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Budget 2023 – The Cost of Living Budget – Political backdrop



“Putting money back into people’s pockets”

“Supporting businesses with rising energy costs”

“Protecting the vulnerable through the winter”

Budget 2023 – A Cost of Living Budget

“*A Cost of Living Budget....helps with challenges of today...whilst ensuring we are ready for tomorrow.*”

Minister Paschal Donohoe

Budget 2023 – Summary of Budgetary package at a glance



Budget 2022 to Budget 2023

Budget 2022

Economic recovery, projected growth and capital investment

Labour market shortages in certain sectors

International uncertainties linked to rising energy prices, shortages of raw materials, interest rate uncertainty and inflation





Budget 2023

Higher than expected Budget surplus boosted by tax receipts - funding the measures through surplus rather than borrowing

Sustained low levels of unemployment coupled with rising wage pressures brought about by inflation

Global factors (including war in Ukraine) driving energy prices, inflationary pressures, exchange rate volatility and likely further rises in interest rates/cost of borrowing

Overview





-  Personal Taxes and Cost of Living
-  Property and Housing
-  Supporting Business
-  Climate and Other





Personal Taxes and Cost of Living

Income Tax Summary

Standard Tax and Marginal Tax Rates (20% / 40%)		No changes
Standard Rate Tax Band €36,800		Increase of €3,200 to €40,000
USC		Increase in Second Band @ 2%
Tax Credits		Increases of €75 to personal tax credit, employee tax credit and earned income credit New Rental Tax Credit worth €500

Impact of changes to Standard Band and Personal Credits

The key influencing factor is the change to the standard rate band

Person	Earnings	Net Increase (estimated)	Net % impact on income (estimated)
Single Person	Earning minimum wage	€1,380	7.0%
Single Person	Earning €50,000	€831	2.2%
Married Couple, 2 children, Home Carer	One income, earning €50,000	€1,006	2.4%
Married Couple, both employed	Two incomes, €60,000 + €25,000	€1,021	1.5%
Married couple	Two Incomes, €100,000 + €30,000 self employed	€1,460	1.6%

Income Tax Measures - USC

- Increase in the Second Band subject to USC @ 2% by €1,625

2022	2023
€12,012 @ 0.5%	€12,012 @ 0.5%
€9,283 @ 2%	€10,908 @ 2%
€49,357 @ 4.5%	€47,123 @ 4.5%
Balance @ 8%	Balance @ 8%

- The reduced rate of USC has been maintained for a further year for Medical Card Holders and those over 70 years earning less than €60,000 per annum:
 - The first €12,012 @ 0.5%
 - 2% on balance of income

Review of the Income Tax system

- **Broader review to include Income Tax, USC and PRSI**
 - Introduction of a new third rate of Income Tax – not possible ahead of Budget 2023 during to administrative issues
 - Remains under ongoing review and evaluation in consultation with related stakeholders
 - Further announcement/update on review ahead of Summer Economic Statement 2023
 - Proposed changes, if adopted, could come into effect as early as January 2024

Key Personal Non-Tax Measures – Once Off Cost of Living items

- **Energy Bill Credit** - €600 credit to be paid over three instalments of €200
- **Carers and those with disabilities** - €500 once off payment
- **Double payments of social welfare** – envisaged for late October and Christmas
- **Expansion of the fuel allowance scheme** – extended eligibility

Key Personal Non-Tax Measures – Longer term measures

- **Increases in weekly payment rate for jobseekers/ pension / fuel allowances - €12 per week**
- **Childcare cost supports – 25% reduction in fees**
- **Free Schoolbook Scheme for primary schools**
- **Reduction in University Fees - €1,000 reduction**



Property and Housing

Housing – Vacant Homes Tax (“VHT”)

- **Objective** – “increase the supply of homes for rent or purchase to meet demand”
- Tax on long term vacant residential property
- Payable by property owner
- “Vacant” – occupied for less than 30 days in a 12-month period
- “Long-Term” – unoccupied for 12 months or more
- Rate of VHT – 3 times LPT liability
- Self Assessment – requirement to file an annual return

Housing – Vacant Homes Tax (“VHT”)

- Exemptions for certain property owners
 - ✓ Properties recently sold or listed for sale
 - ✓ Properties vacant due to illness / long term care
 - ✓ Properties vacant due to significant refurbishment work
- Does not apply to derelict properties or properties unsuitable for use as a dwelling – linked to LPT
- Further information in Finance Bill 2022

Housing

Help to Buy Scheme

- Extended to 31 December 2024

Living City Initiative

- Tax Incentive Scheme for Special Regeneration Areas
- Extended by 5 years to 31 December 2027
- Relief accelerated for owner-occupier - 7 years as opposed to 10 years

Rental Tax Credit

- €500 tax credit for taxpayers paying rent (not in receipt of other supports) on their PPR
- €1,000 for married couples and civil partners
- Available for years 2023 to 2025
- Relief can be claimed for 2022 – available in 2023

Housing

Pre-letting expenses for landlords

- Tax deduction for expenses incurred on a property vacant for > 12 months
- Increase for eligible expenditure cap from €5,000 to €10,000 - Reduction in vacant period from 12 months to 6 months

Residential Zoned Land Tax

- Announced in Budget 2022 - Local authorities preparing maps setting out areas impacted by tax – 1 November 2022. Further detail in Finance Bill 2022

Concrete Products Levy

- 10% levy on certain concrete products from April 2023
- Target is to raise revenues to offset the MICA redress scheme

Stamp Duty

Extension of Residential Development Stamp Duty Refund Scheme

- Refund of Stamp Duty on acquisition of land used for residential development
- Stamp Duty rate – 2%
- Construction must commence before 31 December 2025 (previously December 2022)

Supporting Businesses



Temporary Business Energy Support Scheme (“TBESS”)

- To assist businesses with energy costs over winter months
- Eligibility criteria for businesses:
 - ✓ Carrying on a Case I trade
 - ✓ Tax compliant
 - ✓ Significant increase in natural gas / electricity cost
 - ✓ > 50% increase in average unit price for relevant bill period in 2022 v
corresponding period in 2021

Temporary Business Energy Support Scheme (“TBESS”)

Relief

- 40% of the increased cost
- Monthly cap of €10,000 per trade
- Overall cap to be set on total claim per business

Administered by Revenue

- Register for scheme
- Claim within required time limits

Subject to EU State Aid Approval

TBESS Example

	Average Unit Price	Utility Bill	Increased Cost	Relief @ 40%	Capped at €10,000
Relevant Period 2022	20 cent per kwh	20,000	8,000	3,200	n/a
Relevant Period 2021	12 cent per kwh	12,000			

> Reference to Case I trades only - Professions and charities eligible?

Foreign Earnings Deduction (“FED”)

- Extended to 31 December 2025
- Relief for employment income where;
 - ✓ 30 qualifying days and
 - ✓ Over continuous 12 month period
 - ✓ In a relevant State
- Maximum Relief
 - ✓ Capped at €35,000 earnings i.e. max €14,000 tax benefit

Special Assignee Relief Programme (“SARP”)

- Extended to 31 December 2025
- Increase income limit (new entrants) to €100,000 (from €75,000)
- Relief for assignees coming to work in Ireland
- 30% of employment income in excess of €100,000 (up to €1,000,000) not taxable

Key Employment Engagement Programme (“KEEP”)

- CGT not Income Tax payable on exercise of KEEP share options - detailed eligibility criteria
- Extended to 31 December 2025
- Facilitates the buy back of KEEP shares by the issuing company
- Company limit increased to €6m
- Commencing some key 2019 provisions (post EU approval):
 - ✓ Group structures / Holding Company definition
 - ✓ Working requirements relaxed
 - ✓ Existing shares / preferential rights permitted
- Proposed further changes to be considered

Knowledge Economy

R&D Tax Credit

- Finance Bill 2022 to enhance payment provisions for refundable credits
 - ✓ Timing issue / cost neutral
 - ✓ Cashflow benefit to smaller R&D projects - first €25,000 now payable in first year
 - ✓ Existing caps on payable element to be removed
 - ✓ Align refundable credit definition to international norms

Knowledge Development Box (“KDB”)

- Extended for 4 years - accounting periods commencing before 1 January 2027
- During 2023, it is expected KDB rate to be amended to 10% (currently 6.25%)

Other Business Measures

Film Tax Credit

- Extended until December 2028

Animation / Digital Gaming

- Department of Finance to explore opportunities to attract

Other Business Measures

Small Benefit Exemption / Vouchers

- Increased annual limit to €1,000 (from €500)
- Two benefits / vouchers permitted per year
- Applicable to the 2022 Tax year

Business – Revenue Raising Measures

Windfall Energy Tax

- Ireland part of EU-wide responses to windfall gains
- If EU don't progress, Ireland will introduce unilateral measures

Bank Levy

- Extended to end of 2023

Farming

Stock Relief

- Registered farm Partnerships and Young Trained Farmers – extended to December 2024

Young Trained Farmer Stamp Duty Relief

- Full exemption from Stamp Duty on acquisition of farm land, buildings etc.
- Extended to December 2025

Farm Consolidation Stamp Duty Relief

- 1% rate of Stamp Duty on land acquisitions / disposals qualifying for a “Farm Restructuring Certificate”
- Extended to 31 December 2025

Farming

Farm Restructuring CGT Relief

- CGT Relief on land transactions qualifying for “Farm Restructuring Certificate”
- Extended to 31 December 2025

Capital Allowances for slurry storage facilities

- Accelerated allowances over 2 year period (as opposed to 7) on expenditure incurred on qualifying facilities

* *Above subject to finalisation of issues relating to Agricultural Block Exemption at EU level.*

Flat rate addition for farmers

- Reduced from 5.5% to 5%

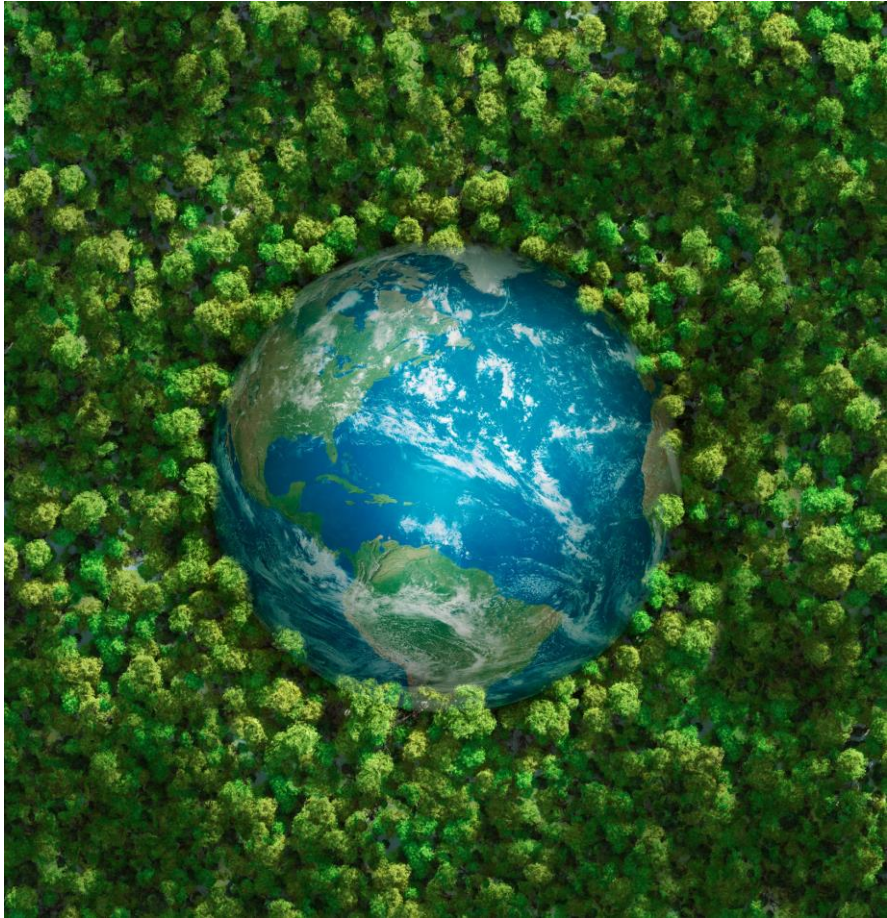
Revenue Interactions

■ Debt Warehousing for Covid related debts

- ✓ Initial 0% rate periods to end 31 December 2022 – 3% rate of interest to apply thereafter
- ✓ Active engagement with Revenue to agree repayments is required – note initial down payment of at least 25% required in a phased payment is necessary

■ Revenue Compliance and Interventions

- ✓ General increase in Revenue activity anticipated post pandemic with a targeted/risk based focus
- ✓ Revenue newly published Code of Practice effective May 2022
- ✓ Revenue compliance included as income raising measure – potential areas of focus PAYE and Share Based Remuneration



Climate and Other Measures

Climate and Environmental Issues

Carbon Tax

- Carbon tax increase €7.50

Tobacco and Alcohol

- Increase in excise duty by 50 cents on pack of 20 (Now €15.50)

Climate and Environmental Issues

BIK on passenger vehicles

- Revised rates to apply from 1 January 2023 based on CO2 emissions
- Lowest rate of 9% up to a maximum rate of 37.5% (currently the maximum rate is 30%) subject to business mileage

BIK on Electric Vehicles

- **Exemption was extended to 2025 in Budget 2023**

- ✓ Tapering effect on vehicle value – was previously €50,000
- ✓ Effective from 1 January 2023, taxable value to be reduced as follows:

Market Value	Year
€35,000	2023
€20,000	2024
€10,000	2025

VAT Measures

Extension of 0% VAT rate

- Newspapers and news podcasts, including digital
- Automatic External Defibrillators and period podcasts
- Non-oral Hormone Replacement Therapy
- Non-oral Nicotine Replacement Therapy
- Effective from 1st January 2023

VAT Measures

Reduced 9% VAT rate on Gas and Electricity

- > Due to expire on 31 October 2022
- > Extended to 28 February 2023

9% VAT rate for hospitality

- > Extended to 28 February 2023



What's Next?

Taxation - Commission on Taxation and Welfare

- **Titled 'Foundations for the Future'**

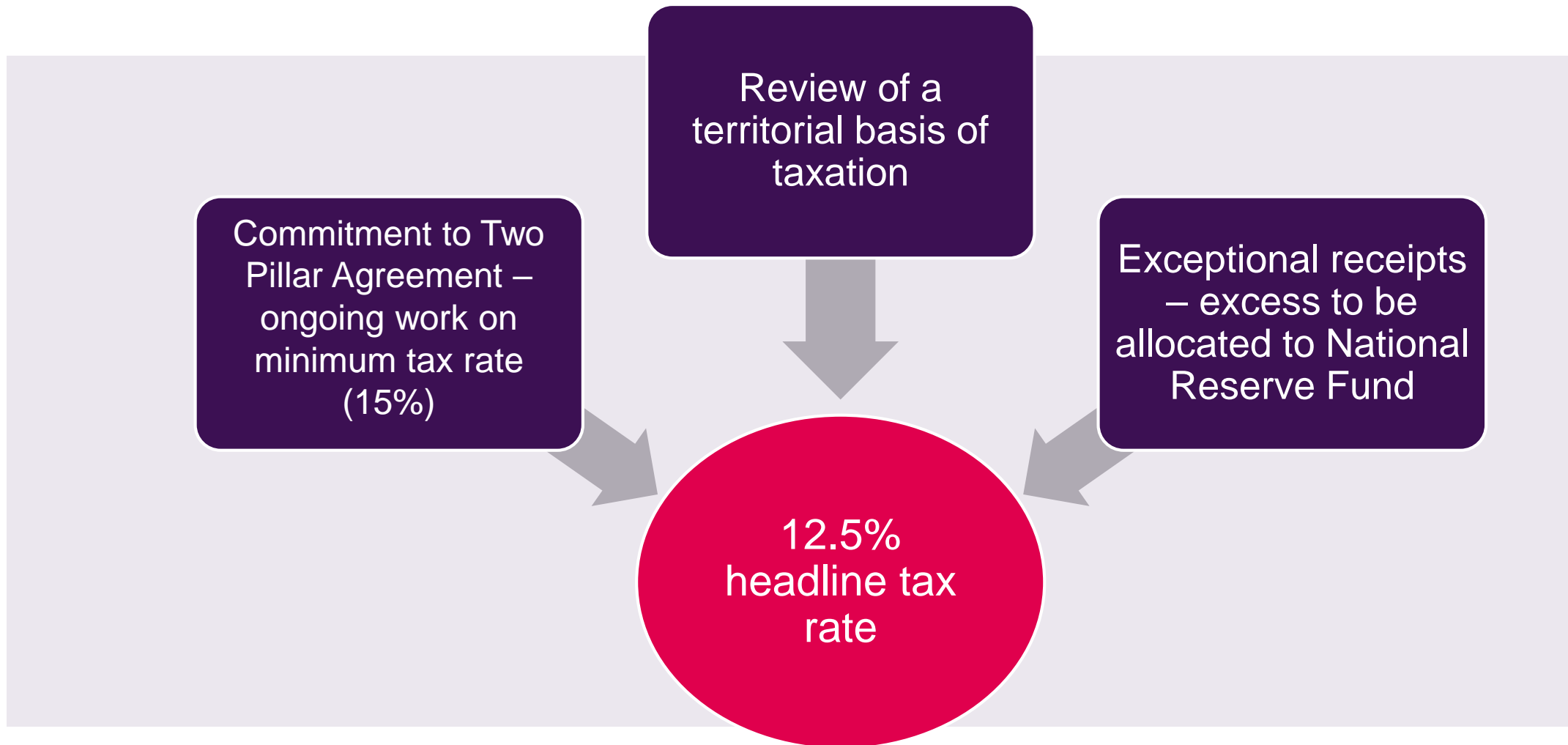
- ✓ Report published on 14 September 2022
- ✓ Detailed report and range of recommendations provided for across all areas of tax, social protection and pensions
- ✓ Low level adoption of any recommendations as part of Budget 2023, but may inform future tax policy subject to wider economic and political environment

Taxation - Commission on Taxation and Welfare

■ Areas of focus in Budget 2023 speech

- ✓ Some recommendations progressed in terms of R&D, KEEP
- ✓ Income Tax, USC and PRSI reform flagged
- ✓ Land and Property based measure (Site Value Tax and changes to LPT system) welcomed but wider consultation necessary
- ✓ Review of REIT, IREF in context of housing policy
- ✓ Section 110 / Life Assurance and Investment Products review
- ✓ The future of Corporation Tax

Future of Corporation Tax



Capital Taxes

- No changes or references as part of Budget 2023
- Commission on Taxation report proposes some fundamental reforms:
 - ✓ Death to be treated as an event for CGT purposes
 - ✓ CAT – reduction to Group A Threshold over time and strengthening reporting requirements
 - ✓ Reducing levels of reliefs currently available in respect of CAT (Agricultural and Business Relief) and CGT (Principal Private Residence Relief)

Conclusion

- Despite economic challenges, the Government continues to offer ongoing supports
- Vulnerability of our tax base and exposure to external shocks
- Safeguarding for the future and importance of managing the public finances
- We need to do more...

Conclusion

“We can and we should be confident about our future.”





Thank you



We're by your side

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