



## Welcome

**We are pleased to bring you our summary of the tax measures set out in Budget 2020.**

Budget 2020 is dominated by Brexit, with the Minister setting out a range of measures to support businesses that will be negatively impacted by a no-deal Brexit. Brexit is also given as the reason for the minimal changes in personal tax, delaying or perhaps discontinuing a policy priority of recent budgets. Interestingly, this budget includes plans to tax dividend income in real time, which may become a feature of our tax regime in the not-too-distant future. While the budget includes the continuation or improvement of existing reliefs aimed at supporting businesses, many businesses may be impacted by changes to transfer pricing rules which are planned to apply to SMEs for the first time.

Should you have any taxation or business questions, our experienced team will be happy to share their insights with you

**John Byrne, Partner, Tax**

## Budget 2020 | 8 October 2019

### Snapshot of Budget

#### Personal Tax

- No changes to USC
- Income tax rates remain the same
- Earned income credit for self-employed individuals increased by €150
- Home carer tax credit increased by €100
- Dividend withholding tax increased from 20% to 25% with effect from 1 January 2020
- Changes to the Employment and Investment Incentive Scheme including full income tax relief of 40% when investment is made and increases in annual investment limits
- Special Assignee Relief Programme and Foreign Earnings Deduction extended to 31 December 2022

#### Business Tax

- Changes to the Key Employee Engagement Programme introduced in 2017 which treats profits subject to capital gains tax in place of income tax
- R&D tax credit increased from 25% to 30% for micro and small companies. Limit on outsourcing to third-level institutes increased from 5% to 15%
- Anti-avoidance measures introduced in relation to property funds and Section 110 companies
- 0% benefit-in-kind for electric vehicles extended to 2022

#### Stamp Duty

- Increase in stamp duty for non-residential property from 6% to 7.5%

#### Capital Acquisitions Tax

- Tax-free threshold for gifts/inheritances from parent to each child increased from €320,000 to €335,000

#### Other Taxes

- Price of 20 cigarettes to rise by 50c from midnight 8 October 2019
- Carbon tax increased by €6 per tonne
- Extension of VRT relief for hybrids and plug-in hybrid electric vehicles
- Replacement of 1% VRT surcharge on diesel vehicles with a nitrogen oxide (NOx) emissions based charge

## PERSONAL TAXATION

### Tax rate

Income tax rates remain unchanged at standard rate of 20% and higher rate of 40%. The DIRT rate reduces to 35% as previously announced.

The entry point to the higher rate of tax remains unchanged.

### Universal Social Charge (USC)

No change to the USC rates, but the reduced rate of USC of 4% for medical card holders will be extended for a further year.

The exemption for income less than €13,000 also remains unchanged.

The 11% rate will continue to apply for self-employed income over €100,000.

Income	USC
From €1 - €12,012	0.5%
From €12,013 - €19,874	2%
From €19,875 - €70,044	4.5%
Over €70,044	8%

### Home carer tax credit

The home carer tax credit is further increased from €1,500 to €1,600. The income threshold remains unchanged at €7,200.

### Earned income tax credit

The earned income tax credit will increase from €1,350 to €1,500.

Personal tax credits and bands	2020	2019
<b>Personal tax credits</b>		
Single	€1,650	€1,650
Married	€3,300	€3,300
PAYE	€1,650	€1,650
Earned income tax credit for self-employed	€1,500	€1,350
Home carer credit	€1,600	€1,500
<b>Age exemption limits (aged 65 and over)</b>		
Single	€18,000	€18,000
Married	€36,000	€36,000
<b>20% standard rate tax bands</b>		
Single	€35,300	€35,300
Married one income	€44,300	€44,300
Married two incomes	€69,100	€69,100

### Employment & Investment Incentive Scheme (EIIS)

EIIS is an established incentive that provides income tax relief to individuals who make risk capital investments in qualifying SMEs. Qualifying investors can deduct the amount of their investment against their taxable income.

The Minister announced a number of changes designed to improve the attractiveness of the scheme, which take immediate effect.

- The entire relief will now be granted in the year of investment, thereby enabling investors to claim tax relief of up to 40% on their investment at that time. This is in contrast with the current position where the final quarter of the relief is deferred until the fourth year of investment and is also subject to certain criteria being met by the company.

- The maximum amount on which an individual may claim relief is being increased from €150,000 to €250,000 per annum.
- Where an individual invests for a minimum of ten years, the maximum annual amount qualifying will be increased to €500,000.

### Drugs payment scheme

The monthly threshold for the drugs payment scheme is being reduced from €124 to €114 per month.

### Increased rate of Dividend Withholding Tax (DWT)

Budget 2020 introduces a reform to the existing DWT regime to ensure better alignment of the amount of tax remitted by companies with the income tax and USC ultimately payable by individual taxpayers.

The overhaul of the regime will involve a two-stage process, the first being an increase in the rate of DWT and the second being the introduction of a modified DWT regime, which will take place over the next two years.

With effect from 1 January 2020, the rate of DWT will increase from 20% to 25%. In the event that the 25% rate results in an overpayment of tax, this can be refunded on submission of the individual's tax return.

With effect from 1 January 2021, a modified DWT regime will come into effect which will utilise real-time collection of data under the recently introduced PAYE modernisation system. Revenue will apply a personalised rate of DWT to each individual based on the rate of tax they pay on their PAYE income.

The Minister highlighted that this measure will not alter the underlying tax liability payable by Irish tax-resident individuals.

### Special Assignment Relief Programme (SARP) and Foreign Earnings Deduction (FED)

The Special Assignment Relief Programme was introduced to encourage organisations to relocate key talent to Ireland by granting income tax relief on employment income over a certain threshold. The Foreign Earnings Deduction offers tax relief to Irish-resident employees who spend time working overseas, in an effort to encourage organisations to expand into certain overseas markets. Budget 2020 announces the extension of both reliefs until 31 December 2022.

### Living City Initiative

Budget 2020 announces the extension until 31 December 2022 of the Living City Initiative, a property tax incentive scheme aimed at the regeneration of certain historical centres in cities.

### Help to Buy Scheme

The Help to Buy Scheme, an income tax incentive measure designed to assist first-time buyers with the deposit required to purchase or build a new house or apartment, has been extended until 31 December 2021.

## BUSINESS TAXATION

### Corporation tax rate

The 12.5% corporation tax rate remains unchanged.

### Research and development tax credit

The limit on the cost of outsourcing R&D to a third-level education institute will be increased from 5% to 15% of total R&D expenditure.

Small and micro-sized companies will be able to avail of a 30% credit on R&D spend. They will also be allowed to claim a credit before trading commences, which is limited to offset against VAT and payroll tax obligations. These changes are

subject to EU approval. A small company is one that satisfies two of the following conditions: balance sheet total not exceeding €6m; turnover not exceeding €12m; employees not exceeding 50.

### Transfer pricing

Transfer pricing rules are being updated and will apply to a greater range of business transactions. It is also planned to extend the rules to SMEs.

### IREFs and Section 110 companies

Immediate changes introduced to limit the amount of interest that IREFs can deduct against income from Irish property.

The Finance Bill will include anti-avoidance provisions aimed at Section 110 companies.

### REITs

Immediate changes to increase the tax take from disposals of property, including applying dividend withholding tax and measures to limit the rebasing of property values.

### International anti-avoidance

Anti-hybrid rules will be introduced to counteract schemes that exploit mismatches in tax rules in different tax jurisdictions. Legislation will clarify tax rules for stock lending and repo transactions and for Investment Limited Partnerships.

### Key Employee Engagement Programme (KEEP)

KEEP is an incentive that allows unquoted SMEs to award share options to their employees in a tax-efficient manner. Gains are subject to capital gains tax on a disposal of the shares themselves instead of being subject to income tax on grant or exercise of the options.

The Minister announced a number of changes to address some practical difficulties that have been experienced with the incentive since its launch in 2018. The legislation will be amended to:

- Enable companies that operate as part of a group structure to qualify for KEEP
- Enable employees engaged in part-time and flexible working, as well as those who are required to move between group companies, to qualify
- Allow existing shares to qualify and not just newly issued shares as is currently the case

## CAPITAL ACQUISITIONS TAX

Group thresholds are as follows:

GROUP A	GROUP B	GROUP C
Parent to child	Close relations	Relationship other than Group A or Group B
€335,000	€32,500	€16,250

Tax-free threshold for gifts/inheritances from parent to each child increased from €320,000 to €335,000 from 9 October 2019.

## CAPITAL GAINS TAX

### Entrepreneur relief

No changes were made to entrepreneur relief following the findings of an external review. However, the completed review will be further examined to determine if any changes should be made to the relief to better support entrepreneurs in the future.

Currently the relief provides for a 10% rate of CGT on chargeable gains on disposals of qualifying business assets, up to a lifetime limit of €1m.

## OTHER MEASURES

### Benefit-in-kind

The 0% rate of benefit-in-kind for electric vehicles has been extended to 2022. A cap of €50,000 based on the original market value of the vehicle remains.

### VRT

Extension to the VRT relief for conventional hybrids and

plug-in electric hybrids to 31 December 2020, subject to CO<sub>2</sub> thresholds.

Diesel surcharge to be replaced with nitrogen oxide (NO<sub>x</sub>) emissions based charge for passenger cars registering for the first time in the State from 1 January 2020 on a euro per milligram/kilometre basis.

### Stamp duty

Where a “cancellation scheme” is used for the sale of a business as part of certain reorganisations, stamp duty at rate of 1% will apply. This change is effective from Wednesday 9 October 2019.

### Betting tax

Introduction of relief from betting duty and betting intermediary duty up to a limit of €50,000 per calendar year for single undertakings.

### Carbon tax

Increase of €6 to €26 per tonne from 9 October 2019 to auto fuels. Application to other fuels will be delayed until May 2020.

### Excise duty

Price of 20 cigarettes to rise by 50c from 9 October 2019 and pro-rata increase on other tobacco products.

## About Us

Established in 1941, Crowe is a leading accountancy and business advisory firm in Ireland. Throughout our 80-year history, we have developed an unrivalled understanding of the Irish business environment and built a national reputation in auditing, tax and business consultancy.

We work with a variety of clients across commercial and public sectors. Our services include Audit & Assurance, Tax, Corporate Insolvency & Recovery, Corporate Finance, Consultancy, and Outsourcing.

We are also independent members of Crowe Global, one of the top 10 accountancy networks in the world, with colleagues in over 750 offices across 130 countries. Through this global reach we are able to offer clients a seamless service when trading internationally.

At Crowe we pride ourselves on delivering hard-working, practical solutions to all our clients' business challenges. We help clients make smarter decisions today that create lasting value for tomorrow.

**Smart decisions. Lasting value.**

## Contact

Crowe  
40 Mespil Road  
Dublin 4  
D04 C2N4  
Tel: +353 1 448 2200  
[www.crowe.ie](http://www.crowe.ie)



**Grayson Buckley**  
Partner  
[grayson.buckley@crowe.ie](mailto:grayson.buckley@crowe.ie)



**John Byrne**  
Partner  
[john.byrne@crowe.ie](mailto:john.byrne@crowe.ie)



**Lisa Kinsella**  
Partner  
[lisa.kinsella@crowe.ie](mailto:lisa.kinsella@crowe.ie)



**Andrew Whitty**  
Consultant  
[andrew.whitty@crowe.ie](mailto:andrew.whitty@crowe.ie)