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BUDGET 2020

INTRODUCTION:

These notes summarise the main provisions of the Budget as announced by Minister Paschal Donohoe on 8th October 2019. As usual, some of changes took effect immediately but it is important to remember that most of the measures announced reflect proposed changes and adjustments may arise before the relevant legislation is drafted and ultimately enacted into law.

In addition, many of the planned changes may be subject to obtaining EU approval and/or a Ministerial Order before becoming operative. Therefore it is essential to review the actual legislation, when it becomes available, for a more detailed analysis and before making any decisions or taking any action.

Income Tax:

- No changes to income tax rates or to individuals' tax bands, (so the SRCOPs for 2020 will remain at €35,300 for a single person, €39,300 for a single parent, and €70,600 for a married couple, with the usual €44,300 / €26,300 split available between the spouses/civil partners).

- The Home Carers' Tax Credit will increase by €100 from €1,500 to **€1,600** in 2020. The income threshold remains at €7,200 – but don't forget that claimant can't benefit from both increased SRCOP and HCTC.

- The 'Earned Income Tax Credit' increases by €150 from €1,350 to **€1,500** for 2020.

- The rate of DWT - a withholding tax regime applicable to Irish dividends – will increase from 20% to **25%** from 1st January 2020. There are plans to introduce a 'personalised DWT rate' as early as 2021 which will use real-time data to confirm the amount of tax to be withheld at source.

- The 0% BIK on electric vehicles (and the electricity used to charge them) will run until 2022 with plans to "*introduce an environmental rationale for BIK for commercial vehicles from 2023*". There are also plans to increase the number of accessible charge points for electronic vehicles.

- The Foreign Earnings Deduction (FED) was due to close on 31st December 2020 but will be extended to the end of 2022.

- The SARP regime will be extended until the end of 2022.

- Help to Buy Scheme to be extended until the end of 2021.

- The Living City Initiative will be extended to the end of 2022.

- There will be a number of changes to the KEEP scheme, including
  - Adjusting the rules to facilitate Group Structures

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- Expanding the definition of 'qualifying employee' to facilitate flexible / part-time employees
- Plans to allow existing shares to qualify for the scheme.

- The new EIIS Scheme will be amended to aid smoother operation and to encourage further 'take-up', including for example:
  - Annual investment limit to be increased from €150k to €250k
  - A new investments limit of €500k if investment is for a minimum of 10 years
  - Finally – plans to remove 30%/10% split so full 40% claimed in year of investment.

- The change to DIRT announced in Budget 2017 – a reduction staggered over future years - will continue with a final 2% reduction in 2020, i.e.:
  - 2017 39%
  - 2018 37%
  - 2019 35%
  - **2020** **33%**

PRSI & USC:

- The National Training Fund levy was increased in Budget 2018 with the increase staggered over future periods so it increased from 0.8% to 0.9% in 2019 and will increase to 1% in 2020. The practical impact of this will be an increase in the rates of Employers' PRSI will increase:

2017	2018	2019	2020
8.50%	8.60%	8.70%	**8.80%**
10.75%	10.85%	10.95%	**11.05%**

- No changes to the existing USC regime – the only announcement being the decision to extend the cap for medical card holders by another year. The Exemption Threshold will remain at €13,000.

Current - 2019				**2020** - No Change			
€0	-	€12,012	½ %	**€0**	-	**€12,012**	**0.5%**
€12,013	-	€19,874	2%	**€12,013**	-	**€19,874**	**2%**
€19,875	-	€70,044	4.50%	**€19,875**	-	**€70,044**	**4.5%**
€70,045	-	€100,000	8%	**€70,045**	-	**€100,000**	**8%**
€100,001	-	Balance	11%	**€100,001**	-	**Balance**	**11%**
(if non-PAYE income)				(if non-PAYE income)			

- *Relief for Medical Card holders and Over-70's (with income < €60k) continues – they are excluded from higher USC rates and won't pay more than 2%.*
- *The additional 3% on income > €100k only applies to self-employed income.*

Corporation Tax:

- No change to existing 12½% rate or other corporation tax rates.

- There are plans to enhance the R & D regime with the current 25% credit increased to **30%** for micro and small companies, and other changes to be announced including:

- Improved method for calculating the limit on payable credit.
- Allowing pre-trading expenditure for micro/small businesses against VAT/Payroll costs.
- Increasing limit from 5% to 15% when out-sourcing to third level educational institutes.

- The Finance Bill will include various anti-avoidance measures including those driven by the EU's Anti-Tax-Avoidance Directive.

CGT:

- No change to CGT 33% Rate, no change to the €1,270 annual exemption threshold, no change to indexation.
- No change to Entrepreneur Relief rules or Threshold.
- Farm Restructuring Relief (S.604B) is being extended to 2022 with no changes to the rules of the scheme.

CAT:

- No change in the 33% CAT tax Rate, or in the annual €3k SGE.
- The Class A Exemption Threshold increased by €15,000 for gifts/inheritance taken on/after 9th October 2019, but there is no corresponding changes to the other thresholds:

	2019	**2020**
Class A	€320,000	**€335,000**
Class B	€32,500	€32,500
Class C	€16,250	€16,250

VAT:

- No change to existing 'main' VAT rates - 23% remains.

Stamp Duty:

- The 'non-residential' rate of 6% has been increased to 7½% with effect from 9th October 2019.
- The Finance Bill will include anti-avoidance provisions to counter 'cancellation schemes' which typically involve the sale of a company but structured in a manner that circumvents the 1% stamp duty charge.
- The Finance Bill will also contain adjustments to the rebate scheme to ensure that "the rate of stamp duty chargeable after a full refund remains at 2%".

Excise:

- Cigarettes increased by 50 cents per 20-pack from 9th October 2019, with pro-rata increases for other products.

- New relief for Betting Duty for small bookmakers.

Sundry Other Changes:

- Increase in the Production Ceiling within the Microbrewery Relief scheme.
- Changes to the tax regime applicable to REITs and IREFs (S.110 companies) to counter ‘aggressive’ tax planning and other perceived weaknesses in the existing tax rules.
- €2m to the RTB to support their “increased powers to investigate and sanction” landlords.
- Increase in Carbon Tax from €20 per tonne to €26 per tonne with long-term plans to increase this to €80 per tonne.

Social Welfare Changes:

- No change to the bulk of social welfare payments - the Living Alone Allowance will increase by €5 per week in 2020, and the Fuel allowance by €2 per week.
- Assorted changes to One Parent Family scheme, Job-seeker Transition scheme, Working Family Payment, Qualified Child Payment and Warmer Homes Scheme.
- The “prescription scheme” will be adjusted to further reduce costs for individuals availing of same.
- The Drug Payment Scheme will be reduced from €124 to €114 per month.
- The Free GP scheme will be expanded from children U-6 to children U-8, with a Free Dental Scheme for children U-6.

As outlined above, further information will be available in due course so please watch www.mkbrazil.com for details. In the meantime, please contact MK Brazil if you have any queries regarding any of the above, or if you wish to explore any of the tax or other measures announced in the Budget further.

Please note that the above is intended to be a general guide to the various issues only and further advice should be obtained before taking, or refraining from taking, any action. This leaflet is intended to be informative and issues are condensed in the interest of clarity and brevity, and a more comprehensive examination of the issues is outside the scope of this leaflet. The author does not accept responsibility for any one acting or refraining from acting based on this information.

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