



27 September 2022 | BUDGET 2023 HIGHLIGHTS



We are pleased to bring you our summary of the tax measures set out in Budget 2023.

Today's budget was presented within significant uncertainties both economic and geopolitical. While the domestic economy is still growing, the impact of inflation and higher interest rates is uncertain.

The government has announced today €4.1 billion in once-off measures to help individuals, families and businesses with the rising cost of living, together with €6.9 billion in other budgetary adjustments.

The Government announced a Temporary Business Energy Support Scheme to assist businesses with their increased energy costs until at least February 2023.

Should you have any taxation or business questions, our experienced team will be happy to share their insights with you.

Dermot Brennan
Managing Partner

Snapshot of Budget

Personal Tax

- Standard Rate Band increased
- No changes to USC rates – small increase in some bands
- Income tax rates remain the same
- Increase of €75 in the personal tax and employee/earned income credits
- Introduction of rent tax relief of €500
- Extension of Help to Buy property scheme to 31 December 2024

Business Tax

- Temporary Business Energy Support Scheme introduced
- Increase limit from €500 to €1,000 for benefits an employer can make to an employee tax-free
- Extension and expansion of the Key Employee Engagement Scheme
- Extension and improvements to the Research & Development tax credit
- Extension of Foreign Earnings Deduction
- Extension and modifications to Special Assignee Relief Programme

Other Taxes

- Excise duty to increase by 50c on a packet of 20 cigarettes with a pro rata increase on other tobacco products
- Farmers' flat rate addition to decrease from 5.6% to 5% from 1 January 2023
- The bank levy is extended to the end of 2023

PERSONAL TAXATION

Personal income tax bands and credits

The income tax standard rate band has been increased by €3,200 for all earners, resulting in the band for single individuals increasing from €36,800 to €40,000 and for married couples/civil partners with one earner from €45,800 to €49,000.

The personal tax credit, the employee tax credit and the earned income credit have all increased from €1,700 to €1,775. The home carer tax credit has increased from €1,600 to €1,700.

Universal Social Charge (USC)

The second USC rate band ceiling has increased from €21,295 to €22,920. The other bands and rates of USC remain unchanged.

The reduced rate of USC of 2% for medical card holders has been extended for a further year.

The exemption for income less than €13,000 also remains unchanged.

Income	USC
From €1 – €12,012	0.5%
From €12,013 – €22,920	2%
From €22,921 – €70,044	4.5%
Over €70,044	8%

Personal tax credits and bands	2023	2022
Personal tax credits		
Single	€1,775	€1,700
Married	€3,550	€3,400
PAYE	€1,775	€1,700
Earned income tax credit for self-employed	€1,775	€1,700
Rent tax credit	€500	€500
Home carer's tax credit	€1,700	€1,600
Age exemption limits (aged 65 and over)		
Single	€18,000	€18,000
Married	€36,000	€36,000
20% standard rate tax bands		
Single	€40,000	€36,800
Married one income	€49,000	€45,800
Married two incomes	€80,000	€73,600

Rent tax credit

A new tax credit valued at €500 per year has been introduced for taxpayers who are paying rent on their principal private residence. The new credit will take immediate effect and will apply from 2022 onwards.

Pre-letting expenses

There has been an enhancement to pre-letting expenditure relief which allows a deduction against rental income for expenses incurred on a vacant residential premises prior to it being first let after a period of non-occupancy.

Special Assignment Relief Programme (SARP)

The Special Assignee Relief Programme (SARP) has been extended until the end of 2025. The income threshold to qualify for the relief has been increased from €75,000 to €100,000.

Foreign Earnings Deduction (FED)

The Foreign Earnings Deduction (FED) has been extended until the end of 2025.

Living City Initiative (LCI)

The Living City Initiative (LCI) has been extended until the end of 2027. This involves the acceleration of relief for owner-occupiers so that it can be claimed as a deduction from total income of 15% of the total eligible expenditure in each of the first six years and 10% for the seventh year and carry forward of relief for owner-occupiers.

Small benefit exemption

The annual limit that applies to the small benefit exemption has been increased to €1,000. Employers may now grant two non-cash benefits, i.e. vouchers, to an employee in a single year. These changes will take effect immediately.

Help to Buy

The enhanced Help to Buy scheme introduced last summer has been extended, at the current rates, until the end of 2024. The current maximum credit is 10% of the house price, up to a maximum of €30,000.

BUSINESS TAXATION

Temporary Business Energy Support Scheme (TBESS)

A new support scheme has been introduced for business to help mitigate the consequences of increased energy costs. It will operate in a similar way to the Employment Wage Subsidy Scheme (EWSS). The scheme is open to those taxpayers carrying on a trade, whose taxes are up to date, and who have experienced significant increases in their natural gas and electricity costs.

The scheme operates by comparing the average electricity/gas unit price for each period in 2022 against the average unit price for those periods in 2021. Where the increase is greater than 50%, a business becomes eligible for the support. The business must then register with Revenue to claim the support. The support is 40% of the amount of the increase in the bill amount. The scheme requires EU Commission approval, which is expected in early 2023.

Research & Development tax credit

Finance Bill 2022 will introduce changes to the payment provisions for the R&D tax credit, to align with new international definitions of refundable tax credits. However, this will not amend the quantum that a taxpayer can claim. The new rules will allow for an accelerated payment of the credit for SMEs. To date the R&D tax credit has been offset against corporation tax in the year of claim and the excess payable over three years with a cap on the amount refundable in any one year linked to the amount of payroll taxes paid by the business.

The new regime will be a fixed three-year payment approach. The business can request repayment of the credit or offset of the credit against other tax liabilities. The cap on annual repayment will be removed for larger companies, and for smaller business up to the first €25,000 of a claim will be refundable in year 1, which would otherwise have been limited to one third of the repayable credit.

Knowledge Development Box (KDB)

The KDB has been extended by four years, to accounting periods commencing before 1 January 2027. The KDB will have a new effective rate of 10%, to come into effect from a date to be set by commencement order.

Currently, a company qualifying for the KDB may be entitled to a deduction equal to 50% of its qualifying profits. This means its qualifying profits may be taxed at an effective rate of 6.25%. The introduction of a higher 10% rate has been proposed to bring the scheme into line with the OECD Pillar Two agreement, and the commencement order to introduce the rate will be effected after final agreement on the OECD provisions internationally.

Film corporation tax credit

The corporation tax relief for film production companies is being extended to the end of 2028. This relief was due to come to an end by the end of 2024. This relief is given at a rate of 32% of the lower of (a) eligible expenditure, (b) 80% of the total cost of production of the relevant film, or (c) €70 million.

Key Employee Engagement Programme (KEEP)

KEEP is extended to 31 December 2025. The new provisions allow the buy-back of KEEP shares by the issuing company and an increase in the lifetime limit value of options that a company has granted, from €3 million to €6 million.

The rules currently operate to limit the applicability of KEEP relief to companies holding shares in a single subsidiary. Finance Act 2019 proposed amendments to the legislation to allow employees of companies who are within a group to qualify for KEEP.

There is also a change in the requirement for an individual to be a full-time employee/director and devote substantially the whole of their time to the service of the qualifying company in order to qualify for the relief (with a minimum of 30 hours per week being required). This will be amended to allow for part-time and flexible working employees to qualify and for the movement of employees between companies within a qualifying group. The relief will now be extended to qualifying individuals who devote at least 75% of their working time to a qualifying company or who work at least 20 hours per week for such a qualifying company.

OTHER MEASURES

VAT

The temporary reduction in the VAT rate for the hospitality and tourism sector to 9% will end on 28 February 2023.

The temporary reduction in the VAT rate for electricity and gas to 9% will end on 28 February 2023.

The 9% VAT rate on the below products will be reduced to 0% from 1 January 2023:

- Newspapers
- Defibrillators
- Hormone replacement and nicotine replacement therapies

Farmers' flat rate addition to decrease from 5.5% to 5.0% from 1 January 2023.

Farming reliefs

The Young Trained Farmer and Farm Consolidation stamp duty reliefs and the Farm Restructuring CGT relief have been extended to 31 December 2025.

The Young Trained Farmer and Registered Farm Partnership stock reliefs have been extended to 31 December 2024.

A three-year accelerated capital allowance scheme for the construction of modern slurry storage facilities has been introduced so that 50% of expenditure is claimed over two years.

Vacant homes tax

A vacant homes tax is being introduced. This will apply to properties vacant for more than 30 days in a 12-month period and will be applied at a rate of three times the standard LPT rate payable on that property.

Residential zoned land tax

Last year's Budget introduced a residential zoned land tax at a rate of 3% of the market value of land within its scope, being land that on or after 1 January 2022 is zoned as being suitable for residential development and is serviced. Each local authority is to prepare and publish a map identifying land within the scope of the tax. The Minister today confirmed that the first such draft maps will be published on 1 November 2022, following which any person will have the opportunity to apply to their local authority to have the zoning status of their land amended as part of a variation process. The Minister also confirmed that he will bring forward a number of amendments in Finance Bill 2022 to streamline the operation of the tax and ensure it is efficiently administered.

Residential development stamp duty

The stamp duty refund scheme is extended by three years to the end of 2025.

Carbon tax

In line with the trajectory set out in Finance Act 2020, the rate of carbon tax for petrol and diesel will increase from €41 to €48.50 per tonne. However, the National Oil Reserves Agency (NORA) levy is being reduced from 2c per litre to zero, which will have the effect of cancelling out the increase in the carbon tax on these products.

Excise duties

The temporary reductions in excise on petrol, diesel and marked gas oil introduced in March 2022 are being extended until 28 February 2023, as is the temporary reduction in the rate of VAT on electricity and gas.

Excise duty on a packet of 20 cigarettes is being increased by 50c with a pro-rata increase on other tobacco products.

Bank levy

The bank levy introduced in 2013 was to have expired at the end of 2022 but has been extended for another year. Its future will also be considered following publication of the report of the Retail Banking Review.

Night-time economy

The excise fees for a Special Exemption Order, which late night venues require to open, is being halved from €110 to €55. The Minister also confirmed that longer-term reforms will be announced in this area when the General Scheme of the Sale of Alcohol Bill is published in the next few weeks.

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