Your Business Is Our Business

BUDGET 2022

INTRODUCTION:

These notes summarise the main provisions of the Budget as announced by Ministers Paschal Donohoe and Michael McGrath on 12th October 2021. As usual, some of the changes took effect immediately but it is important to remember that most of the measures announced relate to proposed changes and adjustments may arise before the relevant legislation is drafted and ultimately enacted into law. In addition, some 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 and to undertake a more detailed analysis before making any decisions and/or taking any action.

Income Tax:

- The individual tax band (SRCOP) will increase by €1,500 for 2022;

	2021	2022
Single Individual	€35,300	€36,800
Single/Widowed Parent	€39,300	€40,800
Married Person - One Spouse Working	€44,300	€45,800
Married Person - Both Spouses Working	€70,600	€73,600
Maximum Increase for second spouse	€26,300	€27,800
Maximum Available to any one spouse	€44,300	€45,800

- The Personal Tax Credit, the Employee PAYE Credit and the Earned Income Credit will increase by €50. All three credits are currently €1,650 so they will be €1,700 each in 2022.

- The concession introduced during the pandemic to allow employees working from home (WFH) claim tax relief for their household bills will be formalised with the new relief being linked to 30% of the domestic heating, electricity and broadband costs, and the number of 'WFH days' in the year.

- The scheme that allows landlords to claim certain 'pre-letting expenses' is being extended to the end of 2024.

- The existing Stock Relief for farmers will be extended until the end of 2024. The special Stock Relief for Young Trained Farmers will continue to the end of 2022, with the intention of extending it again provided EU State-aid rules allow this when the time comes.

- The Sea-going Naval Personnel Tax Credit is extended to 31st December 2022.

- The Finance Bill will include adjustments to S.127B to deal with non-resident members of 'international flight crews'.

- A 'tax disregard' is being introduced to effectively ignore the first €200 of income generated by households who sell residual electricity they generate back to the grid.

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Minimum Wage / PRSI & USC:

- The Minimum Wage will increase from €10.20 to €10.50 on 1st January 2022 which prompted minor changes to the existing PRSI and USC rules.

- The weekly income threshold for the higher rate of Employer's PRSI will increase from €398 to €410.

- The 2% band for USC will increase by €608 so the new rates are:

	Current - 2021			2022 - Band 2 change		
0.5%	€0	-	€12,012	€0	-	€12,012
2%	€12,013	-	€20,687	€12,013	-	**€21,295**
4.5%	€20,688	-	€70,044	€21,296	-	€70,044
8%	€70,045	-	€100,000	€70,045	-	€100,000
11%	€100,001	-	Balance	€100,001	-	Balance

- *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 <u>only applies to self-employed income</u>.*

Corporation Tax:

- Ireland is to sign up to the OECD International Tax Agreement (a global CT agreement involving 140 other countries) which will result in a new CT rate of 15% applying to companies with (group) profits of €750m or more. This will impact on only a few companies and the 12½% remains in place for smaller companies.

- No changes announced to the 25% rate or the 'close company' regimes.

- The FA will include measures linked to ATAD, effectively implementing changes for 2022 onwards around avoidance issues including interest limitation rules (30% of EBITA) and anti-reverse-hybrid rules.

- The existing BIK exemption for Electric Vehicles will be extended to 2025 but with a tapering of the value of the vehicle which reduces to €35k for 2023, €20k for 2024 and €10k for 2025.

- The Accelerated Capital Allowances (ACA) regime for gas-powered vehicles will be extended to 2024. The ACA scheme for Energy Efficient Equipment is being adjusted to prohibit equipment from benefiting if it is operated by fossil fuels.

- The EIIS rules are being changed (again!) in an effort to make the scheme more attractive for investors and businesses alike.

- The 'New Company Exemption' scheme is being revised to extend the relief period from 3 years to 5 years. The exemption is still linked to the company's Employer's PRSI levels so it will have limited benefit for many 'start-up' businesses.

- A new 'Digital Gaming Tax Credit' will be introduced to support the Irish game-development sector. It will be similar in concept to the R & D Credit with companies being entitled to claim a refundable tax credit of circa 32% of 'eligible expenditure' ('eligible expenditure' being linked to the design, production and testing of a digital game, capped at €25m per 'project'). More details will follow in due course but it seems that a game will only qualify if issued with a cultural certificate from the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media. Relief will not be available for digital games produced mainly for the purposes of advertising or gambling.

CGT:

- No changes to the 33% Rate or to the €1,270 annual exemption threshold.
- No change to Entrepreneur Relief rules or €1m Threshold.

CAT:

- No change in the 33% CAT tax Rate, the annual €3k SGE, or to the Exemption Thresholds.

	2021	2022
Class A	€335,000	€335,000
Class B	€32,500	€32,500
Class C	€16,250	€16,250

VAT:

- The standard rate of VAT remains at 23% (this was temporarily reduced to 21% from September 2020 to February 2021 as part of the Covid-Relief measures).
- The 9% rate extended to the 'Tourism and Hospitality sectors' in November 2020 will continue until the end of August 2022.
- The Farmer's Flat Rate Addition is decreasing from 5.6% to 5.5% in 2022.

Stamp Duty:

- No changes to the existing rates.
- In July 2021 the Finance (Covid-19 and Miscellaneous Provisions) Act 2021 introduced a new 10% rate for the bulk purchases of residential properties. The 10% rate applies if one buyer acquires 10 or more residential properties within any 12 month period. There are some reliefs, e.g. for apartment complexes or for houses let via social housing.
- The YTF scheme will be extended to the end of 2022, with a possible extension thereafter subject to the then EU State-Aid rules.

Excise:

- Cigarettes increased by 50 cents per 20-pack from 13th October 2021, with pro-rata increases for other products. No changes for alcohol or betting duty.

Covid Subsidies – EWSS:

- The EWSS will run until April 2022 with tapering commencing in December. No new applications will be accepted in 2022. We await clarification on the eligibility criteria but in broad terms:
  - No change will arise for October – November 2021
  - The rates for December – February will reduce to €151.50 and €203.
  - The reduced rate of Employer's PRSI (0.5%) will continue until the end of February only.
  - A flat rate subsidy of €100 will apply for March and April 2022.
  - The scheme ends on 30th April 2022.

Zoned Land Tax:

- The current Vacant Site Levy will be replaced by a new 'Zoned Land Tax'. Details of the new tax will follow in due course as there is a 2-year lead-in period for land currently zoned for residential use (3 years for land zoned post 1st January 2022) but the proposal includes:
  - No minimum size exclusion so even small sites may trigger a liability
  - There will be exemptions, e.g. for household gardens, local amenities, etc
  - The tax will be 3% of the market value of the land/site.
  - Self-assessment will apply but the administration of the tax will be dealt with by the Revenue.

Sundry Other Changes:

- The VRT / Motor Tax rates will increase in 2022 (increased by 1%, 2% or 4% depending on emission levels).

- Carbon Tax is increased from €33.50 per tonne to €41.00 per tonne with long-term plans to increase this to €100 per tonne. This translates to increases in the cost of motor fuels (petrol, diesel, etc) with immediate effect, and for all other fuels from 1st May 2022.

- Assorted changes to social welfare rates and qualification rules, Plans to extend free GP care to children aged 6 and 7, plans to provide free contraception for women aged 17-25, review of Childcare Sector, etc, etc.

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.

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