

# *BUDGET 2017*

## *Tax Guide*

- First Budget of minority government of 32<sup>nd</sup> Dáil;
- €500m in tax cuts and €195m in tax increases announced;
- Reduction in USC rates and increases in thresholds;
- Increase of self-employed "earned income credit";
- Increase in all Capital Acquisitions Tax thresholds;
- Extension to deadline for Home Renovation Incentive (HRI);
- First Time Buyers Initiative Scheme Introduced;
- Increases in Revenue Audit Teams and Revenue Powers;
- Reduced CGT rate for Investors in SME companies;



## Income Tax

There will be a €100 increase in the **Home Carer Tax Credit** from €1,000 to €1,100. This will help single income married couples with children or those who care for an elderly or incapacitated relative.

The **Earned Income Credit** introduced last year is to increase €400 per annum. This is available to taxpayers earning self-employed trading or professional income under Cases I, II and III of Schedule D and to business owner/managers who are ineligible for a PAYE credit on their salary income.

## USC

The **USC** entry threshold remains at €13,000. The Minister announced reductions in the USC rates as follows:-

- €0 to €12,012 @ 0.5%
- €12,013 to €18,772 @ 2.5%
- €18,773 to €70,044 @ 5.0%
- €70,045 to €100,000 @ 8%
- PAYE income over €100,000 @ 8%

Self-employed income in excess of €100,000 will continue to attract the 11% rate. Medical card holders and individuals aged 70 years and over whose aggregate income does not exceed €60,000 will now pay a maximum rate of 2.5% USC.

## Interest Relief

The deduction available for qualifying interest payments on monies borrowed to purchase, improve or repair **residential rental property** is being



increased from 75% to 80%. This measure will apply to both new and existing mortgages from 1 January 2017.

## CAT

The current **tax free thresholds** which applies primarily to gifts and inheritances for the various categories of relationships are increasing. The **Group A** lifetime tax-free threshold applying to gifts and inheritances from parents to children is being raised from €280,000 to €310,000. The **Group B** lifetime tax-free threshold applying to gifts and inheritances made to parents, siblings, nieces, nephews or grandchildren is being raised from €30,150 to €32,500. The **Group C** lifetime tax-free threshold applying to gifts and inheritances made to all others (except spouses and civil partners who are exempt) is being raised from €15,075 to €16,250.

## VAT

There will be no change to the **9% reduced rate** of VAT applying to the tourism sector.



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## Agri-Taxation

### VAT Flat Rate Addition

The farmer's flat-rate addition will be increased from 5.2% to 5.4% with effect from 1 January 2017.

### Accelerated Capital Allowances

The scheme of accelerated capital allowances for energy efficient equipment is being made available to sole traders and non-corporates.

### Income Averaging Step Out

The Income Averaging regime allows a farmer's taxable profit to be averaged out over a 5-year period. This is being amended to allow an "opt out" in a single year of unexpectedly poor income, which may be availed of for the 2016 tax year.

### Home Renovation Incentive

The Home Renovation Incentive (HRI) was introduced in Budget 2014 which is now available to both homeowners and landlords is being extended to 31 December 2018. The HRI provides for tax relief by way of an Income Tax credit at 13.5% of qualifying expenditure on repair, renovation or improvement works carried out on a main home or rental property by qualifying contractors. It is intended to boost the construction sector.



## Capital Gain Tax

### CGT Entrepreneur Relief

A revised CGT relief for entrepreneurs introduced last year represents a simplified and upfront benefit for individuals who propose to sell their business. A lower CGT rate of 10% will apply to the net chargeable gains arising on disposals of assets comprising the whole or a discrete part of a trade or business, subject to a lifetime limit of €1 million on such gains, with effect from 1 January 2017.

## Property Incentive

### Help to Buy

An income tax rebate incentive is being introduced to assist **first time buyers** of new homes to fund the deposit required under the Central Bank macro-prudential rules. It will consist of a rebate of income tax paid over the previous four years up to 5% of the purchase price of up to €400,000.

Where new homes are valued between €400,000 and €600,000 the maximum relief (i.e. €20,000) will continue to be available. The house must be a new build and applicants must take out a mortgage of at least 80% of the purchase price. This scheme will run until the end of 2019.

### Living City Initiative

The Living City Initiative is being amended to encourage an increase in the take-up of the scheme. This involves extending the availability of the scheme to landlords, while for residential applicants it removes the restriction on the maximum floor size of the property, removes the requirement that the property must have been previously used as a dwelling, and reduces the minimum amount of expenditure needed to qualify.



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## Excise & Others

### Tobacco Products Tax

The excise duty on a packet of 20 cigarettes is being increased by 50 cents (including VAT) with a pro-rata increase on the other tobacco products, with effect from midnight on 11 October 2016.

### Microbreweries

The special relief reducing the standard rate of Alcohol Products Tax by 50% on beers produced in microbreweries which produce not more than 30,000 hectolitres per annum is being extended to apply to microbreweries which produce not more than 40,000 hectolitres per annum. Relief is still available on the first 30,000 hectolitres of beer produced.

### Vehicle Registration Tax

The VRT reliefs available for the purchase of hybrid electric vehicles and plug-in hybrid electric vehicles, are being extended to 31 December 2018. Electric vehicles, and electric motorcycles are being extended to 31 December 2021.

### Carbon Tax

The fuel inputs used to create high efficiency electricity in combined heat and power are being fully exempted from carbon tax.

### Fisherman Tax Credit

A new tax credit is being announced for fishers to assist the viability of the fishing sector. Fishers who have fished for wild fish or wild shellfish for at least 80 days in a tax year can claim an income tax credit of €1,270 per annum.

### Tackling offshore tax evasion

A comprehensive programme of targeted compliance interventions against those engaged in offshore tax evasion is to be introduced. New legislation designed to encourage early disclosures of liabilities by i) denying the opportunity to make a qualifying disclosure in this area after 1/5/2017 and ii) introducing a new strict liability offence for failure to return details of offshore accounts or other assets are planned.

### Foreign Earnings Deduction

FED is being extended until the end of 2020 and qualifying countries are being extended to include Colombia and Pakistan. The minimum number of days for travel is being reduced to 30 per annum.

### Special Assignee Relief Programme

SARP is being extended for a further 3 years until the end of 2020.

### Start Your Own Business Relief

The Start Your Own Business tax relief is being extended for 2 years until the end of 2018.

### Reduced rate of Deposit Interest Retention Tax (DIRT):

The rate of DIRT will be decreased by 2% each year for the next 4 years until it reaches 33%. The costs shown are in relation to the first 2% reduction. Each subsequent reduction is currently costed at the same amount.

### Revenue Powers

The Minister is increasing Revenue staff resources by 50 (full time equivalent) on audit and investigation activities as well as enhancing ICT systems capacity for data matching and data analytics. This will lead to a direct increase in tax and duty yield from compliance interventions.

#### Disclaimer

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