TAB Financial Services Ltd

Budget 2017 Summary

The Minister for Finance and the Minster for Public Expenditure and Reform delivered the Budget 2017 on 11 October 2016, first budget under the minority Government, against what is arguably the most favourable economic and fiscal backdrop in a number of years. Notwithstanding this fact, it is also true to say that the Budget was presented against a background of intense uncertainty and challenge.

Brexit, ongoing sterling weakness, the recent Apple tax ruling, growing unrest amongst some trade unions, and the unstable nature of the Dail and the Government, are all issues of significant concern that should have a major bearing on the nature of Budget 2017 and indeed fiscal policy for the coming years.

Details of the changes that will be of most interest to our pension, protection and investment clients are outlined as follows.

Pensions

The only pensions related change announced in the Budget was an increase in the State Pension. However, we will wait until the Finance Bill is published on 20 October to see if there are any other changes.

The maximum personal rate of the State Pension (Contributory) has increased by €5 per week to €238.30 per week – this will commence in March 2017. The earliest age at which the State Pension (Contributory) is payable is currently age 66.

DIRT (Deposit Interest Retention Tax)

The rate of DIRT will decrease by 2% each year for the next 4 years until it reaches 33% in 2020. With effect from 1 January 2017 the rate will be 39%.

There was no mention in the Budget of a change to the current Exit Tax rate of 41% (25% for corporate investors) - we will wait for the Finance Bill for any potential changes in this regard.

CAT (Capital Acquisitions Tax)

The CAT rate remains at 33%. The CAT thresholds have increased with effect from 12 October 2016 as follows:

Threshold Class	Applies To	Revised Threshold
A	Children inheriting from parent	€310,000
B	Inheriting from other blood relatives	€32,500
C	Inheriting from strangers	€16,250

CGT (Capital Gains Tax)

The rate of CGT remains unchanged at 33%. The CGT rate is being further reduced to 10% for entrepreneurs on the disposal in whole or part of a business up to an overall limit of €1m in qualifying chargeable gains, effective from 1 January 2017.

USC (Universal Social Charge)

A number of changes are to take effect from 1 January 2017:

- A reduction in the three lowest existing USC rates
- An increase in the USC entry point for the third lowest rate from €18,669 to €18,773
- Total income of €13,000 or less p/a is exempt from the USC. The following rates will apply if total income is in excess of €13,000:

2016		2017	
Income band	USC rate	Income band	USC rate
Up to €12,012	1%	Up to €12,012	0.5%
Next €6,656	3%	Next €6,760	2.5%
Next €51,376	5.5%	Next €51,272	5%
Balance	8%	Balance	8%

The USC rate on self-employed income in excess of €100,000 is 11%.

Increase in the earned income tax credit for the self-employed & proprietary directors

The current €550 maximum earned income tax credit provided to working proprietary directors and the self-employed (including their spouses/civil partners if working in the business) will be increased to €950 for 2017.

Help to Buy Income tax refund scheme for first time buyers

A rebate of any income tax paid (but not USC or PRSI) over the previous 4 years for first time buyers buying a **new** (but not second hand) principal private residence or equivalent self-build, on or after 19th July 2016 of 5% of the purchase price/value of the new home up to €600,000.

- The maximum rebate is €20,000 per property (not per joint owner); no rebate applies if the new home is valued at more than €600,000. The rebate is also limited to the amount of income tax actually paid over the previous four years.

- The rebate only applies where the mortgage is at least 80% of the home value.

- A joint purchase between a first time buyer and non-first time buyer will not qualify for the tax rebate.

- Incentive scheduled to run to end of 2019.

Other Property incentives

- **Buy to let mortgage interest** offset against rental income from rented residential property to be increased from its current 75% to 80% in 2017, for both new and existing buy to let mortgages. It is planned to increase the % by 5% in each of the following years to reach 100% by 2021.

- **Mortgage Interest Tax** relief for those who took out mortgages between 2004 and 2008 was due to be phased out by the end of 2017. The Minister has confirmed that he will bring forward an extension of mortgage interest tax relief on such mortgages in Budget 2018.

- The limit on the **Rent a Room** income tax relief is being increased from €12,000 pa to €14,000 pa from 2017.