



Summary of Budget 2022



## BUDGET 2022 – GENERAL COMMENT

Budget 2022 was presented today, 12<sup>th</sup> October 2021, in starkly different circumstances to this time last year, with over 90% of the adult population now fully vaccinated from COVID 19. However, uncertainties still remain with respect to a potential resurgence of COVID 19, and with respect to the Brexit process.

The recently published “Estimates of Receipts and Expenditure” showed an outperformance in terms of tax revenue collections in 2021 and that the State finances are in a generally more positive position now than was forecast at the start of the year. The economy has grown strongly in the second and third quarters of 2021 resulting in a drop in the projected State deficits for 2021 and 2022 from €34.5bn in each year down to €21.5bn for each year. Recent inflationary pressures are also noted, with the rate of inflation to September expected to finish at 3.7% - the highest level since 2008.

In terms of its impact on the Exchequer, the most significant tax changes announced were a €1,500 increase to the lower rate Income Tax band, and an increase of €50 in tax credits available to each individual and to each worker. These measures are projected to result in a €520m reduction to tax revenues for the State in 2022, and to combine to achieve an increase to individuals’ net take home amounting to a maximum of €400 per annum.

Some clarity was provided in relation to the planned phasing out/cessation of the Employment Wage Subsidy Scheme, (EWSS), and the Pandemic Unemployment Payment, (PUP). A detailed plan to taper out these extraordinary supports to businesses and workers affected by the pandemic was set out, with all subsidies under these schemes intended to conclude next year at the end of April (EWSS) and February (PUP).

For SMEs, welcome extensions were announced to both the Employment and Investment Incentive (EII) Scheme and the CT exemption for new companies. More targeted announcements were made for tax reliefs available to the digital gaming sector, the aviation sector, for farmers, for independent brewers, and for certain equipment for hauliers. The lower VAT rate in place for the benefit of the hospitality industry will terminate in August 2022, and no changes to Capital Gains or Capital Acquisitions Taxes are proposed.

In recent months, considerable media coverage has been given to negotiations in relation to the OECD’s proposals for a minimum Corporation Tax rate. The Budget announcements confirmed the commitment made to sign up to the OECD plan for an agreed minimum Corporation Tax rate of 15%, however, the increased rate will only affect entities with an annual turnover exceeding €750m, while the existing 12.5% rate will continue to apply to all other entities. This confirmation will bring welcome certainty to all corporates, and means that the higher 15% tax rate will not affect SMEs.

Recent Budgets and supporting legislation have proposed annual Carbon Tax increases of €7.50 per tonne Carbon Tax for every year to 2030 – this planned increase is confirmed for 2022, along with some reasonably modest policy changes to VRT, an extension to allowances for the cost of energy efficient equipment, and to the €5,000 grant for the purchase of electric cars. These policy measures are intended to achieve material reductions in Irish carbon emissions, however, it remains to be seen if they will have a material impact or will come close to achieving the emissions targets committed to by the State.

Overall, the Budget for 2022 did not include any major unexpected announcements. The Budget measures will result in Income Taxation reductions and Social Welfare increases. It is hoped that the stability afforded will support continued growth as the economy emerges from COVID 19 pandemic restrictions and Brexit related disruption.

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N.B. This summary is intended for client information only. The contents are of a general nature and should not be used as a basis for making decisions. Specific advice in relation to any aspect of interest should be sought directly from Tynan Dillon.

## INCOME TAX & LEVIES

### TAX CREDITS, RATES, BANDS AND EXEMPTIONS:

Effective Date

01/01/2022

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

The 20% Income Tax Band will increase by €1,500 in 2022. The new Standard Rate Cut Off Point will be €36,800 for single individuals, €40,800 for widowed individuals, surviving civil partners and single people qualifying for the Single Person Child Carer Credit, €45,800 for married one earner couples, and €73,600 for two-income households.

The Personal Tax Credit, Employee (PAYE) Tax Credit, and Earned Income Tax Credit, will all increase by €50 from €1,650 to €1,700 per annum.

### WORKING FROM HOME

01/01/2022

Where the employer does not contribute to the expenses of working from home, a PAYE employee may claim a tax deduction for utility and broadband expenses. For 2022, the taxpayer may claim an Income Tax deduction amounting to 30% of the vouched expenses incurred in relation to working from home.

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.

### UNIVERSAL SOCIAL CHARGE, (USC):

01/01/2022

Budget 2022 announced no changes to the USC rates, and a small change to the USC bands. The figures for 2022 will be as follows;

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

2022 Band	2021 Band	2022 Rate	2021 rate
Up to €12,012	Up to €12,012	0.5%	0.5%
€12,013 - €21,295	€12,013 - €20,687	2%	2%
€21,296 - €70,044	€20,688 - €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 reduced rate of USC will continue to apply to medical card holders.

### EMPLOYMENT INVESTMENT INCENTIVE (EII)

01/01/2022

The Minister announced an extension of the Employment Investment Incentive (EII) scheme to end of 2024. This scheme provides Income Tax relief for individuals investing in certain unquoted SME companies. Individuals can invest in the companies directly or, alternatively, via a Designated Investment Fund (DIF), and the Minister announced a plan to further open the scheme to investment funds. He also announced an unspecified extension of the period in which companies could buy-back EII shares from investors without triggering a clawback of the relief claimed by those individuals (currently only allowed once at least 18 months have passed since the last fund raising round, and at least 12 months before any further funding rounds) and a relaxation of rules which

prevent investors from claiming relief until the company has spent at least 30% of the amount raised on either qualifying trading-related activities or research and development.

#### BIK REDUCTION FOR ELECTRIC VEHICLES

01/01/2023

Currently, an employer providing an electric vehicle to an employee can disregard the first €50,000 of the vehicle's Original Market Value (OMV) for Benefit-in-Kind (BIK) purposes. This reduction will fall to €35,000 in 2023, to €20,000 in 2024, and to €10,000 in 2025.

#### HELP TO BUY

01/01/2022

The Help to Buy scheme has been extended to the end of 2022 at its current rates, being a maximum relief of €30,000 on new homes valued at less than €500,000.

#### ELECTRICITY GRID INCOME DISREGARD

01/01/2022

Minister Donohoe announced a new €200 tax disregard in respect of personal income received by households who sell surplus electricity that they generate back to the grid.

## BUSINESS TAX CHANGES

	Effective Date
<p><b>CORPORATION TAX</b>            The Minister defended the government’s recent decision to sign up to the Global Agreement on Minimum Corporate Tax Rates which will see the rate of Corporation Tax applying to trading income increase to 15% for companies with annual revenues of more than €750,000,000.</p> <p>No timeline for the change was announced and Minister Donohoe confirmed that there would be no change to the rate of 12.5% applying to companies with revenues of less than that amount.</p> <p>No changes to the 25% rate for passive income have been flagged. This rate can be expected to continue to apply to investment income such as deposit interest, foreign income, rents, royalties etc, as well as to certain land dealing profits.</p>	TBA
<p><b>EMPLOYMENT WAGE SUBSIDY SCHEME</b>            The Minister announced a plan to wind-down the Employment Wage Subsidy Scheme (EWSS) in a graduated manner between December 2021 and the end of April 2022. Please see the COVID-19 Section of this Report for further details.</p>	01/12/2021
<p><b>EMPLOYER PRSI</b>            From the 1st of January 2022 the weekly income threshold for the higher rate of employer’s PRSI will increase from €398 to €410. This change is aimed at ensuring that there is no incentive to reduce working hours for a full-time minimum wage worker.</p>	01/01/2022
<p><b>COMPANY START-UP RELIEF</b>            This scheme, which allows start-up companies to claim relief from Corporation Tax of up to €40,000 per annum, subject to restrictions relating to employment creation, is to be extended from the first three years of a new company’s life to five years. The scheme is also to be extended to the end of 2026.</p>	01/01/2022
<p><b>DIGITAL GAMING</b>            The Minister announced a new corporate tax credit which can be claimed against taxable profits generated by the design, production and testing of digital games. The credit is calculated at a rate of 32% of eligible expenditure, with a cap on spending of €25,000,000 per project. A minimum spend of €100,000 will also apply, and a claim to this credit will preclude a separate claim to the Research and Development tax credit.</p>	01/01/2022
<p><b>ENERGY EFFICIENT EQUIPMENT</b>            The Accelerated Capital Allowance scheme for Energy Efficient Equipment is being amended to block equipment directly operated by fossil fuels from qualifying. The scheme is currently set to run until 31 December 2023.</p>	01/01/2022
<p><b>GAS VEHICLES AND REFUELLING EQUIPMENT</b>            The Accelerated Capital Allowance scheme for Gas Vehicles and Refuelling Equipment is being expanded to include hydrogen powered vehicles and associated refuelling equipment. The scheme, which allows for 100%, year one write-off of capital expenditure on qualifying vehicles and refuelling</p>	01/01/2022

equipment, is also being extended to 31 December 2024, having previously been scheduled to close at the end of 2021.

#### PRE-LETTING EXPENDITURE

This scheme, which allows a landlord to claim a deduction of up to €5,000 for expenditure on a property which has been vacant for at least 12 months and is subsequently relet within 12 months of the costs being incurred, is to be extended to the end of 2024, having originally been scheduled to end on 31 December 2021.

01/01/2021

#### ZONED LAND TAX

Minister Donohoe announced an intention to introduce a new annual tax of 3% applying to the market value of undeveloped sites zoned for residential use. The tax is expected to be introduced in 2024 for sites zoned prior to 31 December 2021, and in 2025 for sites zoned in 2022 or later.

01/01/2024

#### ALCOHOL PRODUCTS TAX

This scheme, which provides beer-producing microbreweries with relief of 50% from Alcohol Products Tax, is to be extended to small independent producers of cider and other fermented alcohol products.

01/01/2022

#### RESTRICTION ON INTEREST DEDUCTIBILITY

The Minister announced that the Finance Bill will include new rules limiting the amount of interest that a company can claim against its taxable income. The limit is expected to be 30% of earnings, with an exemption for interest costs of up to €3,000,000.

01/01/2022

## COVID-19 SPECIFIC MEASURES

EFFECTIVE DATE

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

### EMPLOYMENT WAGE SUBSIDY SCHEME (EWSS) EXTENSION TO 30TH APRIL 2022

The EWSS will be extended until 30 April 2022, in a graduated form.

13/10/2021  
to  
30/04/2022

The eligibility criteria will remain in place, in that the business must demonstrate a reduction in Turnover or Customer Orders greater than 30% in 2021 compared with 2019.

There will be no new entrants to the scheme effective from 1 January 2022.

Effective Rates – extended to 30 November 2021

Salary Range (per week)	Subsidy
€400 – €1,462	€350.00
€300 – €399.99	€300.00
€203 – €299.99	€250.00
€151.50 – €202.99	€203.00

01/12/2021

Effective Rates – 1 December 2021 to 28 February 2022

Salary Range	Subsidy
TBC	€203.00
TBC	€151.50

Effective Rates – 1<sup>st</sup> March 2022 to 30 April 2022

01/03/2022

The final period of the scheme will provide a flat rate subsidy of €100 per week per eligible employee.

### EMPLOYERS PRSI CREDIT

The Minister announced an extension of the Employers PRSI Credit (reducing the rate of Employers' PRSI to 0.5%) for EWSS claimants to 28 February 2022.

01/03/2022

### RATES WAIVER

The Minister announced a further extension to the Rates waiver for Quarter 4 (October to December 2021) for hospitality, leisure, arts, entertainment and certain tourism related sectors.

01/10/2021

### PUP – PANDEMIC UNEMPLOYMENT PAYMENT

The Minister confirmed that the PUP Scheme would cease on 28<sup>th</sup> February 2022.

### OTHER SUPPORTS

The COVID Restriction Support Scheme (CRSS) is expected to close on 31 December 2021. The Business Resumption Support Scheme (BRSS) will close for applications on 30 November 2021.

## FARMING

EFFECTIVE DATE

### FLAT-RATE ADDITION

The Farmers Flat Rate Addition is to decrease from 5.6% to 5.5%

01/01/2022

### STOCK RELIEF

The General Stock Relief scheme, which allows for 25% of the increase in the value of stock over an accounting period to be deducted from a farmer's trading income, is to be extended to 2024, with increased rates for Registered Farm Partnerships (50%) and Young Farmers (100%) staying in place until at least the end of 2022. The Minister stated that he hopes to extend these reliefs further in the future, subject to compliance with EU State Aid rules.

### YOUNG TRAINED FARMERS

Similarly, the Young Trained Farmer Stamp Duty Relief is to be extended to the end of 2022, with further extensions planned, where possible.

## 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: 15<sup>th</sup> December for disposals during the period 1<sup>st</sup> January to 30<sup>th</sup> November, and 31<sup>st</sup> January for disposals in the preceding December.

## 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

### VALUE ADDED TAX

EFFECTIVE DATE

#### VAT RATES

The standard VAT rate will remain at 23%.

The reduced rate will remain at 13.5%

The second-reduced rate of VAT charged at 9% for the hospitality and tourism sector will remain in place for the period from 1st November 2020 until 31st August 2022.

#### STAMP DUTY

The Minister made no changes to Rates of Stamp Duty.

### EXCISE DUTIES

#### TOBACCO PRODUCTS

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.

13/10/2021

#### ALCOHOL

There is no change to excise duties on alcohol.

#### PETROL AND DIESEL

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.

13/10/2021

The increase will apply from 1 May 2022 for all other fuels.

01/05/2022

#### VEHICLE REGISTRATION TAX (VRT)

An increase in the rates of VRT has been announced, beginning with a 1% increase for vehicles that fall between bands 9-12; 2% for bands 13-15; and then a 4% increase for bands 16-20.

01/01/2022

VRT relief on Battery Electric Vehicles will be extended a further two years.

## SOCIAL WELFARE BENEFITS

SOCIAL WELFARE BENEFITS	EFFECTIVE DATE
<p>From January 2022, all core social welfare payments and the state pension will increase by €5 per week, with proportionate increases for qualified adults and those on reduced payments.</p> <p>The €5 increase will also go to young jobseekers, who in past budgets did not get the same rate of increase as they are on lower welfare rates.</p>	01/01/2022
<p><b>OTHER ALLOWANCES</b></p> <p>The Living Alone Allowance will be increased by €3 to €22 per week.</p> <p>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 €3 for children over the age of 12.</p>	01/01/2022
<p>There will be an increase of €5 per week, to €33, for people receiving the fuel allowance from midnight. The maximum income allowed above the rate of the State pension to qualify for the fuel allowance is also increasing to €120 a week. The qualifying period for those on jobseekers allowance and supplementary welfare allowance to receive the fuel allowance is being reduced from 15 months to 12 months.</p>	13/10/2021
<p>The period during which Domiciliary Care Allowance can be paid for children in hospital will be extended from 3 to 6 months.</p>	01/01/2022
<p>The rate of Wage Subsidy Scheme for people with disabilities will increase by €1 per hour.</p>	01/01/2022
<p>There will be an extension to the duration of Parent's Benefit by 2 weeks to 7 weeks from July 2022.</p>	01/07/2022
<p>The Back-to-School Clothing &amp; Footwear Allowance will increase by €10 from June 2022.</p>	01/06/2022
<p>There will be a €10 increase to the income threshold for the Working Family Payment for all families.</p>	
<p>From June 2022, there will be an increase in the earnings limit for the Disability Allowance from €350 to €375 per week. The general weekly means disregard for disability allowance will also increase from €2.50 to €7.60 per week.</p>	01/06/2022
<p>The number of PRSI contributions needed to qualify for treatment benefits is being reduced, from 260 to 39 for 25- to 28-year-olds.</p>	
<p>The income disregard for carers allowance will increase from €332.50 to €350 per week for a single person, and from €665 to €750 for a couple.</p>	01/06/2022
<p>The capital disregard for carers allowance will also increase from €20,000 to €50,000.</p>	
<p>The Christmas bonus for social welfare recipients will remain at 100% of the recipient's weekly payment for Christmas 2021.</p>	

## OTHER PRINCIPAL MEASURES

### COVID-19

- €7 billion has been provided for COVID-19 funding. This funding will be used to continue with testing and tracing and to support the vaccination booster campaign. It will also help to support the EWSS and other schemes. €4 billion of the COVID provision will be held as a contingency reserve.
- Over €60 million has been provided to extend the commercial rates waiver for quarter four targeted at the hospitality, arts and certain tourism related sectors.

### Housing

- €20 billion is being made available for the next five years which represents the single biggest housing investment programme in the history of the State.
- 11,820 new social homes will be delivered through build, acquisition and leasing programmes. 9,000 of these will be new build homes.
- €18 million will be used for the delivery of Traveller accommodation.
- 11,000 grants will be made available for adapting the homes of older people and people with a disability at a cost of €65 million.
- An additional 14,000 HAP tenancies will be delivered, bringing to 66,000 the total number of tenancies supported.
- €20 million is available to continue the remediation of homes affected by pyrite under the Pyrite Remediation Scheme. In addition, funding for the remediation of homes affected by defective concrete blocks has been increased to €40 million.

### Healthcare

- €30 million allocated to the Department of Health to provide further supports for areas hard hit by the pandemic - palliative care, mental health and disability service.
- Extension of free GP care to children aged 6 and 7 (will eventually extend to all up to age 12).
- Lowering of the Drug Payment Scheme threshold to €100.
- Significant investment to improve dental access across a range of oral health measures.
- Measures to reduce the financial burden of hospital charges for children under 18.
- €30 million package for new drugs to ensure access to the best high-tech drugs available.
- Dedicated women's health package worth €31 million. This will include access to free contraception for women aged 17-25 from next August, additional funding for sexual assault treatment units; and implementation of the National Maternity Strategy and the Gynaecology Model of Care.

### Other

- €78m has been allocated as additional investment in core funding for the childcare sector and to reform the National Childcare Scheme.
- €3.4 billion is being allocated to the Department of Transport to support a range of projects including the introduction of a Youth Travel Card. The Youth Travel Card will be available to any person between the ages of 19 and 23 and will allow them to avail of a 50% discount on fares across the transport network.
- €9.2 billion has been allocated to the Department of Education. This will assist in many areas such as, the school building project which will deliver over 30,000 places, the hiring of 980 additional teachers and 1,165 additional SNAs to support children with special education needs, and off-the-job training places for 7,000 craft apprentices impacted by COVID-19.
- €30 million has been committed to the Irish Strategic Investment Fund.
- €202 million will be spent in 2022 on supporting people to improve the energy efficiency of their homes. It is estimated that this will support over 22,000 home energy upgrades, including to support those in, or at risk of, energy poverty.

### APPENDIX A – INCOME TAX CREDITS

	2022	2021	CHANGE
	€	€	€
Single Person	1,700	1,650	50
Married Couple	3,400	3,300	100
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	245	0
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	1,700	1,650	50
Self-Employed Income Credit	1,700	1,650	50
Fishers Tax Credit	1,500	1,500	0

### APPENDIX B – UNIVERSAL SOCIAL CHARGE & PRSI

<u>UNIVERSAL SOCIAL CHARGE</u>			
PROPOSED 2022		EXISTING 2021	
Exemption Threshold	€13,000	Exemption Threshold	€13,000
€0 to €12,012	0.5%	€0 - €12,012	0.5%
€12,013 to €21,295	2%	€12,013 to €20,687	2%
€21,296 to €70,044	4.5%	€20,688 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 C – INCOME TAX RATES AND BANDS

There was an increase in the standard rate band by €1,500 for all earners, while there was no change to Income Tax Rates. Current rates and bands are set out below.

#### INCOME TAX EXEMPTION LIMITS

AGE EXEMPTION LIMITS	2022 €	2021 €	CHANGE €
- Single or Widowed	18,000	18,000	0
- Married Couples	36,000	36,000	0

#### INCOME TAX RATE BANDS

SINGLE OR WIDOWED PERSONS	
2022 FIRST €36,800 @ 20% = €7,360 BALANCE OVER €36,800 @ 40%	2021 FIRST €35,300 @ 20% = €7,060 BALANCE OVER €35,300 @ 40%
SINGLE OR WIDOWED LONE PARENT	
2022 FIRST €40,800 @ 20% = €8,160 BALANCE OVER €40,800 @ 40%	2021 FIRST €39,300 @ 20% = €7,860 BALANCE OVER €39,300 @ 40%
SINGLE INCOME MARRIED COUPLE	
2022 FIRST €45,800 @ 20% = €9,160 BALANCE OVER €45,800 @ 40%	2021 FIRST €44,300 @ 20% = €8,860 BALANCE OVER €44,300 @ 40%
TWO INCOME MARRIED COUPLE	
2022 FIRST €73,600 @ 20% = €14,420 BALANCE OVER €73,600 @ 40%	2021 FIRST €70,600 @ 20% = €14,120 BALANCE OVER €70,600 @ 40%