Thinking Tax

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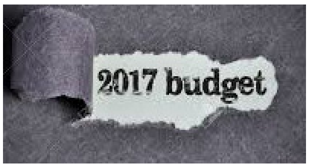
Tax News



Earlier today Minister Noonan presented the first Budget of the new Government.

The Budget contains a number of relatively small tax cuts and everyone who pays tax will benefit to some degree. The Minister again confirmed his commitment to maintaining our 12.5% corporate tax rate. The main tax changes relevant for private clients are set out below.

Further details will be included in the Finance Bill which is scheduled to be published on 20 October 2016. It is expected that the Finance Bill will also include measures targeted at certain tax based structures for holding Irish property.

Patrick Kinnane

Patrick Kinnane *Associate Director*
e-mail: patrick@kta.ie **Tel:** (+353 1) 660 8000

Capital Gains Tax Relief

Entrepreneur relief for capital gains tax which was introduced in last year's Budget is set to improve. The rate of 20% on the first EUR1m of gain will be reduced to 10%. Our understanding is this will apply to gains from 1 January 2017 onwards.

Minister Noonan stated he will review the EUR1m lifetime limit in future Budgets.

New share based incentive scheme
"A new share based incentive scheme for employees to be introduced in Budget 2018".

Property based measures:

- First-time buyers of new homes can obtain a rebate of income tax paid in the previous 4 years equal to 5% of the purchase price (this is subject to a maximum rebate of EUR20,000). This will not apply to a new home if the value is over EUR600,000
- Good news for landlords - the tax deduction for interest on loans to purchase or improve rental property will be increased from 75% to 80% from 1 January 2017. The Minister's intention is to increase the relief to 100% in future years.
- Rent a Room Relief from income tax will increase to EUR14,000 from 2017 onwards. The Minister made reference to the use of the scheme for renting to 3rd level students. There was no reference to the tax treatment of Airbnb rentals
- Home Renovation Incentive Scheme is extended to 31 December 2018
- Living City Initiative (tax break for city centre period properties) extended to landlords. The restriction on the maximum floor size has been removed for residential properties.

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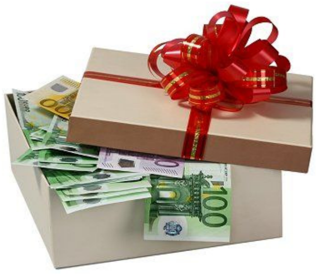

Gift and inheritance tax

No mention of any change to the Dwelling House Exemption. However, the Finance Bill may include some changes.

Gift/inheritance tax free thresholds have been increased. The new thresholds which are effective from 12 October 2016 are as follows:

		EUR
Group A	Parent/child	310,000
Group B	Close relatives	32,500
Group C	Others	16,250

Income taxes

- Home carer credit increased by EUR100 to EUR1,100
- Earned Income Credit increased by EUR400 to EUR950
- DIRT rate to decrease from 41% to 33% over a 4 year period. The decrease will be 2% each year so that the rate will be 39% in 2017, 37% in 2018, 35% in 2019 and 33% from 2020 onwards.

"Ireland's 12.5 per cent corporation tax rate will not be changed and nobody is asking for it to be changed"

USC

Rates applying to income below EUR70,044 have been reduced again. No change to the top rates. The rates for 2017 are as follows – (2016 rates in brackets):

First EUR12,012	0.5% (1%)
Next EUR6,760	2.5% (3%)
Next EUR51,272	5% (5.5%)
Next EUR29,956	8% (no change)
Over EUR100,000 (Note 1)	8%/11% (no change)

Note 1: 11% rate applies to self-employment and investment income.

Note 2: Maximum USC for individual age 70 or over with income below EUR60,000 is 2.5%.

No change to:

- Corporation tax rates
- Income tax rates
- PRSI rates
- VAT rates
- 41% Funds tax.

And finally the disclaimer……

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Kennelly Tax Advisers, Fleming Court, Fleming Place, Mespil Road, Dublin 4, D04 N4X9
Telephone (+353 1) 660 8000

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