



Dermot Brennan- DBASS

Welcome To The Budget 2020 Breakfast

October 9th 2019



Tax Update



Tax Update

Budget Analysis, Brexit & SME Tax Opportunities



Michael Byrne
FCA- Partner
DBASS

A few Smarties, just about



Background

- Company Tax (CT)- 12.5% {since 1998}
- Capital Gains Tax (CGT)-33%
- Capital Acquisitions (Inheritance) Tax (CAT)-33%
- Income Tax /PAYE –up to 55%
- Budget 2020- Minimal Change

Tax Changes

- USC
 - No Change
- ER PRSI
 - No Change



Income Tax Changes

- Earned Income Credit (Business Owners/Self-Employed)

 **€150** to €1,500

- Home Carer Tax Credit

 **€100** to €1,600

What does this mean to me?

Example = Married Couple (Self-employed)
1 Income & 2 Children

- Gross Income = €70,000
- Total Increase = €250p.a.

KEEP Scheme for Employees

➤ KEEP – Employee Share-Option Incentive Scheme

- Designed to help SMEs Retain Key Employees
- Tax incentive to offer key employees share-based remuneration
- Changes announced to ensure stronger uptake
 - Groups
 - Part-time/flexible working
- Liable to CGT not Income Tax
- Available to 31 December 2023

Employment & Investment (EII)

➤ Tax relief for investors for investing in SMEs

- Range of proposals to enhance
- Full Tax (40%) relief in Year 1
- Investment Limits
 - €150K to €250K per annum
 - €500K for 10 year investment

Research & Development Tax Credit

- Micro and Small Companies enhancements
 - Increase credit from 25% to 30%
 - Allow pre-trading expenditure (limited)

Housing & Commercial Property

- Help To Buy extended to 31 December 2021
- Stamp Duty 6% to 7.5% for commercial property
 - From 8th October 2019
 - Residential Dev Land rebate remains (2% effective rate)
- Living City Initiative extended to 31 December 2022

Climate Measures

- Carbon Tax increase €6 per tonne

For your Vehicle		
	Unit	Increased Cost*
Petrol	Litre	€0.02
Auto Diesel	Litre	€0.02

For your home		
	Unit	Increased Cost*
Kerosene (Heating)	900 Litre fill	€15.50
Coal	40kg	€0.72
Peat Briquettes	12.5kg bale	€0.16
Gas (Heating)	11,000 kwh**	€13.58

- Diesel Rebate Scheme – Relief from increase in carbon tax

Climate Measures

- **0% BIK (Benefit in Kind) on Electric Vehicles**
 - Extended for a period of 3 years
 - Cap of €50,000 on original market value of vehicle

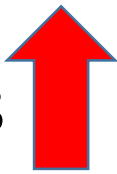
- **Capital Allowances & VAT**
 - Reduce CO₂ thresholds for commercial vehicles

CAT – Capital Acquisitions Tax

➤ Class A Threshold  by €15,000

- Broadly applies to transfers between parents and their children
- Increased from €320k to €335k

VAT & Excise Duties

- Price of 20 Cigarettes  by 50 cent last night

- Vehicle Registration Tax - VRT
 - 1% Surcharge for diesel engine passenger vehicles replaced with emissions based charge

Brexit Checklist

- **Review of your business**
How does it impact me?
UK as a 'third country'
- **Develop Customs capacity**
EORI Number
Update knowledge
Agent or in-house?
VAT accounting
- **Review Supply Chain**
Communicate to suppliers, customers ,transport providers
Alternates-EU?
Product Certification (EU Notifiers)

Brexit Preparedness Checklist:

Steps businesses can take **now**
to help prepare for Brexit



Brexit Checklist

- **Manage Currency and cashflow**
Bank facility- insurance policy
Delays
STG Account/Multiple accounts
U.K. Company
- **Government Supports-** www.gov.ie/brexit
See handout

Brexit Preparedness Checklist:

Steps businesses can take **now**
to help prepare for Brexit



Practical SME Tax Opportunities



Review of Company Structure

- An Irish Company -12.5% Corporate Tax
 - UK 19%,Denmark 22%, Germany 30%, Greece 28%, France 31%
- Retirement fund attractive
- Flexibility-shares, ownership
- Build Value
- Extract efficiently on sale/liquidation/retirement

Retirement Fund

- Tax Relief – ‘best there is’
 - Corporation Tax
 - Income Tax
 - No cap on contributions
- Tax free Growth-‘powerful’
- Stay in control – Self Admin Fund
- Purchase property?
- Max Fund- €2.15M Each
- Tax Free Max -€440K Each
- **Top tip**
 - **Always draw a salary (x2)**
 - **No salary – No service**

Magic of Compounding

TARGET FUND €1M

- *Invest €500 per month at 25 years old*
- *Invest €1,000 per month at 35 years {€360K becomes €1M}*
- *Invest €2,150 per month at 45 years*
- *Invest €6,000 per month at 55 years*

Retirement Relief

- Up to €750,000 tax free on sale of your business
- ‘Divide & Conquer’-E.g. Husband & Wife - €750K x 2
- Key Ages
 - Before 55?
 - Aged 55+
 - No Later than 65?
- Liquidation- Access Cash

Entrepreneur Relief

- Reduced CGT Rate of 10%
- Lifetime Limit €1,000,000
- 3 year continuous ownership-qualifying business assets
- Minimum 5% Shareholding & 50% time in service
{managerial or technical capacity}

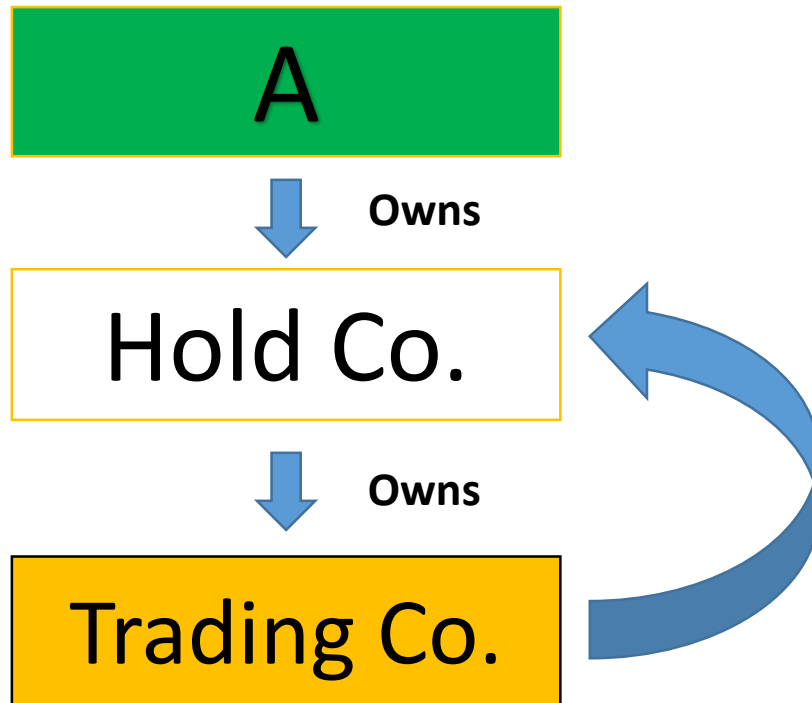
Participation Exemption

- Sale of subsidiary tax free to Holdco
- <50% Irish Land & Property
- Balance out Shareholdings- maximise Entrepreneur relief

Get the Structure Right

- Split ownership between spouses
 - Double up on retirement, entrepreneur relief
 - Do before Age 55
- Mix of shareholdings- PHC and personally
- Personal Holding Company (PHC)
 - Cash/Asset Protection

Holding Company Structure



-Trading Co.
Dividends Up e.g.€1m
CASH to Hold Co tax free
and safe.

-Sell Trading Co. Tax Free
(Participation exemption)

Accessing Cash or

- Sale
- Liquidation
- Share Buyback
- Termination Payments
- Access Retirement fund
- **Most of all.....PLAN EARLY!**

Thank you

Budget Briefing 2020



Gerry Keenan
Non Executive Director
Business Consultant



October 8th 2019

Gerry Keenan Budget 2020 Briefing

Budget Briefing 2020

What's going on out there.....

World Economic Outlook

THE FACTS

World Output % Growth	2018	2019	2020
	3.6	3.2	3.5

Lots of doom and gloom forecast but growth has remained consistent and good.

World Economic Outlook

% Growth	2018	2019	2020
United States	2.9	2.6	1.9
Euro Area	1.9	1.3	1.6
Emerging Market & Developing Economies	4.5	4.1	4.7
China	6.6	6.2	6.0
Russia	2.3	1.2	1.9

World Economic Outlook

THE FACTS

- Growth is positive and good
- Turned down a bit in US and Euro Area
- Central Banks have turned on the taps again and this is expected to sustain through 2020
- Interest rates easing

World Economic Outlook

% Growth	2018	2019	2020
Germany	1.4	0.7	1.7
France	1.7	1.3	1.4
Spain	2.6	2.3	1.9
Japan	0.8	0.9	0.4
United Kingdom	1.4	1.3	1.4

World Economic Outlook

THE FACTS

- Growth is positive
- Some stuttering but no crisis
- United Kingdom flat assuming a Brexit deal [more anon]

World Economic Outlook

THE FACTS

World Trade Growth %	2018	2019	2020
World Trade	3.7	2.5	3.7
Advanced Economies	3.1	2.2	3.1
Emerging Market & Developing Economies	4.7	2.9	4.8

It is in World Trade that the potential real risks show up.

The outlook for 2020 is risky. If something goes wrong, it could be here.

World Economic Outlook

World Trade Issues

- May 2019 US increased tariff from 10% to 25% on \$200bn of Chinese exports. China immediately retaliated with same.
- Ongoing tariff threats with Mexico, Canada and Europe.
- US announced last week \$7.5bn of trade tariffs on a range of European produce e.g. Kerrygold, one of the most popular butter brands in US. Over €800m of Irish good will be hit according to IBEC.
- In retaliation for unfair subsidies to Airbus.

World Economic Outlook

World Trade Issues

- The threat to the Global economy from World Trade issues is real.
- Trump is not always wrong, there are real issues that need to be addressed.
- The World Trade Organisation (WTO) needs to address Digital Services, technology transfer internationally.
- There are long-term unresolved trade issues between China and Rest of World, between US, Mexico and Canada. Not to now mention the UK and Europe.

World Economic Outlook

- World interest rates now at a very low level.

	2017	2018	2019	2020
US Dollar Deposits %	1.5	2.5	2.4	2.0
Euro Deposits %	-0.3	-0.3	-0.3	-0.3
Japanese Yen Deposits %	0.0	0.0	0.0	0.0

- US, Euro area, Australia, Brazil, China, India and many others have eased off on interest rates in the last 6 months.
- 10 year government interest rates 2.1% in UK, 0.25% in Germany, -0.12% in Japan.

World Economic Outlook

Global Inflation is Low

Consumer Prices %	2017	2018	2019	2020
Advanced Economies	1.7	2.0	1.6	1.6
Emerging Market & Developing Economies	4.8	4.8	4.8	4.7

No inflationary pressure to push up interest rates.

World Economic Outlook

- Many commentators fear that it's a minute to midnight and it could all change dramatically. That it's a boom to bust story!!!
- *Is it???*
- Lets look at the Japan story briefly.

World Economic Outlook

THE JAPAN STORY

Long-Term Government Bond Yields: 10-year



World Economic Outlook

Japan's Zero-Rate Policy

- February 1999 the Bank of Japan adopted zero interest rate policy. Uncharted waters.
- The strategy was seen as peculiar to Japan and extreme.
- 20 years later even more radical.....negative interest rates.
- Bank of Japan purchasing Government Debt, Property trusts and other debt that dwarfs anything in US by Fed and in Europe by ECB. Today we call it Quantitative Easing.

World Economic Outlook

Japan's Zero-Rate Policy...now Negative Rate Policy

- No economic malaise, has enjoyed modest expansion, unemployment lowest since 1992, some wage growth, neither inflation nor deflation.
- Japan has benefitted from the policy.

Question

- *What are the Fed Reserve and ECB doing now???*

World Economic Outlook

What's the answer to the question?

- Re-read the above on the last 20 years in Japan.
 - Economic growth is modest and expansionary.
 - Employment in most economies is good. Record levels in US.
 - Neither an inflation or deflation problem.
 - Some wage growth.
- So why all the negativity??? The policy has legs and will run longer.

World Economic Outlook

IRISH ECONOMY

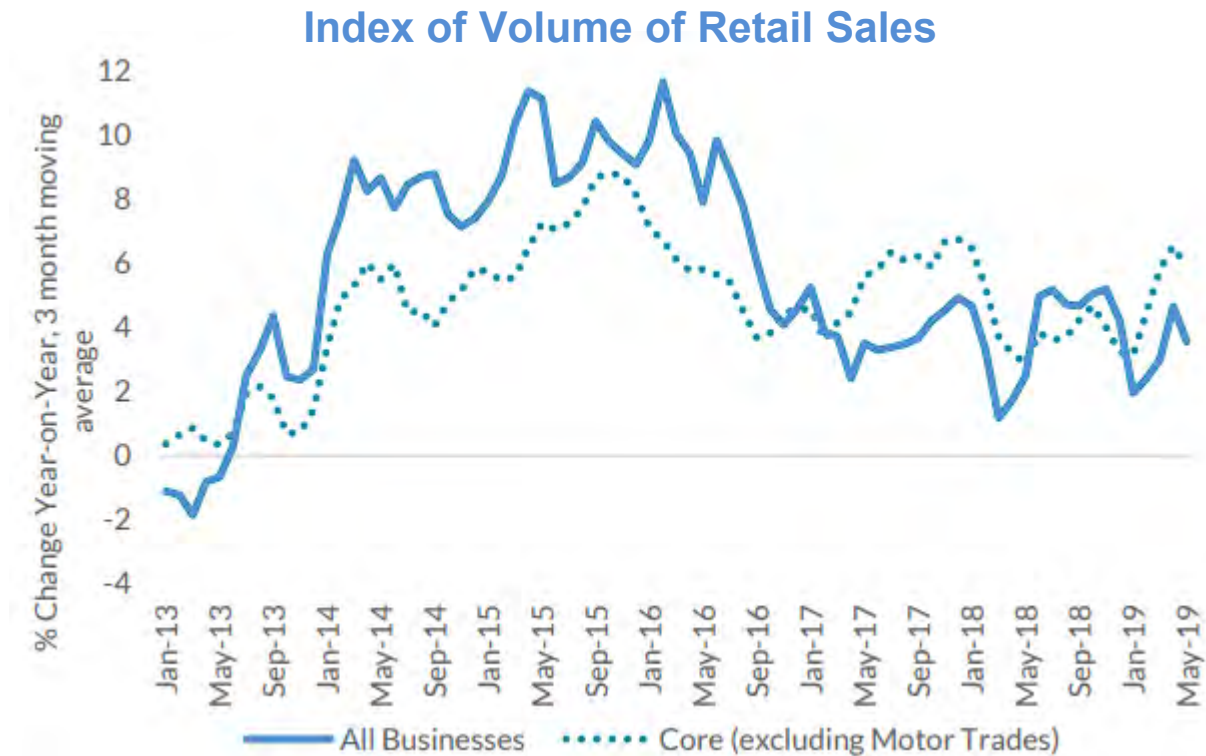
	2018 €bn	2018 %	2019 %
Consumption	107.0	2.6	2.4
Net Government Current Expenditure	32.1	5.7	3.1
Investment of which	75.9	7.0	5.9
- <i>Building & Construction</i>	24.2	10.0	6.6
- <i>Machinery & Equipment</i>	24.5	5.2	5.0
- <i>Other</i>	27.2	6.0	6.0
Exports	397.0	5.9	4.5
Imports	-289.0	6.1	4.4
Net income transfer from Rest of World	-71.0	12.6	8.9
Gross Domestic Product	324.0	4.9	4.1

All major sections of the economy are growing

World Economic Outlook

IRISH ECONOMY - CONSUMPTION

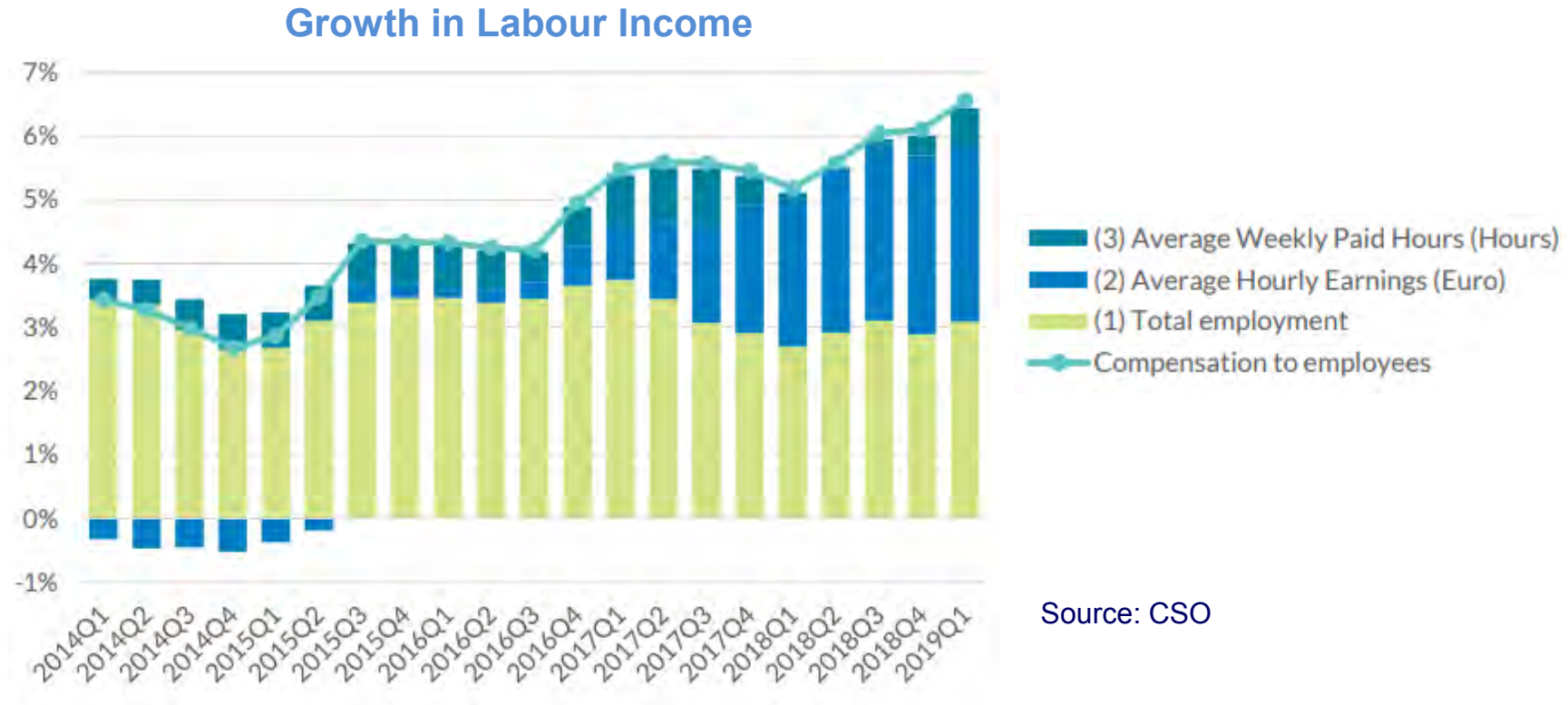
Retail sales growing consistently since mid 2013.



Source: CSO and Central Bank of Ireland

World Economic Outlook

IRISH ECONOMY - CONSUMPTION

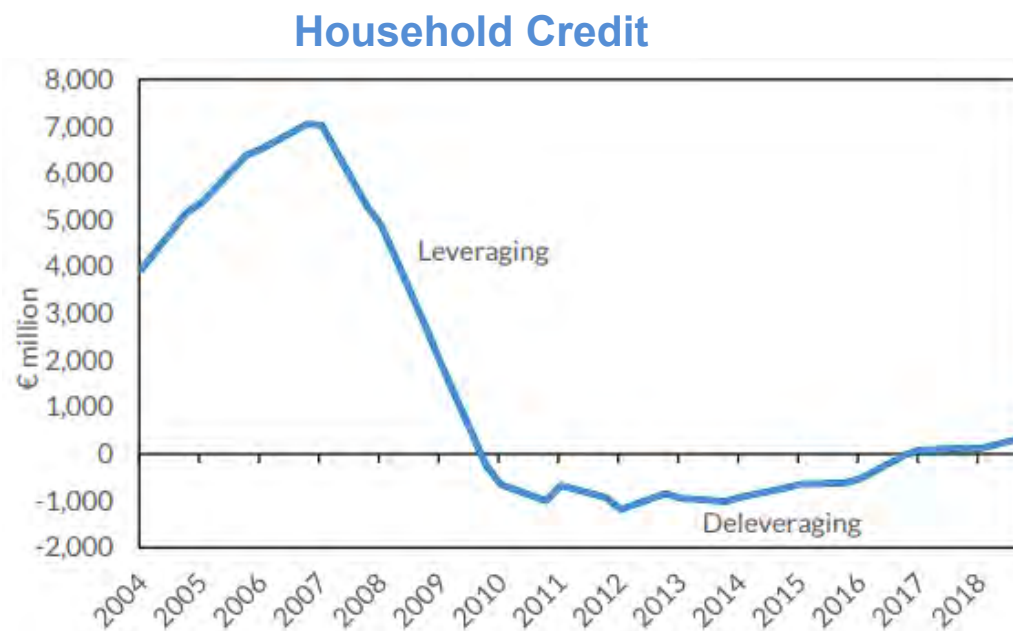


- Retail sales have been boosted by continuous employment growth and since mid 2015 by earnings growth.

World Economic Outlook

IRISH ECONOMY - CONSUMERS

- Consumer spending more consistent since mid 2013 and saving more since c. mid 2016.
- Also since 2017, households total borrowing increasing again having been paying back debt since late 2009.



Source: Quarterly Financial Accounts: Lending for house purchase and other personal loans.

World Economic Outlook

IRISH ECONOMY - INVESTMENT

- New house completions 18,000 in 2018, 23,000 in 2019 and forecast at 27,000 in 2020.
- Total residential investment up by 15% in 2019 and forecast 8.7% in 2020.
- Non-residential construction up 8% and 6% in their year respectively.
- Underlying investment in machinery and equipment growing by 5% per annum 2019-2020.

Strong Investment in Under-pining Economic Growth

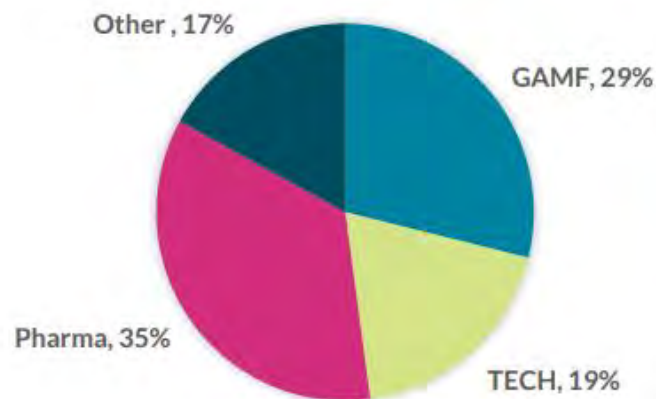
World Economic Outlook

IRISH ECONOMY – FOREIGN OWNED MULTI-NATIONAL ENTERPRISES (MNE)

Source: CBI Annuity Bulletin 03/2019

- These are very important to the Irish business economy (excludes agriculture, finance and public sector).
- One quarter of business workforce are employed here, half of the total business value added is generated here and 77% of corporate tax receipts came from here. Also 50% of income tax and USC receipts came from here.
- They dominate the top 20 exporters in Ireland and Northern Ireland.

Pharma and Tech Firms Dominate the Top 20 Exporters



Source: The Irish Exporters Association (2015)

Note: The firms are Microsoft Ireland, Google Ireland, Apple Ireland, Facebook Ireland, Dell Products, Oracle EMEA, Intel Ireland, Kingston Technology International, Sandisk International, Medtronic Ireland, Johnson & Johnson

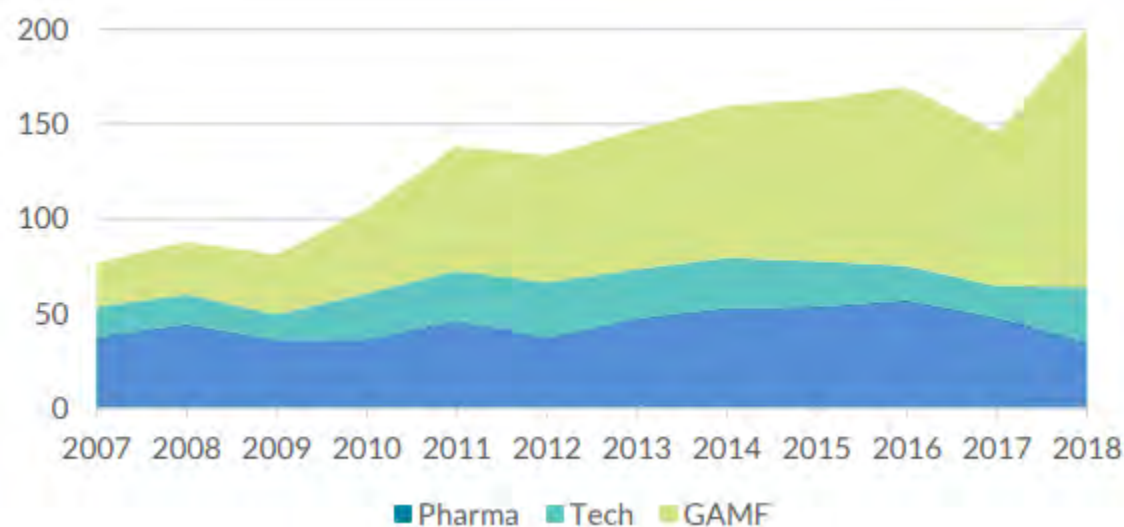
World Economic Outlook

IRISH ECONOMY – IMPORTANCE OF MNE'S

Source: CBI Quarterly Bulletin 03/2019

- MNE profits are large and very significant. Bloomberg estimate that in 2018 these companies generated c. \$200bn.

MNE Profits



Source: Bloomberg

Note: Billions of USD, based on 24 large MNEs operating in Ireland. GAMF refers to Google, Apple, Microsoft and Facebook. Tech consists of 6 companies: Adobe, Dell, Intel, Oracle, Vmware, WesternDigital. Pharma includes 14 companies: AbbottLab, Alexion, Allergan, Baxter, BostonScientific, Gilead, Johnson & Johnson, Mallinckrodt, Medtronic, McKesson, Merck, Perrigo, Pfizer and Takeda.

World Economic Outlook

IRISH ECONOMY – IMPORTANCE OF MNE'S

- Many of these companies are not based relatively heavily on physical assets such as machinery and buildings but intangible assets such as patents, copyright, franchises, trademarks, trade names etc.
- That makes them more mobile so they need minding.
- The good news is that they are probably less Brexit driven.
- Sensitive to pull factor such as low taxation, a supportive business environment and availability of a skilled workforce.

World Economic Outlook

IRELAND – IN SUMMARY

- The Irish economy is strong across many sectors.
- Employment is strong, earnings are growing, profitability is strong.
- The global economic outlook is good. There is no evidence of serious economic malaise.
- We have assumed that there will not be a no deal Brexit in the numbers.
- What if.....?

World Economic Outlook

IRELAND – IMPACT OF A HARD BREXIT ON IRISH ECONOMY

Source: CBI Quarterly Bulletin 03/2019

- Centre for European Reform say that by end 2018 the UK economy 2½ lower than if UK had not voted to leave.
- Between 2011 - 2015 Irish exports of machinery and equipment to UK grew 13% p.a, 2016 – 2018, -6.5% p.a.
- British tourism Q1 2013 - Q2 2016 number of visits increased just less 10% p.a. Q3 2016 – Q1 2019, -0.2%
- Business orders expected from UK decline, evidence from Purchasing Manager survey.
- UK economy in Q2 and Q3 2019 is flat. No growth.



World Economic Outlook

IRELAND – IMPACT OF A HARD BREXIT ON IRISH ECONOMY

Source: CBI Quarterly Bulletin 03/2019

	Current		Disorderly Brexit	
	2019	2020	2019	2020
Real GDP	4.9	4.1	4.5	0.7
Employment Growth	2.4	1.7	2.3	0.4

- There would be c. 34,000 less jobs than no Hard Brexit. The impact on jobs would carry into 2021 also.
- The impact over a decade is that GDP would be c. 6% lower than otherwise.

World Economic Outlook

IRELAND – IMPACT OF A HARD BREXIT ON IRISH ECONOMY

Source: CBI Quarterly Bulletin 03/2019

- Irish GDP in 2019 is estimated at €346.8bn so the decade impact would be c. €21bn with c. $\frac{2}{3}$ of that coming in first 12 – 18 months.
- Clearly it would be a challenging time and considerable uncertainty exists around the trade channels.
- With a good Global economy in the background, we're very open for business.

Ireland 2020 Budget

- Inevitably and as predicted Budget 2020 focused on Hard Brexit and try to manage the risk.
- Try to protect the most vulnerable.

Ireland 2020 Budget

Some interesting details not spoken about

- Customs tax revenue. Increase to €1,241m in 2020 compared with €366m in 2019. These are tariffs on British goods coming into Ireland.
- Expect similar on Irish goods going into UK with the WTO duty regime.

Ireland 2020 Budget

- Before the budget, income tax receipts would automatically rise by over €1.18bn in 2020 to €23,928bn. A lot of this is drift into higher tax band and no inflation proofing of relief.
- Just two reliefs in the budget, home carers tax credit +€100 and self-employed earned income tax credit of €150.
- Additional stamp duty on commercial property sales yield €141m. Increase in dividend withholding tax to raise +€80m.

Ireland 2020 Budget

HARD BREXIT RELIEF PACKAGE

- Hard Brexit hit to the economy in next 12 – 18 months €12bn - €15bn.
- Government announced €1.2bn Brexit relief package:
 - €200m immediate
 - €650m agriculture, tourism and regions most affected
- It will be dynamic and increase as necessary as the situation evolves.
- EU may add more too.....



Ireland 2020 Budget

HOUSING NEEDS

- The economy has slowly come to fix this. Now producing 20,000 – 25,000 units per year.
- Government has extended the Help to Buy for first time buyers to end 2021.
- €1.1bn to deliver 11,000 social homes in 2020 and will increase to 12,000 in 2021.
- Extra €20m for homeless services.



*We're finally getting hold of the problem.
Should have been earlier.*

Ireland 2020 Budget

LOOKING AFTER MOST VULNERABLE

- 56,000 extra medical cards for over 70's.
- Free GP care for children under 8.
- Free dental care for under 6's.
- 1 million extra home care hours.
- €25m extra for National Treatment Fund.
- Prescription charges fall 50c.



Social Policy is Important

Ireland 2020 Budget

CLIMATE CHANGE

- Increase in Carbon tax of €6/tonne. Impact on road fuel. Impact on home fuel delayed until next summer.
- More electric vehicle charging stations.
- More Greenway.
- Extended encouragement to buy electric cars, grants and extension of BIK relief.
- Midlands special relief for Bord Na Mona workers and ESB plant workers to reskill.



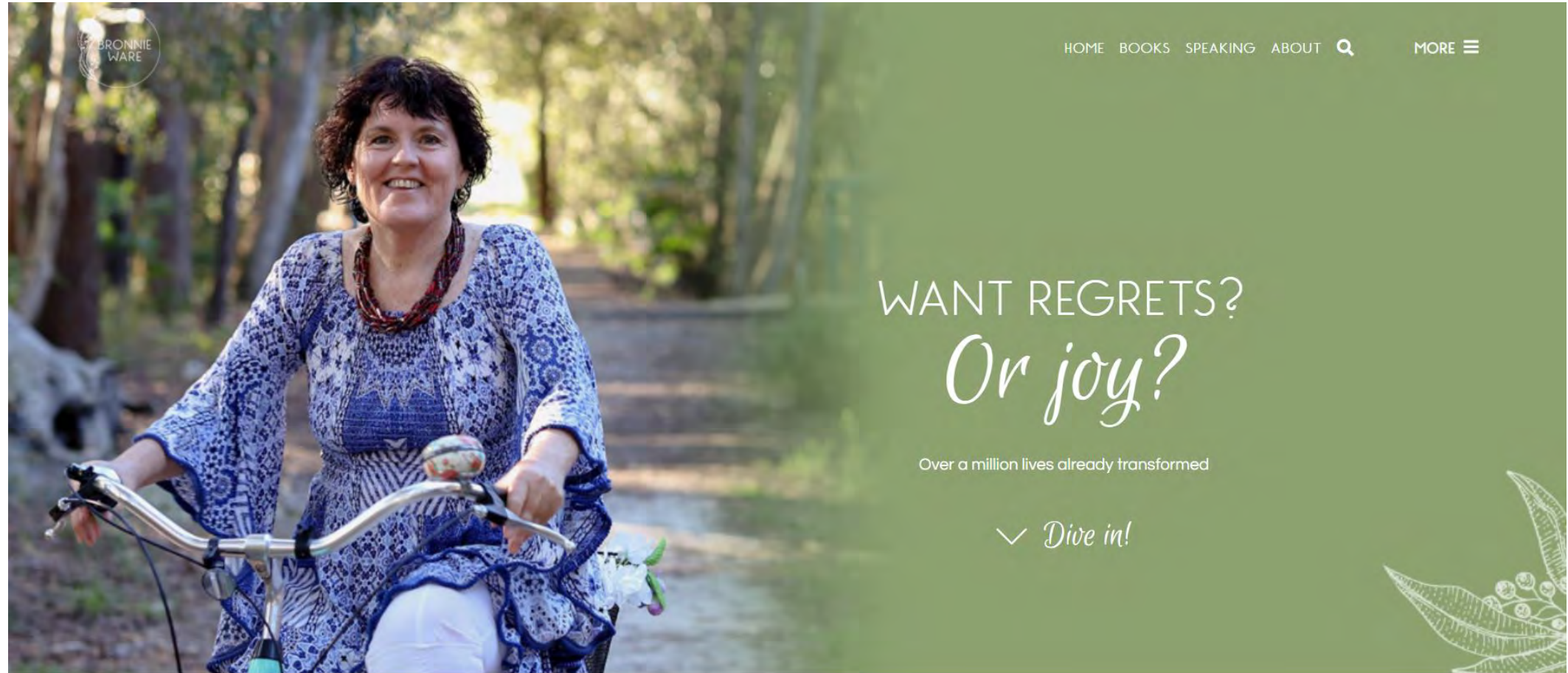
Ireland 2020 Budget - Conclusion

- The Books are Balanced.
- We're keeping an eye on those most vulnerable.
- We're improving on housing.
- The world economy is supportive and opportunities will likely continue.
- Get on with your business, it could be good..... Be positive.

Practical Advice for SME's



Dermot Brennan
Managing Partner
DBASS



happiness
is a
CHOICE



Paddle Your Own Canoe

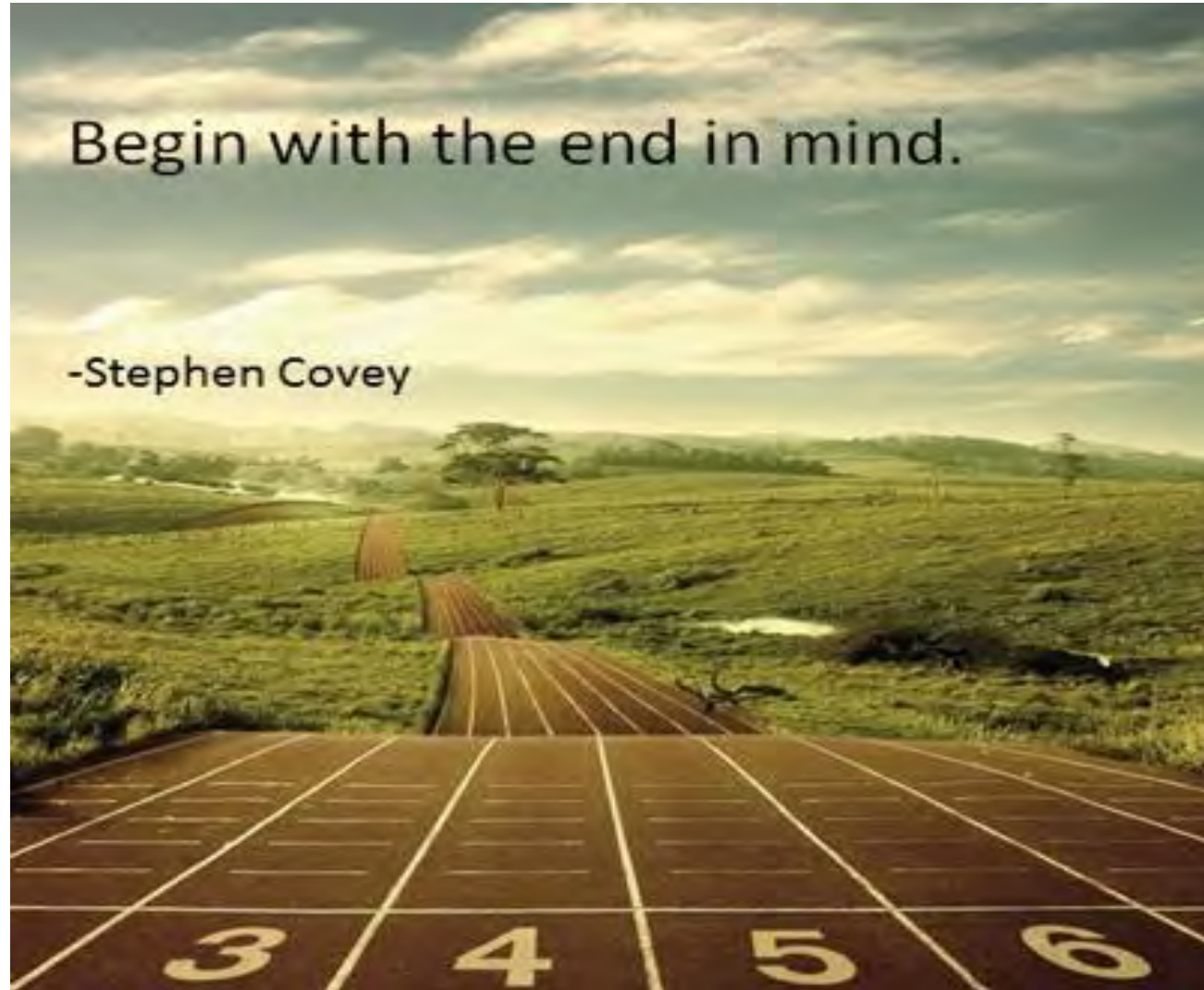






Begin with the end in mind.

-Stephen Covey





Practical Mindfulness on the *Move*

myspybercoach.com

4 Top Tips

1. Get Organised & Calm the Mind
 - Am I my own worst enemy?
2. Embrace Technology
3. Communication is So Important
 - Internal & External
4. Lean Management

**Do It Now !
&
Have No Regrets**

**Thank You For Your Time
&
Don't Forget To Leave
Your Feedback.***

*All completed feedback forms are entered into a draw for a voucher for
Cinnamon Garden Restaurant.

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BUDGET 2020 

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1 Available to download in:



2 Search for 'My Accountants' in the Apple or Play store.

3 Once Downloaded, enter your email address

4 Use the access code DBASS01776



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- If following the seminar you have any matters you would like to discuss, please contact any of the partners at [<info@dbass.ie>](mailto:info@dbass.ie)