Budget 2021

Financial Statement of The Minister for Finance 13 October 2020

Presented by

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CHARTERED ACCOUNTANTS IRELAND

INCOME TAX & USC

Tax rates	2021	2020
Standard tax rate	20%	20%
Higher tax rate	40%	40%
Standard rate bands		
Single/widowed	€35,300	€35,300
Married couple/civil partnership one income	€44,300	€44,300
Married couple/civil partnership two incomes	€70,600	€70,600
One parent family	€39,300	€39,300
Tax credits		
Single person	€1,650	€1,650
Married couple/civil partnership	€3,300	€3,300
Single person child carer	€1,650	€1,650
PAYE	€1,650	€1,650
Earned income	€1,650	€1,500
Home carer (maximum)	€1,600	€1,600

Universal Social Charge (USC)			
2021		**2020**	
First €12,012	0.5%	First €12,012	0.5%
Next €8,675	2%	Next €8,472	2%
Next €49,357	4.5%	Next €49,560	4.5%
Balance over €70,044	8%	Balance over €70,044	8%
Relevant income > €100,000	11%	Relevant income > €100,000	11%

PRSI

	2021	2020
Class A Employee PRSI	4%	4%
Employer PRSI on weekly income	8.8% (not exceeding €398)	8.8% (not exceeding €395)
Employer PRSI on weekly income	11.05% (over €398)	11.05% (over €395)
Self-employed PRSI	4%	4%

CORPORATION TAX

Standard rate	12.5%
Knowledge Development Box	6.25%
Non-trading income rate	25%

CAPITAL GAINS TAX

General rate	33%
Entrepreneur relief (reduced rate)	10%
Annual exemption	€1,270

STAMP DUTY

Residential property valued <€1m	1%
Residential property valued >€1m	2%
Commercial property	7.5%
Shares (subject to some exceptions)	1%

CAPITAL ACQUISITION TAX

General rate	33%
Group A threshold	€335,000
Group B threshold	€32,500
Group C threshold	€16,250

DIRT
33%

DWT
25%

VAT

Standard rate	21% until 28.02.21; 23% thereafter
Reduced rate	13.5%
Reduced rate for hospitality sector	9% from 01.11.20 to 31.12.21

Wage Supports

The Employment Wage Subsidy Scheme (EWSS) is due to end on 31 March 2021. A similar type of scheme will be put in place until the end of 2021 to provide businesses with greater levels of certainty in this most uncertain of times.

Tax Debt Warehousing Scheme

The Tax Debt Warehousing Scheme is enhanced under Budget 2021. The Tax Debt Warehousing Scheme now will be extended to include Temporary Wage Subsidy Scheme repayments owed by employers, income tax for 2019 and preliminary tax obligations for adversely affected self-assessed taxpayers.

Reduced VAT Rate for the Hospitality Sector

The hospitality sector will benefit from a reduction in the VAT rate from 13.5% to 9% from 1 November 2020 until 31 December 2021.

The 9% reduced rate had been in place on a temporary basis from 1 July 2011 to the end of 2018 for the tourism and hospitality industries, but the rate had reverted back to 13.5% from January 2019, with the exception of newspapers, ebooks and the provision of sporting facilities.

The standard VAT rate of 21% is due to revert to 23% on 1 March 2021.

VRT, Motor Tax and Motor Fuel

Vehicle registration tax (VRT), motor tax and cost of fuel changes are part of the Government's climate action commitments and aim to incentivise motorists to move away from higher emission vehicles.

The existing 11-band VRT table is replaced with a 20-band table with a revised rates structure. Whereas current VRT rates range from 14% to 36%, the new VRT table will have a range from 7% to 37%, with lower rates favouring low-emitting vehicles.

Government subsidies for new electric, plug-in and hybrid cars are to be phased out in favour of a lower VRT charge for such lower-emission vehicles.

From 2021, there will be three motor tax tables in operation:

1. The pre-July 2008 table based on engine size.
2. Cars registered up to 31 December 2020 and those from 2021 that are NEDC tested only.
3. Cars registered from 1 January 2021 (WLTP tested cars).

The cost of petrol and diesel will increase from Budget night due to an increase in carbon tax of €7.50 per tonne of carbon dioxide. This will add €1.30 to an average 60-litre tank of petrol and €1.51 to an equivalent tank of diesel.

Help to Buy Incentive Extended

The Help to Buy incentive is a scheme for first-time home buyers. Budget 2021 extends the scheme to December 2021 in recognition of the fact that the property market is impacted by COVID-related delays. The rate of the scheme was increased as part of the July Jobs Stimulus package and offers first-time buyers a tax rebate of up to €30,000, compared to the previous rebate of up to €20,000.

Residential Development (Stamp Duty) Refund Scheme

This scheme 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%. It was due to expire for new applications on 31 December 2021, but this deadline is now being extended to 31 December 2022. Furthermore, the 24 months currently allowed between commencement and completion of construction is being extended to 30 months, meaning that the last possible eligible completion date will be 30 June 2025.

COVID Restrictions Support Scheme

A new COVID Restrictions Support Scheme (CRSS) has been introduced. It is aimed at businesses that have either been prohibited from operating or have only been able to trade at significantly reduced levels as a result of restrictions imposed on them in response to COVID-19.

Qualifying businesses can apply to Revenue for a cash payment, representing an advance credit for trading expenses that are deductible for income and/or corporation tax purposes (ACTE). The scheme will be effective from 13 October 2020 until 31 March 2021 and the first payments will be made by mid-November. Payments will automatically cease at the end of the COVID-19 restriction period.

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, and will be subject to a maximum weekly payment of €5,000.

The Scheme will generally apply when Level 3 or higher restrictions are imposed in line with *Resilience and Recovery 2020-2021: Plan for Living with COVID-19*. It will run from Budget day until 31 March 2021, and be brought into effect by Finance Bill 2020.

Corporation Tax Measures

Rules for capital allowances on intangible assets are amended to provide that all assets acquired from Budget night will be fully within the scope of balancing charge rules.

The Accelerated Capital Allowance (ACA) scheme allows a deduction of the full cost of expenditure on eligible energy efficient equipment from taxable profits in the year of purchase and is extended until 31 December 2023.

The Knowledge Development Box will be extended in Finance Bill 2020 for a further two years until 31 December 2022.

International Corporation Tax Reform

The Organisation for Economic Co-operation and Development (OECD) recently published its latest digital tax plans. The proposals are split into two pillars. Pillar One focuses on profit allocation and new taxing rights in market jurisdictions and Pillar Two proposes a global minimum corporation tax rate. The OECD has opened a public consultation on its latest Pillar One and Two blueprint proposals to run until 14 December 2020. The public consultation meetings on the blueprints are planned to take place in mid-January 2021. This makes delivery of an OECD-led initiative on digital taxation unlikely in 2021.

The EU Anti-Tax Avoidance Directive (ATAD) implements five separate anti-avoidance measures in a coordinated way throughout the EU, three of which are based on the OECD BEPS Package and two of which (the Exit Tax and General Anti-Abuse Rules) are additional. Finance Bill 2020 will include a technical amendment to the Exit Tax legislation to ensure that provisions relating to the calculation of interest on instalment payments of Exit Tax operate as intended.

Entrepreneur Relief

The holding requirement under the CGT Entrepreneur Relief is amended so that an individual that held at least 5% of the shares for a continuous period of any three years qualifies for the reduced 10% rate of CGT. This measure will come into effect on 1 January 2021.

Commercial Rates

The commercial rates waiver will continue until 31 December 2020. The waiver of commercial rates was originally introduced for a three-month period from 26 March 2020 and was then extended under the July Jobs Stimulus package for six months to the end of September.

Brexit

Budget 2021 has been formulated against the backdrop of a no-deal Brexit, with a range of supports announced to help the most vulnerable sectors of the economy to prepare for a "hard" Brexit. New funding of approximately €340 million has been set aside to get Ireland ready for the new trading environment that 1 January 2021 will bring. These funds will be allocated as the need arises to ensure Ireland remains competitive and resilient to the changes ahead. In addition, a €3.4 billion Recovery Fund has been established to address the dual challenges of Brexit and COVID-19.