



**CTS** | Cahill  
Taxation  
Services

NEWSLETTER

BUDGET  
2021

13 OCTOBER 2020

Budget 2021 was announced earlier today, 13 October 2020. The focus of Budget 2021 was on recovering from the Pandemic, with almost half of the increase in spending next year directed towards Covid supports in order to build a stronger Ireland at a time of great uncertainty.

A summary of the tax provisions announced in Budget 2021 is set out below.

## Personal Taxes

- No changes were announced to the rates of income tax, USC and PRSI.
- The second band of USC has been increased from €20,484 to €20,687 in order to ensure that those on the minimum wage will not pay USC at rates in excess of 2%.
- The reduced rate of USC for medical card holders will be extended by a year to 31 December 2021.
- The Earned Income Credit will increase from €1,500 to €1,650 per annum, bringing it in line with the Employee Tax Credit.
- The Dependent Relative Tax Credit will increase substantially, from €70 to €245 per annum.
- The Sea-going Naval Personal Tax Credit will be extended to 31 December 2021 and will be increased to €1,500 for 2021 (from €1,270 in 2020).

## Remote Working

- Remote working has become the "norm" as a result of Covid-19. Under current rules, employees working remotely can receive up to €3.20 per day from their employer with no Benefit-In-Kind arising, in order to reimburse those employees for additional costs arising from working from home.
- Where an employer does not reimburse an employee for the costs of remote working, the employee may claim tax deductions in respect of costs incurred as a result of working remotely, such as electricity and heating costs. With effect from the 2020 tax year, a tax deduction may also be claimed for broadband costs.
- Claims may also be made for other vouched expenses incurred by the employee in the performance of their duties of employment, carried out remotely.

## Farming Taxes

- Consanguinity Relief from stamp duty (which reduces stamp duty on intra-family transfers of farmlands to 1%) has been extended to 31 December 2023.
- Farm Consolidation Relief from stamp duty (a reduction in stamp duty to 1% on consolidation of farms) will be extended to 31 December 2022. This brings Farm Consolidation Relief in line with Farm Restructuring Relief from Capital Gains Tax ("CGT").
- The Flat Rate Addition will increase from 5.4% to 5.6% from 1 January 2021.

## Housing

- The July Stimulus package enhanced the Help to Buy Scheme by increasing the maximum relief to the lower of 10% of the value of the property or €30,000. The enhancement will be extended to 31 December 2021.
- The Residential Development Refund Scheme will be extended by one year to 31 December 2022, and the time permitted between commencement and completion of construction will be extended to 2 ½ years. Construction operations must therefore commence on or before 31 December 2022 and construction must be completed within 30 months of the Commencement Notice, effectively terminating the scheme on 30 June 2025. The Scheme provides a refund of stamp duty paid on the acquisition of non-residential land and results in an effective rate of 2% where residential property is subsequently constructed on that land.

## Business Taxes & Incentives

- The VAT rate applicable to the tourism sector will be reduced from 13.5% to 9% from 1 November 2020 until December 2021.
- The Tax Debt Warehousing Scheme which was introduced earlier in the year will be extended to include the TWSS, Preliminary Tax due in respect of 2020 and any balance of tax payable in respect of 2019. The warehousing scheme effectively allows taxpayers that have been adversely affected by Covid-19 a one-year deferral during which no interest or surcharges will be charged. If taxes remain outstanding after the initial one year period, 3% interest may arise.
- The Knowledge Development Box (Intellectual Property Regime) will be extended by a further two years to 31 December 2022.
- The accelerated capital allowances scheme for energy efficient equipment will be extended by a further three years to 31 December 2023. The energy efficiency criteria for the scheme will also be reassessed to ensure it reflects up to date efficiency standards.
- The Minister flagged that the Employment and Investment Incentive (“EII”) Scheme will be reviewed next year, with a view to enhancing it in light of the current crisis.
- A new tax credit for the Digital Gaming Sector will be introduced in January 2022. Further details of this credit are not available at this time.
- The Film Investment Tax Relief provisions included an additional credit or “uplift” for production undertaken in designated regions. The Minister confirmed that the full 5% regional uplift, which was due to reduce to 3% for claims made after 31 December 2020, will be extended by a year to 31 December 2021.
- The weekly threshold for Class AX PRSI will be increased from €394 to €398 to ensure there is no incentive to reduce working hours for a full-time minimum wage worker.

## Covid Restrictions Support Scheme (“CRSS”)

- Budget 2021 introduced a new support scheme, the CRSS, which is directed at businesses whose trade has been significantly impacted due to Level 3 or higher restrictions imposed under Covid-19 rules i.e. their turnover cannot exceed 20% of the turnover for the corresponding period in 2019. The hospitality, arts, recreation and entertainment sectors should benefit from the CRSS under Level 3 restrictions.
- Under the CRSS business owners will receive a payment equal to 10% of the first €1m of turnover and 5% thereafter, based on their weekly VAT exclusive turnover for 2019, up to a cap of €5,000 per week. For example, a company with €2 million of turnover in 2019 would receive €2,885 for each week of restriction [((€1 million @ 10%) + (€1,000,000 @ 5%))/52].
- The CRSS will operate from 13 October 2020 until 31 March 2021.

## Environmental Measures

- Carbon tax will be increased from €26 to €33.50 per tonne. Changes will take effect for auto fuels from 14 October 2020 but will not apply to other fuels until 1 May 2021.
- A new VRT rates table will be introduced.
- The charging structure of the NOx surcharge will be amended such that 1 – 40mg are charged at €5 per mg and 41 – 80 mg are charged at €15 per mg.
- The VRT relief for Battery Electric Vehicles will no longer apply to vehicles with a market price when new in excess of €50,000. Reduced relief will be available for vehicles with a market price when new of between €40,000 and €50,000.
- A new motor tax rates schedule will be introduced for cars registered in Ireland from 1 January 2021. Minor changes will be made to the tax rates applicable to cars taxed on an emissions basis. No changes will be made to cars taxed based on engine size.
- VRT reliefs for Plug-in Hybrid Electric Vehicles and hybrids will not be extended.

## Capital Taxes

- Currently, in order for an individual to claim Entrepreneur Relief (a 10% rate of CGT on certain disposals up to €1 million) in respect of a sale of shares, the individual must have held 5% of the shares in the company for a continuous period of 3 out of the 5 years immediately prior to the disposal. Budget 2021 removes the requirement that the 3 year ownership period must be satisfied within the 5 years prior to the sale. This measure is designed to ensure that shareholders can accept equity investments without affecting their entitlement to Entrepreneur Relief.
- A technical amendment will be introduced targeting CGT anti-avoidance. Details of the amendment are not yet available.
- No changes were announced to the CGT or Capital Acquisitions Tax ("CAT") rates (remaining at 33%) or to the CAT thresholds.
- Business Property Relief and Agricultural Relief from CAT also remain unchanged.

## Employment Wage Subsidy Scheme ("EWSS")

- The EWSS will continue until 31 March 2021.
- The Minister confirmed that "a similar type scheme" will be required until the end of 2021.

## Miscellaneous Tax Measures

- Excise duty on a packet of 20 cigarettes has been increased by 50 cent, with a pro-rata increase on other tobacco products with effect from 14 October 2020. This will bring the price of the most popular brands up to €14 for a packet of 20.
- Intangible assets acquired on or after 14 October 2020 will be brought within the scope of balancing charge rules.
- A technical amendment will be made to ATAD Exit Tax rules introduced last year.

This information is designed to remind/inform readers of important issues and deadlines, and to provide information of recent developments in the taxation sector in general. Please note that this leaflet is intended to be a brief outline of the issues involved and should not be regarded as a comprehensive guide. In all cases only a summary of the main points are included and you should contact us if you wish to discuss any of these matters in more detail. The emphasis is on clarity so some items may be over-simplified. While every effort has been made to ensure that the information contained therein is correct, Cahill Taxation Services do not accept any responsibility for loss or damage occasioned by any person acting, or refraining from acting, as a result of this information. Should you have any queries regarding any of the issues raised above, please do not hesitate to contact us at 065 6840630 or at [info@cahilltaxation.ie](mailto:info@cahilltaxation.ie).

## Contact us:

Suite 2 Aras Smith O'Brien  
Bank Place, Ennis,  
Co. Clare, Ireland.  
V95 P48D

n +353 65 684 0630  
p +353 65 684 0631  
E [info@cahilltaxation.ie](mailto:info@cahilltaxation.ie)  
[www.cahilltaxation.ie](http://www.cahilltaxation.ie)

**CTS** | Cahill  
Taxation  
Services