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TAX & ACCOUNTING

Budget 2016

Summary of Taxation Measures

Retaining the positive trend from the 2015 budget, this budget is very obviously a pre-election one. It's unlikely that many will complain about many of the measures, however, as almost everyone will see an increase in their net pay in 2016, everything being equal.

To further enhance Ireland's attractiveness for Foreign Direct Investment, there is the introduction of the Knowledge Development Box while the low paid workers can look forward to an increase in the minimum wage, PRSI relief and changes to the USC bands / rates. Small businesses and the self-employed will soon be able to benefit from an Earned income tax credit and a reduced CGT rate on the sale of businesses.

The Finance Minister finished his speech on the note that he hopes to abolish the USC and reduce the marginal tax rate for all individuals to 50% while also achieving tax-equalisation for the self-employed.

The first draft of the Finance Bill will be released in the coming weeks which will provide more detail on the Minister's announcements.

Except where noted below, the changes outlined in today's budget will come into force from 1 January 2016.





1. Business taxation

Employer's PRSI

In tandem with the PRSI relief introduced for low paid workers, the weekly entry point to the higher 10.75% employer PRSI rate has been increased from €356 to €376.

Pension levy

The 0.15% levy will be abolished.

Start-up exemption

The start-up exemption has been extended.

Knowledge Development Box

A reduced corporation tax rate of 6.25% will be available for certain income from patents and copyrighted software derived from qualifying research and development carried out in Ireland.

Film relief

The cap on eligible expenditure has been increased to €70 million, subject to EU approval.

Motor tax

The existing 28 commercial tax rates are being replaced by five rates ranging from €92 to €900.



2. Income tax & PRSI

Home carer's tax credit

This credit has been increased to €1,000 per year with the income threshold for the credit being raised to €7,200.

Universal Social Charge (USC)

The USC rates of 1.5% and 3.5% have been decreased to 1% and 3% respectively while the 7% rate has been decreased to 5.5%.

The entry point to the USC charge has been increased from €12,012 to €13,000. The 3% USC rate will apply to income between €13,000 and €18,668 (previously €17,576) after which the new 5.5% rate will apply to income up to €70,044.

PRSI

To combat the scenario whereby low-paid workers actually see a reduction in net pay following a pay increase, a tapered PRSI credit is being introduced for income in excess of €352 per week.

The maximum credit will be €12 per week (€624 per year) with a €1 reduction in every increase of €6 per week meaning the credit will cease to apply at income of €424 per week.

Earned income tax credit

A tax credit of €550 will be made available to those with earned income who do not qualify for the PAYE tax credit. This will primarily affect company directors, the self-employed and farmers.

Home Renovation Incentive

The incentive has been extended to 31 December 2016.



High Earners' Restriction

Profits from the occupation of woodlands are being removed from the restriction.

3. Capital taxes

Capital Acquisitions Tax

The Group A threshold is being increased from €225,000 to €280,000.

CGT Entrepreneur relief

A reduced rate of 20% will apply to those disposing of their business with chargeable gains up to €1 million.

4. VAT & Excise Duties

9% VAT rate

The 9% VAT rate for the tourism sector remains in place with no additions made.

Excise duties

From budget night, the price of a pack of cigarettes increases by 50c.

There will be no increases on alcohol, diesel or petrol.

Microbreweries

The 50% reduction in Alcohol Products Tax is now available up-front to facilitate better cash-flow for the business.

Stamp duty on ATM / debit cards

The €2.50 / €5 charge is being abolished and replaced by a new 12c per ATM transaction charge which is capped at €2.50 / €5 per year.

5. Agriculture

Farm succession

A farm succession transfer partnership model, subject to EU approval, is being introduced. It seems that a tax credit will be available to apportion between the partners on the same basis as profits.

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.

