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BUDGET 2024

INTRODUCTION:

These notes summarise the main provisions of the Budget as announced by Ministers Michael McGrath and Paschal Donohoe on 10th October 2023. 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. Any reference to 'FB' relates to the Finance Bill to follow.

Income Tax:

- The individual Standard Rate Cut-Off Point (SRCOP) will increase by €2,000 for 2024, with pro-rata adjustments to other tax-bands;

	2022	2023	2024
Single Individual	€36,800	€40,000	€42,000
Single/Widowed Parent	€40,800	€44,000	€46,000
Married Person - One Spouse Working	€45,800	€49,000	€51,000
Married Person - Both Spouses Working	€73,600	€80,000	€84,000
Maximum Increase for second spouse	€27,800	€31,000	€33,000
Maximum Available to any one spouse	€45,800	€49,000	€51,000

- The Personal Tax Credit will increase by €100 to **€1,875** (currently €1,775) for 2024.

- The Employee PAYE Credit and the Earned Income Credit will both increase by €100 (both are currently €1,775 so they will be **€1,875** each in 2024).

- The Single Person Child Credit will increase by €100 for 2024 (from €1,650 to **€1,750**).

- The Home Carers Tax Credit is increasing by €100 from 1st January 2024 to **€1,800** (from €1,700).

- The Incapacitated Child Credit will increase by €200 from the existing €3,300 to **€3,500** for 2024.

- The Sea-going Naval Credit will be extended to the end of 2024 (a tax credit of €1,500 is available to active members of the navy).

- Enhancing of the Microgeneration of electricity scheme to double the 'income disregard' from €200 to €400.

- The Rent Tax Credit of €500 will increase to **€750** for 2024, and will be enhanced to allow Parents to pay for ‘rent-a-room’ type accommodation (“digs”) for their children which will be back-dated to 2022.

- A once-off Mortgage Interest Relief will be introduced for 2023 where (i) the mortgage relates to the family home, (ii) the loan balance at the end of 2022 is between €80,000 and €500,000 and (iii) their LPT is in order. The relief applies if the loan interest paid in 2023 exceeds the amount paid in 2022 (the ‘excess’) with the relief being 20% of the excess but capped at €1,250 (€6,250 @ 20%). The FB will contain further details.

- A new scheme will be introduced for “compliant” (RTB, LPT, eTCC) residential Landlords wherein they will be entitled to a standard rate reduction for their rental income or, if lower, €3,000 in 2024, €4,000 in 2025 and €5,000 for 2026 and 2027. The relief will be clawed back if the property does not remain available as a rental property for the following 4 years. Further details will be contained in the FB but it looks like the value of this relief will be per property so joint-owners will have to share the €600 benefit in 2024.

- The temporary measure introduced during the year which reduced the OMV of certain vehicles when calculating the BIK is being extended to the end of 2024. The staggered reduction for electric vehicles is to be delayed so that the €35k deduction from the OMV will stay until the end of 2025, but then fall to €20k in 2026 and €10k in 2027 (as opposed to moving to €20k in 2024 as originally planned). Lower mileage limit in the highest mileage band will remain at 48,000km.

- From 1st January 2024, the exemption for leasing farm land will only apply to farmers who have held the land for 7 years. The FB will clarify further but it is unclear if this will also apply to inherited land.

- The Accelerated Capital Allowances regime for ‘energy-efficient equipment’ is being extended to 31st December 2025, while the scheme for Farm Safety Equipment will be extended to the end of 2026.

- The life-time cap of €70k for farmers benefiting from certain reliefs will increase to €100,000 (this relates to YTF stamp duty relief, Farm Succession Partnerships, and Stock Relief).

- Stock Relief for Registered Farm Partnerships to increase the threshold from €15,000 to €20,000.

Minimum Wage / PRSI & USC:

- The minimum wage is increasing from €11.30 per hour to **€12.70** per hour from 1st January 2024.

- There appears to be plans to increase all rates of PRSI by 0.1% which would mean an increase from 4% to **4.1**% for individuals and Employers PRSI will rise from 8.8% / 11.05% to **8.9% / 11.15**%. The increase is due to take effect from 1st October 2024.

- The proposed increase to the Minimum Wage means that the Band 2 threshold increases, but the 4.5% USC rate will also be reduced to 4% for 2024. The 2024 rates will be:

	Current - 2023				2024 - 2 changes		
0.5%	€0	-	€12,012	0.5%	€0	-	€12,012
2%	€12,013	-	€22,920	2%	€12,013	-	**€25,760**
4.5%	€22,921	-	€70,044	**4.0%**	€25,761	-	€70,044
8%	€70,045	-	€100,000	8%	€70,045	-	€100,000
11%	€100,001	-	Balance	11%	€100,001	-	Balance

- *Incomes of €13,000 or less are exempt.*
- *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%. This has been extended to the end of 2025.*
- *The additional 3% on income > €100k only applies to self-employed income.*

Corporation Tax:

- No change to the standard 12½% regime, but new measures will follow to incorporate the 15% minimum tax rate for large companies (Turnover > €750m) for 2024.
- No changes announced to the 25% rate or the 'close company' regimes.
- The R & D regime is being enhanced with (i) the amount of the credit rising from 25% to 30% and (ii) the first-year refund cap being increased from €25,000 to €50,000.
- The Film Investment scheme is being enhanced to increase the maximum threshold from €70m to €125m.
- The EIIS, SCI and SURE regimes are being adjusted to standardise the holding period at 4 years, increase the maximum investment amount from €250k to €500kpa, and adjust the eligibility criteria for qualifying companies. Further changes will be included in the FB.
- The KEEP Scheme will be adjusted to double the threshold from €3m to €6m.

CGT:

- No changes to the 33% rate or to the €1,270 annual exemption threshold. No mention of re-introducing indexation or a similar relief.
- Retirement Relief is being revised for 2025 so (i) the €750k cap will only be reduced to €500k at age 70 and (ii) the €3m cap for transfers from a Parent to a Child will apply from age 70 (instead of age 66) but also (iii) a new €10m cap will apply for parents aged 55-70.
- A new Entrepreneur Relief scheme will be introduced to attract Angel Investors for innovative SMEs. Further details will follow in the FB but it would appear that it will only apply to EI certified 'qualifying companies' and third-party investors spending > €10k to acquire > 5% for at least 3 years.

CAT:

- No change in the 33% CAT rate, the annual €3,000 SGE, or to the Exemption Thresholds.

	2023	2024
Class A	€335,000	€335,000
Class B	€32,500	€32,500
Class C	€16,250	€16,250

- The CAT Class B threshold will be extended to 'foster families'.

VAT:

- The standard rate of VAT remains at 23%.
- The VAT Registration Thresholds are being increased from 1st January 2024 - from €37,500 to **€40,000** for Services and from €75,000 to **€80,000** for Goods.
- The VAT rate for solar panels being installed in schools will fall to 0% for 2024.
- The 9% rate is being extended but only for Gas and Electricity (to 31st October 2024).
- The VAT rate for e-Books and Audiobooks will fall from 9% to 0% from 1st January 2024.
- The Charities Compensation Scheme - which allows charities reclaim an element of the VAT they incur in the course of their activities – will see its annual cap increase from €5m to €10m.
- The Farmer's Flat Rate Addition is decreasing from 5% in 2023 to **4.8%** from 1st January 2024.
- The cap on the Donation of Heritage Items is being increased from €6m to €8m. This scheme allows the donor to credit the value against income tax, CT, CGT or CAT.

Stamp Duty:

- No changes to the existing rates.
- Consanguinity Relief will be retained until at least 31st December 2028.

VHT (Vacant House Tax) / RZLT (Residential Zoned Land Tax)

- The new 'Vacant House Tax' introduced last year at a rate of 3 x LPT will increase to 5 x LPT from November 2023 (i.e. next year the VHT rate will be 5 x the property's existing local property tax before the local adjustment factor).
- The first liability date for the RZLT – due to be February 2024 – is being pushed back to 1st February 2025.

Excise:

- Cigarettes increased by 75 cents per 20-pack, with pro-rata increases for other products. No changes for alcohol or betting duty.

- Tax will be imposed on e-Cigarettes and Vaping products next year.

- The plan to reverse the MOT rate cuts for petrol and diesel, scheduled for October 2023, will be delayed and will be reversed across two adjustments in April and August 2024.

Sundry Tax and Other Measures:

- The Help to Buy scheme is being extended to the end of 2025 with some fine-tuning to be made to allow it to interact better with other schemes.

- A new Bank Levy will be introduced in 2024 for banks that received State support during the crisis.

- The Defective Concrete Products Levy is being amended to remove pouring concrete used in the manufacture of precast concrete products.

- Once off reduction in Student Contribution Fees of €1,000.

- Child Benefit to be extended to include children of 18 or over but still in full-time education.

- Weekly increases in many social welfare payments.

- School Children doing the Junior Certificate Cycle will get free school books.

- Past legislation ensures that Carbon Tax increases every year - by €7.50pt in 2023 - so petrol, diesel, gas, coal, kerosene etc will all increase in price with some taking effect from 11th October 2023.

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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