

# Budget 2016

Construction Industry Federation



An independent member of Baker Tilly Internat

[www.bakertillyrg.ie](http://www.bakertillyrg.ie)



# Budget 2016

Michael Noonan introduced Budget 2016, a backdrop of an economy continues to rapidly recover from a recent economic and fiscal crisis. Ireland now finds itself as the fastest growing economy in the world, creating 1,100 jobs per week, and this positivity was reflected in the announcements.

There were some positive aspects of Budget 2016 for the construction industry. The strategy for NAMA properties will need to be revealed before we can fully assess the value of Budget 2016 for the industry.

The main areas of Budget 2016 which affect the construction industry include the extension of the Home Renovation Scheme, tax equalisation for the self-employed and employees with the phased introduction of Earned Income Credit which will benefit the self-employed and employees. The reduction in the three rates of USC will also benefit the self-employed in the sector.

While the extension of the Home Renovation Scheme to 31 December 2016 and the introduction of reliefs for self-employed individuals and the continued investment under the Social Housing Strategy can only be seen as positive for the construction sector, the target of 20,000 residential units target for NAMA between 2016 and 2020 and the requirement for 10,000 new units per annum in the Dublin region will be a potential knock on effect for the construction sector.

From a corporation tax perspective various announcements were made to enhance Ireland's international competitiveness. Most importantly, the Minister has announced that the 12.5% corporation tax rate will be extended until 2018.

Much focus was on sustaining growth in the domestic market with a range of measures across a number of sectors. As detailed above an earned income tax credit for the self-employed which will apply to the disposal of a residential property falls short of a reduction in the rate of 33% to benefit all, this measure is boosting activity in the SME sector. An expansion to the funding of the SME sector is also welcome in a climate where funding is still an issue for the SME sector.

The retention of the 9% VAT rate for the hospitality and tourism sectors was confirmed; the extension of existing stock reliefs for farmers was a welcome transition to upfront excise relief for farmers, the extension of the film tax credit was announced. The latter is a significant boost for the film sector and should attract increased FDI in the sector.

## Your key relationship partner

If you have any specific queries about how it impacts you or your business please contact myself or my colleagues directly.

Aidan Byrne  
Tax Partner  
T: +353 (0) 1 496 5388  
F: +353 (0) 1 496 9226  
[abyrne@bakertillyrg.ie](mailto:abyrne@bakertillyrg.ie)



Finally, cuts were announced to all three levels of the Universal Social Credit (USC) for the first time since 2009. An undertaking given by the Minister to progressively abolish the USC. This is a positive and one that will benefit all individuals. The current marginal tax rate for self-employed individuals is a significant impediment in attracting foreign repatriation of the diaspora, and a commitment to abolish this must be welcomed by all.

In summary, the taxation and spending measures represent a set of measures in facilitating further economic recovery and growth across the economy.

Aidan Byrne  
Tax Partner

# Contents

Construction Sector.....	6
Residential Housing & Emergency Accommodation.....	6
Home Renovation Grant.....	6
Measures to Assist Employed.....	6
Corporation Tax.....	7
Corporation Tax rate.....	7
StartUp Relief.....	7
Film Relief.....	7
Knowledge Development Box.....	7
International Tax Strategy.....	7
Capital Tax.....	8
Capital Acquisitions Tax (CAT).....	8
Capital Gains Tax (CGT).....	8
Personal Taxes.....	9
Home Carers Tax Credit.....	9
Employment and Investment Incentive.....	9
Incentives for Certain Aviation Services Facilities.....	9
< ] [ \ ' 9 U f b Y f . g . Ñ . F . Y . g . h . f . ] . W h . ] . c . b .	9
Universal social Charge (USC).....	10
PRSI.....	10
Impact of Changes on Income Tax.....	11
Example 1: Single person, no children, private sector employee taxed under PAYE, Full Rate PRSI Contribution	12
Example 2: Married couple, one income, two children, private sector employee taxed under PAYE, Full rate PRSI C	12
Example 3: Single person, no children, taxed under Schedule D (Self	12
Example 4: Married couple income, two children, taxed under Schedule D (Self	13
Excise Duties.....	14
Tobacco.....	14
Excise duty relief for Microbreweries.....	14
Motor Taxes.....	14
No Changes.....	14
VAT.....	14
Retention of the 9% VAT Rate.....	14
Stamp Duty.....	14
Stamp Duty on combined debit / ATM cards.....	14
LPT.....	15
Pension Fund Levy.....	15
Financial Institutions Levy.....	15

Agri-Taxation.....	15
Farm Succession.....	15
Social Welfare.....	16
Child Benefit.....	16
Social Protection.....	16
Public Expenditure.....	17
Children.....	17
Education.....	17
Jobs/Enterprise/Justice.....	17
Health.....	17
Minimum Wage.....	17
Contact Us.....	18
Tax Team.....	18

# Construction Sector

## Residential Housing & Emergency Accommodation

Minister Noonan acknowledged that there is a market failure in the housing across the country but particularly in the Dublin area where there is a requirement for 10,000 units per annum, while only 3,300 were delivered last year. The NAMA Board were asked to review the residential sites under development and to estimate what they could deliver on a commercial basis, identifying the financial return to the tax payer.

NAMA is aiming to deliver a target of 20,000 residential units by 2020, with 90% of these to be delivered in the greater Dublin area with about 10% of these units will be houses, mainly starter homes. To achieve this an average of 80 new houses will need to be produced every week on greenfield sites.

In the 2015 budget the Government announced a package of measures to deal with social housing shortages. The package was an investment of €1.5 billion and Minister Howlin is also increasing the current allocation for the Home Renovation Grant by an additional 14,000 households.

In a bid to make use of all available funding to address immediate needs, the Government has announced that 50% of the proceeds from the sale of the Gáis Eireann for an affordable housing pilot scheme.

Under the Capital Plan, funding is available to provide a 500 modular units for homeless families. Further to this the current allocation for the Home Renovation Grant is being increased to €1.5 billion.

## Home Renovation Grant

The Home Renovation Incentive scheme introduced in Budget 2014 is extended until 31 December 2016. The scheme is available to private and to include rental properties owned by landlords that are subject to tax on rental income.

## Measures to Assist Self Employed

Equalisation between the tax treatment of the self-employed and employees has been addressed in Budget 2016 with the introduction of the ear Credit. This credit grants the self-employed an additional 5M€ of tax relief on their self-employed income.

The credit is available for those who earned income and who do not have access to the Family Tax Credit.

Approximately 303,200 taxpayers\* will benefit from this credit in 2016 (170,000 self-employed and 83,200 proprietary directors who currently do not receive the credit).

\*Source: Irish Tax Institute

# Corporation Tax

## Corporation Tax rate

The 12.5% rate of corporation tax remains unchanged. Minister Noonan promised to continue to defend the 12.5% rate going forward.

## Startup Relief

Minister Noonan announced that the corporation tax relief for companies would be extended for a further 3 years, in its current form, to 31 March 2015. This scheme provides relief from corporation tax on trading income (including capital gains) of new companies in the first 3 years of trading.

This relief is only available where the corporation tax payable by a company in a tax year is less than the amount of the company's trading income for that year. The relief is also limited to the amount of the company's trading income for that year.

## Film Relief

Minister Noonan announced that the film relief for companies would be extended for a further 3 years, in its current form, to 31 March 2015.

## Knowledge Development Box

Minister Noonan has introduced the Knowledge Development Box from 1 January 2015. The Knowledge Development Box is being introduced to encourage companies to develop intellectual property in Ireland and thereby generate employment.

This measure will provide a 6.25% rate of corporation tax to apply to profits arising from certain intellectual property rights that are the result of qualifying research and development activity that is carried out in Ireland.

## International Tax Strategy

Minister Noonan also announced an updated International Tax Strategy. The strategy explains the Government's approach to dealing with the challenges posed by the global tax system and how Ireland will engage with the emerging EU tax agenda.

The Government's international tax strategy is based on the principle of a competitive, transparent and stable tax system that is aligned with the EU tax agenda. The strategy also sets out the Government's approach to dealing with the challenges posed by the global tax system.

The Government has introduced the concept of country-by-country reporting. This will require Multinational Enterprises to report the country of incorporation, residence, revenues, profits earned, and other details of the business and employment numbers on a country-by-country basis. This report must be submitted to the tax authorities of each country.

# Capital Tax

## Capital Acquisitions Tax (CAT)

The CAT rate of 33% remains unchanged.

The CAT Group A tax free threshold, which primarily applies to gifts and inheritances received on or after 14/10/2015, increase applies to any gifts or inheritances received on or after 14

Group	Relationship to Disposer	Group Threshold from 6/12/2012 to 13/10/2015	Group Threshold from 14/10/2015
A	Son/Daughter	€100,000	€200,000
B	Parent*/Brother/Sister/Niece/Nephew/Grandchild	€50,000	€50,000
C	Relationship other than Group A or B	€10,000	€10,000

\*In certain circumstances a parent taking an inheritance from a child the Group A threshold.

## Capital Gains Tax (CGT)

Minister Noonan announced the introduction of a revised CGT relief in 2016. The reduced CGT rate of 20% will apply to the disposal of a business welcomed by individuals who propose to sell their business.



# Personal Taxes

## Home Carers Tax Credit

There will be a new tax credit of up to £1,000 per year.

Mr. Noonan said that this will help single income married couples and those who care for an elderly or incapacitated relative.

The income threshold which the home carer can earn has also been increased to £10,000 for eligible families by allowing the home carer to claim a tax credit of up to £1,000 per year.

## Employment and Investment Incentive

The new Employment and Investment Scheme was also announced, which is welcome in a funding is still an issue for the SME sector.

## Incentives for Certain Aviation Services Facilities

The legislation providing for a scheme of accelerated capital allowances for the construction of buildings used for the maintenance, repair, and overhauling of aircraft is being amended to comply with State Aid rules and is also being commenced with effect from Budget night.

## Profits or Gains from Woodlands

Profits or gains from the occupation of woodlands are being taxed at 10%.

# Personal Taxes

## Universal social Charge (USC)

The USC exemption for an individual whose total income is less than €10,000 will be reduced to 10% of the exemption amount.

The following changes were announced to lower the USC rates

- < The 1.5% USC rate has been reduced to 1%. This applies to income up to €10,000;
- < The 3.5% USC rate has been reduced to 3%. This applies on income in excess of €10,000 and up to €20,000;
- < The 7% rate has been reduced to 5.5%. This applies on income in excess of €20,000.

The marginal rate of tax therefore be reduced to 49.5% for individuals earning in excess of €20,000.

Medical card holders and those aged 70 and over will continue to benefit from an exemption from the top rate of USC.

The Government also announced plans to progressively abolish the USC and reduce the marginal rate to no more than 50% in the future.

The following summarises the changes that have occurred in the USC rates:

Income up to €10,000	1%
Income between €10,000 and €20,000	3%
Income in excess of €20,000	5.5%
Income in excess of €20,000 for those aged 70 and over and medical card holders	8%
Income in excess of €20,000 for self-employed individuals	8%
Self-employed income in excess of €20,000	11%

## PRSI

The entry point to the higher rate of employer PRSI of 10.75% will increase from €1,000 to €1,500 per week. This increases the amount of income that can be taxed at the lower rate of 9.8%.

Relief will be given to employers for the additional cost of the higher rate of PRSI. Relief will be given to employers for the additional cost of the higher rate of PRSI. Relief will be given to employers for the additional cost of the higher rate of PRSI.

# Personal Taxes

## Impact of Changes on Income Tax

The following tables provide examples showing the effects of Budget 2016 on income tax\*

\*Source: Taxation Annex to the Summary of 2016 Budget Department of Finance.

Note: Examples 1 and 2 assume that employees currently earn €13,000 per annum. Example 1 shows the effect of a 5% increase in the minimum wage to €13,751. Example 2 shows the effect of a 10% increase in the minimum wage to €14,501.

### Example 1: Single person, no children, private sector employee taxed under PAYE, Full Rate PRSI

Gross Income			Income Tax		PRSI		Universal Social Charge		Total Change		Change as % of Net Income
Existing	Min. Wage	New	Existing	Proposed	Existing	Proposed	Existing	Proposed	Per Year	Per Week	
€	Increase	€	€	€	€	€	€	€	€	€	
13,000	751	13,751	0	0	0	0	215	172	794	15	6.2%
45,000	0	45,000	7,940	7,940	1,800	1,800	2,295	1,768	527	10	1.6%
70,000	0	70,000	17,940	17,940	2,800	2,800	4,045	3,143	902	17	2.0%
150,000	0	150,000	49,940	49,940	6,000	6,000	10,444	9,542	902	17	1.1%

# Personal Taxes

Example 2: Married couple, ~~one~~ two children, private sector employee taxed under PAYE, Full PRSI Contributor

Gross Income			Income Tax		PRSI		Universal Social Charge		Family Income Supplement		Child Benefit		Total Change		Change as % of Net Income
Existing	Min. Wage Increase	New	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Per Year	Per Week	
€		€	€	€	€	€	€	€	€	€	€	€	€	€	
13,000	751	13,751	0	0	0	0	215	172	11,128	10,972	3,240	3,360	758	15	2.7%
45,000	0	45,000	3,680	3,490	1,800	1,800	2,295	1,768	0	0	3,240	3,360	837	13	1.8%
70,000	0	70,000	13,680	13,490	2,800	2,800	4,045	3,143	0	0	3,240	3,360	1,212	23	2.2%
150,000	0	150,000	45,680	45,490	6,000	6,000	10,444	9,542	0	0	3,240	3,360	1,212	23	1.2%

Example 3: Single person, no children, taxed under ~~Schedule D~~ (Self-employed)

Gross Income	Income Tax		PRSI		Universal Social Charge		Total Change		Change as % of Net Income
Existing	Existing	Proposed	Existing	Proposed	Existing	Proposed	Per Year	Per Week	
€	€	€	€	€	€	€	€	€	
13,000	950	400	520	520	215	150	615	12	5.4%
45,000	9,590	9,040	1,800	1,800	2,295	1,768	1,077	21	3.4%
70,000	19,590	19,040	2,800	2,800	4,045	3,143	1,452	28	3.3%
150,000	51,590	51,040	6,000	6,000	11,944	11,042	1,452	28	1.8%

# Personal Taxes

Example 4: Married couple, one income, two children, taxed under S (Self-employed)

Gross Income	Income Tax		PRSI		Universal Social Charge		Child Benefit		Total Change		Change as % of Net Income
	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Per Year	Per Week	
€	€	€	€	€	€	€	€	€	€	€	
13,000	0	0	0	0	520	150	3,240	3,360	185	4	1.2%
45,000	5,330	4,590	1,800	1,800	2,295	1,768	3,240	3,360	1,387	27	3.6%
70,000	15,330	14,590	2,800	2,800	4,045	3,143	3,240	3,360	1,762	34	3.4%
150,000	47,330	46,590	6,000	6,000	11,944	11,042	3,240	3,360	1,762	34	2.0%

# Excise Duties

## Tobacco

With effect from midnight 01 October 2015 the excise applicable to a pack of 20 cigarettes will increase (by including VAT) with a pro rata increase to other tobacco products. This is the only tax in Budget 2016.

## Excise duty relief for Microbreweries

The special relief reducing the standard rate of Alcohol Products on beer produced in microbreweries will now be available upfront as a rebate which will ease the cash flow burden on such producers. Previously this relief was only available by way of a rebate.

## Motor Taxes

Commercial motor tax for large goods vehicles in Ireland was set as high in comparison with the regime applying in Northern Ireland and the rest of the UK according to Minister Noonan's results. Commercial motor tax rates are being simplified, with the 20 existing rates to be replaced by three rates which will range from a minimum of 1% to a maximum of 15%. Previously, the maximum rate was 20%.

## No Changes

There is to be no increase in taxes on alcohol, petrol, diesel or VRT in 2016.

# VAT

## Retention of the 9% VAT Rate

The Minister has announced that the 9% rate applying to the tourism and leisure sectors has been a great success and will be retained for 2016.

# Stamp Duty

## Stamp Duty on combined debit / ATM cards

Stamp Duty on combined debit / ATM cards will be abolished from 1 January 2016. In its place a withdrawal fee will be introduced from January 2016, which will be capped at 10p per transaction.

# Other

## LPT

As part of the recommendations made by Dr. Don Thornhill in his report on the LPT system, Minister Noonan intends to make a proposal to postpone the revaluation date for the Local Property Tax from 2016 to the recommendations of Dr. Thornhill, in respect of exemption for properties significantly affected by pyrite, Minister Noonan has asked Revenue to agree to a change in LPT procedures on an administrative implementation of necessary legislative amendments.

## Pension Fund Levy

Minister Noonan notes that there is no longer a need for the pension fund levy which was introduced to fund the 9% VAT rate in the tourism sector. Such the levy, which currently stands at 0.15%, will not apply in 2016.

## Financial Institutions Levy

The Financial Institutions Levy which was originally introduced for years from 2011 to 2016 has been extended to 2021 with the methodology to be reviewed to the Exchequer.

## Agri-Taxation

It was announced that reliefs available to specified farmers are being further extended until 31 December 2018. The reliefs being extended are General Stock Relief, Stock Relief for Young Trained Farmers, Stock Relief for Registered Farm Partnerships and the Stamp Duty Exemption for Young Farmers.

## Farm Succession

In order to make it easier for farmers to transfer their farms and to assist with long-term succession planning, the Minister announced plans to introduce a farm succession transfer partnership model, subject to EU State Aid rules.

Under the model individuals could enter into a partnership which would facilitate the transfer of the farm at the end of the specified period. The model would also allow for the transfer of the farm at the end of the specified period.

# Social Welfare

## Child Benefit

Child Benefit will increase from £13.10 per month per child to £13.40 per month per child.

## Social Protection

All pension payments will increase by 1% from 1 April 2016.

Individuals in receipt of social welfare will see their Christmas bonus increase by 25% to 75%.

The Government will legislate for statutory paternity leave of two weeks from September 2016.

Individuals in receipt of social welfare will see their Christmas bonus increase by 25% to 75%.

Individuals in receipt of social welfare will see their Christmas bonus increase by 25% to 75%.

Individuals in receipt of social welfare will see their Christmas bonus increase by 25% to 75%.

The Government will legislate for statutory paternity leave of two weeks from September 2016.



# Public Expenditure

## Children

The Early Childcare and Education Scheme has been extended, which provides free childcare for children aged three up to five and a half years to begin primary school.

## Education

The Minister announced that 2,260 additional teaching posts will be created, including 600 new posts for resource teachers and 610 special needs assistants made available.

The pupil teacher ratio will reduce. At primary school level the ratio will fall from 28:1 to 27:1, and secondary level will fall from 19:1 to 18.7:1.

## Jobs/Enterprise/Justice

The Department of Jobs, Enterprise and Innovation will provide funding to educate and recruit 600 new Gardaí in 2016.

Funding will be provided to educate and recruit 600 new Gardaí in 2016.

## Health

Free GP care will be extended to all children under the age of 12.

Free GP care will be extended to all children under the age of 12.

Additional funding will be provided for the Fair Deal Nursing Scheme.

Additional funding will be provided for the Fair Deal Nursing Scheme.

## Minimum Wage

The minimum wage will be increased to €10.10 per hour effective 1 January 2016.

# Contact Us

## Tax Team

Aidan Byrne



[abyrne@bakertillyrg.ie](mailto:abyrne@bakertillyrg.ie)

Tax Partner

+353 1 496 5388

Gin Ubbay CNYJ



[soneill@bakertillyrg.ie](mailto:soneill@bakertillyrg.ie)

Tax Partner

+353 57 912 662

Paddy Stapleton



[PStapleton@bakertillyrg.ie](mailto:PStapleton@bakertillyrg.ie)

Senior Manager

+353 1 496 5388

Baker Tilly Ryan Glennon  
Trinity House,  
Charleston Road,  
Ranelagh,  
Dublin 6.  
Ireland.

T: +353 1 496 5388

[www.bakertillyrg.ie](http://www.bakertillyrg.ie)  
[info@bakertillyrg.ie](mailto:info@bakertillyrg.ie)

Construction Industry Feder  
CIF Head Office  
Construction Hou:  
Canal Road  
Dublin 6  
Ireland.

T: +353 1 406 6000

[www.cif.ie](http://www.cif.ie)  
[contact@cif.ie](mailto:contact@cif.ie)