Budget 2020

Financial Statement of The Minister for Finance 8 October 2019.
This commentary is published by Chartered Accountants Ireland as a service to Chartered Accountants. Issued October 2019.

Presented by

QUARTER
CHARTERED ACCOUNTANTS

BELFAST • DUBLIN

CHARTERED ACCOUNTANTS IRELAND

TAX RATES AND CREDITS

Tax rates	2019	2020
Standard tax rate	20%	20%
Higher tax rate	40%	40%
Standard rate bands		
Single/widowed	€35,300	€35,300
Married couple/civil partnership one income	€44,300	€44,300
Married couple/civil partnership two incomes	€70,600	€70,600
One parent family	€39,300	€39,300
Home care		
Home carer credit	€1,500	€1,600
Earned income		
Earned income credit	€1,350	€1,500

Universal Social Charge (USC)			
2019		2020	
First €12,012	0.5%	First €12,012	0.5%
Next €7,862	2%	Next €7,862	2%
Next €50,170	4.5%	Next €50,170	4.5%
Balance over €70,044	8%	Balance over €70,044	8%
Relevant income > €100,000	11%	Relevant income > €100,000	11%

PERSONAL TAX

Income tax rates and bands

- No change to the 20% and 40% income tax rates.
- No change to the standard rate bands.
- The home carer credit and earned income credit have been increased by €100 and €150 respectively.

USC

- No changes to the rates or thresholds.
- The reduced rates for medical card holders are extended to the end of 2020.

Social Protection

- The Living Alone Allowance to increase by €5 per week.
- Earnings disregard to increase by €15 per week for the One Parent Family Payment and Jobseeker Transition Payment.
- Qualified child allowance for weekly social welfare payments to increase by €2 for qualified child dependants up to age 12 and by €3 for qualified child dependants aged 12 and over.
- A 100% Christmas bonus will be paid to social welfare recipients in 2019.

AGRI SECTOR

Capital gains tax

Farm restructuring relief is extended to the end of 2022, with no change being made to the conditions for the relief. The decision to extend the relief follows on from a review of the relief earlier this year but is subject to EU State Aid approval.

BUSINESS TAX

Corporation tax rate

The Minister reaffirmed Ireland's commitment to the 12.5% corporation tax rate.

Research & development tax credit

The Minister announced a number of changes to the R&D tax credit, with a particular focus on small and micro companies accessing the credit.

- The R&D tax credit will increase from 25% to 30% for small and micro companies.
- A new provision is introduced which will allow small and micro companies conducting pre-trading R&D to claim the credit before the business commences to trade. The credit will be limited to offset against VAT and payroll tax liabilities only. These provisions are subject to state aid approval.
- The limit of outsourcing to third-level institutions of education will be increased from 5% to 15%. The Minister outlined that this measure is aimed at benefiting smaller companies that rely on outsourcing to undertake R&D, and to also support R&D activities in the third-level sector.

International tax update

The Minister referred to Ireland's Corporation Tax Road Map, published in September 2018, which sets out progress on corporate tax reform and the next steps required to implement the EU Anti-Tax Avoidance Directive and the recommendations of the 2017 Coffey Review on Corporation Tax. Two measures referred to in the Road Map were announced by the Minister.

Finance Bill 2019 will provide for the introduction of anti-hybrid rules which will be effective from January 2020. These rules are an anti-abuse measure designed to prevent arrangements that exploit differences in the tax treatment of an instrument or entity under the tax laws of two or more jurisdictions to generate a tax advantage.

Ireland's transfer pricing rules will be amended to transcribe the OECD 2017 Transfer Pricing Guidelines into Irish legislation. The rules will also be extended to cover cross-border non-trading and material capital transactions, and to extend the application of transfer pricing rules to SMEs, subject to a Ministerial Commencement Order. The detail of these amendments will be included in Finance Bill 2019.

With effect from 9 October 2019, a technical amendment to the exit tax provisions will take effect.

Employee taxation

- The zero rate of benefit in kind on electric vehicles will be extended until 2022.
- There is a 0.1% increase in Employer's PRSI for 2020 to 11.05% as previously announced.

INCENTIVES

Employment Investment and Incentive Scheme

The Department of Finance carried out a review of the Employment and Investment Incentive scheme (EIIS) earlier in the year. The main changes announced are aimed at enhancing the scheme and improving its operation, and are as follows:

- An increase in the annual investment limit from €150,000 to €250,000 and an increase to €500,000 for investments made for a minimum period of 10 years.
- Full relief will be available in the year in which investment is made. Currently relief is given in two stages: 30% in the year of investment and 10% in year 3, subject to certain conditions.

Key Employment Engagement Programme

The Key Employment Engagement Programme (KEEP) scheme is available for qualifying share options granted between 1 January 2018 and 31 December 2023. It provides for capital gains tax treatment on the disposal of shares acquired under a share option agreement instead of income tax, USC and PRSI on exercise of the option. The scheme will be amended as follows:

- The definition of qualifying companies and holding companies will be amended to allow group structures to qualify.
- The conditions for a qualifying employee are to be amended to accommodate working practices such as part-time working and flexible working arrangements, and employee movement within group structures.

Special Assignee Relief Programme (SARP) and Foreign Earnings Deduction (FED)

Both the SARP and the FED are to be extended by three years until 2022. The SARP is an income tax relief measure for foreign executives who come to work in Ireland. The FED is an income tax relief for Irish employees who go to work abroad in certain qualifying countries.

CAPITAL AND TRANSACTION TAXES

- No change to CGT and CAT rates.
- The Group A CAT threshold, which typically applies to gifts and inheritances from parents to children, has been increased by €15,000 to €335,000, with effect from 9 October 2019.
- The rate of stamp duty on non-residential property transactions has increased from 6% to 7.5% with effect from 9 October 2019.
- The Department of Finance will undertake a review of the CGT entrepreneur relief, but there are no changes at this time.

INDIRECT TAXES

Excise

The excise duty on a packet of 20 cigarettes is being increased by 50 cents with a pro-rata increase on other tobacco products. This will bring the price of 20 cigarettes in the most popular price category to €13.50.

Vehicle Registration Tax (VRT)

There will be a change in the way vehicle emissions are taxed going forward:

- The 1% diesel surcharge introduced on VRT last year will be replaced by a nitrogen oxide (NOx) emissions-based charge that will be applied to all new cars and used imports from January 2020.

PROPERTY

Help to Buy scheme
The Help to Buy scheme will be extended in its current form to 31 December 2021.

Living City Initiative
This initiative in its present form will be extended until 31 December 2022.

CARBON TAX

- An increase in carbon tax of €6 per tonne will apply from 9 October 2019 to petrol and diesel – a typical increase of 2 cent per litre. The increase to other fuels will come into effect in May 2020.
- The Minister announced that he intends to increase carbon taxes to €80 per tonne by 2030.
- Some of the revenue raised from the increase in the carbon tax is to be ring-fenced for assisting communities adversely affected.

BUDGETING FOR BREXIT

With the prospect of a no-deal Brexit looming large, the Minister has announced a contingency package of €1.2 billion (excluding EU funding) to respond to the challenges Brexit presents. The Minister has also explicitly pointed out that if a no-deal Brexit does not occur, no additional funding will be secured.

The total no-deal package supports the agriculture, tourism and enterprise sectors, with €500 million set aside from the 'Rainy-Day fund'. €110 million will be deployed to support businesses of all sizes with a particular focus on food, manufacturing and internationally traded services. Supports will be in the form of a variety of grants, loans and equity investments. An additional €110 million will be provided through the Department of Agriculture. The beef sector has been highlighted as the priority, followed by the fishing industry. €40 million of funding will be provided for the tourism sector to help mitigate the impact of a no-deal Brexit in the border counties, and for targeting key markets such as the UK, North America and continental Europe. Other allocations will be determined closer to the time. There will also be another €365 million provided for social protection expenditure, and €45 million provided to assist with the creation of new jobs and opportunities.