



BUDGET 2023

Financial Statement of the Minister
for Finance 27th September 2022

Presented by



WENTWORTH
AUDIT TAX ADVISORY

On Tuesday 27 September 2022 Minister for Finance, Mr. Paschal Donohoe, announced a package of once-off measures worth €4.1bn, designed to help families, individuals and businesses deal with the rising cost of living, accompanied by the standard budgetary measures for 2023 worth €6.9bn.

An income tax package of €1.1bn will see the standard rate band increase to €40,000 and personal tax credits increase by €75. The 2% USC ceiling will be increased by €1,625 from €21,295 to €22,920. A new tax credit of €500 for renters will commence this year.

On the business front, the Minister reaffirmed Ireland's commitment to the 12.5% corporation tax rate for businesses with a consolidated group turnover below €750m and acknowledged Ireland's commitment to the Pillar Two minimum effective tax rate of 15% large multinationals.

A Business Energy Support Scheme has been introduced to assist businesses with their energy cost over the winter months.

A Vacant Homes Tax will apply to residential properties which are occupied for less than 30 days in a 12-month period. In relation to the Residential Zoned Land Tax announced in Budget 2022, maps are currently being prepared by Local Authorities and the first drafts are due on 1 November 2022.

Landlords will welcome the increase in pre-letting expenses claims to €10,000 per property, where it is vacant for 6 months.

The Help to Buy scheme has been extended to the end of 2024 and the Residential Development Stamp Duty Refund Scheme has been extended to the end of 2025.

If you would like to discuss how Budget 2023 will impact on you or your business, please call us to arrange a meeting with a member of our tax team.



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CHARTERED
ACCOUNTANTS
IRELAND

INCOME TAX & USC

| Tax rates | | 2022 | 2023 |
|--|------|----------------------------|---------|
| Standard tax rate | | 20% | 20% |
| Higher tax rate | | 40% | 40% |
| Standard rate bands | | | |
| Single/widowed | | €36,800 | €40,000 |
| Married couple/civil partnership one income | | €45,800 | €49,000 |
| Married couple/civil partnership two incomes | | €73,600 | €80,000 |
| One parent family | | €40,800 | €44,000 |
| Tax credits | | | |
| Single person | | €1,700 | €1,775 |
| Married couple/civil partnership | | €3,400 | €3,550 |
| Single person child carer | | €1,650 | €1,650 |
| PAYE | | €1,700 | €1,775 |
| Earned income | | €1,700 | €1,775 |
| Home carer (maximum) | | €1,600 | €1,700 |
| Universal Social Charge (USC) | | | |
| 2022 | | 2023 | |
| First €12,012 | 0.5% | First €12,012 | 0.5% |
| Next €9,283 | 2% | Next €10,908 | 2% |
| Next €48,749 | 4.5% | Next €47,124 | 4.5% |
| Balance over €70,044 | 8% | Balance over €70,044 | 8% |
| Relevant income > €100,000 | 11% | Relevant income > €100,000 | 11% |

PRSI

| | 2022 | 2023 |
|--|--------|------------------------------|
| Class A Employee PRSI | 4% | 4% |
| Employer PRSI on weekly income (not exceeding €410) | 8.8% | 8.8% (not exceeding €410) |
| Employer PRSI on weekly income (over €410) | 11.05% | 11.05% (over €410) |
| Self-employed PRSI | 4% | 4% |

CORPORATION TAX

| | |
|---------------------------|-------|
| Standard rate | 12.5% |
| Knowledge Development Box | 6.25% |
| Non-trading income rate | 25% |

CAPITAL GAINS TAX

| | |
|---------------------|--------|
| General rate | 33% |
| Entrepreneur relief | 10% |
| Annual exemption | €1,270 |

STAMP DUTY

| | |
|----------------------------------|------|
| Residential units up to €1m | 1% |
| over €1m | 2% |
| Bulk purchased residential units | 10% |
| Commercial property | 7.5% |
| Shares (certain exceptions) | 1% |

CAPITAL ACQUISITION TAX

| | |
|-------------------|----------|
| General rate | 33% |
| Group A threshold | €335,000 |
| Group B threshold | €32,500 |
| Group C threshold | €16,250 |

DIRT

33%

DWT

25%

VAT

| | |
|--|---------------------|
| Standard rate | 23% |
| Reduced rate | 13.5% |
| Reduced rate for hospitality sector | 9% until 28.02.2023 |
| Reduced rate for electricity and gas costs | 9% until 28.02.2023 |

PERSONAL

Income Tax

The standard rate band has been increased to €40,000, resulting in a tax saving of €640 per individual where fully utilised. This along with the €75 increase on the main annual tax credits and the increase in the 2% USC band to align with the increase in the minimum wage, means that the average middle income family with two incomes will be €1,660 better off.

BUSINESS

Corporate Tax

The Minister reaffirmed Ireland's commitment to the 12.5% corporation tax rate for businesses with a consolidated group turnover below €750m and acknowledged Ireland's commitment to the OECD Pillar Two minimum effective tax rate (15% where turnover is above €750m).

Temporary Business Energy Support Scheme

A Temporary Business Energy Support Scheme is being introduced to assist businesses with their energy costs. To be eligible for this support you must be carrying on a Case 1 trade and the average unit price for energy for the relevant 2022 billing period must increase by more than 50% when compared to the corresponding 2021 reference period. Once eligible, the monthly payment will be calculated as 40% of the amount of the increase and will be capped at €10,000 per month. Businesses will be required to register for the scheme and to make claims within the required time limits.

Small Benefit Exemption

The Small Benefit Exemption allows an employer to provide limited non-cash benefits or rewards to their workers without the payment of income tax, PRSI and USC. The annual limit provided for in the exemption is being increased from €500 to €1,000 and will also permit two vouchers to be granted by an employer in a single year under this exemption. These changes are to apply in the current tax year.

Research and Development Tax Credit

The current system of offset against corporation tax and payment in three instalments is being changed to a new fixed three-year payment system, which should bring the scheme within the OECD Pillar Two agreement. A company will have an option to call for payment of their eligible R&D tax credit or to request for it to be offset against other tax liabilities, and 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 to encourage more companies to engage with the regime.

Knowledge Development Box

KDB is a regime which provides for an effective 6.25% rate of corporation tax on certain income from qualifying IP assets. Budget 2023 provides for the extension of the KDB for 4 years, allowing relief for accounting periods commencing before 1 January 2027.

Foreign Earnings

This scheme is being extended for a further 3 years to the end of 2025. It provides relief from income tax on up to €35,000 of income for employees tax-resident in Ireland who travel out of the State to temporarily carry out duties of employment in certain qualifying countries.

Key Employee Engagement Programme

KEEP is being further extended following a review 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 is being raised from €3m to €6m.

Special Assignee Relief Programme

This Programme is being extended for a further 3 years to the end of 2025. The threshold income to avail of the scheme is being increased from €75,000 to €100,000.

Section 481 Film Relief

Section 481 will be extended from its current end date of 31 December 2024 to 31 December 2028. Section 481 of the TCA 1997 provides relief in the form of a corporation tax credit related to the cost of production of certain audio-visual productions.

HOUSING

Rental Tax Credit

A new rent tax credit valued at €500 per year has been introduced for taxpayers who are paying rent on their principal private residence. This measure will apply for 2023 and subsequent tax years but may also be claimed in respect of rent paid in 2022.

Help-to-Buy

The Help-to-Buy scheme for first-time buyers has been extended at the current rates until the end of 2024. The scheme offers first-time buyers a tax rebate of up to €30,000 or 10% of the purchase price of the property.

Living City Initiative

The Living City Initiative is being extended for a further five years until the end of 2027. In addition, the relief available to owner-occupiers is being accelerated so that it may be claimed over seven years in place of the existing ten years. It is also proposed to allow carry-forward of any excess relief by owner-occupiers where it cannot be absorbed in a year, up to a maximum of ten years.

Pre-Letting Expenses

The eligible expenditure cap for pre-letting expenses will increase from €5,000 to €10,000 per property with effect from 1 January 2023. Additionally, the time limit for which a property must be vacant has been reduced from 12 months to 6 months.

Vacant Homes Tax

A new Vacant Homes Tax (VHT) will be introduced in 2023. The tax will apply to residential properties which are 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 basic Local Property Tax rate. There will be several exemptions to ensure that owners are not unfairly charged where the property may be vacant for a genuine reason.

Residential Zoned Land Tax

In relation to the Residential Zoned Land Tax announced in Budget 2022, maps are currently being prepared by Local Authorities who will publish their first draft maps on the 1st of November this year. Following the publication of the maps, any person will have the opportunity to apply to their Local Authority to have the zoning status of their land amended as part of a variation process.

Residential Development Stamp Duty

The Residential Development Stamp Duty Refund Scheme has been extended to the end of 2025. This is a 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. The net minimum stamp duty payable after a refund is 2%, whereas the normal rate for non-residential property is 7.5%.

Defective Concrete Products Levy

Earlier this year the government agreed a comprehensive redress scheme for those homeowners who have been affected by the issue of defective products used in the building of their homes. To fund the redress scheme a levy of 10% will be applied on concrete blocks, pouring concrete and certain other concrete products with effect from 3 April 2023.

CONSUMPTION TAXES

VAT

The reduced Vat of 9% on electricity and gas will remain in place until 28 February 2023.

The reduced Vat of 9% for the hospitality sector will be discontinued from 1 March 2023, at which point it will revert to 13.5%.

The VAT rate on newspapers and news periodicals (including digital editions of these publications) will be reduced to zero from 9% from 1 January 2023.

The VAT rate on Automatic External Defibrillators currently at 23% and the small number of period products currently at 9%, will be reduced to zero from 1 January 2023.

The standard rate of VAT currently applies to all non-oral medicine. Due to a change in the VAT Directive a zero rate of VAT can be applied to non-oral medicine. The VAT on all non-oral hormone replacement and nicotine replacement therapies, will be reduced to zero from 23% from 1 January 2023.

Customs & Excise

The current excise reduction on petrol (21c per litre), diesel (16c) and marked gas oil (MGO)(5.4c) is extended until 28 February 2023.

The excise duty on a packet of 20 cigarettes will 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 from €110 to €55 in support of the night-time economy.

An alcohol excise relief scheme is being provided for small producers of cider and perry. A 50% excise relief will be available on up to 8,000 hectolitres of cider produced by micro producers 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.

AGRICULTURE

VAT Compensation Scheme

Flat-rate compensation percentage for Farmers has been reduced 5.5% to 5.0%. This change will be introduced from 1 January 2023.

Accelerated capital allowances for slurry storage facilities

A three-year scheme of accelerated capital allowances for farmers for the construction of slurry storage facilities is being introduced. Under the scheme, the capital cost of the facilities may be written off over two years rather than seven years.

Stock Reliefs *

Two special stock relief measures, for registered farm partnerships and for young trained farmers are being extended until the end of 2024.

Young Trained Farmer Stamp Duty Relief *

This relief gives a full exemption from stamp duty to young trained farmers when they acquire (by gift or purchase) farmland, and associated buildings, including farmhouses. Due to expire at the end of this year it is now planned to be extended until the end of 2025.

Farm Consolidation Stamp Duty Relief *

This relief, which provides that a 1% rate of stamp duty (as opposed to 7.5%) can apply to instruments giving effect to acquisitions and disposals of agricultural land where the land transactions involved qualify for a 'Farm Restructuring Certificate' from Teagasc, is due to expire at the end of this year, is planned to be extended until the end of 2025.

Farm restructuring (Capital Gains Tax) relief *

It is intended the CGT Farm restructuring relief, which provides relief from CGT for land transactions qualifying for a 'Farm Restructuring Certificate' from Teagasc, and is currently due to expire at end 2022, will be extended to end December 2025.

**The above changes are subject to finalisation of issues relating to the Agricultural Block Exemption Regulation (ABER) at EU level.*

CLIMATE & ENVIROMENTAL

Carbon Tax

The rate per tonne of carbon dioxide emitted for petrol and diesel will go up from €41 to €48.50 from 12 October 2022 as per the trajectory set out in the Finance Act 2020. This will mean an increase of just over €0.02 per litre of petrol and diesel. This however will be offset be with a reduction to zero of the National Oil Reserves Agency (NORA) levy.

BANKING

Bank Levy

The bank levy, which was due to expire in 2021, is being extended to the end of 2023.

COST OF LIVING SUPPORTS

Once-Off Cost of Living Supports

Every household will get €600 in electricity credits in three payments of €200, the first before Christmas and two in the new year.

A lump sum of €400 will be paid to fuel allowance recipients before Christmas. A double week cost-of-living support payment to social welfare recipients in October 2022 and the Christmas bonus will also be paid in early December 2022.

€500 for those on Working Family Payment, double child benefit payment and €500 for those on the carers' support grant in November 2022.

€200 for those on Living Alone Allowance before Christmas. €500 for those on disability allowances, invalidity pension and the blind pension.

€1,000 off the student contribution this year. A double monthly payment of Susi maintenance grants and a €1,000 increase for postgraduate student grant.

Not-for-profit organisations will get €60 million this year for energy costs.

This leaflet is only a summary of the Budget Speech and is not intended to be a comprehensive guide or a substitute for professional tax advice. © WENTWORTH 2022

Advice you can trust



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