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OPPORTUNITIES RIPE

AS IRISH ECONOMY LOOKS STRONG FOR 2018

The past number of years have seen a strong recovery by the Irish economy that has surpassed all expectations. This has been led by robust export growth but there has also been a strong rebound in domestic demand, including business investment, construction and consumer spending.

Continued

OPPORTUNITIES RIPE AS IRISH ECONOMY LOOKS STRONG FOR 2018

The latest National Accounts data show that the economy grew by 5.5% year-on-year in the first half of 2017. However, owing to base effects, annual GDP growth is likely to slow in the second half of the year - GDP rose by 2.2% and 5.8% on a quarterly basis in the final two quarters of 2016, which is unlikely to be repeated this year.

Exports have maintained their strong uptrend in 2017, with service exports rising by 15% in the first half of the year. However, there has been a significant slowdown in the rate of growth in domestic demand. Growth in core domestic spending—consumer and government spending plus core investment (i.e. excluding aircraft and intangibles) - slowed to 2.7% in the opening half of 2017 from an average rate of 4.8% over the previous three years.

Construction has continued to grow strongly, rising by over 20% in the first half of 2017. However, core business investment has fallen back somewhat, having doubled in the previous four years. After the deep recession, there may have been an element of 'catch-up' to the strong growth in business investment in recent years, which is proving difficult to sustain in 2017.

Meanwhile, consumer spending rose by 1.75% in the opening half of the year, well below the strong growth rates of 4.2% and 3.3% seen in 2015 and 2016, respectively. The growth in car sales has slowed appreciably this year as they have returned to more normal levels.

Labour market data have remained strong this year, with employment up by 3% in the first half. Meanwhile, the unemployment rate had declined to 6.1% by September from 6.9% at end 2016.

Overall, despite the weakening of growth in domestic demand, the economy has continued to perform well this year. The indicators available for the second half of the year have remained strong. Thus, GDP growth is now being widely forecast at around 4.5-5.0% for 2017, only slightly below the growth rate of 5.1% recorded in 2016.

Most forecasters see GDP growth slowing to around 3.5% in 2018, with uncertainty around Brexit, a slowdown in UK economic activity and the rise of the euro, especially against sterling, all seen as headwinds.

However, Irish economic growth has tended to surprise on the upside in recent years. The strengthening of global activity, continuing very low interest rate environment as well as rising real incomes and employment point to the scope for Irish growth to surprise on the upside again next year.

Indeed, if agreement can be reached on a soft Brexit for the UK, it would lessen the impact of one of the main risks facing the Irish economy over the next couple of years.

Oliver Mangan, Chief Economist, AIB

tax briefs

STAMP DUTY

The rate of stamp duty on non-residential property was increased from 2% to 6% with effect from midnight on Budget Day. However transitional arrangements are in place whereby the 2% rate of stamp duty will apply to binding contracts entered into before 11 October 2017 provided the instrument for the transfer is executed before **1 January 2018**. The instrument must include a self-certification (in a form specified by Revenue) that it was executed soley in pursuance of a binding contract entered into before 11 October 2017. The furnishing of an incorrect statement will be treated as a Revenue Offence (under S1078 TCA 1997) – with the resulting serious consequences.

The transfer of agricultural land will be liable for the 6% rate of stamp duty. However, "Consanguinity Relief" has been extended to ensure that the current 1% rate of stamp duty applying to the transfer of land between relatives is extended until 1 January 2021. In addition, the upper age limit of 67 for the transferor is being abolished.

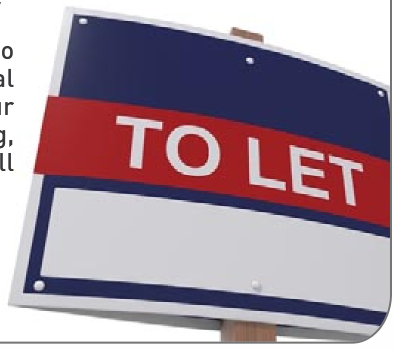
The Finance Bill does not contain any measures related to the new Stamp Duty Refund Scheme announced on Budget Day. It is expected that this scheme will be introduced at Committee Stage of the Bill.

PRE-LETTING EXPENSES

Expenses incurred on rental properties prior to letting was previously disallowed as a deduction against rental income when computing taxable rental profits. Finance Bill 2017 includes new measures permitting a deduction for pre-letting expenses incurred on previously vacant residential properties where:

- The property was vacant for at least 12 consecutive months before it is let
- The expenditure would have qualified as a rental deduction for tax purposes if the property had been let when the expenditure was incurred
- The amount of the deduction is capped at €5,000 per vacant property

If the property ceases to be let as a residential property within four years of its first letting, any relief claimed will be clawed back.

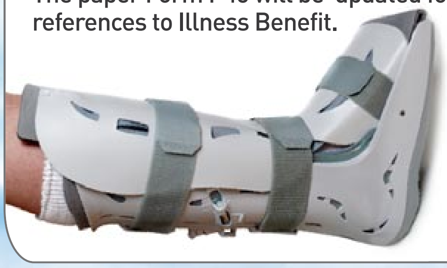


TAXATION OF ILLNESS AND OCCUPATIONAL INJURY BENEFIT

At present employers and pension providers are required to include with taxable pay all taxable Illness Benefit and Occupational Injury Benefit payments paid to employees by DEASP.

With effect from 1 January 2018, this will no longer be the case. From that date Revenue will incorporate the taxable element of Illness or Occupational Injury Benefit into employees' tax credit certificates. This will have the effect of reducing employees' available tax credits and/or rate bands. Their USC rate bands will not be affected.

The paper Form P45 will be updated for 2018 to remove all references to Illness Benefit.



PAY AND FILE SUMMARY

The following is a summary of upcoming pay and file dates:

INCOME TAX	
Filing date of 2017 return of income (self-assessed individuals)	**31 October 2018**
Pay preliminary income tax for 2018 (self-assessed individuals)	**31 October 2018**
CAPITAL GAINS TAX	
Payment of Capital Gains Tax for the disposal of assets made from 01 January 2017 to 30 November 2017	**15 December 2017**
CORPORATION TAX	
Filing date for Corporation Tax returns for accounting periods ending in March 2017	**21 December 2017**
Balancing payment of Corporation Tax for accounting periods ending in March 2017	**21 December 2017**

BENEFIT IN KIND

Are you changing your car in 2018? It was announced in Budget 2018 that a new 0% Benefit in Kind rate on electric motor vehicles will be introduced from 1 January 2018 to 31 December 2018. A comprehensive review of the Benefit in Kind regime will take place in 2018 which could see this measure been extended into the future.

iXBRL FILERS

For Companies who are obliged to file financial statements in iXBRL, these returns must be submitted within three months of the Corporation Tax return filing deadline. Revenue will hold any corporation tax refunds due until the iXBRL return is submitted. To that end it is worth submitting your iXBRL return early to expedite any refund due.

Finance Bill Highlights 2017

At time of writing (early November), Minister Donohoe has delivered his first Budget speech and the "first cut" (is the deepest, baby I know!) at the 2017 Finance Bill ("the Bill") has just issued.

A very brief outline of changes to date (under summary headings) is:

PERSONAL/EMPLOYEE TAXES

- An increase of €750 in the 20% band means that, in 2018, a single person will start to pay the 40% rate on income above €34,550.
- While there is no change to the USC entry point of €13,000, some rates are being reduced. While the 2.5% and 5% rates fall to 2% and 4.75%, there is no change for income levels over €70,044.
- The home carer credit is increased again (to €1,200; from €1,100).
- Mortgage interest relief, typically only available now in limited circumstances, was due to expire this year but has been extended until 2020 with tapered relief available on a reducing basis each year.
- BIK rates of up to 30% can take the shine off a new company car but a "green" plug-in option awaits! Minister Donohoe is proposing a 0% BIK rate for electric vehicles for 2018, which should incentivise sales of such cars. He also announced a review of company car BIK rules, which is welcome as the current regime is overly complex .

SME SECTOR

The earned income credit for 2018 will increase by €200 to €1,150. While at least going in the right direction, it is still €500 short of the PAYE credit and Minister Noonan did indicate two years ago he expected they would be aligned by now. (And still no change to the 3% USC surcharge for non-employment income over €100,000!)

He announced a new employee share option incentive scheme ("Key Employee Engagement Programme – KEEP) targeted at the SME sector to help SMEs attract/retain talent by deferring taxation of gains on employee shares until sold. For qualifying companies, KEEP should enable tax-efficient remuneration linked with the company's growth (subject to meeting certain conditions). Due to be available for options granted between 2018 and 2023, EU State Aid approval is pending.

At the time if going to press, the latest version of the Bill has been issued which proposes a change to certain cash extraction ideas apparently being used. For some time, Revenue has been seeking to recategorise similar transactions as income rather than Capital Gains, which could mean a much higher effective tax rate. Initial reaction to the current proposal from bodies representing taxpayer interests is negative. Watch this space for developments.

PROPERTY SECTOR

As cranes dominate urban skies and jumbo breakfast roll sales boom, it follows that property changes feature prominently in tax legislation. This year's offers are:

- The seven-year CGT exemption has been reduced to four in the hope that this will free up development land bought between 2012 and 2014, thereby easing housing pressure.
- In addition, punitive vacant site levies are on the way from 2018 on to "encourage" landbank hoarders to develop or sell, thereby easing housing pressure.
- Pre-letting expenses are not normally allowable for landlords; they will be now, seen as an incentive to refurbish properties vacant for over a year and make them available for letting, thereby easing housing pressure.

The sudden increase in the stamp duty rate on non-residential property from 2% to 6% is seen by many as negative and will most probably reduce the number of commercial property transactions next year. At time of writing, practical implementation of transitional provisions (where a binding written contract was in place prior to Budget day) is causing havoc as there is no certainty on which rate applies until Revenue have reviewed documents in early 2018. Hopefully, this can be tidied up shortly as it is not working.

AGRI SECTOR

The only non-residential property sector to benefit from stamp duty changes in the Finance Bill! After lobbying, the age 67 limit on transferring land to blood relations (e.g. parent to child) has been removed and the 1% stamp duty rate preserved for another three years to 2020.

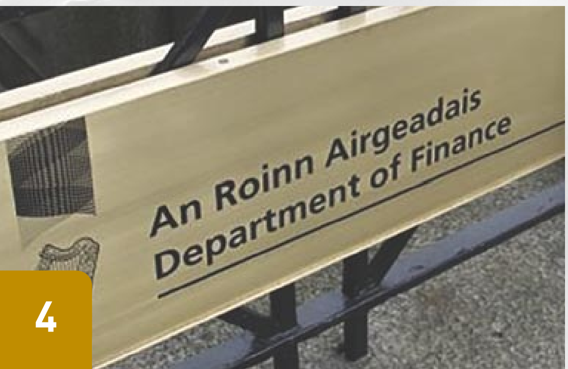
Minister Donohoe also announced that agricultural land leased for solar panel installation can now retain its status as agricultural land for CAT reliefs like agricultural or business property relief and CGT reliefs like retirement relief.

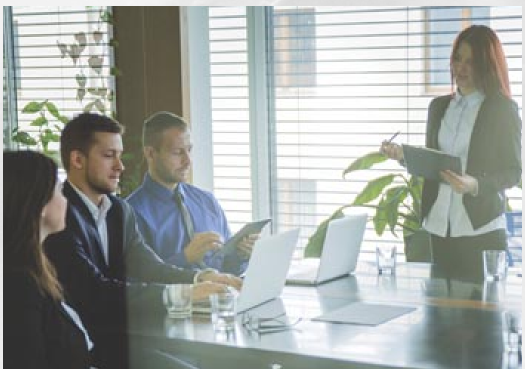
OTHER

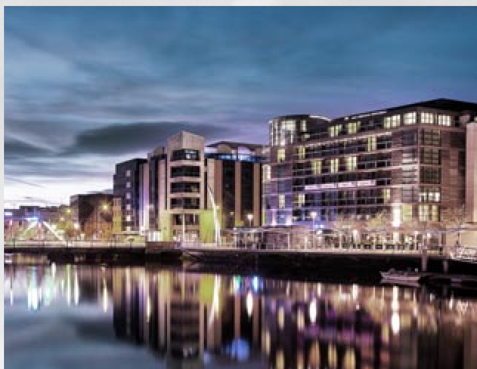
PAYE modernisation is coming down the tracks and due to be in place January 2019. Expect plenty on this in 2018.

Not much to report on VAT, other than the rate on sunbed sessions has increased from 13.5% to 23%, designed to discourage use of same in line with the National Cancer Strategy.

Not content with (once again!) hiking excise duty on certain "essentials" like fags and booze, now we're going to have a sugar tax as well! Bah humbug!







business briefs

CYBER SECURITY TIPS FOR SME'S

As digital transformation takes hold, organizations must learn what their IT security vulnerabilities are — and how best to address them.
Emerging technologies, particularly the Internet of Things (IoT), are taking global connectivity to a new level, opening fresh and compelling opportunities for both adopters and, unfortunately, attackers.
A multi-faceted approach is necessary when you are considering your company's level of cyber-security. The following simple steps will help you to bring your cyber-security up a gear:

ALL MEMBERS OF STAFF SHOULD BE RESPONSIBLE FOR CYBER-SECURITY

While following security best practices is essential to network security, many organizations remain unaware of, or pay little attention to, the weakest link in the security chain: people. It doesn't make sense to try to solve what is essentially a human problem solely with technical means. Educating users leads to an alert organization in which users report every suspicious thing they encounter.

IDENTIFY AND ADDRESS INTERNET SECURITY RISKS IMMEDIATELY

Once a risk is identified, users and IT professionals must be committed to addressing it, with the support of executives. In a perfect world, security professionals would strive to create a risk-free environment. That's not possible, however, because some degree of risk is inherent in every action an organization takes.
Simply telling people what not to do is rarely effective, particularly if what they're doing saves time and produces positive results. It is more effective to focus more on implementing actions that all members of your organization are comfortable with in order to achieve the best method of cyber-security for you.

A helping hand with finance for EU Innovators

"InnovFin – EU Finance for Innovators" is a joint initiative launched by the European Investment Bank Group (EIB and EIF) in cooperation with the European Commission under Horizon 2020. InnovFin aims to facilitate and accelerate access to finance for innovative businesses and other innovative entities in Europe.
One of the key factors constraining the implementation of R&I activities is the lack of available financing at acceptable terms to innovative businesses since these types of companies or projects deal with complex products and technologies, unproven markets and intangible assets.
In order to overcome these difficulties, the EU and the EIB Group have joined forces to provide finance for research and innovation to entities that may otherwise struggle to access financing.
InnovFin financing tools cover a wide range of loans, guarantees and equity-type funding, which can be tailored to innovators' needs. Financing is either provided directly or via a financial intermediary, most usually a bank or a fund.
InnovFin is available across all eligible sectors in EU Member States and Associated Countries, under the EU Research and Innovation programme Horizon 2020 with the purpose to offer a new generation of financial instruments and advisory services to help innovative firms access finance more easily across Europe and beyond.

To be eligible for InnovFin Advisory a project must:

- require a minimum of EUR 15m in R&I (research and innovation) investment;
- meet the policy objectives of Horizon 2020; and
- not yet be mature for financing appraisal

DEPOSIT GUARANTEE SCHEME (DGS)

The Deposit Guarantee Scheme (DGS) protects depositors in the event of a bank, building society or credit union authorised by the Central Bank of Ireland being unable to repay deposits.
The DGS is part of the Central Bank of Ireland's strategy to ensure that the best interests of consumers of financial services are protected. The DGS is administered by the Central Bank of Ireland and is funded by the credit institutions covered by the scheme.

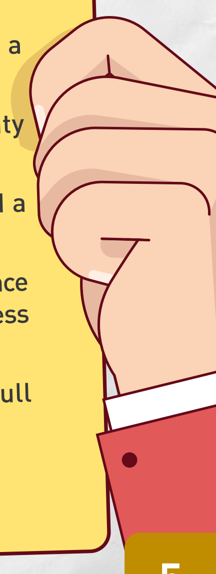
So, who and what does the DGS protect?

- Depositors in the event of a bank, building society and or credit union authorised by the Central Bank of Ireland being unable to repay deposits
- Up to €100,000 per person per institution
- Current accounts, deposit accounts, share accounts in banks, building societies and credit unions

Sole traders with both personal and business accounts at a credit institution (which are eligible for DGS compensation) will be issued with one payment up to a limit of €100,000.
If a depositor has personal accounts with a liquidated credit institution and also holds a business partnership account, the DGS will treat the business and personal accounts separately. The depositor (partner) will receive a separate cheque up to the limit of €100,000 for their personal accounts. Compensation for the business account will be paid separately to the partnership, up to a limit of €100,000.
The DGS is activated where it has been determined that a credit institution is unable to repay its deposits. Compensation payments for eligible deposits up to €100,000 are automatically sent to depositors. Depositors will not need to go anywhere or contact anyone to claim their money back. Payments will be made by cheque and sent to the last address held by the credit institution.
For more information on the Deposit Guarantee Scheme, please visit www.depositguarantee.ie

INTERTRADE IRELAND BUSINESS MONITOR RESULTS – KEY STATISTICS

- After 12 months, still only 2% of all companies and 3% of exporting companies have a Brexit plan
- 34% of exporters have experienced a negative impact due to Brexit
- 77% of exporters report that uncertainty makes it difficult to plan
- 76% of companies report Brexit has had a neutral effect on their business to date
- 56% report they are stable – the highest since Business Monitor began recording business stability and growth in 2011
- 82% of firms working close to or at full capacity



PRSI CONTRIBUTIONS FINALLY BENEFIT THE SELF-EMPLOYED

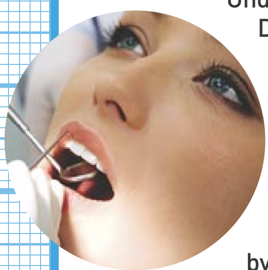
The Treatment Benefit Scheme is a scheme run by the Department of Employment Affairs and Social Protection (DEASP) that provides dental, optical and aural services to qualified people. The Treatment Benefit Scheme is available to insured workers and retired people who have the required number of PRSI contributions.

The extended Optical and Dental services under the scheme will be available to qualified PRSI contributors, including employees and the self-employed, and their dependent spouses/partners with effect from Saturday, 28th of October 2017. This is a further improvement to the Treatment Benefits scheme, which was extended to the self-employed earlier this year.

The "reckonable contributions" for Treatment Benefit are payment of Class A, E, P, H or S social insurance contributions. The amount of social insurance you need depends on your age. For example, there are special rules for people aged 66 and over. Generally speaking, you must have 260 contributions paid at any time, and you must have either 39 paid or credited in any of the two contribution years before reaching age 66, or 26 contributions paid in both the relevant contribution year and the year immediately before it.

Under the Treatment Benefit Scheme, you may qualify for:

- DENTAL BENEFIT
- OPTICAL BENEFIT
- HEARING AIDS



Under the Dental Benefit scheme, the Department pays the full cost of an oral examination once a calendar year. From 28/10/17, a payment towards either a scale and polish or, if clinically necessary, periodontal treatment, is also available once per calendar year (depending on the normal cost of the cleaning, there may be a balance to be paid by the customer). You may get tax relief on certain non-routine dental treatments.

The Treatment Benefit Scheme entitles you to a free eyesight test once every second calendar year. However, specific sight tests such as those for VDUs (visual display units) or driving licences, are not covered under the scheme. From 28/10/17, payment is also available, every second calendar year, towards either one pair each of reading and distance spectacles OR one pair of bi-varifocals, OR one pair of contact lenses.

On top of dental and optical Benefits, those with aural needs can also receive contributions. As part of this benefit, the Department will pay half the cost of a hearing aid subject to a fixed maximum of €500 for each hearing aid every fourth calendar year. It also pays half the cost of repairs to aids, up to a maximum of €100, once every fourth calendar year.

There is also an option to have treatment in another EU member state. If so, the Department will pay an amount equivalent to the rate paid for similar treatments carried out in Ireland or, the amount actually paid for the treatment. The lower of these amounts will be covered. You must however, still have the qualifying PRSI contributions. To do this, you must contact the Treatment Benefit Section before you travel to get an application form and for details of the amount, the Department will pay.

Claims may be made through your provider (dentist, optician, or audiologist), who will be able to check your entitlement in advance of treatment, and claim payment afterwards.

To allow for this, your provider will need certain identifying information about you; for example, your date of birth and PPS Number. You must sign a Consent Form to say that you agree to your provider having this information, and supplying it to this Department as necessary to complete the claim for payment.

If your spouse, civil partner, or cohabitant does not have enough social insurance contributions, he/she may still qualify for Treatment Benefit on your social insurance record. For this to happen, you must qualify for Treatment Benefit and your spouse, civil partner or cohabitant must be dependent on you.

Where you are claiming as a dependent under your spouse or partner's PRSI record, both you and your spouse/partner will need to sign the consent form in advance.

For more information, please visit
http://www.welfare.ie/en/Pages/Treatment-Benefit1.aspx

COMPETITION (AMENDMENT) ACT 2017

This Act amends the Competition Act 2002 and establishes rights for certain categories of self-employed individuals to be represented by a trade union for the purposes of collective bargaining in relation to working conditions and terms of employment. The relevant categories of workers to whom the Act applies are voice over actors, session musicians and freelance journalists. Currently these workers are prohibited from acting collectively due to a past decision of the Competition Authority which deemed such arrangements as anti-competitive.

Under the Act, a trade union is permitted to apply to the Minister for Jobs, Enterprise and Innovation to allow for collective bargaining and agreements in respect of the above mentioned self-employed workers. The Minister will make a decision following consultation with other Government Ministers, and any other body or person(s) the Minister considers relevant to be consulted.

The role that employers may play in the consultation process is not clear as of yet as employers are not specifically referred to in the Act, nor does the Act set out just how an application is to be made. It merely states that the Minister will specify how the process will work.

While the effect of the Act may not be immediately obvious due to it being limited to the specific categories of workers listed previously, when this pool is enlarged, employers may begin to notice the effects of the 2017 Act.

WORK E-MAIL MONITORING - WHAT ARE THE BOUNDARIES?

Employers possess the right to monitor employee's activities in many situations at work. Organisations may wish to monitor staff's use of email in order to protect their business, reputation, resources and equipment. Such monitoring is governed by data protection law. The law doesn't prevent monitoring in the workplace, but it does set down rules and guidelines about how and in what situations monitoring should be carried out. While employers may not be required to obtain the specific consent of employees to carry out such monitoring, they are obliged to take reasonable steps to let staff know that monitoring is taking place, what is being monitored and why it is necessary. **Sticking to these guidelines ensures that employers are not required to obtain an employee's consent to this monitoring.**

The Article 29 Working Party has adopted a Working Document on the surveillance of electronic communications in the workplace. Its main aim is to ensure that employees do not lose their privacy and data protection rights. A balance must be struck between any limitation of the employee's right to privacy and the likely damage to the employer's legitimate interests.

An employer can legally monitor an employee's email activity for many reasons, including:

- to establish facts which are relevant to the business and to check that procedures are being followed
- to prevent or detect crime
- to check if employees may be using the internet or email for personal use
- to prevent computer viruses entering the system
- to check whether a communication you have received is relevant to the business

To avoid any potential problems, an employer should have a Code of Conduct or a policy that covers workplace monitoring, for example including it to form part of a contract of employment. The result of this is that where an employer is allowed to monitor employees email activities, these activities could become the subject of disciplinary action if employees are misusing workplace equipment in ways not permitted by the contract of employment.

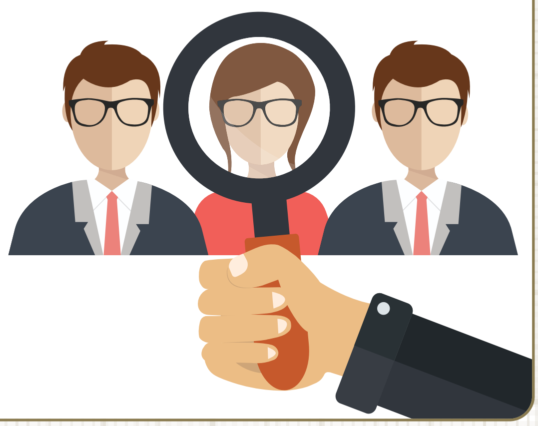
Alternatively, employers should adopt an Acceptable Usage Policy. A carefully drafted Usage policy along with making the employee aware of work email monitoring, can also circumvent the need to obtain consent from an employee to carry out such monitoring.

ILLEGAL INTERVIEW QUESTIONS

In light of the recent Workplace Relations Commissions ruling against Minister of State for Training and Skills John Halligan T.D. regarding illegal interview questions, it is important to consider the "do's" and "don'ts" of job interviews.

Under the Employment Equality Acts 1998-2004, there are nine clear grounds of discrimination: age, disability, gender, sexual orientation, family status, marital status, race, religion and membership of the travelling community. A question posed by the interviewer that falls under any of the aforementioned grounds during a job interview is prohibited. Many companies, and evidently State Departments, have found this out the hard way.

All employers should be aware that questions referring to any of the nine grounds for discrimination need to be avoided during the application and interview stage. While such questioning may seem innocent in nature, beware they come with serious repercussions.



SME'S GET SUPPORT IN

EXPORTING TO CHINA

Throughout the last three decades, Irish firms have seen sales grow, relationships become stronger and awareness of Ireland increase in China year after year. The sheer size of China's economy provides a wealth of opportunities for determined Irish companies. There are a growing number of young professionals with significant disposable income in the major coastal cities who aspire to higher standards of living. Also, in their drive to address export markets, Chinese businesses are developing an appetite for technology, systems and infrastructure that cannot be satisfied by domestic suppliers.

With this in mind, Enterprise Ireland have comprised a report in order to assist SME's in exploring the Chinese market as an export opportunity. This strategy called "Access: China" is intended to be of use to a wide audience, from companies thinking of exporting to China for the first time, to those already selling in the market and wishing to examine strategic options for further growth.

Before entering the Chinese market, Irish enterprises, like any foreign entities, need to be on the top of their game in Ireland with market proven performance. Comprehending the current market dynamics as to what qualities are in demand, why are they not being currently served, and what price points the market will accept to fulfil them is highly important.

SMEs with limited budgets for branding and marketing often turn to regional agents or distributors to create a sales network. These agents and distributors bring their existing sales networks and can be helpful in terms of responding quickly to market changes and keeping track of policy and regulation updates. Many of the larger Chinese trading companies have offices abroad, as well as a significant network throughout China.Before you begin the steps to entering the Chinese market, Enterprise Ireland can help you by providing:

- A sector overview
- A validation of the opportunity for your product/service
- An evaluation of your market entry strategy
- Suggested channels to market
- Competitor analysis
- Relevant contacts/suggested itinerary
- Summary of relevant market information resources

If you are already in the market, you may benefit from:

- Introductions to buyers and decision-makers
- Identification of potential partners
- Facilitation of buyer visits to Ireland
- Assistance with product launches/workshops
- Securing reference sites

This article contains select extracts from a larger document that was compiled by Enterprise Ireland and outlines more information in detail. To read more on this please see the full report at **https://www.enterprise-ireland.com/en/Export-Assistance/Market-Research-Centre/AccessChina.pdf**

Merry Christmas and a Prosperous New Year to one and all!