

BUDGET 2017

Introduction

The Minister of Finance, Mr Michael Noonan TD, and The Minister for Public Expenditure Mr Paschal Donohoe TD presented the Budget and Public Expenditure Measures which provide resources of €1.3 Billion with €500 million available in tax cuts.

The widely flagged intention of the government to abolish USC saw the standard rates of USC each reduced by 0.5% at a cost of €335million.

The Minister has confirmed that the 9% Tourism & Hospitality rate of VAT will remain for 2017.

Start-up relief from Corporation Tax has been extended for new start-ups commencing to trade in the next 3 years.

New SME focused share based remuneration scheme to be introduced in Budget 2018, subject to further consultation and EU state aid approval

Knowledge Development Box to be modified to provide for additional benefits for small companies. No further details provided

CGT entrepreneur relief to be amended from 20% to 10%. The lifetime cap of €1m is to be reviewed in future budgets

It is proposed that a review of the application of stamp duty to Irish shares will be undertaken in 2017

The thresholds for Capital Acquisition Tax have been increased with the transfer from parent to child increased from €280,000 to €310,000

Principal Features

Income Tax

- Home Carer increased from €1,000 to €1,100
- Increase in Earned Income Credit for self employed and proprietary directors from €550 to €950
- Rent a Room relief increased by €2,000
- Income Tax Rebate to assist first time buyers
- Interest relief for Residential Landlords increased to 80%

USC

- Reduction in base rates and exemption limit maintained at €13,000

Farmers Taxation

- Flat rate VAT increased to 5.4%
- Farmers now able to step out of Income Averaging for a Year.

Capital Acquisitions Tax

- Increase in thresholds for Group A, Group B and Group C

Capital Gains Tax

- Revised CGT entrepreneur relief on chargeable gains up to €1,000,000

VAT

- No change to 9% Vat rate for Tourism

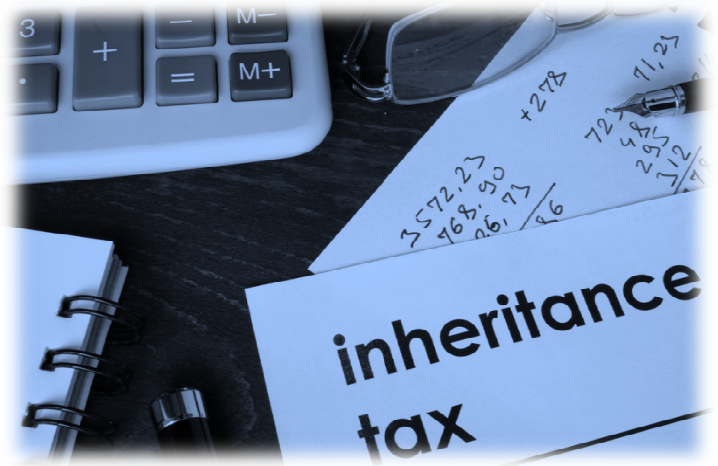
Capital Taxes

Capital Gains Tax

The Entrepreneur relief introduced in last year's budget is amended to reduce the capital gains tax rate to 10% on the disposal in whole or in part of qualifying business assets up to an overall lifetime limit of €1 million in chargeable gains. The lifetime cap of €1m to be reviewed in future budgets.

Capital Acquisitions Tax

The thresholds for CAT have increased as follows:
Group A increased from €280,000 to €310,000
Group B increased from €30,150 to €32,500
Group C increased from €15,075 to €16,250



Agri – Business

Increase in farmers' flat rate addition from 5.2% to 5.4% with effect from 1st January 2017.

The scheme of accelerated capital allowances for energy efficient equipment is being made available to sole traders and non-corporates.

The Income Averaging regime allows a farmer's taxable profit to be averaged out over a 5 year period. This is being amended to allow a farmer facing an exceptionally poor year to step out of income averaging and instead only pay tax due on a current year basis with any deferred tax liability becoming payable over subsequent years.

This facility may be availed of for the 2016 tax year.

Compliance Measures

A comprehensive programme of targeted compliance interventions will be introduced against those engaging in offshore tax evasion. This programme will be underpinned by applying advanced analytics techniques to the range of new data sources available through FATCA, EU and OECD exchange of information initiatives and supported by new legislation designed to encourage early disclosures of liabilities in relation to offshore accounts or assets by:

- (i) Denying the opportunity to make a qualifying disclosure in this area after 1st May 2017 and
- (ii) Introducing a new strict liability offence for failure to return details of offshore accounts or other assets.

Example of Savings

Married Couple, one income, two children, taxed under Schedule D (self – employed)

Gross Income €	Income		PRSI		Universal Social Charge		Total Change		Change as a % of Net Income
	Existing €	Proposed €	Existing €	Proposed €	Existing €	Proposed €	Per Year €	Per Week €	
18,000	0	0	720	720	300	210	90	2	0.4%
20,000	0	0	800	800	393	290	103	2	.5%
25,000	150	0	1,000	1,000	668	540	278	5	1%
30,000	1,150	650	1,200	1,200	943	790	653	13	2.2%
35,000	2,150	1,650	1,400	1,400	1,218	1,040	678	13	2.0%
45,000	4,590	4,090	1,800	1,800	1,768	1,540	728	14	1.8%
55,000	8,590	8,090	2,200	2,200	2,318	2,040	778	15	1.7%
70,000	14,590	14,090	2,800	2,800	3,143	2,790	853	16	1.6%
100,000	26,590	26,090	4,000	4,000	5,542	5,189	853	16	1.3%
150,000	46,590	46,090	6,000	6,000	11,042	10,689	853	16	1.0%
175,000	56,590	56,090	7,000	7,000	13,792	13,439	853	16	.8%

Business Initiatives

The 12.5% corporation tax rate will not be changed.

New SME focused share based remuneration scheme to be introduced in Budget 2018, subject to further consultation and EU state aid approval.

Knowledge Development Box to be modified to provide for additional benefits for small companies. No further details provided.

A consultation process will take place focusing on the modernisation of the PAYE system to be effective from 1 January 2019.

The Start Your Own Business Relief is to be extended for a further 2 years



TAX CREDITS

	2017	2016
Personal tax credits		
Single	1,650	1,650
Married or widow in the year of bereavement	3,300	3,300
Single Person child carer credit	1,650	1,650
Self employed allowance	950	550
Fishersman Credit	1,270	0
PAYE Allowance	1,650	1,650
Dependent relative	70	70
Incapacitated Child	3,300	3,300
Blind Allowance	1,650	1,650
Home Carer	1,000	810
Additional Credit for widowed persons	540	540
Age Credit		
Single	245	245
Married	490	490
Widow parent tax credit		
Year 1	3,600	3,600
Year 2	3,150	3,150
Year 3	2,700	2,700
Year 4	2,250	2,250
Year 5	1,800	1,800

INCOME TAX

The tax year is the Calendar year and ends on the 31st December 2016

Rates and Bands

	2017		2016	
	Standard	Marginal	Standard	Marginal
Tax Rates	20%	40%	20%	40%
Bands				
Single/Widower	€33,800	Balance	€33,800	Balance
Married Couple (1 Income)	€42,800	Balance	€42,800	Balance
Married Couple (2 Income)	€67,600	Balance	€67,600	Balance
Lone Parent	€37,800	Balance	€37,800	Balance

The tax band of €67,600 available to married couples with two incomes is transferrable between spouses up to a maximum of €42,800 per spouse

Universal Social Charge (USC)

2017		2016	
	Rate		Rate
Income up to €12,012	0.5%	Income up to €12,012	1%
Income from €12,013 to €18,772	2.5%	Income from €12,013 to €18,668	3%
Income from €18,772 to €70,044	5%	Income from €18,668 to €70,044	5.5%
Income from €70,044	8%	Income above €70,044	8%
Self employed income over €100,000	11%	Self employed income over €100,000	11%

PRSI

EMPLOYEES CLASS A1	2017	2016
EMPLOYEES CLASS A1		
Exemption limited (per week)	€352	€352
Marginal relief limit	€424	0
Rate	4%	4%
EMPLOYERS		
Earnings Ceiling	None	None
On Earnings up to €376 per week	8.50%	8.50%
On Earnings over €376 per week	10.75%	10.75%
SELF EMPLOYED		
Income Ceiling	None	None
Rate	4%	4%
Minimum Payment	€500	€500

Exemption Limits

65 YEARS and over

	2017	2016
Single/Widowed	€18,000	€18,000
Married Couple	€36,000	€36,000

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For information of Users:

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11th October 2016