Finance Act 2016

FINANCE ACT 2016

The Finance Act 2016 was signed into law on 25 December 2016.

Universal social charge

2. USC rates. Income below €13,000 is exempt.

Income up to €12,012 is taxed at 0.5% (previously 1%).

Income from €12,013 to €18,772 is taxed at 2.5% (previously 3%).

Income between €18,669 and €70,044 is taxed at 5% (previously 5.5%).

Income above €70,044 is taxed at 8%.

Income above €100,000 from self-employment is taxed at 11%.

Effective 01.01.2017.

Income tax

3. Expense payments for non-executive directors. Exempt if less than €5,000 p.a.

4. Earned income tax credit. Increased to €950 (previously €550). Technical amendment to deal with more than 52 pay days in a year.

5. Home carer tax credit. Increased to €1,100 (previously €1,000).

6. Fisher tax credit. This tax credit (€1,270 p.a.) applies to fishers who spend at least 80 days per year at sea engaged in sea-fishing. Effective 01.01.2017.

7. Sportspersons relief. This relief, which applies to a sportsperson who retires permanently from his sport, is ignored in calculating net relevant earnings for the purposes of Retirement Annuity Relief.

8. Home Renovation Incentive. Extended to 31.12.2020.

9. Help to buy scheme. This applies to first-time buyers of newly built homes.

Conditions:

(a) Applies to qualifying properties bought between 19.07.2016 and 31.12.2019.

(b) 70% loan to value mortgage required.

(c) Each joint buyer must be a first-time purchaser.

(d) Contractors must register with Revenue.

(e) Maximum income tax rebate is the lower of:

(i) €20,000,

(ii) income tax paid by the claimant for the 4 tax years immediately preceding the year of claim, or

(iii) 5% of the house price (or a self-build valuation).

10. Special Assignee Relief Programme (SARP). Extended to 31.12.2020.

11. Foreign Earnings Deduction. Extended to 31.12.2020.

12. Start Your Own Business Relief. Extended to 31.12.2020.

13. Rent-a-room relief. Increased to €14,000 (previously €12,000).

14. Personal Retirement Savings Accounts (PRSAs). From the PRSA owner's 75th birthday (or 25.12.2016 for individuals aged 75 on that date):

(a) A benefit crystallisation event occurs for the purposes of the owner's standard fund threshold (lifetime limit of €2 million on an individual's tax relieved pension fund).

(b) Unvested PRSA benefits become subject to the imputed distribution regime.

(c) On the PRSA owner's death, the PRSA assets are treated the same as an ARF (i.e., are not transferred to the deceased owner's estate).

Income tax, corporation tax and capital gains tax

15. Living City Initiative. Now applies to lessors and non-residential buildings.

Residential floor area restrictions removed. Minimum eligible expenditure of €5,000. State grant recipients are not excluded from the commercial element of the scheme. But as regards lessors, or the commercial element of a scheme, the eligible expenditure is reduced by three times the amount of any grant receivable. Undertakings in difficulty are explicitly excluded from the Initiative.

16. Rental interest relief. Full interest for residential property is to be restored as follows: 2017 - 80%; 2018 - 85%; 2019 - 90%; 2020 - 95%; 2021 - 100%.

17. Energy efficient equipment. Extended to non-incorporated businesses.

18. Farm income averaging. From 2016, a farmer can opt to elect out of averaging for a single year and pay any resulting deferred tax due in instalments over a subsequent four year period.

19. Decommissioned fishing vessels. A balancing charge arising as a result of compensation paid under the latest EU vessel decommissioning scheme can be spread over five years, commencing in the year in which the compensation is paid. Subject to a Commencement Order.

20. Employment Investment and Incentive Scheme (EIIS). Revenue may publish information relating to the companies who raise EIIS investments. The scheme is removed from the high earners' restriction.

21. Deposit Interest Retention Tax (DIRT). To be reduced as follows: 2017 - 39%; 2018 - 37%; 2019 - 35%; 2020 - 33%.

Deposit interest received from both EU and non-EU financial institutions will be taxed at the reduced DIRT rate but will be taxed at 40% if not returned on time. The 40% rate continues to apply to non-EU deposit interest received by a higher rate taxpayer.

22. Specified property business. The (interest) coupon on profit participating notes will not be deductible in calculating the profits of the specified property business unless paid to:
(a) An individual within the charge to income tax or a company within the charge to corporation tax.
(b) An Irish or EEA pension fund.
(c) An EEA citizen or company who will pay tax on receipt of the interest.
The timescale for a company to notify Revenue of its intention to be a section 110 company is reduced to within 8 weeks of acquiring qualifying assets of €10 million.
Effective for accounting periods ending on or after 06.09.2016.

23. Irish Real Estate Funds (IREFs). An investment undertakings whose assets consist as to 25% or more by way of value of Irish real estate assets must deduct a 20% withholding tax from distributions to unit holders who are not within the charge to Irish tax. Does not apply to pension funds, life assurance companies and other collective investment undertakings. Effective 01.01.2017.

Corporation tax

24. Country by Country (CbC) reporting. Council Directive (EU) 2016/881 of 25.05.2016 ("DAC 4") implemented the OECD Base Erosion and Profit Shifting (BEPS) recommendations for CbC Reporting into EU law. This section transposes the recommendations in Irish law. An Irish parent of a multinational (MNE) group with turnover of €750m or more must provide Revenue with an CbC report setting out revenue, profits, taxes etc for each tax jurisdiction in which the MNE operates (TCA 1997 s 891H).
Revenue can make regulations dealing with:
(a) the appointment of an EU designated entity to provide a CbC Report on behalf of all EU constituent entities of an MNE with a non-EU parent, and
(b) notification of such an EU designated entity that is tax resident in Ireland.
Effective for accounting periods ending on or after 25.12.2016.

25. Tax rulings. Council Directive 2011/16/EU, as amended by Council Directive (EU) 2015/2376 provides for mandatory automatic exchange of information relating to advance cross-border rulings and advance pricing arrangements between EU States and the EU Commission.

This section, which transposes the Directive into Irish law, is subject to a commencement order.

Capital gains tax

26. Entrepreneur relief. Introduces a 10% CGT rate for disposals of chargeable business assets, owned for not less than three years, up to a lifetime limit of €1m. The relief does not apply to development land or investment assets.

For disposals of private company shares, the disponer must have

(a) owned not less than 15% of the shares in the trading company (or its holding company),

(b) been a full-time working director of the company for not less than three years prior to the disposal.

Effective 01.01.2017.

27. Non-resident trusts. TCA 1997 ss 579-579A attribute gains made by a non-resident trust to the trust's Irish-resident beneficiaries. These sections will not apply where it is shown to the satisfaction of Revenue that the trusts were established for bona fide commercial reasons and not purely for the purpose of avoiding tax.

28. Fishing vessels. CGT "retirement" relief applies to compensation received in respect of the decommissioning of fishing vessels (This updates the reference to the relevant EU regulation (508/2014 of the European Parliament and of the Council of 15 May 2014). Subject to a Commencement Order.

29. Farm restructuring. Extends the deadline for the completion of the first restructuring transaction to 31.12.2019. Subject to a Commencement Order.

30. Turf cutting compensation. Extends the exemption for compensation paid under the Cessation of Turf Cutting Compensation Scheme (TCA 1997 s 613(7)) to payments made under the Protected Raised Bog Restoration Incentive Scheme. Effective 01.10.2016.

Value-added tax (VAT)

46. Dual-use inputs. Aligns the deductibility apportionment rules (VATCA 2010 s 61) more closely with the EU VAT Directive. If the turnover method does not reflect the taxable use of dual-use inputs, an alternative method can be used.

47. Flat-rate farmers. Increases farmers flat-rate addition to 5.4% (previously 5.2%). Enables the Minister to provide that the flat-rate addition will not apply to specified agricultural activities in certain circumstances. Effective from 01.01.2017.

Finance Act 2016

Stamp duties

49. National Concert Hall. Exempts land acquired by the National Concert Hall in connection with its functions.

50. Bank levy. Extends the bank levy from 2017 to 2021 and increases the rate to 59% of DIRT paid in the relevant base years. The base year for 2017 and 2018 will be 2015. The base year for 2019 and 2020 will be 2017, and for 2021 it will be 2019.

Capital acquisitions tax

52. Dwelling-house relief. A gift of a dwelling-house only qualifies where the house is taken by a dependent relative (i.e., a relative who aged 65 or over, or who is permanently and totally incapacitated from maintaining himself).

53. Thresholds. Increases:

(a) the class A (parent-child) threshold to €310,000 (previously €225,000),

(b) the class B (siblings, uncles, aunts, nephews, nieces) threshold to €32,500 (previously €30,150).

(c) the class C (stranger) threshold to €16,250 (previously €15,075). Effective 12.10.2016.

Miscellaneous

55. Jointly assessed spouses. Allows either spouse to file electronically on behalf of the couple.

56. Penalty mitigation. Penalty mitigation is withdrawn, from 01.05.2017 for disclosures relating to "offshore matters".

57. Publication of names. Clarifies the amount to be published where a settlement contains both qualifying and a non-qualifying disclosure. The fact of non-payment may also be included in the published details.

58. Care and management.

59. Short title.