's Budget was a case of giving with one hand and taking with another on the tax side, as €335m of income tax reductions were more than offset by €830m of revenue raising measures.

The say "in terms of the winners and losers from the Budget, the main beneficiaries are households, due to the income tax cuts and increased welfare supports.

"The hospitality and leisure sectors will be relieved that speculated tax hikes for those areas didn’t materialise. The higher stamp duty on non-residential property seems a retrograde move at a time when: (i) Ireland needs to attract new capital to address office accommodation shortages (the Grade A office vacancy rate in Central Dublin is only 2%); and (ii) State-owned NAMA has c €3 billion of Irish commercial property assets.

"Taken together, the series of measures to spur increased housing output are welcome."