

2023 RoI Budget

An Update on the Statement from the
Minister of Finance



INTRODUCTION

On 27 September 2022 the Minister of Finance, Paschal Donohoe, and the Minister of Public Expenditure and Reform, Michael McGrath, delivered Budget 2023. This budget has been described by some as a give away budget with a raft of measures to combat extraordinarily high price rises and a cost of living crisis. The overall budget package is over €11bn in tax reforms and one off measures.

The focus appears to be on helping individuals with the cost of living crisis by reducing personal taxes, helping with the cost of energy bills, freeing up housing stock to rent and help towards rental costs.

Businesses are being helped with the cost of energy bills and extending various measures designed to help businesses recover from the pandemic.

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PERSONAL TAX

- An increase in the Income Tax standard rate band for all earners was announced. It will increase from €36,800 to €40,000 for single individuals and from €45,800 to €49,000 for married couples / civil partners with one earner.
 - An increase of €75 was announced for the Personal Tax Credit, the Employee Tax Credit and the Earned Income Credit. This increases each credit from €1,700 to €1,775.
 - The reduced rate of USC for medical card holders and those earning less than €60,000 is being extended for a further year.
 - The government are going to analyse a report on the impact of the introduction of a third rate of income tax. This analysis will be concluded prior to the next Summer Economic Statement.
 - A medium term roadmap for personal tax reform will be developed which will consider a range of measures across income tax, PRSI and USC.
- These will be welcome announcements for all taxpayers.

- An increase of €100 was announced in the Home Carer Tax Credit from €1,600 to €1,700.
- The ceiling of the second USC 2% band rate will increase from €21,295 to €22,920 in 2023.



PROPERTY TAX

- The Help To Buy Scheme has been extended at its current rate of support until the end of 2024. A review of the scheme is underway.
- A new Vacant Home Tax is being introduced in 2023 to encourage an increase in supply of homes for rent or purchase. The tax will apply to residential properties which are occupied for less than 30 days in a 12 month period. The tax will be calculated at a rate of 3 times the properties existing basic property tax rate.
- A new rent tax credit will be introduced for individuals renting their principal private residence. The relief will be claimable in year from 2023 onwards for those in receipt of no other forms of State housing support. It will also be possible for a claim to be made in early 2023 for rent paid in 2022.
- The pre-letting expenses regime which provides relief to landlords in relation to pre-letting expenses is being amended. The scheme previously applied where a property was vacant for a period of 12 months or more and a cap of €5,000 per property applied. The cap is being doubled to €10,000 per property and the period of vacancy is being reduced from 12 months to 6 months.
- The Residential Development Stamp Duty Refund Scheme which was due to end has been extended to the end of 2025.
- A new Defective Concrete Products Levy will be introduced to assist with the MICA redress scheme. The levy will be 10% on certain concrete products to include concrete blocks and pouring concrete and will apply from April 2023.

CAPITAL GAINS TAX

- Farm Restructuring Relief will be extended until the end of 2025.

STAMP TAXES

- Young Trained Farmer (Stamp Duty) relief and Farm Consolidation (Stamp Duty) relief are being extended ahead of them expiring this year until the end of 2025.

BUSINESS TAX

- There has been no change to the rate of Corporation Tax. The current rate of 12.5% will remain in place.
- A new temporary Business Energy Support Scheme will be introduced for all trading businesses who are tax compliant and have suffered significant increases in their gas and electricity costs. Businesses will be required to register for the scheme and make claims in time limits. It is proposed that the average price per unit of electricity/gas for a bill specific period in 2022 will be compared to that of the same period in 2021. Where there has been an increase of over 50% support will be available. The amount of support will be calculated at 40% of the amount of the increase in the bill amount with a monthly cap of €10,000 per trade and an overall cap will apply on the total amount a business can claim.

This will be a welcome measure for any business which qualifies for the relief given the soaring prices in electricity and gas costs.

- A three-year scheme of Accelerated Capital Allowances is being introduced for farmers for the construction of slurry storage facilities. It will give 50% tax relief over 2 years.
- The Foreign Earnings Deduction scheme which provides relief from income tax for employees tax resident in Ireland who travel out of the State to work in qualifying countries is being extended to the end of 2025.

- The Key Employee Engagement Programme is being extended to 31 December 2025. It will also be amended to facilitate the buy-back of KEEP shares by the company and increasing the company limit to €6m.
- The Special Assignee Relief Programme will be extended for 3 years until 31 December 2025 and the minimum income limit to avail of the scheme will be increased to €100,000.
- The Knowledge Development Box will be extended for a further 4 years to 2027. It will also have a new effective rate of 10% which will come into effect subject to a commencement order.
- Changes will be introduced to the payment provisions for the R&D tax credit to align with new international definitions of refundable tax credits. There is no change to the quantum of credit which a taxpayer may claim. The changes all relate to the timing of the payment of the credit.
- The Film Tax credit will be extended to 31 December 2028. It was due to end in December 2024.
- The small benefits exemption allows employers to give employees one small benefit tax free each year. The limit of this exemption is being doubled from €500 to €1,000. In addition the number of benefits is being increased to two.
- Stock Relief is extended for a further 2 years. Stock Relief for Young Trained Farmers and Farm Partnerships will be extended to the end of December 2024.

VAT AND EXCISE DUTIES

- The VAT reduction from 13.5% to 9% for businesses in the hospitality and tourism sector has been extended to the end of February 2023.

This will be welcome news for businesses in this sector which were badly hit by the pandemic and now increased costs.

- VAT on newspapers, defibrillators, non oral hormone replacement therapy, non oral nicotine replacement therapy and certain period products currently subject to VAT will be decreased to 0% from January 2023.
- The flat-rate compensation for farmers will be reduced from 5.5% to 5%.
- The 9% VAT rate previously introduced for gas and electricity is being extended to February 2023.

This will be a welcome announcement for households struggling with increasing home heating costs.

- Excise on cigarettes is to increase by 50 cents per packet of 20, with a pro-rata increase on other tobacco related products.
- A 50% excise relief scheme will apply to independent producers of cider and pear cider ("Perry").

- Excise fees will be reduced for an application for a Special Exemption Order from €110 to €55.
- Carbon Tax is increasing by €7.50 from €41 per tonne of CO₂ to €48.50. This will take effect for vehicle fuel from 12 October 2022 and all other fuels from May 2023. However, this rise is to be offset with a decrease in the National Oil Reserve Agency Level of 2c per litre. Therefore, the price at the pump should not change.
- The current excise reduction of 21c per litre of petrol, 16c per litre of diesel and 5.4c per litre of Marked Gas Oil will be extended until 28 February 2023.

This will be welcome news for all motorists with costs for petrol and diesel having increased dramatically in the last year.

- The Bank Levy which was due to end in 2022 has been extended a further year to the end of 2023.

We have made every effort to ensure the information provided in this document is accurate, but we cannot accept responsibility for the consequences of any action you take in reliance on its contents. If you have any matters which you would like to discuss further, one of our staff will be pleased to help you.

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