



Budget 2022

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RBK

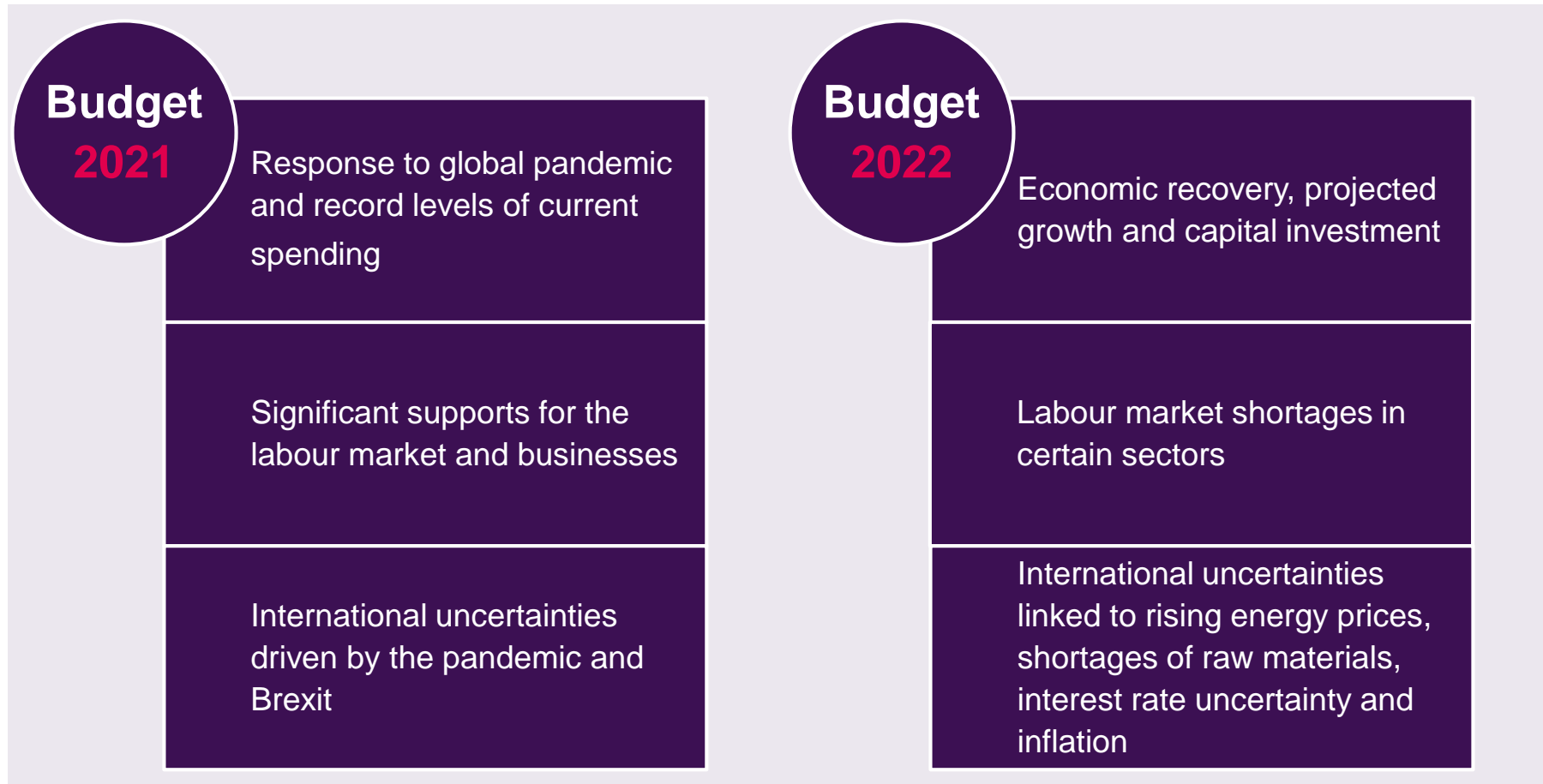
Budget 2022

“

Budget meets the twin goals of investing in our future, of meeting the needs of today, while putting the public finances on a sustainable path”

Minister Paschal Donohoe

Budget 2021 to Budget 2022



Key Factors Underpinning Budget 2022

1. An exit strategy and transition out of pandemic supports
2. Managing the post pandemic economic 'rebound' in the backdrop of global economic pressures
3. Global Corporate Tax Reform
4. Domestic pressures
5. Ongoing focus on climate change and promoting the Green Economy

Overview

- Cost of Living
- Housing
- Business
- Climate and Other





Cost of Living

Income Tax Summary

Standard Tax and Marginal Tax Rates (20% / 40%)	→	No change
Standard Rate Tax Band €35,300	→	Increase of €1,500
USC	→	<ul style="list-style-type: none">• Increase in Second Band @ 2%• Reduced rate extended for Medical Card holders and over 70's
Tax Credits	→	Increases of €50 to personal tax credit, employee tax credit and earned income credit (€1,650 increased to €1,700)

Income Tax Measures

USC

- Increase in the Second Band subject to USC @ 2% by €608

2021	2022
12,012 @ 0.5%	12,012 @ 0.5%
8,675 @ 2%	9,283 @ 2%
49,357 @ 4.5%	49,357 @ 4.5%
Balance @ 8%	Balance @ 8%

- The reduced rate of USC has been maintained for Medical Card Holders and those over 70 years earning less than €60,000 per annum:
 - The first €12,012 @ 0.5%
 - 2% on balance of income

Impact of Income Tax Changes

Person	Earnings	Net Increase	Net % impact on income
Single Person	Earning minimum wage	€561	2.9
Single Person	Earning €50,000	€415	1.1
Married Couple	One income, earning €50,000	€465	1.1
Married Couple	Two income, €60,000 + €25,000	€530	0.8

Remote Working Strategy

- **30% Income Tax Deduction**
 - Cost of vouched expenses
 - Heat, electricity and broadband
 - Further detail in Finance Bill
- **Outstanding tax issues**
 - Normal place of work
 - Accelerated capital allowances on home office equipment



Key Non-Tax Measures

- **National Childcare Scheme Universal Subsidy** - Applies to children up to 15 years
- **Introduction of a Youth Travel card** – 50% discount for 19 to 23 year olds
- **Increases in weekly payment rate for jobseekers/ pension / fuel allowances** - €5 per week
- **Parental leave benefit extended by 2 weeks to 7 weeks**
- **Free GP up to age 7**



Housing

Zoned Land Tax

- Objective is to increase the supply of residential accommodation
- Replaces existing vacant site levy
- Rate – 3% of market value of land
- Applies to land
 - Zoned suitable for residential development and serviced but not developed for housing. No minimum size exclusion
- Lead time
 - 2 years for land zoned before January 2022
 - 3 years for land zoned after January 2022
- Certain exemptions from the tax – details are to be outlined in Finance Bill
- Local authorities to produce maps in advance of commencement
- Rate may be reviewed in the future.



Help to Buy Scheme (“HTB”)

- Extended to 31 December 2022 – at current rates
- Relief is lesser of:
 - 10% of purchase price,
 - Income Tax and DIRT paid in last 4 year, or
 - €30,000
- First time buyers and new houses / self builds only
- Full review to be carried out in 2022



Pre-letting Expenses - Landlords

- Pre-letting expenses for landlords - Extended relief for 3 further years
- To encourage landlords to return empty properties to the market
- Expenditure incurred in the 12 months before letting is available as a deduction against rents
- Deduction capped at €5k per vacant property

Stamp Duty

10% Stamp Duty applying to residential property

- Applies to bulk purchases of residential properties
- Purchase of 10 or more residential houses in a 12 month rolling period
- Effective from 20 May 2021
- Exemptions
 - Apartment acquisitions
 - Purchases by local authorities and Approved Housing Bodies
 - 3-month transition period – contract signed by 20th May and closed by 31st August 2021
- Increased rate also applies where multiple purchases of residential units are made indirectly through shares, units in investment funds or interest in a partnership
- 9% refund mechanism where houses let to local authority

Supporting Business



Current pandemic related support measures

- **Employment Wage Subsidy Scheme ('EWSS')**
 - Remain in place in a graduated form until 30 April 2022
 - No change – October and November 2021
 - Business availing of scheme at 31 December 2021 continue to be eligible until 30 April 2022
 - December to February – two rate structure
 - €151.50
 - €203
 - March and April 2022
 - Flat rate of €100
 - Reduced rate of employer PRSI no longer applies
 - Scheme not available to new employers from 1 January 2022

Current pandemic related support measures

- **Business Resumption Support Scheme ('BRSS')**
 - Targeted measure for businesses continue to exhibit ongoing impact during period 1 September 2020 to 31 August 2021
 - 75% reduction in turnover
 - Advanced Corporate Tax Credit – up to €15,000
 - Applications before end of November 2021
- **9% VAT rate extended to end of August 2022** - no further anticipated extension of the rate beyond this period

Employment Investment Incentive (“EII”)

- **Scheme extended for 3 years to 2024**
 - Relief up to 40% of investment subject to certain caps / conditions
 - Benefit companies in start-up years
- **Finance Bill to contain details of enhancements**
 - Make scheme more attractive to investors and ease administration
 - Extend scheme to a wider range of investment funds
 - Relaxation of “Capital Redemption window” for investors
 - Removal of 30% expenditure rule
- **The aim is to improve the effectiveness and uptake of the scheme**



Innovation Equity Fund

- **Budget 2021**
 - Commitment made of €30m through Ireland Strategic Investment Fund ('ISIF')
- **Budget 2022**
 - €30m added to fund through Enterprise Ireland
 - Matching €30m from European Investments Fund (subject to approval)
- **€90m for potential investments in Seed Stage/Early-Stage funding for Irish SME's**
- **Launch date early 2022** – memorandum of understanding being developed by the parties

Start-Up Companies S486C Relief

- **Existing Relief for Start Up Companies**

- Full relief (0% tax) if profits < €320,000 p.a.
- Marginal relief if profits between €320,000 and €460,000 per annum
- Applies for 3 years
- Carry forward of unused relief
- Linked to employer PRSI contributions
 - 8 employees for maximum relief
- New trades started before 31 December 2021

- **Budget 2022**

- Extended for certain start-ups to 31 December 2026
- Relief available for 5 years

Digital Gaming Tax Credit

- Initially announced and committed to in Budget 2021
- **Budget 2022 - detail**
 - Refund for expenditure on design, production and testing of a game
 - Refundable Corporation Tax credit
 - Available at 32% rate
 - On eligible spend up to €25m per project
 - Minimum spend €100k
- Finance Bill will detail further
- Subject to EU State aid approval / Commencement Order



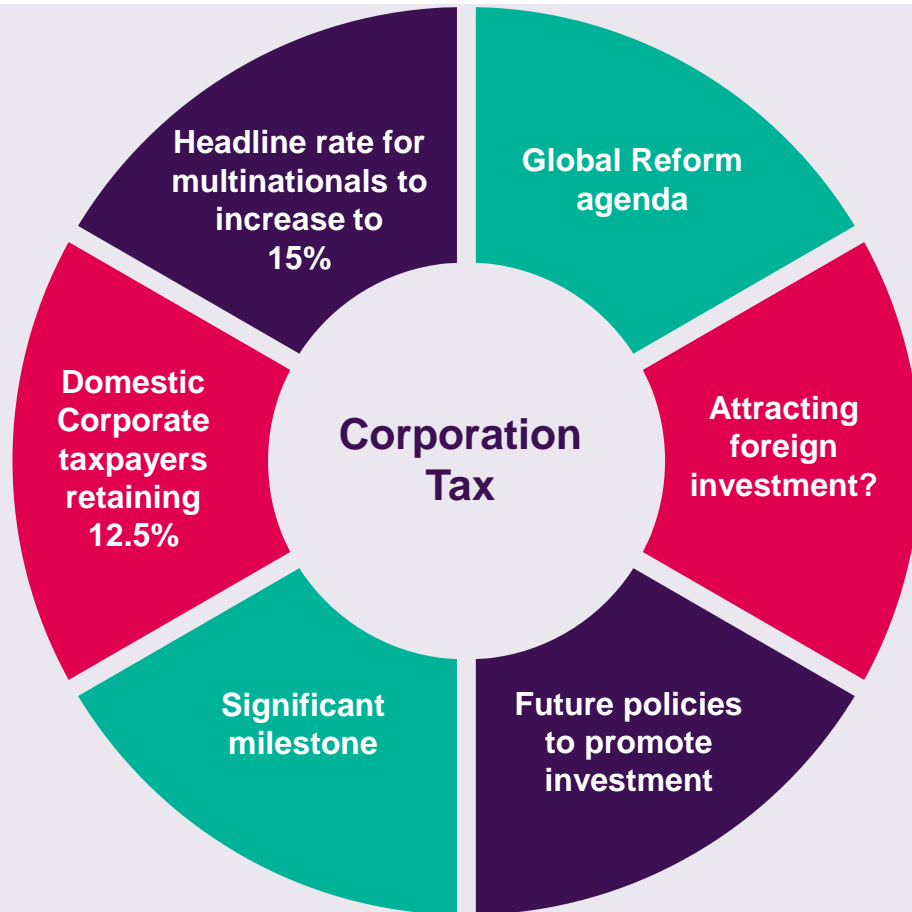
Farming

- **General Stock Relief – extended to 2024**
- **Young trained farmers – extended to 2022**
 - Stock Relief
 - Stamp Duty Relief
 - Deemed to be State Aid reliefs
 - Current exemption due to expire 31 December 2022
 - To be reviewed – hopeful a further extension will apply in next years Budget
- **Farm Partnerships – Stock relief extended to 2022**
- **Reduction of VAT Flat Rate Addition from 5.6% to 5.5% from 1 January 2022**

Global Tax Reform



Corporation Tax Rate



Corporation Tax – effective rates?

Corporation Tax Rates

0%

- Effective 0% for qualifying Start-Up companies
- R&D Tax Credits reducing effective rate

6.25%

Effective tax rate for trading income under Knowledge Development Box ('KDB')

**12.5%
/ 15%**

Trading rate (to increase to 15% for multinationals)

25% +

Passive rate of 25% on non-trading income and excepted trades / surcharges for Close and Professional Service Companies

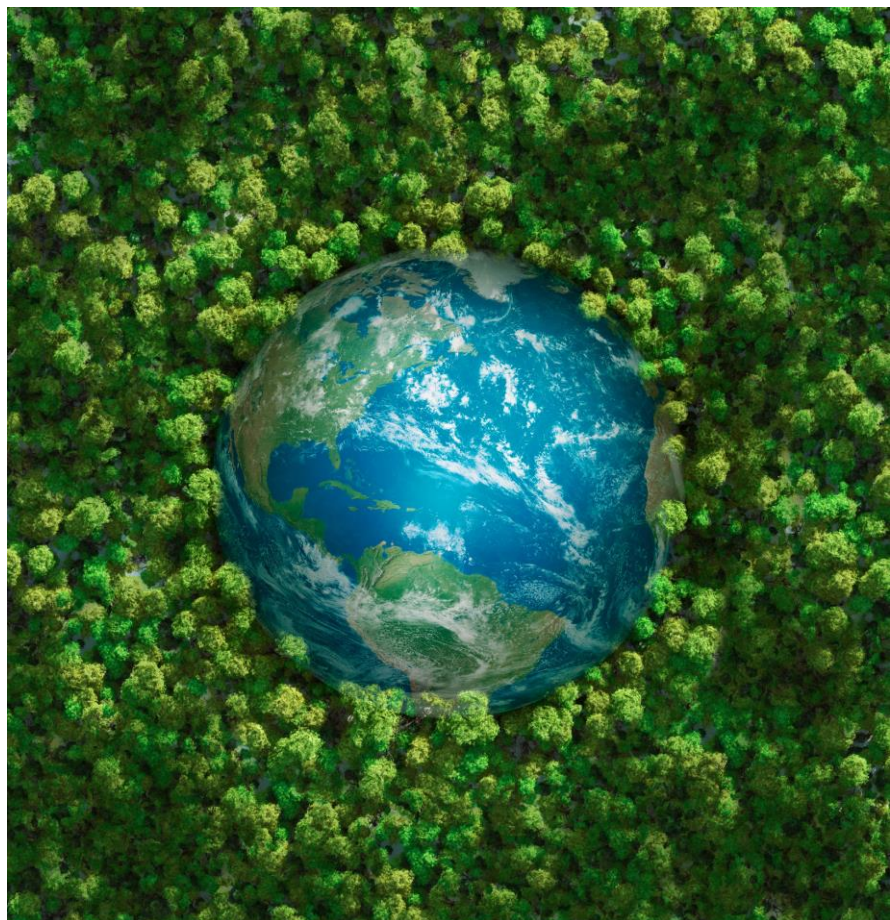
EU Anti-Tax Avoidance Directive

- **Complete our transposition of EU Anti-Tax Avoidance Directives**
- **New Interest Limitation rule**
 - Limit deductible interest expense to 30% of EBITDA
 - Accounting period commencing on or after 1 January 2022
 - Disallowed interest carried forward
 - De minimis rule – net interest deductions < €3m
 - Exemptions:
 - Stand alone entities
 - Grandfather's arrangement pre 17 June 2016
 - Certain long term infrastructure projects
 - Details in Finance Bill – recognised there will be complexity in implementation in context of existing provisions on interest deductibility

EU Anti-Tax Avoidance Directive

- **Anti Reverse Hybrid Rule**

- Catches double non-taxation resulting from hybridity
- Transparent entities i.e. partnerships
- Where 50% or more owned by entities resident in a jurisdiction that treats partnership as opaque
- Brought in scope of Irish tax under Corporation Tax rules
- Exclusion for Collective Investment Vehicles
- Subject to conditions



Climate and Environmental Issues

Accelerated Capital Allowances (“ACA”)

- **Existing Rules**

- 100% allowances in year of spend for qualifying equipment
- Available to companies, sole traders, partnerships
- Runs to 31 December 2023

- **Budget 2022 changes:**

- Equipment directly operated by fossil fuels no longer qualify
- Extending ACA for gas vehicles and refuelling equipment for 3 years (to 31 December 2024)
- Extending ACA to include hydrogen powered vehicles and refuelling equipment

Climate and Environmental Issues

Carbon Tax

- Carbon tax increase of €7.50 per tonne to €41 per tonne, further increase of €7.50 per annum to 2030 envisaged
- Increase effective from:
 - 13 October 2021 – Petrol / Diesel
 - May 2022 – Home Heating Oil.

Tobacco

- Increase in excise duty by 50 cents on pack of 20 (Now €15)

Climate and Environmental Issues

VRT

- **VRT & Motor Tax valuation regimes**
 - From January 2022, a revised VRT table introduced
 - Increase in rates for vehicles falling in bands 9 - 20
- **Create a fairer VRT system**
 - Battery electric vehicles - €5,000 relief extended to 2023
 - Sale of surplus electricity (€200) by households back to the grid – exempt from Income Tax

BIK on Electric Vehicles

- **Exemption extended to 2025**
 - Tapering effect on vehicle value
 - Effective from 2023

Market Value	Year
€35,000	2023
€20,000	2024
€10,000	2025



Other Tax Measures

Capital Taxes

- 33% rate of CGT and CAT remain
- No changes to CAT Group Thresholds
- No change to reliefs

Debt Warehousing Scheme – Proprietary Directors

- Extension of scheme to proprietary directors with employment income
- Material interest in company
- In receipt of Schedule E and from employer company
- Details to follow in Finance Bill

Temporary Income Tax Loss Relief

Tax Relief available for Self-employed individuals

- Can claim to have your 2020 losses and certain unused capital allowances deducted against 2019 profits
- Maximum claim - €25,000
- Interim claims permitted

Tax Relief for Farmers

- Option to step out of income averaging for 2020 tax year



What's Next?

Commission on Taxation and Welfare

Objectives	Considerations
<ul style="list-style-type: none">▪ Support economic activity▪ Promote increased prosperity and employment in Ireland▪ Ensure sufficient resources to meet costs of public services / supports through tax and welfare systems	<ul style="list-style-type: none">▪ Covid-19 pandemic▪ Ageing demographics▪ Low carbon economy▪ Digital disruption / automation

Conclusion

Budget 2022 – how did it rate?

- **Cost of Living**
- **Housing**
- **Business Measures**
- **Climate Action**

And beyond....?





Thank you



We're by your side

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