



Budget 2021 Briefing

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BYRNEWALLACE BUDGET 2021 BRIEFING

The Minister for Finance, Mr. Paschal Donohoe T.D., and the Minister for Public Expenditure and Reform, Mr. Michael McGrath T.D. announced Budget 2021 today.

The Minister for Finance acknowledged in his statement that Budget 2021 had been prepared against a background of extraordinary uncertainty. Budget 2021 is framed on the basis that there will be a “no-deal Brexit” and secondly, on the assumption of the continued presence of Covid-19 in Ireland next year, and the absence of a broadly available vaccine.

The Minister announced the introduction of a Recovery Fund worth up to €3.4 billion which will help to stimulate increased domestic demand and employment. The Minister stated that this Recovery Fund will form a cornerstone of our continued economic response in 2021. It will focus on three main areas; infrastructure development; reskilling and retraining; and supporting investment and jobs. A new support scheme for businesses significantly impacted by the Government's public health restrictions has also been announced. Other notable measures included a temporary decrease in the VAT rate for the hospitality and tourism sector, extensions to the tax debt warehousing scheme and an increase in the rate of Carbon Tax.

More details on the tax measures announced today will be set out in the Finance Bill which is expected to be published on 22 October 2020.

The ByrneWallace Tax Team is ready to assist you, your family and your business in navigating the changes proposed by Budget 2021. Please contact any member of our Tax Team or your usual ByrneWallace contact for more information and advice.



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Head of Tax

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BUSINESS TAX

Corporation Tax Rates

The Minister confirmed that there will be no changes to the existing corporation tax rates.

Trading Income	12.5%
Passive Income	25%
Knowledge Development Box income	6.25%

Knowledge Development Box

The Knowledge Development Box, which provides for an effective 6.25% rate of corporation tax on income arising from assets such as computer programmes, patents and intellectual property, will be extended to the end of December 2022.

Implementation of EU Anti-Tax Avoidance Directive (“ATAD”)

The Minister also announced that he will be making a technical amendment to the ATAD-compliant Exit Tax rules to ensure they function as intended.

Intellectual Property

Provisions relating to capital allowances on intangible assets (trademarks, patent royalties etc.) are being amended to provide that all assets acquired from 14 October 2020 will fall within the scope of the balancing charge rules.

Employment and Investment Incentive (“EII”)

The EII scheme is a tax relief used by trading companies to attract equity-based risk finance from individuals. The Minister announced that the scheme will be assessed in Q4 2020 to see how it can be enhanced.

Covid Restriction Support Scheme (“CRSS”)

The Minister recognised the ongoing impact on some businesses as a result of the public health restrictions and announced a new scheme to provide targeted support for such businesses.

The CRSS is aimed at businesses which have either been prohibited from operating or are only able to trade at significantly reduced levels as a result of the restrictions imposed on them in response to Covid-19. Qualifying businesses can apply to Revenue for a cash payment, representing an advance credit for trading expenses that are deductible for income and/or corporation tax purposes for the period of restrictions resulting in operations being prohibited / reduction in activities, effective from today, 13 October 2020.

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, and will be subject to a maximum weekly payment of €5,000. This scheme will generally apply when Level 3 or higher restrictions are imposed, in line with the Government’s ‘Living with Covid-19’ Plan. It will run from Budget day until 31 March 2021.

Accelerated Capital Allowance (“ACA”) scheme for Energy Efficient Equipment

The ACA scheme allows taxpayers to deduct the full cost of expenditure on eligible energy efficient equipment from taxable profits in the year of purchase. The Minister announced that this scheme will be extended until 31 December 2023.

INCOME TAX

Standard Rate Band

The Minister has not made any changes to the income tax bands. The current rates and bands of income tax are as follows:

Taxpayer	Standard Rate Band
Single, widowed or surviving civil partner (no dependent children)	€35,300
Single, widowed or surviving civil partner (dependent children)	€39,300
Married couple or in a civil partnership (one income)	€44,300

Married couple or in a civil partnership (two incomes)	€70,600
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Universal Social Charge (“USC”)

From 1 January 2021, the €20,484 band ceiling will increase to €20,687. This increase in the 2% rate band ceiling was brought in to ensure that a fulltime adult worker who benefits from the increase in the hourly minimum wage rate from €10.10 to €10.20 will remain outside the top rates of USC.

The updated rates of USC will be as follows:

€0 to €12,012	0.5 %
Income from €12,012 to €20,687	2%
Income from €20,687 to €70,044	4.5%
PAYE income in excess of €70,044	8%
Self-employed income from €70,044 - €100,000	8%
Self-employed income in excess of €100,000	3% surcharge

The reduced rate of USC for medical card holders is being extended for a further year.

Carer’s Support Grant

Carers are to benefit from a €150 increase in the Carer’s Support Grant, which will increase from €1,700 to €1,850.

Dependent Relative Credit

The Minister announced an increase in the Dependent Relative Credit from €70 to €245.

Sea-going Naval Personnel Tax Credit

This credit has been extended to 31 December 2021 and it will be increased to €1,500 for 2021 (from €1,270 in 2020).

Earned Income Tax Credit

The earned income credit will increase to €1,650 for self-employed taxpayers and to business owners/managers who are ineligible for a PAYE

credit on their salary income. This measure will also be applied to the 2020 tax year.

Fuel Allowance

The fuel allowance will be increased by €3.50 to help vulnerable households amid an increase in the Carbon Tax.

Living Alone Allowance

The Minister announced a €5 per week increase for people in receipt of the Living Alone Allowance, which will see it go from €14 to €19 per week.

EMPLOYEE & EMPLOYER TAXES

Pay Related Social Insurance (“PRSI”)

From 1 January 2021 the weekly income threshold for the higher rate of employer’s PRSI will increase from €394 to €398.

Employment Wage Subsidy Scheme (“EWSS”)

The Minister confirmed today, that in response to the changing needs of the economy, a similar type scheme to the current EWSS scheme will be required until the end of 2021. The government will decide on the form of the scheme extension when economic conditions are clearer, in the hope of providing greater levels of certainty to businesses and employees. The current EWSS scheme is set to continue until 31 March 2021.

Tax Debt Warehousing

To assist with liquidity support for employers, Budget 2021 provides for an extension of the tax debt warehousing scheme to include repayments of Temporary Wage Subsidy Scheme funds owed by employers. In addition, the tax debt warehousing provisions have been extended to include 2019 tax balances and 2020 preliminary tax payments for the adversely affected self-employed. The provisions will allow tax payers to defer these payments for a period of 1 year without incurring interest. A reduced interest rate of 3% will apply thereafter and will attract no surcharge.

Remote Working

As a response to the increased necessity for remote working/working from home arrangements as a result of Covid-19, it was announced that the Programme for Government includes a commitment to develop a strategy for remote working and remote service delivery.

The Minister went on to highlight what is currently in place on remote working as follows:

- Where the employer makes payments towards expenses of working from home, up to €3.20 per day can be paid without a BIK arising;
- Where an employer does not make a contribution towards expenses, a worker can claim a tax deduction for a portion of utility expenses such as light and heat and it has recently been confirmed that broadband expenses can also be included; and
- Claims can also be made for any other vouched expenses incurred ‘wholly, exclusively and necessarily’ in the performance of employment duties.

CAPITAL TAX

Capital Gains Tax (“CGT”)

There was no change to the rate of CGT. It remains at 33%.

CGT Entrepreneur Relief

The Minister announced an amendment to the holding requirement under the CGT Entrepreneur Relief. An individual will now qualify for the relief if he/she holds at least 5% of the shares for a continuous period of any 3 years rather than 3 out of the 5 years immediately prior to disposal, all other qualifying criteria remain unchanged. This measure will come into effect on 1 January 2021.

This measure whilst welcome is disappointing. The relief continues to require an individual to spend at least 50% of his/her time working for the company continuously for 3 out of the 5 years prior to the disposal. Typically investors mentor

and support several companies at the same time and therefore, they cannot satisfy this requirement. In addition, there are a number of technical issues which limit the use of the relief for example, where there is a dormant company in a group, or the group is a party to a joint venture, none of which were addressed.

There was also an opportunity to increase the lifetime limit in excess of €1m to gain some competitive advantage over the UK market following the recent UK decision to reduce the lifetime limit from STG€10m to STG€1m.

Anti-Avoidance

The Minister is introducing amendments to the provisions with regard to CGT on debts contained in section 541 of the Taxes Consolidation Act 1997 to close an avoidance scheme. It is unclear at present what form such changes will take.

Capital Acquisitions Tax (“CAT”)

There have been no amendments to the Group thresholds which apply to gifts and inheritances.

Group A Threshold	€335,000
Group B Threshold	€32,500
Group C Threshold	€16,250

There was also no change in the rate of CAT on gifts and inheritances. It remains at 33%.

INDIRECT TAX

Value-Added Tax (“VAT”)

The Minister has confirmed the temporary reintroduction of the 9% VAT rate for the tourism and hospitality sector effective from 1 November 2020 to 31 December 2021. This move will be widely welcomed and will give some much needed relief to a sector which has been devastated by the impact of the Covid-19 pandemic and Government restrictions.

This move comes in addition to the recent temporary reduction in the Standard rate of VAT

from 23% to 21% which took effect on 1 September for a six month period. The Minister today also confirmed that this temporary reduction will not be extended and will therefore revert back to 23% with effect from 1 March 2021.

With the above mentioned VAT rate changes, businesses will need to consider whether to pass on any of the VAT rate cuts to their customers. This is a complex commercial decision which will need careful consideration. Consideration will need to be given to any changes that may be necessary to IT systems and the implications for the issuing of invoices, credit notes and other related documents to ensure that VAT compliance obligations are met.

With less than eighty days to Brexit, the Brexit Omnibus Bill should confirm the introduction of postponed accounting for Import VAT. This will result in a major VAT cash flow saving for businesses importing goods into Ireland from the UK after 1 January 2021. With time quickly running out, we strongly urge businesses to accelerate and finalise their preparation and contingency planning for Brexit.

Excise Duties

The excise duty on a pack of 20 cigarettes will again increase by €0.50 (including VAT) with a pro-rata increase on other tobacco products effective from midnight tonight.

There are no changes to the excise duty on beer, cider or other alcohol products.

Carbon Tax

In line with the Government's green agenda and its climate action targets and commitments, the Minister announced an increase in Carbon Tax of €7.50 to €33.50 per tonne/CO₂ emissions. This increase will be applied to auto fuels from midnight tonight (i.e. 14 October 2020) and all other fuels from 1 May 2021.

Vehicle Registration Tax ("VRT") & Motor Tax

VRT and Motor tax reform is being introduced in line with the Government climate action plan.

With effect from 1 January 2021 a new VRT and Motor tax table is being introduced to use CO₂ values from a new EU emissions test for new passenger cars, known as "WLTP".

The rate of VRT will range from 7% to 37% and the rate of Motor tax will range from €120 to €2,400 with the existing band table for both taxes being replaced and expanded where cars with lower emissions pay lower taxes.

Farmers Flat Rate Addition

The Minister announced an increase in the Farmers Flat Rate addition from 5.4% to 5.6% effective from 1 January 2021. This payment is intended to compensate Flat Rate Farmers who are not registered for VAT and therefore not entitled to recover the VAT paid on goods and services purchased by them in connection with their farming activities.

PROPERTY TAX

Help to Buy Scheme

The Help to Buy scheme was designed to help first-time buyers of newly built homes to assemble the required deposit. The Minister has confirmed that the enhanced Help to Buy scheme, which allows home buyers to claim back up to €30,000, is to be extended to the end of 2021.

Local Property Tax

There are no changes to the rates of local property tax.

Market value up to €1,000,000	0.18%
Market value in excess of €1,000,000	0.25%

Commercial Rates Holiday

The waiver of commercial rates for businesses, which was to last until the end of September 2020, is to be extended for the remainder of 2020.

STAMP DUTY

Farm Consolidation (Stamp Duty) Relief

This relief provides for a reduced rate of stamp duty of 1% to apply where a farmer disposes of and purchases land and/or exchanges land with another farmer in order to consolidate an existing farm. The Minister announced today that this relief is being extended by two years to 31 December 2022, so that it will next fall due for renewal at the same time as its CGT equivalent.

Consanguinity (Stamp Duty) Relief

This relief, which is designed to facilitate and encourage intergenerational farm transfers, is now being extended from its current expiry date of 31 December 2020, to 31 December 2023. The relief provides subject to certain conditions, for a stamp duty rate of 1% to apply where a transfer of agricultural land arises (whether by way of a sale, purchase, exchange or gift) and the transfer is effected between certain close relations. For example, a mother to daughter or uncle to nephew.

Residential Development (Stamp Duty) Refund Scheme

This scheme was introduced in Finance Act 2017 to encourage the construction of residential property. It provides a refund of a portion of the stamp duty paid on non-residential property where the land is subsequently developed for residential purposes. The objective of the scheme being to ensure that the rate of Stamp Duty chargeable after a full refund remains at 2%. It was due to expire for new applications on 31 December 2021. The scheme has now been extended to 31 December 2022, and the 24 months period currently allowed between commencement and completion of construction is being extended to 30 months. Therefore as a result of the changes the last possible eligible completion date will now be 30 June 2025.

The extension of the timeframe for delivery, in particular, is to be welcomed given that the timeframe for delivery of schemes, was very restrictive and has been further challenged as a

result of the Covid-19 related shut downs in our economy. Arguably however, this extension does not go far enough. In addition, the changes did not address the criticism levelled by both developers and institutional investors alike with regard to the density requirements of the scheme.

Residential Property	
- Market value up to €1,000,000	1%
- Market value of balance	2%
Non-Residential Property	7.5%
Shares	1%

OTHER MATTERS

Film Relief

The Section 481 (Film Tax Credit) Regional Uplift scheme is being extended by one year by inserting an additional year of uplift at the rate of 5% in 2021. The uplift will then reduce to 3% in 2022, 2% in 2023, and nil thereafter. This provides an additional time-limited, tapered benefit for productions in areas designated under the State aid regional guidelines, to support the development of new, local talent in areas outside the current main production hubs.

New Tax Credit for the Digital Gaming Sector

Noting the exponential global growth in the past decade in the digital gaming sector, the Minister announced the development of a new tax credit for this particular sector, with a view to supporting qualifying activity from January 2022 onwards.

Personal Income Tax Rates and Bands		
	20%	40%
Single, widowed or surviving civil partner (no dependent children)	€35,300	Balance
Single ¹ , widowed or surviving civil partner (dependent children)	€39,300	Balance
Married couple or in a civil partnership (one income)	€44,300	Balance
Married couple or in a civil partnership (two incomes)	€70,600	Balance

Personal Tax Credits	
Single person (no dependent children)	€1,650
Single person child carer credit ²	€1,650
Married or in a civil partnership	€3,300
Employee (PAYE) credit	€1,650
Earned income credit ³	€1,650
Home carer credit	€1,600
Dependent relative credit ⁴	€245

PRSI (Employer Rate)	
Where income exceeds €398 ⁵ per week	11.05%

PRSI (Self-Employed Rate)	
All income	4%

Universal Social Charge ⁶	
€0 - €12,012	0.5%
€12,012 - €20,687 ⁷	2%
€20,687 - €70,044	4.5%
PAYE income in excess of €70,044	8%
Self-employed income €70,044 - €100,000	8%
Self-employed income in excess of €100,000	11%

Capital Acquisitions Tax (CAT) Rate, Thresholds and Exemption	
CAT rate	33%
Group A threshold	€335,000
Group B threshold	€32,500
Group C threshold	€16,250
Small gift exemption	€3,000

1. This rate is available to the principal carer of the child only.
2. This credit is available to the principal carer of the child only.
3. This measure will also be applied for the 2020 tax year.
4. Introduced with effect from 1 January 2021.
5. Introduced with effect from 1 January 2021.
6. Individuals with total income up to €13,000 are not subject to the Universal Social Charge.
7. Introduced with effect from 1 January 2021.

Capital Gains Tax (CGT) Rate, Relief and Exemption	
CGT rate	33%
CGT entrepreneur relief ⁸	10%
Annual exemption	€1,270

Deposit Interest Retention Tax Rate	
Deposit Interest Retention Tax (DIRT)	33%

Corporation Tax Rates	
Trading income	12.5%
All other income	25%
Knowledge Development Box ⁹	6.25%

Research and Development Tax Credit	
Research and Development Tax Credit	25%
	For Micro and Small Companies only 30%

Dividend Withholding Tax Rate	
Dividend Withholding Tax (DWT)	25%

Value Added Tax (VAT) Rates	
Standard rate ¹⁰	21%
Reduced rate ¹¹	13.5%
Second reduced rate ¹²	9%

Local Property Tax Rates		
Market value up to €1 million		0.18%
Market value in excess of €1 million	0.18% up to €1 million	0.25% on balance

Stamp Duty Rates		
Transfer of certain stocks and shares		1%
Non-residential property		7.5%
Residential property	1% on consideration up to €1 million	2% on balance

8. Subject to certain conditions and lifetime limit of €1 million chargeable gains.
 9. Two year extension of the Knowledge Development Box to 31 December 2022.
 10. The standard rate of VAT has been temporarily reduced from 23% to 21% for a six-month period from 1 September 2020 to 28 February 2021.
 11. Applicable to certain supplies including land and buildings, building services, heating fuel, electricity and waste disposal services.
 12. Applicable to certain supplies including tourism and hospitality services, newspaper publications and electronic publications. The tourism and hospitality services VAT rate have been temporarily reduced from 13.5% to 9% from 1 November 2020 until 31 December 2021.

HOW BYRNEWALLACE CAN HELP

ByrneWallace Tax Team

At ByrneWallace, we offer a fully integrated tax service providing both advisory and compliance services to our clients. Our highly experienced team is made up of lawyers, chartered accountants and tax advisors.

Focused on offering pragmatic and realistic solutions, we advise a broad range of clients including private and public sector organisations, international corporations, financial institutions as well as private clients. As part of our multi-disciplinary approach, we regularly work alongside lawyers from our other practice areas, advising on the taxation aspects of client transactions.

Our team has developed specialist expertise advising clients on structured finance transactions, capital market issues, investment funds and cross border financings. We have significant experience in the area of intellectual property planning, mergers and acquisitions, inward investment, group re-organisations, property acquisition and holding structures. We also provide advices on all personal taxation matters including employment related issues, pensions, retirement, succession planning and other matters affecting high net worth individuals.

ByrneWallace can assist you and your business in navigating through the new changes proposed by Budget 2021.

Please contact any member of our [Tax Team](#) or your usual ByrneWallace contact for more information or advice.

Disclaimer

This publication is provided for general information purposes only. It is not intended as an exhaustive list of the changes introduced by Budget 2021 and does not purport to deal with all aspects of its subject matter. This publication does not constitute legal, tax, regulatory, company secretarial or any other advice on any matter addressed. Readers should take legal advice before applying the information contained in this publication to specific issues or transactions.

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