

# Moran and Partners

Chartered Certified Accountants  
& Statutory Auditors

## Budget 2017 Summary

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### Business Taxation

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- Corporation tax rate of 12.5% to remain
- The availability of accelerated capital allowances for energy efficient equipment to be extended to sole traders
- Entrepreneur relief to be amended to reduce rate of tax from 20% to 10%. The lifetime cap of Euro 1m to be reviewed.
- Start Your Own Business Relief is to be extended for a further 2 years

### Capital Gains Tax/Capital Acquisitions Tax

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- The Group A threshold for capital acquisition tax will be increased from €280,000 to €310,000. The Group A threshold typically applies to transfers between parents and their children.
- The Group B and C thresholds for capital acquisition taxes are to be increased by 8%

### Income Tax

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- Home carer tax credit increased by €100 to €1,100 p.a. The home carers income threshold is €7,200.
- Earned income tax credit to be increased from €550 to €950 for the self-employed.
- DIRT tax rate to decrease from 41% to 39% in 2017 and to 33% by 2020.
- Special Assignee Relief Programme ("SARP") and Foreign earnings deduction ("FED") extended to 2020. A change is being made to FED to reduce the foreign work days required from 40 to 30.
- Farmers will be allowed to step out of income averaging and pay only the tax due for the current year

### Universal Social Charge

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- Rates of USC reduced as follows:
- 1% rate reduced to 0.5% - Applies on income up to 12,012
- 3% rate is reduced to 2.5% - Applies on income between €12,002 - €18,772
- 5.5% rate is reduced to 5% - Applies income between €18,772 - €70,044
- No change to the 8% rate- Applies income above €70,004

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### Indirect Tax

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- Duty on a packet of 20 cigarettes will be increased by 50 cent (including VAT) from midnight tonight with a pro rata increase on other tobacco products. No change to Duty on fuel or to the Duty rates on beer, cider or other alcohol products.
- A tax on sugar-sweetened drinks will be introduced in April 2018 to coincide with similar measures in the UK.
- The Minister confirmed the reduced 9% rate for the tourism and hospitality sector will be retained. There will be no changes to the reduced VAT rate of 13.5% or the standard VAT rate of 23% in 2017.
- VRT relief for electric and hybrid vehicles to be extended by 5 and 2 years respectively.
- In a potentially significant development, the Minister for Finance signalled a possible change in VAT rules for charities. Under consideration is a change in the blanket prohibition on recovery of VAT suffered on goods, services and property dealings. Further details on this change, if implemented, is expected to be announced in 2017.

### Property and Property Tax

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- Mortgage interest relief to be extended beyond December 2017 to 2020 - details to be provided in next year's Budget
- A 5% PAYE rebate of up to €20,000 over the last four years for first time buyers on new homes worth up to €600,000. There is no relief for houses purchased above this amount.
- Income ceiling for rent a room relief increased from €12,000 to €14,000
- The interest restriction on interest on rented residential properties to be decreased from 25% to 20% and by 5% for each year thereafter.

### Other

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- The Home Renovation Incentive is being extended until 31 December 2018.
- Some 4,500 new front line staff, including Garda, nurses and teachers will be recruited.
- Self-employed to receive PRSI benefit for the first time.
- The statutory minimum wage is to rise from €9.15 to €9.25 per hour.

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### **Medical and Social Welfare/Other Measures**

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- Social welfare payments and the old age pension will increase by €5 per week from 1 March (under 25s in receipt of Jobseeker's Allowance will be €2.70 rather than €5)
- Social welfare recipients will be entitled to a Christmas bonus equal to 85% of their weekly payment (up from 75%)
- Two weeks of paternity benefit will be available to fathers from September 1st and the Department of Social Protection will pay €230 a week.
- The €25 cap on prescription charges for over 70s is reduced to €20.
- Medical card coverage is extended to all children in receipt of the domiciliary care allowance.
- Childcare scheme with both means-tested subsidies for children aged between six months and 15 years and universal subsidies for all children aged six months to three years, to be introduced next September. The threshold for parents' eligibility will be set at a combined gross income of €80,000.

***We will be pleased to discuss any queries you may have regarding how the Budget 2017 affects you or your business.***

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