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Relate

The journal of developments in social services, policy and legislation in Ireland.

Contents

Budget 2016

Budget 2016 was announced on 13 October 2015. Some of the measures announced, for example, excise duty on tobacco products, came into effect on 14 October 2015, but most will come into effect in 2016. Legislation will be required for most of the social welfare and tax changes. Some changes in schemes which were announced previously will also come into effect in 2015.

The main Budget statements and background documents are published on the website: **budget.gov.ie**. The background documents include the *Expenditure Report 2016*, which sets out details of expenditure in all areas of government for 2016. Details of these changes are also available on the websites of the relevant departments.

Social Welfare

The *Expenditure Report 2016* shows that over 36% of government spending goes to the Department of Social Protection (DSP) – about €19.9 billion of which will be spent in 2015. This is projected to fall to roughly €19.6 billion of government spending in 2016. This budget is spent as follows:

- Pensions: €6.98 billion; pensions are being paid to 580,000 people
- Working age income supports: €3.97 billion; these are being paid to about 475,000 people
- Income supports for illness, disability and carers: 3.53 billion; these are paid to 307,000 people
- Children: €2.58 billion; Child Benefit is paid monthly to 610,000 families in respect of almost 1.2 million children

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Payments to families and children

An extra €103 million is being provided to support families with children in 2016.

Paternity Benefit

A new Paternity Benefit for fathers availing of two week's paternity leave will be introduced for births from September 2016. The PRSI contribution conditions and the rate of benefit paid will be the same as those for Maternity Benefit.

Child Benefit

Child Benefit is paid to the parents or guardians of children under 16 years of age, or under 18 years of age if the child is in full-time education, Youthreach training or has a disability. The rate of Child Benefit will increase by €5 to €140 per month for each child from January 2016.

Families with twins receive one and a half times the normal monthly rate for each child. Families with multiple births receive Child Benefit at double the normal monthly rate for each child.

Family Income Supplement

Family Income Supplement (FIS) is a weekly tax-free payment available to employees with children. It gives extra financial support to people on low pay. The thresholds for FIS will be increased by €5 for each of the first two children per week. The threshold for the third and all other children will increase by €10. These changes will take place from January 2016.

The amount of FIS paid will continue to be based on 60% of the difference between net weekly family income and the applicable weekly family threshold. This measure will benefit nearly 60,000 families and over 131,000 children. It will also result in an additional 1,500 households and 3,365 children becoming eligible for FIS. This will cost €18 million.

School Meals Programme

The School Meals Programme aims to supplement the diets of school-going children from disadvantaged backgrounds. An additional €3 million is being added to the School Meals Programme, increasing the funding to €42 million in 2016. The programme funds two separate schemes, the Urban Scheme and the Local Projects Scheme.

The Urban Scheme provides funding for school meals in primary schools in urban areas. This programme consists of daily sandwiches or buns and milk. The Local Projects Scheme gives funding directly to national and secondary schools, local groups and voluntary organisations, which operate their own school meals projects (the meals may be hot or cold). It also covers nursery schools catering for disadvantaged pre -school children. These projects must be targeted at areas of disadvantage or at children with special needs. Funding is allocated at the rate of a meal per child.

Older people and carers

State pensions

The maximum weekly rate for people getting State pensions will increase by €3 per week. This means that the maximum rate of State Pension (Contributory) will increase to €233.30 for people aged under 80 and to €243.30 for people aged 80 and over. The maximum rate of State Pension (Non-Contributory) will increase to €222 for people aged under 80 and to €232 for people aged 80 and over. Payments to carers, widowers, widows and surviving civil partners aged 66 and over will also increase by €3 per week from January 2016.

Increases for Qualified Adults (IQA's) aged under 66 years will go up by €2 and IQA's aged 66 years or over will go up by €2.70 from January 2016. These changes will benefit 583,000 recipients of these payments and 93,500 dependants.

Carers

The Respite Care Grant is an annual payment made to carers by the Department of Social Protection. Carers can use the grant in whatever way they wish. The name of the Respite Care Grant will be changed to the Carer's Support Grant to better reflect how it is used by recipients. The grant will increase by €325 to €1,700 per year for each person being cared for. The grant is usually paid in June. This will benefit 86,000 carers.

At present, Carer's Allowance is paid for six weeks following the death of the person being cared for. From January 2016, this will increase to 12 weeks.

Free travel

Everyone aged 66 and over living permanently in the State is entitled to access the Free Travel Scheme. Some people aged under 66 also qualify. Free travel is available on all State public transport (bus, rail and Dublin's LUAS service), with some exceptions. Free travel is also available on a limited number of services operated by private bus transport companies. There is €3 million in additional funding for the Free Travel Scheme in 2016. This provision will provide for the increased numbers of people eligible for the scheme.

People of working age

Jobseeker's Transitional payment

The Jobseeker's Transitional payment is a special arrangement under the Jobseeker's Allowance scheme that aims to support lone parents into the workforce while they have young children. This payment is available to people who are not cohabiting and whose youngest child is aged between seven and 13 years old inclusive.

The earnings disregard for Jobseeker's Transitional payment will increase from €60 to €90 per week for existing and new recipients. From January 2016, all earnings above €90 will be assessed at 50% rather than the current assessment of 60%. This measure will cost €8 million a year and will benefit 5,900 people in 2016.

Employment activation

There will be an increase of €2.50 per week in top-up payments paid towards meals and travel costs for Community Employment (CE), Rural Social Scheme (RSS), Gateway, Job Initiative, Tús and JobBridge participants from January 2016. This will benefit 43,000 people across these five activation schemes.

Extra Payments

Fuel Allowance

Fuel Allowance will increase by €2.50 per week to €22.50 per week. Fuel Allowance is paid to people getting long -term social welfare payments - including pensioners, people with disabilities, people parenting alone and jobseekers. This provision will benefit 381,000 households.

Christmas Bonus

In 2014, a Christmas Bonus of 25% of a weekly long-term social welfare payment was paid to recipients of these payments. A 75% Christmas Bonus will be paid in December 2015 to people getting a long-term social welfare payment (with a minimum payment of €20).

This will benefit 1.23 million people at a cost of €197 million.

Pay-Related Social Insurance (PRSI)

Employee PRSI

A new weekly tapered PRSI credit of €12 is being introduced for employees insured at Class A whose earnings are between €352.01 and €424 a week. A similar PRSI credit will apply to Class E and Class H employees with weekly earnings between €352.01 and €422 or €352.01 and €424, respectively.

The maximum PRSI credit of €12 per week applies to gross weekly earnings of €352.01. A person earning €352.01 pays PRSI at 4%, which is €14.08. After the €12 credit is deducted they will pay PRSI of €2.08.

For people earning between €352.01 and €424, the credit of €12 is reduced by one-sixth of earnings over €352.01. For example, a person earning €377 would get a PRSI credit of €7.83 (this is one-sixth of the difference between €377 and €352.01 subtracted from the maximum credit of €12). There is no PRSI credit once earnings exceed €424 (January 2016). This provision will reduce the weekly PRSI bill for over 88,000 employees.

Employer PRSI

The lower 8.5% Class A rate of employer PRSI will apply to weekly earnings up to €376. This threshold will increase from the current €356 from January 2016. This provision will benefit 26,000 employers.

All these PRSI provisions will cost €21 million in 2016.

Taxation

Income tax

Home Carer's Tax Credit

The Home Carer's Tax Credit is given to married couples or civil partners where one spouse or civil partner works in the home caring for a dependent person. This credit is increasing from €810 to €1,000 for 2016. The home carer's income threshold will also increase from €5,080 to €7,200. If the home carer has income in his or her own right, the tax credit is reduced by one-half of the amount of income that exceeds €7,200. In effect, this means if the home carer earns over €9,200 no tax credit will be available.

Home Renovation Incentive

The Home Renovation Incentive (HRI) is being extended until 31 December 2016. The HRI enables homeowners or landlords to claim tax relief on repairs, renovations or improvement work that is carried out on their main home or rental property by tax-compliant contractors and that is subject to 13.5% VAT.

Farming

General Stock Relief, Stock Relief for Young Trained Farmers, Stock Relief for Registered Farm Partnerships and the Stamp Duty Exemption for Young Trained Farmers are being extended until 31 December 2018.

A new farm succession transfer partnership model is being introduced, subject to EU State Aid approval.

Profits or gains from the occupation of woodlands are being removed from the high earners' restriction.

Universal Social Charge (USC)

For 2016, incomes of €13,000 or less will be exempt from USC. The exemption limit in 2015 is €12,012. Once your income is over this limit, you will pay the relevant rate of USC on all of your income as follows:

Income up to €12,012	1%
€12,012.01 to €18,668	3%
€18,668.01 to €70,044	5.5%
Income above €70,044.01	8%
Self-employed income in excess of €100,000.01	11%

Medical card holders and individuals aged 70 years and over whose aggregate income does not exceed €60,000 will pay a reduced rate as follows:

- The first €12,012 @ 1%
- Income over €12,013 @ 3%

Excise duties

The excise duty on a packet of 20 cigarettes is increasing by 50 cent (including VAT) with a pro-rata increase on other tobacco products, with effect from midnight on 13 October 2015.

The rate of Motor Tax is being reduced for all vehicles above 4,000kgs (broadly speaking, commercial vehicles), with a new annual rate of €500 for vehicles between 4,000kgs and 12,000kgs and €900 for vehicles over 12,000kgs.

Capital Acquisitions Tax

The Group A tax-free threshold, which applies primarily to gifts and inheritances from parents to their children, is being increased from €225,000 to €280,000. This increase applies in respect of gifts or inheritances received on or after 14 October 2015.

Stamp duty

The current €2.50 per annum charge on ATM cards and €5 on combined (ATM and debit) cards is being abolished from 1 January 2016.

A new 12 cent fee per ATM withdrawal is being introduced from 1 January 2016. The total fee paid per annum per card will be capped at €2.50 on ATM cards and €5 on combined (ATM and debit) cards.

Housing

A total of €811 million is allocated for housing programmes and the continued delivery of the Social Housing Strategy 2020. In addition, local authorities will directly provide some €112 million in funding to meet housing needs.

NAMA is to work with developers to deliver 20,000 residential units before the end of 2020. 90% of these units will be in the Greater Dublin Area and approximately 75% of them will be houses, mainly starter homes. This will require funding of the order of €4.5 billion.

Funding for the Seniors Alert programme is increased by 10%, to provide 10,000 monitored alarms for older people.

A new affordable rental pilot scheme will be given €10 million of funding from the proceeds of the sale of Bord Gáis Éireann.

Social housing

The current allocation for social housing is being increased by €69 million to €414 million, with a view to securing accommodation for an additional 14,000 households.

It is planned to provide over 9,500 social housing units by 2018, funded through direct investment and public/private partnership, with over 3,100 of these social housing units to be provided in 2016.

Local authorities are to provide more than 1,000 new housing units through a programme of construction and acquisitions.

Under the Capital Assistance Scheme (CAS), some 450 units are to be provided for vulnerable people with specific needs in 2016.

€70 million is being provided for upgrading the energy efficiency of the social housing stock.

It is expected that 1,500 vacant social housing units will be refurbished and brought back to productive use. A total of €85 million will be provided for regeneration/remedial works in disadvantaged communities in 2016.

€17 million is allocated for the mortgage-to-rent scheme.

Housing Assistance Payment and Rental Accommodation Scheme

€47.7 million is allocated for the Housing Assistance Payment (HAP) in 2016, with a target of 10,000 households for transfer to HAP. The HAP scheme allows people on local authority housing lists to rent accommodation privately. It will eventually replace Rent Supplement for people with a long-term housing need. Unlike Rent Supplement, which is generally not payable to people in full-time employment, HAP is still payable (subject to the conditions of the scheme) to people who take up full-time employment.

€135 million is allocated for the Rental Accommodation Scheme (RAS) with a target of 1,000 new RAS transfers. RAS is aimed at people who are receiving Rent Supplement and who have a long-term housing need.

Traveller accommodation and support

€4.3 million is being provided for Traveller accommodation and support services and €5.5 million is being provided for a range of Traveller-specific accommodation schemes.

Homelessness

The allocation for addressing homelessness is increased by €17 million to €70 million.

Funding is available under the Capital Plan to provide 500 modular housing units for homeless families.

As part of the Action Plan to tackle emergency and short-term homelessness, announced in December 2014, HAP was extended on a pilot basis to homeless households in the Dublin region. Rent limits for this Homeless HAP Pilot will be increased.

Adaptations and remediation

€45 million is provided for approximately 8,500 housing adaptation grants for older people and people with a disability.

€19 million is provided for the Pyrite Remediation Scheme.

€5 million is provided towards a new Lead Remediation Grant Scheme to help homeowners address the issue of lead in their drinking water.

Local Property Tax

An annual Local Property Tax (LPT) charged on all residential properties in the State came into effect in 2013. The tax payable is based on the market value of relevant properties. Following a review of the Local Property Tax, it is proposed that the revaluation date for the Local Property Tax should be postponed from 2016 to 2019. The postponement of the date means that homeowners will continue to pay LPT based on the original valuations that applied for 2013-2016. The review also proposes some changes as regards exemptions from LPT for properties significantly affected by pyrite.

Continued wind-down of housing tax reliefs

Rent Tax Relief

Rent Tax Relief will continue to be reduced, as announced in Budget 2011:

Maximum qualifying amounts for 2016

Single under 55 years	€400
Single over 55 years	€800
Married or in a civil partnership, widowed or a surviving civil partner, under 55 years	€800
Married or in a civil partnership, widowed or a surviving civil partner, over 55 years	€1,600

Mortgage Interest Relief

Mortgage interest relief continues to be phased out. It will be abolished entirely after 2017. The previously announced rates and ceilings will apply in 2016 – see **revenue.ie** for details.

Employment

Minimum wage

From 1 January 2016, the statutory minimum wage will increase from €8.65 per hour to €9.15 per hour.

Paternity leave

Statutory paternity leave of two weeks is to be introduced, together with a new Paternity Benefit (see page 2), in respect of births from September 2016.

Businesses

Extension of three-year corporation tax relief for start-up companies

This measure provides relief from corporation tax on trading income (and certain capital gains) of new start-up companies in the first three years of trading. This relief is being extended to 2018.

Earned Income Tax Credit

A new Earned Income Tax Credit of up to €550 will be introduced for taxpayers earning self-employed trading or professional income in certain cases and for business owners or managers who are not eligible for a PAYE credit on their salary income. The tax credit will be calculated at 20% of a person's earned income (excluding earned income that is taken into account for the PAYE Tax Credit) subject to a maximum of €550.

Revised Capital Gains Tax entrepreneur's relief

A reduced rate of Capital Gains Tax (CGT) is being introduced for individuals who propose to sell their business. A lower CGT rate of 20% will apply to the net chargeable gains arising on disposals of assets comprising the whole or a discrete part of a trade or business, subject to a lifetime limit of €1 million on such gains, with effect from 1 January 2016.

Reduced fees for card payments

Interchange fees are charged to retailers for debit and credit card transactions. To reduce the costs to retailers of accepting card payments, a maximum limit is now being set on interchange fees for debit and credit cards. Both of these limits will come into force on 9 December 2015. Some smaller schemes will be exempted from these new limits until 9 December 2016, to give them time to restructure their business models as required.

Employment and Investment Incentive (EII) and Start Up Relief for Entrepreneurs (SURE)

The EII and SURE are being amended to comply with State aid rules. In addition, expansion works to existing nursing homes will qualify for the EII and the changes announced to the EII in Budget 2016 are being commenced from 13 October 2015. A summary of the changes commenced on Budget night are available on: **revenue.ie/en/tax/it/leaflets/employment-and-investment-incentive.html**

Knowledge Development Box

The Knowledge Development Box (KDB) is being introduced to encourage companies to develop intellectual property in Ireland. The KDB will provide that a corporation tax rate of 6.25% will apply to the profits arising from certain intellectual property assets which are the result of qualifying research and development activity that is carried out in Ireland.

Excise duty relief for microbreweries

The tax relief reducing the standard rate of Alcohol Products Tax by 50% on beer produced in microbreweries will now be available upfront as well as through a rebate.

Valued Added Tax (VAT)

The 9% rate of VAT is being retained for tourism-related activities.

Childcare

The Early Childhood Care and Education (ECCE) Scheme provides a free year of early childhood care and education for children of pre-school age. In general, children are eligible for the ECCE scheme if they are aged between three years and two months and four years and seven months on 1 September of the year that they will be starting. From September 2016, the ECCE scheme will be extended to children aged between three years and five years and six months, or until they start primary school. This increases the number of weeks available on the ECCE scheme. Children will be able to enroll in pre-school at three different points in the year (September, January and April) in order to access the scheme.

The number of places available under the Community Childcare Subvention (CCS) Programme will increase to 8,000. Under the CCS programme, disadvantaged parents and parents in training, education or low paid employment can avail of childcare at reduced rates.

A number of supports to enable children with disabilities to fully participate in pre-school care and education will be phased in during 2016 at a cost of €15 million. Supports will include grants for equipment, appliances, minor alterations, access to therapeutic intervention and training for childcare staff.

€3.5 million is to be provided for measures to improve quality in childcare.

A new single affordable childcare programme will be developed to replace the existing Community Childcare Subvention (CCS), After-School Childcare (ASCC) Scheme, Childcare Education and Training Support (CETS) programme and Community Employment Childcare (CEC) programme. Work on the new programme will begin immediately, so that it can be in place by 2017.

A €3 million capital fund will be available to childcare providers who need minor funding to develop after-school care services using existing school and other accessible community facilities.

Education and Training

Pupil/teacher ratios will reduce to 27:1 in primary schools and 18.7:1 in secondary schools.

New education posts will be created. There will be 2,260 new classroom teachers, including 600 new resource teachers.

€3 million will be allocated to support disadvantaged students, including the Student Assistance Fund in higher education.

The National Training Fund allocation will include €10.5 million for apprenticeships in new areas and increased registrations in existing areas.

Health

Roughly €13.59 billion is being provided for health services in 2016. This constitutes 24.6% of all government spending.

Free GP care is already in place for children under six years of age and for people aged 70 years and over. Free GP care will be introduced for all children under 12 years of age, subject to negotiation with the Irish Medical Organisation.

€8 million is allocated to improve the availability of therapeutic services for children, particularly speech and language therapy.

The National Women and Infants Programme will be set up in 2016 to standardise and improve maternity care across all maternity units.

Funding will be allocated to provide extra Community First Responder teams and increase the number of paramedics.

Justice

Six hundred new Gardaí are to be recruited in 2016.

There are significant increases in funding for the Victims of Crime Office, Forensic Science Ireland, the Courts Service, the Charities Regulator, the Legal Aid Board, the Office of Data Protection Commissioner, and Cosc - The National Office for the Prevention of Domestic, Sexual and Gender-based Violence.

The funding for Garda surveillance of criminal activity and special operations is being increased.

The budget to support Community Alert and Crimestoppers is being doubled. The Community Alert programme operates through a network of community alert groups, each of which is responsible for a particular area. A group may be set up in response to community demand or as a result of Garda contact. There are about 1250 such groups throughout the country. Crimestoppers is an initiative operated by the Gardaí and the business community. You can give information to the Gardaí about any criminal investigation using the confidential freephone number.

Other announcements

Arts and culture

Over €48 million will be allocated to the Ireland 2016 Centenary Programme, including almost €31 million for major capital works.

€3 million is allocated for a new scheme of one-off grants to arts and cultural centres throughout the country.

The cap on eligible expenditure for film tax relief is increased to €70 million.

The Citizens Information Board provides independent information, advice and advocacy on public and social services through citizensinformation.ie, the Citizens Information Phone Service and the network of Citizens Information Services. It is responsible for the Money Advice and Budgeting Service and provides advocacy services for people with disabilities.

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Irish Refugee Protection Programme

An allocation of €25 million has been provided for accommodation, additional staffing, integration programmes, and new Emergency Resettlement and Orientation Centres.

International aid

An increase of €40 million for Official Development Assistance (to €640 million) has been announced, including an increase of €10 million in the Irish Aid budget.

Bank levy

The expiry date of the Financial Institutions Levy is extended, from the end of 2016 to 2021. This will raise an additional €750 million.

Levy on pension funds

There was a levy of 0.6% on the market value of assets which are managed in pension funds and pension plans approved under Irish tax legislation. (These include occupational pension schemes, Retirement Annuity Contracts and Personal Retirement Savings Accounts). This levy applied until the end of 2014. In 2014 an extra levy of 0.15% was introduced. This meant that the total pension levy in 2014 was 0.75% and the levy in 2015 is 0.15%. This levy will no longer apply from 2016.

Climate change

There is an allocation of €2 million for the International Green Climate Fund.

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