

Tax News



Earlier today Minister Noonan presented his final Budget before the next general election.

As expected there were a number of tax cuts (only smokers are hit with a tax rise!). However, the top rate of tax remains unchanged at 55% for self-employed and 52% for employees.

A summary of the main tax changes relevant for private clients is set out below. Further details will be contained in the Finance Bill which is expected to be published on Thursday week (22 October 2015).

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Local Property Tax

“The revaluation date will be moved from November 2016 to November 2019. Therefore, no significant increase in LPT bills in 2017”.

KEY TAX MEASURES

Income tax - 2016

- A new Earned Income Credit of EUR550 will be introduced from 2016. This will be available to self-employed individuals and business owners/managers who do not qualify for the PAYE tax credit
- Home Carer Credit increased by EUR190 to EUR1,000.

Capital taxes

- Entrepreneur relief from capital gains tax to take effect from 1 January 2016. A lower rate of 20% CGT will apply to gains arising from the sale of a business or part of a business. The 20% rate will apply to gains up to EUR1m
- The gift/inheritance tax free threshold between a parent and a child has been increased by EUR55,000 to EUR280,000 from 14 October 2015. No increases to the other thresholds and no change to the 33% rate of gift/inheritance tax
- No changes were announced today to the dwelling house exemption but there may be changes in the Finance Bill
- Pension levy of 0.15% will not continue beyond 2015
- No change to tax relief for pension contributions or to the pension standard fund threshold.

Reminder: AVC pension fund – once off drawdown

There is an opportunity for certain individuals to take a 30% drawdown from their AVC pension fund. This opportunity ends on 26 March 2016.

Knowledge Development Box (KDB)

“A new incentive to encourage the development of intellectual property in Ireland”



Other tax measures:

- Home Renovation Incentive Scheme extended to 31 December 2016
- Employment and Investment Incentive Scheme extended to nursing homes
- Incentives to encourage transfers of farms to the next generation have been proposed. To support the transfer a tax credit of up to EUR5,000 per year for 5 years is proposed.

Knowledge Development Box (KDB) - companies

- A new incentive is to be introduced to encourage the development of intellectual property in Ireland. A corporate tax rate of 6.25% will apply to profits from certain intellectual property assets.



Trusts – review announced

“The taxation of trusts and trustees will be reviewed in 2016”

USC

Rates applying to income below EUR70,044 have been reduced. No change to the top rates. The rates for 2016 are as follows – (2015 rates in brackets):

First EUR12,012	1% (1.5%)
Next EUR6,656	3% (3.5%)
Next EUR51,376	5.5% (7%)
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 and with income below EUR60,000 is 3%.

No change to:

- Corporation tax rates
- Income tax rates
- PRSI rates
- 41% Funds tax
- 41% DIRT rate.

And finally the disclaimer.....

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