

In delivering the Budget Speech the Minister for Finance, Mr. Paschal Donohoe, T.D. stated that “Budget 2022 meets the twin goals of investing in our future, of meeting the needs of today, while putting the public finances on a sustainable path”.

In presenting the Budget 2022 measures the Minister announced a total budgetary package of €4.7 billion which will be split between expenditure measures worth €4.2 billion, tax measures worth €0.5 billion which will include revenue raising measures of approximately €230 million.

The measures introduced include personal tax reliefs and business measures to assist during the Covid Pandemic and to help the business sector to recover.

TAXATION MEASURES

INCOME TAX

Personal Taxation

The income tax standard rate band will increase by €1,500 for all earners, from €35,300 to €36,800 for single individuals and from €44,300 to €45,800 for married couples / civil partners with one earner.

The Personal Tax Credit will increase by €50 from €1,650 to €1,700.

The Employee Tax Credit will increase by €50 from €1,650 to €1,700.

The Earned Income Credit will increase by €50 from €1,650 to €1,700.

The Sea-going Naval Personnel Tax Credit of €1,500 is extended to 31 December 2022.

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 - €21,295	2%	2%	2%	2%
€21,296 - €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.

Work from Home Measure

In light of Government policy to facilitate and support remote working, the current tax arrangements for working from home will be enhanced and formalised so that an income tax deduction amounting to 30% of the cost of vouched expenses for heat, electricity and broadband in respect of those days spent working from home can be claimed by taxpayers.

Help to Buy

The Help-to-Buy scheme will be extended in its current “enhanced” form for 2022. A full review of the scheme will be carried out over the course of the next year.

Extension of pre-letting expenses for landlords

This measure relating to the relief for pre-letting expenses for landlords is being extended to end 2024.

BUSINESS MATTERS

12½% Corporation Tax Rate

Following the Government’s decision to join the global deal on corporate tax reform the rate of Corporation Tax on trading profits will increase to 15%. However, the 12½% rate of Corporation Tax for trading profits will remain for businesses with turnover less than €750m.

Employment Wage Subsidy Scheme (EWSS)

The EWSS will be extended to 30 April 2022, in a graduated form. The scheme will close to new employers from 1 January 2022.

Employment & Investment Incentive (EII)

The EII scheme is being extended to the end of 2024 and, a number of important further modifications to the scheme are being introduced. The most significant of these is to open up the scheme to a wider range of investment funds in order to attract more investors into the scheme. It is also proposed to allow greater capacity for investors to redeem their capital without penalty - the so called 'capital redemption window' - and to remove the rule that 30% of an investment in an EII company must be spent before relief can be claimed.

Digital Gaming Sector

This relief will support digital games development companies by providing a refundable corporation tax credit for expenditure incurred on the design, production and testing of a digital game. The relief will be available at a rate of 32%, on eligible expenditure of up to a maximum limit of €25 million per project. A claim for the tax credit for digital games can only be made in respect of a digital game which has been issued with a cultural certificate from the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media. Relief will not be available for digital games produced mainly for the purposes of advertising or gambling. As European State Aid approval is required, the credit will be introduced subject to a commencement order

Warehousing of tax liabilities

The tax debt warehousing scheme will be expanded to allow self-assessed income taxpayers with employment income who have a material interest in their employer company to warehouse income tax liabilities relating to their Schedule E income from that employer company.

Employer’s PRSI

From 1 January 2022 the weekly income threshold for the higher rate of employer’s PRSI will increase from €398 to €410.

Revised Capital Gains Tax Entrepreneur Relief

No changes were announced.

Tax Relief for New Start-up Companies

The Corporation Tax relief for certain start-up companies will be extended in Finance Bill 2021, for a period of five years. The relief will also be amended such that companies may avail of the relief within their first five years of trading, an increase from the current three-year claim window.

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

The Accelerated Capital Allowance (ACA) scheme for energy efficient equipment is designed to encourage improved energy efficiency among Irish companies and unincorporated businesses. The ACA scheme allows taxpayers to deduct the full cost of expenditure on highly energy efficient equipment from taxable profits in the year of purchase. The scheme is also being amended to prohibit equipment directly operated by fossil fuels from qualifying for accelerated capital allowances.

Agricultural Reliefs

General stock relief will be extended until the end of 2024.

Stock relief for a young-trained farmers and farm partnerships will continue to the end of next of 2022.

The young- trained farmer stamp duty relief will also be continued to the end of next of 2022.

CAPITAL TAXES

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

The current rates of 33% remain unchanged.

CAT lifetime tax-free thresholds

There were no changes in any of the tax-free thresholds announced.

STAMP DUTY

Stamp Duty Rates

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

Bank Levy

The bank levy which was due to expire in 2021 is being extended for a further year.

Zoned Land Tax

A new Zoned Land Tax will be introduced to encourage the use of land for building homes. The Minister announced that the primary objective is to increase the supply of residential and accommodation rather than to raise revenue. Before the introduction of the tax maps will be prepared and published by local authorities to identify zoned land. The tax will be based on the market value of the land and will be applied at a 3% rate from the outset. Once the tax is introduced it will replace the vacant site levy.

INDIRECT TAXES

VAT

In his Budget the Minister announced that the 9% VAT rate for the hospitality sector will remain in place to the end of August 2022.

The Farmers flat-rate will decrease from 5.6% to 5.5%. 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.

There was no change to excise duty on alcohol products announced.

CLIMATE CHANGE TAXES

Tax treatment of income from micro-generation of electricity

A tax disregard €200 is being introduced in respect of personal income received by households who sell residual electricity that they generate back to the grid.

Carbon Taxes

The Minister provided previously that the rate of carbon tax for carbon dioxide emitted will increase to €100 per tonne by the year 2030. This will see the rate increase from €33.50 to €41 per tonne which will apply from Budget night for auto fuels and 1st May 2022 for all other fuels.

Vehicle Registration Tax

From January 2022 a revised VRT table is being introduced. This table will essentially see an increase in VRT for rate bands 9 to 20.

The €5,000 relief for Battery Electric Vehicles will continue to the end of 2023 to incentivise the uptake of electric vehicles.

OTHER MEASURES

Anti-Avoidance

Completion of ATAD Transposition

A new Interest Limitation Rule will place a limit on deductible interest expenses of 30% of EBITDA for companies within scope of the measure. Disallowed interest may be carried forward and may be deducted in future years if the company has sufficient interest capacity. Full details of the measure will be contained in the Finance Bill.

A new anti-reverse-hybrid rules will bring certain tax transparent entities (such as partnerships) within scope of Irish tax where the entity is 50% or more owned/controlled by entities resident in a jurisdiction that regard it as tax opaque and, as a result of this hybridity, double nontaxation occurs. Full details of the measure will be contained in the Finance Bill.

Other matters:

- Minimum wage will increase by 30 cent to €10.50 per hour.
- €5 increase in main weekly welfare payments and State pension.
- Weekly fuel allowance expected to rise by €5 from midnight on 12th October.
- Thousands more carers will be in line to receive Carer's Allowance.
- Double payment of welfare allowances at Christmas.
- Back-to-School Allowance increased by €10.
- Additional 800 gardaí and 400 civilian staff to be recruited.
- €100 million to be made available for disability services.
- Free GP care to be extended to children aged 6 and 7.
- Maximum amount payable for approved prescribed medicine under the Drugs Repayment Scheme to be reduced to €100 a month.
- €40 million to market Ireland overseas as a tourist destination.
- €25 million for live entertainment supports.

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

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