

Republic of Ireland Budget 2020

Summary of the Facts



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Commentary

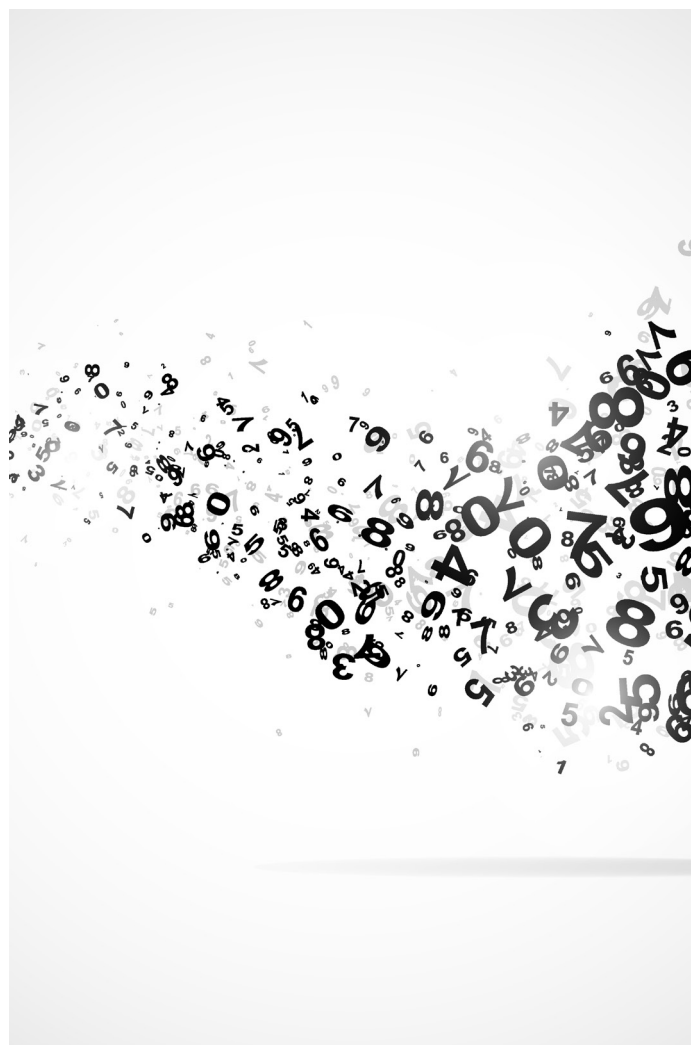
Minister of Finance, Paschal Donohoe, delivered his 3rd budget today, 8th October. His main aim for the budget was to prepare Ireland for the challenges that Brexit may bring to the economy and in particular a no deal Brexit.

The majority of his speech was in relation to proposals that may be introduced if there is a no deal Brexit. He emphasised how Ireland would continue to be open for business to the Rest of the World and the importance of a no hard border being imposed between Ireland and Northern Ireland.

As part of his commitment he announced a Brexit package of approximately €1.2 billion -€200 million to get ready for Brexit regardless of the form it may take, and a further €1 billion to be made available in the event of a No Deal Brexit. The minister stressed this money would not be borrowed if it was not required.

Following his introduction of the Rainy Day Fund in last year's budget, this fund will also be available if needed depending on the severity of Brexit.

“...main aim for the budget was to prepare Ireland for the challenges that Brexit may bring to the economy and in particular a no deal Brexit.”



Personal Taxes

There will be no changes to personal taxes due to Brexit uncertainty.

Tax Credits

The Home Carer tax credit is to increase by €100 to €1,600.

The Self Employed earned income tax credit is to increase by €150 to €1,500.

Tax Bands

The reduced rate of USC for medical card holders has been extended for another year to the end of December 2020.

Help to Buy

The Help to Buy Scheme will continue in its current form for a further period of two years to the end of 2021.

Business Taxes

Corporation Tax Rates

The Minister of Finance confirmed that there is no change to the current corporation tax rate of 12.5%

Dividend Withholding Tax (DWT)

Two changes to the DWT regime were introduced:

- From 1 January 2020, the DWT rate is increasing from 20% to 25%.
- From 1 January 2021, a modified DWT regime will be introduced which applies a personalised DWT rate for each taxpayer. The personalised rate will be based on the actual rates of tax payable by that individual, taken from real-time data collected under the new PAYE system.

R&D Tax Credits

There were a number of changes announced relating to R&D Tax Credits:

- Increase in the R&D credit from 25% to 30% for micro and small companies.
- New provision from micro and small companies to claim the R&D tax credit on qualifying pre-trading R&D expenditure. The

credit for pre-trading expenditure will be limited to offset against VAT and payroll taxes.

- Increasing the current limit to third level institutes of education from 5% to 15%.

Employment and Investment Incentive Scheme (EII)

Changes to the EII Scheme to take effect from 9 October 2019 include:

- Full income tax relief at 40% to be provided in the year of investment rather than splitting it over years 1 and 4.
- Increase the annual investment limit for the incentive to €250,000 and provide for a new €500,000 annual investment limit being introduced for those investors who are prepared to invest in EII for 10 years or more.

Key Employee Engagement Programme (KEEP)

Further changes are being made to KEEP to encourage use of the scheme. KEEP is an incentive to facilitate the use of share-based remunerations by unquoted SME companies to attract key



employees. This scheme is available for qualifying share options granted between 1 January 2018 and 31 December 2023. The amendments to the scheme are to allow:

- companies who operate through a group structure to qualify for KEEP.
- for part-time and family-friendly working arrangements.
- exiting shares to qualify for KEEP

Other Reliefs

The Special Assignee Relief Programme and the Foreign Earnings Deduction have both been extended to the end of 2022.

- Farm Restructuring Relief with regards to Capital Gains Tax has been extended to the end of 2022.

- A review of Entrepreneurial Relief in relation to Capital Gains Tax has been commissioned.

VAT and Excise Duties

Cigarettes

Excise on cigarettes is to increase by €0.50 per packet of 20, effective from 9 October 2019, bringing the typical price to €13.50

Betting Tax

Relief from betting duty and betting intermediary duty is being introduced up to a limit of €50,000 per calendar year which only applies to single undertakings.

Stamp Duty

Stamp duty on non-residential property to increase from 6% to 7.5% effective from 9 October 2019.

Carbon Tax

To increase from €20 to €26 per tonne. This will take effect for vehicle fuel from 9 October 2019 and for all other fuel from May 2020.

Bank Levy

Increase from 59% of DIRT to 170% effective from 9 October 2019.

Vehicle Registration Tax (VRT)

The VRT 1% diesel surcharge is to be replaced with a NOx surcharge for new petrol and diesel cars. This will apply to all passenger cars registered for the first time from 1 January 2020.

Health and Social Welfare

A reduction of €0.50 on all prescription charges has been announced.

100% Christmas bonus was announced to all social welfare recipients in 2019.

Medical card income thresholds for those over 70 are increasing: €50 per week for single people or €150 per week for couple.

The fuel allowance is increasing by €2 per week.

The Living Alone Allowance is increasing by €5.

The Qualified Child Payment is also increasing by €3 for over 12s and €2 for under 12s.

Anti-Avoidance

Reforms were announced to the transfer pricing provisions to ensure that they are in line with OECD standards which will apply from 1 January 2020.

Irish Real Estate Funds (IREFs)

An introduction of limitations on interest expenses to prevent over-leveraging.

Measure to combat the artificial avoidance of gains on redemption of IREF units.

Real Estate Investment Trusts (REITs)

The distributions of proceeds from the disposal of rental properties will be subject to dividend withholding tax.

Deemed disposal and re-basing of property values when a company ceases to be an REIT will only apply when the REIT has been in operation for at least 15 years.

Capital Acquisitions Tax

The lifetime tax-free allowance for gifts and inheritances from parent to child is increasing from €320,000 to €335,000, effective from 9 October 2019.





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