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CHARTERED ACCOUNTANTS

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BUDGET SUMMARY 2021

These are the key tax measures in the Budget Statement of 13 October 2020, as made by the Minister for Finance.

Income Tax

Tax Credits

The tax credit changes are in bold.

Tax Credit	2020 €	2021 €
Single Person	1,650	1,650
Married or in a Civil Partnership	3,300	3,300
Employee Tax Credit	1,650	1,650
Earned Income Tax Credit (max)	**1,650** (increased from 1,500)	**1,650**
Widowed Person or Surviving Civil Partner (without qualifying child)	2,190	2,190
Single Person Child Carer Tax Credit	1,650	1,650
Incapacitated Child Credit (max)	3,300	3,300
Blind Tax Credit		
Single person	1,650	1,650
Married or in a civil partnership:		
• one spouse or civil partner blind	1,650	1,650
• both spouses or civil partners blind	3,300	3,300
Widowed Parent		
• Bereaved in 2020	-	3,600
• Bereaved in 2019	3,600	3,150
• Bereaved in 2018	3,150	2,700
• Bereaved in 2017	2,700	2,250
• Bereaved in 2016	2,250	1,800
• Bereaved in 2015	1,800	-
Age Tax Credit		
• Single or widowed or surviving civil partner	245	245
• Married or in a civil partnership	490	490
Dependent Relative	70	**245**
Home Carer Tax Credit	1,600	1,600
Sea-going Naval Personnel Tax Credit	1,270	1,500

Tax Rates and Tax Bands

There are no changes to tax rates and tax bands.

Personal Circumstances	2020 €	2021 €
Single or widowed or surviving civil partner, without qualifying child	35,300 @ 20% Balance @ 40%	35,300 @ 20% Balance @ 40%
Single or widowed or surviving civil partner, qualifying for single person child carer credit	39,300 @ 20% Balance @ 40%	39,300 @ 20% Balance @ 40%
Married or in a civil partnership, one spouse or civil partner with income	44,300 @ 20% Balance @ 40%	44,300 @ 20% Balance @ 40%
Married or in a civil partnership, both spouses or civil partners with income	44,300 @ 20% with increase of 26,300 max. Balance @ 40%	44,300 @ 20% with increase of 26,300 max. Balance @ 40%

Exemption Limits

The exemption limits for persons aged 65 years and over remain unchanged.

Personal Circumstances	2020 €	2021 €
Single or widowed or surviving civil partner, 65 years of age and over	18,000	18,000
Married or in a civil partnership, 65 years of age and over	36,000	36,000

These exemption limits increase by €575 for each of the first two dependent children and by €830 for the third and subsequent children.

Marginal Relief may apply, subject to an income limit of twice the relevant exemption limit.

Remote Working (eWorking)

The existing eWorking provisions provide a tax deduction for eWorkers for vouched expenditure incurred by those who work at home. In cases where the employer does not make payment towards the related expenses, these can now include broadband costs.

This is effective from 2020. Further information will be available on www.revenue.ie shortly.

Universal Social Charge (USC)

Standard Rates of USC

There are changes to USC thresholds but no changes to USC rates.

USC Thresholds			
2020	**Rate**	**2021**	**Rate**
Income up to €12,012.00	0.5%	Income up to €12,012.00	0.5%
Income from €12,012.01 to €20,484.00	2.0%	Income from €12,012.01 to **€20,687.00**	2.0%
Income from €20,484.01 to €70,044.00	4.5%	Income from **€20,687.01** to €70,044.00	4.5%
Income above €70,044.00	8.0%	Income above €70,044.00	8.0%

Reduced Rates of USC

The current reduced rate of USC for eligible medical card holders has been extended by one further year and will continue to apply for 2021.

USC Thresholds			
Individuals aged 70 years or over whose aggregate income for the year is €60,000 or less. Individuals (aged under 70) who hold a full medical card whose aggregate income for the year is €60,000 or less.			
2020	**Rate**	**2021**	**Rate**
Income up to €12,012.00	0.5%	Income up to €12,012.00	0.5%
Income above €12,012.00	2.0%	Income above €12,012.00	2.0%

Note 1. 'Aggregate' income for USC purposes does not include payments from the Department of Employment Affairs and Social Protection (DEASP).

Note 2. A 'GP only' card is not considered a full medical card for USC purposes.

USC Exempt Categories

There are no changes to these categories.

Corporation Tax (CT)

Film Tax Credit

The operation of the Regional Film Development Uplift at the 5% rate is extended to the end of 2021. The tapering of the Uplift rate will commence in 2022, reducing at first to 3%.

Accelerated Capital Allowances for Energy Efficient Equipment

This scheme for energy efficient equipment is extended for a further three years, until 31 December 2023.

Knowledge Development Box (KDB)

The KDB is extended to 1 January 2023 for qualifying companies.

Capital Allowances for Intangible Assets

For specified intangible assets, a balancing charge, or clawback of capital allowances made, does not currently arise where a balancing event occurs more than five years after the beginning of the accounting period of the company in which the asset was first provided.

With effect from 14 October 2020, balancing charges may now arise in respect of specified intangible assets acquired on or after 14 October 2020 regardless of when a balancing event occurs.

Capital Acquisitions Tax (CAT)

There are no changes.

Capital Gains Tax (CGT)

Treatment of Certain Foreign Currency Transactions

A transfer of foreign currency between bank accounts, denominated in the same foreign currency held by the same person, will not be subject to CGT.

This will apply to disposals made on or after 14 October 2020.

Revised Entrepreneur Relief

This relief will be amended so that an individual who held at least 5% of the shares in a qualifying company, or group of companies, for a continuous period of any three years qualifies. All other qualifying criteria remain unchanged. This will come into effect from 1 January 2021.

Interest Chargeable on Deferred Exit Tax

The amount of tax subject to interest, when Exit Tax is paid by instalments, is being amended with effect from 14 October 2020.

Further information will be published shortly.

Share Based Remuneration Reporting

The scope of the reporting requirements for employers concerning share incentive plans is broadened to include:

- awards given to directors and employees in the form of a cash equivalent of shares
- where a discount on shares is provided.

Mandatory electronic reporting is introduced for:

- convertible securities
- restricted shares
- forfeitable shares
- any other share-based awards subject to reporting under section 897B of the Taxes Consolidation Act 1997.

Stamp Duty

Farm Consolidation Relief

The Stamp Duty relief available for the consolidation of farm holdings is being extended for an additional two years to 31 December 2022. This aligns the end date for this relief with an equivalent CGT relief.

Consanguinity Relief

A reduced Stamp Duty rate of 1% applies to transfers of farmland between certain blood relatives. This relief is being extended for an additional three years to 31 December 2023.

Residential Development Refund Scheme

Two qualifying conditions are being changed for the Stamp Duty refund scheme for land that is developed for residential purposes:

- The time allowed to commence construction work is being extended by one year to 31 December 2022.
- After a local authority has approved the commencement of construction, the time allowed to complete the development is being extended from 24 months to 30 months.

Help to Buy (HTB) Incentive

The July Stimulus plan introduced a temporary enhanced HTB relief from the period 23 July 2020 to 31 December 2020. Increased Income Tax (IT) relief for the HTB scheme is available, to the lesser of:

- €30,000 (up from €20,000)
- 10% (up from 5%) of the purchase price of the new home or of the completion value of the property in the case of self-builds
- the amount of IT and DIRT paid over the four years prior to making the application.

This enhanced relief has been extended to 31 December 2021.

Value Added Tax (VAT)

VAT Rate

The supply of certain goods and services to which the rate of 13.5% currently applies will be liable to VAT at 9% from 1 November 2020 until 31 December 2021. This will mainly affect the supply of restaurant and catering services, guest and holiday accommodation, and various entertainment services such as admission to cinemas, theatres, museums, fairgrounds, amusement parks and sporting facilities.

VAT at 9% will also apply to hairdressing and certain printed matter such as brochures, maps and programmes. The 9% rate applying to magazines and newspapers and to the provision of sporting facilities will remain unaffected.

Flat-Rate Addition for Farmers

This flat rate is increased from 1 January 2021, from 5.4% to 5.6%.

Excise

Tobacco Products Tax (TPT)

TPT rates are increased with effect from 14 October 2020. The increase amounts to 50 cent, inclusive of VAT, on a packet of 20 cigarettes, with proportional increases on other tobacco products. Minimum Excise Duty (MED) for cigarettes is being raised to €414.24 per 1,000 cigarettes

with effect from 14 October 2020. This means that all packs of 20 cigarettes sold at, or below, €11.50 will be subject to €8.28 in Excise Duty.

Energy Products and Electricity

These tax rates will increase each year for the next ten years based on a programme of changes in the amount charged for carbon emissions. Rates will increase from the current level of €26 per tonne CO_2 and will conclude at €100 per tonne CO_2.

Rates of Mineral Oil Tax (MOT)

The first increase, based on charging an additional €7.50 per tonne of CO_2, will apply from 14 October 2020 to:

- petrol
- auto-diesel
- aviation gasoline
- heavy oil used for air navigation and for private pleasure navigation.

Other MOT rates will remain the same until 1 May 2021 when new rates take effect. Future increases will take effect each year in October for petrol, auto-diesel and other propellants and in May for all other mineral oils.

There will be no change to the €9.36/MWh rate of Mineral Oil Tax on Vehicle Gas until 01 May 2024.

Rate of Natural Gas Carbon Tax (NGCT)

The first increase, based on charging an additional €7.50 per tonne CO_2, will apply from 01 May 2021.

Rates of Solid Fuel Carbon Tax (SFCT)

The first increase, based on charging an additional €7.50 per tonne CO_2, will apply from 01 May 2021.

Vehicle Registration Tax (VRT)

Worldwide Harmonised Light Vehicle Testing Procedure (WLTP)

From 1 January 2021, VRT on category A vehicles (passenger cars including SUVs) will mainly be calculated using the CO_2 emissions produced under the WLTP measuring system. This replaces the New European Driving Cycle (NEDC) measuring system. It will still be possible to register cars measured under the NEDC system by applying a conversion factor prior to registration.

The rates of VRT for category A vehicles will also change. These details will be available on www.revenue.ie shortly.

Nitrogen Oxide (NOx) Levy

The NOx levy that is applied to all VRT category A vehicles (passenger cars, including SUVs) will change with effect from 1 January 2021. The levy will be charged cumulatively.

NOx emissions (NOx mg/km)	Amount payable per mg/km
The first 0-40 mg/km	€5
The next 40 mg/km or part thereof up to 80 mg/km	€15
The remainder above 80 mg/km	€25

Relief for Hybrid and Plug-In Hybrid Vehicles

Relief for these vehicles will expire on 31 December 2020 and will **not** be renewed.

Relief for Electric Vehicles (EVs)

The €5,000 relief is to be retained in full for all EVs with an open market selling price (OMSP) of up to €40,000. Above €40,000, the relief will be reduced by 50% of the OMSP over €40,000. The relief will no longer be available where the OMSP is €50,000 or more.

Debt Warehousing

Debts that are warehoused are subject to 0% interest for 12 months. After this 12-month period, a reduced interest rate of 3% per annum will apply.

Temporary Wage Subsidy Scheme (TWSS) Liabilities

An employer who has received excess amounts of temporary wage subsidy is obliged to refund the excess to Revenue. An employer may be unable to repay the excess immediately, due to the impact of Covid-19 on their business. The existing tax debt warehousing scheme will be expanded to include these repayments.

Income Tax (IT) 2019 and Preliminary Tax 2020

The debt warehousing scheme will also be expanded to include taxpayers who self-assess for IT. The scheme is available if, because of the impact of Covid-19, they are unable to pay their IT liabilities 2019 and Preliminary Tax 2020. If filing through ROS, the normal due dates that would apply to these taxes are 31 October 2020 or by 10 December 2020, respectively.

If income for 2021 is also at least 25% lower than income for 2019, the balance of 2020 IT and Preliminary Tax for 2021 can also be warehoused.

Covid Restrictions Support Scheme (CRSS)

This scheme is aimed at businesses which are impacted by COVID-19 restrictions.

Qualifying businesses can apply to Revenue for a cash payment, representing an Advance Credit for Trading Expenses (ACTE) that are deductible for IT or CT purposes. Payments will be calculated on the basis of 10% of the first €1m in turnover and 5% thereafter, based on average VAT-exclusive turnover for 2019. This 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 the Plan for Living with COVID-19. It will run from 13 October 2020 until 31 March 2021.

Legal Disclaimer

This leaflet is intended to describe the subject in general terms. As such, it does not attempt to cover every issue which may arise in relation to the subject. It does not purport to be a legal interpretation of the statutory provisions and consequently, responsibility cannot be accepted for any liability incurred or loss suffered as a result of relying on any matter published herein.