

Budget 2021
(Taxation Highlights)

13th October 2020

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Personal Tax:

a) Income Tax Credits & Bands:

- **Tax Rates/Bands: No changes.**
- **Earned Income Credit:**
The Earned Income Tax Credit of €1,500 increases to €1,650.
- **Dependent Relative Credit**
Increase from €70 to €245.

b) USC:

- €0 – €12,012, 0.5%; • €12,012 – €20,687, 2%; • €20,687 – €70,044, 4.5%;
- €70,044+, 8%.
- Self-employed income over €100,000: 3% surcharge.

1 Year Extension to the reduced rate for medical card holders.

Corporation and Capital Gains Tax/Business Tax

a) Corporation Tax Rate.

The 12.5% Corporation Tax rate remains in place but the Minister warned that changes to the international tax framework could mean changes are on the horizon for the corporate tax landscape.

b) Covid Restrictions Support Scheme (CRSS)

Businesses which have either been prohibited in operating or only been able to trade at significantly reduced levels as a result of Covid-19 can apply to Revenue for a cash payment, representing an advance credit for trading expenses that are deductible for tax purposes (“ACTE”) for the period of restrictions. 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. The Scheme will generally apply when Level 3 or higher restrictions are imposed. It will run from Budget day until 31 March 2021.

c) Employer’s PRSI

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

d) Employment and Investment (EII)

An assessment of how the Scheme can be enhanced with a particular focus on improved support for start-ups, the potential to attract capital from a broader range of investors and the potential to include energy-efficient projects within the remit of the scheme.

e) Expansion of Warehousing of tax liabilities.

This is to be expanded to include repayments of Temporary Wage Subsidy Scheme owed by employers and preliminary tax obligations for adversely affected self-assessed taxpayers.

f) Extension of the Knowledge Development Box

The relief is extended for a further two years until 31 December 2022. The KDB is an OECD-compliant intellectual property regime, introduced in 2016, that supports businesses in retaining and exploiting certain assets, such as patents and copyrighted software, developed through R&D activities carried out in Ireland.

g) Digital Gaming Sector

Work will take place in 2021 on the development of a tax credit for the digital gaming sector, with a view to supporting qualifying activity from January 2022 onwards.

h) Capital Allowances for Intangible Assets

Provisions are being amended to provide that all assets acquired from Budget night will be fully within the scope of balancing charge rules.

i) Capital Gains Tax

A significant change amends the holding requirement under the CGT Entrepreneur Relief so that an individual that held at least 5% of the shares for a continuous period of any three years qualifies for the relief.

Climate and Environmental measures

• **Carbon Tax**

Carbon tax will be increased by €7.50 from €26 to €33.50 per tonne/CO₂. This increase will be applied to auto fuels from date of budget and all other fuels from 1 May 2021

• **Vehicle Registration Tax**

A new rates table is introduced for Vehicle Registration Tax. The €5,000 relief for Battery Electric vehicles is tapered for vehicles with an OMSP over €40,000, so that no amount of relief is available for BEVs with a value of over €50,000.

• **Accelerated Capital Allowance scheme for Energy Efficient Equipment**

The scheme will be extended until 31 December 2023.

VAT:

- Tourism and Hospitality related services and goods currently liable at 13.5% will decrease to 9% from 1 November 2020 for a defined period of time, depending on the duration of the Pandemic.
- The flat-rate scheme which compensates un-registered farmers for VAT incurred on their farming inputs is being increased from the current 5.4% to 5.6% for 2021.

Stamp Duty:

- Consanguinity Relief applying to certain agricultural land transfers is being extended from its current expiry date of 31 December 2020, to 31 December 2023
- Farm Consolidation Relief is being extended from its current expiry date of 31 December 2020, to 31 December 2022
- The Residential Development Refund Scheme is being extended to 31 December 2022, and the 24 months currently allowed between commencement and completion of construction is being extended to 30 months, so that the last possible eligible completion date will be 30 June 2025.

Excise Duties:

Tobacco: 20 cigarettes increased by 50 cents (including VAT) with a pro-rata increase on the other tobacco products.

For more information please do not hesitate to contact us on info@dmnaccountants.ie please also visit our website www.dmnaccountants.ie.



DMN Accountants Ltd. (13th October 2020)