



BUDGET HIGHLIGHTS 2016

Budget 2016

13 October 2015

Welcome

We are pleased to provide our summary of the main taxation measures announced in Budget 2016.

With the fastest growing economy in Europe and an election in the coming months, the Minister has concentrated the significant tax changes in reductions to the Universal Social Charge.

Finance Bill 2015 will be introduced on 22 October 2015. Our team will be closely monitoring the Bill and we will be issuing commentary on the main provisions as they arise. Any member of our team will be delighted to assist you with any taxation or business questions you may have.

Please contact us for more information on how we can help you.

Kind Regards
from all the team at RTW

Personal Tax

- Cuts to USC rates. Income of €13,000 or less exempt from USC
- Income tax rates remain the same
- No changes to the income tax standard rate band
- Earned Income Credit of €550 for self-employed individuals
- Increase in Home Carer Tax Credit
- Home Renovation Incentive extended to 31 December 2016

Pensions

- 0.15% pension levy to expire at the end of 2015

Business Tax

- Extension of three-year exemption from corporation tax for start-ups
- Improvements to the Employment and Investment Incentive Scheme
- Knowledge Development Box tax rate of 6.25%
- A new farm succession transfer model will be introduced
- The cap on Section 481 film eligible expenditure increased to €70m

VAT

- The reduced 9% rate of VAT on tourism-related activities to be retained

Capital Gains Tax

- New 20% rate for disposal of businesses by entrepreneurs subject to a lifetime limit of €1m in chargeable gains

Capital Acquisitions Tax

- Tax-free threshold for gifts/inheritances from parents to children increased from €225,000 to €280,000

Stamp Duty

- Changes in stamp duty on debit/ATM cards to increase use
- Reduction in interchange fees charged by banks to retailers on debit and credit card transactions will come into effect on 9th December 2015
- Extension of the Stamp Duty relief for Young Trained Farmers for a further three years until end of 2018

Other Taxes

- Price of 20 cigarettes to rise by 50c from midnight
 - Reduction in Motor Tax rates for large goods vehicles
 - Changes to excise duty relief for micro-breweries
-



Personal tax credits and bands	2016	2015
Personal tax credits		
Single	€1,650	€1,650
Married	€3,300	€3,300
PAYE	€1,650	€1,650
Earned income tax credit for self-employed	€550	-
Age exemption limits (aged 65 and over)		
Single	€18,000	€18,000
Married	€36,000	€36,000
20% standard rate tax bands		
Single	€33,800	€33,800
Married one income	€42,800	€42,800
Married two incomes	€67,600	€67,600

Personal Taxation

Tax rate

The 40% higher tax rate will remain for 2016.

Universal Social Charge (USC)

The entry threshold for USC will increase from €12,012 to €13,000. Approximately 700,000 income earners will not be liable to USC from the start of 2016.

Income	USC
From €0 - €12,012	1%
From €12,013 - €18,668	3%
From €18,669 - €70,044	5.5%
Over €70,045	8%

The exemption from the higher rate of USC for medical card holders and people aged over 70 whose aggregate income is €60,000 or less will be retained in 2016. Those eligible will pay a maximum rate of USC of 3%.

The 11% rate will continue to apply to self-employed income over €100,000.

These measures will ensure that the marginal rate of tax for those earning

up to €70,000 will be reduced to 49.5%.

Employee PRSI

With effect from 1 January 2016, a tapered PRSI relief will be introduced to alleviate the step effect across a range of incomes for low pay workers. The relief will be subject to a maximum of €12 per week. It will commence at income of €352 per week and taper out at a rate of one-sixth of income in excess of the threshold. The relief will fully taper out where income reaches €424 per week. This should give rise to a significant improvement in the net incomes of low income workers.

Employer's PRSI

The entry point for the top rate of Employer's PRSI of 10.75% will increase by €20 per week from €356 to €376 per week.

Home Carer Tax Credit

The Home Carer Tax Credit will increase from €810 to €1,000. The income threshold up to which a home carer can earn will also be increased from €5,080 to €7,200.

Earned Income Credit

From 1 January 2016, an Earned Income Credit of €550 will be available to taxpayers earning self-employed trading or professional income and to business owners/managers who are ineligible for the PAYE credit on their salary income. The aim of this measure is to support entrepreneurs and small business-owners generating economic activity and contributing to economic recovery.

Employment and Investment Incentive Scheme (EIIIS)

The changes announced to EIIIS in Budget 2015 will take effect from midnight tonight (i.e. 13 October 2015). Amendments include the extension of the scheme to include companies operating qualifying nursing homes and the inclusion of small and medium sized operations irrespective of their geographical location.

In the case of companies owning and operating a qualifying nursing home the funds can be used for the purpose of enlarging the capacity of the qualifying nursing home.

High Earner's Restriction

Profits or gains from the occupation of woodlands will be removed from the high earner's restriction with effect from 1 January 2016.

Home Renovation Incentive (HRI)

The HRI Tax Credit is being extended until 31 December 2016.

Pensions

The pension fund levy of 0.15% introduced for 2014 and 2015 will end this year and not apply in 2016.



Business Taxation

Three-year Tax Exemption for Start-up Companies

As announced last year, this measure was reviewed prior to the Budget and this relief is being extended for companies commencing to trade before the end of 2018.

Film Relief

The cap on eligible film expenditure is being increased from €50 million to €70 million. This measure is subject to state aid approval.

Knowledge Development Box

In recognition of the importance of encouraging innovation to our economic policy, a knowledge development box regime will be provided for in the upcoming Finance Bill. The measure was first signalled in Budget 2015.

This tax incentive will ensure that profits arising from certain types of intellectual property will qualify for a reduced rate of corporation tax of 6.25%. It will further enhance the attractiveness of our corporation tax system to innovative industries and will complement the existing reliefs in place such as the R&D tax credit and the intangible asset regime.

As this will be the first OECD-compliant "patent box" system in the world it offers Ireland a competitive advantage over other countries in providing long-term certainty to companies planning their R&D activities.

Tax compliance measures

The Revenue Commissioners are to receive €75 million to fund increased audit and investigations activities.

International tax

In tandem with the Budget, the Government released a report on our International Tax Strategy. This report

outlines our approach to the implementation of the OECD Base Erosion and Profit Shifting actions and how we will engage with the emerging EU tax agenda.

It explains the challenging steps already taken by Ireland in changing its tax residence rules to eliminate the "Double-Irish" and similar structures whilst stating our commitment to retaining a corporation tax system that will allow us to attract foreign direct investment. It also emphasises our willingness to cooperate with other developed countries in tackling aggressive tax avoidance by multinationals and identifies the opportunities that the new international tax landscape presents to us.

Furthermore, to enhance transparency, the Finance Bill will provide for the introduction of country-by-country reporting of information, in line with the OECD recommendations.

VAT

The reduced VAT rate of 9% for goods and services mainly related to the tourism and hospitality industry will remain for 2016.

Capital Gains Tax

In order to support and incentivise successful entrepreneurs, a reduced capital gains tax rate of 20% will apply to individuals who sell all or part of their business up to a lifetime limit of €1 million in chargeable gains. This measure mirrors a similar relief introduced in UK called entrepreneurs' relief, which offers a tax rate of 10% on the sale of a business.

Capital Acquisitions Tax

The CAT thresholds were reduced in previous years due to falling asset

prices. However, to take account of increasing property prices the tax-free threshold for gifts and inheritances from parents to children has been increased from €225,000 to €280,000 with effect from 14 October 2015.

Stamp Duty

By reducing the cost of using debit cards and raising the transaction limit on contactless payment cards from €15 to €30, the Government are seeking to encourage both consumers and retailers to increase the use of debit cards and reduce the use of cash, which in turn should curtail the shadow economy.

Farming & Food

Extension of existing reliefs

A number of reliefs that were due to expire at the end of 2015 are being extended for another three years, namely:

- General Stock Relief
- Stock Relief for Young Trained Farmers
- Stock Relief for Registered Farm Partnerships
- Stamp Duty exemption for Young Trained Farmers

Farm Transfer Partnerships

A new Farm Succession Transfer Partnership Model is being introduced. This is subject to EU approval but is proposed to include an Income Tax credit of up to €5,000 per annum to the partnership for up to five years.

This will enable an existing farmer to enter into a partnership with a younger farmer so that knowledge and control of the farm can gradually be transferred with the aim of having the entire farm transferred to the younger farmer within a period of ten years.

Excise Duty on Micro-Breweries

Currently beer produced in micro-breweries qualifies for a 50% reduction in excise duty. It is available in the form of a rebate to the micro-brewery; in future it will also be available upfront.

Other Taxes

Motor Tax

The motor tax regime on commercial vehicles has been simplified and the tax rate has been reduced for commercial vehicles with effect from 1 January 2016. The rate of motor tax is being significantly reduced for all commercial vehicles above 4,000kgs, with a flat annual rate of €500 for vehicles between 4,000kgs and 12,000 kgs and a flat rate of €900 for vehicles above the upper limit. The motor tax regime applicable to vehicles under 4,000kgs remains unchanged.

Other Measures

The Budget contains a number of measures in the areas of housing, childcare, LPT, Social Protection and the minimum wage.

Housing

- NAMA, by working with developers is to deliver a target of 20,000 new

homes, 90% of them in the Greater Dublin area, by the end of 2020.

- In excess of 9,500 new social housing units, with over 3,100 of them in 2016, will be funded through direct investment and Public Private Partnership (PPP).

Childcare

- Child benefit is to increase by €5 per month.
- Paternity leave of two weeks is to be introduced from September 2016.
- A second year of free pre-school education is to be introduced - it will now cover from age 3 until the child starts primary school.
- Free GP care is to be extended to the under-12s.
- The Community Childcare Subvention Scheme is to be extended by up to 8,000 places.

Local Property Tax

- Property revaluation date for LPT postponed from 2016 to 2019.

Social Protection

- Pensions and carer's allowance are to be increased by €3 per week.
- The Respite Care Grant is to be restored to its previous level of €1,700 per annum.

Minimum wage

- The hourly minimum wage to be increased by 50c to €9.15.

About Us

RTW is twelve years in existence and specialises in looking after the requirements of small, medium and large businesses and also acts as advisors on all matters of taxation and finance. Our team of qualified accountants bring with them a wealth of skills and knowledge gained over the years.

Our firm offers a range of services including:

- Auditing and Accounting
- Management Accounts
- Consultancy Services
- Bookkeeping
- Payroll
- Personal Taxation
- Corporate Taxation
- Capital Gains Tax
- Capital Acquisitions Tax
- Stamp Duty
- VAT
- PAYE/PRSI
- Subcontractors' Tax
- Company Secretarial
- Business Start Up
- Budgets and Cash Flow Statements

We place maximum emphasis on partner availability to our clients and have committed considerable resources to ultra modern computer facilities.

RTW

Chartered Accountants

16 Woodstown Village Centre, Knocklyon, Dublin 16.

Tel: +353 1 4958250 Fax: +353 1 4953868

E-mail: info@rtw.ie Website: www.rtw.ie



Claire Rynne FCA
Partner
crynne@rtw.ie

Gerard Tully FCA
Partner
gtully@rtw.ie

Matt Roche ACA
Director
mroche@rtw.ie

Registered Auditors and Authorised to carry out Investment Business by Chartered Accountants Ireland



The document is intended for general guidance only. No representation or warranty, express or implied, is made or liability accepted by RTW or by any of its partners, employees or agents in relation to the accuracy, reasonableness or completeness of the information contained in this document. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained in, or errors in or omissions from, this document or based on or relating to the recipients' use of the document and accept no liability in relation to any of the information in this document. This document is a summary only and professional advice should be obtained before entering into any transactions.