

BUDGET 2017



KEY HIGHLIGHTS

Budget 2017 places a much greater focus on public expenditure than on personal tax reform, a ratio of 3:1 of expenditure to tax reform.

The tax reduction measures amount to a net €300 million, whereas the expenditure budgets are being increased by €1 billion with the key expenditure to benefit; housing, health, childcare and education.

The focus of the budget is on sustaining growth in the domestic economy and combating the economic risk of Brexit for indigenous exporters and the Agri-food sector.

Corporation Tax

Certain key taxes will remain unchanged, the 12.5% rate of corporation tax was re-affirmed. For the hospitality sector, the 9% rate of VAT will be retained for the forthcoming year in acknowledgement of the challenges that Brexit brings to the sector.

Personal Tax

In terms of personal tax, the changes are quite low as was expected. Cuts were announced to all three levels of the USC of 0.5% in the annual rate band with a small increase in one band. The impact of these reduction benefits all taxpayers on income of up to €70,000 at savings of between €2.45 per week and €6.78 per week depending on income levels. The DIRT rate on savings will be reduced over the next four years at 2% per annum commencing in 2017, to bring it to 33% in 2020.

Inheritance Tax

In terms of Inheritance tax, the tax free threshold has been increased by €30,000 to €310,000. This is still well short of the €540,000 high in 2009. The other thresholds for blood relatives and non-blood relatives have increased by 8% to €32,500 and €16,250. The Minister indicated that all thresholds will continue to increase in subsequent budgets.

First Time Buyers

The details of a welcomed scheme to assist first time buyers has been announced. The scheme will apply to new houses only and represents a refund of income tax paid over the previous 4 years. The relief is capped at 5% of the house price up to €400,000. It will also apply to houses costing

up to €600,000 capped at €400,000. There will be no tax refund for houses costing over €600,000. The relief will apply to houses built from 19/07/16 to the end of 2019. The relief represents a maximum tax refund of €20,000 and can be used towards funding the deposit on the house under the Central Bank funding rules.

Rent Relief

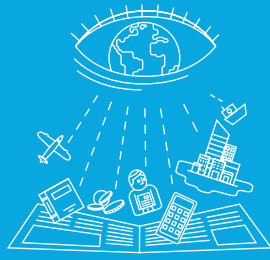
For home owners who generate income from renting rooms in their house, the tax free level has been increased to €14,000, to encourage an increase in supply for students relief for landlords on interest paid is increasing at 5% per annum to bring this back to full relief over 5 years. This bring the relief to 80% in 2017.

Childcare

There has been much discussion around childcare supports and the relief comes in the form of universal subsidies for childcare for children aged between six months and three years and means tested subsidies for children up to 15 years.



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Capital Gains Tax

A special rate of Capital Gains Tax of 20% introduced last year as part of a reformed Entrepreneur Relief. This has now been further reduced to a 10% rate of CGT and compares very favourably to the normal rate of CGT of 33%. There has been no change in the level of capital gains that can benefit currently €1m lifetime threshold but the Minister indicated that this will be reviewed in subsequent budgets.

New Loan Scheme for Farmers

There have been a package of measures introduced for farmers with a new loan scheme through the Strategic Banking Corporation at an attractive rate of interest announced.

Overall the budget has been designed conservatively to maintain economic stability, protect against the uncertainties of Brexit on economic growth with the focus on repairing and rebuilding public services.



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