



Budget 2021

14th October 2020

FIONA MURPHY
TAX PARTNER
RBK

We're by your side

Overview

Budget 2021

“The uncertainty and anxiety about the future of lives and livelihoods is great....

... and from the ashes of the pandemic, together, we will build a stronger and more resilient Ireland...

Budget 2021 is a bridge to that better future.”

Minister Paschal O'Donoghue

Key Factors Underpinning Budget 2021

- No bi-lateral trade deal between EU and UK
- Continued presence of Covid in 2021
- Absence of broadly available vaccine in 2021
- As a result, little in the way of tax reductions
- Key focus is providing funds for Government depts. to intervene in vulnerable sectors, business and regions



Supporting Business

Covid Restrictions Support Scheme (CRSS)

■ Targeted support for businesses where:

- Trade significantly impacted or
- Temporarily closed **during Covid restrictions i.e. Level 3 or higher**

■ Sectors currently restricted under Level 3 are:

- Accommodation
- Food
- Arts
- Recreation
- Entertainment

■ Applies where restrictions directly prohibit or restrict access by customers

■ Advance credit for tax deductible trading expenses

Covid Restrictions Support Scheme (CRSS)

■ Payment made based on average weekly 2019 (VAT excl.) turnover

■ Payment of:

- 10% of first €1m turnover and
- 5% thereafter **subject to a maximum weekly payment of €5,000**

■ Self Assessment Basis

- Turnover severely impacted
- 80% reduction in turnover compared with 2019

■ Effective from 13 October to 31 March 2021

- First payments mid November

Covid Restrictions Support Scheme (CRSS)

■ Once operational, claim in Week 1 for duration of restriction

- Paid within 2 – 3 working days
- Cease automatically at end of period
- If restrictions extended, additional claim can be made

■ Estimated cost €40m for every week at Level 3

- Actual cost will depend on Level of restrictions
- Costs arising in 2021 to be met by National Recovery Fund

EWSS Replacement

- EWSS due to expire 31 March 2021
- Minister confirmed no “cliff edge” on support.
- New wage subsidy scheme until end 2021

Value Added Tax ('VAT')

Budget 2021 Specific Measures



Reintroduction of 9% VAT rate for the Hospitality and Tourism Sector

- 9% rate to be re-introduced from 1 November 2020 to 31 December 2021



Existing Standard rate reduction to 21%

- Announced as part of July Stimulus
- To remain in place until 28 February 2021

Debt Warehousing Scheme –

Extended for Income Tax for self employed

Extended to include Income Tax liabilities due 10th December

- Balance of 2019 Income Tax
- 2020 Preliminary Tax

Interest charged as follows:

- 1st year – 0% interest
- 3% interest thereafter

No surcharge for late payment

Debt Warehousing Scheme - Extension for Self Employed

Example

	€
Total 2019 Income Tax liability	40,000
Preliminary tax paid in Nov 2018	<u>(15,000)</u>
Total Payable	25,000
Preliminary tax 2020 (based on 100% 2019)	<u>40,000</u>
<u>Total Payable</u>	65,000
Paid in full on 1 st July 2022	
Interest due under new scheme - €1,080	
Old regime - €8,085	

3% Interest Rate on O/S non-Covid tax debts

- Interest on late payment of taxes generally 8%/10% - 3% to apply to o/s pre-Covid tax debts
- Phased Payment Arrangement must be in place by 31st October 2020
- Applications for individuals or businesses can be made through Revenues online facility

Temporary Income Tax Loss Relief

Tax Relief available for Self-employed individuals

- Can claim to have your 2020 losses and certain unused capital allowances deducted against 2019 profits
- Maximum claim - €25,000
- Interim claims permitted

Tax Relief for Farmers

- Option to step out of income averaging for 2020 tax year

Remote Working Strategy

Inter-Departmental Group Established

- To develop a strategy for remote working and remote service delivery

Home Expenses

- Your Employer may pay you up to €3.20 per day free of tax to cover electricity, broadband and heating costs

OR

- Employee claim deduction

Equipment provided by employer

- No BIK on provision of “home” office furniture for staff



Income Tax

Income Tax Summary

Marginal Tax Rate 40%



No change

Standard Rate Tax Band €35,300



No change

USC



Increase in Second Band @ 2%

Tax Credits



**Increases to Earned Income,
Dependent Relative & Sea
Going Naval Personnel**

Income Tax Key Measures

Earned Income Credit

- “PAYE Credit” for self employed introduced in 2016
- 2021 – increased to €1,650 (from €1,500 in 2020)

Dependent Relative Credit

- 2021 – increased to €245 (from €70 in 2020)
- Available where you maintain a relative at your own expense

Seagoing Naval Personnel

- 2021 - Increased to €1,500 (from €1,270 in 2020)
- First introduced in 2020 to permanent members of Irish Naval Service who spent 80+ days at sea

Income Tax Measures

USC

- Increase in the Second Band subject to USC @ 2% by €203
- USC Rates

2020

12,012 @ 0.5%

8,472 @ 2%

49,560 @ 4.5%

Balance @ 8%

2021

12,012 @ 0.5%

8,675 @ 2%

49,357 @ 4.5%

Balance @ 8%

- Reduced Rate of USC for Medical Card Holders extended for a further year

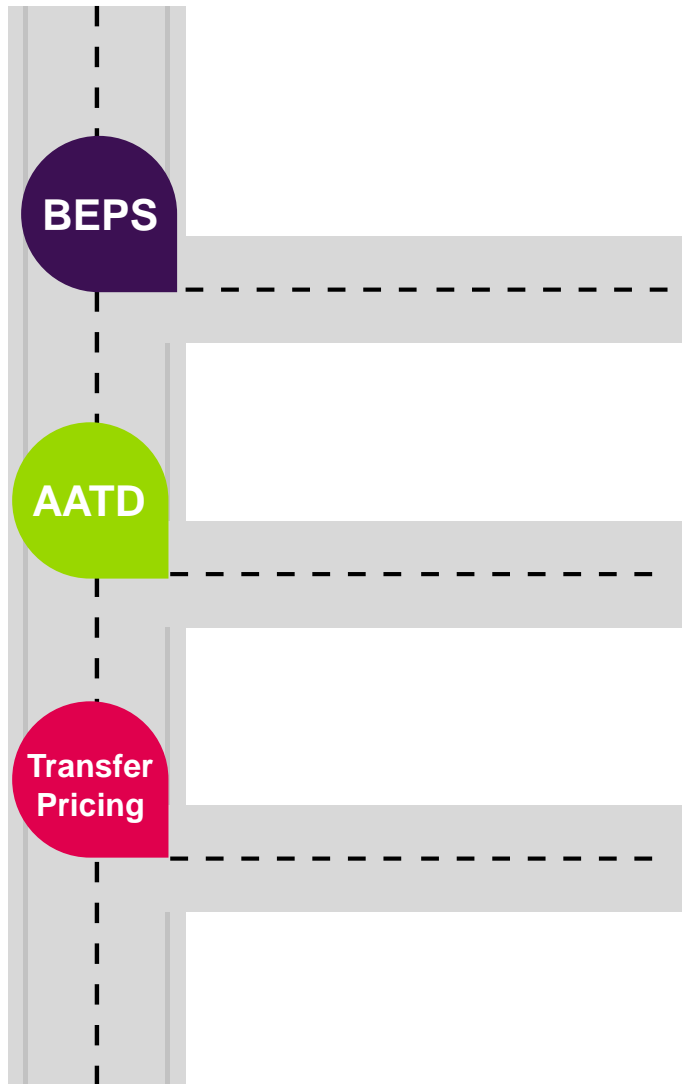
Applies where total income €60,000 or less.

The first €12,012 @ 0.5%
2% on balance

Employer PRSI

- Increase in weekly income threshold for higher rate of employer's PRSI from €394 to €398

Up to €398 @ 8.8% > €398 @ 11.05%



Corporation Tax Budget 2021 Updates

Corporation Tax Overview – Budget 2021

12.5% Corporation Tax rate

“I would like to take this opportunity to again reaffirm Ireland’s commitment to the 12½ per cent corporation tax rate.”

Corporation Tax Roadmap:

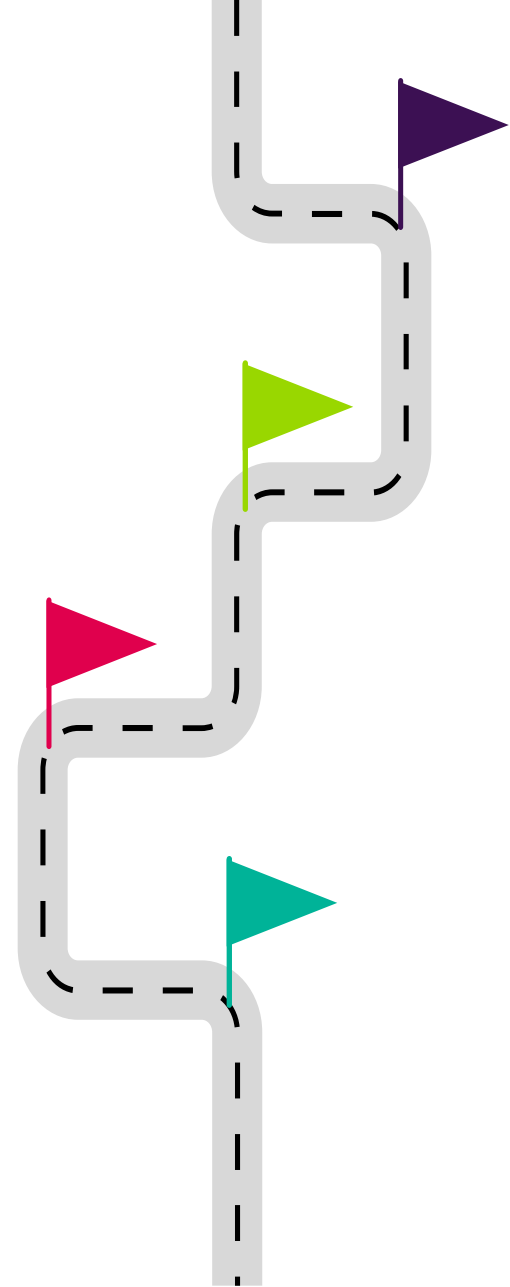
Outlines action that Ireland is taking as part of international tax reform efforts

Apple Case Ruling

- General Court EU overturned Commission decision - €14.3billion of alleged State Aid
- Further appeal has been lodged to EU Court of Justice
- Up to 2 year additional timeframe to conclude

Corporation Tax Roadmap

- Originally published in September 2018
- Update to Ireland's Corporation Tax Roadmap
 - Actions taken to date
 - Areas for further review and consultation in the coming months
- Future changes on the horizon
 - Tax Challenges of digitalization
 - Taxation of profits of Multinationals – linking tax nexus to location of customers
 - Global minimum CT rate for MNE
 - Future direction of the Global and EU Tax landscape will be decided upon and how it will impact Ireland



Corporation Tax

Budget 2021 Specific Measures

Knowledge Development Box ('KDB')

- Extension of the scheme to end of December 2022
- OECD-compliant intellectual property regime for companies engaged in R&D activities
- Qualifying profits taxed at an effective rate of 6.25%.

Accelerated Capital Allowances ('ACA') Scheme

- Energy efficient equipment
- Extension of the scheme to end of December 2023

Specified Intangible Assets Regime

- Immediate legislative change to revise the balancing charge rules on disposal
- Assets acquired on / after 14 October 2020
- Aligning to international best practice

Digital Gaming Sector

■ Tax Credit to be developed in 2021, with a view to supporting qualifying activity from January 2022 onwards.

■ Credit intended to support employment in creative and digital arts sector.

Film Tax Credit

Background

- Producer companies in film and film production industry can claim credit against their Corporation Tax Liability.
- Where the production takes place in an assisted region the company can apply for an uplift in the percentage of the credit they can claim after 31st December 2023.

Main Changes

- Companies can avail of an uplift of 5% of the credit available for the year ended 31st December 2021.
- Reduced to 3% in 2022 and 2% in 2023.
- No additional uplift will be available after 31st December 2023.

2020 Loss Relief

Temporary acceleration of loss relief for Companies

Allows companies to:

- Estimate trading losses for 2020, and
- Carry back against 2019 profits
- Maximum claim = 50% of 2020 losses

Remainder of losses can be carried back as normal once 2020 Corporation Tax return is filed



Other Tax Measures

Capital Taxes

- 33% rate of CGT and CAT remain
- No changes to CAT Group Thresholds
- No change to reliefs, with exception of CGT Entrepreneur Relief
- Targeted CGT anti-avoidance measure on FX Loans

CGT Entrepreneur Relief

BACKGROUND

- Initial €1million of lifetime gains on disposal of qualifying business assets subject to CGT at reduced rate of 10%.
- Conditions to satisfy:
 - 5% minimum shareholding requirement for 3 of 5 years ending on date of disposal.
 - Full time working director for 3 of 5 years ending on date of disposal.

MAIN CHANGES

- 5% shareholding requirement satisfied where shares held for any 3 year period prior to disposal.
- No relaxation of full time working director requirement.
- Change intended to encourage business owners to expand their business, but not to benefit passive investors.
- Change effective from 1 January

Stamp Duty

Consanguinity Relief

- 1% rate on transfer of agricultural lands between family members.
- Extended to 31st December 2023.

Farm Consolidation (Stamp Duty) Relief

- 1% rate on disposal and purchase or exchange of lands between farmers for purposes of consolidating an existing farm.
- Extended to 31st December 2022 to align with CGT relief.

Stamp Duty Residential Development Refund Scheme

BACKGROUND

- Relief on purchase of non-residential land where:
 - 75% of the land is developed for residential purposes
 - Construction completed within 24 months
- Relief given by way of refund to reduce rate on purchase to 2%.

MAIN CHANGES

- Construction to be completed within 30 months of commencing.
- Relief extended to 31st December 2022.
- Relief available for developments completed by 30 June 2025.

Help to Buy Scheme (“HTB”)

- Extended to 31st December 2021.
- Enhanced relief is lesser of:
 - 10% of purchase price,
 - Income Tax and DIRT paid in last 4 year, or
 - €30,000
- First time buyers and new houses / self builds only

Value Added Tax ('VAT')

Flat Rate Addition increase from 5.4% to 5.6%

- Last increase in 2017
- Effective from 1 January 2021



Climate and Environmental Issues

Climate and Environmental Issues

Carbon Tax

- Carbon tax increase of €7.50 per tonne to €33.50 per tonne, further increase of €7.50 per annum to 2029 envisaged
- Increase effective from:
 - > 13 October 2020 – Petrol / Diesel
 - > May 2021 – Home Heating Oil.
- Petrol and diesel prices to increase by circa €0.025 per litre

Tobacco

- Increase in excise duty by 50 cents on pack of 20 (Now €14)

Climate and Environmental Issues

VRT

- **New VRT & Motor Tax valuation regimes (existing is outdated)**
 - > Transition to Worldwide Harmonised Light Vehicle Test Procedure (WLTP) Emissions System from 1 Jan 2021
 - > Based on emission performance level closer to real world performance levels
 - > To encourage Greener Choices for those buying a new car

- **Create a fairer VRT system**
 - > VRT Relief for Plug-In Hybrid Electric Vehicles and hybrids will expire as new VRT rates will be much lower under new system
 - > Tapered Relief for Battery Electric Vehicles, again new VRT lower under new system
 - > Adjustment to the Nitrogen Oxide (NOx) Surcharge bands – higher NOx pays more

Climate and Environmental Issues

Motor Tax

- Adjustments to ensure level playing field
- Introduction of a 3rd Motor Tax Table for cars registered from 1 Jan 2021
- Takes account of the Worldwide Harmonised Light Vehicle Test Procedure emissions system introduced for VRT purposes



What Next?

Conclusion

- Limited Tax measure announced - €270m in context of overall budgetary package of c.€18bn.
- Covid 19 - Range of supports announced for affected businesses - they are the backbone of our domestic economy.
- Emphasis on climate Change – modification of VRT and Motor Tax
- A step in the right direction regarding our climate.
- Budget 2021 – lifeline for vulnerable businesses and a bridge to a better future.
- Challenges lie ahead for future budgets in repaying debt while trying to introduce measures to improve the competitiveness of Ireland's tax regime



Thank you



We're by your side

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