



- **No change in pension tax relief limits**  
Opportunity before **Pay & File ROS deadline of the 12th of November (or 31st of October for others), to backdate personal pension contributions to 2014 and obtain tax relief at 41%** (for higher rate taxpayers within the usual limits for 2014) instead of 40% in 2015.
- **Confirmation that the pension levy has ended**  
Confirmation that the pension levy will not apply beyond 2015 and so the final payment of 0.15% applying at 30<sup>th</sup> of June 2015 values.
- **Increase in the State Pension of €3 per week**  
This is the first increase since 2009. Brings the maximum State Contributory Pension to €233.30 per week or €12,132 pa.
- **Increase in Capital Acquisitions Tax (CAT) Class A Threshold from €225,000 to €280,000.**
  - While welcome, Inheritance Tax liabilities are still significantly higher than in 2009.
  - The Class B and C thresholds of €30,150 and €15,075 respectively have not been increased.
  - No change in CAT tax rate of 33%.
- **No change in DIRT, exit tax or Capital Gains Tax (CGT) rates**  
No change announced in DIRT or exit tax rates, which remain at 41%, or in the standard CGT rate of 33%.
- **Reduction in USC rates and bands will deliver additional net income of up to €900 per annum.**  
Some USC bands have been increased and some rates reduced, meaning an increase in net income of up to €900 per annum.
- **Introduction of an income tax credit for the self-employed and proprietary directors.**
  - Proprietary directors and their spouses/civil partners have traditionally been denied the PAYE tax credit of €1,650, despite paying taxes under the PAYE like other employees.
  - A maximum €550 income tax credit for earned income is being introduced in 2016 for the self-employed and proprietary directors, equivalent to increasing the standard rate bands for these taxpayers by €2,750.
- **Reduced Capital Gains Tax (CGT) rate of 20% to apply to the sale of businesses.**  
A reduced CGT rate of 20% is to apply from the 1st of January 2016 onwards on the sale in whole or in part of a business up to an overall limit of €1 million in chargeable gains.

## Budget 2016 Summary

➤ **Pension levy ends in 2015**

The Minister has confirmed that the much disliked pension levy ends this year with the final 0.15% levy applying at 30th of June 2015 values. No levy will apply from 2016 onwards.

➤ **Reduction in USC rates and bands**

The standard USC rates and bands (for an individual under 70 who does not hold a medical card) have been reduced as follows:

2015		2016	
Income band	USC rate	Income band	USC rate
Up to €12,012	1.5%	Up to €12,012	1.0%
Next €5,564	3.5%	Next €6,656	3.0%
Next €52,468	7.0%	Next €51,376	5.5%
Balance	8.0%	Balance	8.0%

The change in USC bands and rates shows the following difference in USC liability as between 2015 and 2016 at different levels of gross income:

Gross Income	USC 2015	USC 2016	Gain
€30,000	€1,245	€943	€302
€40,000	€1,945	€1,493	€452
€50,000	€2,645	€2,043	€602
€60,000	€3,345	€2,593	€752
€70,000	€4,045	€3,143	€902
€80,000	€4,844	€3,942	€902
€90,000	€5,644	€4,742	€902
€100,000	€6,444	€5,542	€902

Sole traders and partners in a partnership who have income in excess of €100,000 pay additional (to the 8% rate above) USC of 3.0% on such income in excess of €100,000; this continues for 2016.

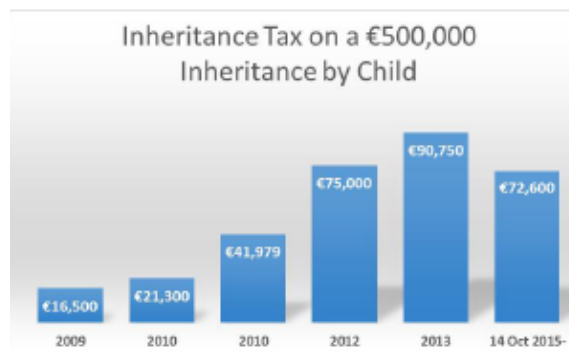
The 3.5% rate currently applying to the over 70's with income of less than €60,000 is reduced to 3.0%.

➤ **Increased CAT Threshold**

The current Class A Threshold limit (which applies to inheritances taken by child from a parent) of €225,000 is increased to €280,000 with effect from the 14th of October 2015. However there is no change in the Class B and C Thresholds of €30,150 and €15,075.

While the increase in the Class A Threshold is welcome, Inheritance Tax liabilities are still substantially higher than back in 2009, due to a combination of an increase in the tax rate and reduction in the Thresholds. Consider the Inheritance Tax liability on an inheritance of €500,000 by a child from a parent, assuming the full Class A Threshold is available to the child:

	CAT Rate	Class A Threshold	Inheritance Tax
2009	25%	€434,000	€16,500
2010	25%	€414,799	€21,300
2010	25%	€332,084	€41,979
2012	30%	€250,000	€75,000
2013	33%	€225,000	€90,750
14 Oct 2015-	33%	€280,000	€72,600



➤ **Introduction of an Earned Income Tax Credit for the self-employed and proprietary directors.**

Proprietary directors, and their working spouses/civil partners, have traditionally been discriminated against because although they paid their income tax under PAYE like everyone else, they could not claim the PAYE tax credit of €1,650 available to all others paying income tax under PAYE.

From 2016, the self-employed and working proprietary directors and their working spouses/civil partners will be entitled to a €550 income tax credit against income tax on their earned income. The effect of this is similar to an increase in the standard rate band of €2,750.

In the case of a family company the tax credit will be available to each employee who is not entitled currently to the normal PAYE tax credit, so that a husband and wife both working in the business and drawing Schedule E income from it, will *each* be entitled to a maximum €550 tax credit, if they have sufficient taxable income.

The tax credit may encourage more spouses/family members to work in family businesses, thereby increasing retirement funding potential.

An interesting side note: **the tax credit will not reduce remuneration for pension funding purposes.**

➤ **A reduced 20% Capital Gains Tax (CGT) rate on the sale of a business**

The Minister announced that a reduced CGT rate of 20% will apply from 1st January 2016 to the sale in whole or in part of a business up to an overall limit of €1 million in chargeable gains.

➤ **State Pensions increase by €3 per week**

The last increase in the State Pension was in 2009, 6 years ago. All State Pensions are to be increased by €3 per week from 1st January 2016 onwards. This will bring the maximum State Pension Contributory to €233.30 per week from its current €230.30 per week:

Social Insurance Payments					
Maximum Weekly Rates	Personal Rate		Increase for a Qualified Adult		Qualified Child Increase 2015/2016
	2015	2016	2015	2016	
<b>State Pension (Contributory)</b>					
Under Age 80	€230.30	€233.30	€153.50 (Note 1)	€155.50 (Note 1)	€29.80
Age 80 and over	€240.30	€243.30	€206.30 (Note 2)	€209.00 (Note 2)	€29.80
<b>Widow's/Widower's/Surviving Civil Partner's (Contributory) Pension/Deserted Wife's Benefit</b>					
Under Age 66	€193.50	€193.50			€29.80
Aged 66 and under Age 80	€230.30	€233.30			€29.80
Aged 80 and over	€240.30	€243.30			€29.80
Invalidity Pension	€193.50	€193.50	€138.10	€138.10	€29.80
Carer's Benefit/Constant Attendance Allowance	€205.00	€205.00			€29.80
Disablement Benefit	€219.00	€219.00			
Jobseeker's/Illness/Health & Safety/Injury Benefit	€188.00	€188.00	€124.80	€124.80	€29.80
Maternity/Adoptive Benefit/ Paternity	€230.00	€230.00			
<b>Death Benefit</b>					
Under Age 66	€218.50	€218.50			€29.80
Aged 66 and under Age 80	€234.70	€237.70			€29.80
Aged 80 and over	€244.70	€247.70			€29.80

The Child Benefit will also increase by €5 per month to €140 per month per child from 1st January 2016.

➤ **DIRT/exit tax & Capital Gains Tax (CGT) rates continue at 41%?**

No change has been announced in the DIRT or exit tax rates of 41%, or the standard rate of Capital Gains Tax of 33%.