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Tax

Tax and legal update

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Registered Farm Partnerships

A Registered Farm Partnership is an effective and tax efficient method of transferring ownership to the next generation, while still controlling the future investment of those assets for an indefinite period. It is becoming an increasingly popular method of succession planning with many benefits, including:

- it allows income to be split between the partners while allowing each partner get full use of the standard rate tax threshold of €35,300;
- there is an income tax credit of up to €5,000 available per annum for the first five years which is split in accordance with the profit-sharing arrangement;
- 100 per cent stock relief is available for new entrants under 40, while 50 per cent stock relief is available for other partners;
- when the farm assets are transferred to the next generation they should benefit from the stamp duty exemption for young trained farmers and 90 per cent agricultural relief from Capital Acquisitions Tax (CAT); and
- Farm Building Allowances (FBA's) can be claimed on a straight line basis at a rate of 15% for six years and 10% in year seven on farm buildings, fences and other works such as roadways, holding yards, drains and land reclamation.

Income tax update

Budget 2019 continued the trend in recent years of increasing the take-home pay of the vast majority of taxpayers.

Income tax

The standard rate cut-off point was increased by €750 for the second consecutive year, while several income tax credits were also increased.

The table below illustrates the increases in the standard income tax rate bands in the last two budgets:

Single rate cut off points

Budget	2017	2018	2019
Single/widowed	€33,800	€34,550	€35,300
Married couple, one income	€42,800	€43,550	€44,300
Married couple, two incomes	€67,600	€69,100	€70,600

In addition, the earned income tax credit was increased by another €200, bringing the value of the credit to €1,350 and the home carer tax credit was increased to €1,500 for 2019, a jump of €300 compared to 2018.

Universal Social Charge (USC)

A rumoured merger of the USC with PRSI did not feature in Budget 2019. However, there were slight adjustments to the rates and bands of USC.

There was no change in the initial band of USC, with the first €12,012 of income chargeable at a rate of 0.5%. The income threshold for the second band of USC, chargeable at a rate of 2%, was increased by €502. The third rate of USC, which now affects taxpayers earning between €19,875 and €70,044, was reduced from 4.75% to 4.5%.

Click **here** to view our full analysis of Budget 2019.

Brexit preparation - EEA resident director requirements

As it stands, we are now eight weeks away from the UK leaving the European Union. However, the possibility of the UK leaving without a deal increases by the day.

Should the UK leave without a deal, then companies which have a UK director/ directors will need to take action in order to ensure compliance with Section 137 of the Companies Act and the requirement for a company to have at least one European Economic Area (EEA) resident director.

In such circumstances there are three options available to companies in order in ensure compliance with the Act:

Appoint an EEA resident director

The company can appoint an EEA resident director in place or at Grant Thornton, we can make arrangements to appoint a nominee director if required.

Section 137 non –resident bond application

The company can forego the need to have at least one EEA resident director, if they take the necessary steps to put a bond in place as set out under Section 137 of the Act.

Real and continuous link

The company can make an application to the Registrar of Companies to confirm that the company has a 'real and continuous link' with one or more economic activities being carried on in the state. This application will be filed using a Form B67 and accompanied by a letter from Revenue.

International tax – DAC6 mandatory disclosure

The Council Directive (EU) 2018/822, known as DAC 6, came into force on 25 June 2018. Essentially it introduces a mandatory disclosure regime for cross-border arrangements and provides for automatic exchange of information between member states.

Cross-border arrangements become reportable if they fall within scope of one or more 'hallmarks', as defined. Some hallmarks are only considered if the main or one of the main benefits of an arrangement is the obtaining of a tax advantage. Others covering areas such as transfer pricing or beneficial ownership, apply regardless of the outcome of the main benefit test.

DAC 6 is required to be transposed into Irish law by **31 December 2019** and fully implemented from 1 July 2020. Information on reportable arrangements, the first of which occurs between 25 June 2018 and 1 July 2020, must be filed with tax authorities by 31 August 2020. From 1 July 2020, affected arrangements must be reported within 30 days beginning on the day after the arrangement was made available or ready for implementation or when the first step in the implementation was undertaken, whichever occurs first.

The primary reporting obligation rests with EU-based intermediaries. An intermediary is any person who designs, markets, organises, makes available for implementation or manages the implementation of a reportable cross-border arrangement. In certain circumstances, the reporting obligation shifts to relevant taxpayer. This arises where the intermediary claims legal privilege exemption and there are no other intermediaries or where the arrangement is designed in-house.

Reported information will be automatically exchanged among member states within one month of the end of every quarter. It is important to be aware of this new reporting requirement and taxpayers should expect Revenue authorities to develop a heightened awareness of cross-border transactions.

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