



TAX FOCUS

BUDGET 2017

Budget 2017 is the sixth budget in a row delivered by the Minister for Finance Michael Noonan TD. Budget 2017 in many ways resembled Budget 2016 in that most of the measures had been announced in advance of the Budget, so there were no surprises. In addition, the Budget provides for increased expenditure in public services and tax relief in a number of areas with only one tax raising measure, being the increase in excise duty on cigarettes and tobacco related products.

Budget 2017 has introduced a number of measures aimed at specific sectors to include the property sector, agriculture and marine. In addition there are a number of measures introduced to assist particular sectors of the economy that face increased risk as a result of Brexit. However, we still have a marginal tax rate of 55% for the self-employed and 52% for employees, which weakens our competitiveness and places a higher tax burden on the middle and higher income tax payers.

The Minister noted that the economy is in good shape, however we must still put in place the safety nets to protect us against further economic shocks. To this end, the Minister confirmed the government's intention to establish a new "rainy day" fund. He also noted that the country must maintain the prudent fiscal policy that has been followed over the last 5 years so that we can move away from the "boom and bust cycles" that have caused so much hardship in the past.

TAXATION MEASURES

INCOME TAX

Personal Taxation

The standard rate band and income tax rates all remain unchanged.

The Home Carer Tax Credit will increase from €1,000 to €1,100.

The Earned Income Credit will increase from €550 to €950. This credit is available to taxpayers earning self-employed trading or professional income under Cases I, II and III of Schedule D and to business owner/managers who are ineligible for a PAYE credit on their salary income.

Universal Social Charge

For 2017, USC will apply as follows:

Incomes of €13,000 or less are exempt from USC.

€0	to €12,012	@	0.5%
€12,013	to €18,772	@	2.5%
€18,773	to €70,044	@	5%
€70,045	to €100,000	@	8%
PAYE income in excess of €100,000		@	8%
Self-employed income in excess of €100,000		@	11%

Medical card holders and individuals aged 70 years and over whose aggregate income is €60,000 or less will pay a maximum rate of 2.5% USC (previously 3%).

Fishermans Tax Credit

A new tax credit is being announced for fishermen to assist the viability of the fishing sector. Fishermen who have fished for wild fish or wild shellfish for at least 80 days in a tax year can claim an income tax credit of €1,270 per annum.

Home Renovation Incentive (HRI)

The HRI which provides tax relief of 13.5% for qualifying renovation and improvement work on homes and rental properties, owned by landlords subject to income tax is being extended until 31st December 2018.

Help to Buy

An income tax rebate incentive is being introduced to assist first time buyers of new homes fund the deposit required under the Central Bank rules. It will consist of a rebate of income tax paid over the previous four years up to 5% of the purchase price of up to €400,000. Where new homes are valued between €400,000 and €600,000 the maximum relief (i.e. €20,000) will continue to be available. The house must be a new build and applicants must take out a mortgage of at least 80% of the purchase price. There is no rebate for houses in excess of €600,000. This scheme will run until the end of 2019.

Rent a Room

The ceiling for exemption from income tax for income received from the letting of a room or rooms in a person's principal private residence is being increased from €12,000 to €14,000 for 2017 and subsequent years.

Living City Initiative

The Living City Initiative is being amended to encourage an increase in the take up of the scheme. This involves extending the availability of the scheme to landlords, while for residential applicants it removes the restriction on the maximum floor size of the property, removes the requirement that the property must have been previously used as a dwelling, and reduces the minimum amount of expenditure needed to qualify.

Reduced rate of Deposit Interest Retention Tax (DIRT):

The rate of DIRT will be decreased by 2% each year for the next 4 years until it reaches 33%.

BUSINESS MATTERS

12½% Corporation Tax Rate

The 12½% rate of Corporation Tax for trading profits remains unchanged.

Interest Relief – Rented Residential Property

The deduction available for qualifying interest payments on monies borrowed to purchase, improve or repair residential rental property is being increased from 75% to 80%. This measure will apply to both new and existing mortgages. Further increases will be introduced in future budgets until full relief is reinstated.

Foreign Earnings Deduction/ Special Assignee Relief Programme

FED is being extended until the end of 2020 and qualifying countries are being extended to include Colombia and Pakistan. The minimum number of days for travel is being reduced to 30 per annum.

SARP is being extended for a further 3 years until the end of 2020.

Start Your Own Business Relief

The Start Your Own Business tax relief is being extended for 2 years until the end of 2018.

Accelerated Capital Allowances for energy efficient equipment

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

CAPITAL TAXES

Capital Gains Tax (CGT)/Capital Acquisitions Tax (CAT)

The current rates of 33% remain unchanged.

Capital Acquisitions Tax

Changes to lifetime tax-free thresholds:

The Group A threshold from parents to children is being raised from €280,000 to €310,000.

The Group B threshold for gifts and inheritances made to parents, siblings, nieces, nephews or grandchildren is being raised from €30,150 to €32,500.

The Group C threshold applying to gifts and inheritances made to all others (except spouses and civil partners who are exempt) is being raised from €15,075 to €16,250.

Capital Gains Tax

A revised Capital Gains Tax relief for entrepreneurs was introduced from 1 January 2016 which applied a reduced capital gains tax rate of 20% to the disposal in whole or in part of a business up to an overall limit of €1 million in chargeable gains. The revised CGT rate will be reduced to 10% for qualifying chargeable gains.

CGT Relief for Raised Bogs

Payments under the new raised bog restoration incentive scheme will be exempt from CGT.

FARMER TAXATION

Increase in the Farmer's Flat-Rate Addition from 5.2% to 5.4%

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

Income Averaging Step Out

The Income Averaging regime allows a farmer's taxable profit to be averaged over a 5-year period. The new amendment allows an "opt out" in a single year of unexpectedly poor income, so that you pay only the tax due on a current year basis. This may be availed of for the 2016 tax year.

INDIRECT TAXES

VAT

The Minister has indicated that it is prudent to retain the 9% VAT rate particularly for the tourism and hospitality industry which is affected by the value of sterling.

Charities are generally exempt from VAT and cannot recover VAT incurred on costs. The Minister announced that they will engage further with the Irish Charities Tax Reform Group to examine how charities might be compensated in this regard.

EXCISE DUTIES

Tobacco Products Tax

The excise duty on a packet of 20 cigarettes is being increased by 50 cents (including VAT) with a pro-rata increase on the other tobacco products, with effect from midnight on 11 October 2016.

There was no change to excise duty on alcohol products.

Extension of qualifying limit for excise duty relief for microbreweries

The special relief reducing the standard rate of Alcohol Products Tax by 50% on beers produced in microbreweries which produce not more than 30,000 hectolitres per annum is being extended to apply to microbreweries which produce not more than 40,000 hectolitres per annum.

Vehicle Registration Tax (VRT)

The VRT reliefs available for the purchase of hybrid electric vehicles and plug-in hybrid electric vehicles, are being extended to 31 December 2018. The VRT reliefs for electric vehicles and electric motorcycles are being extended to 31 December 2021.

Carbon Tax

The fuel inputs used to create high efficiency electricity in combined heat and power are being fully exempted from carbon tax.

OTHER MEASURES

Section 110 and Funds Changes

Draft amendments to section 110 will be included in the Finance Bill to address the unintended use of the section. Further amendments will address other issues arising in relation to Funds and property.

Tackling offshore tax evasion

New measures are being introduced to provide for a comprehensive programme of targeted compliance interventions against those engaged 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 denying the opportunity to make a qualifying disclosure in this area after 1st May 2017 and introducing a new strict liability offence for failure to return details of offshore accounts or other assets.

Increase resource to confront non-compliance

Revenue will receive an additional €5 million to increase staff resources by 50 (full time equivalent) on audit and investigation activities as well as enhancing ICT systems capacity for data matching and data analytics which it expects will lead to a direct increase in tax and duty yield from compliance interventions.

Miscellaneous

- New low cost loan facility for farmers to assist cash flow and reduce the cost of short term borrowings.
- Self-employed to have access to dental and optical benefits.
- €5 weekly increase in pension rates from March 2017. All weekly social welfare payments to increase by €5 also.
- 85% bonus to be paid to social welfare recipients this December.
- Additional funding to reduce hospital waiting lists.
- €25 cap on prescription charges for over 70's to be reduced to €20 from 1st March 2017.
- Circa 4,500 front line staff such as nurses, Gardaí and teachers to be recruited.
- €1.2 billion to be provided in funding for houses.
- €601 million funding in 2017 to the Rural Development Programme which includes €25 million for a new Animal Welfare Scheme for sheep.

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