Budget 2016

BUDGET 2016
IFA SUMMARY REPORT

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1. Budget overview

The Irish economy has been the fastest growing economy in the EU in 2015 with GDP growth of 6.2% expected for 2015 and 4.2% projected for 2016. This strong economic growth rate and a positive outlook for 2016 has enabled the Government to deliver a budget within the fiscal policy parameters laid out under the economic and stability growth pact, whilst increasing public spending and reducing the tax burden. As tax revenue is estimated to exceed the budget target by over €2b, the Government is in a position to increase public expenditure this year to exceed the original target (Budget 2015) by about €1.5b. This additional expenditure will be in the form of "supplementary estimates" allocated before year-end, which set the base for 2016 before any new commitments under Budget 2016. The total Budget 2016 package involves a transfer of €1.5b back into the economy next year; this is made up of €750m net tax reductions and €750m net increase in Government expenditure.

2. Main changes to Public Expenditure

2.1 Agriculture budget

Expenditure by the Department of Agriculture is set to increase in 2016 by 9%, from €1,242m to €1,351m. This increase is due largely to a significant increase in national exchequer funding relative to last year's budget.

2.1.1. Current expenditure

Agri-environment measures: Total funding of €203m for the agri-environment schemes will be provided for 40,000 farmers in GLAS, 8,000 farmers in AEOS and remaining payments under REPs in 2016. This is an increase of €53m on the 2015 allocation of €150m.

Locally led Agri-environment Scheme: This measure, which will operate by tender in various parts of the country, has an allocation of €1.7m for 2016. This will include the Burren Scheme which is moving from a Pillar I to a Pillar II Scheme. Payments for successful areas will apply in the early part of 2017 when it is expected to the allocation will increase significantly.

Areas of Natural Constraint: Funding for the ANCs (formerly DAS) has been maintained at €195m.

Beef Genomics scheme: Funding of €52m has been maintained for the Beef Genomics Scheme, with a payment of €100/animal for the first 10 animals, with remaining animals to receive a payment of €80/animal.

Knowledge Transfer: Funding of €1.7m has been allocated to the Knowledge Transfer programme. Payments under this scheme are not due until early 2017 when verification of tasks can be confirmed.

Food Safety Animal Health & Welfare: Total funding allocated is €83.2m, which is an increase from €81.5m in 2015. Funding for Brucellosis and TB has been reduced from €35m to €34m. The IFA has looked for an increased funding allocation for the TB Eradication Programme to include increased consequential loss payments for farmers. This is a priority area and is required to align the level of support with actual income foregone, payments for all animals removed, and an increase in live valuation ceilings.

2.1.2. Capital expenditure

TAMS: There is a total funding allocation of €35.8m for TAMS in 2016, up from €34m in 2015.

Forestry: Forestry funding of €113.8m will maintain a planting programme for 7,000 ha and 120 km of forest roads in 2016. Forest premium levels are maintained for those in the current programme.

Horticulture: Capital grant aid for horticulture of €4.3m has been provided.

2.2 Other expenditure & social welfare changes

2.2.1. Social Protection

Social Welfare: All state pension payments will increase by €3/week in 2016. Also the Christmas bonus for weekly social welfare schemes will increase from 25% to 75% in the weekly rates; this includes Farm Assist.

Child Benefit and childcare: The rate of Child Benefit will be increased by €5 bringing it to €140/month for all children. Free preschool education will be provided for children aged between 3 to 5½ or until they start primary school. There will also be an expansion of the community childcare subvention.

Respite Care: The previous cut of €325 in the grant is being reversed. The annual respite grant for carers is restored to €1,700 in 2016.

Rural Social scheme: Increase in the top-up payment for community employment type schemes, such as the Rural Social scheme, of €2.50/week; this will benefit 2,600 farmers.

2.2.2. Education

An increased funding allocation will employ an additional 2,260 teachers in primary and post-primary schools.

2.2.3. Health

Significant increase in the Health Budget of €300m, which when combined with the additional €600m supplementary estimate will see the funding allocation for the health service increase by €900m. The Fair Deal scheme is to be fully funded in a demand-led basis. The free GP scheme is to be extended to children under 12.

2.2.4. Environment

€40m is allocated to the operation of the Leader programme in 2016.

2.2.5. Justice

There is an increase in funding for the Justice budget which will enable the recruitment of 600 new Gardaí as well as investment in specialist operations to stem the number of burglaries.

3. Taxation measures

In Budget 2016 the government presented a number of taxation measures, which address the outstanding recommendations arising from last year's Agri-taxation review. These are outlined below.

3.1 Agricultural taxation

Taxation measure to encourage family farm transfer:
In Budget 2016 a 'Family Transfer Partnership' tax mechanism has been introduced which aims to promote farm family succession. This is an innovative new mechanism devised in line with IFA proposals in which family members enter into a partnership. This partnership arrangement agrees an appropriate profit-sharing arrangement and provides for the provision of family farm transfer to the younger farmer at the end of a specified period (not exceeding ten years). To support this transfer, a tax credit up to a maximum of €5,000 per annum for five years, can be allocated to the partnership, thereby incentivising the transfer and mitigating some of the financial concerns. The partnership model enables a gradual transfer of control and also facilitates knowledge transfer from one generation to another.

Tax treatment of Forestry Income: Forestry income has been removed from the 'High Earners Restriction' for forest owners who manage their plantations on a commercial basis.

Capital Acquisitions Tax - Agricultural Relief: Retained at 90% for active farmers and for individuals who are not active farmers, but who lease out the property on a long-term basis to an active farmer in line with changes made in last year's Budget.

Capital Acquisitions Tax - Thresholds: The threshold applying to Group A "parent to child" transfers, in the case of commercial business assets including farming assets, is being increased from €225,000 to €280,000.

Capital Gains Tax - Retirement Relief: Retention of relief for both disposals within family and disposals outside the family in line with changes made in last year's Budget.

Stamp Duty and Stock Relief measures: Young Trained Farmers Stamp Duty exemption and Stock Relief (both general and Young Trained Farmers) measures have been extended past their current expiry dates of 31st December 2015 for another 3 years.

Marine taxation: As part of Budget 2016 the Government has published the Marine taxation review. The IFA welcomes the report, especially the proposal for the extension of Agricultural Relief from CAT to the Aquaculture industry.

VAT refund: The refund for unregistered farmers is maintained at 5.2%.

3.2 General taxation measures

Income Tax: The income tax rates and bands are unchanged.

For self-employed tax payers, including farmers who do not currently receive the PAYE Tax credit, a new Earned Income Tax Credit of €550 is being introduced from 1st January 2016. The Minister indicated that, if the Government was returned, it would complete the tax equalisation for the self-employed. This reform has been sought by IFA for many years.

The Home Carer tax credit, which applies to single income married couples caring for children or elderly relatives, is being increased by €190 to €1,000/year.

Universal Social Charge:
The entry threshold is being increased from €12,012 to €13,000.

The rates of USC are being reduced as follows:
- The lowest rate of 1.5% is to be reduced to 1%; this applies to the first €12,012 of income.
- The 3.5% rate is to be reduced to 3%; this applies on income from €12,012 to the increased threshold of €18,668.
- The 7% rate is to fall to 5.5%; this applies to income between €18,668 and €70,044.

People earning over €70,000 per year will not get any benefit on the portion of their income above €70,000, but will benefit on the portion of their income below that figure.

Local Property tax:
The Minister announced the intention of the Government to postpone the revaluation date for the Local Property tax from 2016 to 2019.

Capital Gains tax:
A reduced Capital Gains tax rate of 20% to the owners of a trade or business and will apply to the disposal in whole or in part of a business up to an overall limit of €1m in chargeable gains.

Motor Tax on Commercial Vehicles
The Minister announced significant reductions in motor tax on commercial vehicles. The maximum rate will be reduced from €5,195 to €900.