# Budget 2023 Briefing


BYRNE WALLACE
TAX ADVISORS

BYRNE WALLACE
LAW FIRM

## BYRNEWALLACE LLP BUDGET 2023 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 2023 today.

Minister Donohoe acknowledged the economic challenge being faced by families and businesses. He noted that, in framing the Budget, the government focused on helping individuals, families and businesses to deal with rising prices. He termed Budget 2023 a “Cost of Living Budget”, which is aimed at striking a balance between helping with the cost of living pressures but, on the other hand, not making inflation worse.

In response to the continuing cost of living pressures, Minister Donohoe has announced an extension of the reduced rate of VAT of 9% for electricity and gas until 28 February 2023.

In an effort to ensure that workers do not find themselves in a position where they pay more income tax solely because of inflation, Minister Donohoe announced an income tax package that will increase the standard rate band by €3,200, increase the personal tax credit, employee tax credit and earned income tax credit by €75, and increase the ceiling for the second USC rate band to €22,920.

Minister Donohoe also acknowledged that housing is a core challenge facing the country. In response to this, he announced the extension of the Help to Buy scheme until the end of 2024, the introduction of a tax credit for private tenants, and the introduction of a Vacant Homes Tax aimed at increasing the supply of homes for rent or purchase. In addition, the eligible expenditure limit for deduction against rental income of pre-letting expenses for landlords will be increased to €10,000 per property, while the period for which a property must be vacant, prior to its letting, for pre-letting expenses to be deductible will be decreased to six months.

The introduction of a Temporary Business Energy Support Scheme was also announced. This scheme will provide up to €10,000 per business per month until spring 2023 to help meet rising energy costs. The scheme will support eligible companies, covering 40% of the increase in their energy bills.

More details on the tax measures announced today will be set out in the Finance Bill, which is expected to be published on 20 October 2022.

**The ByrneWallace LLP Tax Team is ready to assist you, your family and your business in navigating the changes proposed by Budget 2023. Please contact any member of our Tax Team or your usual ByrneWallace LLP contact for more information and advice.**

**Anthony Smyth**

Head of Tax

## CONTENTS

# BUSINESS TAX

## Corporation Tax Rates

Minister Donohoe announced no changes to the existing corporation tax rates, which are as follows:

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

## Knowledge Development Box ("KDB")

The KDB relief, which provides for an effective 6.25% rate of corporation tax on income arising from assets such as computer programmes, patents and intellectual property, will be extended to accounting periods commencing before 1 January 2027.

The KDB will be impacted by changes in the international tax environment, specifically the Subject to Tax Rule ("**STTR**"), which is part of the OECD Pillar Two agreement. In order to prepare for implementation of the agreement, legislation for an increase in the effective rate of the KDB to 10% will be introduced. This will be brought into effect by Ministerial commencement order once agreement is reached at the OECD/G20 Inclusive Framework on STTR implementation.

## Stock Relief

The stock relief measures that provide for enhanced stock relief at a rate of 100% for young trained farmers, and at a rate of 50% for farmers who are partners in registered farm partnerships, are being extended for a further year. The extension is contingent on the update of the Agricultural Block Exemption Regulation.

[1] 15% rate, once introduced, to apply to companies with revenue of greater than €750 million.

## Research and Development ("R&D") Tax Credit

The R&D tax credit provides a 25% tax credit for all qualifying R&D expenditure. The R&D tax credit was reviewed this year. In order to align it with similar regimes in other countries, a number of changes to the operation of the R&D tax credit were announced by Minister Donohoe.

The current system involves offsetting R&D tax credits against corporation tax liabilities and payment in three payable instalments. This is being changed to a new fixed three-year payment system. A company will have an option to call for payment of its eligible R&D tax credit or to request that it be offset against other tax liabilities. Existing caps on the payable element of the credit are being removed. The first €25,000 of a claim will now be payable in the first year, to provide a cash-flow benefit for smaller R&D projects and with the aim of encouraging more companies to engage with the regime. Transitional measures will be in place for one year, to smooth the transition to the new payment system for companies that are already engaged in R&D activities.

## Film Relief

Tax legislation provides for relief in the form of a corporation tax credit related to the cost of production of certain audio-visual productions. The scheme is intended to act as a stimulus to the creation of an indigenous film industry in Ireland, creating quality employment opportunities and supporting the expression of Irish culture. The credit is granted at a rate of 32% of qualifying expenditure which is capped at €70 million.

Minister Donohoe announced that the relief will be extended until 31 December 2028.

# 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 €3,200 in the income tax standard rate band for all earners, which will mean an increase from €36,800 to €40,000 for single individuals and from €45,800 to €49,000 for married couples / civil partners with one earner.

The rates and bands of income tax for introduction in 2023 are as follows:

| Taxpayer | Standard Rate Band |
|---|---|
| Single, widowed or surviving civil partner (no dependent children) | €40,000 |
| Single, widowed or surviving civil partner (dependent children) | €44,000 |
| Married couple or in a civil partnership (one income) | €49,000 |
| Married couple or in a civil partnership (two incomes) | €49,000 (with an increase of €31,000 max[2]) |

### Universal Social Charge ("USC")

From 1 January 2023, the second USC rate band will be increased from €21,295 to €22,920 in line with the €0.80 per hour increase in the national minimum wage recently agreed by the government.

The updated rates of USC will be as follows:

| | |
|---|---|
| €0 to €12,012 | 0.5% |
| €12,013 - €22,920 | 2% |
| €22,921 - €70,044 | 4.5% |
| €70,045 + | 8% |
| Self-employed income in excess of €100,000 | 3% surcharge |

[2] The increase in the rate band is capped at the lower of €31,000 or the income of the lower earner.

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

An increase in each of these credits from €1,700 to €1,775 has been announced.

### Home Carer Tax Credit

An increase in this credit from €1,600 to €1,700 has been announced.

### Sea-going Naval Personnel Tax Credit

This credit has been extended to 31 December 2023.

### Fuel Allowance

Given the impact of increasing energy costs on households, Minister McGrath announced that a lump sum payment of €400 will be made before Christmas to recipients of this support.

The income limit to qualify for the Fuel Allowance is rising to €200 above the maximum State pension contributory rate.

### Rent Tax Credit

Minister Donohue announced the introduction of a new tax credit of €500 per annum for renters in the private rented sector who are not in receipt of any other State housing support. Only one credit may be claimed per person per year; however, it is proposed that the value of the credit will be doubled in the case of married couples and civil partners. It is proposed that the credit may be claimed "in year" in the years 2023 to 2025 and that, in addition, it may be claimed for 2022 from early in 2023.

## EMPLOYEE & EMPLOYER TAXES

### Pay Related Social Insurance ("PRSI")

No changes to the rates of PRSI were announced.

### Small Benefit Exemption

Minister Donohoe announced the limit of the "Small Benefit Exemption", which allows an employer to give employees a small benefit tax free each year, will be increased to €1,000. The number of benefits in a year that an employer can give an employee will be increased from one to two per year (to a maximum annual total of €1,000).

### Key Employee Engagement Programme ("KEEP")

KEEP is a tax incentive for SMEs to support the use of share options as a form of staff remuneration. KEEP will be extended until 31 December 2025. It is also being modified to provide for the buy-back of KEEP shares by the company from the relevant employee. Also, the lifetime company limit for KEEP shares will be raised from €3 million to €6 million. Following a period of consultation with the European Commission, changes to KEEP rules made in Finance Act 2019 in relation to group structures and qualifying employees will be brought into effect.

### Special Assignee Relief Programme ("SARP")

SARP provides for income tax relief on a portion of income earned by certain employees assigned from abroad to work in Ireland by their employer, or to work for an associated company in Ireland of that relevant employer.

SARP will be extended until 31 December 2025. The threshold income to avail of the scheme will be increased from €75,000 to €100,000. Existing claimants will not be affected by the change.

### Foreign Earnings Deduction ("FED")

FED provides relief from income tax on up to €35,000 of income for employees who are tax resident in Ireland and who travel out of Ireland to temporarily carry out duties of employment in certain qualifying countries. The FED scheme will be extended until 31 December 2025.

## CAPITAL TAX

### Capital Gains Tax ("CGT")

No change to the rate of CGT was announced. It remains at 33%.

It is intended that the CGT Farm restructuring relief, which provides relief from CGT for land transactions qualifying for a 'Farm Restructuring Certificate' from Teagasc, and was due to expire at the end of 2022, will be extended to the end of December 2025. This is subject to finalisation of issues relating to the Agricultural Block Exemption Regulation at EU level.

### Capital Acquisitions Tax ("CAT")

No amendments to the group thresholds which apply to gifts and inheritances were announced. The thresholds are:

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

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

## INDIRECT TAX

### Value-Added Tax ("VAT")

As previously announced, the reduced VAT rate of 9% for the hospitality sector will remain in place until the end of February 2023 before reverting to 13.5%.

The reduced VAT rate of 9% for electricity and gas (which was due to end on 31 October 2022) has been extended until the end of February 2023.

The VAT rate on the following will be reduced to zero from 1 January 2023:

- newspapers and news periodicals (and digital editions of these publications);
- Automatic External Defibrillators;
- period products currently at a 9% VAT rate;
- non-oral Hormone Replacement Therapy medicine; and
- non-oral Nicotine Replacement Therapy medicine.

### Farmers' Flat Rate Compensation Percentage

The flat-rate scheme compensates unregistered farmers on an overall basis for VAT incurred on their farming inputs. This will be decreased from the current 5.5% to 5.0% from 1 January 2023.

### 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 excise fees for an application for a special exemption order are being reduced by 50% in support of the night time economy. The excise fee of €110 per application will be reduced to €55.

An alcohol excise relief scheme is being provided for small producers of cider and perry. Minister Donohoe announced that a 50% excise relief will be available on up to 8,000 hectolitres of cider produced by microproducers with an annual production threshold of up to 10,000 hectolitres.

The qualifying production threshold for microbreweries is being increased to allow the industry more scope to expand. The current production ceiling of 50,000 hectolitres will increase to 75,000 hectolitres.

Excise rate reductions in the amount of 5, 16 and 21 cents per litre (VAT inclusive) currently apply to MGO, diesel and petrol respectively. These rate reductions were due to expire on 12 October 2022. However, the reductions will be extended until 28 February 2023.

### Carbon Tax

The Carbon Tax rate will increase from the current rate of €41 to €48.50 per tonne of $CO_2$. This will apply to auto fuels with effect from 12 October 2022 and all other fuels from 1 May 2023. However, this increase will be offset by an equivalent reduction in the National Oil Reserves Agency (NORA) levy, which means the overall duty burden should not increase.

### Vehicle Registration Tax ("VRT")

No changes to VRT were announced.

## PROPERTY TAX

### Vacant Homes Tax

Minister Donohoe announced that a new Vacant Homes Tax ("**VHT**") will be introduced in 2023. The VHT will be self-assessed and administered by the Revenue Commissioners. The measure aims to increase the supply of homes for rent or purchase to meet demand. The tax will apply to residential properties which are unoccupied for 12 months or more. A property will be considered vacant for the purposes of the tax if it is occupied for less than 30 days in a 12-month period. The tax will be charged at a rate equal to three times the property's existing base Local Property Tax liability. There will be a number of exemptions to ensure property owners are not unfairly charged for temporary vacancy arising from genuine reasons. This will include properties recently sold or currently listed for sale or rent, properties vacant due to the occupier's illness or long-term care and properties vacant as a result of significant refurbishment work.

### 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 eligible expenditure cap for the deduction from rental income of certain pre-letting expenditure is being increased from €5,000 to €10,000 per property. The period for which a property must be vacant prior to its letting will be decreased to six months, with effect from 1 January 2023.

### 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 until 31 December 2024.

### Local Property Tax

No changes to Local Property Tax were announced.

## STAMP DUTY

### Young Trained Farmer (Stamp Duty) Relief

Stamp duty legislation provides for 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 announced an extension of this relief to the end of 2025.

### Farm Consolidation (Stamp Duty) Relief

Stamp duty legislation provides relief from stamp duty on the consolidation of farm holdings. Minister Donohoe announced an extension of this relief to the end of 2025.

### Residential Development Stamp Duty Refund Scheme

This is a refund scheme whereby a portion of the stamp duty paid on the acquisition of non-residential land is refunded where that land is subsequently developed for residential purposes (subject to certain conditions). The net minimum stamp duty payable after a refund is 2% (the normal rate for non-residential property is 7.5%). The date at which projects wishing to avail of this scheme must commence construction will be extended from 31 December 2022 to 31 December 2025.

### Current Rates of Stamp Duty

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

| | |
|---|---|
| Residential Property<br>- Consideration up to €1,000,000<br>- Balance of consideration | <br>1%<br>2% |
| Cumulative purchases of ten or more houses or duplexes (but not apartments) in any 12 month period | 10% |
| Non-Residential Property | 7.5% |
| Shares | 1%[3] |

## OTHER MATTERS

### Bank Levy

The Bank Levy, which was due to expire in 2022, is being extended for one further year.

### Defective Concrete Products Levy

A government decision was made in November 2021 that a levy intended to contribute towards meeting the substantial cost of the Mica Redress Scheme should be imposed on the construction sector, targeted to raise €80 million per annum over the scheme's lifetime. A new 10% levy,

[3] Subject to certain exceptions.

applying at the point of first supply in Ireland, will be applied to certain concrete products which fall within one of 18 harmonised EU Standards which have been identified as meeting certain criteria. It will also apply to ready to pour (also known as readymix) concrete.

### Temporary Business Energy Support Scheme

Minister Donohoe announced the introduction of a Temporary Business Energy Support Scheme to assist businesses with their energy costs over the winter months.

The scheme will be open to businesses that carry on a trade, are tax compliant and have experienced a significant increase in their natural gas and electricity costs.

The scheme will be administered by the Revenue Commissioners and will operate on a self-assessment basis. Businesses will be required to register for the scheme and to make claims within the required time limits.

It is proposed that the scheme will operate by comparing the average unit price for the relevant bill period in 2022 with the average unit price in the corresponding reference period in 2021.

If the increase in average unit price is more than 50%, the threshold would be passed and the business would be eligible for support under the scheme. Once eligibility criteria are met, the support will be calculated on the basis of 40% of the amount of the increase in the bill amount.

A monthly cap of €10,000 per trade will apply and an overall cap will apply on the total amount which a business can claim.

BYRNE WALLACE
LAW FIRM

# BUDGET 2023: TAX RATES & CREDITS

| Personal Income Tax Rates and Bands | | |
|---|---|---|
| | **20%** | **40%** |
| Single, widowed or surviving civil partner (no dependent children) | €40,000 | Balance |
| Single[1], widowed or surviving civil partner (dependent children) | €44,000 | Balance |
| Married couple or in a civil partnership (one income) | €49,000 | Balance |
| Married couple or in a civil partnership (two incomes)[2] | €80,000 | Balance |

| Personal Tax Credits | |
|---|---|
| Single person (no dependent children) | €1,775 |
| Single person child carer credit[3] | €1,650 |
| Married or in a civil partnership | €3,550 |
| Employee (PAYE) credit | €1,775 |
| Earned income credit | €1,775 |
| Home carer credit | €1,700 |
| Dependent relative credit | €245 |
| Rent credit | €500 |

| PRSI (Employer Rate) | |
|---|---|
| **Employer** | |
| If income is €410 p/w or less | 8.8% |
| If income exceeds €410 p/w | 11.05% |
| **Self-Employed**[4] | 4% |
| **Employee Class A**[5] | 4% |

| Universal Social Charge[6] | |
|---|---|
| €0 - €12,012 | 0.5% |
| €12,013 - €22,920 | 2% |
| €22,921 - €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. €49,000 with an increase of €31,000 maximum, capped at the lower of €31,000 or the income of the lower earner.
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 p/w applies on earnings up to €424.
6. Individuals with total income up to €13,000 are not subject to the Universal Social Charge.

BYRNE WALLACE
TAX ADVISORS

BYRNE WALLACE

LAW FIRM

# BUDGET 2023: TAX RATES & CREDITS

| 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%[9] |

| 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[10] | 13.5% |
| Second reduced rate[11] | 9% |

| Local Property Tax Rates[12] | |
|---|---|
| Market value of €1,050,000 or less | Mid-point rate of 0.1029% |
| Market value between €1,050,001 and €1,750,000[13] | Mid-point rate of 0.1029% on the first €1.05 million<br>0.25% on balance |
| Market value is €1,750,001 or more[14] | 0.1029% on the first €1.05 million<br>0.25% between €1.05 million and €1.75 million<br>0.3% on balance |

| Stamp Duty Rates | | |
|---|---|---|
| Transfer of certain stocks and shares | | 1%[15] |
| Non-residential property | | 7.5% |
| Residential property | 1% on consideration up to €1 million | 2% on balance |
| Cumulative purchases of ten or more houses or duplexes (but not apartments) in any 12 month period | | 10% |

BYRNE WALLACE TAX ADVISORS

7. Subject to certain conditions and lifetime limit of €1 million chargeable gains.
8. 15% rate, once introduced, to apply to companies with revenue of greater than €750 million.
9. Legislation for an increase in the effective rate of the KDB to 10% is being introduced, to be brought into effect by Ministerial commencement order once agreement is reached at the OECD/G20 Inclusive Framework on STTR implementation.
10. Applicable to certain supplies including land and buildings, building services and waste disposal services.
11. Applicable to certain supplies including tourism and hospitality services (until 28 February 2023) and electricity and gas (until 28 February 2023).
12. Each Local Authority can increase or decrease the LPT rate by up to 15% from the basic rate.
13. 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.
14. No banding applies to property values over €1.75 million.
15. 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 2023.

**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 2023 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.*

## MEET THE TEAM

**Anthony Smyth**
Head of Tax
Direct: +353 1 691 5281
Email: asmyth@byrnewallace.com

**Colin Bolger**
Partner, Tax
Direct: +353 1 691 5426
Email: cbolger@byrnewallace.com

**Julie Herlihy**
Head of Corporate Advisory Services
Direct: +353 1 691 5279
Email: jherlihy@byrnewallace.com

**Lee Squires**
Partner, Head of Indirect Taxes
Direct: +353 1 691 5887
Email: lsquires@byrnewallace.com

BYRNE WALLACE TAX ADVISORS

BYRNE WALLACE

LAW FIRM

**ByrneWallace LLP**
88 Harcourt Street, Dublin 2, D02 DK18, Ireland
Tel: +353 1 691 5000   Fax: +353 1 424 4016
Email: tax@byrnewallace.com

**www.byrnewallace.com**