

Budget 2021 is the largest in the history of the State and forecasts a deficit of €20.5 billion. The Budget is exclusively focused on the coming year where there are two major unknowns; Covid 19 and no bi-lateral trade deal between the EU and the UK.

In July 2020 the Government introduced a stimulus package to assist businesses deal with the implication of Covid 19. Budget 2021 now provides for further measures to support the economy through spending and supports for businesses.

The July stimulus package introduced the Employment Wage Subsidy Scheme, which is in place until 31<sup>st</sup> March 2021. The Minister announced that there would be “no cliff edge” to this vital scheme. The Government will decide on the form of its extension when the economic conditions are clearer in 2021. In addition the Debt Warehousing introduced is also being extended to include additional taxes.

The Minister also announced a new Covid Restriction Support Scheme which is to provide support to businesses. Details of this scheme along with other taxation and financial measures are summarised below.

### TAXATION MEASURES

#### INCOME TAX

##### **Personal Taxation**

Income tax rates and rate bands all remain unchanged.

The Earned Income Credit will increase from €1,500 to €1,650. This credit is available to taxpayers earning self-employed trading or professional income under Cases I, II and III of Schedule D and to business owner/managers who are ineligible for a PAYE credit on their salary income.

An increase in the Dependent Relative Credit from €70 to €245.

The Sea-going Naval Personnel Tax Credit extended to 31 December 2021 and increased to €1,500 for 2021.

##### **Universal Social Charge**

INCOME	RATE			
	Aged under 70 years		Aged 70 years and over	
	No Medical Card	With Medical Card	No Medical Card	With Medical Card
€0 - €12,012	0.5%	0.5%	0.5%	0.5%
€12,012 - <b>€20,687</b>	2%	2%	2%	2%
<b>€20,687</b> - €70,044	4.5%	2% / 4.5% *	2% / 4.5% *	2% / 4.5% *
€70,044+	8%	8%	8%	8%
Self-employed income over €100,000: 3% surcharge				

\*2% if aggregate income is €60,000 or less; 4.5% if aggregate income exceeds €60,000.

A one year extension of the reduced rate of USC for medical card holders was announced.

### **Working from home**

The Minister highlighted that employees working from home can claim a tax deduction in respect of utility expenses, which for 2020 will now include broadband expenses.

### **Help to Buy**

The Help to Buy incentive was increased on 23 July 2020 and is now extended to the end of 2021. The increased amount that may be claimed is the lesser of:

- €30,000
- 10% of the purchase price of a new home (For self-builds 10% of the completion value of the property), or
- the amount of Income Tax and DIRT paid in the four years before the purchase or self-build.

## **BUSINESS MATTERS**

### **12½% Corporation Tax Rate**

The 12½% rate of Corporation Tax for trading profits remains unchanged.

### **Employment & Investment Incentive (EII)**

An assessment will commence in Q4 2020 of how the Employment and Investment Incentive Scheme can be enhanced in light of the impact of the current crisis with a particular focus on improved support for start-ups, the potential to attract capital from a broader range of investors and the potential to include energy-efficient projects within the remit of the scheme.

### **Knowledge Development Box (KDB)**

KDB is a corporate tax relief on income from qualifying assets under which a qualifying company may be entitled to a deduction equal to 50% of its qualifying profits. The Minister announced an extension of the relief for a further two years until December 2022.

### **Digital Gaming Sector**

Work will take place in 2021 on the development of a tax credit for the digital gaming sector, with a view to supporting qualifying activity from January 2022 onwards.

### **Warehousing of tax liabilities**

The tax debt warehousing scheme will be expanded to include repayments of Temporary Wage Subsidy Scheme owed by employers and the 2019 income tax balance and 2020 preliminary tax obligations for adversely affected self-assessed taxpayers.

### **Employer's PRSI**

From 1 January 2021 the weekly income threshold for the higher rate of employer's PRSI will increase from €394 to €398.

### **Revised Capital Gains Tax Entrepreneur Relief**

This relief applies a 10% rate of Capital Gains Tax on the first €1 million of qualifying gains for qualifying individuals.

The Minister amended the holding requirement so that an individual that held at least 5% of the shares in a qualifying company for a continuous period of any three years qualifies. All other qualifying criteria remain unchanged. This measure will come into effect 1 January 2021.

### **Extension of Accelerated Capital Allowance (ACA) scheme for Energy Efficient Equipment**

The ACA scheme is extended to 31 December 2023. It is designed to improve energy efficiency among Irish companies and unincorporated businesses. The ACA scheme allows taxpayers to deduct the full cost of expenditure on energy efficient equipment from taxable profits in the year of purchase.

### **Capital Allowances for Intangible Assets**

To ensure that it is consistent with international best practice for similar reliefs, provisions relating to capital allowances on intangible assets are being amended to provide that all assets acquired from Budget night will be fully within the scope of balancing charge rules.

## **CAPITAL TAXES**

### **Capital Gains Tax (CGT)/Capital Acquisitions Tax (CAT)**

The current rates of 33% remain unchanged.

### **CAT lifetime tax-free thresholds**

There is no change in any of the tax free thresholds.

## **STAMP DUTY**

### **Stamp Duty Rates**

There is no change in the rate of Stamp Duty applicable to residential or non-residential property.

### **Consanguinity Relief**

This relief is being extended to 31 December 2023. It provides, under certain conditions, for a 1% rate of stamp duty to be applicable where a transfer of agricultural land (by sale/purchase, exchange or gift) is made to certain close relations, such as a mother to son or uncle to niece. The standard rate of stamp duty applying to the transfer of agricultural land is 7.5%.

### **Farm Consolidation Relief**

This relief provides for a reduced stamp duty rate of 1% to apply where a farmer disposes of and purchases land and/or exchanges land with another farmer in order to consolidate an existing farm. It is being extended by two years to 31 December 2022.

### **Housing Residential Development Refund Scheme**

This scheme, introduced in Finance Act 2017 provides for the refunding of a portion of the Stamp Duty paid on the acquisition of non-residential land where that land is subsequently developed for residential purposes, so bringing the effective Stamp Duty rate down to a minimum of 2%.

The Scheme is now being extended to 31 December 2022, and the 24 months currently allowed between commencement and completion of construction is being extended to 30 months, so that the last possible eligible completion date will be 30 June 2025.

## **INDIRECT TAXES**

### **VAT**

In July the standard rate of VAT was cut from 23% to 21% from 1<sup>st</sup> September 2020 to 28<sup>th</sup> February 2021.

In his Budget today the Minister has now reduced the VAT rate for the hospitality and tourism sector from 13.5% to 9%. The reduction in the rate is to apply from 1<sup>st</sup> November 2020 until 31<sup>st</sup> December 2021.

The Farmers flat-rate will increase from 5.4% to 5.6% on 1 January 2021. This rate compensates un-registered farmers on an overall basis for VAT incurred on their farming inputs.

## **EXCISE DUTIES**

### **Tobacco Products Tax**

The excise duty on a packet of 20 cigarettes is being increased by 50 cents (including VAT) with a pro-rata increase on the other tobacco products, with effect from midnight on 13 October 2020.

There was no change to excise duty on alcohol products.

## **CLIMATE CHANGE TAXES**

### **Carbon Tax**

The Minister announced that carbon tax will increase from €26 today to €100 per tonne by 2030. To start the process the Minister has increased the rate by €7.50 per tonne of carbon dioxide.

The increase will apply from midnight on the 13<sup>th</sup> of October for auto fuels but for other fuels the increase will be delayed until 1<sup>st</sup> May 2021.

### **Vehicle Registration Tax**

A new rates table is introduced for Vehicle Registration Tax. The charging structure for the NOx surcharge is also adjusted so that 1-40 mg are charged at €5 per mg, and 41-80 mg are charged at €15 per mg. The €5,000 relief for Battery Electric vehicles is tapered for vehicles with an OMSP over €40,000, so that no amount of relief is available for BEVs with a value of over €50,000.

### **Motor Tax**

A new motor tax rates table is introduced for WLTP (new emission testing procedure) cars first registered in the State from 1 January 2021. Minor rates changes are implemented in the existing rates table for cars taxed on CO2 emissions (cars first registered in the State between July 2008 and end 2020). There are no changes to the rates table for cars taxed based on engine size (pre-July 2008).

## **OTHER MEASURES**

### **Covid Restrictions Support Scheme**

The new Covid Restrictions Support Scheme (CRSS) is aimed at businesses which have either been prohibited in operating or have only been able to trade at significantly reduced levels as a result of restrictions imposed under the Government's "Living with Covid-19" plan.

The sectors impacted by the current Level 3 nationwide restrictions are accommodation, food and the arts, recreation and entertainment. If the Government decides to move to a higher level of restriction then other sectors may qualify.

The scheme will apply to business premises where the Government restrictions directly prohibit or restrict access by customers. Qualifying businesses can apply to the Revenue Commissioners for a cash payment in respect of an advance credit for trading expenses that are deductible for income/corporation tax purposes for the period of the restrictions.

The scheme will be effective from 13th October 2020 until 31st March 2021, and the first payments will be made to affected businesses by mid-November.

Payments will be calculated on the basis of 10% of the first €1 million in turnover and 5% thereafter, based on average VAT exclusive turnover for 2019. It will be subject to a maximum weekly payment of €5,000.

Once the scheme is operational and a county or region is subject to Government restrictions of Level 3 or above, qualifying businesses can claim in week 1 and valid claims will be repaid for the entire period of the restriction within 2-3 working days. Payments will automatically cease at the end of the Covid restriction period. If restrictions are extended a subsequent claim can be made.

The scheme will operate on a self-assessment basis and qualification will require a business to demonstrate that their turnover has been severely impacted; that is it may not exceed 20 per cent of the turnover for the corresponding period in 2019.

## Recovery Fund

A Recovery Fund worth €3.4 billion will be established. This Fund will be targeted and will help to stimulate increased domestic demand and employment. The Fund will be flexible in its design and will focus on three main areas: infrastructure development, reskilling and retraining, supporting investment and jobs. It will support both those in employment and those whose jobs have not survived the pandemic.

## Other matters:

- A further commercial rates waiver for the final quarter of this year.
- An additional €55 million for a Tourism Business Support Scheme and €5 million for Tourism Product Development.
- €1.1 billion to be provided to the Department of Enterprise, Trade and Employment to deliver supports through the Local Enterprise Offices and Enterprise Ireland to assist SMEs and companies with the negative impact of Covid; further funding for R&D through the Covid products scheme and additional expenditure on the IDA's Regional Property Programme to support investment in Ireland; and for the Credit Guarantee Scheme and the Future Growth Loan Scheme to ensure that liquidity supports are in place to assist firms.
- Ireland has signed up to EU advance purchase agreements in respect of potential Covid-19 vaccines.

For further information on any of the above matters, please contact

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