



# BUDGET 2016

## How the budget may impact on your take home pay from 1st January 2016

Here is a quick guide on how to estimate the increase to your annual take home pay following the Budget.

| Your Annual Salary | Estimated increase in take home pay |
|--------------------|-------------------------------------|
| €25,000            | €226                                |
| €35,000            | €376                                |
| €45,000            | €526                                |
| €55,000            | €676                                |
| €65,000            | €826                                |
| €75,000            | €902                                |
| €85,000            | €902                                |

The above figures are due to the reduction in the Universal Social Charge (USC). Figures are based on an annual income for a single, PAYE worker. These figures are for illustrative purposes only and do not account for tax relievable compulsory deductions, e.g. Superannuation and Spouses' and Children's Scheme deductions.

## Examples

### A single teacher

Mary is a 34 year old teacher earning a salary of €42,000. She is single and has 1 dependent child.

As a result of the Budget:

- She will see a reduction in her USC bill of €481, due to the changes in the USC rates.
- There is no change to the Standard Rate Cut-Off point or the Tax Rate bands.
- She will see an increase of €60 (€5 per month) to the Child Benefit payment.
- This is effective from 1st January 2016.

Mary will get an **extra €541 per annum.**

### Public Sector employee married to a self-employed person

Séamus is married to Deirdre and is a Public Sector employee, earning €38,000. Deirdre is self-employed, with a taxable profit of €7,000. They have 2 dependent children and are jointly assessed for tax purposes.

- On his salary of €38,000 Séamus will only benefit from the adjustment to his USC rates. As a result, Séamus will see an **increase** in his take home pay of €421.
- Deirdre will now benefit from the 'Earned Income Tax Credit' of €550 on her self-employed income. She can also claim the increased 'Home Carer Tax Credit' of €1,000, as her income does not exceed €7,200.
- They will also see an increase of €120 per annum (2 children) in their Child Benefit payment.

As a family they will see an **increase of €2,091 per annum.**

## Budget Highlights

- **Changes to Universal Social Charge (USC):** The entry threshold for USC was increased from €12,012 to €13,000. In addition, the USC rates were decreased as follows:
  - ❖ Earning €0 - €12,012: ..... Pay USC at 1% (reduced from 1.5%).
  - ❖ Earning €12,013 - €18,668: ..... Pay USC at 3% (reduced from 3.5%).
  - ❖ Earning €18,669 - €70,044: ..... Pay USC at 5.5% (reduced from 7%).
  - ❖ Retired people aged 70 and over/medical card holders, with income **under** €60,000 will only be liable to USC at 3%.
  - ❖ Retired people aged 70 and over/medical card holders, with income **over** €60,000 will be liable to the standard USC rates.
- **PRSI:**
  - ❖ **Employee's PRSI:** There was a tapered PRSI credit introduced with a maximum level of €12 per week. Relief commences at income of €352.01 per week and tapers out at a rate of 1/6th of income in excess of this threshold. Relief fully tapers out as income reaches €424 per week.
  - ❖ **Employer's PRSI:** An increase from €356.01 to €376.01 in the weekly threshold at which liability to Employer's PRSI will increase from 8.5% to 10.75% on all earnings.
- **Child Benefit:** Increased by €5 to €140.
- **FREE Pre-School Programme:** Announced for children aged 3 to 5½ years old (or school-going age).
- **FREE GP Care:** To be extended to children under age 12 (subject to successful negotiation with doctor representatives).
- **Home Carer Tax Credit:** This will increase by €190 to bring it up to €1,000 per year plus there will also be an increase in the home carer's income threshold from €5,080 to €7,200.
- **Paternity Leave:** Statutory Paternity Leave of two weeks will be introduced from September 2016.
- **State Pension:** To increase by €3 per week in 2016.
- **Pension Levy:** Will end this year and will not apply in 2016. Note: this applies to Private Sector Pensions only.
- **Capital Acquisitions Tax:** The "Group A" tax-free threshold, which broadly applies to transfers between parents and their children, is being increased from €225,000 to €280,000.
- **Self-employed:**
  - ❖ A new "Earned Income Tax Credit" to the value of €550 was announced for self-employed people that do not have access to the PAYE credit.
  - ❖ **Entrepreneurs** will benefit from a new, reduced Capital Gains Tax (CGT) rate of 20%. This reduced rate of CGT applies to disposals of businesses up to a maximum ceiling of €1 million in chargeable gains.
  - ❖ **Additional CAT Agricultural Relief for Farmers:** Two family members can now enter into a partnership with a profit sharing arrangement which allows for the transfer of the farm to the younger farmer at the end of a specified period. This partnership will qualify for an income tax credit of €5,000 per year for 5 years. This will be allocated according to the Profit Share Agreement.
  - ❖ **Commercial Motor Tax:** The maximum rate of Commercial Motor Tax will be €900 from January 2016.
- **Fuel Allowance:** Will increase by €2.50 per week to €22.50 per week.
- **Respite Care Grant:** This will be restored to €1,700 and will be paid to carers in receipt of the carer's allowance/benefit.
- **Local Property Tax:** It was announced that there will be no increase in this tax for 2016, 2017 or 2018.
- **Home Renovation Incentive:** Extended to 31st December 2016.
- **Social Welfare Recipients:** An increase in the Christmas bonus from 25% to 75% of a total weekly payment. For example, a Pensioner currently receiving a weekly payment of €230 will get a Christmas bonus of €173.
- **Family Income Supplement:** An increase in the threshold by €5 per week for families with one child and by €10 per week for families with two or more children.
- **Other Announcements:**
  - ❖ **ATM charge:** Stamp duty on combined debit/credit cards was abolished and a 12 cent ATM withdrawal fee was introduced. This will be capped at €2.50/€5 per annum per card. There was also an increase introduced relating to the contactless payment limit for cards.
  - ❖ **Tourism Sector:** 9% VAT rate to remain in place.
  - ❖ **Cigarettes:** Increased by 50 cent with effect from 14th October 2015.

There may be further changes in the Finance Bill. Every effort has been made to ensure that the information provided in this leaflet is accurate and up-to-date (October 2015). The information provided is of a general nature and may not address the specific circumstances of a particular individual. Cornmarket does not accept any liability arising from any errors or omissions.

**If you have any queries following the Budget, or if you would like to make an appointment,  
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