

# Budget 2016 - Making Work Pay

Commenting on the tax changes in the Budget, Ronan McGivern, Tax Partner, Russell Brennan Keane said that "the Minister has picked up where he left off in the previous budget with a budget firmly focused on boosting employment, ensuring that work pays and encouraging entrepreneurship. The Minister has identified the provision of jobs and ensuring there are no disincentives to work as central to his stated commitment to "keep the recovery going".

Specific measures include:

## Income taxes

- Increase in the entry point to the USC from €12,012 to €13,000 and reducing the 1.5%, and 3.5% rates to 1% and 3% respectively. In addition the 7% rate has been reduced to 5.5% for income up to €70,044.
- Retention in the exemption in USC for all medical card holders and those over 70 earning less than €60,000
- Increase in the Home Carer Credit from €810 to €1,000 and increase in the income threshold from €5,080 to €7,200

## Entrepreneurship

- Introduction of a €50 Earned Income tax credit for self employed individuals as a first step to introducing equality between the self employed and employees.
- A new CGT relief for entrepreneurs from 1 January 2016 applying a reduced rate of 20% to the disposal in whole or in part of a business up to an overall limit of €1m in chargeable gains
- The changes announced to EIIS relief announced in Budget 2015 are being commenced (increases to funding limits) and EIIS relief has been extended to include expansion works on existing nursing homes.
- Increasing the entry point to the top rate of employer PRSI of 10.75% by €20 per week to €376 per week
- Retention of the 9% VAT rate on tourism activities.
- Reduction in rate of Motor Taxes for all vehicles above 4,000kgs
- Extension of Home Renovation Incentive until 31 December 2016
- Extension of stock relief and the stamp duty exemption for young trained farmers until 31 December 2018

## Capital acquisitions tax

- Increase in the current Group A (parents to children) tax free threshold from €25,000 to €28,000 in respect of gifts or inheritances received on or after 14<sup>th</sup> October
- A new farm succession transfer partnership model is being introduced, subject to EU State Aid approval

## Corporation tax

- Commitment to defend the 12.5% rate
- Extension of the three year corporate tax start up relief for another 3 years
- Introduction of a Knowledge Development Box with a 6.25% rate of corporation tax applying to the profits arising to certain patents and copyrighted software which are the result of qualifying R&D carried out in Ireland

Other provisions that the Minister announced include the following:

- Increase in excise duty for a packet of 20 cigarettes by 50 cents (including VAT) and pro-rata increases on other tobacco products.
- Extending the bank levy that was due to expire in 2016 to 2021
- Abolition of annual stamp duty charge on combined debit and ATM cards. Introduction of a new 12c ATM withdrawal fee (capped at €2.50/€ per annum per card) from 1 January 2016
- Proposal to postpone the revaluation date for Local Property Tax from 2016 until 2019

Overall according to Mr. McGivern, "This budget has got something for everyone, which comes as no surprise with a general election looming. With an eye very much on the election the Minister has expressly stated that this is the first in a series of budgets and has clearly stated his intention to reduce the top rate of taxes on income to no more than 50% for all workers. The focus on entrepreneurship in the budget is to be welcomed and in particular the acknowledgement that the 33% rate of CGT does not provide an incentive to entrepreneurs. I would however question whether the revised CGT relief goes far enough and we will need to consider fully the detail in the Finance Bill."