

tynandillon

Budget 2021

BUDGET 2021 – GENERAL COMMENT

The first Budget of the 33rd Dail was presented today, 13th October 2020, by both Minister for Finance, Mr Paschal Donohoe, and Minister for Public Expenditure & Reform, Mr Michael McGrath. Budget 2021 was prepared in the face of an extraordinary level of uncertainty, with the outcome of Brexit trade negotiations unclear, and with COVID-19 infection rates rising in most of the country.

With the aforementioned concerns in mind, Budget 2021 has been prudently prepared based on the two key assumptions that no bilateral trade agreement will be reached with the UK prior to its exit from the EU free trade area, and that COVID-19 will remain circulating in Ireland next year with no vaccine available. Despite these difficult assumptions, GDP in 2021 is predicted to return to growth. The current year is forecast to finish with a decline in GDP of 2.5%, however, GDP is now forecast to grow 1.75% in 2021. Achieving this level of growth in 2021 would be a remarkable feat, in the absence of a trade deal with the UK and with COVID-19 continuing to circulate in society.

Prior to today's announcements, it had been widely reported that very few tax measures would be introduced, and there were no major tax policy surprises. The largest revenue raising measure announced was a €7.50 increase in the Carbon Tax Rate which had been agreed in the Coalition Programme for Government, while the most significant tax reduction was under the VAT heading, with the VAT rate applicable to the tourism and hospitality sector to drop temporarily from 13.5% down to 9% - scheduled to remain in place from 1st November 2020 until 31st December 2021.

The expenditure measures announced were of much more significance, with budgetary adjustments for 2021 on the expenditure side amounting to more than €17 billion, (while the tax measures amount to only €270 million). The Ministers referenced a wide range of key supports and services that will be extended, improved and resourced with this unprecedented level of additional State expenditure next year, with particular focus on the Department of Health, and on an expanded capital expenditure programme that includes a target to provide 12,750 new units of social housing.

The businesses that are worst affected by pandemic restrictions will be able to avail of the new COVID Restrictions Support Scheme, (CRSS), which will provide funding of up to €5,000 per week for larger organisations from today up until 31st March 2021 - the amount of funding provided to each business will depend on that business' 2019 turnover. In addition, it was confirmed that the Employment Wage Subsidy Scheme, (EWSS), will continue in place throughout 2021 as needed, albeit that next year the Government may amend the terms of the scheme and/or the amount of the subsidy paid.

Amidst all of the extraordinary spending plans announced in what is the largest Budget ever in the history of the State, reference was also made to the fact that a very significant deficit will be recorded this year, and next year also. The State finances came into the start of 2020 having achieved a very healthy €1.3 billion surplus the previous year, however, following the roll out of €24.5 billion in pandemic related supports during 2020, an overall €21.5 billion deficit for 2020 is anticipated.

Budget 2021 forecasts a deficit next year amounting to €20.5 billion. These are obviously very exceptional deficits to report in a country the size of Ireland. In light of these deficits, Minister Donohoe paid tribute to the EU and the European Central Bank for the support and solidarity shown by these institutions. There is no doubt but that these enormous deficits require substantial borrowing that will have to be repaid by the State's taxpayers over the coming decades, however, debt is currently available to the Irish State at little or no interest cost due in no small part to debt security and finance provided by the European Institutions, as well as the prudent management of the country's finances in the last decade.

Minister Donohoe finished by paying tribute to the seen and unseen heroes who have stepped forward since the pandemic began, and he also borrowed a Seamus Heaney quote used by Leo Varadkar earlier this year, saying "If we winter this out, we can summer anywhere". Hopefully, that summer isn't too far off...

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INCOME TAX & LEVIES

Effective Date

TAX CREDITS, RATES, BANDS AND EXEMPTIONS:

The Standard Income Tax rate will remain at 20%, and the Marginal Income Tax rate will remain at 40%.

The cut-off point at which a taxpayers' Income Tax rate increases will remain the same with no changes in 2021. The Standard Rate Cut Off Point will remain at €35,300 for single individuals and €44,300 for married one earner couples.

The Earned Income Credit, introduced in 2016 for self-employed individuals and business owners who do not qualify for the existing PAYE tax credit, has been increased by €150 from €1,500 to €1,650 per annum. This now brings the Earned Income Credit to the same level as the PAYE Credit.

01/01/2021

01/01/2021

The Dependent Relative Tax Credit has been increased from €70 to €245 per annum.

01/01/2021

Sea-going Naval Personnel Tax Credit will be extended to 31 December 2021 and the credit will be increased to €1,500 for 2021 (from €1,270 in 2020).

WORKING FROM HOME

Where the employer does not make a contribution to the expenses of working from home, the taxpayer may claim a tax deduction for utility expenses such as light and heat. For 2020, the taxpayer may include the cost of broadband.

Tax credit claims may also be made by the taxpayer for any other vouched expenses incurred "wholly, exclusively and necessarily" in the performance of the duties of the employment.

An employer is authorised to make a payment to its employees (who are required to work from home) up to €3.20 per working day without deduction for Income Tax or Benefit In Kind.

UNIVERSAL SOCIAL CHARGE, (USC):

There has been no change announced in Budget 2020 to USC rates. The figures for 2020 will be as follows;

- Incomes of €13,000 or less will be exempt from the USC, otherwise;

2021 Band	2020 Band	2021 Rate	2020 rate
Up to €12,012	Up to €12,012	0.5%	0.5%
€12,013 - €20,687	€12,013 - €20,484	2%	2%
€20,687 - €70,044	€20,485 - €70,044	4.5%	4.5%
€70,045 and above	€70,045 and above	8%	8%

- Non-PAYE Income in excess of €100,000 will remain subject to a 3% USC surcharge
- The government has extended the exemption of a reduced rate of USC for medical card holders for a further year to the end of December 2021.

DIVIDEND WITHHOLDING TAX (DWT)

Last year, the Minister announced targeted changes to the Dividend Withholding Tax regime aimed at increasing tax compliance and as a result tax yields in Budget 2020. The Standard rate of DWT was increased to 25% with effect from 01/01/2020.

The move to a DWT Real-Time reporting system planned for implementation in January 2021 was postponed in May of this year as a result of the challenges increased by the existence of COVID-19.

EMPLOYMENT INVESTMENT INCENTIVE (EII)

The Minister announced that an assessment will commence in Q4 2020 of how the Employment and Investment Incentive Scheme can be enhanced in light of the impact of the current crisis with a particular focus on improved support for start-ups together with the potential to attract capital from a broader range of investors and further to include energy-efficient projects within the remit of the scheme.

PUP PAYMENTS AND COVID-19 WAGE SUBSIDY PAYMENTS

The COVID-19 Pandemic Unemployment Payment is liable to Income Tax and USC at the end of the tax year, 2020. The Wage Subsidy Payments made to directors and employees through their payrolls are also liable to Income Tax and USC (Income Tax and USC have not been deducted at source through the payroll in the original TWSS scheme.). The updated Wage Subsidy Scheme (EWSS) introduced from 1/9/2020 accounts for Income Tax and USC at source in the employee's payroll.

The Minister made no reference to the taxation of these payments in his budget speech but previous advice outlines that the Revenue can collect the underpayment by reducing a taxpayer's tax credits over a period of 4 years, starting in January 2022. There will be no interest charged on any underpayment which may arise.

BUSINESS TAX CHANGES

Effective Date

CORPORATION TAX

The Minister confirmed that there would be no changes to the headline Corporation Tax rates and they will remain as follows;

- 12.5% for trading income, applying to income arising from an active trade, &
- 25% for passive income, applying to investment income such as deposit interest, foreign income, rents, royalties etc, as well as for certain land dealing profits.

EMPLOYMENT WAGE SUBSIDY SCHEME

The Employment Wage Subsidy Scheme is currently set to continue until 31st March 2021, however, the Minister announced that a similar type scheme will be required until the end of 2021. The form of the extended scheme will be decided when economic conditions are clearer.

01/04/2021

KNOWLEDGE DEVELOPMENT BOX

The Knowledge Development Box (KDB) is a Corporation Tax relief which was introduced in Budget 2016 to encourage companies to develop intellectual property in Ireland. Certain patent and copyright income that qualifies for the Knowledge Development Box is subject to a reduced rate of Corporation Tax of 6.25%. This exemption was set to expire at the end of 2020 however the Minister announced a two-year extension to 31st December 2022.

01/01/2021

EMPLOYER PRSI

From the 1st of January 2021 the weekly income threshold for the higher rate of employer's PRSI will increase from €394 to €398. This change is aimed at ensuring that there is no incentive to reduce working hours for a full-time minimum wage worker.

01/01/2021

CAPITAL ALLOWANCES FOR INTANGIBLE ASSETS

The Minister is introducing an amendment to legislation to provide that all intangible assets acquired after today will be fully within the scope of the balancing charge rules. The move is aimed at ensuring Ireland's intellectual property tax regime is consistent with International best practice and is not expected to result in a significant increase in tax revenue.

14/10/2020

FILM RELIEF

Relief under the Section 481 Regional Uplift Scheme (Film Tax Credit) is to be extended for an additional year and the scheme will now be in place until 31st December 2023. The uplift will remain available at a rate of 5% for 2021, and will reduce to 3% in 2022, 2% in 2023 and NIL thereafter.

01/01/2021

DIGITAL GAMING

The Minister announced an intention to commence work on the development of a tax credit for the digital gaming sector, with a view to supporting qualifying activity from January 2022 onwards.

01/01/2022

ENERGY EFFICIENT EQUIPMENT

The Accelerated Capital Allowance scheme for Energy Efficient Equipment is being extended for three years to 31/12/2023. The eligibility criteria for the scheme is also to be re-assessed over the coming year to ensure the categories of equipment reflect the most up to date efficiency standards.

01/01/2021

COVID-19 SPECIFIC MEASURES

EFFECTIVE DATE

The Minister for Finance announced new measures to provide support to businesses and individuals suffering the negative economic effects of the COVID-19 restrictions.

COVID RESTRICTIONS SUPPORT SCHEME (CRSS)

The headline item was the announcement of a new COVID Restrictions Support Scheme (CRSS) which will allow businesses severely affected by COVID-19 restrictions to claim a cash payment of up to €5,000 per week from the Revenue Commissioners. The payments have been described as representing an advance credit for the tax relief that would normally be claimed on trading expenses, leaving open the possibility that the scheme payments may be assessed as taxable income at some point in the future.

13/10/2020
to
31/03/2021

The scheme will apply to business premises where government restrictions directly prohibit or restrict access by customers. Therefore, eligibility for the scheme will be determined by which businesses are affected by the prevailing restriction level in place at a given time, and will be further restricted to businesses that have suffered a greater than 80% reduction in turnover when compared to 2019. As long as the entire country is under Level 3 restrictions, the scheme will be open to the licenced trade, accommodation, food, and arts, recreation and entertainment sectors, with other sectors potentially qualifying if Level 4 or Level 5 restrictions are implemented in future.

Details on how the scheme will operate have not yet been made available, and we expect that further information will be published in the coming weeks. Minister Donohoe said that the payments will be calculated on the basis of 10% of the first €1 million in VAT exclusive turnover, and 5% thereafter, up to the aforementioned maximum weekly payment of €5,000. Eligibility will require close examination in each case, however, for illustration purposes, we have set out some examples of how the scheme may operate below:

	Example 1 €	Example 2 €	Example 3 €
2019 annual turnover	780,000	1,820,000	2,600,000
Net weekly turnover 2019	15,000	35,000	50,000
Net current weekly turnover	2,500	8,500	10,000
% decline	83%	76%	80%
Qualify for scheme	Yes	No	Yes
Expected weekly payment:			
- 10% of 2019 turnover up to €1m	1,500	-	1,923
- 5% of 2019 turnover thereafter	-	-	1,538
Total weekly payment	<u>1,500</u>	<u>-</u>	<u>3,462</u>

OTHER MEASURES

In his speech, the Minister said that a scheme similar to the Employment Wage Subsidy Scheme (EWSS) will be made available after the EWSS expires on 31st March 2021. No details are yet available on the new scheme, but the Minister pledged that it would continue to the end of 2021, and that it would not have a cliff edge cessation. 01/04/2021

Mr. Donohoe also announced an expansion of the tax debt warehousing scheme. This scheme, which already allowed businesses to suspend certain VAT and PAYE payments interest-free until 1st September 2021, will now allow taxpayers unable to pay the balance of their 2019 Income Tax and 2020 Preliminary Income Tax liabilities to also avail of a one-year interest-free deferral period, with a 3% rate of interest applying thereafter. The scheme will be extended to 2020 Income Tax and 2021 Preliminary Income Tax where income for 2021 is 25% less than that for 2019. Corporation Tax liabilities remain outside of this scheme, though Revenue continue to operate a no-penalty position with regard to late Corporation Tax filings. 10/12/2020
(deadline for 2019 Form 11 filings)

Recipients of the Pandemic Unemployment Payment (PUP) will be allowed to earn certain amounts per week without losing their entitlements, with further details to be announced. There were no changes to the rates of the PUP announced, though it was stated that those who have been receiving the payment for at least four months will be entitled to a Christmas Bonus. TBC

The waiver of commercial rates charges has been extended to cover the final three months of 2020. 14/10/2020

Expenditure measures announced by Minister Michael McGrath during the Budget which are focused on the recovery from COVID-19 included: 01/01/2021

- €6.4 billion in guaranteed COVID-19 related spending for 2021, allocated across government departments, with €3.18 billion allocated to Social Protection and €1.8 billion directed towards Health. These spending figures includes the extension of personal income and business supports already in place.
- A €2.1 billion COVID Contingency Reserve that may be allocated to government departments during 2021, as required, to ensure continuity of public services
- An additional €3.4 billion set aside for the National Recovery Fund which will be used to support the economy across 2021, as required.

FARMING

EFFECTIVE DATE

FLAT-RATE ADDITION

The Minister announced an increase to the farmers' VAT flat rate addition from 5.4% to 5.6%.

01/01/2021

FARM RESTRUCTURING RELIEF

Farm restructuring relief provides a relief for Capital Gains Tax for farmers selling land in order to purchase other land for the purposes of restructuring their farm. No changes were announced to this scheme and it is set to expire at the end of 2022.

FARM CONSOLIDATION (STAMP DUTY) RELIEF

This relief was introduced in Finance Act 2017 to encourage farmers to consolidate their holdings, and increase the efficiency and viability of their farms. The relief was set to expire on 31 December 2020 but is being extended until 31 December 2022.

01/01/2021

CONSANGUINITY (STAMP DUTY) RELIEF

Consanguinity Relief, which provides for a reduced 1 per cent rate of stamp duty on transfers of agricultural land between family members is to be extended in its present format until 31 December 2023.

01/01/2021

CAPITAL GAINS TAX

EFFECTIVE DATE

CAPITAL GAINS TAX RATES

No change was made to the standard rate of Capital Gains Tax, which remains at 33%.

Capital Gains Tax payment dates remain unchanged: 15th December for disposals during the period 1st January to 30th November, and 31st January for disposals in the preceding December.

ENTREPRENEURIAL RELIEF FROM CAPITAL GAINS TAX

Budget 2021 has seen an amendment to the qualifying criteria to claim Entrepreneur Relief. Previously, a person had to own at least 5% of the Ordinary Share Capital for a continuous period of 3 years in the 5 years immediately prior to disposal. The change announced today removes the requirement to own the 5% of those shares in the 5 years preceding the disposal. They will still be required to work in the business for three of the five years prior to disposal.

CAPITAL ACQUISITIONS TAX

EFFECTIVE DATE

No changes were made to the rate of Capital Acquisitions Tax, which remains at 33%.

Similarly, there were no changes to the Group A, Group B or Group C CAT exemption thresholds. (See table below).

RELATIONSHIP TO DISPONER	€
Child/minor child of deceased child/ favoured nephew/niece/parent	335,000
Lineal ancestor/descendant/brother /sister/nephew/niece parent	32,500
Others	16,250

INDIRECT TAXATION

	EFFECTIVE DATE
VALUE ADDED TAX	
VAT RATES	
<p>The standard VAT rate will remain at 21% following a reduction from the 23% rate on 1st September 2020. The standard rate of 21% will remain in place until 28th February 2021. On 1st March 2021 the standard VAT rate will revert back to 23%.</p>	
<p>The reduced rate will remain at 13.5%, however, this rate will be reduced to 9% for the hospitality and tourism sector with effect from 1st November 2020. The sector specific reduction to 9% is intended to remain in place until 31st December 2021.</p>	01/11/2020
STAMP DUTY	
CONSANGUINITY RELIEF	
<p>The Minister announced an extension to “Consanguinity Relief” which was due to expire on 31st December 2020. The relief is now available until 31st December 2023. This relief provides, under certain conditions, for a 1% rate of stamp duty to be applicable where a transfer of agricultural land (by sale/purchase, exchange or gift) is made to certain close relations, such as a mother to son or uncle to niece. In the absence of this relief, the standard rate of stamp duty applying to the transfer of agricultural land would be 7.5% - the relief is designed to facilitate and encourage intergenerational farm transfers.</p>	
RESIDENTIAL DEVELOPMENT REFUND SCHEME	
<p>The Minister also announced that the “Residential Development Refund Scheme” has been extended to 31st December 2022. This scheme provides for the refunding of a portion of the Stamp Duty paid on the acquisition of non-residential land where that land is subsequently developed for residential purposes, so bringing the effective Stamp Duty rate down to a minimum of 2%.</p>	
FARM CONSOLIDATION (STAMP DUTY) RELIEF	
<p>This relief was introduced in Finance Act 2017 to encourage farmers to consolidate their holdings, and increase the efficiency and viability of their farms. The relief was set to expire on 31 December 2020 but is being extended until 31 December 2022.</p>	
EXCISE DUTIES	
TOBACCO PRODUCTS	
<p>The Excise Duty on a packet of 20 cigarettes is being increased by 50 cent (including VAT), with a pro-rata increase on other tobacco products.</p>	
ALCOHOL	
<p>There is no change to excise duties on alcohol.</p>	
PETROL AND DIESEL	
<p>Carbon tax will be increased by €7.50 from €26 to €33.50 per tonne/CO₂.</p>	
	13/10/2020

VEHICLE REGISTRATION TAX (VRT)

A new table of adjusted rates has been introduced for Vehicle Registration Tax. The charging structure for the NOx surcharge has also been adjusted.

The €5,000 relief currently in place for Battery Electric Vehicles, (i.e. electric cars), will remain in place for all cars with an original market value of up to €40,000. The relief will be tapered for vehicles with a market value over €40,000, and no amount of relief will be available for Battery Electric vehicles with a value of over €50,000.

MOTOR TAX

A new motor tax rates table has been introduced for cars first registered in the State from 1st January 2021. Details of the motor tax rates have been set out in Appendix E below.

01/01/2021

Minor changes have been made to the existing rates of motor tax applicable for cars taxed on CO₂ emissions, (cars first registered in the State between July 2008 and end 2020).

There are no changes to the rates table for cars taxed based on engine size (cars first registered prior to July 2008).

01/01/2021

SOCIAL WELFARE BENEFITS

SOCIAL WELFARE BENEFITS

EFFECTIVE DATE

From January 2021, the living alone allowance will increase by €5 per week. There was no change to state pension, carer's allowance, disability allowance, job seekers benefit or child benefit allowance.

01/01/2021

PEOPLE OF PENSIONABLE AGE	NEW RATE PER WEEK	OLD RATE PER WEEK
	€	€
Contributory pension & Transition pension:		
Under 80		
- Personal rate	248.30	248.30
- With adult dependant <66	413.70	413.70
- With adult dependant 66 and over	470.80	470.80
Age 80 or over		
- Personal rate	258.30	258.30
- With adult dependant <66	423.70	423.70
- With adult dependant 66 and over	480.80	480.80
State Pension (Non-Contributory):		
Under 80		
- Personal rate	237.00	237.00
- with a qualifying adult	393.60	393.60
Age 80 or over		
- Personal rate	247.00	247.00
- with a qualifying Adult	403.60	403.60
Widow(er) Contributory Pension: -		
- under 66	208.50	208.50
- 66 and under 80	248.30	248.30
- 80 or over	258.30	258.30
Widow(er)s Non-Contributory Pension: -	203.00	203.00
Invalidity Pension		
- Personal rate	208.50	208.50
- With qualified adult	357.40	357.40

CHILD BENEFIT	NEW RATE PER MONTH	OLD RATE PER MONTH
	€	€
Rate per child	140.00	140.00

PEOPLE OF WORKING AGE	NEW RATE PER WEEK	OLD RATE PER WEEK
<u>Job Seekers Allowance & Supplementary Welfare Allowance:</u>		
Personal Rate aged 18 to 24	112.70	112.70
Claimants age 18 to 24 years with qualified adult	225.40	225.40
Personal Rate at 25 years of age	157.80	157.80
Claimants aged 25 years with qual. adult	292.50	292.50
Personal Rate aged over 26	203.00	203.00
<u>Job Seekers Allowance</u>		
Claimants aged over 26 with qual. adult	337.70	337.70
<u>Supplementary Welfare Allowance</u>		
Claimants aged over 26 with qual. adult	335.70	335.70
<u>Disability Allowance</u>		
Personal Rate	203.00	203.00
Person with qualified adult	337.70	337.70
<u>Other Benefits:-</u>		
Maternity Benefit	245.00	245.00
Carers Allowance Under 66	219.00	219.00
Carers Allowance 66 and Over	257.00	257.00

OTHER ALLOWANCES

Families in receipt of social welfare will see a weekly increase for a qualified child of €2 per week for children under the age of 12 and €5 for children over the age of 12. The earnings threshold of €425 has been removed on One-Parent Family Payments. There will be a €10 increase in the working family payment for families with up to 3 children. 01/01/2021

There will be an increase of €3.50 per week, to €28, for people receiving the fuel allowance from January 2021. 01/01/2021

There will be an extension of Parent's benefit by 3 weeks. NOT CLARIFIED

There will be an increase in the Widowed or Surviving Civil Partner Grant by €2,000 from €6,000 to €8,000 to come into effect in January 2021. 01/01/2021

From June 2021, there will be an increase in the Carer's Support Grant by €150, from €1,700 to €1,850 per year and the earnings disregard for the disability allowance will increase by €20 from €120 to €140 per week. 01/06/2021

Contracted Activation Service for Jobseekers with a Disability introduced a €1,000 support grant for the provision of supported employment services for jobseekers with a disability. This will come into effect from January 2021. 01/01/2021

From April 2021, the Treatment Benefit changed the conditions of the hearing aid benefit to provide a flat rate grant of up to €500 instead of it needing to be matched by the customer, and provide a flat rate grant of up to €100 towards repairs without it having to be matched. 01/04/2021

CHRISTMAS BONUS

The Christmas bonus for social welfare recipients will remain at 100% of the recipient's weekly payment for Christmas 2020.

OTHER PRINCIPAL MEASURES

The focus of Budget 2021 was clearly based on the Expenditure Measures. Minister McGrath's budget was applied to COVID Measures €8.5 billion, Core Expenditure €5.4 billion (outlined below), the National Recovery Fund €3.4 billion and additional funding for BREXIT of €0.1 billion – a total of €17.4 billion.

CORE PUBLIC EXPENDITURE

The Minister has provided an additional €5.4 billion in Core or everyday expenditure. This is split into current expenditure of €3.8 billion, and capital expenditure of €1.6 billion as set out in the 2 tables below.

<i>Increase in Current Core Expenditure for 2021</i>	<i>€ million</i>
Health	1,874
Social Protection	741
Education	396
Housing, Local Government and Heritage	223
Children, Equality, Disability, Inclusion and Youth	190
Justice	120
Further and Higher Education, Research, Innovation and Science	77
Agriculture, Food and the Marine	66
Public Expenditure and Reform	39
Transport	24
Foreign Affairs	21
Enterprise, Trade and Employment	19
Environment, Climate and Communications	16
Defence	14
Rural & Community Development	7
Finance	6
Taoiseach's	1
Tourism, Culture, Arts, Gaeltacht, Sport and Media	1
	3,835

- Health**
 The current expenditure allocated to Health alone makes up 49% of the increase here. This brings the overall core Health allocation to €19.4 billion, reflecting the Government's commitment to implementing Sláintecare and providing high quality, accessible health care for all. This core allocation will allow for, among many other initiatives, the delivery of additional beds in our acute hospital system, actions to address waiting lists, new disability measures, additional homecare hours and the implementation of the National Mental Health Strategy, Healthy Ireland and the National Drugs Strategy.
- Social Protection**
 19% of the additional spending is allocated to Social Protection. The intention is to provide support for the most vulnerable in society through a targeted Social Welfare package, which will provide for demographic increases in the provision of the State pension and other demand-led schemes
- Education**
 10% of additional expenditure is allocated to Education. This will allow for the recruitment of additional SNAs and teachers, as well as a continued focus on children with special educational needs, including through the provision of additional special classes and the further rollout of the School Inclusion Model in September 2021.

- Housing**
 6% of additional expenditure is allocated to Housing, Local Government and Heritage. This will allow for an additional 15,000 households to be accommodated under the Housing Assistance Payment Scheme. Funding is also provided for homelessness services, including additional beds and the introduction of a cold weather initiative.
- Children, Equality, Disability, Inclusion and Youth**
 An increase of €190 million in core current expenditure is provided for the Department of Children, Equality, Disability, Inclusion and Youth for 2021.
- Justice**
 An increase of €120 million in core current expenditure is provided for the Department of Justice for 2021. In particular, this will allow for the recruitment of additional Gardaí and facilitate more Gardaí to return to frontline policing duties, Courts Service modernisation and the implementation of protections for vulnerable witnesses in sexual offence cases. Funding has also been provided for an inquest into the Stardust Fire.

Increase in Capital Core Expenditure for 2021	€ million
Transport	607
Housing, Local Government and Heritage	500
Environment, Climate and Communications	240
Further and Higher Education, Research, Innovation and Science	92
Unallocated	50
Tourism, Culture, Arts, Gaeltacht, Sport and Media	40
Health	26
Defence	18
Rural & Community Development	15
Enterprise, Trade and Employment	10
Children, Equality, Disability, Inclusion and Youth	1
Social Protection	1
Foreign Affairs	0
Taoiseach's	0
Agriculture, Food and the Marine	(3)
Finance	(4)
Public Expenditure and Reform	(4)
Education	(8)
Justice	(11)
	1,570

85% of the above additional expenditure is allocated to the following departments;

- Transport**
 The significant increase in allocation will fund:
 - progress for major Project Ireland 2040 programmes including BusConnects Programme, MetroLink and the DART Expansion Programme;
 - the ongoing development of a range of Active Travel and Greenway infrastructure projects;
 - the enhancement of bus, rail and Local Link services throughout the country; and a number of road projects.
- Housing, Local Government and Heritage**
 Reflective of Programme for Government priorities, the Department of Housing, Planning and Local Government will see an increase of €0.5 billion or 22% in capital funding next year.

Taking this into account, a total capital allocation of €2.8 billion will add 12,750 additional build, acquisition and leased units to social housing stock.

There will also be increased support for Water Services, with additional funding of €44 million for Irish Water.

- Environment, Climate and Communications
€100 million is being allocated for investment in residential and community energy efficiency, as announced in the July Stimulus. It will allow for the expansion of schemes to address energy poverty as well as the introduction of new energy efficiency schemes such as a forthcoming National Home Retrofit Scheme.

BREXIT

The main challenge faced at Budget 2020 was the risk of a hard Brexit and this challenge, while somewhat overshadowed by COVID-19, remains today. The uncertainty in relation to Brexit means that the government has to contend with all possible scenarios and has to assume that no bi-lateral trade agreement will be reached. €100 million additional Brexit expenditure has been allocated to various Government Departments for 2021 as follows:

- €29 million to Agriculture, Food & Marine.
€25 million of this is intended to support additional staffing requirements and additional funding for Bord Bia in respect of Brexit.
The remaining €4 million is allocated to capital expenditure to provide for necessary Brexit infrastructure in 2021.
- €26 million to Enterprise Trade & Employment.
This is intended to deliver Brexit-related supports through Local Enterprise Offices, Enterprise Ireland and others.
- €30 million to Finance.
€14 million of this is being allocated to the Office of the Revenue Commissioners for 2021 to provide for the compliance measures that are necessary to ensure that we are in alignment with EU customs regulations. This current expenditure allocation relates primarily to the recruitment of additional staff in this regard.
The remaining €16 million is allocated to capital expenditure.
- €10 million to Foreign Affairs, and €5 million to Health

SHARED ISLAND FUND

In support of Building a Shared Island a new multiannual capital funding for the Shared Island Initiative of €500 million is to be provided over five years to foster new investment and development opportunities on a North/South basis and support delivery of key cross border initiatives as set out in the Programme for Government.

An initial amount of €50 million is to be made available in 2021 to be disbursed to Departments and Agencies in line with the Programme for Government priorities and based on collaborative North/South projects.

THE RAINY DAY FUND

Minister Donohoe previously established a 'Rainy Day Fund' with €1.5 billion to be transferred from the Ireland Strategic Investment Fund. The aim of the fund was to help strengthen the national finances and increase the country's resilience to international economic shocks. This fund is to be fully utilised now to address the current challenges the country is facing.

Help to Buy (HTB) Incentive

The July Stimulus plan introduced a temporary enhanced HTB relief from the period 23 July 2020 to 31 December 2020. Increased Income Tax (IT) relief for the HTB scheme is available, to the lesser of:

- €30,000 (up from €20,000)
- 10% (up from 5%) of the purchase price of the new home or of the completion value of the property in the case of self-builds
- the amount of IT and DIRT paid over the four years prior to making the application.

This enhanced relief has been extended to 31 December 2021.

APPENDIX A – CHANGES IN NET INCOME

The examples below demonstrate the effect of the changes to Income Tax and Universal Social Charge rules in 2021.

	SINGLE	MARRIED SPOUSE NOT EARNING	MARRIED SPOUSE EARNING *
	NET INCOME INCREASE €	NET INCOME INCREASE €	NET INCOME INCREASE €
PAYE INCOME			
€12,000	0	0	0
€14,000	0	0	0
€18,000	0	0	0
€20,000	0	0	0
€25,000	5	5	0
€30,000	5	5	0
€35,000	5	5	0
€45,000	5	5	10
€55,000	5	5	10
€70,000	5	5	10
€100,000	5	5	10
€150,000	5	5	10
€175,000	5	5	10
SELF EMPLOYED			
€12,000	0	0	0
€14,000	0	0	0
€18,000	150	150	300
€20,000	150	150	300
€25,000	155	155	300
€30,000	155	155	300
€35,000	155	155	300
€45,000	155	155	310
€55,000	155	155	310
€70,000	155	155	310
€100,000	155	155	310
€150,000	155	155	310
€175,000	155	155	310

* Assumes both spouses are self-employed, and both incomes are equal and combine to total the income levels shown.

APPENDIX B – INCOME TAX CREDITS

	2021	2020	CHANGE
	€	€	€
Single Person	1,650	1,650	0
Married Couple	3,300	3,300	0
Home Carer	1,600	1,600	0
Widow or Widower – additional	540	540	0
Widow/Parent - Bereavement Year	3,300	3,300	0
Widow/Parent – years 1-5 after Bereavement	1,800 to 3,600	1,800 to 3,600	0
Single Person Child Carer	1,650	1,650	0
Incapacitated Child	3,300	3,300	0
Dependent Relative	245	70	175
Blind Person	1,650	1,650	0
Both Spouses Blind	3,300	3,300	0
Age Allowance - Single/Widowed	245	245	0
- Married Couple	490	490	0
Employee PAYE Allowance	1,650	1,650	0
Self-Employed Income Credit	1,650	1,500	150
Fishers Tax Credit	1,500	1,270	230

APPENDIX C – UNIVERSAL SOCIAL CHARGE & PRSI

<u>UNIVERSAL SOCIAL CHARGE</u>		<u>EXISTING 2020</u>	
PROPOSED 2021		EXISTING 2020	
Exemption Threshold	€13,000	Exemption Threshold	€13,000
€0 to €12,012	0.5%	€0 - €12,012	0.5%
€12,013 to €20,687	2%	€12,013 to €20,484	2%
€20,688 to €70,044	4.5%	€20,485 to €70,044	4.5%
€70,045 to €100,000	8%	€70,045 to €100,000	8%
PAYE Income over €100,000	8%	PAYE Income over €100,000	8%
Self Employed Income over €100,000	11%	Self Employed Income over €100,000	11%
<u>PRSI</u>		<u>PRSI</u>	
Class A (Employee) PRSI Rate	4%	Class A (Employee) PRSI Rate	4%
Class S (Self Employed) PRSI Rate	4%	Class S (Self Employed) PRSI Rate	4%
Maximum Weekly Tapered PRSI Credit	€12	Maximum Weekly Tapered PRSI Credit	€12

APPENDIX D – INCOME TAX RATES AND BANDS

There was no change to the Standard Rate Band or to the Income Tax Rates. Current rates and bands are set out below.

INCOME TAX EXEMPTION LIMITS

AGE EXEMPTION LIMITS	2021 €	2020 €	CHANGE €
- Single or Widowed	18,000	18,000	0
- Married Couples	36,000	36,000	0

INCOME TAX RATE BANDS

SINGLE OR WIDOWED PERSONS	
2021 FIRST €35,300 @ 20% = €7,060 BALANCE OVER €35,300 @ 40%	2020 FIRST €35,300 @ 20% = €7,060 BALANCE OVER €35,300 @ 40%
SINGLE OR WIDOWED LONE PARENT	
2021 FIRST €39,300 @ 20% = €7,860 BALANCE OVER €39,300 @ 40%	2020 FIRST €39,300 @ 20% = €7,860 BALANCE OVER €39,300 @ 40%
SINGLE INCOME MARRIED COUPLE	
2021 FIRST €44,300 @ 20% = €8,860 BALANCE OVER €44,300 @ 40%	2020 FIRST €44,300 @ 20% = €8,860 BALANCE OVER €44,300 @ 40%
TWO INCOME MARRIED COUPLE	
2021 FIRST €70,600 @ 20% = €14,120 BALANCE OVER €70,600 @ 40%	2020 FIRST €70,600 @ 20% = €14,120 BALANCE OVER €70,600 @ 40%

APPENDIX E – MOTOR TAX RATES

Cars first registered from July 2008 to end 2020;

From (CO ₂ g/km)	To	2020 Rate (€)	2021 Rate (€)
0	0	120	120
1	80	170	170
81	100	180	180
101	110	190	190
111	120	200	200
121	130	270	270
131	140	280	280
141	155	390	400
156	170	570	600
171	190	750	790
191	225	1,200	1,250
>225		2,350	2,400

Cars first registered from 1st January 2021;

From (CO ₂ g/km)	To	Rate (€)
0	0	120
1	50	140
51	80	150
81	90	160
91	100	170
101	110	180
111	120	190
121	130	200
131	140	210
141	150	270
151	160	280
161	170	420
171	190	600
191	200	790
201	225	1,250
>225	-	2,400