



Budget 2022 Briefing

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BYRNEWALLACE BUDGET 2022 BRIEFING

The Minister for Finance, Mr. Paschal Donohoe T.D., and the Minister for Public Expenditure and Reform, Mr. Michael McGrath T.D. announced Budget 2022 today.

Minister Donohoe noted in the opening of his speech the devastation caused by the COVID-19 pandemic and the efforts of the government in supporting the Irish economy and society. The Minister acknowledged that the country is now entering a new phase of recovery from the pandemic, and in framing the Budget, the government has been conscious of the cost of living pressures that are currently confronting citizens and businesses.

In response to the continuing COVID-19 pandemic, Minister Donohoe has announced a number of measures which include an extension of the Employment Wage Subsidy Scheme (“EWSS”) in a graduated form until 30 April 2022, and an extension of the reduced rate of VAT of 9% for the hospitality sector until 31 August 2022.

In an effort to ease the cost of living pressures which many citizens are feeling, Minister Donohoe announced an income tax package that will increase the standard rate band by €1,500, increase the personal tax credit, employee tax credit and earned income tax credit by €50 and increase the ceiling for the second USC rate band to €21,295.

Minister Donohoe also acknowledged that housing is a core challenge facing the country. In response to this, the Minister announced the introduction of a Zoned Land Tax to encourage the use of land for building homes, the extension of the Help to Buy scheme for 2022 and the extension of relief for pre-letting expenses for landlords for a further three years.

Measures to support small businesses and measures to address climate changes were also announced.

The Minister noted the government’s decision to join the global political agreement on the future of corporate taxation and that, when it comes into effect, a new minimum effective corporation tax rate of 15% will apply to companies with revenues of over €750 million, with the 12.5% rate continuing to apply to companies with revenues of less than €750 million.

More details on the tax measures announced today will be set out in the Finance Bill which is expected to be published on 21 October 2021.

The ByrneWallace Tax Team is ready to assist you, your family and your business in navigating the changes proposed by Budget 2022. Please contact any member of our Tax Team or your usual ByrneWallace contact for more information and advice.



Anthony Smyth
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BUSINESS TAX

Corporation Tax Rates

Minister Donohoe referred to the historic decision taken by the government to join the global political agreement on the future of corporate taxation. Whilst the importance of our 12.5% rate was acknowledged by Minister Donohoe, he noted that as Ireland is a small open economy, an agreement was in our interests. Ireland will apply the new minimum effective rate of 15% to large multinational corporations when it comes into effect but will continue to offer the 12.5% rate for businesses with revenues of less than €750 million.

Trading income (for companies with revenue of €750 million or less) ¹	12.5%
Passive Income	25%
Knowledge Development Box income	6.25%

Interest Limitation Rule

As part of the final transposition of the Anti-Tax Avoidance Directives, Minister Donohoe announced that Finance Bill 2021 will introduce a limit on deductible interest expenses of 30% of EBITDA for companies within scope of the measure. This limit will apply to accounting periods commencing on or after 1 January 2022. Expected key features include:

- A de-minimis rule that will apply where net interest deductions are below €3 million, and exemptions which will apply for standalone entities, legacy debt the terms of which were agreed before 17 June 2016, and certain long-term infrastructure projects.
- Disallowed interest may be carried forward and deducted in future years.

¹ 15% rate to apply to companies with revenue of greater than €750 million.

- The restriction may be operated on a single entity or local group basis, and certain group reliefs may apply where the Irish taxpayer is part of a consolidated worldwide group for accounting purposes.

Full details of the measure will be contained in the Finance Bill.

Anti-reverse Hybrid Rules

Finance Bill 2021 will also introduce new anti-reverse-hybrid rules. This measure will bring certain tax transparent entities (such as partnerships) within scope of Irish tax where the entity is 50% or more owned/controlled by entities resident in a jurisdiction that regard it as tax opaque and double non-taxation occurs. Certain Collective Investment Vehicles are not within scope of the measure. Full details of the measure will be contained in the Finance Bill.

Digital Gaming Tax Credit

Whilst the digital gaming sector has seen exponential global growth in the past decade, Minister Donohoe noted that employment growth in the sector in Ireland has not matched this global trend. As a result, the Minister has announced the introduction of a new relief which will support digital games development companies by providing a refundable corporation tax credit for expenditure incurred on the design, production and testing of a digital game. The relief will be available at a rate of 32%, on eligible expenditure of up to a maximum limit of €25 million per project. The relief will apply to a digital game which has been issued with a cultural certificate from the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media and will not apply to digital games produced mainly for the purposes of advertising or gambling. The credit will be introduced subject to a commencement order as European State Aid approval is required.

Employment and Investment Incentive (“EII”)

The EII scheme is used by trading companies to attract equity-based risk finance from individuals.

Minister Donohoe noted in his speech today that the EII scheme has the potential to become a real driver of investment in early stage companies and high-potential start-ups but that it has yet to reach its potential. Minister Donohoe announced that the EII scheme will be extended for a further three years and that a number of important further modifications to the scheme are being introduced which includes opening the scheme up to a wider range of investment funds in order to attract more investors into the scheme.

Subject to certain conditions, the Minister noted that he will be relaxing the rules around the so called “capital redemption window” for investors providing them with greater capacity to redeem their capital without penalty and removing the 30% expenditure rule which he noted was unduly restrictive in the context of the self-assessment principles that now apply to the relief.

Relief for start-up companies

This tax relief for certain start-up companies is known as Section 486C tax relief. Subject to certain qualifying conditions, it provides for a reduction of corporation for the first three years of trade. In view of the challenges companies currently face in utilising the relief, Minister Donohoe announced that the relief will be extended in Finance Bill 2021 for a period of five years. The relief will also be amended such that companies may avail of the relief within their first five years of trading, an increase from the current three year window.

Stock Relief

Section 666 of the Taxes Consolidation Act 1997 (“TCA”) provides for stock relief at a rate of 25% of the amount by which the value of farm trading stock at the end of an accounting period exceeds the value of farm trading stock at the beginning of the accounting period. Minister Donohoe announced that this section is being extended for a further three years.

Section 667B TCA, and section 667C TCA, which provide for, respectively, enhanced stock relief at a rate of 100% for young trained farmers; and at

the rate of 50% for farmers who are partners in registered farm partnerships, are being extended for a further year.

Pre-letting Expenses

In order to encourage landlords in the residential rental sector to return empty properties to the market as quickly as possible, Minister Donohoe announced that the deduction (capped at €5,000 per premises) from rental income for certain pre-letting expenditure will be extended for a further three years, to the end of 2024.

Accelerated Capital Allowance scheme for Energy Efficient Equipment

The Accelerated Capital Allowance scheme for energy efficient equipment is designed to encourage improved energy efficiency among Irish businesses and allows taxpayers to deduct the full cost of expenditure on eligible energy efficient equipment from taxable profits in the year of purchase. In accordance with wider government policy to reduce reliance on fossil fuels, Minister Donohoe announced that the scheme will be amended to prohibit equipment directly operated by fossil fuels from qualifying for accelerated capital allowances.

Accelerated Capital Allowance scheme for Gas Vehicles and Refuelling Equipment

This scheme is designed to encourage the move to lower-emission fuels. It allows taxpayers to deduct the full cost of expenditure on eligible equipment from taxable profits in the year of purchase. Minister Donohoe announced the scheme’s extension from its current end date of 31 December 2021 to 31 December 2024. In addition, the scheme will be expanded to encompass hydrogen-powered vehicles and refuelling equipment which will offer significant carbon savings.

INCOME TAX

Standard Rate Band

Minister Donohoe announced a number of income tax measures which aim to help citizens at a time when prices are rising. This includes an increase of €1,500 in the income tax standard rate band for all earners, which will mean an increase from €35,300 to €36,800 for single individuals and from €44,300 to €45,800 for married couples / civil partners with one earner.

The rates and bands of income tax for introduction in 2022 are as follows:

Taxpayer	Standard Rate Band
Single, widowed or surviving civil partner (no dependent children)	€36,800
Single, widowed or surviving civil partner (dependent children)	€40,800
Married couple or in a civil partnership (one income)	€45,800
Married couple or in a civil partnership (two incomes)	€45,800 (with an increase of €27,800 max ²)

Universal Social Charge (“USC”)

From 1 January 2022, the second USC rate band will be increased from €20,687 to €21,295. The increase in the 2% rate band ceiling will ensure that a full-time adult worker who benefits from the increase in the hourly minimum wage rate from €10.20 to €10.50 will remain outside the top rates of USC.

The updated rates of USC will be as follows:

€0 to €12,012	0.5 %
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² The increase in the rate band is capped at the lower of €27,800 or the income of the lower earner.

€12,013 - €21,295	2%
€21,296 - €70,044	4.5%
€70,045 +	8%
Self-employed income in excess of €100,000	3% surcharge

The reduced rate of USC for medical card holders is being extended for a further year.

Personal Tax Credit/ Employee Tax Credit and Earned Income Credit

Each of these credits has been increased from €1,650 to €1,700.

Tax treatment of income from micro-generation of electricity

A tax disregard of up to €200 is being introduced in respect of personal income received by households who sell residual electricity, which they generate, back to the grid.

Sea-going Naval Personnel Tax Credit

This credit has been extended to 31 December 2022.

Fuel Allowance

Given the impact of increasing energy costs on households, Minister McGrath announced an increase in the weekly rate of the Fuel Allowance by €5. This increase will apply from midnight tonight.

The income limit to qualify for the Fuel Allowance is rising to €120 above the maximum State pension contributory rate.

EMPLOYEE & EMPLOYER TAXES

Pay Related Social Insurance (“PRSI”)

The weekly income threshold for the higher rate of employer’s PRSI will increase from €398 to €410 from 1 January 2022. This followed a recommendation of the Low Pay Commission to ensure that the increase in the hourly minimum

wage does not lead to work disincentives for workers, in particular those seeking to work full-time.

Employment Wage Subsidy Scheme (“EWSS”)

The Employment Wage Subsidy Scheme will be extended until 30 April 2022, in a graduated form. As outlined in the government’s ‘Tax Policy Changes’ document, the following are the broad parameters of this extension:

- no change to EWSS for the months of October and November;
- businesses availing of the EWSS on the 31st of December 2021 will continue to be supported until the 30th of April 2022;
- across December, January and February, the original two-rate structure of €151.50 and €203 will apply;
- for March and April 2022, a flat rate subsidy of €100 will be put in place. In addition, the reduced rate of Employers’ PRSI will no longer apply for these two months; and
- the scheme will close to new employers from 1 January 2022.

Taxation of International Flight Crew

The Minister noted the particularly heavy price paid by the aviation sector during the pandemic and took the opportunity to announce that an amendment will be introduced to section 127B TCA. This provides for the tax treatment of flight crew in international traffic. The current legislation provides that any individual who is employed aboard an aircraft that is operated by an enterprise whose effective place of management is in the State is within the scope of Irish income tax. This will be amended to exclude non-resident flight crew in certain circumstances.

Tax Debt Warehousing

The tax debt warehousing scheme is to be expanded to allow self-assessed income taxpayers with employment income who have a material interest in their employer company to warehouse income tax liabilities relating to their Schedule E income from that employer company.

Remote Working

Minister Donohoe noted in his speech that remote working can become part of a better work/life balance and in an effort to facilitate and support remote work, announced an income tax deduction amounting to 30% of the cost of vouched expenses for heat, electricity and broadband while working from home.

Extension of BIK exemption for EVs

The BIK exemption for battery electric vehicles will be extended to 2025 with a tapering effect on the vehicle value. This measure will take effect from 2023. For BIK purposes, the original market value of an electric vehicle will be reduced as follows:

- €35,000 for 2023;
- €20,000 for 2024; and
- €10,000 for 2025.

CAPITAL TAX

Capital Gains Tax (“CGT”)

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

Capital Acquisitions Tax (“CAT”)

There have been no amendments to the Group thresholds which apply to gifts and inheritances.

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 on gifts and inheritances. It remains at 33%.

INDIRECT TAX

Value-Added Tax (“VAT”)

The reduced VAT rate of 9% for the hospitality sector will remain in place to the end of August 2022.

Farmers Flat Rate Addition

This payment is intended to compensate Flat Rate Farmers who are not registered for VAT and therefore not entitled to recover the VAT paid on goods and services purchased by them in connection with their farming activities. It was noted in the government’s ‘Tax Policy Changes’ document that based on macro-economic data, a decrease in the farmers’ flat rate addition from the current 5.6% to 5.5% is warranted for the year 2022.

Excise Duties

The excise duty on a pack of 20 cigarettes will again increase by €0.50 with a pro-rata increase on other tobacco products.

The revised EU Alcohol Directive now permits the granting of up to 50% excise relief to independent small producers of cider and other fermented drinks products. Minister Donohoe announced in his speech today that he has asked his officials to engage with the sector to allow for the implementation of this relief in next year’s Finance Bill.

Carbon Tax

As set out in Finance Act 2020, the rate of carbon tax will increase by €7.50 from €33.50 to €41.00 per tonne of carbon dioxide emitted. This applies from budget night for auto fuels and 1 May 2022 for all other fuels.

Vehicle Registration Tax (“VRT”)

With effect from 1 January 2022, a revised VRT table is being introduced and to continue to incentivise the uptake of electric vehicles, the VRT relief for Battery Electric Vehicles will be extended for a further two years.

PROPERTY TAX

Zoned Land Tax

As part of the government’s Housing for All strategy, Minister Donohoe announced the introduction of a Zoned Land Tax to encourage the use of land for building homes. The tax will apply to land which is zoned suitable for residential development and is serviced, but has not been developed for housing. The tax will be based on the market value of the land and the rate will be 3%. There will be a number of exclusions from the tax such as dwelling houses and their gardens, amenities and infrastructure. Other exemptions will be outlined in the Finance Bill. The tax will replace the vacant site levy and will operate on a self-assessment basis. It will be administered by the Revenue Commissioners.

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 scheme is to continue for 2022, with a full review of the scheme expected next year.

Local Property Tax

No changes to Local Property Tax were announced.

STAMP DUTY

Young Trained Farmer (Stamp Duty) Relief

Section 81AA of the Stamp Duties Consolidation Act, 1999 provides relief from stamp duty on the transfer of an interest in agricultural land to certain farmers who are under 35 years of age and who hold a relevant agricultural qualification (known as young trained farmers). Minister Donohoe extended the relief to the end of 2022.

Current Rates of Stamp Duty

No changes were announced to the current rates of stamp duty, which are set out as follows:

Residential Property	
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- Market value up to €1,000,000	1%
- Market value of balance	2%
Non-Residential Property	7.5%
Shares	1% ³

Other matters

Bank Levy

The Bank Levy, which was due to expire in 2021, is being extended for one further year. However, it will apply to a reduced number of institutions. Ulster Bank Ireland DAC and KBC Bank Ireland plc are being excluded from its scope as they are exiting the market.

³ Subject to certain exceptions.

Personal Income Tax Rates and Bands		
	20%	40%
Single, widowed or surviving civil partner (no dependent children)	€36,800	Balance
Single ¹ , widowed or surviving civil partner (dependent children)	€40,800	Balance
Married couple or in a civil partnership (one income)	€45,800	Balance
Married couple or in a civil partnership (two incomes) ²	€73,600	Balance

Personal Tax Credits	
Single person (no dependent children)	€1,700
Single person child carer credit ³	€1,650
Married or in a civil partnership	€3,400
Employee (PAYE) credit	€1,700
Earned income credit	€1,700
Home carer credit	€1,600
Dependent relative credit	€245

PRSI (Employer Rate)	
Employer	
If income is €410 p/w or less	8.8%
If income exceeds €410 p/w	11.05%
Self-Employed⁴	4%
Employee Class A⁵	4%

Universal Social Charge ⁶	
€0 - €12,012	0.5%
€12,013 - €21,295	2%
€21,296 - €70,044	4.5%
€70,045+	8%
Self-employed income in excess of €100,000	3% surcharge

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 to the principal carer of the child only.

2. €45,800 with an increase of €27,800 maximum.

3. This credit is available to the principal carer of the child only.

4. The minimum annual contribution for Class S is €500.

5. Employees earning €352 or less p/w are exempt from PRSI. A tapered employee PRSI Credit of €12 per week applies on earnings up to €424.

6. 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 entrepreneur relief ⁷	10%
Annual exemption	€1,270

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

Corporation Tax Rates	
Trading income (for companies with revenue of €750 million or less) ⁸	12.5%
All other income	25%
Knowledge Development Box	6.25%

Research and Development Tax Credit	
Research and Development Tax Credit	25%

Digital Gaming Sector Tax Credit	
Digital Gaming Tax Credit	32%

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

Value Added Tax (VAT) Rates	
Standard rate	23%
Reduced rate ⁹	13.5%
Second reduced rate ¹⁰	9%

Local Property Tax Rates ¹¹	
Market value of €1,050,000 or less	Mid-point rate of 0.1029%
Market value between €1,050,001 and €1,750,000 ¹²	Mid-point rate of 0.1029% on the first €1.05 million
	0.25% on balance
Market value is €1,750,001 or more ¹³	0.1029% on the first €1.05 million
	0.25% between €1.05 million and €1.75 million
	0.3% on balance

Stamp Duty Rates	
Transfer of certain stocks and shares	1% ¹⁴
Non-residential property	7.5%
Residential property	1% on consideration up to €1 million 2% on balance

7. Subject to certain conditions and lifetime limit of €1 million chargeable gains.

8. 15% rate to apply to companies with revenue of greater than €750 million.

9. Applicable to certain supplies including land and buildings, building services, heating fuel, electricity and waste disposal services.

10. Applicable to certain supplies including tourism and hospitality services (until 31 August 2022), newspaper publications and electronic publications.

11. Each Local Authority can increase or decrease the LPT rate by up to 15% from the basic rate.

12. For properties valued at €1.75 million or less, the LPT charge is based on the basic LPT rate for the valuation band that applies to the property and any adjustment that a Local Authority has applied. The LPT charge is fixed at €90 and €225 for band 1 and 2 respectively.

13. No banding applies to property values over €1.75 million.

14. Subject to certain exceptions.

HOW BYRNEWALLACE LLP CAN HELP

ByrneWallace LLP Tax Team

At ByrneWallace LLP, 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 financing. 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 LLP can assist you and your business in navigating through the changes proposed by Budget 2022.

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

Disclaimer

This publication is provided for general information purposes only. It is not intended to be an exhaustive list of the changes introduced by Budget 2022 and does not purport to deal with all aspects of its subject matter. This publication does not constitute legal, financial, tax, 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.

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