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Budget 2024 & Current Tax Developments

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Tom Woods
Partner

Introduction

The Minister for Finance introduced the 2024 Budget on 10 October 2023. Further detailed measures will be included in the Finance Bill to be published on 19 October 2023.

As has been the case in recent years, the substantial budget package of €14bn detailed by the minister was facilitated by strong tax receipts in the current year. Notwithstanding these strong receipts and a projected budget surplus in 2023 of €8.8bn, the overall budget package has been impacted by concerns regarding the vulnerability of corporation tax receipts. In this regard, the minister announced the establishment of the following two new funds to prepare for future challenges;

- The Future Ireland Fund to meet social and public expenditures; and
- The Infrastructure, Climate and Nature Fund to finance future capital projects.

The minister acknowledged the challenges faced by families and businesses due to the unprecedented inflation rates experienced in 2022 and 2023 and committed to the provision of further direct assistance to taxpayers to alleviate cost of living pressures.

To assist individuals and families, a number of tax measures were announced, including:

- An increase of the standard rate cut off point by €2,000 to €42,000;
- A reduction of the 4.5% rate of USC to 4% and an increase in the 4% USC rate entry threshold from €22,920 to €25,760; and
- Increases to various tax credits.

The minister emphasised the importance of tackling the housing crisis and supporting enterprise, which can be seen in a number of the measures announced including:

- The introduction of mortgage interest relief for certain home owners impacted by increased interest rates;
- The introduction of a measure of rental income relief at the standard rate for residential landlords;
- An increase of the rental tax credit from €500 to €750 per annum;
- Extensions to the Help-to-Buy scheme;
- The introduction of a new capital gains tax relief for angel investment in start-ups and an increase in the EII investment limit to €500,000; and
- An increase in the R&D tax credit from 25% to 30%.

Acknowledging the complexity of claiming tax reliefs, the minister has committed to (i) a public awareness campaign to ensure that individuals and families claim their full entitlements; and (ii) the establishment of a dedicated group to identify opportunities to simplify and modernise the administration of business supports and reliefs.

As expected, the minister confirmed that the upcoming Finance Bill will include legislation to give effect to the proposed 15% minimum effective rate of tax for companies/groups with revenues exceeding €750 million. The minister also confirmed that a participation exemption for foreign sourced dividends will be legislated for next year following a consultation process. This should significantly simplify the repatriation of profits to Ireland.

While the incremental improvements to incentives supporting domestic entrepreneurship are to be welcomed, more can be done to increase the attractiveness of our personal tax regime to attract the mobile talent on which both domestic and multinational business are increasingly dependent. It is hoped that the upcoming Finance Bill may contain additional measures on this front to ensure that Ireland remains the country of choice for foreign direct investment.

Tom Woods

Tom Woods
Head of Tax & Legal Services

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Personal Tax

Cian Liddy
Partner

Budget 2024 contained a number of measures that will be welcomed by individual taxpayers, particularly those on so-called 'middle incomes'. As can be seen below, most of the personal tax measures announced benefit taxpayers, with a relatively minor PRSI increase being the only tax-raising measure in this area.

Aside from announcing the various fiscal measures, the Minister for Finance noted that Irish taxpayers may not be claiming their full entitlement to all available tax reliefs. Potential refunds unclaimed by taxpayers amount to €180m for 2022 alone according to Revenue. For example, the take-up of the rent tax credit has been much lower than expected. To address this, the minister has proposed an information campaign to raise awareness of the various credits and reliefs available.

The specific personal tax measures announced in the minister's speech today are set out below.

Universal social charge

For the first time since Budget 2019, there has been a reduction in USC rates as the 4.5% rate will reduce to 4% with effect from 1 January 2024.

The entry point for the third (now 4%) rate of USC has been increased from €22,920 to €25,760. This increase will not only ensure that those who benefit from the rise in the minimum wage to €12.70 per hour (applicable from 1 January 2024) will stay within the two lower USC rate bands, but will also generate a modest benefit for every taxpayer with income above those levels.

The USC cap of 2% for medical card holders with income of less than €60,000 per annum has been extended by two years to the end of 2025. There was no mention of an extension to the USC cap for those with income of less than €60,000 per annum who are over 70 years of age. It remains to be seen if this was an inadvertent omission that will be addressed in the Finance Bill next week.

Full details of the revised rates and bands are included in the Tax Rates and Credits 2024 table at the end of this publication.

Income tax

In a move that was well-flagged in advance of the Budget speech, the point at which the higher rate of income tax will apply has increased by €2,000 to €42,000. This increase should deliver an annual saving of €400 for a single person with income of more than €42,000 per annum and €800 for married couples/civil partners. This increase continues last year's trajectory of increasing the standard rate cut-off point. However, the threshold at which taxpayers start to pay the higher rate of income tax in Ireland remains low by international standards, which impacts on Ireland's attractiveness for multinational organisations.

While it was mentioned by then-minister Donohoe in last year's Budget speech as something to be considered for 2024, Minister McGrath did not make any reference to the potential introduction of a third rate of income tax between the 20% and 40% rates.

Tax credits

The personal tax credit, employee tax credit and earned income credit will each rise by €100, from €1,775 to €1,875 with effect from 1 January 2024. While this represents a welcome 5.6% increase in these credits, the index-linking of these credits to inflation or minimum wage increases continues to be conspicuous by its absence.

The minister also provided for increases to the home carer tax credit and single person child carer tax credit of €100 each with the result that these credits will be €1,800 and €1,750 respectively for those that qualify.

The Incapacitated Child Tax Credit will increase by €200 from 1 January 2024. This credit had been left unchanged in the past five years despite increases in other tax credits.

Robert Dowley
Partner

PRSI

In Minister Donohoe's speech, it was announced that the government is planning an increase of 0.1% to all PRSI contribution rates with effect from 1 October 2024. This was described as a 'modest' increase, but it was made clear that this will be the commencement of further increases over the coming years as part of a phased approach to address the demands of funding the pension system.

It is assumed that this increase will apply to all classes of PRSI and not solely employee/employer Class A contributions, although the Social Welfare legislation when available will clarify the final intentions.

Other cost of living measures

In addition to the above taxation measures, Minister Donohoe detailed various 'cost of living' measures which include:

- three credits of €150 each which will be provided between the end of this year and April 2024 to assist with energy bills over the winter period, and
- a one-off reduction in the student contribution fee for undergraduate students of €1,000.

Capital acquisitions tax

It was announced as part of the Budget that technical amendments will be introduced to recognise the wider familial relationships for foster children.

While foster children can currently avail of the 'Group A threshold' (currently €335,000) on the receipt of gifts and inheritances from their foster parents in line with the treatment of other parent-child relationships, they are considered 'strangers in blood' for gifts and inheritances from other family members (their foster siblings, the parents/brothers/sisters of their foster parents, etc.) and can only avail of the 'Group C threshold' (€16,250) for benefits taken from such people, instead of the 'Group B threshold' (€32,500). Following the proposed change, the 'Group B threshold' will apply to such gifts/inheritances.

Donation of heritage items

A tax credit has been available for many years in respect of the donation of heritage items (i.e. any cultural item, including archaeological items, archives, books, estate records, manuscripts or paintings) to approved bodies such as the National Archives of Ireland, the National Gallery of Ireland, etc. The tax credit granted equals 80% of the market value of the items donated and can be offset against certain taxes. However, the item(s) donated need to have a minimum value of €150,000 and currently the total value of donated item(s) on which relief is available is limited to €6 million per year. Per the minister's speech today, this upper limit will be increased to €8 million.

Sporting organisations and charities

The Irish tax system provides several reliefs to sporting organisations and charities, such as tax relief on donations and potential for VAT reclaims. In his Budget speech, the minister expressed the belief that there is potential to do more, and he indicated that a review of how the tax system may be utilised to support organisations with capital programmes to upgrade or develop new facilities would be undertaken. It is probably no coincidence that this comment comes at a time when the nation's sporting facilities are the subject of significant media commentary after the formal announcement from UEFA that Ireland's joint bid with the UK to host soccer's European Championship 2028 has been accepted.

Employment Taxes


Eoghan Quigley
Partner


Olive O'Donoghue
Partner

In keeping with the Government's general theme of continuing to support workers and help tackle the cost-of-living crisis, the minister's speech included positive enhancements to some existing employment tax initiatives, designed to ease the financial burden on PAYE workers.

BIK on employer-provided vehicles

With effect from 1 January 2023, benefit-in-kind (BIK) on company-provided vehicles is calculated based the vehicle's CO_2 emissions.

The CO_2 emission rate of the vehicle now has a major impact in the calculation of the BIK, in addition to the Original Market Value (OMV) and annual business KMs driven.

In recognition of the negative financial impact of the new BIK rule on employee's net pay, the government announced in March of this year, a temporary change to the 2023 rules. While the CO_2 categories have not changed, the temporary rules provide a reduction of €10,000 to the OMV of the vehicles in A to D categories which encompass most vehicles. There is no reduction to OMVs for cars in the E emissions category.

Another helpful temporary measure saw the upper limit of the highest business mileage band (originally set at 52,000KM) reduced by 4,000KM to 48,001KM for 2023.

These temporary measures were set to expire at the end of 2023, however, in a welcome move, the minister confirmed that the above temporary amendments will remain in force for another year until the end of 2024.

BIK on electric vehicles

Finance Act 2022 extended the application of the special BIK rules on electric vehicles to 2025 which permit a fixed reduction in the OMV for the purposes of the BIK calculation.

The OMV discount was set to taper to zero by 2025 with BIK calculations thereafter set to be based on full OMV of the vehicle.

In an effort to continue to encourage the adoption of greener vehicles, the minister announced that the tapering of this discount will be deferred by two years.

As a result, the €35,000 OMV discount will apply for 2024 and 2025 and will taper to €20,000 for 2026 and €10,000 for 2027.

Key Employee Engagement Programme ("KEEP")

KEEP was introduced in 2018 to improve the attractivness of the Small and Mediam Enterprise (SME) employment offering.

The scheme provides for tax advantageous share options specifically for employees and directors of certain qualifying SME companies.

While Finance Act 2022 gave effect to a number of postive ehancements to the scheme, there were some outstanding commitments which were subject to Ministerial Commencement Order. Following EU state aid approval, the minister confirmed that the governement will shortly be able to deliver on these outstanding enhancements which include an extension of the scheme until 31 December 2025 and an increase in the lifetime company limit for KEEP shares from €3 million to €6 million.

While this is a positive move, it is not a new measure as such. There remain many practical issues with the KEEP scheme and it is hoped that the process of reviewing share based remuneration announced in the Budget will lead to further practical refinements to the KEEP measures that will make it more attractive for SMEs.

Share-based remuneration consultation

Share-based remuneration is important in many industry sectors wherein employees expect share participation as part of their total remuneration package. This is particularly important in the technology and pharmaceutical sectors where Ireland as a country needs to remain competitive. It is therefore crucial that our current tax system for share based remuneration is equitable, simplified and in sync with other OECD jurisdictions.

In his speech, the minister recognised the importance of share based remuneration for employers to incentivise and retain key employees and announced that a public consultation will shortly be launched and stakeholders will be invited to submit their views aimed at modernising this area.

Business Tax

Cillein Barry
Partner

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Partner

BEPS 2.0 – Pillar Two minimum tax

As expected, the Minister for Finance has confirmed that legislation to implement the 15% minimum tax rate under the OECD's Pillar Two agreement will be published in the Finance Bill next week.

Under the BEPS 2.0 initiative, the OECD has formulated rules (known as 'Pillar Two') designed to implement a global minimum effective tax rate (ETR) of 15% on a jurisdictional basis, in respect of multinational groups with annual turnover exceeding €750 million in two of the last four years. Under these rules, the ETR for a jurisdiction is to be determined by reference to the financial accounting profits and tax expense (with some adjustments) derived from the financial statements of the multinational group.

These rules are expected to come into force for accounting periods beginning on or after 31 December 2023 and could see additional tax paid in Ireland in respect of Irish companies and, potentially, foreign subsidiaries in the case of certain multinational groups.

In an EU context, the Pillar Two rules were set out in the EU's Minimum Tax Directive in December 2022. The legislation required to transpose the provisions of the EU Directive and implement the Pillar two rules in Ireland will be set out in the Finance Bill. The Government had previously published proposed legislation for commentary by stakeholders under two separate feedback statements in February and July 2023 respectively.

Pillar Two will represent some of the most complex tax legislation introduced in Ireland in living memory and as noted by the minister, represents a once in a generation reform to Ireland's corporation tax system.

For completeness the Pillar One proposals, which seek to reallocate taxing rights to market jurisdictions, have not yet been finalised and will not form part of the Finance Bill.

Territorial tax regime and simplification

The Minister for Finance has indicated his intention to simplify aspects of Ireland's business tax regime.

Following a public consultation process, the minister confirmed that a participation exemption for foreign sourced dividends will be legislated for next year, in Finance Bill 2024, with the detailed development work to take place over the coming months. This will be a significant first step in reducing the

Business Tax

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Partner

administrative burden on businesses. However, we would have welcomed the implementation of such a regime in tandem with the introduction of the global minimum effective tax rate under the OECD Pillar Two rules in Finance Bill 2023. We are hopeful that the recommendations included in our response to the public consultation will, in due course, be reflected in the legislation giving effect to the relief.

Ireland's tax regime for interest deductibility is highly complex. The minister has acknowledged this and has committed to engaging with stakeholders on the issue over the period ahead.

The minister also indicated that Revenue will, in the coming weeks, establish a dedicated Tax Administration Liaison Committee (TALC) subgroup focused on identifying any opportunities to simplify and modernise the administration of business supports. The terms of reference of this subgroup will be agreed at TALC and a report on the recommendations of the subgroup will be delivered during the course of 2024.

Research and Development Tax Credit

Two important enhancements to the Research and Development Tax Credit (RDTC) were announced by the Minister for Finance as part of the Budget.

The first is an increase in the rate of the RDTC from 25% to 30% in respect of 2024 expenditure. This increased rate would be available for all claimants, regardless of company size. This change will maintain the net value of the existing credit for companies subject to the new 15% minimum effective tax rate resulting from BEPs Pillar two. It will also deliver a substantial benefit to SMEs and those companies outside the remit of Pillar Two.

The second enhancement is a doubling of the amount of the RDTC available to be refunded to a company as part of its first year RDTC instalment. This has increased from €25,000 to €50,000. This change is designed to provide quicker access to funding from the RDTC for companies engaged in smaller R&D projects.

Retirement relief

Retirement relief provides relief to individuals from CGT on the disposal of businesses, subject to meeting certain conditions. The relief applies to disposals of qualifying assets after the age of 55.

The Minister announced two changes to retirement relief, effective from 1 January 2025 which are:

- The maximum age at which the higher level of relief can be claimed will be increased from 66 to 70. This is a welcome change reflecting the pattern of increased longevity of individuals in business.
- Further, there will be a new limit of €10 million on the relief available for disposals to a child up until the age of 70. We await draft legislation in the Finance Bill to clarify the position for disposals to a child after the age of 70.

Angel Investors

The minister has announced the introduction of a new capital gains tax (CGT) relief to encourage 'angel investment' in innovative start-up companies. This relief will allow investors to benefit from a reduced rate of CGT of 16%, or 18% if through a partnership, on the disposal of qualifying investments. The gain to which this reduced CGT rate can apply is capped at 200% of the investment made (with the standard 33% CGT rate continuing to apply to gains above that level). This will also be subject to a total lifetime gains limit of €3 million.

The Budget documents provide high level detail on the relief, with the detailed legislation to follow in the

Kevin Cohen
Partner

Tim Lynch
Partner

Finance Bill. At a high level, the relief will be available on investments by individuals, for a period of at least 3 years, in innovative start-up companies which are, small or medium enterprises. The investment must be in the form of fully paid-up newly issued shares costing at least €10,000 and representing between 5% - 49% of the ordinary issued share capital of the company.

To diversify risk, it is common practice for angel investors to spread their capital allocation across a number of high-risk innovative companies by acquiring multiple small shareholdings. Where such shareholdings are less than 5%, relief will not be available. This may result in less uptake than is hoped unless an amendment is made to the required minimum shareholding.

Entrepreneur relief

The minister announced the publication of a cost benefit analysis with respect to an Entrepreneur relief. This relief applies a 10% CGT rate to lifetime gains of up to €1 million realised by shareholders on the disposal of investments in certain companies subject to meeting qualifying conditions including minimum shareholding and working hours. The report concludes there is a relatively small net annual economic benefit arising from the relief but cautions the impact on the exchequer of any modification to the relief. In a welcome statement, the minister noted that his department will review this report to identify opportunities to refocus the relief in order to further improve the incentives available for entrepreneurs in innovative start-ups and to contribute to employment creation.

Employment investment incentive (EII)

EII provides income tax relief for equity investments in small and medium enterprises where qualifying conditions are met.

The existing rules apply different investment periods of up to 7 years and lifetime limits depending on the date of investment.

The minister announced that the EII scheme is being enhanced by:

- Standardising the minimum investment period to four years for all investments, and
- Increasing the amount on which an investor can claim relief on such investments to €500,000.

These changes will be effective from 1 January 2024.

The Minister also announced a review of EII in early 2024 focusing on further simplification of the scheme while ensuring compliance with EU State Aid regulations.

Bank levy

The Budget includes provision for the introduction of a revised bank levy for 2024. This follows the Department of Finance's public consultation on the future of the bank levy which ran earlier this year. The bank levy in its current form was due to expire at the end of 2023 following several extensions to the levy.

Business Tax

Ciara Wrafter
Partner

James Kelly
Partner

The revised bank levy will apply to banks which received financial assistance from the State during the banking crisis (AIB, EBS, Bank of Ireland and PTSB). The revised bank levy will have a revenue target of €200 million. The bank levy was originally designed to produce a fixed annual yield of €150 million, however as a result of the planned exit of Ulster Bank and KBC from the market only €87 million was raised from the levy in 2022 and 2023.

Further information is expected in due course on the calculation methodology which will be used to arrive at the estimated €200 million levy. The minster also outlined that he will review the revised bank levy again next year to ensure it remains appropriately calibrated.

Other financial services measures

Motor insurers insolvency compensation fund levy

The minister announced that the Motor Insurers Insolvency Compensation (MIIC) Fund levy will be reduced by 1 per cent for all motor insurance policies renewed from 1 January 2024. This reduction is expected to benefit up to 22 million policy holders.

The levy was originally introduced to allow the MIIC Fund to meet claims under Irish motor insurance policies where the motor insurance operator becomes insolvent.

Funds sector 2030 review

The Minister for Finance made reference to the review which is currently ongoing of the Irish funds sector. The aim of the review is to ensure that the funds sector in Ireland continues to remain resilient, future proofed and an example of international best practice.

A public consultation paper was issued in June 2023 and KPMG submitted a response to this consultation which addressed a number of topics, including the regulatory and supervisory framework which applies to the Irish funds sector and the impact of Ireland's current taxation regime on investment activity in the funds sector.

As part of our submission, KPMG made several recommendations across a number of topics, including the simplification of the tax regime which applies to investment products and to ensure consistency of tax treatment. This should reduce the compliance burden for individual taxpayers.

KPMG also recommended the alignment of the taxation rates applicable to investment income to existing marginal income tax and capital gains tax rates, to treat income from investment products as a single source to allow tax relief for losses and to the extent a deduction at source mechanism is retained for certain investment products, that it should not be applied as a final tax.

The submission also addressed the taxation of property funds and Section 110 investment vehicles.

A draft report is due to issue to the minister in summer 2024, following which it is expected that the minister will consider whether any changes to the current taxation framework are appropriate.

Support for the audiovisual sector

The s481 Film Corporation Tax Credit is a corporation tax credit of 32% of the qualifying cost of qualifying films up to a cap of €70 million.

The Select Committee on Budgetary Oversight published a report on the credit earlier this year noting that similar film reliefs in other countries have no cap on qualifying expenditure. As a result, those locations may be more attractive to larger film productions than Ireland. The report recommended a review of the cap and, in a positive move, the minister has announced an increase in the cap on qualifying expenditure associated with the credit from €70 million to €125 million.

The minister also plans to explore the creation of a new incentive for the unscripted production sector.

Donal Thomas
Partner

Orla Gavin
Partner

This new incentive will require European Commission approval. Details on the proposed form of this incentive are not yet available.

Agri-business measures

During his Budget speech, the Minister for Finance acknowledged the continued importance of farming to rural communities in Ireland. With this in mind, the minister announced the continued extension of several important agricultural reliefs which were due to expire at the end of the year. These reliefs include:

Consanguinity (stamp duty) relief

Consanguinity (stamp duty) relief is designed to facilitate and encourage intergenerational farm transfers. It reduces the rate of stamp duty applicable to intra-familial transfers of farmland from 7.5% to 1% where certain conditions are met. Following a review, this stamp duty relief is being extended to 31 December 2028.

Accelerated capital allowances – farm safety equipment

This scheme, which allows for accelerated capital allowances of 50% per annum for eligible farm safety equipment, is being extended to 31 December 2026.

Young trained farmers and succession farm partnerships

Stock relief for young trained farmers, relief for succession farm partnerships and young trained farmers stamp duty relief are being amended to increase the aggregate lifetime limit available to a person under these reliefs from €70,000 to €100,000 from 1 January 2024.

Stock relief (registered farm partnerships)

Stock relief reduces taxable farm profits by reference to the increase in value of farm trading stock over an accounting period. The amount of stock relief which may be claimed by a partner in a registered farm partnership is subject to an aggregate cap over three years. Stock relief for registered farm partnerships is being amended to increase the threshold from €15,000 to €20,000 in the case of qualifying periods commencing on or after 1 January 2024.

Leasing farmland

Finally, the minister indicated a change to the relief from tax which is available for individuals in respect of certain income from the leasing of farmland. The relief will be amended so that it only becomes available when the land has been owned by the lessor for seven years. It would appear that this change is intended to better target the relief at farmers as distinct from investors. Currently, no ownership period condition exists for the relief to apply.

Digitisation of VAT

The minister announced that the Revenue will shortly launch a public consultation on how we can use digital advances to modernise Ireland's VAT Invoicing and Reporting System.

The digitisation of VAT is expected to be introduced over the coming years in conjunction with EU tax digitisation measures. Taxpayers are likely to be required to upgrade their invoicing systems to enable both the receipt and submission of digital e-invoices. In addition, similar to PAYE Modernisation, it is expected that this will result in taxpayers providing real time transactional information to the Revenue.

Compliance measures

The budget documents confirm that the Revenue will conduct a range of targeted compliance activities with a view to yielding additional taxes of €120 million. In 2024, it is expected that additional exchequer receipts will arise from increased compliance activities by the Revenue in the areas of eCommerce, payroll and expense reporting and the cash/shadow economy. The approach in 2024 is likely to be consistent with the long-term trend of the Revenue relying on data, analytics and real time reporting to focus their audit and compliance activities on areas with the highest yield.

Energy & Climate Measures

Paul O'Brien
Partner

A variety of climate related tax measures were announced in the Budget in addition to the Government demonstrating long term commitment to funding climate positive projects by establishing a new Infrastructure, Climate and Nature fund.

By its own measure, this is the first climate negative Budget since the Government began measuring the green impact of budgets in Budget 2022. The climate positive impact of the measures introduced are greatly outweighed by the extension of the 9% VAT rate for gas and electricity for an additional 12 months and the extension of the temporary excise rate reduction for diesel and petrol cars until March 2024. In the accompanying analysis provided by the Department of Finance, it is noted that these climate negative budget measures are short term, and designed to address cost of living concerns, whilst the climate positive measures should have more long term impact.

Accelerated Capital allowances – Energy Efficient Equipment

Accelerated capital allowances ('ACA') are available to companies and unincorporated businesses who incur capital expenditure on specified items of energy efficient equipment which are used for the purposes of a trade. Instead of receiving standard wear and tear capital allowances over eight years, ACAs are available in year one where the qualifying conditions are satisfied.

The ACA scheme was due to expire on 31 December 2023. However, in his Budget speech, the minister announced that the ACA scheme will be extended for a further two years to 31 December 2025.

Microgeneration of Electricity

Microgeneration of electricity is the small-scale production of electricity by consumers who generate electricity in their own homes for their own consumption and sell the excess electricity produced to the grid.

Under existing rules, where an individual who purchases electricity for their own use is able to generate electricity at their sole or main residential premises in Ireland using renewable, sustainable or alternative forms of energy and sell any excess electricity back to the grid, then the profits or gains arising from such sales up to an amount of €200 will be exempted from income tax, USC and PRSI. The term renewable, sustainable or alternative forms of energy means energy used in the production of electricity, which is mainly sourced from one or more of wind, hydro, biomass, waste, biofuel, geothermal, fuel cells, tidal, solar and wave. The exemption does not apply to profits generated from a trading activity.

The minister confirmed a €200 increase in the income disregard/exemption limit. The new income disregard of €400 will apply with effect from 1 January 2024 and the exemption will continue to be available until 31 December 2024.

Battery Electric Vehicles - VRT Relief

Series production passenger cars and commercial vehicles (being category A and B vehicles for VRT purposes) that are powered only by an electric motor and registered before 31 December 2023 are eligible for relief from VRT up to a maximum amount of €5,000 on vehicles with a value of up to €50,000.

The minister announced in his Budget speech that this VRT relief will be extended by two years to 31 December 2025.

Michael Hayes
Partner

New investment funds

The Infrastructure, Climate and Nature Fund

The Minister for Finance announced that a fund, The Infrastructure, Climate and Nature Fund, will also be established by the State in 2024. The objective of this fund will be to ensure that Governments of the future can continue to finance capital spending even during an economic downturn. Recognising the climate challenges affecting all parts of society, the fund will also have a climate and nature component, worth over €3 billion, the aim of which is to help the achievement of carbon budgets though capital projects where it is clear such carbon and climate targets are not being reached.

An initial contribution of €2 billion will be made to the fund in 2024 following the dissolution of the National Reserve Fund and it is proposed that the fund will grow incrementally thereafter by €2 billion per annum until it reaches €14 billion plus interest accrued.

Ownership of the fund will be vested in the Minister for Finance and the fund will be managed and controlled by the National Treasury Management Agency and be subject to an investment policy and investment strategy.

The Draft Scheme of the Bill relating to the establishment of The Infrastructure, Climate and Nature Fund will be published shortly after Budget Day.

The Future Ireland Fund

A key element of the Government's fiscal strategy involves the establishment of a second fund, The Future Ireland Fund, a new State savings fund. The Future Ireland Fund will be established in 2024 using part of the corporate tax receipts considered to be wind fall in nature. The establishment of the new fund will enable the Government to pre-fund the fiscal pipeline costs that will be incurred by the State in the future, particularly in relation to population ageing and the digital and climate actions.

In his Budget speech, the minister announced that the State will invest 0.8 % of GDP annually into The Future Ireland Fund from 2024 to 2035, equating to a sum of approximately €4.3 billion in 2024. In addition, the State will transfer seed funding of just over €4 billion into the fund in 2024 on foot of the dissolution of the current National Reserve Fund.

Ownership of the fund will be vested in the Minister for Finance and the fund will be managed and controlled by the National Treasury Management Agency and be subject to an investment policy and investment strategy.

The Draft Scheme of the Bill relating to the establishment of The Future Ireland Fund will be published shortly after Budget Day.

Property & Construction

Jim Clery
Partner

The property and construction sector was front and centre of any discussions in advance of Budget 2024, with an expectation that a number of significant measures would be introduced. As stated by the minister in his Budget speech, housing is "undoubtedly the biggest domestic challenge we face today".

We welcome the minister seeking to address a number of the issues faced by participants in the sector – particularly in alleviating the financial burdens faced by tenants and homeowners (both existing and prospective), in providing incentives to small landlords to remain in the private rental market, and in providing time for further engagement with local authorities on the Residential Zoned Land Tax. We are also keenly aware of the wide range of existing initiatives which have been rolled out separate to the Budget process – Housing for All, Croí Cónaithe, the Shared Equity Scheme, Cost-Rental Housing, and Project Tosaigh amongst others. These are having a tangible impact on the housing sector, and we welcome further measures to positively impact the challenges faced by all sector participants.

The measures announced in the Budget in respect of the property and construction sector are as set out below.

Measures to assist landlords and tenants

Rented Residential Relief

There has been much discussion around the importance of small-scale landlords in the Irish private rental sector. In acknowledgement of their vital role, and in order to address the decline of 'small landlords' in the private rental market, a new tax relief is being introduced, exempting a portion of rental income in certain cases.

This rental relief, which appears to be an income tax relief and so will exclude companies, will have a maximum annual value of between €600 - €1,000 per landlord. It is difficult to see how that, on its own, will encourage landlords to enter or stay in the market.

The exemption will be in the form of a tax relief at 20% of residential rental income up to €3,000 for 2024, €4,000 for 2025 and €5,000 for 2026 and 2027. This is equivalent to an annual tax credit for landlords of up to €600, €800 and €1,000 respectively.

A full claw-back of the benefit of the relief will apply if the landlord removes from the rental market, within 4 years, any of the rental properties held in year 1 when the benefit is claimed. The relief relates only to tenancies registered with the Residential Tenancies Board (RTB), or where a landlord lets a residential property to a public authority. In the case of joint ownership of a property, the relief will be divided in proportion to the percentage of the rental income to which each owner is entitled.

It is not yet clear if it is intended for the Rented Residential Relief to apply in addition to 'rent-a-room relief' or whether it will be possible to claim both reliefs.

Rent Tax Credit

In order to further alleviate the financial pressures on renters, the minister has increased the annual rent tax credit from €500 to €750. The credit is generally available to a tenant in the private rental sector who is not in receipt of any other State housing support. As previously, the Rent Tax Credit remains only available to tenancies registered with the RTB and licences for the use of a room in another person's private principal residence.

The availability of the credit has further been extended to allow for parents incurring the cost of their student child's 'Rent a Room' or 'digs' accommodation to avail of the credit. This change will apply retrospectively for the 2022 and 2023 tax years.

Measures to assist homebuilders and homeowners

Mortgage Interest Relief

As a measure to offset the considerable financial burden faced by mortgage

Carmel Logan
Partner

holders due to significant increases in interest rates, a temporary one-year mortgage interest tax relief provision is being introduced. The mortgage interest relief is highly targeted and quite heavily capped and therefore will make only a small difference to those experiencing material interest rate increases.

Mortgage interest tax relief will be available at the 20% standard tax rate in respect of the increase in the interest paid between the calendar year 2022 compared to the calendar year 2023, where:

- the mortgage is in respect of a taxpayer's principal private residence in Ireland;
- the outstanding mortgage balance was between €80,000 and €500,000 on 31 December 2022, and;
- the taxpayer is compliant with Local Property Tax requirements.

The maximum value of the relief is €1,250 per property and it is estimated that approximately 165,000 mortgage holders will benefit from this measure.

In order to claim the mortgage interest tax relief, the taxpayer must file a tax return with Revenue. The relief will operate by way of a credit offset against the taxpayer's income tax liability in 2023. It is anticipated that the relief may be claimed in early 2024.

Help-to-Buy Scheme

The Help-to-Buy ('HTB') scheme is being extended for a further year until 31 December 2025. We believe this extension is both meaningful and helpful to the overall objective of facilitating housing supply.

The HTB scheme has been a significant support to first time buyers since its introduction in Budget 2017, with over 40,000 people having been supported to buy their home under the scheme. The scheme was due to end in 2024 and this extension will be welcome for prospective first-time buyers and indeed registered builders who can continue to bring marginal supply onto the market.

The scheme is also being amended to assist the users of the Local Authority Affordable Purchase (LAAP) scheme in accessing the HTB scheme. The affordable dwelling contribution received under the LAAP scheme will be usable for the purposes of calculating the 70% loan-to-value requirement of the HTB thereby facilitating access by all LAAP purchasers to the HTB scheme.

The minister also noted that he will consider in the coming year whether any further changes are required to the HTB Scheme.

Measures to assist developers and occupiers

Residential Zoned Land Tax ('RZLT')

In his speech, the minister emphasised the importance of the RZLT as an initiative to suitably activate housing supply, but acknowledged the importance of landowners having sufficient opportunity to engage with the mapping process and that a fair and transparent process is applied. As such, the minister has extended the liability date of RZLT by one year in order to allow for the planned 2024 review of the RZLT maps to take place and for landowners to further engage with the mapping process.

Where land was zoned for residential use and serviced by 1 January 2022, RZLT was previously to be charged and levied from 1 February 2024 onwards. This should now apply from 1 February 2025.

We welcome this extension of the liability date to allow for further engagement by landowners with local authorities in respect of the mapping process. However, we believe additional changes should be considered to ensure RZLT is not inappropriately applied where, for example genuine impediments to development exist.

Wider property sector measures

Vacant Homes Tax

The rate of the Vacant Homes Tax is being increased from three times to five times a property's existing base Local Property Tax liability. This increase will take effect from the next chargeable period, commencing 1 November 2023.

The Vacant Homes Tax was introduced in 2023 with the stated aim of maximising the use of existing housing stock to increase the supply of homes available for rent or purchase. It applies to residential properties which are in use as a dwelling for less than 30 days in a 12-month chargeable period, and there are a number of exemptions to ensure owners are not unfairly taxed where properties may be vacant for genuine reasons.

Defective Concrete Products Levy

The Defective Concrete Products Levy is being amended such that it will no longer apply to the pouring concrete used in the manufacture of precast concrete products with effect from 1 January 2024.

A refund scheme is also being put in place to allow those who will have paid the levy on such concrete between 1 September 2023 and 31 December 2023 to reclaim it. This measure, previously announced by the minister on 6 September 2023, will be included in the forthcoming Finance Bill.

Indirect Taxes

Glenn Reynolds
Partner

VAT

VAT Registration Thresholds

The minister announced that the turnover thresholds for supplies of taxable goods and services above which businesses established in Ireland are obliged to register for VAT are to increase from €37,500 to €40,000 for businesses principally engaged in supplies of services and from €75,000 to €80,000 for businesses principally engaged in supplies of goods. The changes will take effect from 1 January 2024. This represents the first change to the VAT registration thresholds in Ireland since 2008. The change also comes in advance of a package of EU-wide measures aimed at simplifying VAT compliance for small and medium enterprises, which is due to take effect from 1 January 2025 onwards. It is important to note that there continues to be a "nil" turnover threshold for businesses in receipt of services from abroad on which they are required to operate reverse charge VAT and for non-Irish established traders who make taxable supplies of goods or services on which they are obliged to account for Irish VAT.

VAT rate for Gas and Electricity

The minister confirmed that the temporary VAT rate of 9% for supplies of gas and electricity will be extended for a further 12 months until 31 October 2024. This temporary rate came into effect on 1 May 2022 in response to the significant increases in the price of these utilities and has previously been extended on several occasions. The VAT rate for these supplies is now due to revert to 13.5% on 1 November 2024.

VAT rate for eBooks and Audio Books

The VAT rate applicable to electronic editions of books and audio books will be reduced from 9% to the 0% rate with effect from 1 January 2024. This will bring the VAT rating of e-books and e-audio books in line with that of printed books as well as printed and digital newspapers and news periodicals.

VAT rate for Solar Panels

The VAT rate applicable to the supply and installation of solar panels in schools will be reduced from 13.5% to the 0% rate with effect from 1 January 2024. This change mirrors the reduction in the VAT rate for the supply and installation of solar panels in private dwellings which took effect from 1 May 2023.

Flat Rate Addition for Farmers

The flat rate addition payable to farmers who are not registered for VAT will decrease from 5% to 4.8% with effect from 1 January 2024. The flat rate addition compensates unregistered farmers for the VAT which they cannot reclaim on their purchases.

David Duffy
Partner

Charity VAT Compensation Scheme

The total annual fund for charities to claim compensation for non-recoverable VAT on their purchases will increase from €5 million to €10 million with effect from 1 January 2024. This scheme aims to reduce the VAT burden on charities and to partially compensate for VAT paid by a charity. The percentage of VAT incurred which a charity is entitled to reclaim under the scheme is based on the level of its non-public funding and the overall capped amount in the fund is then pro-rated between eligible charities based on their qualifying claims.

Digitisation of VAT

The minister announced that the Revenue will shortly launch a public consultation on the use of digital advances to modernise Ireland's VAT invoicing and reporting system.

This consultation is expected to seek input from businesses and stakeholders on proposals to make mandatory the issue of electronic invoices to customers and the provision of real-time or close to real-time transmission of transaction data to Revenue. It is expected that the consultation should align to the EU's "VAT in the Digital Age" proposals (which remain under discussion in the EU Council) which propose to introduce harmonised e-invoicing and digital reporting obligations for cross-border supplies within the EU in 2028. These proposals reflect an ambition to tackle tax fraud through the digitisation of VAT regimes and will serve to transform traditional VAT compliance processes. Taxpayers are likely to be required to upgrade their invoicing systems to enable both the receipt and submission of digital e-invoices and, similar to PAYE Modernisation, to provide real-time or close to real-time transactional information to the Revenue. While Ireland could introduce changes sooner, we would expect it is more likely that any significant changes would take effect in several years' time, in line with the timeframes set out in the EU's proposals.

Excise Duties and Carbon Tax

Mineral Oils

The minister announced the deferral of the excise duty increases of 8 cent (VAT inclusive) per litre for petrol, 6 cent (VAT inclusive) on diesel and 3.4 cent (VAT inclusive) for Marked Gas Oil (MGO) which had been due to come into effect from 1 November 2023. Rather, the existing temporary excise duty rate reductions on such fuels will be extended until 31 March 2023 and the excise increases will be introduced in two equal instalments on 1 April 2024 and 1 August 2024.

However, the carbon tax rate for petrol and diesel per tonne of carbon dioxide emitted will increase from €48.50 to €56 from midnight on 10 October 2023 based on the trajectory for annual increases set out in Finance Act 2020. This increase will apply to auto petrol and diesel with effect from 11 October 2023 and to all other fuels with effect from 1 May 2024.

Tobacco Products

The excise duty on a packet of 20 cigarettes in the most popular price category will increase by 75 cent (VAT inclusive), with a pro-rata increase on other tobacco products. This measure will take effect from midnight on 10 October 2023 and will bring the price of a pack of 20 cigarettes in the most popular price category to €16.75.

The minister also indicated the Government's intention to introduce a domestic tax on e-cigarettes and vaping products in Budget 2025. Further work would be required to draft this legislation.

Vehicle Registration Tax

The minister confirmed that the Vehicle Registration Tax (VRT) relief in respect of the registration of battery powered electric vehicles with a value of up to €50,000, will be extended for a further two years to 31 December 2025.

Customs Duty

There were no changes in respect of customs duty announced in the Budget.

Update on EU Direct Tax Initiatives

John Doran
Partner

In recent years, Ireland has introduced a range of legislative changes to meet EU commitments, including CFC and interest limitation rules required under the EU Anti-Tax Avoidance Directive and mandatory disclosure rules required under DAC 6. In the upcoming Finance Bill, further amendments are expected to transpose the EU Minimum Taxation Directive into Irish law.

With European Parliament elections scheduled for June 2024, it is unlikely that the European Commission will launch any additional direct tax initiatives in the coming months (with the possible exception of EU action in relation to the OECD Pillar One proposals).

However, there are a number of 'live' proposals that are currently being examined by EU Member States. An overview of the measures of note is set out below.

BEFIT Directive proposal

In September 2023, the Commission issued a proposal for a Council Directive on Business in Europe: Framework for Income Taxation (BEFIT). The BEFIT proposal concerns the introduction of common rules for determining the corporate tax base for groups with EU-based operations.

Scope

BEFIT will apply to all groups with operations in the EU with annual combined revenues of at least €750 million. This would include non-EU headquartered groups, where certain additional scoping criteria are met. Smaller groups may also be able to elect to apply BEFIT on an opt-in basis.

BEFIT calculation

The BEFIT calculation is primarily derived from the financial accounting net income or loss of each BEFIT group member. A number of adjustments are then made (e.g., to exclude certain types of income, gains and losses, to add-back certain non-deductible expenses etc.) to arrive at a preliminary BEFIT tax result of each BEFIT group member. These results are then aggregated into a single combined BEFIT tax base.

The combined BEFIT tax base would then be further adjusted to include an allowance for the offset of losses on a cross-border basis throughout the BEFIT group, before being reallocated to the BEFIT group members in relevant EU Member States.

The proposals envisage a transitional seven-year period during which a baseline allocation would be computed based on each entity's percentage share of the average taxable results of the BEFIT group in the previous three years. After the transitional period, the allocation may be based on a formulaic apportionment whereby the consolidated tax base would be split across Member States based on the Member State's share of tangible assets, staff numbers/payroll costs, sales by destination and intangible assets.

After the BEFIT tax base has been re-allocated, further local adjustments may be required. Member States would be permitted to design incentives, restrictions and deductions that would apply locally. As a final step, the entity's adjusted taxable profit would be subject to the corporate income tax rate applicable in that Member State.

BEFIT transfer pricing measures

Two new transfer pricing simplifications are included within the BEFIT proposal.

During the seven-year transition phase, transactions within the BEFIT group would be deemed to be priced in accordance with the arm's length principle where they fall within a low-risk zone. The low-risk zone would apply where an expense incurred / income earned by a BEFIT group member increased by less than 10% compared to the average amount of the income or expense in the previous three years.

For transactions with associated enterprises outside the BEFIT group, a risk assessment tool is provided

Sean Sheridan
Partner

for low-risk activities performed by certain eligible distributors and contract manufacturers.

Member States would be required to assess in-scope transactions as being low, medium or high risk, depending on how the activity of the entity compares to profit markers derived from commonly accepted public benchmarks. Depending on the outcome of this assessment, Member States would adjust their approach to compliance interventions accordingly.

Status

The BEFIT proposal is currently the subject of a public consultation, which will close in November 2023. The proposal will require the unanimous approval of all 27 EU Member States in the Council. If adopted in its current form, Member States would be required to transpose the BEFIT proposal into domestic law by 1 January 2028, with the provisions applying from 1 July 2028.

Transfer Pricing Directive proposal

Alongside BEFIT, the Commission also launched a proposal for a Council Directive on Transfer Pricing in September of this year. The Transfer Pricing proposal is intended to ensure that a harmonised approach to transfer pricing applies across the EU, by requiring that Member Sates incorporate the 2022 version of the OECD Transfer Pricing Guidelines into domestic legislation. However, the proposal also notes that, as the OECD Transfer Pricing Guidelines are amended from time to time, new versions of the guidelines should become the new binding reference framework.

A public consultation on the proposal is underway and will also close in November 2023. The proposal will require the unanimous approval of all 27 EU Member States in the Council. If adopted in its current form, the Transfer Pricing proposal would become effective from 1 January 2026.

FASTER Directive proposal

In June 2023, the Commission published a proposal for a Council Directive on its "Faster and Safer Relief of Excess Withholding Taxes" (FASTER) initiative, which aims to make withholding tax (WHT) relief procedures in the EU more efficient and secure for investors, financial intermediaries, and local tax authorities.

The key features of the FASTER proposal include:

- The development of a common EU digital tax residence certificate
- Two fast-track procedures complementing the existing standard refund procedure, including: (i) a relief at source system, and (ii) a quick refund system. Member States will be required to implement one of the two systems (or a combination of both).
- The introduction of National Registers for financial intermediaries that will be able to facilitate the fast-track procedures.
- The public consultation on the FASTER proposal closed in September of this year. The Commission is expected to review the comments received from the public consultation with a view to informing discussions among the Member States in the appropriate Council working groups. Unanimous approval by all 27 EU Member States is needed. If adopted, the target date for implementation is 1 January 2027.

Unshell and SAFE proposals

The Commission's Unshell proposal (often also referred to as ATAD III) was first launched alongside the EU Minimum Taxation Directive in December 2021. The Unshell proposal sets out a list of features, referred to as gateways, to filter entities at risk of being lacking in substance. High-risk entities may then be required to report on their substance through their annual tax return. Companies failing to meet a set of substance indicators would be deemed to be 'shell' entities, potentially resulting in the denial of certain tax benefits otherwise available under double tax treaties and EU Directives.

Almost two years since its launch, the proposal remains the subject of detailed negotiation amongst EU Member States. It has been reported that discussions continue on a number of the core elements of the proposal, including the design of minimum substance criteria, the interaction of the proposal with existing anti-avoidance legislation in Member States, as well as the potential consequences for an entity that is deemed to be a shell under the Directive.

While Unshell was identified as a priority topic for agreement at the beginning of Spain's Presidency of the Council of the European Union in July 2023, the timing for reaching agreement remains unclear. The Unshell proposal had originally been planned to be effective from 1 January 2024. However, it is now expected that this deadline will be adjusted to 1 January 2025 at the earliest.

The delay in reaching agreement on the Unshell proposal has also had an impact on the Commission's "Securing the Activity Framework of Enablers" (SAFE) proposal which is intended to address the role of advisers and other intermediaries involved in facilitating tax evasion or aggressive tax planning in the EU. It is understood that the Commission is waiting for agreement on Unshell before it moves this proposal forward.

Tax Rates and Credits **2024**

Personal income tax rates (changed)

	At 20%, first	At 40%
Single person (increased)	€42,000	Balance
Married couple/civil partnership (one income) (increased)	€51,000	Balance
Married couple/civil partnership (two incomes) (increased)*	€84,000	Balance
One parent/widowed parent/surviving civil partner (increased)	€46,000	Balance

* €51,000 with an increase of €33,000 maximum

Personal tax credits (changed)

Single person (increased)	€1,875
Married couple/civil partnership (increased)	€3,750
Single person child carer credit (increased)	€1,750
Additional credit for certain widowed persons/surviving civil partner	€1,650
Employee credit (increased)	€1,875
Earned income credit (increased)*	€1,875
Home carer credit (increased)**	€1,800
Incapacitated child tax credit (increased)	€3,500

* Applies to self employed income and certain PAYE employments not subject to the PAYE credit
** It is not possible to claim both the increased Standard Rate Cut-Off Point for married couples (two incomes) and the Home Carer Tax Credit

Capital gains tax (changed)

Rate	33%
Entrepreneur relief (reduced rate)*	10%
Angel Investor Relief**	16% / 18%
Annual exemption	€1,270

* Relief remains capped at lifetime limit of €1m chargeable gains
** The relief will be available to an individual who invests in an innovative start up SME for a period of at least 3 years. The investment by the individual must be in the form of fully paid up newly issued shares costing at least €10,000 and constituting between 5% and 49% of the ordinary issued share capital of the company. Qualifying investors may avail of an effective reduced rate of CGT of 16%, or 18% if through a partnership, on a gain up to twice the value of their initial investment. There is a lifetime limit of €3 million on gains to which the reduced rate of CGT will apply.
*** Capital Gains Tax Retirement Relief. Increase in age limit from 66 to 70 and new lifetime limit of €10 million on qualifying disposals to children effective from 1 January 2025.

Mortgage Interest Tax Relief

A temporary one year mortgage interest tax relief scheme is being introduced for home owners with an outstanding mortgage balance on their principal private residence of between €80,000 and €500,000 on 31 December 2022. Tax relief will be available on the difference betwen the interest paid on that loan between the calendar year 2022 & 2023 at the standard rate of income tax (20%), capped at €1,250 per property.

Help to Buy Scheme (changed)

Income tax rebate, capped at €30,000, for first time buyers of a principal private residence. The relief is 10% of the house value. No relief for houses valued greater than €500,000. Claimants must take out a mortgage of at least 70% of the purchase price. The scheme only applies to new builds, self builds or a converted building not previously used as a dwelling and not to second hand properties. The scheme has been amended to include the Local Authority Affordable Purchase Scheme (LAAP), with effect from 11 October 2023. The entire scheme has extended until 31 December 2025.

Vacant Homes Tax (changed)

Vacant Homes Tax will apply to a residential property occupied for less than 30 days in a 12 month period. A number of exemptions will apply to properties which are unoccupied for genuine reasons. Tax will be charged at a rate equal to five times the property's existing LPT.

Local Property Tax (varying rates) (unchanged) based on the following bands:

Bands €	Charge	Bands €	Charge
1 - 200,000	€90	962,501 – 1,050,000	€1,035
200,000 - 262,500	€225	1,050,001 – 1,137,500	€1,189
262,501 – 350,000	€315	1,137,501 – 1,225,000	€1,408
350,001 – 437,500	€405	1,225,001 – 1,312,500	€1,627
437,501 – 525,000	€495	1,312,501 – 1,400,000	€1,846
525,001 – 612,500	€585	1,400,001 – 1,487,500	€2,064
612,501 – 700,000	€675	1,487,501 – 1,575,000	€2,283
700,001 – 787,500	€765	1,575,001 – 1,662,500	€2,502
787,501 – 875,000	€855	1,662,501 – 1,750,000	€2,721
875,001 – 962,500	€945	1,750,000 +	€2,721,+0.3% on value over €1.75m

- Valuation date for LPT purposes was 1 November 2021 and determined the LPT to be paid for 2022 - 2025.
- Applies to residential (not commercial) properties.
- Applies to new homes constructed on or before the valuation date of 1 November 2021, which will be brought within the scope of LPT charges from 2022 onwards.
- Various other exemptions no longer apply.
- Certain payment deferral options may be available for low income households
- From 2015 onwards, local authorities can vary the basic LPT rates on residential properties in their administrative areas. These rates can be increased or decreased by up to 15%.

Value Added Tax (changed)

Standard rate/lower rate	23% / 13.5%
Electricity and gas*, and sporting facilities	9%
Flat rate for unregistered farmers (rate decreased)	4.8%
Cash receipts basis threshold	€2m

* 9% rate applying to electricity and gas extended to 31 October 2024
** 0% rate in respect of e-books, audio books and solar panels for schools will be introduced from 1 January 2024
** The VAT registration threshold for goods & services has increased to €80,000 and €40,000.

Deposit Interest Retention Tax (unchanged)

DIRT	33%*

* 41% rate remains for exit taxes on financial products

Dividend Withholding Tax (unchanged)

Rate	25%*

* A modified DWT regime which was to be introduced from 1 January 2021 was deferred. Under the modified regime it is proposed to use real-time data collected under the modernised PAYE system to apply a personalised rate of DWT to each individual taxpayer.

PRSI contribution (changed), Universal Social Charge (changed)

	%	Income
Employer	11.05%	No limit
	8.8%	If income is €410 p/w or less
Employee (class A1)		
PRSI	4% / 4.1%*	No limit**
Universal Social Charge	0.5% (unchanged)	€0 to €12,012***
	2.0% (changed)	€12,013 to €25,760****
	4.0% (changed)	€25,761 to €70,044*****
	8% (unchanged)	> €70,044

* As from the 1 October 2024, the PRSI rate will increase from 4% to 4.1%
** Employees earning €352 or less p/w are exempt from PRSI. In any week in which an employee is subject to a full-rate PRSI, all earnings are subject to PRSI. Unearned income for employees in excess of €3,174 p.a. is subject to PRSI. Sliding scale PRSI credit of max. €12 per week where weekly income between €352 and €424.
*** Individuals with total income up to €13,000 are not subject to the Universal Social Charge
**** Increase in upper limit of the 2% band from €22,920 to €25,760
***** Reduced rate (2.0%) applies for persons over 70 and/or with a full medical card, where the individual's income does not exceed €60,000. This concession has been extended to the end of 2025.

Self-employed PRSI contribution (changed), Universal Social Charge (changed)

	%	Income
PRSI	4% / 4.1%*	No limit**
Universal Social Charge	0.5% (unchanged)	€0 to €12,012***
	2.0% (changed)	€12,013 to €25,760****
	4.0% (changed)	€25,761 to €70,044*****
	8% (unchanged)	€70,045 to €100,000
	11% (unchanged)	> €100,000

* As from the 1 October 2024, the PRSI rate will increase from 4% to 4.1%
** Minimum annual PRSI contribution is €500
*** Individuals with total income up to €13,000 are not subject to the Universal Social Charge
**** Increase in upper limit of the 2% band from €22,920 to €25,760
***** Reduced rate (2.0%) applies for persons over 70 and/or with a full medical card, where the individual's income does not exceed €60,000. This concession has been extended to the end of 2025.

Tax relief for pensions (unchanged)

- Tax relief for pensions remains at the marginal income tax rate
- The Defined Benefit pension valuation factor is an age related factor that will vary with the individual's age at the point at which the pension rights are drawn down
- Except where a Personal Fund Threshold applies, the Standard Fund Threshold is €2m

Rent Tax Credit (changed)

Taxpayers who are renting a property and are not receiving housing supports will qualify for a rent tax credit of €750 per annum. The credit will be doubled in the case of married couples and civil partners. The eligibility for the credit will be extended to parents who pay for their student children's rental accommodation in the case of rent a room accommodation and "digs". This change will also apply retrospectively to the tax years 2022 & 2023.

Rented Residential Relief (Landlords)

A new tax relief introduced for Landlords from 1 January 2024 will provide relief at the standard rate of tax on residential rental income. The tax relief will be as follows:

2023	€3,000
2024	€4,000
2025 & 2026	€5,000

A full claw-back of the benefit of the relief applies in the event the landlord removes from the rental market, within 4 years, any of the rental properties in year 1 when the benefit is claimed. There is no claw-back after the expiry of the 4 year period.

* The relief relates only to tenancies registered with the Residential Tenancies Board (RTB), or where a landlord lets a residential to a public authority (including a local authority).
** In the case of joint ownership of a property, the relief will be divided in proportion to the percentage of the rental income to which each owner is entitled.

Tax relief for remote working (unchanged)

Income tax deduction amounting to 30% of the cost of vouched expenses for heat, electricity and broadband in respect of those days spent working from home.

Capital acquisitions tax (unchanged)

Rate	33%
Thresholds	
Group A	€335,000
Group B	€32,500
Group C	€16,250

Corporation Tax rates (changed)

Standard rate*	12.5% / 15%
Knowledge Development Box rate	10%
Land (not fully developed) and non-trading income rate	25%
Exit tax**	12.5%

* The finance bill will publish legislation to implement the 15% minimum effective rate for large companies (global turnover greater than €750 million) as provided for under the OECD Pillar Two agreement. Effective for accounting periods commensing on or after 31 December 2023.
** Applies to unrealised gains arising where a company migrates or transfers assets offshore, such that they leave the scope of Irish taxation.
*** Research & Development Tax Credit, Increase in the rate from 25% to 30% and increase in the year 1 payment threshold from €25,000 to €50,000.

Stamp duty - commercial and other property (unchanged)

7.5%* on commercial (non residential) properties and other forms of property not otherwise exempt from duty.

* There is a refund scheme available to reduce the rate of stamp duty to 2% on certain residential development property transfers. This has been extended to 31 December 2025

Stamp duty - residential property (unchanged)

1% on properties valued up to €1,000,000

2% on balance of consideration in excess of €1,000,000

10% on the cumulative purchase of 10 or more residential houses in a 12 month period.

Personal Tax Scenarios **2024**

KPMG

Single person employed, earning €45,000, property owner

2024 changes	Euro
Change in Tax Bands	400
Change to Tax Credits	200
Change to PRSI	(11)
Change to Universal Social Charge	167
Net Saving	**€756**

KPMG

Single person employed, earning €45,000, renting

2024 changes	Euro
Change in Tax Bands	400
Change to Tax Credits	450
Change to PRSI	(11)
Change to Universal Social Charge	167
Net Saving	**€1,006**

KPMG

Single person employed, earning €75,000, property owner

2024 changes	Euro
Change in Tax Bands	400
Change to Tax Credits	200
Change to PRSI	(19)
Change to Universal Social Charge	292
Net Saving	**€873**

KPMG

Married couple, one employed earning €60,000, one landlord earning €30,000, property owner

2024 changes	Euro
Change in Tax Bands	400
Change to Tax Credits	900
Change to PRSI	(23)
Change to Universal Social Charge	334
Net Saving	**€1,611**

KPMG

Married couple, both employed, one earning €150,000, one earning €30,000, renting

2024 changes	Euro
Change in Tax Bands	400
Change to Tax Credits	900
Change to PRSI	(45)
Change to Universal Social Charge	385
Net Saving	**€1,640**

KPMG

Unmarried couple, living together, both employed, one earning €80,000, one earning €35,000, property owner

2024 changes	Euro
Change in Tax Bands	400
Change to Tax Credits	400
Change to PRSI	(29)
Change to Universal Social Charge	410
Net Saving	**€1,181**

KPMG

Married couple, both employed, one earning €250,000, one earning €90,000, renting

2024 changes	Euro
Change in Tax Bands	800
Change to Tax Credits	900
Change to PRSI	(85)
Change to Universal Social Charge	585
Net Saving	**€2,200**

KPMG

Married couple, one employed, earning €55,000, three children, property owner

2024 changes	Euro
Change in Tax Bands	400
Change to Tax Credits	400
Change to PRSI	(14)
Change to Universal Social Charge	217
Net Saving	**€1,003**

Create Your Own

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