Finance Bill 2022 Headlines

20 OCTOBER 2022

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Introduction

Many of the provisions contained in Finance Bill 2022 implement the tax measures already announced by the Minister for Finance in his Budget speech on 27 September 2022.

Highlighted below are certain other measures contained in the Bill which were not announced in the Budget as well as further detail on the implementation of some key measures announced in the Budget.

Income tax

Employer reporting on certain benefits

The Bill provides (subject to a Ministerial Commencement Order) for the mandatory reporting to Revenue by employers of the following 'reportable benefits' provided to employees without the deduction of tax: (i) the payment of the remote working daily allowance of €3.20, (ii) the payment of vouched travel and subsistence expenses, and (iii) the provision of small benefits that are exempt from tax.

Pension amendments

The Bill provides for several pension related amendments including: (i) providing that employer contributions made on behalf of an employee to a Personal Retirement Savings Account (PRSA) are no longer considered a taxable benefit in kind for the employee, (ii) aligning the tax treatment of the new Pan European Pension Product (PEPP) with the tax treatment that currently applies to PRSAs, and (iii) aligning the tax treatment of lump sums drawn down by an Irish tax resident from a foreign pension with the treatment that currently applies to Irish pensions.

Cargo bikes

The Bill provides for a tax-free benefit threshold of €3,000 under the 'cycle to work' scheme in relation to cargo bikes.

Offshore funds

The Bill provides that an interest in a unit trust scheme will not be regarded as an interest in an offshore fund provided that: (i) the general administration of the scheme is ordinarily carried out in Ireland, (ii) the trustee is resident in an EU/EEA Member State and (ii) the trustee supplies their trustee services through an Irish branch.

Business tax

Business Energy Support Scheme

The Bill provides for the new temporary Business Energy Support Scheme to help business with energy costs that was announced in the Budget. The scheme will, subject to certain conditions, be open to businesses engaged in a trade or profession chargeable to tax under Case I or II of Schedule D, which will include self-employed individuals, companies, partnerships and certain tax-exempt charities and sporting bodies.

The support will be subject to a monthly cap of €10,000 per trade / location of the business, subject to a maximum of €30,000 per month per qualifying business. In addition, an overall cap of €500,000 applies to each qualifying business with lower limits applying to businesses engaged in farming and fishing related activities (€62,000 and €75,000 respectively).

FX movements subject to corporation tax

The Bill includes an amendment that confirms that gains or losses resulting from foreign exchange movements on items such as trade debtors and creditors and trading bank accounts are treated as part of profits or losses of a company's trade subject to corporation tax and not subject to capital gains tax.

Knowledge Development Box

The Bill confirms the measure announced in the Budget regarding the extension of the Knowledge Development Box (KDB) relief for a further four years, to include accounting periods beginning before 1 January 2027. However, the Bill also provides (subject to a Ministerial Commencement Order) for a new effective rate of 10% for profits within scope of the KDB (currently 6.25%).

Patent rights

The Bill amends the treatment of capital sums received for the sale of patent rights to provide relief for intra-group transfers of such rights in a similar manner to the relief which is generally available to intra-group transfers of chargeable assets.

Reporting by certain funds

The Bill provides that additional information must be reported to Revenue in the annual statement of exempt unit trusts, common contractual funds (CCFs) and investment limited partnerships (ILPs) in relation to their assets and business activities. This includes information on matters such as asset values, connected party transactions and material transactions.

Property

Concrete Levy

The Bill confirms the introduction of a levy of 5% (rather than the 10% rate proposed in the Budget) on concrete blocks, pouring concrete and certain other concrete products to apply from 1 September 2023. The levy will operate on a self-assessment basis.

Rents payable to non-resident landlords

The Bill provides that tenants paying rents directly to non-resident landlords will now be required to deliver additional information to Revenue including the details of the landlord, property and rents together with the income tax withheld on the rent.

The Bill also provides that collection agents will not be chargeable to tax on behalf of a non-resident landlord where income tax of 20% is remitted on the rents paid via the collection agent to the non-resident landlord and the agents supply certain information to Revenue.

Vacant Homes Tax

The Bill confirms the introduction of a Vacant Homes Tax (VHT) to apply to residential properties which are occupied for less than 30 days in a 12-month period from 1 November to 31 October annually. The tax will be charged at 3 times the local property tax liability applicable to the property. The first chargeable period for VHT will commence on 1 November 2022. The tax will operate on a self-assessment basis.

The Bill provides for several exemptions from the tax including where the property is being actively marketed for sale or for rent and where the property is undergoing significant structural, repair or refurbishment works.

Indirect tax

VAT

The Bill includes a measure which requires businesses with a 'domestic-only' VAT registration to notify Revenue within 30 days of becoming involved in Intra-Community supplies or purchases of goods enabling the VAT registration status to be updated.

The Bill includes a measure that enables Revenue to request information from financial institutions where that information has been sought by another EU Member State under certain international agreements and for the application of a penalty for non-compliance.

The Bill clarifies that VAT exemption applies to the provision of medical care supplied by registered medical professionals.

The Bill includes a provision applying VAT exemption to the management of certain funds based in other EU States which could impact on the VAT recovery position of the fund manager. The Bill also contains measures which result in services relating to the management of "Section 110" entities where those entities hold plant and machinery, and agency services provided in relation to the management of certain funds, no longer being treated as VAT exempt.

The Bill confirms that the 0% rate of VAT will apply to the supply of newspapers (including e-newspapers) from 1 January 2023 but that the 0% rate will not apply to other periodicals such as magazines.

The Bill includes a change to the rules around VAT deductibility on costs associated with certain finance raising activities (e.g. new share issues) to ensure VAT deductibility arises under general provisions.

Excise

The Bill includes a provision which clarifies how betting duty applies to certain "free" or promotional bets and provides for a new tax geared penalty regime for deliberately or carelessly submitting incorrect returns or failing to file returns.

Stamp duty

Stamp duty on acquisition of multiple residential units

The Bill includes technical amendments that clarify that where a partial interest is acquired in a residential property, this partial interest can count towards the 10 residential property thresholds for the purposes of the 10% stamp duty charge.

The Bill also introduces an exemption from the application of the 10% rate of stamp duty on acquisitions of residential properties by a home reversion firm authorised by the Central Bank of Ireland under a home reversion agreement.

Refunds of stamp duty on certain residential property acquisitions

The Bill provides that purchasers of residential property can apply for a full refund of stamp duty charged on the acquisition of residential property where, subject to certain conditions being satisfied, the property was acquired and then sold for the purposes of affordable home arrangements under the Affordable Housing Act 2021.

The Bill also provides that purchasers of residential property subject to the higher 10% rate of stamp duty can seek a partial refund where the property is acquired for the purposes of providing accommodation in the community for people with intellectual/physical disabilities, or for children in care (subject to the properties being approved by the relevant regulatory authorities).

Stamp duty on financial cards, cheques and insurance policies

Finance Act 2021 contained several measures to modernise the collection of stamp duties on financial cards, cheques and insurance policies which remain subject to commencement order. Finance Bill 2022 includes further amendments to streamline the electronic collection and filing of these levies and sets specific commencement dates for these provisions to come into effect.

Electronic trading in securities

The Bill provides for certain technical amendments to the application of stamp duty to electronic trading in securities. This includes clarifications on the scope of the stamp duty charge and the record-keeping obligations of parties to such transactions and those inputting transfer orders into security settlement systems.

Capital acquisitions tax

Reporting in relation to estate of a deceased person

The Bill provides for several technical amendments in relation to information to be supplied to Revenue and the probate office in respect of the estate of a deceased person. The Bill also introduces a statutory obligation for banks to provide information in relation to a deceased person's bank accounts to the person applying for probate in relation to the deceased's estate or to an agent acting on their behalf.

Miscellaneous

Tax Appeal procedures

The Bill provides for an extension to the timelines for parties appealing a determination of the Tax Appeals Commission (TAC) to the High Court on a point of law. The Bill provides that an appellant will have 42 days (instead of 21 days as is the case currently) to appeal a determination to the High Court and the parties to the case will have 42 days (instead of 21 days as is the case currently) to respond to a draft of the 'case stated' prepared by the Appeal Commissioners.