



Budget 2017

TAX FACTS & FIGURES

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BUDGET 2017

Minister for Finance, Michael Noonan T.D. introduced Budget 2017 on 11 October 2016. All income taxpayers will be better off as a result of the Budget measures announced. Our highlights below outline the main tax provisions included in his speech and we attach our Budget Summary which provides further detail on the changes announced.

Key Tax Points:

Income Tax

- A reduction in the rates of USC applying to incomes up to €70,044, with the present rates of 1%, 3% and 5.5% falling to 0.5%, 2.5% and 5.0% respectively from 1 January 2017
- A small increase in the ceiling of the band to which the 2.5% rate of USC will apply from €18,668 to €18,772
- Marginal rate of tax for those earning between €33,801 and €70,044 will fall from 49.5% to 49% as a result of USC changes
- An increase in the Home Carer Tax Credit from €1,000 to €1,100 for 2017
- The earned income tax credit for the self-employed of €550 introduced in Budget 2016 will be increased to €950 for 2017
- Rate of interest deductibility for residential property landlords will be increased from 75% to 80% with a further annual increase in the rate by 5% until the full interest deductibility is restored

- Annual income limit for the Rent-a-Room scheme is being increased from €12,000 to €14,000 per annum from 1 January 2017
- The rate of DIRT will be reduced from 41% to 39% for 2017. The Minister also committed to reducing the rate of DIRT by 2% per year in each of the following three years until it reaches 33%
- Extension of Special Assignee Relief Programme and the Foreign Earnings Deduction until 31 December 2020. In addition, the minimum number of days required to be spent abroad for the Foreign Earnings Deduction will be reduced from 40 to 30 days and two additional countries (Colombia and Pakistan) now qualify
- Introduction of new tax credit for fishermen of €1,270 per annum
- Enhancements to the Living City Initiative

Business Tax

- Strong commitment to retention of the 12.5% standard rate of Corporation Tax
- New SME-focussed share based incentive scheme to be developed and announced in Budget 2018

Capital Taxes

- Reduction in the preferential rate of Capital Gains Tax applying under the Entrepreneurs Relief from the present 20% rate to 10%. This relief applies to the gain on the sale of the whole or part of a business up to €1,000,000 subject to certain conditions. The €1,000,000 is a lifetime limit. The Minister indicated that he will review the €1,000,000 limit in future budgets.
- Capital Acquisitions Tax – Group A threshold (applies to transfers from parents to their children generally) will be increased from €280,000 to €310,000 with effect from 11 October

2016. The Group B threshold applying to gifts and inheritances made to parents, siblings, nieces, nephews or grandchildren is being raised from €30,150 to €32,500. The Group C lifetime tax-free threshold applying to gifts and inheritances made to all others (except spouses and civil partners who are exempt) is being increased from €15,075 to €16,250.

- Payments received by relevant owners and rights holders under the raised bog restoration incentive scheme will be exempt from Capital Gains Tax

Farming

- Revision of the Income Averaging regime which allows a farmer's taxable profit to be averaged out over a 5-year period. The regime will be amended to allow an 'opt-out' in a single year of unexpectedly poor income. The change can be availed of for the 2016 tax year with the deferred tax to be paid in subsequent years.
- The scheme of accelerated capital allowances for energy efficient equipment will be extended to sole traders and non-corporates.
- The farmer's flat-rate addition will be increased from 5.2% to 5.4% with effect from 1 January 2017
- Farm restructuring relief extended to 31 December 2019

VAT

- The reduced 9% VAT rate for tourism-related goods and services is being retained

Other Tax Matters

- Introduction of Help to Buy Scheme for first time buyers of new houses which will provide a rebate of income tax paid over the previous four years up to a maximum of 5% of the

purchase price of the new home up to a value of €400,000 (max rebate = €20,000). This max rebate will also apply to houses costing between €400,000 and €600,000 but the relief will not apply to houses costing in excess of €600,000.

- Home Renovation Incentive applying to family homes and rental properties to be extended to 31 December 2018
- Extension of mortgage interest relief to 2020 with details to be announced in Budget 2018
- The price of 20 cigarettes will increase by 50c with effect from 11 October 2016

The Finance Bill is due to be published shortly and it will contain legislation for the provisions which were announced in the Budget. The proposals announced may be subject to change and additional provisions may be introduced when the legislation is enacted. If you have any queries on the Budget measures and their potential impact on you or your business, please do not hesitate to contact your usual OBI contact.

The attached Budget Summary and highlights above have been written in general terms setting out broad guidance of the Budget measures, albeit due care has been taken in their preparation. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. OBI, its partners/ directors, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this email and attached publication or for any decision based on it.

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.

Legal Disclaimer

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