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KSA SHIELDS & CO.

Budget 2020



Chartered Accountants | Registered Auditors | Chartered Tax Advisors

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Summary of announcements

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Executive summary

As expected, this Budget was light on tax measures and once again focused on other 'incentivised' schemes. The overriding backdrop to this Budget was 'Brexit'. Add to the mix a looming General Election in the new year and you have a Budget that has attempted to appeal to as many groups as possible.

Brexit, and the uncertainty surrounding it has restricted the typical 'giveaway' budget in the lead up to an election. With climate change such an important issue facing not just Ireland but the world, it was inevitable that there would be many 'Green' announcements.

This Budget contains a €2.9bn package of which €300m will be taken from additional targeted net tax changes.

Unlike previous years, there has not been a blanket €5 increase across the board on Social Welfare payments. This has been saved for the Living Alone Allowance (increase of €5), One Parent Family Payment (increase of €15 on the income disregards on families with up to 3 children), Working Family Payment (increase of €10 on income threshold), Qualified Child Payment (increase of €3 for over 12's and €2 for under 12's) and increase of €2 per week on fuel allowance.

A €1.2bn Brexit package has been announced in order to prepare for a 'no-deal' Brexit. The majority of this funding will be extended to the Agri and tourism sectors together with potential unemployment benefit requirements.

The economy is forecast to grow by 0.7% in 2020. However, this is extremely dependant on the Brexit outcome. A forecast of a 0.6% deficit is forecast in the event of a disorderly Brexit.

Positive news is that employment rates remain high (unemployment rate of 5.3%). Tax revenues are in line with forecasts (over 8% increase year on year) but we are susceptible to outside economic factors. Capital investment will increase by 22% in 2020.

There have been no changes in USC entry levels or rates nor any increase in Standard Rate Cut Off Points or main tax credits in this Budget.

A packet of 20 cigarettes will increase by 50c from midnight tonight.

There is a €6 per tonne increase in Carbon Tax (now €26 per tonne) resulting in an increase in petrol and diesel prices from midnight tonight. The 1% diesel surcharge introduced last year is being replaced with a nitrogen oxide (NOx) emissions-based charge.

This summary will focus primarily on the Taxation measures with a brief outline of the Public Expenditure measures presented by Minister Donohoe.

Summary of measures

The main features of Budget 2020 as they will affect you in business and in your personal life are as follows;

- No change to the 12.5% Corporation tax rate
- Earned Income credit up €150 to €1,500 for self-employed
- Home Carer tax credit up €100 to €1,600
- Stamp Duty on non-residential property to increase by 1.5% to 7.5%
- Dividend Withholding Tax increase to 25% from 20% from 01 January 2020
- Group A CAT threshold increased by €15k to €335k
- Price of 20 cigarettes to increase by 50c from 9 October 2019
- No increase in excise duty on alcohol
- Increase in excise duty on petrol and diesel to take effect from midnight tonight
- Pension tax relief to remain at the marginal rate of tax
- 100% social welfare Christmas bonus in 2019 as was the case in 2018
- 50c reduction in subscription charges from July 2020
- Targeted increases in Social Welfare as opposed a blanket €5 increase across the board
- €6 per tonne increase in Carbon Tax

Income Tax & Levies

There have been no changes to the rates of income tax. There have been no changes to the standard rate cut off points.

There have been no changes to the USC either in rate or in terms of entry level income.

The Earned Income Credit has been increased by €150 to €1,500. This credit is available to taxpayers earning self-employed trading or professional income and to business owners / managers who are ineligible for a PAYE credit on their salary income.

The Home Carer Credit is being increased by €100 from €1,500 to €1,600.

There is an extension of 0% BIK rate on electric vehicles and VRT relief for hybrids extended to 2020.

Dividend Withholding Tax will increase from 20% to 25% from 01 January 2020 in an attempt to increase compliance in tax paid by shareholders of Irish resident companies.

SARP [Special Assignee Relief Programme] and FED [Foreign Earnings Deduction] programmes have been extended to 2022.

VAT

There have not been any changes announced to VAT, including any potential reversal of the 'tourism' VAT rate of 9%.

Capital Gains Tax (CGT)

No changes were announced with regard to CGT rates.

Review on Entrepreneur Relief to take place but no changes announced in the budget.

Capital Acquisitions Tax (CAT)

Group A threshold (parent to child) is to be increased by €15k to €335,000.

Corporation Tax

The Government has stated its commitment to maintaining the 12.5% Corporation Tax rate.

R&D tax credit increased to 30% (from 25%) for micro and small companies.

Agri Measures

Farm restructuring relief extended to December 2022 with no changes to the conditions to the relief.

Stamp Duty

The stamp duty on non-residential property will increase by 1.5% to 7.5% with effect from 09 October 2019.

From midnight tonight Stamp Duty of 1% will be applicable where a scheme of arrangement involving a so called 'cancellation scheme', in accordance with part 9 of the Companies Act 2014, is used for the sale of a company.

Customs & Excise

€6 per tonne increase in Carbon Tax. The 1% diesel surcharge introduced last year is being replaced with a nitrogen oxide (NOx) emissions-based charge.

Excise duty on a packet of 20 cigarettes [and pro-rata on other tobacco products] is being increased by 50c with effect from 09 October 2019. There will be no change on Excise duty on alcohol.

Pensions

Tax relief at the marginal rate is to remain on pension contributions.

Brief outline on the Public Expenditure measures

- **Social Welfare payments** – Living Alone Allowance to increase by €5 per week from March 2020
- **Social Welfare bonus** – 100% Christmas bonus will be paid to social welfare recipients in 2019 as was the case in 2018
- **Subscription charges** – Reduced from €1.50 to €1 from July 2020
- **Free GP care** – increased to children under 8
- **Free Dentist care** – introduced to children under 6

There was a detailed public expenditure programme announced and the above is the top issues that will face the majority of people.

Advice

Over the coming days I will be reviewing the budget in detail and preparing appropriate analysis. If you require any clarification on any of the Budget matters please do not hesitate to contact me as follows;

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Table 1 – Tax credits (main)

Tax credit	2020 (€)	2019 (€)
Single person	1,650	1,650
Married person	3,300	3,300
PAYE credit	1,650	1,650
Earned Income Credit	1,500	1,350
Single person child carer	1,650	1,650
Incapacitated child credit max	3,300	3,300
Age tax credit – Single or widowed	245	245
Age tax credit – Married	490	490
Dependent relative	70	70
Home carer	1,600	1,500
Fishermen tax credit	1,270	1,270

Table 2 – Tax bands

Personal circumstances	2020 (€)	2019 (€)
Single or widowed without dependent children	35,300 @ 20% Balance @ 40%	35,300 @ 20% Balance @ 40%
Single or widowed qualifying for single person child carer credit	39,300 @ 20% Balance @ 40%	39,300 @ 20% Balance @ 40%
Married, one spouse with income	44,300 @ 20% Balance @ 40%	44,300 @ 20% Balance @ 40%
Married, both spouses with income	44,300 @ 20% with increase of 26,300 max. Balance @ 40%	44,300 @ 20% with increase of 26,300 max. Balance @ 40%

Table 3 – Exemption limits (no changes)

Personal circumstances	2020 (€)	2019 (€)
Single or widowed, 65 years of age & over	18,000	18,000
Married, 65 years of age & over	36,000	36,000

Table 4 – Universal Social Charge

Income (€)	Rate	
	2020 (€)	2019 (€)
Persons aged 70 and over with a medical card and income is €60,000 or less will pay a maximum of 3.5% USC	Up to 12,012 @ 0.5% 12,013 – 19,874 @ 2% 19,875 – 70,044 @ 4.5% Balance @ 8%	Up to 12,012 @ 0.5% 12,013 – 19,874 @ 2% 19,875 – 70,044 @ 4.5% Balance @ 8%
Non PAYE income above 100,000	11%	11%

Medical card holders and individuals aged 70 years and over whose aggregate income does not exceed €60,000 will now pay a maximum USC rate of 2%.

Table 5 – Tax rates (main)

Tax head	Rate	
	2020	2019
Income tax	20% / 40%	20% / 40%
Corporation tax	12.5% / 25% / 6.25%	12.5% / 25% / 6.25%
Capital Gains Tax	33% / 10%	33% / 10%
Capital Acquisitions Tax	33%	33%
Value added Tax	23% / 13.5% / 9%	23% / 13.5% / 9%
Deposit Interest Retention Tax	39%	39%
USC	0.5% / 2% / 4.5% / 8%	0.5% / 2% / 4.5% / 8%
PRSI (employee / self-employed)	4%	4%
PRSI (employer)	8.5% / 10.75%	8.5% / 10.75%
Stamp Duty (residential)	1% - 2%	1% - 2%
Stamp Duty (commercial)	7.5%	6%

From austerity to the present

The following table indicates some of the tax changes that has taken place from 2008 to the present budget.

Tax head	Rate / (€)		
	2020	2019	2008
Income tax	20% / 40%	20% / 40%	20% / 41%
Corporation tax	12.5% / 25% / 6.25%	12.5% / 25% / 6.25%	12.5% / 25%
Capital Gains Tax	33% / 10%	33% / 10%	20%
Capital Acquisitions Tax	33%	33%	20%
CAT – Group A threshold	335,000	320,000	521,208
CAT – Group B threshold	32,500	32,500	52,121
CAT – Group C threshold	16,250	16,250	26,060
Value added Tax	23% / 13.5% / 9%	23% / 13.5% / 9%	21% / 13.5%
Deposit Interest Retention Tax	39%	39%	20%
USC	0.5% / 2% / 4.5% / 8%	0.5% / 2% / 4.5% / 8%	N/a

Working examples (assuming standard credits & rate bands)

Personal circumstances	Increase / (decrease) in net monthly income (€)
Married couple with 1 spouse earning €37,000	+8 for PAYE worker / +21 for self employed
Married couple with 1 spouse earning €45,000	+8 for PAYE worker / +21 for self employed
Married couple with both spouses earning €45,000	+0 for PAYE worker / +12.50 for self employed
Single person earning €37,000	+0 for PAYE worker / +12.50 for self employed
Single person earning €45,000	+0 for PAYE worker / +12.50 for self employed
Single person earning €55,000	+0 for PAYE worker / +12.50 for self employed

We will be available to provide further advice on how this affects you if you wish to give us a call.