

# BUDGET 2016

## Tax Guide

- Final Budget of 31<sup>st</sup> Dáil;
- €800m in tax cuts and €61.4m in tax increases announced;
- Reduction in USC rates and increases in thresholds;
- Introduction of self-employed “earned income credit”;
- Increase in Group A Capital Acquisitions Tax threshold;
- Extension to deadline for Home Renovation Incentive (HRI);
- Extension of Agri-Reliefs and announcement of Farm Succession Initiative;
- Reduced CGT rate for Investors in SME companies;
- Introduction of Knowledge Development Box and reduced CT rate;
- Start-Up Relief deadline extension.



## Income Tax

There will be a €190 increase in the **Home Carer Tax Credit** from €810 to €1,000, and increase in the home carer's income threshold from €5,080 to €7,200. This will help single income married couples with children or those who care for an elderly or incapacitated relative.

Profits or gains from the occupation of **woodlands** are being removed from the high earners' restriction.

## USC

Introduction of an **Earned Income Credit** of €550 to be 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.

The **USC** entry threshold increases from €12,012 to €13,000. The Minister also announced reductions in the USC rates as follows: -

- €0 to €12,012 @ 1%
- €12,013 to €18,668 @ 3%
- €18,669 to €70,044 @ 5.5%
- €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 3% USC.



## PRSI

For **Employer PRSI**, the entry point to the top rate of 10.75% is being **increased** by €20 per week to €376 per week.

The minister announced he is introducing a **tapered PRSI credit** with a maximum level of €12 per week or €624 annually. Relief commences at income of €352.01 per week, and tapers out at a rate of one-sixth of income in excess of this threshold. Relief fully tapers out as income reaches €424 per week.

## CAT

The current **Group A tax free threshold** which applies primarily to gifts and inheritances from parents to their children is being increased from €225,000 to €280,000. This increase applies in respect of gifts or inheritances received on or after the 14th of October.

## VAT

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



## Other Income Tax

### Employment and Investment Incentive

The EII and SURE are being amended to comply with State Aid rules. In addition, expansion works to existing nursing homes will qualify for the EII and the changes announced to the EII in Budget 2015 are being commenced from Budget night.

### Incentives for Certain Aviation Services Facilities

The scheme of capital allowances for the construction of facilities used in the maintenance, repair, overhaul and dismantling of aircraft is being commenced.

### Home Renovation Incentive

The Home Renovation Incentive (HRI) was introduced in Budget 2014 for homeowners and extended to landlords in Budget 2015. 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, and will be extended for one more year, until 31 December 2016.



## Agri-Taxation

### Agri-Taxation

Four measures which were due to expire at the end of December 2015 are being extended until the end of 2018:

- general stock relief;
- stock relief for young trained farmers;
- stock relief for registered farm partnerships; and
- stamp duty exemption for young trained farmers.

### Farm Succession

A new succession transfer partnership model is being introduced to allow two people to enter into a partnership with the aim of transferring the farm to the younger farmer at the end of the specified period. This will facilitate knowledge transfer and a gradual transfer of control between farm partners. This is subject to EU State Aid approval.

## Capital Gain Tax

### CGT Entrepreneur Relief

A revised CGT relief for entrepreneurs is being introduced which will represent a simplified and upfront benefit for individuals who propose to sell their business. A lower CGT rate of 20% 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 2016.

## Local Property Tax

Proposal to postpone the revaluation date for the Local Property Tax from 2016 to 2019 and to allow an exemption for properties significantly affected by pyrite.



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## Corporation Tax

### Knowledge Development Box

The Knowledge Development Box ('KDB') is being introduced to encourage companies to develop intellectual property in Ireland and thereby engage in substantive operations that have a high 'value-add' for the Irish economy. The KDB will provide that a corporation tax rate of 6.25% will apply to the profits arising to certain intellectual property assets which are the result of qualifying research and development activity that is carried out in Ireland.

### 3 Year Relief for Start-up Companies

This measure provides relief from corporation tax on trading income (and certain capital gains) of new start-up companies in the first 3 years of trading. This relief is being extended for new start-ups commencing to trade over the next 3 years to end 2018.

### Film Relief

In order to enhance the film tax credit and encourage larger budget productions of film and television shows in Ireland, the cap on eligible expenditure under the film tax credit is increasing from €50m to €70m.

## Excise

### 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 13 October 2015.

### Microbreweries

The tax 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 will assist microbreweries with their cash flow and cash position.

## Stamp Duty

### Stamp Duty on combined debit / ATM cards

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

### Marine Taxation Measures

The office of the Revenue Commissioners have received new funding for increased audit and investigation activities, which will lead to improved compliance. This is supplemented by a new debt analysis tool, which will reduce tax arrears.

## Motor Tax

### Commercial Motor Tax

The rate of Motor Tax is being reduced for all vehicles above 4,000kgs, with a new annual rate of €500 for vehicle between 4,000kgs and 12,000kgs and €900 for vehicles over 12,000kgs.

## Pension Levy

The 0.15% **pension levy** to be abolished on 31 December 2015.

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