

KSA

KSA SHIELDS & CO.

Budget 2021



Chartered Accountants | Registered Auditors | Chartered Tax Advisors

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Summary of announcements

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Executive summary

Following several 'light' Budgets over the past number of years, this Budget has taken on extra significance considering the current Covid-19 pandemic. Numerous financial incentives have been rolled out since March to help fend off the bleak financial outlook facing many people and businesses.

Previous Budgets were highly 'Brexit' focused but this Budget is the most important in terms of Brexit as we head towards 01 January 2021. Budget 2021 is exclusively focused on the remainder of 2020 and 2021. We entered 2020 with a surplus of €1.3bn and a 'Rainy Day' fund worth €1.5bn. A deficit of €21.5bn or 6.2% is projected for 2020 with a forecasted deficit of €20.5bn in 2021. There has been a loss of 330,000 jobs in 2020 with 155,000 expected to be recovered in 2021. This year's deficit will bring overall national debt to just under €219bn or almost 108% of national income.

This total budget package of €17.75bn is unprecedented and includes a recovery fund of €3.4bn to kick start economy in 2021.

A new Covid Restrictions Support Scheme (CRSS) for businesses whose trade has been significantly restricted or closed due to Covid-19. This will operate under Level 3 of the Government Covid roadmap or higher. Extension of tax warehousing scheme to include repayment of TWSS overpayments, 2019 income tax balance and 2020 preliminary tax.

Employee Wage Subsidy Scheme will run to 31 March 2021, but a similar scheme will be required to run throughout 2021. Government will decide at the appropriate time depending on economic conditions at the time. In the Hospitality & Tourism sector the 13.5% VAT rate will be reduced to 9% from 01 November 2020 to 31 December 2021.

As a result of the increase in the minimum wage from 01 January 2021 to €10.20 the entry level to the higher USC rate band will be increased from €20,484 to €20,687. Likewise, the entry to the higher Employer PRSI rate band will increase from €394 to €398 per week. The only tax credits to change was Earned income credit, an increase of €150 to €1,650 and Dependent Relative credit, an increase of €70 to €245.

Unfortunately, with the extra reliance on working from home there has been no change to the €3.20 allowance other than allowing a share of broadband costs [level to be outlined by Revenue].

Agricultural measures announced were limited to the extension of Stamp Duty reliefs and an increase of 0.2% to 5.6% in the VAT Flat Rate Addition.

CGT Entrepreneurs relief has been amended that from 01 January 2021 the 5% shareholding for 3 continuous years changes to any 3 years.

The budget includes €340m of voted expenditure to be spent on Brexit supports in 2021. This includes funds for ports and airports and 500 staff for customs.

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

Summary of measures

The main features of Budget 2021 as they will affect you in business and in your personal life are as follows.

- Covid Restrictions Support Scheme (CRSS) for businesses severely affected by Covid-19 to include weekly payments
- No change to the 12.5% Corporation tax rate
- Relaxing of the 3-year 5% ownership rule for CGT Entrepreneur relief
- Earned Income credit up €150 to €1,650 for self-employed to match employee credit
- Dependent Relative Tax Credit from increased by €70 to €245
- 13.5% VAT rate reduced to 9% in hospitality & tourism sector from 01 November 2020 to 31 December 2021
- Increase in Farmers VAT Flat Rate Addition from 5.4% to 5.6%
- Price of 20 cigarettes to increase by 50c from 14 October 2020
- Pension tax relief to remain at the marginal rate of tax
- €7.50 per tonne increase in Carbon Tax from €26 to €33.50 from 01 May 2021
- Help to buy scheme for first time buyers extended until 31 December 2021 at the higher maximum rate of €30,000

Covid Restrictions Support Scheme (CRSS)

Qualifying businesses can apply to Revenue for a cash payment, representing an advance credit for trading expenses that are deductible for tax purposes. Payments will be made based on 2019 average weekly turnover effective from today to 31 March 2021 and calculated based on 10% of first €1m in VAT exclusive turnover 5% thereafter subject to a maximum of €5,000 per week. CRSS paid in addition to the EWSS.

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.

The entry level into the final USC rate band has been increased from €20,484 to €20,687 to ensure minimum wage workers are excluded.

The higher Employer PRSI rate entry level has also been increased from €394 to €398 per week.

The Earned Income Credit has been increased by €150 to €1,650 to bring it into line with the employee PAYE credit. 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 Dependent Relative Credit is being increased by €70 from €175 to €245.

VAT

The 'July Stimulus' package reduced the standard rate of VAT from 23% to 21% from 01 September 2020 to 28 February 2021.

In the Hospitality & Tourism sector the 13.5% rate will be reduced to 9% from 01 November 2020 to 31 December 2021.

Capital Gains Tax (CGT)

No changes were announced regarding CGT rates.

There has been a change to the ownership requirement for Entrepreneur Relief. Currently there is a requirement to hold a 5% shareholding for a continuous 3 years. This has been amended to be any 3 years. The requirement to work in the business will still ensure the relief is not available to passive investors.

Capital Acquisitions Tax (CAT)

No changes were announced in relation to CAT.

Corporation Tax

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

Extension of the accelerated capital allowance scheme for energy efficient equipment for a further 3 years.

Agri Measures

Increase in the Farmers Flat Rate Addition from 5.4% to 5.6%.

Extension of stamp duty relief for the transfer of agricultural land to family members until 31 December 2023 at a rate of 1% as opposed to 7.5% [Consanguinity Relief].

Farm consolidation relief extended to 31 December 2022 with no changes to the conditions to the relief.

Stamp Duty

Stamp Duty scheme which refunds a portion of stamp duty paid on acquisition of non-residential land where it is then developed will be extended until end Dec 2022.

Agri measures as above.

Customs & Excise

€7.50 per tonne increase in Carbon Tax bringing the price per tonne from €26 to €33.50 from 01 May 2021 and an increase in petrol and diesel from midnight tonight.

Excise duty on a packet of 20 cigarettes [and pro-rata on other tobacco products] is being increased by 50c with effect from 14 October 2020. 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

- **Pension age** rise to 67 from 01 January 2021 has been scrapped
- **Social Welfare payments** – Living Alone Allowance to increase by €5 per week from March 2021 / Extra Child benefit
- **Fuel allowance** – Increase of €3.50 per week
- **Social Welfare bonus** – Qualifying period to be reduced and paid to all recipients

There was a detailed public expenditure programme announced and the above is the top issues that will face most 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	2021 (€)	2020 (€)
Single person	1,650	1,650
Married person	3,300	3,300
PAYE credit	1,650	1,650
Earned Income Credit	1,650	1,500
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	245	175
Home carer	1,600	1,600
Fishermen tax credit	1,500	1,270

Table 2 – Tax bands (no changes)

Personal circumstances	2021 (€)	2020 (€)
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	2021 (€)	2020 (€)
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	
	2021 (€)	2020 (€)
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 – 20,687 @ 2% 20,688 – 70,044 @ 4.5% Balance @ 8%	Up to 12,012 @ 0.5% 12,013 – 20,484 @ 2% 20,485 – 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	
	2021	2020
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% / 21% / 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%	7.5%

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 / (€)		
	2021	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% / 21% / 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 €40,000	+0 for PAYE worker / +13 for self employed
Married couple with 1 spouse earning €50,000	+0 for PAYE worker / +13 for self employed
Married couple with both spouses earning €45,000	+0 for PAYE worker / +26 for self employed
Single person earning €40,000	+0 for PAYE worker / +13 for self employed
Single person earning €55,000	+0 for PAYE worker / +13 for self employed

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