



Budget 2020 Briefing

**BYRNE
WALLACE**
TAX ADVISORS

**BYRNE
WALLACE**

LAW FIRM

BYRNEWALLACE BUDGET 2020 BRIEFING

The Minister for Finance and Public Expenditure and Reform, Mr. Paschal Donohoe T.D., announced Budget 2020 today.

The Minister acknowledged in his statement that Budget 2020 was influenced by the increasing likelihood of a no-deal Brexit and the risks associated with such an outcome. A number of measures were introduced by the Minister in an effort to deal with the unwarranted effects of a ‘disorderly’ Brexit.

The Minister announced the introduction of a package of over €1.2 billion, excluding EU funding, to respond to Brexit. Other notable measures included a rise in the inheritance tax threshold, and an increase in the rate of Carbon Tax and Dividend Withholding Tax (“DWT”).

The Minister has also opted for an additional last minute tax increase by raising the rate of stamp duty on non-residential property from 6% to 7.5%. This is expected to result in additional revenues to the Exchequer of €135 million. This is intended to fund a series of targeted spending measures in Budget 2020. More details on the tax measures announced today will be set out in the Finance Bill which is expected to be published on 17 October 2019.

The ByrneWallace Tax Team is ready to assist you, your family and your business in navigating the changes proposed by Budget 2020. Please contact any member of our Tax Team or your usual ByrneWallace contact for more information and advice.



Anthony Smyth
Head of Tax

CONTENTS

Business Tax	2
Income Tax	3
Employee & Employer Taxes	3
Capital Tax	3 - 4
Indirect Tax	4
Property Tax	4 - 5
Stamp Duty	5
Other Matters	5
Tax Rates & Credits	6 - 7
How can ByrneWallace help?	8
Meet the Team	8

BUSINESS TAX

Corporation Tax Rates

The Minister reaffirmed the position that Ireland has competitive corporation tax rates and confirmed that there will be no changes to the existing corporation tax rates.

Trading Income	12.5%
Passive Income	25%
Knowledge Development Box income	6.25%

Research and Development (“R&D”) Tax Credit

The Minister acknowledged the important role research and development plays in the economy and introduced a number of enhancements to Ireland’s long standing R&D tax credit regime. These are subject to State aid approval. Firstly, the R&D tax credit has been increased from 25% to 30% for Micro and Small Companies and the Minister has suggested that he will also allow for an improved method of calculating the limit on payable credit. Secondly, Micro and Small Companies will be able to claim the R&D tax credit on qualifying pre-trading R&D expenditure incurred before commencing to trade. While pre-trading, the credit will be limited to offset against VAT and payroll taxes. Finally, the current limit on outsourcing to third level institutes of education will be increased from 5% to 15% for all claimants.

Implementation of EU Anti-Tax Avoidance Directive (“ATAD”)

The Minister has introduced new anti-hybrid mismatch rules in line with the commitments under the ATAD. These rules seek to eliminate hybrid mismatches arising from the differing characterisations of certain instruments or entities for tax purposes. Hybrid mismatches can lead to a “double deduction” outcome where a deduction is obtained in more than one country for the same expense, or a “deduction without inclusion” outcome where a deduction is obtained by the payer in one country without the corresponding income being taxed in another country. The new anti-hybrid rules will effectively operate by denying the

deduction in one country or through the application of a tax charge where such mismatches arise.

New transfer pricing rules will be introduced in order to broaden the scope of transfer pricing in Ireland and to align our current rules with the latest 2017 OECD Transfer Pricing Guidelines.

The Minister also announced that he will be making a technical amendment to the Exit Tax rules introduced last year to ensure they function as intended.

DWT Regime

The Minister highlighted the potential gap between the DWT remitted by companies and the income tax and USC that is ultimately payable by individual Irish resident taxpayers. To address this gap, the Minister introduced targeted changes to the DWT regime which include an increase in the current 20% rate to 25% from 1 January 2020.

From 1 January 2021, Revenue will be introducing a modified DWT regime which will utilise real-time data collected under the newly modernised PAYE system and allow a personalised rate of DWT to be applied to each individual taxpayer, based on the actual rates of tax that they pay.

Employment and Investment Incentive (“EII”)

The EII scheme is a tax relief used by trading companies to attract equity-based risk finance from individuals. The Minister expressed his intention to continue to reform the EII scheme and has announced that full income tax relief may now be obtained in the year of investment rather than splitting it over years one and four. In addition, the annual investment limit for the incentive has been increased to €250,000 and a new €500,000 annual investment limited has been introduced for those investors who are prepared to invest in EII for ten years or more.

Tax Reform Commitments

The Minister stated that he will continue to take action on corporation tax, as set out in Ireland’s Corporation Tax Roadmap.

INCOME TAX

Standard Rate Band

Income tax and USC remain the single largest source of tax revenue to the Exchequer. No changes have been introduced to the standard rate band.

The current rates and bands of income tax are as follows:

Taxpayer	Standard Rate Band
Single, widowed or surviving civil partner (no dependent children)	€35,300
Single, widowed or surviving civil partner (dependent children)	€39,300
Married couple or in a civil partnership (one income)	€44,300
Married couple or in a civil partnership (two incomes)	€70,600

Universal Social Charge (“USC”)

Whilst the possibility of raising the €13,000 entry point for USC was mooted in order to counteract a proposed increase in the minimum wage, this has not materialised. Such deferral by the Minister is likely to be as a result of the uncertainty surrounding the economic impact of the United Kingdom's proposed exit from the European Union.

€0 to €12,012	0.5 %
Income from €12,012 to €19,874	2%
Income from €19,874 to €70,044	4.5%
PAYE income in excess of €70,044	8%
Self-employed income from €70,044 - €100,000	8%
Self-employed income in excess of €100,000	3% surcharge

Home Carer Tax Credit

The home carer tax credit has been increased to €1,600.

Earned Income Tax Credit

The earned income credit will increase to €1,500 for self-employed taxpayers and to business owners/managers who are ineligible for a PAYE credit on their salary income.

EMPLOYEE & EMPLOYER TAXES

Key Employee Engagement Programme (“KEEP”)

KEEP was introduced in Finance Act 2017 in an effort to assist certain employers (SMEs, in particular) in rewarding key employees with share options in a tax efficient manner. Gains arising to the employee in respect of the KEEP share options are taxed at the time of the share sale and subject to CGT rather than income tax. The Minister announced that, subject to State aid approval, KEEP will be extended to group structures to allow for greater flexibility for employees to move within such structures. The scheme will also be adjusted to allow for part-time and family friendly working arrangements. These provisions are also subject to State aid approval.

CAPITAL TAX

Capital Gains Tax (“CGT”)

There was no change to the rate of CGT. It remains at 33%.

CGT Entrepreneurial Relief

It was disappointing that Budget 2020 did not amend the CGT Entrepreneurial Relief to increase the lifetime limit or to amend the conditions to be met by investors to encourage investment and economic activity in light of the challenges posed by Brexit.

Relief for Farm Restructuring

The current farm restructuring scheme provides for CGT relief where an individual disposes of and purchases land and/or exchanges land with another farmer in order to consolidate an existing farm. The scheme which was due to expire on 31 December

2019 has been extended to 31 December 2022 subject to State aid approval.

Capital Acquisitions Tax (“CAT”)

The Minister recognised the ongoing concerns surrounding the CAT impact on the inheritance of the family home. As such, the Group A threshold, which applies to gifts and inheritances from parents to children, will increase by €15,000 to €335,000. The Programme for Government has indicated that the Government will work with the Oireachtas to ultimately raise the Group A threshold to €500,000.

There have been no amendments to the Group B threshold which applies to gifts and inheritances made to siblings, nieces, nephews and grandchildren or the Group C threshold which applies to gifts and inheritances made to non-relatives.

Group A Threshold	€335,000
Group B Threshold	€32,500
Group C Threshold	€16,250

There was also no change in the rate of CAT applicable on gifts and inheritances. It remains at 33%.

INDIRECT TAX

Value-Added Tax (“VAT”)

As expected, there are no changes to the main rates of VAT (including the 9%, 13.5% and 23%).

Excise Duties

The excise duty on a pack of 20 cigarettes will again increase by €0.50 (including VAT) with a pro-rata increase on other tobacco products effective from midnight tonight.

There are no changes to the excise duty on beer, cider or other alcohol products.

In line with the recommendation in the Climate Action Plan, the Minister is increasing the Electricity Tax rates for business use from €0.50/MWh to that of non-business use of €1/MWh.

Carbon Tax

The Minister announced an increase in Carbon Tax of €6 to €26 per tonne. The increase applies from midnight tonight on auto fuels while changes to Carbon Tax on other fuels have been postponed until May 2020.

Fuel Allowance

The fuel allowance will be increased by €2 in a bid to counterbalance the Carbon Tax.

Vehicle Registration Tax (“VRT”)

A new VRT Environmental Health (NOx) Surcharge (“**Nitrogen Oxide Surcharge**”) is to replace the 1% surcharge for diesel engine passenger vehicles introduced in Budget 2019.

The new Nitrogen Oxide Surcharge will apply to all passenger cars registering for the first time in the State from 1 January 2020. The charge will apply on a euro (€) per milligram/kilometre basis, with the rate increasing in line with the level of nitrogen oxide emitted.

The VRT reliefs available for hybrids and plug-in hybrid electric vehicles have been extended to 31 December 2020 subject to CO2 thresholds.

Betting Tax

In recognition of the difficulties experienced by small independent bookmakers the Minister is introducing a relief from Betting Duty and Betting Intermediary Duty up to a limit of €50,000 per calendar year. This relief is subject to State aid approval.

PROPERTY TAX

Irish Real Estate Funds (IREFs) and Real Estate Investment Trust (REITs)

The Minister has introduced a number of new anti-avoidance measures which will include new limitations on interest expenses to prevent over-leveraging by IREFs. Furthermore, the Minister also announced that he will be making a number of targeted amendments to the REITs regime to ensure

that an appropriate level of tax is paid on property gains by REITs.

Help to Buy Scheme

The Help to Buy scheme was designed to help first-time buyers of newly built homes to assemble the required deposit. The Minister has confirmed that the incentive in its current form is to be extended for a further period of two years to the end of 2021.

Local Property Tax

There are no changes to the rates of local property tax.

Market value up to €1,000,000	0.18%
Market value in excess of €1,000,000	0.25%

STAMP DUTY

Stamp Duty on Property and Shares

Recent evidence of activity in the Irish commercial property market indicates that investment continues to expand in 2019. The Minister has therefore increased the stamp duty rate for non-residential property from 6% to 7.5%.

Consequential amendments will also be made to Section 83D of the Stamp Duty Consolidation Act 1999 which provides for repayment of stamp duty where the land acquired is subsequently used for residential development, so as to ensure that the rate of stamp duty chargeable after a full refund remains at 2%.

Furthermore, with effect from tonight, stamp duty at the rate of 1% will be applicable where a scheme of arrangement which is structured as a ‘cancellation scheme’, in accordance with Part 9 of the Companies Act 2014, is used for the sale of a company. Previously, these schemes did not attract a charge to stamp duty as they did not involve any transfer of shares; rather existing shares were cancelled and new shares in the target were issued to the acquiring company.

Residential Property	
- Market value up to €1,000,000	1%
- Market value of balance	2%
Non-Residential Property	7.5%
Shares	1%

OTHER MATTERS

Deposit Interest Retention Tax ("DIRT")

DIRT will decrease by 2% to 33%. This is in line with the Government's previous commitment made in an earlier Budget to reduce the rate of DIRT over four years from 41% to 33%.

Bank Levy

The Minister has decided to increase the rate at which the banking levy is charged from 59% to 170%, which will be effected tonight.

Personal Income Tax Rates and Bands	20%	40%
Single, widowed or surviving civil partner (no dependent children)	€35,300	Balance
Single ¹ , widowed or surviving civil partner (dependent children)	€39,300	Balance
Married couple or in a civil partnership (one income)	€44,300	Balance
Married couple or in a civil partnership (two incomes)	€70,600	Balance

Personal Tax Credits	
Single person (no dependent children)	€1,650
Single person child carer credit ²	€1,650
Married or in a civil partnership	€3,300
Employee (PAYE) credit	€1,650
Earned income credit	€1,500
Home carer credit	€1,600

PRSI (Employer Rate)	
Where income exceeds €386 per week	11.05%

PRSI (Self-Employed Rate)	
All income	4%

Universal Social Charge ³	
€0 - €12,012	0.5%
€12,012 - €19,874	2%
€19,874 - €70,044	4.5%
PAYE income in excess of €70,044	8%
Self-employed income €70,044 - €100,000	8%
Self-employed income in excess of €100,000	11%

Capital Acquisitions Tax (CAT) Rate, Thresholds and Exemption	
CAT rate	33%
Group A threshold	€335,000
Group B threshold	€32,500
Group C threshold	€16,250
Small gift exemption	€3,000

1. This rate is available for the principal carer of the child only.
2. This credit is available for principal carer of the child only.
3. Individuals with total income up to €13,000 are not subject to the Universal Social Charge.

Capital Gains Tax (CGT) Rate, Relief and Exemption	
CGT rate	33%
CGT entrepreneurs relief ⁴	10%
Annual exemption	€1,270

Deposit Interest Retention Tax Rate	
Deposit Interest Retention Tax (DIRT)	33%

Corporation Tax Rates	
Trading income	12.5%
All other income	25%
Knowledge Development Box	6.25%

Research and Development Tax Credit	
Research and Development Tax Credit	25%
	For Micro and Small Companies only
	30%

Dividend Withholding Tax Rate	
Dividend Withholding Tax (DWT)	25%

Value Added Tax (VAT) Rates	
Standard rate	23%
Lower rate ⁵	13.5%
Second lower rate ⁶	9%

Local Property Tax Rates		
Market value up to €1 million		0.18%
Market value in excess of €1 million	0.18% up to €1 million	0.25% on balance

Stamp Duty Rates		
Transfer of certain stocks and shares ⁷		1%
Non-residential property		7.5%
Residential property	1% on consideration up to €1 million	2% on balance

4. Subject to certain conditions and lifetime limit of €1 million chargeable gains.
5. Applicable to certain supplies including tourism and hospitality services, land and buildings, building services, heating fuel, electricity and waste disposal services.
6. Applicable to certain supplies including newspaper publications and electronic publications.
7. New 1% rate of stamp duty will be applicable where a scheme of arrangement involving a so called 'cancellation scheme', in accordance with part 9 of the Companies Act 2014, is used for the sale of a company.

HOW BYRNEWALLACE CAN HELP

ByrneWallace Tax Team

At ByrneWallace, we offer a fully integrated tax service providing both advisory and compliance services to our clients. Our highly experienced team is made up of lawyers, chartered accountants and tax advisors.

Focused on offering pragmatic and realistic solutions, we advise a broad range of clients including private and public sector organisations, international corporations, financial institutions as well as private clients. As part of our multi-disciplinary approach, we regularly work alongside lawyers from our other practice areas, advising on the taxation aspects of client transactions.

Our team has developed specialist expertise advising clients on structured finance transactions, capital market issues, investment funds and cross border financings. We have significant experience in the area of intellectual property planning, mergers and acquisitions, inward investment, group re-organisations, property acquisition and holding structures. We also provide advices on all personal taxation matters including employment related issues, pensions, retirement, succession planning and other matters affecting high net worth individuals.

ByrneWallace can assist you and your business in navigating through the new changes proposed by Budget 2020.

Please contact any member of our [Tax Team](#) or your usual ByrneWallace contact for more information or advice.

Disclaimer

This publication is provided for general information purposes only. It is not intended as an exhaustive list of the changes introduced by Budget 2020 and does not purport to deal with all aspects of its subject matter. This publication does not constitute legal, regulatory, company secretarial or any other advice on any matter addressed. Readers should take legal advice before applying the information contained in this publication to specific issues or transactions.

MEET THE TEAM



Anthony Smyth

Head of Tax

Direct: +353 1 691 5281

Email: asmyth@byrnewallace.com



Tracey O'Donnell

Partner, Head of Capital Tax Advisory

Direct: +353 1 691 5768

Email: todonnell@byrnewallace.com



Philip Nolan

Principal, Head of Indirect Taxes

Direct: +353 1 691 5887

Email: pnolan@byrnewallace.com



Julie Herlihy

Head of Corporate Advisory Services

Direct: +353 1 691 5279

Email: jherlihy@byrnewallace.com



John Long

Head of Tax Compliance Services

Direct: +353 1 691 5297

Email: jlong@byrnewallace.com

BYRNE
WALLACE
TAX ADVISORS

BYRNE
WALLACE

LAW FIRM

Dublin
88 Harcourt Street, Dublin 2, D02 DK18, Ireland
Tel: +353 1 691 5000 Fax: +353 1 691 5010
Email: tax@byrnewallace.com

www.byrnewallace.com