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Chartered Accountants & Registered Auditors

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**Budget 2016**



# BUDGET SUMMARY 2016

## INCOME TAX

The following are 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.

| 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 Civil Partner (without qualifying child) | 2,190  | 2,190  |
| Single Person Child Carer Tax Credit                                 | 1,650  | 1,650  |
| Incapacitated Child Credit Max                                       | 3,300  | 3,300  |
| Blind Tax Credit:                                                    |        |        |
| Single Person                                                        | 1,650  | 1,650  |
| Married 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  |
| Bereaved in 2014                                                     | 3,600  | 3,150  |
| Bereaved in 2013                                                     | 3,150  | 2,700  |
| Bereaved in 2012                                                     | 2,700  | 2,250  |
| Bereaved in 2011                                                     | 2,250  | 1,800  |
| Bereaved in 2010                                                     | 1,800  | -      |
| Age Tax Credit:                                                      |        |        |
| Single or Widowed or Surviving Civil Partner                         | 245    | 245    |
| Married or in a Civil Partnership                                    | 490    | 490    |
| Dependent Relative                                                   | 70     | 70     |
| Home Carer Tax Credit                                                | 810    | 1,000  |

### 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.

Where an individual has earned income that qualifies for Earned Income Tax Credit and PAYE Tax Credit, the combined tax credits cannot exceed €1,650.

### Home Carer Tax Credit

If the Home Carer has income in his or her own right, the tax credit is reduced by one-half of the amount of income that exceeds €7,200 (€5,080 in 2015). Additionally, where Home Carer Tax Credit is claimed, the increase in the standard rate income tax band that is available to couples in a marriage or civil partnership who are jointly assessed to tax does not apply.

## Marginal Rate Reliefs

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

## Tax Rates and Tax Bands

The tax rates and bands remain unchanged:

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

## Exemption Limits

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

| Personal Circumstances                                                 | 2015<br>€ | 2016<br>€ |
|------------------------------------------------------------------------|-----------|-----------|
| 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 (USC)

The rates and thresholds of the USC are changed as follows:

### The Standard Rates of USC

| USC Thresholds                       |      |                                      |      |
|--------------------------------------|------|--------------------------------------|------|
| 2015                                 |      | 2016                                 |      |
|                                      | Rate |                                      | Rate |
| Income up to €12,012.00              | 1.5% | Income up to €12,012.00              | 1%   |
| Income from €12,012.01 to €17,576.00 | 3.5% | Income from €12,012.01 to €18,668.00 | 3%   |
| Income from €17,576.01 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 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.

## 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.

## Employment and Investment Incentive (EII)

The changes announced to the EII in Budget 2015 are being commenced and the scheme is being amended to include expansion works on existing nursing homes.

## Succession farm partnerships

Where an established farmer wishes to pass his or her farm to the next generation of young trained farmers, they can form a succession farm partnership. This requires that the ownership of 80% of the land is passed to the next generation within 10 years. A tax credit of up to €5,000 per annum is available to be split between the partners. This measure is subject to EU State Aid approval.

## Deposit Interest Retention Tax (DIRT)

There are no changes to DIRT.

## LOCAL PROPERTY TAX (LPT)

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.

## VAT

There are no changes to VAT rates or thresholds.

## CORPORATION TAX

### Knowledge Development Box (KDB)

A company which has engaged in Research & Development (R&D) in Ireland and which now earns profits from patents or copyrighted software resulting from that R&D, can avail of tax relief under the KDB. The profits associated with the Irish R&D will be taxable at an effective rate of 6.25%. Full details of this measure will be contained in the Finance Bill.

### 3 Year Relief for Start-up Companies

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.

## Film Relief

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



## CAPITAL GAINS TAX (CGT)

### CGT Entrepreneur Relief

A revised CGT relief is being introduced for entrepreneurs. Gains on disposals of business assets made on or after 1 January 2016 will be charged at a reduced rate of 20% up to an overall limit of €1m. Full details will be included in the Finance Bill.

## CAPITAL ACQUISITIONS TAX (CAT)

### Tax-free thresholds

The Capital Acquisitions Tax Group A tax-free threshold has been increased from €225,000 to €280,000.

The new Group A tax-free threshold of €280,000 applies to gifts and inheritances taken on or after **14 October 2015**.

There are no changes to the Group B and Group C tax-free thresholds.

The tax-free thresholds that apply to gifts and inheritances taken on or after 14 October 2015 are therefore as follows:

|                                   |                                                                                                                                                                                                                                                                              |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Group A</b><br><b>€280,000</b> | 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 disposer. Parents also fall within this threshold where they take an inheritance of an absolute interest from a child. |
| <b>Group B</b><br><b>€30,150</b>  | Applies where the beneficiary is a brother, sister, niece, nephew or lineal ancestor or lineal descendant of the disposer.                                                                                                                                                   |
| <b>Group C</b><br><b>€15,075</b>  | Applies in all other cases.                                                                                                                                                                                                                                                  |

## EXCISES

### 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 DUTIES

### 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.

### Agri-Taxation

General Stock Relief, Stock Relief for Young Trained Farmers, Stock Relief for Registered Farm Partnerships and the Stamp Duty Exemption for Young Trained Farmers are being extended until 31 December 2018.

## VEHICLE REGISTRATION TAX (VRT)

There are no changes to VRT.

### 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.

## PRSI

A new tapered PRSI credit is being introduced for employees insured at Class A whose earnings are between €352.01 and €424 per week, which will reduce the weekly PRSI bill for many employees.

The lower 8.5% Class A rate of employer PRSI will now apply to weekly earnings up to €376 (up from €356).

Queries regarding these PRSI changes should be directed to the Dept. of Social Protection. Contact details are available on [www.welfare.ie](http://www.welfare.ie).





**RUTH,  
CIARAN**  
MAX AND SAM  
AGED 8 AND 6

## MARRIED • TWO CHILDREN



CIARAN WORKS IN THE HOME  
RUTH IS EMPLOYED AS  
A RETAIL MANAGER



INCOME PER ANNUM **€33,000**



**€605 INCREASE**

IN ANNUAL NET INCOME DUE TO THIS BUDGET

\* Change as a % of Net Income:1.8%

\*\* Includes Family Income Supplement & Child Benefit



**NIALL, CHLOE**  
FINN, ELLA AND OISIN  
AGED 12, 10 AND  
8 YEARS

## MARRIED • THREE CHILDREN



NIALL IS A NURSE  
CHLOE IS A GARDA  
THEY BOTH JOINED THE  
PUBLIC SECTOR IN 1999



INCOME PER ANNUM **EARNING €55,000  
€50,000** RESPECTIVELY

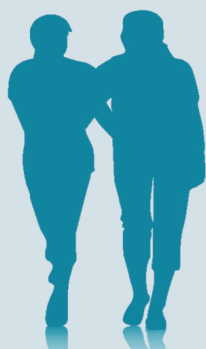


**€2,351 INCREASE**

IN ANNUAL NET INCOME DUE TO THIS BUDGET

\* Change as a % of Net Income:3.3%

\*\*Includes Lansdowne Road Agreement & Increase to Child Benefit



**CLAIRE AND  
MICHELLE**

## MARRIED



CLAIRE IS SELF-EMPLOYED  
MICHELLE IS EMPLOYED AS  
A SALES REPRESENTATIVE



INCOME PER ANNUM **EARNING €60,000  
€35,000** RESPECTIVELY



**€1,678 INCREASE**

IN ANNUAL NET INCOME DUE TO THIS BUDGET

\* Change as a % of Net Income: 2.6%



PEGGY

## RETIRED AGED 71



CONTRIBUTORY  
STATE PENSION  
€11,976 PER ANNUM

LIVING ALONE  
ALLOWANCE &  
FUEL ALLOWANCE  
€988 PER ANNUM



INCOME  
PER ANNUM **€12,964**



**€221 INCREASE**

IN ANNUAL NET INCOME DUE TO THIS BUDGET

\* Change as a % of Net Income: 1.7% \*\* Includes Increase to Fuel Allowance



ALEX

## SINGLE



SELF EMPLOYED/ENTREPRENEUR/  
OWNS HI-TECH COMPANY



INCOME  
PER ANNUM **€40,000**



**€1,002 INCREASE**

IN ANNUAL NET INCOME DUE TO THIS BUDGET

\* Change as a % of Net Income: 3.5%



KAREN

## SINGLE



EMPLOYED IN THE  
HOSPITALITY SECTOR



EARNING MINIMUM WAGE  
**€17,542** PER ANNUM



**€708 INCREASE**

IN ANNUAL NET INCOME DUE TO THIS BUDGET

\* Change as a % of Net Income: 4.2% \*\*Includes Minimum Wage Increase



### USC RATES

Incomes  $\leq$  €13,000 are exempt  
Incomes  $>$  €13,000 are charged  
At the following rates:

|         |   |                |   |      |
|---------|---|----------------|---|------|
| €0      | - | €12,012        | - | 1%   |
| €12,013 | - | €18,668        | - | 3%   |
| €18,669 | - | €70,044        | - | 5.5% |
|         | - | $\geq$ €70,045 | - | 8%   |



### CHILD BENEFIT

To increase by €5

### FREE PRE-SCHOOL PROGRAMME

Now covers from  
3 years - 5½ years



### SELF-EMPLOYED

€550 credit for the  
self-employed and  
business owners

### ENTREPRENEURS:

NEW 20% CGT rate  
Corporation tax relief for Start-Ups  
Extension of four Agri-Tax reliefs to 2018



### PENSION:

To increase by €3 per week

### FUEL ALLOWANCE:

To increase by €2.50 per week

### INHERITANCE:

Tax-free threshold to increase  
to €280,000

#### Disclaimer

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