

PATRICK R. CALLAN & CO.
CHARTERED CERTIFIED ACCOUNTANTS AND REGISTERED AUDITORS
TAX CONSULTANTS AND FINANCIAL ADVISORS

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Patrick R. Callan & Co., Malta House, Sean O' Carroll Street, Ardee, Co. Louth
Tel : +353 41 685 7165 - Fax : +353 41 685 7914 - Email : info@prcallanacca.com

Visit our website: www.prcallanacca.com

Budget

17

Budget 2017



BUDGET SUMMARY 2017

INCOME TAX

The following are details of the Budget Statement of 11 October 2016, as made by the Minister for Finance.

Tax Credits

Tax Credit	2016 €	2017 €
Single Person	1,650	1,650
Married or in a Civil Partnership	3,300	3,300
Employee Tax Credit	1,650	1,650
Earned Income Tax Credit Max	550	950
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 2016	-	3,600
Bereaved in 2015	3,600	3,150
Bereaved in 2014	3,150	2,700
Bereaved in 2013	2,700	2,250
Bereaved in 2012	2,250	1,800
Bereaved in 2011	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	1,000	1,100

Fisher Tax Credit

A new Fisher tax credit is being introduced for the years 2017 to 2021 inclusive. The tax credit is calculated at 20% of an individual's fishing income, subject to a maximum tax credit of €1,270.

To qualify for the tax credit, the individual must spend a cumulative total of 8 hours per day for at least 80 days a year fishing at sea on a registered fishing vessel.

The tax credit is not available to fish farmers. Also, if a fisher claims this credit, then they cannot also avail of the Seafarer Allowance in the same tax year.

Marginal Rate Reliefs

Relief (Allowed at the taxpayer's top rate of tax)	2016 € Max	2017 € Max
Employing a Carer	75,000	75,000

Tax Rates and Tax Bands

The tax rates and bands remain unchanged:

Personal Circumstances	2016 €	2017 €
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	2016 €	2017 €
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.

Rent-a-Room Scheme

The ceiling for exempt income under the Rent-a-Room scheme, which applies to sums arising where a person rents out a room or rooms in his or her principal private residence, is being increased from €12,000 to **€14,000** per annum for 2017 and subsequent years.

Living City Incentive (LCI)

A number of amendments are being made to the Living City Initiative. The principal amendments provide for the extension of the residential element of the initiative to lessors and the removal of the floor area restrictions.

Further details concerning this measure will be contained in the Finance Bill.

Rental Income

The rate of tax relief for interest on borrowings used in the purchase, improvement or repair of residential rental property is increased from 75% to 80% in respect of interest accruing on or after 1 January 2017.

UNIVERSAL SOCIAL CHARGE (USC)

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

The Standard Rates of USC

USC Thresholds			
2016		2017	
	Rate		Rate
Income up to €12,012.00	1%	Income up to €12,012.00	0.5%
Income from €12,012.01 to €18,668.00	3%	Income from €12,012.01 to €18,772.00	2.5%
Income from €18,668.01 to €70,044.00	5.5%	Income from €18,772.01 to €70,044.00	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.			
2016	Rate	2017	Rate
Income up to €12,012.00	1%	Income up to €12,012.00	0.5%
Income above €12,012.00	3%	Income above €12,012.00	2.5%

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

These remain unchanged:

2016	2017
Where an individual's income for a year does not exceed €13,000	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 two more years, to end on 31 December 2018.

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 two years.

Help to Buy (HTB) Incentive

A Help to Buy incentive is being introduced which is designed to assist first-time buyers with obtaining the deposit required to purchase a home or, first-time home owners looking to build their own home (self-builds).

The incentive will only be available in respect of principal private residences.

The relief will take the form of a rebate of an amount equal to income tax (including DIRT) paid over the previous four tax years.

The maximum rebate available will be up to 5% of the purchase price of a new home valued at up to €400,000. Where a new home is valued between €400,000 and €600,000, the maximum rebate (i.e. €20,000) will continue to be available. No rebate will be available for new purchases costing over €600,000 or new-builds valued at over €600,000.

The relief will be linked to a mortgage being taken out for a minimum of 80% of the purchase price, or in the case of a self-build, 80% of the valuation approved by the mortgage provider.

Relief will be provided at deposit stage (signing of contract) or, in the case of a self-build, following the drawdown of the first tranche of the relevant mortgage.

The incentive will be available, where all of the conditions are met, in the period commencing on 19 July 2016 and ending on 31 December 2019. Claimants will be able to apply online to Revenue for the relief from January 2017.

Further details concerning this incentive will be contained in the Finance Bill.

Special Assignee Relief Programme (SARP)

This incentive is extended for 3 more years, to end on 31 December 2020.

Foreign Earnings Deduction

The Foreign Earnings Deduction scheme is being extended until the end of 2020. In addition, from 2017 onwards, Colombia and Pakistan are added as relevant states and the number of required days to be spent in a relevant state is reduced from 40 to 30.

Start Your Own Business Relief

This measure, which provides relief from income tax for long term unemployed individuals who start a new business, is being extended for 2 more years to end on 31 December 2018.

Agri-Taxation

Income Averaging

The income averaging regime for farmers is being amended to provide an option for farmers to elect out of averaging and revert to the normal basis of assessment for a single year. The deferred tax on the average profit will be payable in instalments over the subsequent years. The election will be available for the 2016 and subsequent years of assessment.

Accelerated Capital Allowances for Energy Efficient Equipment

The accelerated capital allowances for energy efficient equipment currently available to companies, is being extended to all sole traders.

VAT

Increase in the Farmer's Flat-Rate Addition

The flat-rate scheme compensates unregistered farmers for VAT incurred on their farming inputs.

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

Deposit Interest Retention Tax (DIRT)

The rate of retention tax that applies to deposit interest is being reduced by 2 percentage points each year over the next four years to bring the rate of DIRT from 41% to 33% over that period.

A reduced rate of 39% will apply to interest paid or credited on or after 1 January 2017.

CORPORATION TAX (CT)

There are no changes to Corporation Tax.

CAPITAL GAINS TAX (CGT)

Entrepreneur Relief

A reduced CGT rate of 10% will apply to the disposal in whole or in part of qualifying business assets up to an overall limit of €1m of chargeable gains.

Relief for Raised Bogs

A CGT relief is being introduced to exempt payments made under an incentive scheme relating to the protection of raised bogs.

Details will be contained in the Finance Bill.

CAPITAL ACQUISITIONS TAX (CAT)

Tax-free Thresholds

The Capital Acquisitions Tax Group tax-free thresholds are increased as follows:

Threshold		Existing Level	New Level
A	applies where the beneficiary is a child (including adopted child, step-child and certain foster children) or is a 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.	€280,000	€310,000
B	applies where the beneficiary is a brother, sister, a nephew, a niece or lineal ancestor or lineal descendant of the disposer.	€30,150	€32,500
C	applies in all other cases.	€15,075	€16,250

The new Group tax-free thresholds apply to gifts and inheritances taken on or after 12 October 2016.

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 to small breweries producing up to 40,000 hectolitres per annum. Relief will continue to be granted up to 30,000 hectolitres per annum.

Alcohol Products Tax (APT)

There are no changes to the APT rates.

Tobacco Products Tax (TPT)

TPT rates are increased with effect from 12 October 2016. 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.

Electricity and Energy Products

The Minister has announced the following measures:

Mineral Oil Tax

Mineral Oil Tax will apply to natural gas used as a vehicle fuel. The rate is set at the EU minimum under the Energy Tax Directive.

Solid Fuel Carbon Tax

The partial relief from carbon tax on certain solid fuels that include a biomass component (introduced in Finance Act (No. 2) 2013) will be commenced.

Energy products used as fuel for High Efficiency Combined Heat and Power cogeneration

A full relief from carbon tax will apply to all input fuels certified as having been used in combined heat and power plants to produce high efficiency electricity.

VEHICLE REGISTRATION TAX (VRT)

Extension of VRT Reliefs for Electric, Plug-in Hybrid Electric and Hybrid Electric vehicles

Remission or repayment in respect of VRT is being extended in the budget as follows:

- Hybrid vehicles: remission or repayment extended until 31 December 2018, and
- Electric vehicles including electric motor cycles: remission or repayment extended until 31 December 2021.

The rates of each of the reliefs remain unchanged.

PRSI

There are no changes to PRSI.

