



Liam Burns & Co

Accountants and Tax Advisers

Liam Burns and Co.
Accountants and Tax Advisers

Finance House, 46 Prussia Street, Dublin 7

Tel: [+353 18685944](tel:+35318685944)

Email: info@liamburnsandco.ie

Web: www.liamburnsandco.ie

We are delighted to present our summary of the taxation and spending measures announced by Ministers Michael Noonan and Paschal Donohoe in Budget 2017 yesterday.

The Budget comes on the back of a sustained period of growth for the Irish economy which is predicted to continue for the next few years. Nonetheless, Mr Noonan acknowledged that the impact of Brexit will increase the risk to the Irish economy over the coming years.

The measures announced yesterday will divide resources between increased investment in public services and tax cuts in proportions of approximately 2:1 in favour of public services. As anticipated, the measures introduced are aimed at supporting job creation, reducing the income tax burden and investing in services and social needs. Unfortunately, much of the detail on the proposed measures will not become apparent until the publication of the Finance Bill later this month.

Please contact us if you would like further information on any aspect of Budget 2017 and how it will impact your personal or business financial affairs.

Budget Highlights



- ❖ 0.5% cut to the three lowest rates of **Universal Social Charge**.
- ❖ **Earned Income Tax Credit** for self employed individuals will increase by €400 to €950
- ❖ **Help to Buy scheme** announced for first-time buyers relating to newly-built homes
- ❖ The reduced **9% VAT rate** for the tourism and hospitality industry will be retained
- ❖ **DIRT** to be reduced by 2% each year to 2020
- ❖ Tax-free threshold for **gifts / inheritances** from parents to children increased from €280,000 to €310,000, with 8% increases in the thresholds for all other gifts/ inheritances
- ❖ **State pension** and weekly **social welfare payments** will rise by €5 from March 2017
- ❖ **12.5% corporation tax rate** remains unchanged
- ❖ Rate of **CGT for Entrepreneurs** reduced to 10% subject to a lifetime limit of €1 million
- ❖ Excise duty on a pack of **20 cigarettes** to rise by 50 cents
- ❖ No changes to the price of **petrol, diesel or alcohol**

Personal Taxation



| Tax Rates | 2017 | 2016 |
|-------------------|------|------|
| Higher tax rate | 40% | 40% |
| Standard tax rate | 20% | 20% |

| Standard Rate Tax Band | 2017 | 2016 |
|------------------------|---------|---------|
| Single individual | €33,800 | €33,800 |
| Married one income | €42,800 | €42,800 |
| Married two incomes | €67,600 | €67,600 |

Tax Credits

- **Personal Income Tax Credits** - remain unchanged at €1,650 for single individuals and €3,300 for married couples.
- **Earned Income Tax Credit** will be increased from €550 to €950 for taxpayers earning self-employed trading or professional income and for business managers who are not eligible for the PAYE tax credit.
- **PAYE Tax Credit** remains unchanged at €1,650.
- **Home Carer's Tax Credit** will be increased by €100 for 2017 to bring it up to €1,100.
- **Income tax credit for fishermen** of €1,270 is being introduced for 2017 and will shelter income of up to €6,350.

Universal Social Charge (USC)

Each of the three lowest rates of USC will decrease by 0.5%. This means that the rates of USC for 2017 will be:

- On the first €12,012 - **0.5%**
- On the next €6,760 - **2.5%**
- On the next €51,376 - **5%**
- On the balance – **8%**
- Self-employed earning in excess of €100,000 – **11%**

The ceiling of the 2.5% rate band has been increased from €18,668 to €18,772. This means that the salary of a full-time worker on the minimum wage will remain outside of the top rates of USC.



Business Taxation

Corporation Tax rate

- The corporation tax rate remains unchanged at 12.5%. This is very positive and supports continued foreign direct investment and job creation.

Financial Services

- Changes are planned to address concerns over the unintended use of the tax relief provided by section 110 of the Taxes Consolidation Act 1997 with regard to property. This refers to the tax reliefs being availed of by so-called vulture funds.

Tax Reliefs

- The **Foreign Earnings Deduction** is being extended until the end of 2020. Also, the minimum number of days required to be spent abroad in order to qualify for the relief is being reduced from 40 to 30 days.
- The **Special Assignee Relief Programme (“SARP”)** is also being extended to the end of 2020. SARP exempts 30% of income between €75,000 and €500,000 from income tax for employees who are assigned to work in Ireland for a minimum period of 12 months by certain multinational companies.

Farming Taxation



- The farmer’s **“flat rate addition”** is being increased from 5.2% to 5.4%. The flat rate scheme compensates unregistered farmers for VAT incurred on their farming inputs.
- Farmers facing exceptionally poor income years will be allowed to “step out” of the **income averaging regime** and pay tax for one year only on the actual income earned in that year.
- **Farm restructuring relief** has been extended to the end of 2019.
- The extension of the scheme of accelerated capital allowances for **energy efficient equipment** to sole traders and non-corporate entities was announced. Previously only companies could claim relief for qualifying plant and equipment.
- A low cost, highly **flexible loan fund** for farmers was announced.



Entrepreneurs



- **Rate of CGT** on disposals of certain business assets (including shares) has been reduced from 20% to 10% up to a limit of €1 million in chargeable gains.
- **Start Your Own Business scheme** has been extended for a further two years.

Indirect Tax measures



- A new relief from **carbon tax** for solid fuels was announced.
- A new **tax on sugar-sweetened drinks** will commence in April 2018 after public consultation.
- There will be an extension of the **VRT relief** for hybrid vehicles for 2 years and also an extension of the relief on electric vehicles for 5 years.
- Excise duty on a packet of 20 cigarettes will increase by 50 cents.

Property Measures



- A new **“Help to Buy”** scheme will be introduced in the residential sector. First-time buyers will be provided with a rebate of income tax paid over the previous 4 years of up to 5% of the purchase price of a newly built home up to a value of €400,000. Thus the maximum rebate available to first-time buyers of new homes will be €20,000. Pro-rata rates will apply to new homes priced between €400,001 and €600,000. No tax rebate will be available in respect of homes priced in excess of €600,000.
- **Interest deductibility** for residential landlords is to be increased by 5% to 80%. This measure is intended to support the rental market and bridge the gap with commercial properties where 100% deductibility applies.
- The income ceiling for the **“Rent-a-Room”** scheme is to be increased by €2,000 to €14,000 per annum. This increase is intended to incentivise the supply of rental accommodation, particularly for students.
- **Mortgage interest relief** will be extended beyond December 2017 to 2020.
- The **Home Renovation Incentive Scheme** has been extended for 2 years to the end of 2018.
- The scope of the **Living City Initiative** has been expanded to include landlords and the cap with regard to the maximum floor size has been removed.

Gift & Inheritance Tax measures



- The rate of Capital Acquisitions Tax (CAT) which applies to gifts and inheritances remains unchanged at 33%.
- Increases were announced to the lifetime tax free thresholds for gifts and inheritances with effect from midnight tonight. The new rates are as follows:

| | Group A | Group B | Group C |
|---|--|---|---|
| | Son / daughter (or parent in certain circumstances) | Parent/ Brother/ Sister/ Niece/ Nephew/ Grandchild | Relationship other than Group A or B |
| Group Threshold on or after 14/10/2015 | €280,000 | €30,150 | €15,075 |
| Group Threshold on or after 11/10/2016 | €310,000 | €32,500 | €16,250 |



Health Measures

- The **medical card** is to be made available to all children in receipt of the domiciliary care allowance.
- Additional funding of €15 million is to be made available to the **National Treatment Purchase Fund** to reduce hospital waiting lists.
- The €25 cap on **prescription charges** for over 70s will be reduced to €20 with effect from 1 March 2017.



Social Welfare & State Benefits

- The **State pension** will increase by €5 per week commencing next March.
- There will be a €5 increase in all **weekly social welfare payments** in line with the State pension.
- The **Christmas bonus** for those on social welfare will rise to 85% in 2016.
- **Jobseekers aged between 18-24** years will get an increase in benefit of €2.70 per week from €100 per week to €102.70.
- €1.2bn is being allocated **for funding for housing**, with 47,000 new social housing units by 2021.
- Additional funding of €105m is being provided to enable 15,000 more households to avail of the **Housing Assistance Payment Scheme**.
- A new **Single Affordable Childcare Scheme** will commence in September 2017. This will take the form of means-tested subsidies based on parental income, for children between 6 months and 15 years and universal subsidies for all children aged between 6 months and 3 years.

Other measures

- 2,400 **teaching posts** were announced of which 900 will be resource teachers.
- 800 **new gardaí** will be recruited in 2017, with civilian staff to be hired to free up desk-bound officers.
- €290m has been provided for partial pay restoration agreed under the **Lansdowne Road Agreement**.
- The establishment of a **Public Service Pay Commission** was announced. The Commission will report back in mid-2017 on how to unwind the Financial Emergency Measures in the Public Interest legislation (FEMPI).
- €15m is being allocated to help progress the **National Broadband Plan**.
- €319m is to be spent on regional and local **roads** throughout the country.
- Additional funding of €5 million euro will be allotted to the **Revenue Commissioners** for the recruitment of 50 additional staff and additional investment in systems and equipment.
- The introduction of a new strict liability criminal offence to facilitate the prosecution of serious cases of **offshore tax evasion** was announced.



Please contact us if you would like further information on any aspect of Budget 2017.



Liam Burns & Co

Accountants and Tax Advisers

Liam Burns and Co.
Accountants and Tax Advisers

Finance House, 46 Prussia Street, Dublin 7

Tel: +353 18685944

Email: info@liamburnsandco.ie

Web: www.liamburnsandco.ie

Disclaimer

The information provided in this document should only be used as a guide and does not constitute formal professional advice. No action or inaction should be taken on the basis of this document unless this has been the subject of independent professional advice. All information and taxation rules are subject to change without notice. No liability whatsoever is accepted for any action taken in reliance on the information in this newsletter.

We would recommend that professional advice is sought on a case by case basis. Please note that we are not legal advisers, therefore independent legal advice should be sought.