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BUDGET HIGHLIGHTS 2021



Personal/Income Tax

Rates, Credits & Bands

Similarly to last year there were only a couple of adjustments made to the personal tax area, one for the Dependent Relative Tax Credit and the second refers to the earned income credit.

Tax rates remain at 20% and 40%.

| • Tax Credits | <u>2015 - 2021</u> | | <u>2015 - 2021</u> |
|---|--------------------|------------------------------|--------------------|
| Single | €1,650 | Widowed Person | €2,190 |
| Married | €3,300 | Widowed Parent, Year 1 | €3,600 |
| One Parent Family (Only available to main carer from 2014) | €1,650 | -Reducing annually to Year 5 | €1,800 |
| PAYE Employee Credit | €1,650 | Fisher Tax Credit | €1,270 |
| | | Incapacitated Child | €3,300 |

The tax credit for self employed (against earned income), has been increased from €1,500 to €1,650.

The Dependent Relative Credit increased from €70 per annum to €245.

| • Personal Rate Bands—No Change | <u>2015 - 2018</u> | <u>2019-2021</u> | • Exemption Limits—No Change | <u>2016 - 2021</u> |
|--|--------------------|------------------|---------------------------------|--------------------|
| Single | €34,550 | €35,300 | Single/Widowed 65 years or over | €18,000 |
| Married (one income) | €43,550 | €44,300 | Married 65 years or over | €36,000 |
| Married (two incomes)* | €69,100 | €70,600 | | |
| Single/Widowed with dependent children | €38,550 | €39,300 | | |

* Max transferable of €44,300

PRSI / USC

Employee / Employers PRSI

Only one change in the weekly threshold for the higher rate of Employers PRSI from €394 to €398, to cater for the increase in the minimum wage.

USC

One change in the 2% USC Rate from €20,484 to €20,687, again, to cater for the increase in the minimum wage.

| | |
|--------------------------|------|
| Up to €13,000— Nil | |
| > €12,012 | |
| First €12,012 | 0.5% |
| €12,013 to €20,687 | 2% |
| €20,688 to €70,004 | 4.5% |
| > €70,004 (Employed) | 8% |
| Self Employed > €100,000 | 11% |

TAX DEBT WAREHOUSING

A very welcome addition for many Income Tax payers is the extension of the Debt Warehousing scheme to the balance of 2019 Income Tax and 2020 preliminary Income Tax, whereby there is no interest be levied for 12 months and no surcharge for unpaid taxes.

Thereafter a 3% interest will apply.

Other Personal Tax

VRT Rates are changing with effect from 1st January 2021 with a new 20 band table being introduced.

The reliefs for hybrids and plug-in hybrids expire on 31st December 2020 but these vehicles will qualify for a reduced VRT under the new WLTP system.

Motor Tax rates are to change to a three table system from 1st January 2021, (1) New cars from 01/01/2021 (2) Cars with an old NEDC and (3) cars registered pre 2008

Property

The Help to Buy scheme which was enhanced as part of the Government stimulus package on 23 July 2020 is to be extended to 31 December 2021.

Residential development stamp duty refund scheme to be extended by one year to construction operations commenced by 31 December 2022, with the time allowed between commencement and completion of a qualifying project in order to be eligible for the refund also to be extended from 24 months to 30 months.

Stamp duty consanguinity relief applicable to transfers of agricultural property between certain family members to be extended for a further three years to 31 December 2023.

The reduced 1% rate of stamp duty applicable to qualifying farm consolidation transactions to be extended to December 2022.

Capital Gains Tax

Entrepreneur Relief has been improved by making it available to persons who have held the shares for a continuous period of three years at any time prior to the disposal (rather than a continuous period of three years in the five years prior to disposal as is the requirement currently).

This effectively means a 10% tax rate for business owners disposing of their business for the first €1M of proceeds.

No change in 33% rate.

Capital Acquisitions Tax

There are no changes to the Group Thresholds.

Category A - €335,000.

Category B - €32,500.

Category C—€16,250.

No change to 33% rate.

Corporation Tax

Once again, as nearly every Minister of Finance has previously, Paschal Donohoe has re-affirmed the government's commitment to 12.50% rate for trading profits.

Film Corporation Tax Credit (FCTC) has been amended slightly by extending the regional uplift to 2023.

Some amendments have been made to the Knowledge Development Box whereby (1) a reduced rate of 6.25% will apply to income generated from qualifying Intellectual Property and (2) The scheme has been extended for a further 2 years to accounting periods commencing prior to 1st January 2023.

Energy-efficient equipment purchased by companies are now eligible for 100% capital allowances write off in year of acquisition rather than the existing 8 year period.

Indirect Tax

Tobacco

Once again the only "Old Reliable" being targeted again in this year's Budget was tobacco with a significant increase which takes effect from midnight 13/10/2020.

Cigarettes - 50c per packet of twenty, pro-rata on other tobacco products.

VAT

Reduced rate of VAT of 13.50% has been lowered to 9% for Tourism & Hospitality sectors from 1st November 2020.

Unregistered farmers flat rate addition increases from 5.4% to 5.6%.

23% VAT rate was already reduced to 21% with effect from 1st September 2020 until 28th February 2021.

Business Supports

Covid Restrictions Support Scheme (CRSS)

- New scheme to support businesses affected by Covid-19 level 3 and over measures
- Operates from 13/10/2020 to 31/03/2021.
- Turnover must have reduced by 80% over 2019 & customer access to the business must be affected by Covid 19 level 3 or higher government imposed restrictions.
- Weekly payment of up to €5k based on 10% of 1st €1M of annual turnover and 5% of excess.
- Businesses need to register and the scheme will be administered by Revenue.

Other Information

€3.20 per day can be paid to employees by employers working from home without BIK.

Alternatively the employee can claim for tax relief from Revenue in respect of utility expenses, light and heat and broadband, incurred in relation to working from home.

Carbon Tax has been increased from €26 per tonne to €33.50 per tonne, this will mean an increase of 2 to 2.5 cent per litre at the petrol pumps.

Call us on 01 8774747 or e-mail info@ocarroll.biz to discuss any of the above topics in more detail.

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