



Budget 2022 Tax Alert

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Reaction to Budget 2022

Last year's pandemic budget focussed on unprecedented spending measures. Budget 2022 measures continue that spending trend predicated on more positive than expected economic indicators. With a revised two year deficit for 2020/21 of €21.5bn and public debt expected to hit €240bn by 2022 (down from €250bn), in managing an economy with rising energy and consumer prices coupled with a housing crisis, the challenge for Government is getting the balance right. Whether or not future budgets will require tax increases will depend on the Irish economy continuing to grow as forecast.

The Government's medium term plan largely involves a soft phasing out of pandemic related employment and business supports in the form of extending whilst tapering the EWSS scheme until April 2022. Tax measures concentrated on inflation combating adjustments to income tax bands and tax credits.

There were also new measures supporting start-ups, SME & Agri sectors, as well as welcome sustainability and remote working incentives. As signalled last year, the Government will also introduce a new digital gaming tax credit of 32% for eligible expenditure up to an amount of €25m. This is very competitive by international standards.

Minister Donohoe reiterated Ireland's commitment to amend its corporation tax rate to 15% as part of aligning with the OECD/G20 BEPS 2.0 proposals, the benefits being longer term certainty for large international investors and companies operating in Ireland. The existing 12.5% rate will be retained for companies or groups with annual turnover of less than €750m.



Summary of Budget measures

Supporting business

- ▶ Corporation tax: The Government's commitment to the 12.5% rate of corporation tax for businesses with turnover of less than €750m was reaffirmed. The Minister reiterated the benefit of joining the OECD's global political agreement which provides for a minimum 15% corporation tax rate for larger businesses.
- ▶ Digital gaming sector: As anticipated, the Government has announced a new 32% tax credit for the digital gaming sector on eligible expenditure up to €25m per project. This offers synergies with Ireland's film and animation industries. Full details and conditions will be contained in Finance Bill 2021. As the credit is subject to EU State Aid approval, the relief will be subject to a commencement order.
- ▶ Employment Investment Incentive Scheme (EIS): A number of modifications to the EIS were announced to make it more attractive, particularly to investment funds. In addition, the scheme is being extended for an additional three years.
- ▶ Start-up relief: An extension of the relief for certain start-up companies was announced following a review of the relief published with the Budget. The relief, which was due to expire on 1 January 2022 will continue to apply for trades commencing up to 31 December 2026. To provide more certainty especially in a post-pandemic environment the period of relief will be extended from three to five years.
- ▶ No extension of the COVID Restrictions Support Scheme was announced. This is due to expire on 31 December 2021.

Summary of Budget measures

Supporting employment

- ▶ In a welcome move, the Minister announced that the Employment Wage Subsidy Scheme, which was set to expire on 31 December 2021, will be extended to 30 April 2022, albeit at graduated rates. This is in recognition of the ongoing impact of COVID-19.
- ▶ The rates of payment will remain unchanged for October and November 2021. The rates of weekly subsidy the employer will receive per paid eligible employee from 1 December 2021 to end February 2022 will be as follows:

Employee Gross Weekly Wage	Current rate of subsidy to end-November 2021	Subsidy from December to end February 2022
Less than €151.50	Nil	Nil
From €151.50 to €202.99	€203	€151.50
From €203 to €299.99	€250	€203
From €300 to €399.99	€300	€203
From €400 to €1,462	€350	€203
More than €1,462	Nil	Nil

- ▶ For March and April 2022, a flat rate of €100 will apply and the reduced rate (0.5%) of Employers' PRSI will not apply for those two months. The scheme will be closed to new employer entrants from 1 January 2022.
- ▶ An inter-departmental group had been working on the strategy for remote working and remote service delivery. The Minister confirmed that remote working relief will be put on a statutory basis in Finance Bill 2021 with an income tax relief available to employees for 30% of vouched costs of heat, electricity and broadband. This relief will be kept under review. The electricity and heat relief improves on the 10% rate currently allowed in practice by the Revenue Commissioners. Receipts should be retained to support any claims.
- ▶ International flight crew: The tax treatment of international flight crew is to be amended in Finance Bill 2021. Currently certain non-resident flight crew are liable to Irish income tax irrespective of their residence status because they exercise their employment on an aircraft operated by an Irish airline. The amendment of the controversial provision which has been the subject of litigation in Irish courts should facilitate the payment of (presumably lower) foreign taxes in places where the employees are actually based.
- ▶ Employers' PRSI: The weekly employee income threshold for the higher 11.05% employers' PRSI rate is being increased to an amount not exceeding €410 (previously €398).

Indirect and Environmental measures

- ▶ VAT did not feature significantly in the Budget, save for a proposed reduction in the farmer's flat rate addition (from 5.6% to 5.5%) and confirmation of the application of the reduced 9% VAT rate to certain services in the hospitality industry until 31 August 2022.
- ▶ The carbon tax measures were as anticipated, and include:
 - ▶ A carbon tax rate increase of €7.50 from €33.50 to €41 per tonne/CO₂ as Ireland continues efforts to lower carbon emissions.
 - ▶ This will result in an increase in diesel and petrol prices from midnight on 12 October.
- ▶ The proposed VRT measures include a two-year extension of the €5,000 VRT relief for battery electric vehicles to the end of 2023 and an increase in VRT rates by 1% to 4% (across certain bands) from 1 January 2022, which is estimated to generate circa €82m.
- ▶ The Minister has announced his intention to grant up to 50% excise relief to independent small producers of cider and other fermented drinks products, which will put such products on par with the craft beer sector.
- ▶ Excise: The now regular increase in tobacco excise duty has been announced (50c per packet of 20, with a pro-rata increase on other tobacco products) with effect from 13 October.
- ▶ Energy efficient equipment: Removal of an entitlement to accelerated capital allowances for equipment directly powered by fossil fuels. The Minister also announced the extension of the accelerated capital allowance scheme for gas vehicles and refuelling equipment for three years whilst also expanding the scheme to include hydrogen powered vehicles and refuelling equipment.
- ▶ An income tax disregard of €200 is being introduced in respect of income received by householders who sell electricity which they generate back to the grid.

Summary of Budget measures

Personal taxes

- ▶ Personal tax credit: Increase of €50 from €1,650 to €1,700 (doubled for jointly assessed married persons or civil partners).
- ▶ Employee tax credit: Increase of €50 from €1,650 to €1,700.
- ▶ Earned income credit for self-employed: Increase of €50 from €1,650 to €1,700.
- ▶ Income tax standard rate tax band: Increased by €1,500 for all earners.
- ▶ USC: 2% rate band extended by €608 from €20,687 to €21,295 as a consequence of the announced 30c increase in the minimum wage to €10.50 per hour.
- ▶ USC: Reduced (2%) rate of USC for medical card holders retained for 2022.
- ▶ Sea-going Naval Personnel Tax Credit: Extended to 31 December 2022.
- ▶ Debt warehousing: Finance Bill 2021 will expand the tax debt warehousing scheme to allow self-assessed taxpayers earning employment income from companies in which they have a material interest to warehouse income tax liabilities relating to that income.

Agriculture

- ▶ General stock relief: Intended to extend to the end of 2024.
- ▶ Stock relief for Young Trained Farmers and Farm Partnerships: Intended to extend to the end of 2023.
- ▶ Stamp duty relief for Young Trained Farmers: Intended to extend to the end of 2023.
- ▶ As the above reliefs are subject to EU State Aid rules, Finance Bill 2021 will provide for an initial extension of the above reliefs to 31 December 2022 with a further extension for subsequent years subject to a revised expected Agriculture Block Exemption Regulation.
- ▶ Farmer's flat-rate addition: Farmers should note the small reduction in the flat-rate addition (from 5.6% to 5.5%).

Property

- ▶ Help to buy scheme: The July 2020 stimulus package had increased the maximum relief under the Help-to-Buy scheme to €30,000 or 10% of the purchase price of a property. The rates will continue to apply for an additional year to 31 December 2022. A full review of the scheme will take place in 2022.
- ▶ Zoned Land Tax: The Minister announced the introduction of a new Zoned Land Tax to replace the vacant site levy with the primary objective of increasing the supply of serviced residential land. The tax will apply at a rate of 3% on a self-assessment basis to the market value of land zoned residential (or mixed use to include residential) and will be administered by the Revenue Commissioners. Finance Bill 2021 will provide for a two-year lead time for land zoned prior to January 2022 and three years for zonings thereafter. This is to allow sufficient time for consultation with stakeholders and for local authorities to identify and publish maps of the affected sites in advance. The rate will be kept under review. Additional details, including provision for certain exemptions will be contained in Finance Bill 2021.
- ▶ Pre-letting expenses: Relief for pre-letting expenses for vacant rental properties will be extended for three further years to 31 December 2024.

Miscellaneous

- ▶ ATAD: The Government has confirmed the introduction of ATAD interest limitation and anti-reverse hybrid rules in Finance Bill 2021. Details will be contained in that Bill next week.
- ▶ Bank levy: The bank levy will be extended for a further year to end 2022. The remaining banks will pay the same levy in 2022 as they did in 2021.

Finance Bill 2021

Finance Bill 2021 is expected to be published on 21 October and signed into law by mid-December.

Rates at a glance

	2022
Income tax rates	
Standard	20%
Marginal	40%
Standard rate bands	
Single (2021: €35,300)	€36,800
Married/civil partnership (two incomes) (2021: €70,600)	€73,600
Married/civil partnership (one income) (2021: €44,300)	€45,800
Single parent (2021: €39,300)	€40,800
Income tax credits	
Single (2021: €1,650)	€1,700
Married (2021: €3,300)	€3,400
Single person child carer tax credit (primary carer only)	€1,650
PAYE (2021: €1,650)	€1,700
Earned income credit (2021: €1,650)	€1,700
Age credit - single (married x2)	€245
Medical insurance relief max premium - adult/child	€1,000/ €500
Home carer credit	€1,600
Dependent relative tax credit	€245
Income tax age exemption	
Single and widowed	€18,000
Married (either spouse aged 65 or over)	€36,000
Rent-a-room relief	
	€14,000
Preferential loan specified rates - benefit-in-kind	
Qualifying home loans	4%
All other loans	13.5%
Electric vehicles - benefit in kind	
(exemption capped at €50,000 of OMV, tapering to commence 2023 to 2025)	0%

	2022
Small benefit exemption	
Single non-cash voucher	€500
Universal Social Charge	
Earnings	
0 to €12,012*	0.5%
€12,013 to €21,295 (2021: €12,013 to €20,687)	2%
€21,296 to €70,044** (2021: €20,687 to €70,044)	4.5%
€70,045 to €100,000	8%
PAYE income > €100,000	8%
Self-employed income > €100,000	11%
*Exempt if income < €13,000	
**Reduced rate 2% for persons holding medical card and/or aged 70, where income < €60,000	
PRSI rates	
Employer	
Standard rate	11.05%
Lower rate	8.8%
Weekly lower rate limit (2021: €398)	€410
Employee	
PRSI	4%
Weekly PRSI threshold (tapering relief available)	€352
Self-employed	
PRSI	4%
Minimum contribution	€500
Pensions	
Annual earnings cap	€115,000
Marginal rate deduction	40%
Tax free lump sum limit	€200,000
Standard fund threshold	€2,000,000

	2022
DIRT	
Deposit accounts	33%
Investment funds	41%
Local property tax	
Band 1: Value €0 - €200,000	€90
Band 2: Value €200,001 - €262,500	€225
Bands 3-11: Value €262,501 - €1,050,000 (mid-point of range)	0.1029%
Bands 12-19: Value €1,050,001 - €1,750,000	
First €1,050,000	0.1029%
Balance (mid-point of range)	0.25%
Band 20: Value > €1,750,000 (calculated on valuation of property)	
First €1,050,000	0.1029%
Next €700,000	0.25%
Balance	0.30%
* Local Authorities can adjust annually + / - 15% the standard LPT rate of 0.1029%	
Capital gains tax	
Standard rate	33%
Withholding tax rate	15%
Annual exemption	€1,270
Entrepreneur relief (up to €1m chargeable gains lifetime limit)	10%
Capital acquisitions tax	
Standard rate	33%
Thresholds	
Group A	€335,000
Group B	€32,500
Group C	€16,250

	2022
Stamp duty	
Residential property	
First €1m	1%
Excess over €1m	2%
Bulk/cumulative purchases of 10 or more residential units	10%
Non-residential property	
	7.5%
Corporation tax rates	
Standard rate	12.5%
Higher rate on passive income	25%
Knowledge Development Box effective rate	6.25%
Exit tax*	12.5%
*Applies to unrealised capital gains where companies migrate/transfer assets offshore such that they leave the scope of Irish tax	
VAT rates and limits	
Standard rate	23%
Reduced rate	13.5%
Reduced rate (certain goods and services, extended to hospitality and tourism sector to 31 August 2022)	9%
Farmer's flat rate (2021: 5.6%)	5.5%
Distance selling limit	€35,000
Registration limit - taxable goods	€75,000
Registration limit - taxable services	€37,500
Cash receipts basis limit	€2,000,000
Dividend Withholding Tax	
Dividend Withholding Tax	25%
Carbon taxes	
Per tonne/CO2 (2021: €33.50) To be increased incrementally each year to €100 per tonne/ CO2 by 2030	€41
Excise duties	
Increase per pack of 20 cigarettes (pro rata increase to other tobacco products)	+50c

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