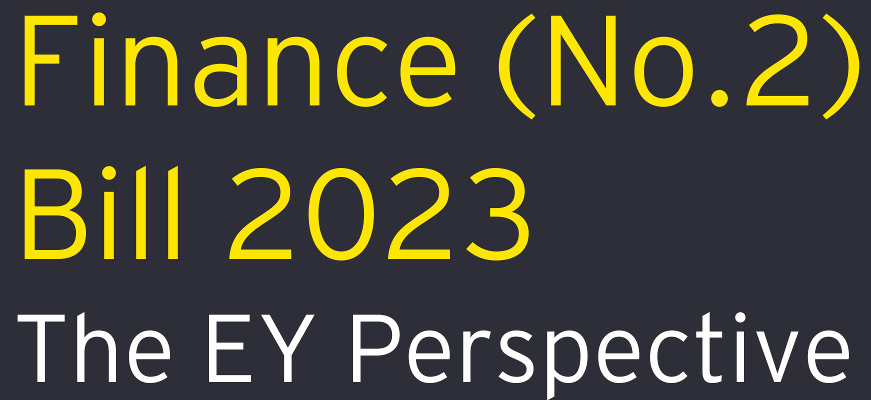


**Tax Alert**

# Finance (No.2) Bill 2023 published

On 19 October the Government published Finance (No.2) Bill 2023 (as initiated). The Bill primarily seeks to implement the tax elements of Budget 2024 measures announced on 10 October. It also introduces the necessary legislation to implement BEPS Pillar 2 measures, including the provisions for what will be a Qualified Domestic Top-up Tax. The Bill also contains previously unannounced measures, some of which are highlighted below.

# Business taxes

## Implementation of OECD Pillar 2 rules and a domestic top-up tax

As anticipated, Finance (No.2) Bill 2023 transposes the EU Minimum Tax Directive (Council Directive (EU) 2022/2523) into Irish law. It follows from the Pillar Two Implementation Feedback Statements issued by the Irish Government earlier in 2023 and contains three key components.

- A Qualified Domestic Top-up Tax (QDTT) which will apply a domestic top-up tax to in scope Irish companies and permanent establishments. This additional corporate tax has been designed to satisfy the 'safe harbour' requirements of the OECD Inclusive Framework and incorporates the OECD Administrative Guidance. It aims to top-up the Irish constituent entities' effective tax rate in aggregate to a jurisdictional 15%.
- An Income Inclusion Rule (IIR) that will apply a top-up tax to groups with consolidated revenue of at least €750m in at least two of the previous four years. This additional tax will apply primarily to Irish ultimate parent entities and in some cases Irish intermediate parent entities. It will apply where the effective tax rate in a jurisdiction is below 15%.
- An Undertaxed Profits Rule (UTPR) which imposes a top up tax in situations where the effective tax rate is below 15% and a QDTT or IIR does not apply.
- The Bill implements the Transitional CbCR Safe Harbour (TCSH), the Transitional UTPR Safe Harbour and the QDTT Safe Harbour. Affected businesses will likely focus on these important simplification measures as they seek to assess the initial impact of these new BEPS rules.
- For the purpose of the QDTT, it is of note that the definition of 'qualifying entity' has been updated since the second Feedback Statement to specifically exclude investment entities; which is a helpful clarification for Irish investment funds.

No amendments to Irish tax law or tax treaties are envisaged in response to the OECD's Subject to Tax Rule (STTR) given Ireland's prevailing corporate tax rates.

The Finance Bill provisions will generally apply for fiscal years commencing on or after 31 December 2023 with the UTPR applying a year later. While the specified returns for, and payment of, any top-up tax are generally not until 2026, these complex rules will require significant immediate attention by impacted businesses. Where the TCSH does not apply to defer the implementation of the rules, affected groups must ensure they are in a position to meet near term disclosure and reporting requirements for financial statement and public reporting purposes. In most cases this will in the first instance require identification of entities in scope, including whether safe harbours apply, and then the establishment of systems to identify, and extract information from, the relevant data sources.

The interest, penalties and surcharges for errors can be significant although some relief for penalties in transition years may be available.

# Business taxes

## Outbound payments

Ireland's National Recovery and Resilience Plan sets out a commitment to introduce measures to prevent double non-taxation of outbound payments by corporates. The [July 2023 Feedback Statement] signalled the possible application of withholding taxes on certain interest, royalties and distributions to connected party recipients not resident in the EEA if the recipient's jurisdiction appeared on the EU list of non-cooperative jurisdictions (see below) or was otherwise a 'zero-tax' (including no-tax) jurisdiction.

Finance (No.2) Bill 2023 implements this commitment by disapplying standard exemptions to impacted payments. EY's response to the Feedback Statement recommended that the measures be more focused on instances of double non-taxation. The Bill now contains some additional safeguards. The restrictions are now less likely to operate where double non-taxation does not arise. However, businesses will still need to carefully analyse the treatment of non-EEA connected party interest, royalty and dividend payments paid to 'zero-tax' or 'no-tax' locations to ensure they are not subject to withholding taxes.

The new rules will generally apply to the payment of interest or royalties or the making of distributions on or after 1 April 2024. However, in recognition of the fact that existing arrangements may need time to unwind, a 'grandfathering' provision defers the new measures to 1 January 2025 in the case of arrangements in place on or before 19 October 2023 for the payment of interest or royalties or the making of distributions.

## Dividend withholding tax

The dividend withholding tax (DWT) rules are also to be amended to ensure consistency with European law. Residents of EEA States (Norway, Iceland and Liechtenstein) are to be treated similarly to residents of EU Member States. Furthermore, distributions to pension funds located in a country with which Ireland has a Tax Information Exchange Agreement are to be treated no less favourably than how DWT applies to an equivalent Irish pension scheme.

## Qualifying finance companies – interest relief

In Budget 2024, the Government announced a review of Ireland's complex interest deduction rules. One early initiative is the introduction of a new interest deduction for qualifying finance companies. A qualifying finance company is a company that obtains third-party finance and advances this to certain direct 75% subsidiaries which in turn use the funds for a qualifying business purpose, i.e., wholly and exclusively for their trades. This is subject to anti-avoidance and detailed conditions. The relief consists of a Schedule D Case III or Case IV deduction (i.e., non-trading) for external interest on the element of the third-party loan that is matched with the relevant loan provided to the subsidiary.

For external loans in place on 1 January 2024, these will be matched with any relevant loans existing at that time as if, at or about the time the external loan was borrowed, they were on-lent under relevant loans to subsidiaries.

# Business taxes

## R&D changes

The Bill increases the R&D tax credit from 25% to 30% as announced in Budget 2024, as well as doubling the first instalment from €25,000 to €50,000, both of which will apply for accounting periods commencing on or after 1 January 2024. The increase in rate will be viewed very positively across the business community, both for the SME sector who can now avail of an additional 5% benefit, through to the multinational sector, where it will help preserve the competitiveness of Ireland when aligning with international tax reform.

Other amendments have also been introduced. Some are designed to maintain the flexibility of the Irish R&D regime – these include transfer of trade provisions for both R&D expenditure and capital expenditure on R&D buildings, to enable a company to step into the shoes of its predecessor and continue to claim the R&D relief, and others relate to minor technical amendments.

However, the provision that will raise the most eyebrows is a new pre-notification requirement for companies intending to claim the R&D tax credit, either for the first time, or for those which have not claimed it in the past 3 years. Affected companies will be expected to notify Irish Revenue 90 days before making a claim of certain details including a description of the R&D activities and the number of employees carrying out those activities.

The Revenue may also seek additional information, explanations and particulars to enable them to inspect the information required under this pre-notification.

Hopefully, the new requirement will not be too burdensome for companies embarking on claiming R&D tax incentives for the first time. EY will continue to engage with the relevant stakeholders to ensure that this pre-notification requirement doesn't act as a deterrent for companies to avail of this statutory relief.

## Film credit

The Bill amends the film tax credit to increase the maximum value of expenditure on a qualifying film that a producer company may use for calculating the credit from €70m to €125m. This is subject to EU State aid approval and will come into effect for films certified by the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media after 1 January 2024, or after the commencement of the provision, whichever is later.

## Digital games tax credit

Various amendments have been made to the recently introduced digital games tax credit. Many of these are designed to preserve the competitiveness of this new incentive on foot of recent international tax reform, similar to changes made to the R&D tax credit regime over the past 12 months.

Companies will now have the choice of either claiming the credit as a cash payment or as an offset against tax liabilities, and these claims will be paid or offset in full within 48 months from when a valid claim is made. These changes are welcome and are expected to ensure the credit is a qualifying refundable tax credit within the context of broader international tax rules.

Claims for the digital games tax credit cannot include expenditure met by grant aid and must be made within 12 months from the end of the accounting period in which the last of the expenditure giving rise to the claim is incurred. Where a company receives its final cultural certificate within 3 months prior to the 12 month deadline, the company has 3 months from this date to make its claim.

There are some technical amendments in the Bill, including the now familiar interest and penalty provisions, information required in order to constitute a valid claim, and the right of Irish Revenue to make assessments after payments/tax offsets. In addition, where companies specify that the credit is to offset corporation tax, this can be factored into the company's preliminary tax calculation.

# Business taxes

## Group relief and loss relief

Certain pre-trading expenditure is regarded as incurred at a time a trade is set up and commenced but not so for the purpose of certain specific loss relief and group relief provisions. Those restrictions are of less relevance to most companies since the introduction of 12.5% ring-fencing and value-based reliefs over 20 years ago.

The Bill updates the prohibition on certain loss relief utilisation for pre-trading expenditure to also include reliefs that might have been claimable under sections 396A, 396B, 420A and 420B Taxes Consolidation Act 1997. This applies for accounting periods commencing on or after 1 January 2024.

In a similar vein, the group relief rules that apply to overlapping accounting periods and to situations where companies join and leave groups have been 'clarified' to also incorporate the newer group relief provisions of sections 420A and 420B. EY is aware that this has been a matter of dispute with Revenue. These group relief measures also apply to accounting periods commencing on or after 1 January 2024.

## Amendments to reliefs for investments in corporate trades

Budget 2024 announced some amendments to the Employment Investment Incentive (EII) Scheme. However, it also signalled that further changes were to be introduced on account of the new General Block Exemption Regulation (GBER). One such change impacts 'expansion risk finance investment'. Currently this can be a qualifying investment where the issue of eligible shares is to fund entering a new product on the market or entering a new geographic market. This type of investment will apply to funding a 'new economic activity' which may be narrower in scope.

Currently, an expansion risk finance investment would only be a qualifying investment if, based on the business plan, the amount to be raised through the issue of those shares is greater than 50% of the RICT group's annual turnover in the preceding 5 years. The Bill provides that this may be a qualifying investment if the planned investment is only greater than 30% of the RICT group's annual turnover in the preceding 5 years provided the investment will significantly improve the environmental performance of the company or it is aimed at increasing capacity for extracting, separating, refining, processing or recycling certain critical raw materials.

The amendments have effect for shares issued on or after 1 January 2024.

## Anti-hybrid rules

There are some technical changes to the anti-hybrid legislation in the Bill. These include the treatment of 'collective investment schemes' for the purposes of the reverse-hybrid rules. Where an investment vehicle breaches these conditions, this may be remedied in some circumstances, and the rules around this have been re-worked.

## Controlled foreign companies and non-cooperative jurisdictions

Finance Act 2020 introduced certain 'defensive' measures against an EU-agreed list of non-cooperative jurisdictions, namely the non-availability of certain controlled foreign company exemptions. Payments to such jurisdictions may also have certain future withholding tax consequences (see above).

The measure will be updated for the revisions of 14 February 2023 which added Russia, British Virgin Islands, Costa Rica and Marshall Islands but does not yet reflect the list agreed on 17 October at ECOFIN. The revision will apply for accounting periods beginning on or after 1 January 2024. It is unclear if the more recently updated list will be incorporated by way of amendment to the Bill. If so, it would add Antigua and Barbuda, Belize and the Seychelles but exclude the British Virgin Islands, Costa Rica and the Marshall Islands.

## Stamp duty

The Bill provides for an exemption from stamp duty in respect of transfers of uncertified Irish shares which are dealt in on a recognised US or Canadian stock exchange, where those shares are settled through a depositary system. The amendment will put an existing Revenue practice on a statutory footing by treating book entry interests in Irish shares exempt on the same basis as ADRs (American Depositary Receipts).

# Employer taxes

## Payroll taxes and time limits

In practice, it was generally accepted that payroll taxes followed the time limits in place for other taxes such as income tax, corporation tax etc. However, there is no legislative basis applying such a time limit for payroll taxes. The Finance Bill now makes a number of amendments to the Principal Act providing for a time limit of four years commencing at the end of the tax year the income tax month falls in. The time limit applies to employers seeking a refund of overpaid taxes and to Revenue raising assessments or amended assessment subject to certain exceptions such as correcting an error or mistake etc.

Where an employer makes a payroll return submission to Revenue after the expiry of the four year period, the employer will no longer be entitled to any refund of or credit for payroll taxes overpaid in the return.

## Application of PAYE to gains arising from the exercise of share options

To date the obligation to file and settle taxes due on the gain arising from the exercise of a share option fell on the individual employee. The individual reported and settled taxes through the Relevant Tax on Share Options (RTSO) system within 30 days of the exercise. The Finance Bill now places the obligation to account for taxes on the employer through the PAYE system in respect of any gain arising from the exercise of share options on or after 1 January 2024. It is expected that the employer must include the relevant details of the gain and taxes due in the same manner as other share based remuneration.

It remains to be seen how employers will implement this change as the employees will need to be able to fund the tax liability collected through the PAYE system. A percentage of shares received from the exercise may need to be sold following the exercise to make funds available for the PAYE liability.

It should be noted that gains paid in cash arising from the assignment or release of share options were always reportable through payroll as per Revenue guidance. The Finance Bill formalises this position and also extends the PAYE charge to gains not settled in cash.

## Employer obligation to disclose reportable benefits to Revenue

Finance Act 2022 provided for the introduction of an additional obligation for employers to report in real time the payment of certain types of expenses and provision of vouchers to employees. Despite representations from stakeholders with respect to potential difficulties with this requirement, no changes were included in the Bill and the measure still awaits a Ministerial commencement order.

# Personal taxes

## Exemptions for clinical placement allowances

The allowance payable to undergraduate supernumerary nursing and midwifery students is exempt from income tax, USC and PRSI from 1 January 2024. The Bill also backdates this exemption for allowances paid in prior tax years as the allowance was introduced in 2022.

## Allowance for maternity-related administrative support

Earlier this year it was announced that new Regulations would come into effect allowing a councillor who is eligible for maternity leave to also avail of an administrative support allowance. The allowance is to cover expenses incurred by female councillors in engaging an individual to maintain basic office duties and other secretarial or administrative services. The Finance Bill creates a new section which provides for the allowance paid since 1 January 2023 to be exempt from income tax, USC and PRSI.

## Time limits

Revenue can raise an assessment to tax in respect of employment income and issue the assessment to the individual instead of the employer in certain circumstances, such as where emoluments paid to the employee in the year are not the same amount as emoluments earned in the same period or the emoluments are subject to tax at a higher rate. A four year time limit within which Revenue can raise assessments under this provision applies. The time limit will not apply in cases where the taxpayer has failed to file a personal tax return or Revenue believes the return submitted does not contain a full and true disclosure of all the material facts.

## Rental tax credit (principal private residence)

The Bill legislates for the increase in the rental tax credit announced in the Budget from €500 to €750 per year (€1,500 per jointly assessed couple) for 2024. The relief will also be extended to allow parents to claim in respect of their student children who have tenancies in 'Rent a Room' or 'digs' accommodation that are normally not registered under Part 7 of the Residential Tenancies Act 2004. This provision is backdated to the 2022 and 2023 tax years.

The Finance Bill provides that the rental tax credit will not be available to members of the Oireachtas in receipt of tax exempt allowances for residential accommodation or where such members of the Oireachtas can claim a deduction for income tax purposes for expenses incurred in maintaining a second home in the performance of their duties as an office holder or member of the Oireachtas.

## Foreign bank accounts

Financial institutions and other agents who act for or assist Irish residents in opening foreign bank accounts must make the appropriate return to the Irish Revenue with the relevant details of the individual account holders.

In addition, the individual taxpayer becomes a chargeable person for Income Tax purposes with the obligation to file a Form 11 tax return and report the opening of the foreign bank account.

The Bill provides that where a foreign bank account is opened in certain jurisdictions, the individual will not be treated as a chargeable person for income tax purposes.

## Mortgage interest relief

The Bill confirms the announced one year mortgage interest relief provision, being introduced for the tax year 2023. The relief must be claimed by the borrower rather than applied at source by the lender and is capped at €6,250 at the standard rate of income tax for a maximum relief of €1,250.

## Pensions changes

The Bill extends the restriction on loans made by an ARF to include close companies where either the ARF holder or any person connected to the ARF holder is a participator in that close company. In such cases this will be deemed to be a distribution on which income tax is payable. The Bill also removes the age restriction which will allow new and existing PRSA holders to access their PRSA after age 75.

# Financial Services

## Bank levy

The Bill includes details of the extended bank levy announced in the Budget. The key features are:

- The levy will be confined to the banks that benefitted from State assistance following the financial crisis: AIB (including EBS), Bank of Ireland and Permanent TSB.
- It will be based on the amount of customer deposits, which are in scope of the Deposit Guarantee Scheme, maintained by the liable banks at 31 December 2022.
- The rate of stamp duty on the assessable amount is 0.112%, which is expected to generate the targeted yield of €200m for 2024.
- The levy will apply in 2024 but will be considered further in 2024 for possible extension.

## Leasing sector

The Bill contains updated provisions relating to leasing. These include the following:

- In calculating the profits of a trade, the income from a lease (in the case of a lessor) and the lease rental payments (in the case of a lessee) are generally to be spread evenly over the life of the lease. This treatment applies regardless of how the transaction is recorded for accounting purposes.
- There is an exception to this general treatment where the burden of wear and tear falls on the lessee. In these cases, subject to certain anti-avoidance provisions, the lessor is taxed in accordance with the accounting treatment of a finance lease.
- There are a number of technical amendments in line with the above changes to ensure the provisions operate as intended and to ensure consistency with capital gains tax provisions.
- There is an amendment to section 403 to reflect 'lease adjacent activities'. Section 403 provides for a restriction on the use of capital allowances in respect of certain leased assets. The section is also amended to ensure that certain loss relief and capital allowance provisions operate consistently.

# Indirect taxes

## Deposit return scheme

A deposit return scheme will apply from February 2024. The scheme will require a deposit to be charged on certain beverage containers made from plastic (polyethylene terephthalate (PET bottles)), aluminium or steel with a capacity of up to 3 litres. The Bill has proposed that VAT shall not apply where such containers are returned but confirms that VAT shall apply to deposits relating to unreturned containers. In accordance with the proposed legislation the operator i.e., an approved body provided for by the applicable Regulations, rather than the producer or the retailer shall be liable for any VAT due. Further details will be contained within the Regulations.

## VAT treatment of emergency accommodation

The Bill includes an amendment to explicitly confirm that the provision of emergency accommodation is VAT exempt. This aligns with current Revenue guidance. The implications of this amendment should be considered by providers. This VAT exemption can require providers to pay to Revenue, amounts of VAT previously recovered/deemed to have been recovered on the acquisition or developments of such properties.

## Removal of VAT determination process

The Bill removes the scope for Revenue to make formal determinations on items such as VAT rates or exemptions. The explanatory notes confirm that the rationale is that the formal determination process is no longer used.

## Financial services

The Bill includes an amendment to remove the issue of stocks, shares, debentures and other securities from the VAT exemption. The purpose of the change is unclear but because CJEU case law confirms that the issue of new shares for the purpose of raising capital is outside the scope of VAT, the change removes a possible contradiction between Irish legislation (which treats the issue of shares as VAT exempt) and CJEU case law. Whilst there should be no impact where the share issue is to raise capital, the proposed change could potentially impact other transactions (e.g., share exchanges, issue of bonus shares etc). EY will be seeking clarification from Revenue on this provision.

## Excise

Additional amendments were included in the Bill concerning the consigning of alcohol products to Northern Ireland, an increase in the excise duty rate on certain cider and perry products and the use of electronic simplified administrative documents for the intra-EU movement of excisable goods.

## Defective concrete products levy (DCPL)

The Finance Bill has proposed a change to the definition of concrete for the purposes of the DCPL which would ensure that autoclaved aerated concrete blocks are within the scope of the levy.

# Capital taxes

## Capital gains tax relief for angel investors

Due to the complexity of the Bill, it was not possible to include the angel investor CGT relief in the Bill as initiated. This targeted relief, providing for a reduced rate of CGT for qualifying investments in innovative start-ups will be legislated for during the select committee stage of the enactment process next month. The devil will be in the detail.

## CGT deferral – compensation payments

The provisions deferring CGT on compensation monies received in respect of the damage or destruction of an asset where those compensation proceeds are wholly used to restore or replace the asset are to be amended. The Bill confirms that this deferral will not apply in the case of a disposal (or deemed disposal) of an interest in property which was subject to a CPO.

## Revised entrepreneur relief

The CGT revised entrepreneur relief available in respect of certain disposals is to be amended as regards its application to disposals of shares in holding companies. The definition of holding company has been re-worded to mean a company that holds shares in other companies, all of which are its 51% subsidiaries, and its business must consist wholly or mainly of the holding of shares in those 51% subsidiaries. This means that a holding company must own at least 51% of each company in which it holds shares.

## Retirement relief

The Bill confirms the Budget 2024 announcement that with effect from 1 January 2025, a €10m cap on retirement relief will apply to transfers to a child where the disponer is under age 70 at the time of disposal. Currently no cap applies unless the disponer is at least 66 years of age.

It should be noted that the newer higher age limit of 70 years for availing of the higher €750,000 retirement relief threshold for transfers outside a family, as distinct from the lower threshold of €500,000 applicable to disposals of qualifying assets where the disponer is aged between 55 and 70, only applies from 1 January 2025. Until then, age 66 is the threshold point.

## Agricultural relief

Some inconsistencies and anomalies in the CAT agricultural relief provisions had been identified and raised with the Revenue Commissioners in recent months. Amongst other technical matters, the Bill seeks to provide clarity with respect to when the clawback trigger events apply for both agricultural and business reliefs and what pay and file obligations arise.

## Interest free loans

Where a person receives an interest free loan for less than full consideration, a gift consisting of the interest free element of the loan is deemed to arise. The Bill introduces a requirement for a beneficiary to deliver a CAT return to the Revenue Commissioners where the loan is between close relatives and

- The person is deemed under CAT provisions to have taken a gift in respect of the use or enjoyment of the loan;
- The total amount outstanding on at least one day in a calendar year exceeds €335,000; and
- Within 6 months of the end of the year no interest had been paid in respect of the loan

Loans made to/from private companies (i.e., those generally under the control of five or fewer persons) with a close relative as a beneficial owner of shares are within scope. This requirement comes into effect on 1 January 2024.

# Property taxes

## Rental properties owned by retirement benefit schemes

The Bill provides that the exemption from income tax with respect to rental income derived from residential properties owned by retirement benefit schemes and approved retirement funds shall be contingent on registration of the tenancies with the Residential Tenancies Board. This is with effect from 1 January 2024.

## Landlord tax relief

The Bill introduces the legislative provisions to provide for the new income tax relief for individual landlords of rented residential property announced in Budget 2024. Broadly, the relief operates by reducing the tax due on rented residential income by up to €600 in 2024, €800 in 2025 and €1,000 in 2026 and 2027. The relief is subject to conditions - the tenancy must be registered with the Residential Tenancies Board, or the property let to a Public Authority occupied by a tenant, or actively marketed for rent. In addition, the landlord must be compliant with Local Property Tax in respect of all qualifying premises and hold a tax clearance certificate. Relief is not available where the property is let to a connected party such as a relative and is subject to clawback where, within four years of the first year of claim, any of the landlords' qualifying residential properties are disposed of or are otherwise removed from the rental market.

## Retrofitting expenditure incurred by landlords

A deduction for certain retrofitting expenditure incurred by landlords of rented residential properties exists. The Bill expands eligibility for this relief to landlords of properties that were previously subject to rent controls.

## Non-resident landlord withholding tax

The Bill provides for certain technical modifications following the introduction of the Non-Resident Landlord Withholding tax system (NLWT) with effect from 1 July 2023.

## Relief for certain property disposals

Currently, legislation provides relief for certain disposals of land or buildings, known as the '7-Year' exemption. The Bill makes clear that the provisions do not apply on 'deemed market value' transactions, but only where the properties were purchased at market value in accordance with the conditions. The amendments have effect in relation to disposals made on or after 1 January 2018.

## Stamp duty on short term leases

The annual rent threshold that applies to exempt certain leases of dwelling houses /apartments for any indefinite term or terms not exceeding 35 years has been increased to €50k from €40k.

## Residential zoned land tax

The Bill makes certain amendments to the RZLT charge to capture the Budget 2024 announcement deferring the first charge date by one year to 1 February 2025 for land that meets the relevant criteria on 1 January 2022. It also makes other amendments including inter alia -

i. Excluding from the scope of RZLT land which, while zoned for residential purposes, is subject to land management objectives in the relevant local authority development plan or local area plan which have identified such land for phased, and not immediate, development;

ii. Providing a further opportunity to landowners whose land will appear on the draft revised final map to be published on 1 February 2024 to request the rezoning of such land, together with further technical amendments to support the efficient administration of the tax.

Furthermore, in identifying lands for inclusion on the final map a local authority must reflect the effect of any changes in service capacity as regards water supply or wastewater treatment as a result of which land having previously satisfied the relevant criteria no longer satisfies the relevant criteria.

## Vacant homes tax

The Bill provides for the Budget 2024 announcement increasing the rate at which vacant homes tax is charged from three to five times a property's existing base local property tax liability. The increase will take effect from the next chargeable period, commencing 1 November 2023.

# Miscellaneous and Tax Administration

## Charities and sports bodies

The Bill contains some amendments with respect to the tax treatment of charities and sports bodies.

Firstly the tax exemption applicable to qualifying trading profits of a charity is to be extended to include income arising from the provision of professional services. Arguably these are within the scope of a trade in any event but the amendment clarifies the position.

Secondly, Revenue will be given the power to revoke income tax exemptions due to charitable status of Irish and overseas charities where the Revenue Commissioners are satisfied that a charity has ceased to be eligible for the exemptions. Notice of withdrawal of the entitlement to the charitable exemptions will be advised to the Charities Regulatory Authority. In addition, Revenue will be entitled to publish a list of charitable bodies that have been granted the charitable tax exemption.

The Bill also introduces a definition of 'sport' for the purpose of the income tax exemption for bodies established for promotion of athletic or amateur games or sports. This will not impact any body already granted the tax exemption. Provision is also made for the publication by the Revenue Commissioners of the name, county and sports exemption number of an approved body.

## Joint audits and administrative cooperation

The Bill proposes to bring into legal effect the obligations of Ireland under the EU Directive on Administrative Co-Operation to facilitate joint tax audits with other EU Member States in Ireland (DAC7). The provision will permit authorised tax officials from the other EU Member State participate in joint tax audits in Ireland. The foreign tax officials will have similar powers to the Irish Revenue officials in the performance of such joint audits. The provision will only apply in respect of accounting periods or years of assessment beginning on or after 1 January 2024.

The Bill also provides for an amendment to the powers of Revenue in relation to EU Mandatory Reporting returns. It clarifies that the Revenue may make such enquiries as they consider necessary for the purposes of satisfying themselves as to whether the information on reported returns was correct and complete and whether information not returned was correctly not so returned.

Separately some amendments are proposed in relation to mandatory exchange of information in relation to digital platform operators to align with DAC 7 (Council Directive (EU) 2021/514).

# What’s next?

The next stage of the process at which amendments may be tabled is the select committee stage, which is expected to commence on 9 November next. This will contain measures announced in Budget 2024 relating to the new CGT relief for angel investors and also amendments to the income tax exemption from leasing of farm land.

Tax Alerts on selected measures may issue over the coming weeks as Finance (No.2) Bill 2023 progresses towards enactment. It is expected that this Finance Bill will be enacted by the end of 2023.

# Rates at a glance 2024

## Rates at a glance

| Income tax rates | |
|---|---|
| Standard | 20% |
| Marginal | 40% |
| **Standard rate bands** | |
| Single (2023: €40,000) | €42,000 |
| Married/civil partnership (two income) (2023: €80,000) | €84,000 |
| Married/civil partnership (one income) (2023: €49,000) | €51,000 |
| Single parent (2023: €44,000) | €46,000 |
| **Income tax credits** | |
| Single (2023: €1,775) | €1,875 |
| Married (2023: €3,550) | €3,750 |
| Single person child carer tax credit (primary carer only) (2023: €1,650) | €1,750 |
| PAYE (2023: €1,775) | €1,875 |
| Earned income credit (2023: €1,775) | €1,875 |
| Age credit - single (married x2) | €245 |
| Medical insurance relief max premium - adult/child | €1,000/ €500 |
| Home carer credit (2023: €1,700) | €1,800 |
| Dependent tax credit | €245 |
| Rent credit per individual (2023: €500) | €750 |
| **Income tax age exemption** | |
| Single and widowed | €18,000 |
| Married (either spouse aged 65 or over) | €36,000 |
| **Rent-a-room relief** | **€14,000** |
| **Landlord rental income relief - amount taxed @20%** | **€3,000** |
| **Preferential loan specified rates – benefit-in-kind** | |
| Qualifying home loans | 4% |
| All other loans | 13.5% |
| **Electric vehicles - benefit in kind** | |
| *(exemption capped at €35,000 of OMV to 31/12/25, applies on tapered basis to 2027) Extension of BIK relief of €10,000 on OMV to 31/12/24* | 0% |

| Small benefit exemption | |
|---|---|
| Non-cash vouchers (First 2 benefits only) | €1,000 |
| **Universal Social Charge** | |
| Earnings | |
| 0 to €12,012* | 0.5% |
| €12,013 to €25,760 (2023: €12,013 to €22,920) | 2% |
| €25,761 to €70,044** (2023: €22,921 to €70,044) (2023: 4.5%) | 4% |
| €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 increasing w.e.f. 1/10/24 (2023: 11.05%) | *11.15%* |
| Lower rate increasing w.e.f. 1/10/24 (2023: 8.8%) | *8.9%* |
| Weekly lower rate limit | *€441* |
| Employee | |
| PRSI increasing w.e.f. 1/10/24 (2023: 4%) | 4.1% |
| Weekly PRSI threshold (tapering relief available) | €352 |
| Self-employed | |
| PRSI increasing w.e.f. 1/10/24 (2023: 4%) | 4.1% |
| 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 |

| DIRT | |
|---|---|
| Deposit accounts | 33% |
| Investment funds | 41% |
| **Capital gains tax** | |
| Standard rate | 33% |
| Withholding tax rate | 15% |
| Annual exemption | €1,270 |
| Entrepreneur relief (up to €1m chargeable gains) | 10% |
| **Capital acquisitions tax** | |
| Standard rate | 33% |
| **Thresholds** | |
| Group A | €335,000 |
| Group B | €32,500 |
| Group C | €16,250 |
| **Stamp duty** | |
| Residential property | |
| First €1m | 1% |
| Excess over €1m | 2% |
| Bulk/cumulative purchases of 10 or more residential units in a 12-month period | 10% |
| Non-residential property | 7.5% |
| **Local Property Tax (residential property only)** | |
| Band 1: 0 - 200,000 | €90 |
| Band 2: 200,001 - 262,500 | €225 |
| Band 3: 262,501- 350,000 | €315 |
| Bands 4-19: 350,001 - 1,750,000 | Range from €405- €2,721 |
| Value > €1,750,000 (calculated on valuation of property) | |
| First €1,050,000 | 0.1029% |
| Next €700,000 | 0.25% |
| Balance ** Local Authorities can adjust annually +/- 15% basic LPT rate* | 0.30% |

| Corporation tax rates | |
|---|---|
| Standard rate | 12.5% |
| Qualified Domestic Top-up Tax rate (companies within scope of BEPS Pillar 2 rules only) | 15% |
| Higher rate on passive income | 25% |
| Knowledge Development Box rate (6.25% prior to 1 October 2023) | 10% |
| R&D Tax credit (2023: 25%) | 30% |
| Exit tax* ** Applies to unrealised capital gains where companies migrate/transfer assets offshore such that they leave the scope of Irish tax* | 12.5% |
| **VAT rates and limits** | |
| Standard rate | 23% |
| Reduced rate | 13.5% |
| Reduced rate (supply of gas and electricity to 31 October 2024) | 9% |
| Farmer's flat rate (2023: 5%) | 4.8% |
| Distance selling limit | €35,000 |
| Registration limit - taxable goods (2023: €75,000) | €80,000 |
| Registration limit - taxable services (2023: €37,500) | €40,000 |
| Cash receipts basis limit | €2,000,000 |
| **Dividend Withholding Tax** | **25%** |
| **Carbon taxes** | |
| Per tonne/$CO_2$ (To be increased incrementally each year to €100 per tonne/$CO_2$ by 2030) | €56 |

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