

The Minister for Finance presented **Budget 2016** yesterday. Mr Noonan outlined wide ranging adjustments to the personal tax regime, focused primarily on USC. The minister also announced steps to begin equalising the tax treatment of the self-employed and employees, together with proposals to support entrepreneurship.



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The key features of Budget 2016 are outlined below.

The following topics are covered

Personal Tax	Capital Taxes, Property and LPT	Entrepreneurship and Indigenous Business
The Agri Sector	Corporation Tax	Other Measures

Personal Tax

The following are the details of the Budget Statement of 13 October 2015, as made by the Minister for Finance:

Tax Credits

The only changes in relation to tax credits are the introduction of a new Earned Income Tax Credit and the increase in the Home Carer Tax Credit.

Earned Income Tax Credit

A new earned Income Tax Credit is being introduced for 2016. The tax credit is calculated at 20% of an individual's earned income (excluding earned income that is taken into account for the PAYE Tax Credit) subject to a maximum of €550. The budget documentation notes that it will be available to taxpayers earning self-employed trading or professional income under Case I, II, III of Schedule D and to business owners/managers who are ineligible for a PAYE credit on their salary income.

Home Carer Tax Credit

The Home Carer Tax Credit is being increased by €190 to €1,000 for 2016. The income threshold on the "home carer" has also increased from €5,080 to €7,200.

All other credits and rate bands are as follows:

Tax Credit	2015 €	2016 €
Single Person	1,650	1,650
Married or in a Civil Partnership	3,300	3,300
PAYE Tax Credit	1,650	1,650
Earned Income Tax Credit Max	-	550
Widowed Person or Surviving Partner	2,190	2,190
Single Person Child Carer Tax	2,190	2,190
Incapacitated Child Credit Max	3,300	3,300
Blind Tax Credit		
Single Person	1,650	1,650
Married Person or in a Civil Partnership – One Spouse or Civil Partner Blind	1,650	1,650
Married or in a Civil Partnership – Both Spouses or Civil Partners Blind	3,300	3,300
Widowed Parent Bereaved in 2015		3,600
Age Tax Credit		
Single or Widowed or Surviving Civil Partner	245 490	245 490
Married or in a Civil Partnership		
Dependent Relative	70	70
Home Carer Tax Credit	810	1,000

Marginal Rate Reliefs

Relief (Allowed at the taxpayer's top rate of tax)	2015 € Max	2016 € Max
Employing a Carer	75,000	75,000

The tax rates and bands remain unchanged:

Personal Circumstances	2015 €	2016 €
Single or Widowed or Surviving Civil Partner, without qualifying child	33,800 @ 20% Balance @ 40%	33,800 @ 20% Balance @ 40%
Single or Widowed or Surviving Civil Partner, qualifying for Single Person Child Carer Credit	37,800 @ 20% Balance @ 40%	37,800 @ 20% Balance @ 40%
Married or in a Civil Partnership, one Spouse or Civil Partner with income	42,800 @ 20% Balance @ 40%	42,800 @ 20% Balance @ 40%
Married or in a Civil Partnership, both Spouses or Civil Partners with Income	42,800 @ 20% with increase of 24,800 max. Balance @ 40%	42,800 @ 20% with increase of 24,800 max. Balance @ 40%

Exemption Limits

The exemption limits for persons aged 65 years and over remain unchanged:

Personal Circumstances	2015 €	2016 €
Single or Widowed or a Surviving Civil Partner, 65 years of age & over	18,000	18,000
Married or in a Civil Partnership, 65 years of age & over	36,000	36,000

The above exemption limits are increased by €575 for each of the first two dependent children and by €830 for the third and subsequent children. Marginal Relief may apply, subject to an income limit of twice the relevant exemption limit.

Universal Social Charge - The Standard Rate of USC

USC Thresholds			
2015		2016	
	Rate		Rate
Income up to €12,012.00	1.5%	Income up to €12,012.00	1.5%
Income from €12,012.01 to €17,576.00	3.5%	Income from €12,012.01 to €18,668.00	3%
Income from €17,575.01 to €70,044.00	7%	Income from €18,668.01 to €70,044.00	5.5%
Income above €70,044.00	8%	Income above €70,044.00	8%

The Reduced Rates of USC

USC Thresholds			
Individuals aged 70 years or over whose aggregate income for the year is €60,000 or less.			
Individuals (aged under 70) who hold a full medical card whose aggregate income for the year is €60,000 or less			
2015	Rate	2016	Rate
Income up to €12,012.00	1.5%	Income up to €12,012.00	1%
Income above €12,012.00	3.5%	Income above 12,012.00	3%

Note 1 'Aggregate' income for USC purposes does not include payments from the Dept. of Social Protection.

Note 2 A 'GP only@ card is not considered a full medical card for USC Purposes.

The Exempt Categories

2015	2016
Where an individual's income for the a year does not exceed €12,012	Where an individual's income for a year does not exceed €13,000
All Dept. of Social Protection payments	All Dept. of Social Protection payments
Income already subjected to DIRT	Income already subjected to DIRT

3% Surcharge (non-PAYE income)

The surcharge of 3% on individuals who have non-PAYE income that exceeds €100,000 in a year remains unchanged.

CAPITAL TAXES, LPT AND PROPERTY

Capital Acquisitions Tax (CAT)

The Capital Acquisitions Tax Group A tax free threshold has been increased from €225,000 to €280,000. There are no changes to the Group B and Group C tax-free thresholds. The tax free thresholds that apply to gifts and inheritances on or after 14 October 2015 are therefore as follows:

Group A €280,000	Applies where the beneficiary is a child (including adopted child, step-child, and certain foster children) or minor child of a deceased child of the disponent. Parents also fall within this threshold where they take an inheritance of an absolute interest from a child.
Group B €30,150	Applies where the beneficiary is a brother, sister, niece, nephew or lineal ancestor or lineal descendant of the disponent.
Group C €15,075	Applies in all other cases

Local Property Tax

The next Local Property Tax valuation date has been postponed from 2016 to 2019. The postponement of the date means that home owners will continue to pay LPT based on the original valuations that applied for 2013-2016.

The Home Renovation Incentive (HRI)

The Home Renovation Incentive is extended for one more year, to end on 31st December 2016. This will allow additional time for landlords and homeowners to make the necessary renovations to their properties, and provide additional support to the construction sector for another year.

ENTREPRENEURSHIP AND INDIGENIOUS BUSINESS

The minister announced new tax measures aimed at supporting entrepreneurs and business owners as follows:

- Earned Income Tax Credit (as detailed above)
- A 20% CGT rate to apply to the disposal in whole or in part of a business up to a limit of €1million in chargeable gains.
- 3 Year Relief for Start-up Companies extended
This measure provides relief from Corporation tax on trading income (and certain capital gains) for new start-up companies in the first 3 years of trading. This relief was due to expire at the end of 2015 and is being extended to companies commencing a qualifying trade over the next 3 years.

THE AGRI-SECTOR

Stock relief and stamp duty exemption

The Minister has announced the extension of general stock relief, the stock relief for young trained farmers and the stock relief for registered farm partnerships for a further three years to the end of 2018. Stamp duty exemption for young trained farmers is also extended to the end of 2018.

Farm partnership transfers

A new farm succession transfer partnership model is being introduced, subject to State Aid approval. The Minister has noted that this will allow two people to enter into a partnership with the appropriate profit sharing agreement which makes provision for the transfer of the farm to the younger farmer at the end of a specified period, not exceeding ten years. An income tax credit worth up to €5,000 per annum for five years will be allocated to the partnership and split according to the profit sharing agreement.

CORPORATION TAX

Knowledge Development Box (KDB)

The minister formerly announced the Introduction of a Knowledge Development Box to provide for a reduced Corporation tax rate on profits arising to certain IP assets which are the result of qualifying Research and Development activity that is carried out in Ireland. Income qualifying for the KDB will be the subject to a preferential rate of corporation tax of 6.25%. The KDB will apply to any income earned from accounting periods commencing on or after 1 January 2016.

Extension of the 3 year relief for start-up companies (as detailed above)

Film Relief

The cap on eligible expenditure under the relief is being increased to €70 million, subject to EU state aid approval.

OTHER MEASURES

Motor Tax

The rate of Motor Tax is being reduced for all vehicles above 4,000kgs, with a new annual rate of €500 for vehicles between 4,000kgs and 12,000kgs and €900 for vehicles over 12,000kgs. This tax is administered by the Dept. of the Environment, Community and Local Government.

Deposit Interest Retention Tax (DIRT)

There are no changes to DIRT.

VAT

There are no changes to VAT rates or thresholds.

Alcohol Products Excise Duty Relief for Microbreweries

The special relief reducing the standard rate of Alcohol Products Tax by 50% on beer produced in microbreweries will now be available upfront as well as through a rebate. This measure is subject to a Commencement Order.

Alcohol Products Tax (APT)

There are no changes to the APT rates.

Tobacco Products Tax (TPT)

TPT rates are increased with effect from 14 October 2015. The increase amounts to 50 cent, inclusive of VAT, on a packet of 20 cigarettes in the most popular price category, with pro rata increases on other tobacco products. The minimum TPT rate on cigarettes is also increased.

Excise taxes on electricity and energy products.

There are no changes to any of the rates for Electricity, Mineral Oil, Solid Fuel Carbon or Natural Gas Carbon Taxes.

Stamp Duty on combined debit / ATM cards

The current €2.50/€5 per annum charge on ATM cards and combined (ATM & debit) cards will be abolished from 1 January 2016. A new 12c ATM withdrawal fee will be introduced from 1 January 2016, which will be capped at €2.50/€5 per annum per card.

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