



# Relate

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The journal of developments in social services, policy and legislation in Ireland

## Budget 2018

Budget 2018 was announced on 10 October 2017. Some of the measures announced, for example, increased excise duty on tobacco products, came into effect on 11 October 2017, but most will come into effect in 2018. Legislation will be required for most of the social welfare and tax changes. This issue of *Relate* covers some of the main announcements from Budget 2018.

The Budget statements and background documents are published on [budget.gov.ie](http://budget.gov.ie). The background documents include the *Expenditure Report 2018*, which sets out details of expenditure in all areas of government for 2018. Details of these changes are also available on the websites of the relevant government departments.

In 2018, voted government expenditure will be €60.9 billion.

## Social welfare

The *Expenditure Report 2018* shows that 33% of government spending will go to the Department of Employment Affairs and Social Protection (DEASP) – which amounts to about €20 billion in 2018. Examples of how this budget will be spent include:

- Pensions: €7.571 billion; pensions are being paid to almost 600,000 people

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- Working age income supports: €3.363 billion; these are being paid to about 380,000 people
- Income supports for illness, disability and carers: €4.147 billion; these are paid to 332,000 people
- Children: €2.644 billion; Child Benefit is paid monthly to 626,500 families in respect of 1.2 million children

## Increases in social welfare payments

Weekly social welfare payments will increase by €5 per week with proportional increases for qualified adults and those on reduced rates of payment.

The increase applies to weekly payments including:

- State Pension (Contributory)
- State Pension (Non-Contributory)
- Widow's, Widower's or Surviving Civil Partner's Pension
- Disablement Pension
- Maternity Benefit
- Paternity Benefit
- Adoptive Benefit
- Illness Benefit
- Blind Pension
- Carer's Benefit
- Carer's Allowance
- Disability Allowance
- Invalidity Pension
- One-Parent Family Payment
- Jobseeker's Benefit
- Jobseeker's Allowance
- Jobseeker's Transitional Payment
- Farm Assist
- Back to Education Allowance
- Back to Work Enterprise Allowance

The increase also applies to employment programmes such as Community Employment (CE), Tús and the Rural Social Scheme. The increase applies from the week beginning 26 March 2018.

Those aged 26 and under who are getting a reduced rate of Jobseeker's Allowance will also receive the full €5 increase.

A social welfare payment is made up of a weekly amount for you as an individual, called the personal rate. You may also get an extra amount for your child, called an Increase

for a Qualified Child (IQC). In Budget 2018, the weekly rate for a qualified child will increase by €2 from €29.80 to €31.80.

In total, 1.3 million social welfare recipients and a further 560,000 dependants will benefit from these changes.

## Family Income Supplement

Family Income Supplement (FIS) is a weekly payment available to employees with children. It gives extra financial support to people on low pay. To qualify for FIS, your average weekly family income must be below a certain threshold for your family size.

FIS is to be renamed as the Working Family Payment. Income thresholds will increase by €10 for families with up to three children from the week beginning 26 March 2018.

## Back to Work Family Dividend

The Back to Work Family Dividend scheme aims to support families to move from social welfare to employment. It gives financial support to people with qualified children who are in or who take up employment or self-employment and, as a result, stop claiming a jobseeker's payment or a one-parent family payment. The scheme was due to end on 31 March 2018 but will now be continued.

The dividend is based on the value of the family's Qualified Child (IQC) entitlement on their last claim prior to applying for this scheme, subject to a minimum payment of €29.80 per qualified child.

This weekly payment value will increase to €31.80 in line with the increase in the payment for qualified children outlined above. This scheme currently benefits over 8,000 families with 16,500 dependent children.

## Fuel Allowance

Fuel Allowance is a means-tested payment under the National Fuel Scheme to help with the cost of heating your home during the winter months. The Fuel Allowance season will be extended by one week, from 26 to 27 weeks, taking recipients into the first week of April 2018. The allowance is €22.50 per week. The 2017-2018 Fuel Allowance season began on 2 October 2017.

## Free Travel Scheme

Everyone aged 66 and over, living permanently in the State, is entitled to the Free Travel Scheme. Some people under 66 also qualify. Free travel is available on State public transport (bus, rail and Dublin's LUAS service), as well as on a limited number of services operated by private bus transport companies. An additional €10 million in funding is being provided towards the Free Travel Scheme in 2018, increasing the total funding to €90 million. Earlier this year, it was announced that people who were in receipt of a long-term disability payment and who return to work would retain their free travel pass for five years.

## Christmas Bonus

A Christmas Bonus will be paid by the first week of December 2017 to people getting a long-term social welfare payment. The Bonus will be 85% of your normal weekly payment – a minimum payment of €20 will apply. Long-term social welfare payments include the following:

- State Pensions and Widow's/Widower's/Surviving Civil Partner's Pensions
- Invalidity Pension, Blind Pension, Disability Allowance, Carer's Allowance, Domiciliary Care Allowance and Guardian's Payments
- Long-term Jobseeker's Allowance, Jobseeker's Transitional Payment, One-Parent Family Payment, Deserted Wife's Benefit and Allowance, and Farm Assist
- Back to Work Enterprise Allowance, Community Employment, Rural Social Scheme, Tús, Gateway and Job Initiative

## Telephone Support Allowance

A new Telephone Support Allowance at a weekly rate of €2.50 will be introduced from June 2018 for those receiving both the Living Alone Increase and the Fuel Allowance. This payment is intended to assist people living alone with the cost of communications or with a home alert solution.

## One-parent families

If you are parenting alone and receiving either One-Parent Family Payment (OFP) or the Jobseeker's Transitional (JST) payment, the amount of payment you receive depends on your earnings. The earnings disregard for the OFP and the JST payment will increase by €20 per week, from €110 to €130 per week, from March 2018. This means that it will

be possible to earn up to €130 per week and qualify for the full OFP or JST payment.

## Rural Social Scheme

The Rural Social Scheme (RSS) is aimed at low-income farmers and those engaged in fishing. People participating in the RSS provide services that benefit rural communities. In 2018, the number of places on the Rural Social Scheme will increase by 250 to 3,350.

## Youth Employment Support Scheme

A new Youth Employment Support Scheme will be introduced in 2018 to support long-term unemployed young people back into the workplace. The programme aims to provide participants with the opportunity to learn basic work and social skills in a supportive environment while on a work placement.

Candidates must be aged between 18 and 24 and be in receipt of certain qualifying social welfare payments. They must also have been out of work and in receipt of a qualifying payment for at least 12 months, or if unemployed for less than 12 months, face a significant barrier to work.

## School meals

An additional €1.7 million has been provided to the School Meals programme in 2018, which will be extended to include the newly designated DEIS schools. These are schools that fall under the Department of Education and Skills' Delivering Equality of Opportunity in Schools social inclusion strategy.

## Taxation

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### Tax bands

Tax is charged as a percentage of your income. The percentage that you pay depends on the amount of your income and on your personal circumstances. There are a range of income tax reliefs available based on your personal circumstances that can reduce the amount of tax you have to pay. The first part of your income, up to a certain amount, is taxed at 20%. This is known as the standard rate of tax and the amount that it applies to is known as the standard rate tax band.

The remainder of your income is taxed at the higher rate of tax, which is currently 40%.

The amount that you can earn before you start to pay the higher rate of tax is known as your standard rate tax band. From January 2018, the standard rate income tax band for all earners will increase by €750. This means, for example, an increase from €33,800 to €34,550 for single individuals, and from €42,800 to €43,550 for married one-earner couples.

## Home Carer Tax Credit

A Home Carer Tax Credit is a tax credit given to married couples or civil partners, where one spouse or civil partner works in the home caring for a dependent person. The Home Carer Tax Credit will increase by €100, from €1,100 to €1,200 in January 2018.

## Earned Income Tax Credit

The Earned Income Tax Credit will increase from €950 to €1,150 in January 2018. This is relevant for taxpayers earning self-employed trading or professional income in certain cases, and for business owner/managers who are ineligible for a PAYE credit on their salary income.

## Mortgage Interest Relief

Mortgage Interest Relief is a tax relief based on the amount of qualifying mortgage interest that you pay in a given tax year for your home. A tax year means the period from 1 January to 31 December.

Mortgages taken out after 31 December 2012 do not qualify for mortgage interest relief. Mortgage Interest Relief is being extended for remaining recipients (owner-occupiers who took out qualifying mortgages between 2004 and 2012) on a tapered basis: 75% of the existing 2017 relief will be continued into 2018, 50% into 2019 and 25% into 2020. The relief will cease entirely from 2021.

## Universal Social Charge (USC)

The Universal Social Charge (USC) is a tax on income that replaced both the income levy and the health levy (also known as the health contribution) on 1 January 2011.

Incomes of €13,000 or less will continue to be exempt from USC in 2018. In 2018, once your income is over this limit, you will pay the relevant rate of USC on all of your

income as follows:

- €0 to €12,012 @ 0.5%
- €12,012 to €19,372 @ 2%
- €19,372 to €70,044 @ 4.75%
- €70,044+ @ 8%
- Self-employed income over €100,000: 3% surcharge

At present, if you hold a full medical card, you are entitled to pay a reduced rate of USC while in employment. Medical card holders and individuals aged 70 years and older whose aggregate income does not exceed €60,000 will pay a maximum USC rate of 2% from January 2018.

## Tobacco Products Tax

The excise duty on a packet of 20 cigarettes increased by 50 cent (including VAT) with a pro-rata increase on other tobacco products, and an additional 25 cent on roll-your-own tobacco. This took effect from midnight on 10 October 2017.

## Sugar Tax

A tax on sugar-sweetened drinks is to be introduced on 1 April 2018. The tax will apply to sugar-sweetened drinks with a sugar content of between 5 grams and 8 grams per 100ml at a rate of 20c per litre. A second rate will apply for drinks with a sugar content of 8 grams or above at 30c per litre.

## Housing

Nearly €2.5 billion is allocated to the Department of Housing, Planning and Local Government in 2018. An overall provision of almost €1.9 billion for the housing programme will support the delivery of some 25,500 new social housing supports in 2018.

## Social housing support

An increase of €31 million has been allocated to the Social Housing Current Expenditure Programme, bringing the total to €115 million. Local authorities and approved housing bodies are to build approximately 3,800 new social houses in 2018.

From 2019, an extra €500 million will be provided for the direct building programme. This increases the existing target of social housing homes to 50,000 in 2021.

The Housing Assistance Payment (HAP) is a form of social housing support for people who have a long-term housing need. HAP will eventually replace long-term Rent Supplement. Currently, HAP supports approximately 32,000 households. Funding for the HAP scheme will be increased by €149 million to €301 million in 2018. This will provide for an additional 17,000 households to be accommodated under HAP tenancies in 2018 and support the nationwide rollout of the HAP Place Finder Service for people who are in emergency accommodation.

Under the Rental Accommodation Scheme (RAS), local authorities draw up contracts with landlords to provide housing for an agreed term for people with a long-term housing need. The local authority pays the rent directly to the landlord. Funding of €134 million is allocated in 2018 to RAS to provide for an additional 600 new transfers under the scheme, as well as the ongoing cost of households already supported under RAS (approximately 19,900 households).

A Repair and Leasing Scheme has been developed to bring vacant properties into social housing use. The scheme is aimed at owners of vacant properties who cannot afford the repairs needed to bring their property up to the standard required for renting. If your vacant property is suitable for social housing, the cost of necessary repairs is met up front by the local authority or an approved housing body (AHB). You then lease the property to the local authority or AHB, who will make it available for social housing. Funding of €32 million is allocated to the Repair and Leasing Scheme in 2018, which is expected to deliver 800 vacant properties for social housing.

Funding of €12 million is allocated for a range of Traveller-specific accommodation schemes, to deliver 110 homes in 2018.

The energy efficiency programme for social homes will receive funding of €25 million in 2018 to improve a further 9,000 homes. This is an increase of €3 million on 2017.

## Supports for homeless people

The current allocation for homelessness services will increase by €18 million to over €116 million, through the provision of social homes and the HAP scheme.

As part of the development of the Family Hubs programme, six new facilities are due to become operational by the end of 2017. An additional €18 million is provided for this programme in 2018.

## People in mortgage arrears

An extra €5 million will be provided for the Mortgage-to-Rent Scheme, bringing its funding to €22 million for 2018. Under the Mortgage-to-Rent Scheme, people who are having difficulty paying their mortgage to a private lender can switch from owning their home to renting their home as social tenants of a housing association, which buys the home from the lender.

## Housing finance

Up to €750 million of the Ireland Strategic Investment Fund is being made available for commercial investment in housing finance. These funds will be made available to a new entity, to be known as Home Building Finance Ireland (HBFI), which will increase the availability of debt funding on market terms to commercially viable residential development projects.

## Measures to encourage supply of land for housing

A new scheme is being introduced to refund stamp duty on property transactions in respect of commercial land bought for the development of housing. To avail of the refund scheme, developers will have to start the relevant development within 30 months of buying the land.

A Vacant Site Levy will be charged from 2019 on lands that are suitable for housing but are not being developed. A levy of 3% will apply in the first year, as already planned. The rate will now increase to 7% in the second and subsequent years.

At present, property owners can get full relief from Capital Gains Tax if they retain qualifying assets for seven years. This period is being reduced to four years.

A new, time-limited tax deduction for pre-letting expenses is being introduced to encourage owners of vacant residential property to bring it into the rental market for a minimum period of four years. The property must have been vacant for at least 12 months to qualify. A cap on allowable expenses of €5,000 per property will apply. This relief will be available for qualifying expenses incurred up to the end of 2021. It will be subject to clawback if the property is withdrawn from the rental market within four years.

## Affordability

An allocation of €60 million will be given to the Local Infrastructure Housing Activation Fund (LIHAF) in 2018. This fund provides enabling infrastructure on key sites to open up lands for early development, and has the potential to release the delivery of at least 20,000 new homes by 2021. At least 10% of these new homes will be social housing, with additional social housing to be provided on certain State-owned sites.

A second LIHAF infrastructure fund of €50 million aims to unlock more sites quickly and at affordable prices. A further €25 million (€15 million in 2018) will provide infrastructure and services, for example, roads and paths, water connection and street lighting, on local authority-owned sites in Dublin to facilitate the delivery of affordable housing.

## Remediation, adaptations and regeneration

Funding of €30 million is allocated for the remediation of a further 430 houses affected by pyrite.

Funding for housing adaptation grants is increased to €53 million in 2018 to enable up to 11,000 home adaptations to be undertaken, facilitating people with disabilities and older people to continue to live in their own homes.

The National Regeneration programme is to receive funding of €61 million.

## Private rented housing

The Residential Tenancies Board is allocated €7 million in funding (an increase of €5 million on 2017) to reflect its expanded role and commitments under the Strategy for the Rental Sector, including increased inspections of rented accommodation.

## Employment and business

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### National Minimum Wage

The National Minimum Wage will increase from €9.25 per hour to €9.55 per hour from 1 January 2018.

## Key Employee Engagement Programme (KEEP)

An incentive is being introduced to facilitate the use of share-based remuneration by small and medium-sized enterprises (SMEs) to attract key employees. Gains arising to employees on the exercise of KEEP share options will be liable to Capital Gains Tax on disposal of the shares, in place of the current liability to income tax, Universal Social Charge (USC) and Pay Related Social Insurance (PRSI) on exercise. This incentive will be available for qualifying share options granted between 1 January 2018 and 31 December 2023.

## Stamp duty

The rate of stamp duty on non-residential property increased from 2% to 6% from midnight on 10 October 2017.

A special consanguinity relief is available on transfers of farmland between certain family members. To qualify for this relief, the person transferring the land must be under 67 years of age and they must be related to the person receiving the land. Consanguinity stamp duty relief for family farm transfers is being maintained at 1% for a further three years.

The exemption for young trained farmers from stamp duty on agricultural land transactions continues.

## Brexit Loan Scheme

A new €300 million Brexit Loan Scheme will provide affordable financing to Irish businesses that are either currently impacted by Brexit or will be in the future. This loan scheme will be made available to small and medium-sized enterprises (SMEs), along with large firms employing fewer than 500 people, to help with short-term working capital needs.

## VAT rate on tourism and services

The VAT rate on the tourism and services sector remains unchanged at 9%.

## Education

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The Government will spend over €10 billion in the education sector in 2018, divided across all levels of the system.

### Primary and post-primary schools

There will be an additional 1,280 teaching posts in schools by the end of 2018.

A further 1,091 special needs assistants will be recruited, bringing the total number to over 15,000.

In addition, 100 additional resource teachers will be appointed from September 2018 to help new and rapidly developing schools. Funding will also be provided to meet the costs of around 230 teaching posts in special classes and special schools.

A total of €2 million is provided to start a pilot in-school speech and language therapy programme.

### Higher and further education

There will be 6,000 new apprenticeships, 3,900 traineeships and 10 new apprenticeship schemes in 2018.

A total of 1,000 additional Springboard places will be introduced. Springboard provides free higher education courses for people who are unemployed. Most Springboard courses are part-time, but there are also some full-time courses.

In addition, 2,100 extra places will be provided in higher education to cater for demographic growth.

## Child and family support

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### Early Childhood Care and Education Scheme (ECCE)

The Early Childhood Care and Education (ECCE) Scheme provides early childhood care and education for children of pre-school age. Children are eligible for the ECCE scheme if they are aged over three years and not older than five and a half years.

The State pays a capitation fee to participating playschools and daycare services. In return, they provide a pre-school

service free of charge to all children within the qualifying age range for a set number of hours over a set period of weeks. From September 2018, ECCE will be extended from the current average of 61 weeks to give an entitlement of a full two years (76 weeks) of care and education.

## Health

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A total of €15.3 billion is allocated to the health sector for 2018. This money will be targeted to improve many aspects of healthcare in Ireland, including acute services, primary care, mental health, disability, services for older people and services in the area of health and wellbeing. The allocation also provides for an additional 1,800 staff in a range of frontline services across the acute, mental health, disability, primary and community care sectors.

### Prescription charges and Drugs Payment Scheme

If you have a medical card, there is a charge for prescribed medicines and other items that you get on prescription from pharmacies. The prescription charge is currently €2.50 for each item that is dispensed to you under the medical card scheme, up to a maximum of €25 per month per person or family. For people aged 70 and over, the prescription charge is currently €2 for each item up to a maximum of €20. From 1 January 2018, the prescription charge for medical card holders under the age of 70 will be reduced from €2.50 per item to €2 per item. The monthly cap will be reduced from €25 to €20.

Under the Drugs Payment Scheme you currently pay a maximum of €144 in a calendar month for approved prescribed drugs, medicines and certain appliances for use by yourself and your family in that month. The monthly threshold for the Drugs Payment Scheme will reduce from €144 to €134, from January 2018.

### Further health measures

In 2018, a new primary care fund of €25 is being provided to support the development of GP services, the expansion of community intervention teams and the hiring of more occupational therapists.

Additional funding is provided for day services for school leavers with disabilities.

The Citizens Information Board provides independent information, advice and advocacy on public and social services through [citizensinformation.ie](http://citizensinformation.ie), the Citizens Information Phone Service and the network of Citizens Information Services. It is responsible for the Money Advice and Budgeting Service and provides advocacy services for people with disabilities.

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An additional €35 million will be provided for mental health services in 2018.

In line with the Government's National Cancer Strategy, the VAT rate on sunbed services will be increased from 13.5% to the standard rate of 23% from 1 January 2018.

## Environment

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An additional €35 million in funding is provided to expand energy efficiency programmes targeting the reduction of CO<sub>2</sub> emissions in the residential, commercial and public sectors, bringing total investment in this area to €117 million.

Funding of €7 million is allocated to roll out the Renewable Heat Incentive, which looks to increase the level of heating produced from renewable energy sources.

Funding of €10 million is allocated to increase uptake of electric vehicles. A 0% benefit-in-kind (BIK) rate is being introduced for electric vehicles for a period of one year from 1 January 2018 to 31 December 2018. Electricity used in the workplace for charging vehicles will also be exempt from benefit-in-kind. Benefits-in-kind are benefits that an employee receives that cannot be converted into cash but that have a cash value.

## Other announcements

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### Charities VAT Compensation Scheme

A VAT Compensation Scheme for charities will be introduced in 2019 in respect of VAT expenses incurred in 2018. Charities will be entitled to a refund of a proportion of their VAT costs based on the level of non-public funding they receive. The scheme has been allocated a budget of €5 million in 2019.

### An Garda Síochána

An additional 800 Gardaí will be recruited during 2018, together with 500 civilian personnel.

## Rainy Day Fund

The Government proposes to establish a Rainy Day Fund in the coming year and transfer at least €1.5 billion to it from the Ireland Strategic Investment Fund, with annual contributions of €500 million to commence in 2019.

The information in *Relate* is intended as a general guide only and is not a legal interpretation