



Welcome

We are pleased to bring you our summary of the tax measures set out in Budget 2021.

Budget 2021 was framed in the midst of immense economic challenges presented by COVID-19 and Brexit. Irish businesses face extraordinary headwinds, and the Budget both reaffirms existing measures and introduces new measures to assist businesses through these extraordinary times. Minister Donohoe recognised that SMEs are the backbone of the Irish economy and it is hoped that future policy initiatives of this Government will focus on and positively address the taxation costs faced by SMEs. In perhaps a sign that our working lives may permanently change, the Budget provides welcome clarity on the taxation of payments to and costs incurred by remote workers.

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

John Byrne, Partner, Tax

Budget 2021 | 13 October 2020

Snapshot of Budget

COVID-19 Measures	<ul style="list-style-type: none"> • Equity fund to invest into domestic high innovation enterprises • Extension of tax warehousing scheme for self-employed income tax • Extension of Employment Wage Subsidy Scheme for all of 2021 • New COVID-19 Restrictions Support Scheme of up to €5,000 per week for businesses affected by Level 3 or higher restrictions • Reduction in VAT rate from 13.5% to 9% for hospitality and tourism sector from 1 November 2020 • Commercial rates waiver extended to end of 2020
Personal Tax	<ul style="list-style-type: none"> • No changes to USC rates – small increase in some bands • Income tax rates remain the same • Earned income credit for self-employed individuals increased by €150 • Dependent relative tax credit increased by €175 • Extension of enhanced Help to Buy Property Scheme to 31 December 2021
Business Tax	<ul style="list-style-type: none"> • Extension of the Knowledge Development Box tax rate of 6.25% for two years to 31 December 2022 • Extension of accelerated capital allowances for energy-efficient equipment to 31 December 2023 • Technical amendment to entrepreneur CGT relief • Employer's PRSI income threshold increased
Stamp Duty	<ul style="list-style-type: none"> • Extension of Stamp Duty Residential Development Relief Scheme to 31 December 2022
Other Taxes	<ul style="list-style-type: none"> • Price of 20 cigarettes to rise by 50c from midnight 13 October 2020 • Carbon tax increased by €7.50 per tonne • Changes to VRT rates and motor tax
State Pension	<ul style="list-style-type: none"> • The planned increase in the State pension age to 67 from 1 January 2021 has been scrapped

COVID-19 MEASURES

A number of specific measures were introduced to help impacted businesses navigate the challenges of the COVID-19 pandemic.

Extension to Debt Warehousing Scheme

Revenue's Debt Warehousing Scheme will be extended to cover self-employed income tax liabilities for taxpayers adversely affected by the fallout from the pandemic. Balancing payments for 2019 and preliminary tax for 2020 due on 10 December 2020 may be warehoused for up to 12 months at a zero interest rate and at a reduced rate of 3% per annum thereafter.

Any repayments due from employers of amounts claimed under the Temporary Wage Subsidy Scheme (TWSS) may also be warehoused.

Replacement of EWSS

A new scheme will be introduced to replace the Employment Wage Subsidy Scheme (EWSS) when it runs out on 31 March 2021. Details of the scheme will be introduced in due course when the economic picture is clearer, and it will run through the remainder of 2021.

Pandemic Unemployment Payment (PUP)

Self-employed recipients of the PUP will be able to earn income from intermittent work without losing the PUP. This will be subject to a threshold; details to be confirmed.

CRSS tax credit

A new tax credit, the COVID-19 Restrictions Support Scheme (CRSS), is being introduced with immediate effect, to run until 31 March 2021. This is essentially an advance credit for expenses that are deductible for income tax or corporation tax purposes. This will apply to any business in a sector that is closed as a result of COVID-19 restrictions being at Level 3 or higher. They must either be closed or be able to show a reduction in turnover of at least 80% on the corresponding period in 2019. The credit will be based on a percentage of their 2019 turnover – 10% on the first €1m and 5% on the balance up to €4m – and capped at €5,000 per week.

Special funding schemes/measures

A new equity fund will be established in mid-November with a mandate to invest in domestic, high innovation enterprises. An initial €30m funding will be provided through the Ireland Strategic Investment Fund (ISIF), the aim being to leverage matching funding for early-stage seed and growth capital.

In recognition of challenges faced by the arts sector, €50m is pledged in supports to the live entertainment sector while Arts Council funding for 2021 is being increased by €50m to €130m.

A special COVID-19 fund of €10m is being created for the charities and voluntary sector. More generally, a National Recovery Fund of €3.4bn is being created to fund any additional government measures that might need to be introduced in 2021, while €1.1bn is being allocated to support local enterprise, SMEs, R&D, the Credit Guarantee Scheme and the Future Growth Loan Scheme.

PERSONAL TAXATION

Universal Social Charge (USC)

The second USC rate band has increased from €20,484 to €20,687. The other bands and rates of USC remain unchanged.

The reduced rate of USC of 4.5% for medical card holders will be extended for a further year.

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

Income	USC
From €1 - €12,012	0.5%
From €12,013 - €20,687	2%
From €20,688 - €70,044	4.5%
Over €70,044	8%

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

Earned income tax credit

The earned income tax credit will increase from €1,500 to €1,650

Dependent relative tax credit

The dependent relative tax credit will increase from €70 to €245.

Help to Buy Scheme

The enhanced version of the Help to Buy Scheme introduced as part of the July Stimulus measures has been extended until 31 December 2021. The maximum credit is 10% of the house price, up to a maximum of €30,000.

Remote working

The allowance of €3.20 per day remains unchanged. Employers can make a payment to employees of up to €3.20 per day without benefit in kind arising.

Where employers do not offer the above, employees can claim a tax deduction for utility expenses in their income tax return to include light, heat and electricity. This has been updated to now include broadband costs. Claims can also be made for vouched expenses which are incurred wholly, exclusively and necessarily in carrying out employment duties.

Employer PRSI

From 1 January 2021, the weekly threshold for the higher rate of employer's PRSI will increase from €394 to €398 to reflect the increase in the minimum wage.

Employment & Investment Incentive Scheme (EIIS)

The Minister announced that an assessment of the EIIS will be undertaken this year to determine how the scheme can be enhanced, taking into account the impact of the current crisis.

Personal tax credits and bands	2021	2020
Personal tax credits		
Single	€1,650	€1,650
Married	€3,300	€3,300
PAYE	€1,650	€1,650
Earned income tax credit for self-employed	€1,650	€1,500
Dependent relative tax credit	€245	€70
Age exemption limits (aged 65 and over)		
Single	€18,000	€18,000
Married	€36,000	€36,000
20% standard rate tax bands		
Single	€35,300	€35,300
Married one income	€44,300	€44,300
Married two incomes	€70,600	€70,600

BUSINESS TAXATION

Corporation tax rate

The 12.5% corporation tax rate remains unchanged.

Anti-Tax Avoidance Directive (ATAD) – interest limitation & anti-hybrid

The Minister announced that Ireland will continue to support the implementation of international tax best practice recommendations and legislation, including the introduction of interest limitation rules and anti-reverse hybrid rules.

A technical amendment will also be made to the existing exit tax rules in relation to the operation of interest on instalment arrangements. This will take effect on 13 October 2020.

Knowledge Development Box (KDB)

The KDB relief will be extended by a further two years to 31 December 2022. Under the KDB, a business can avail of a 6.25% tax rate on profits arising from the exploitation of certain assets such as patents and copyrighted software.

Energy-efficient capital allowances

The scheme for accelerated capital allowances of defined energy-efficient equipment is being extended for a further three years to 31 December 2023. Under the scheme, capital allowances at a rate of 100% of the cost incurred on qualifying assets can be claimed in the year of acquisition, rather than over eight years as is the case for other assets. A review will also be undertaken of the categories of equipment that qualify for relief.

Intangible assets

All intangible assets purchased from 13 October 2020 will be within the scope of balancing charges to bring Ireland in line with international best practice.

Film relief

The additional 5% credit, bringing the total credit available from 32% to 37%, for films produced in an assisted region is being extended by one year to 2021. The uplift will now reduce to 3% in 2022 and 2% in 2023.

Tax credit for digital gaming sector

The Minister announced that work will begin in 2021 on developing a new tax credit for the digital gaming sector that will take effect from January 2022, with specific reference to how this might link in with our film and animation industries.

CAPITAL GAINS TAX

Entrepreneur relief

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.

From 1 January 2021, the requirement that 5% of the ordinary shares be held for three years will refer to any three-year period, not necessarily within the last five years. The individual will still be required to have worked in the business for a continuous period of at least three years within the previous five years.

OTHER MEASURES

VAT

The VAT rate for the hospitality and tourism sector has been temporarily reduced to 9%, effective from 1 November 2020 until 31 December 2021. The reduction in the standard rate of VAT from 23% to 21% that is due to end on 28 February 2021 has not been extended.

VRT

A new vehicle registration tax regime from January 2021 based on emissions performance level. VRT reliefs for plug-in hybrid electric vehicles and hybrids will be allowed to expire, having regard to the fact that there will now be much lower VRT rates for low-emission cars.

A third motor tax table for cars registered from 1 January 2021 to take account of the introduction of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP).

Stamp duty

The Stamp Duty Residential Development Refund Scheme has been extended to operations commenced by 31 December 2022. In addition, the time allowed for completion of a qualifying project has been extended to two and a half years.

For farmers, consanguinity relief in respect of land transfers has been extended for another three years to 31 December 2023. In addition, farm consolidation relief will continue to allow for a 1% stamp duty rate on transactions until 31 December 2022.

Carbon tax

Carbon tax increased by €7.50 per tonne. Increase to apply to all auto fuels from 13 October 2020 and all other fuels from 1 May 2021.

Changes to nitrogen oxide surcharge bands so that higher NOx-emitting vehicles will pay more.

Additional relief through diesel rebate scheme for hauliers to compensate that sector for the increased cost of fuel.

Other taxes

Excise duty to increase by 50c on a packet of 20 cigarettes with a pro-rata increase on other tobacco products.

Farmers' flat rate addition to increase from 5.4% to 5.6% from 1 January 2021.

Extension of BIK zero rate on electric vehicles to 2022.

About Us

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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.

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