



12 October 2021 | BUDGET 2022 HIGHLIGHTS



We are pleased to bring you our summary of the tax measures set out in Budget 2022.

Unlike previous budgets during the Celtic Tiger era where large tax reductions and incentives were the norm, the Government has focused on expenditure measures which hopefully will broaden the growth for businesses and other sectors post COVID-19.

With the Government's agreed 2:1 ratio between expenditure and tax reductions, personal tax changes were limited to personal tax increases and an enhancement of working from home incentives.

The confirmation that the employment wages subsidy scheme will be extended to the end of April 2022 and the new business incentives will be welcomed by SMEs.

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

Dermot Brennan
Managing Partner

Snapshot of Budget

Personal Tax

- Standard rate band increased
- No changes to USC rates – small increase in some bands
- Income tax rates remain the same
- Increase of €50 in the personal tax and employee/earned income credits
- Income tax relief of 30% on certain expenses for remote workers
- Extension of Help to Buy Property Scheme to 31 December 2022

Business Tax

- 12.5% corporation tax rate remains for the majority of Irish companies
- Employee Wage Subsidy Scheme extended to end of April 2022
- New tax credit of 32% for the digital gaming sector
- Extension and expansion of the Employment Investment Incentive Scheme
- Extension and expansion of accelerated capital allowances for energy-efficient equipment to 31 December 2024
- Employer's PRSI income threshold increased
- Introduction of anti-avoidance legislation for multinationals

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 decrease 5.6% to 5.5% from 1 January 2022
- The bank levy is extended to the end of 2022

PERSONAL TAXATION

Personal income tax bands and credits

The income tax standard rate band has been increased by €1,500 for all earners, resulting in the band for single individuals increasing from €35,300 to €36,800 and for married couples/civil partners with one earner from €44,300 to €45,800.

The personal tax credit, the employee tax credit and the earned income credit have all increased from €1,650 to €1,700.

Universal Social Charge (USC)

The second USC rate band ceiling has increased from €20,687 to €21,295. 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 – €21,925	2%
From €21,296 – €70,044	4.5%
Over €70,044	8%

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

Personal tax credits and bands	2022	2021
Personal tax credits		
Single	€1,700	€1,650
Married	€3,400	€3,300
PAYE	€1,700	€1,650
Earned income tax credit for self-employed	€1,700	€1,650
Age exemption limits (aged 65 and over)		
Single	€18,000	€18,000
Married	€36,000	€36,000
20% standard rate tax bands		
Single	€36,800	€35,300
Married one income	€45,800	€44,300
Married two incomes	€73,600	€70,600

Employer PRSI

From 1 January 2022, the weekly threshold for the higher rate of employer's PRSI will increase from €398 to €410 to reflect the increase in the minimum wage from €10.20 to €10.50.

Extension of warehousing of tax liabilities for proprietary directors

The tax debt warehousing scheme will be extended to allow self-assessed income taxpayers with employment income who have a material interest in their employer company to warehouse income tax liabilities relating to their salary from that employer.

Working from home incentives

The current tax arrangements for working from home will be enhanced and formalised. Employees can claim a tax deduction of 30% of vouched utility expenses in their income tax return to include light, heat and broadband.

Pre-letting expenses

The pre-letting expenditure relief has been extended to the end of 2024. A deduction against rental income is available for expenses incurred on a vacant residential premises prior to it being first let after a period of non-occupancy (at least 12 months). The deduction is capped at €5,000 and must be incurred in the 12 months before the letting.

Extension of BIK exemption for electric vehicles

There will be an extension of the BIK exemption for electric vehicles to 2025.

From 2023, a tapering effect on the vehicle value will apply. The original market value of an electric vehicle will be reduced by €35,000 for 2023; €20,000 for 2024; and €10,000 for 2025.

Help to Buy

The enhanced version of the Help-to-Buy scheme introduced in the July Stimulus Package last year, has been extended until 31 December 2022. The maximum credit is 10% of the house price, up to a maximum of €30,000.

Flight crew tax change

The tax treatment of certain flight crew will be amended. Currently, any individual who is employed on board an aircraft operated in international traffic where the place of effective management of the enterprise is in Ireland is subject to Irish income tax. This provision will be amended to exclude non-resident flight crew where several conditions are met.

BUSINESS TAXATION

Corporation tax

The most publicised pre-Budget discussions focused on the proposed introduction of a new minimum corporation tax rate of 15% and the method of allocating taxable profits between jurisdictions, both provisions arising from the “BEPS 2.0” initiative conducted by the OECD. The initiative proposed a two-pillar approach to dealing with the tax challenges arising from the digitisation of the global economy.

Pillar 1 deals with the allocation of company profits between jurisdictions largely based on the location where the services are consumed. This will apply to groups with annual consolidated revenues of greater than €20 billion. Pillar 2 proposes rules to ensure that groups with annual consolidated revenues of greater than €750 million will pay an effective rate of tax of at least 15%.

Together with other OECD members, the Government has now signed the agreement and will issue legislation to transpose the agreement into domestic law. No firm date has been proposed for when this will be implemented, and it is not expected to be included in the Finance Bill this year.

It is important to note that all other companies outside the scope of this new legislation will be unaffected and the corporation tax rate for those companies will remain at 12.5%.

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

As signalled last year, the Minister has announced the introduction of new provisions to transpose the interest limitation and anti-reverse-hybrid provisions from ATAD.

The interest limitation will be significant for any businesses that use inter-group treasury/lending arrangements. This measure will place a limit on deductible interest expenses of 30% of EBITDA for companies within scope. It will be effective for accounting periods commencing on or after 1 January 2022. Of significant note is that the proposed legislation includes a de minimis provision where interest deductions below €3 million will not be affected, and exemptions will apply for standalone entities, and legacy debt arrangements in place before 17 June 2016.

The anti-reverse-hybrid rules will bring certain tax-transparent entities (such as partnerships) within the scope of Irish tax where the entity is 50% or more owned/controlled by entities resident in a jurisdiction that regards that transparent entity as tax-opaque and, as a result of this differing approach, double non-taxation occurs.

Energy-efficient capital allowances

The scheme for accelerated capital allowances of defined energy-efficient equipment is being extended for a further three years up to 31 December 2024. The Minister announced changes to the current scheme where capital allowances at a rate of 100% of the cost incurred on qualifying assets can be claimed in the year of acquisition rather than eight years for non-qualifying assets. The scheme is being amended to exclude equipment directly operated by fossil fuels as qualifying assets.

The accelerated capital allowance scheme for gas vehicles and refuelling equipment has also been extended to 31 December 2024 and extends the definition of qualifying assets to hydrogen-powered vehicles and refuelling expenditure.

Tax credit for digital gaming sector

The Minister announced a new refundable corporation tax credit at a rate of 32% for the digital gaming development sector for expenditure incurred on the design, production and testing of such games, subject to a minimum expenditure spend of €100,000 and maximum of €25 million per project. Claims can only be made for a game which has been issued with a cultural certificate from the Irish Government.

Corporation tax start-up relief

The corporation tax exemption for start-up companies is being extended to the end of 2026. Furthermore, the exemption will now apply for the first five years of trading and not three years as is currently the case. The exemption can be worth up to €40,000 per annum for a company, depending on its level of corporation tax and employer's PRSI.

Employment Wage Subsidy Scheme (EWSS)

There will be an extension to the Employment Wage Subsidy Scheme until 30 April 2022.

The current EWSS measures will apply until 30 November 2021. For December 2021 to February 2022, the original two-rate subsidy per employee per week (€151.50 and €203) will apply, and for March 2022 and April 2022, a single flat rate of €100 per week will apply. The existing reduced rate of employer's PRSI (0.5%) will apply until the end of February 2022, with the full employer's PRSI contribution then being reintroduced with effect from 1 March 2022 until the scheme ends on 30 April 2022.

Eligibility for the scheme continues to be a 30% reduction in turnover/customer orders in the full year 2021 as compared to the full year 2019. The scheme will not be available to new employer entrants with effect from 1 January 2022.

Employment & Investment Incentive Scheme (EIS)

EIS is being extended for a further three years to the end of 2024. A number of changes are also proposed. The requirement that 30% of the funds raised are used by the company before relief can be claimed is being removed. It is also proposed to allow greater capacity for investors to redeem their capital without penalty. Finally, it is proposed to widen the eligibility criteria to open up the scheme to a wider range of investor funds and to attract more investors into the scheme.

These changes are potentially significant and, it is hoped, will revitalise the scheme. The exact details are awaited however and should follow in the Finance Bill.

OTHER MEASURES

VAT

The temporary reduction in the VAT rate for the hospitality and tourism sector to 9% will end at the end of August 2022.

Zoned land tax

The tax which will replace the vacant site levy will apply to land which is zoned suitable for residential development and is serviced but has not been developed for housing. There will be no minimum size exemptions. The rate will be 3% and will be levied on the market value of the land. For land zoned before January 2022, there will be a two-year lead-in time and a three-year lead-in time for land zoned after that date.

Carbon tax

The rate of carbon tax will increase by €7.50 to €41 per tonne of carbon dioxide emitted. Increase to apply to all auto fuels from 12 October 2021 and all other fuels from 1 May 2022.

Income from micro-generation of electricity

Up to €200 of income received by households from the sale of residual electricity to the grid will be disregarded for tax purposes.

VRT

A revised VRT table will be introduced from January 2022. The change in rates will be as follows:

- 1% increase for vehicles that fall between bands 9-12
- 2% increase for bands 13-15
- 4% increase for bands 16-20

The relief of €5,000 for battery electric vehicles is extended until the end of 2023.

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 decrease 5.6% to 5.5% from 1 January 2022.

The bank levy is extended to the end of 2022.

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