

BUDGET UPDATE

Construction Executive
Retirement Savings



Budget 2016 - what you need to know

The income tax adjustments announced in Budget 2016 are aimed primarily at improving the income tax situation for workers, particularly workers in the low to middle income group. These measures are the second instalment of a three year plan to reduce the income tax burden on workers and in turn this should stimulate spending and therefore improve the overall economy.

Some of the main points of interest are:

Pension Levy

The only specific taxation measure announced in Budget 2016 that relates to the pensions industry was the ending of the Government Pension Levy which has been in place since 2011 and this announcement was welcomed by the industry.

Pension Limits

Pension limits for pension savings have remained the same – i.e. the €115,000 earnings limit for personal contributions, and the €2 million Standard Fund Threshold.

There are indications in Budget 2016 that future income tax relief will come from reductions to the USC rates, rather than the indexation of tax bands.

If this approach flows through to pension limits, the implication would be that the earnings limit and Standard Fund Threshold may remain at 2015 values for some time. This would limit the capacity of tax-efficient pension planning for middle to high income earners.

Benefits for pensioners

The current State Pension (Contributory) is to increase by €3 per week to €233.30 per week with similar weekly increases to the Non-Contributory Pension and Widow's Pension. These increases, together with the promised percentage adjustment in the December payment for the Christmas bonus, will be welcomed by many retirees who are in receipt of state pensions.

Inheritance tax

The Capital Acquisitions Tax tax-free threshold, which covers the transfer of properties between parents and their children, rises from the current threshold of €225,000 to €280,000.

Capital Gains Tax

A reduced Capital Gains Tax rate of 20 per cent (to replace the current 33 per cent) will apply to the disposal in whole or part of a business up to an overall limit of €1 million in chargeable gains.

Property

The following housing measures are to be implemented:

- €10m for an affordable housing pilot scheme
- Increased funding for social housing
- Nama is to deliver 20,000 residential units before the end of 2020 with 90 per cent of these to be in the greater Dublin area
- Local Property Tax revaluation date postponed until 2019
- The Home Renovation Incentive (HRI) scheme is being extended for another year until 31 December 2016.

If you have any questions on the recent budget changes and how they may affect you or indeed any financial or retirement savings queries, please contact your CERS Consultant.

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