



Budget 2016

– Summary of some of the main measures

Original Budget update published on 14th October, 2015
Updated for Finance Bill 2015 published 22nd October 2015

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Income Tax Rates, Bands and Credits

The income tax rates (20% & 40%) and bands remain unchanged for 2016.

Standard Rate Bands

	At 20% Rate – the first		At 40%
	Existing 2015	Proposed for 2016	
Single/Widowed	€33,800	€33,800	Balance
Married One Income	€42,800	€42,800	Balance
Married Two Incomes - Max	€67,600	€67,600	Balance
One Parent / Widowed Parent	€37,800	€37,800	Balance

Selected Tax Credits

There was no change in the tax credits for 2015

	<u>Existing 2015</u>	<u>Proposed 2106</u>
Personal Tax Credits		
- Single	1650	1650
- Married	3300	3300
Single Person Child Carer Tax Credit	1650	1650
PAYE credit	1650	1650
Earned Income Tax Credit (Max)*		550
Home Carer Tax Credit**	810	1,000
Dependent Relative Tax Credit	70	70
Age Credit		
- Single	245	245
- Married	490	490

Tax Credits are applied as a straight deduction from an individual's income tax as calculated by applying the two tax rates and using the bands outlined above.

* The Earned Income tax credit is calculated at 20% of an individual's earned income (excluding earned income that is taken into account for the PAYE Tax Credit) subject to a maximum of €550.

** There was also an increase in the home carer's income threshold from €5,080 to €7,200. If the Home Carer has income in his or her own right, the tax credit is reduced by one-half of the amount of income that exceeds €7,200 (€5,080 in 2015)

Age Exemption Limits

There are income thresholds set for people aged above 65 years and below which they can earn income and pay no income tax. These thresholds remain unchanged.

	2016 Limit
Single	€18,000
Married	€36,000

PRSI

Farmers pay the self-employed rate of PRSI known as Class S PRSI. This is applied to all income and there is only one rate so no bands apply. The Class S rate remains unchanged at **4%**.

'Reckonable income' for the purposes of PRSI is profit after capital allowances but before reliefs and deductions

Employers and employees PRSI changes

A new tapered PRSI Credit is being introduced for employees insured at Class A whose earnings are between €352.01 and €424 in a week. This Credit will reduce the weekly PRSI bill for over 88,000 employees.

The lower 8.5% Class A rate of employer PRSI will now apply to weekly earnings up to €376 (up from €356) - 26,000 employers to benefit.

Universal Social Charge

The new lower exemption threshold above which income becomes liable to the USC will be increased in 2016 from **€12,012** to €13,000. So where an individual earns below this amount no USC applies. Where the income exceeds €13,000 in 2016 then the revised rates apply as in the table below.

2015 USC Income Bands	2015 USC Rates	2016 USC Income Bands	2016 USC Rates
€0 - €12,012	1.5%	€0 - €12,012	1%
€12,013- €17,576	3.5%	€12,013- €18,668	3%
€17,577 - €70,044	7%	€18,669- €70,044	5.5%
€70,045 - €100,000	8%	€70,045 - €100,000	8%
> €100k (self- employed only)	11%	> €100k (self-employed only)	11%

The maximum USC rate paid is reduced from 3.5%, to **3%** for individuals who are EITHER above 70 years OR who hold a medical card AND whose aggregate income (not including Dept. of Social protection payments) is €60,000 or less.

* Self-employed individuals with annual income exceeding €100,000 are subject to a 3% additional surcharge – an effective 11% rate of USC

The Universal Social Charge is payable on gross income after relief for certain trading losses and capital allowances, but before relief for pension contributions.

The marginal rate of tax for employed / self-employed individuals (**under 70 years**) with a maximum income **below €70,000** is as follows:

Income Tax	40%
PRSI	4%
Universal Social Charge	5.5%
Total	49.5%

Stock Relief

The following three stock relief measures which were due to expire at the end of December 2015 are being extended until the end of 2018: ·

- general stock relief of 25%
- stock relief for young trained farmers (100% for up to 4 years for qualifying farmers)
- stock relief for registered farm partnerships;

Succession Transfer Partnership Model

This model allows farmers to enter into a partnership with an appropriate profit-sharing agreement which makes provision for the transfer of the farm to the younger farmer at the end of a specified period. An income tax credit worth up to €5,000 per annum for five years will be allocated to the partnership and split according to the profit-sharing agreement.

The new section that provides for this new incentive- Section 667D stipulates that;

- the transfer takes place within 3 – 10 years,
- at least 80% of the farm must transfer and
- the successor must not have reached 40 years of age on entering the partnership.

Where the farm does not transfer within the specified period, the tax credits are clawed back by Revenue

This measure is subject to EU State Aid approval.

Value Added Tax (VAT)

The standard rate of VAT remains at **23%**. The **13.5%** rate also remains unchanged

The **9%** reduced rate for tourism related services is to be maintained

The **flat rate farmer rate** remains unchanged at **5.2%**.

Stamp Duty

The Stamp Duty Rates remain unchanged

<u>Non Residential rates</u>		<u>Residential rates</u>	
<u>Consideration</u>	<u>Rate of Duty</u>	<u>Consideration</u>	<u>Rate of Duty</u>
Entire Consideration	2%	Up to €1,000,000	1%
		Over €1,000,000	2%

Stamp Duty Exemption for Young Trained Farmers

This is being extended until 31st December 2018

Consanguinity relief for Stamp Duty (non-residential property)

This relief which gives a 50% deduction on the rate applying to transfers between related persons.(i.e. blood relations including lineal descendant, parent, grandparent, step parent, husband or wife, brother or sister of a parent or brother or sister, or lineal descendant of a parent, husband or wife or brother or sister & foster children)

This relief reduces the rate that applies on transfers of non-residential property from 2% to 1%.

[The following changes were introduced in last years budget but are highlighted here due to the upcoming deadline relating to the changes in the qualifying conditions applying from 1st January 2016]

In last year's Budget (Budget 2015) Consanguinity Relief was extended until the end of 2017

- For transfers that are executed before **1st January 2016** then consanguinity relief will operate as before with no additional conditions.
- For transfers executed **from 1st January 2016 and before 1st January 2018** then for the relief to apply
 - The **transferor** must be **under the age of 67** at the date of the transfer
 - The **transferee** must, for a period of **6 years** from the date of transfer either:
 - Farm the land on a commercial basis AND either hold (or within a period of 4 years obtain) a recognised agricultural qualification OR

spend 50% of their normal working time farming on a commercial basis (including the transferred land)

- Lease the land to a farmer who has a recognised ag. qualification OR spends 50% of their normal working time farming on a commercial basis (including the transferred land)]

Consanguinity Relief was previously abolished in Budget 2011 for transfers of **residential property**.

Stamp Duty on Agricultural Leases

An exemption from stamp duty on Agricultural leases was proposed in last year's budget (Budget 2015) but was not given a commencement order by the Minister for Finance and so has not been enacted.

Capital Acquisitions Tax (CAT)

The rate of CAT is unchanged at **33%**

<u>Group</u>	<u>2015 Threshold</u>	<u>Revised Threshold</u> <u>(effective from</u> <u>14th Oct 2015)</u>
A Son/ Daughter, minor child of deceased child	€225,000	€280,000
B Lineal Ancestor/ Descendent, brother sister, niece, nephew	€30,150	€30,150
C Any other person	€15,075	€15,075

Capital Acquisitions Tax - Agricultural Relief - [no change in this Budget]

From 1st January 2015 the conditions for a donee (receiving a gift) or successor (receiving an inheritance) to avail of CAT agricultural relief are as follows

- They must continue to meet the Farmer Test (the 80% agricultural property test) that has applied up to now

And in addition an individual must either

- Hold (or obtain within 4 years of receiving the property) a recognised agricultural qualification (as listed for the young farmer stamp duty exemption qualifications listed in schedule 2, 2A or 2B to the Stamp Duties Consolidation Act 1999) AND who farms the property on a commercial basis with a view to the realisation of profits for a period of 6 years from the valuation date for the property OR
- Spend 50% of that individual's normal working time* farming agricultural property (including the property received) on a commercial basis with a view to the realisation of profits for a period of 6 years from the valuation date for the property OR
- Lease the whole or substantially the whole of the agricultural property, comprised in the gift or inheritance for a period of not less than 6 years commencing on the valuation date of the gift or inheritance, to an individual who satisfies either of the previous two criteria.

*Definition of “normal working time”

- Normal working time including both on-farm and off-farm working time approximates to 40 hours per week
- An individual spending an average of 20 hours per week working on the farm will meet the 50% of normal working time criteria
- Where it can be shown that an individual’s normal working time is less than 40 hours a week, then the 50% requirement will be applied to the actual hours worked, subject to the overriding requirement that the farm be farmed on a commercial basis and with a view to the realisation of profits

Capital Gains Tax (CGT)

The general rate of CGT is unchanged at **33%**

CGT Entrepreneur Relief

A revised Capital Gains Tax relief for entrepreneurs is being introduced from 1st January 2016 which will apply a reduced capital gains tax rate of 20% to the net chargeable gains resulting from the disposal of the whole or part of a business up to an overall limit of €1 million in chargeable gains.

Further details to be announced in the Finance Bill.

Capital Gains Tax Retirement Relief

(There was no change to CGT Retirement Relief in this budget - these points are highlighted due to various deadlines relating to the relief [in BOLD])

- **CGT Retirement Relief on disposals of land that has been rented out under a conacre arrangement**

Under this provision land that is currently let under a conacre arrangement which is **either**

- disposed of on or before **31st December 2016** **OR**
- is **leased** out on or before **31st December 2016** for a minimum of 5 years and up to a maximum of 25 years and which is then subsequently disposed of

where the disposal is to a child of the transferor or to a person other than a child of the transferor, will, subject to meeting the other qualifying conditions of the relief (outlined below), qualify for CGT Retirement Relief.

[NB: Prior to the first letting the land must have been owned and used by the individual for the purposes of farming for a minimum period of 10 years, ending at the time of first letting. The 55 year minimum age condition and the 10 year usage rule must be met at the time of transfer.]

This provision is to encourage those landowners who are continually letting out land on short-term conacre arrangements to convert those into leases of a

minimum of 5 years in order to re-establish their rights to CGT Retirement Relief.

- **CGT Farm Restructuring Relief** [no change in this Budget]

To enable farm restructuring, relief from Capital Gains Tax has been available (subject to conditions) where land disposed of by either sale or exchange has been reinvested into other land.

The deadline for the completion of the **first** restructuring transaction is **31st December 2016** (extended in last year's budget -Budget 2015). Both restructuring transactions must still be completed within a 24 month period.

Forestry Targeted measures

High Earners' Restriction Profits or gains from the occupation of woodlands are being removed from the high earners' restriction.

Statutory Minimum Wage

From 1 January 2016, the statutory minimum wage will increase to €9.15 per hour.

Social Welfare Changes

Child Benefit Rates (€/ Child)

	2015 Rates (€/ month)	2016 Rates (€/ month)
Rate per child per month	€135	€140

These new rates come into effect from 1st January 2016.

Other Budget measures relating to children

- The government plans to **extend free GP care to children under 12**, with the caveat that it is subject to successful negotiation with doctors representatives
- Children will now be eligible for free childcare from three years of age, up until they are five and a half, or until they start primary school.
- The threshold for the **Family Income Supplement** is being increased by €5 per week for families with one child and by €10 per week for families with two or more children
- Statutory **paternity leave** of two weeks will be introduced from September 2016.

Farm Assist

The payment rate for farm assist will remain unchanged as per table below.

Selected Social Welfare Rates

The changes to the social insurance and social assistance payments are highlighted in bold below

All pension payments are to be increased by €3 per week in 2016

	<u>2015</u>	<u>From January 2016</u>
State Pension (Contributory)	€230.30	€233.30
- Qualified Adult Increase	€153.50	€155.50
State Pension (Non-Contributory)	€219	€222
- Qualified Adult Increase	€144.70	€146.70
Jobseekers Allowance (aged 26 +)	€188	€188
Farm Assist	€188	€188

The Fuel Allowance is to be increased by €2.50 per week, to €22.50.

The Respite Care Grant is to be increased to €1,700 from €1,375

A 75% Christmas Bonus will be paid by 8th December to recipients of a long-term Social Welfare payment (minimum payment of €20)

Specific Measures Relating to Agriculture

The Department of Agriculture, Food and the Marine has been allocated €1.3 billion to cover both current and capital spending.

- **Agri- environmental measures** – funding of €203 million to fund GLAS, AEOS & ORGANICS
 - Organic Farming Sector funding of € 12 Million
- **Areas of Natural Constraint (ANCs)** – funding of €195 million
- **Beef Data Genomics Programme** – funding of €52 million.
- **Targeted Agriculture Measures (TAMS)** - funding of €35.8 million. This will provide funding for the Young Farmer Capital Investment Scheme which will be at the higher grant rate of 60%. Also benefitting from the scheme will be Dairy equipment, Organic Capital Investments, Pig and Poultry and Sheep fencing. It will also provide funding for the recently opened Animal Welfare, Safety and Nutrient Storage Scheme and the Low Emission Slurry Spreading Scheme (LESS)

- **Forestry** – Funding of €113.8 million
- **Horticulture Sector Funding** – Fund of €4.3 million to support capital investment in horticulture provided.
- **Rural Innovation and Development Fund** - €1.5million has been allocated for the continuation of this fund

The Finance Bill has been published on 22nd October 2015

It will now be debated by both houses of the Oireachtas and will be signed into law as Finance Act 2015 before the middle of December.

Note:

This summary is based on the author's interpretation of the relevant Budget measures and should not be taken as a definitive interpretation of these measures. For all individual tax queries you are advised to seek professional tax advice from your own accountant/ tax adviser.

References

Department of Finance Budget Section -

<http://www.budget.gov.ie/Budgets/2016/2016.aspx>

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