

GMS Flash Alert

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Ireland - Budget 2022 and Finance Bill 2021 Employment Taxes Updates

Ireland's Minister for Finance announced Budget 2022 on 12 October 2021, with the Finance Bill detailing these measures published on 21 October 2021.¹ The Minister for Finance indicated the stated aim of the Budget is investing in Ireland's future and meeting the needs of today while putting the public finances on a sustainable path.

The main updates from Budget 2022 and the subsequent Finance Bill from an employment tax perspective are outlined in this *GMS Flash Alert*, including changes to the personal income tax bands, tax credits, tax treatment of remote working, and benefits-in-kind treatment for electric vehicles.

WHY THIS MATTERS

Budget 2022 and Finance Bill 2021 introduce a number of welcome measures which are likely to benefit both office holders/employees and employers.

The specific impact of the Budget's measures will depend on each taxpayer's particular set of circumstances. However, in most instances, we expect that an employee's Irish tax burden will reduce as a result of these changes, which, in the case of assignees "touching" Ireland, could mean a reduction in the cost of the assignment to the employer.

It is essential to get in front of these changes and to communicate quickly and clearly with key stakeholders, so that they can properly plan, budget, and make necessary adjustments.

Income Tax Bands

The standard rate band (i.e., 20-percent income tax band) is increased by €1,500 for all earners, raising the single persons' standard rate band to €36,800 and the married persons one earner's standard rate band to €45,800.

Tax Credits

The personal tax credit, employee tax credit, and earned income credit will each rise by €50, from €1,650 to €1,700.

Universal Social Charge (USC)

The USC rates have not been amended in Budget 2022. However, similar to Budget 2021, the USC bands will be adjusted in line with the minimum wage increase such that a full-time worker earning the new minimum wage of €10.50 per hour will be liable to USC at a maximum rate of 2 percent. This will be achieved by increasing the ceiling at which the 2-percent rate applies to €21,295 from €20,687.

Medical card holders who earn less than €60,000 per annum were liable to USC at a maximum rate of 2 percent in the 2021 tax year. This reduced rate of USC was due to cease at the end of 2021 but has been extended up to the end of 2022.

Employer PRSI

The Budget provided for an increase in the employer PRSI threshold from €398 to €410 from 1 January 2022. This aligns the employer PRSI threshold with the remuneration of a full-time employee earning the minimum wage.

Full details of the revised rates and bands are included in the “Tax Rates and Credits 2022,” published by KPMG in Ireland, which can be found [here](#).²

Remote Working

COVID-19 has fundamentally changed the way in which we work, and indeed from where we work. As a result, employers and employees across Ireland had to adapt very quickly to remote working. In a clear recognition that this trend is set to continue, as part of Budget 2022, an enhancement to the current working-from-home income tax relief was announced.

The current tax arrangements for working from home will be enhanced so that an income tax deduction of 30 percent of the cost of vouched expenses for heat, electricity, and Internet service in respect of days spent working from home may be claimed for 2022 and subsequent tax years.

In order to claim remote worker relief an employee must be considered a “remote worker,” which is defined as a person holding an office or employment of profit and who performs duties of his/her office or employment:

- a) on a part-time or full-time basis from a residential premise that he/she occupies as his/her residence,
- or
- b) who works some of his/her normal working time from his/her residential premises with the balance in “some other place.”

The definition of “remote worker” currently does not require a formal agreement to be concluded between the officer/employee and employer regarding remote working arrangements, unlike the current concession.

The remote worker relief from the 2022 year of assessment onwards will be calculated as:

$$30\% \times [(A \times B) / C] - D]$$

A = Heat, electricity, and Internet service expenses

B = Total number of days in the year of assessment the remote worker performed duties of his/her office/employment from his/her residence

C = Total number of days in the year of assessment

D = Any amount of the heat, electricity, and Internet service expenses reimbursed by the employer or to be reimbursed, directly or indirectly.

By comparison, for years of assessment prior to 2022, the remote worker relief is calculated as 10 percent of heat and electricity and 30 percent of broadband (for 2020 and 2021 only) apportioned for the total number of days the office holder/employee worked from home over the total number of days in the year of assessment (please refer to the Revenue e-Working and Tax guide for tax years prior to 2022)³.

Benefit-in-Kind (BIK) on Electric Vehicles

Employers providing company vehicles to employees that are available for their private use results in a BIK arising. By default, in the case of cars, the BIK is calculated as 30 percent of the original market value (OMV) of the vehicle (5 percent in the case of vans). However, this general rule for calculating company vehicle BIK does not apply in respect of electric vehicles – special rules apply which were due to cease on 31 December 2022.

Currently, employees who are provided with an electric vehicle with an OMV of €50,000 or less are entitled to an exemption from a BIK charge. For electric vehicles with an OMV higher than €50,000, the OMV of the vehicle is reduced by €50,000 when calculating the BIK.

Budget 2022 extended the application of the special BIK rules in respect of electric vehicles to 2025; however, a tapering effect will apply from the 2023 year of assessment onwards, such that in calculating the company vehicle BIK, the OMV threshold for electric vehicles for 2023 will decrease to €35,000, then €20,000 for 2024, and finally €10,000 for 2025. This will result in an increased BIK amount payable by employees in these periods.

General BIK Charging Provisions

Finance Bill 2021 provided a legislative basis for a number of BIK Revenue concessions with retrospective application from 1 January 2021.

A BIK will not arise in respect of an expense incurred by an employer relating to the following:

1. Qualifying medical check-ups carried out by a medical practitioner where the medical check-ups are made available generally to all office holders/employees. The BIK concession will only apply once per year of assessment in respect of an office holder/employee.
2. Qualifying medical check-ups where an office holder/employee is required by the terms of his/her office or employment to undergo a medical check-up.
3. COVID-19 tests where the test is required for the individual to perform the duties of his/her office/employment, and the COVID-19 tests are made available generally to all office holders/employees.

4. Flu vaccine where the flu vaccines are made available generally to all office holders/employees. The BIK exemption will also apply where the cost of the flu vaccine is borne by the officer holder/employee and reimbursed by the employer to the office holder/employee.

A point to note is that where employing companies only provide the benefits to specific groups of employees, the BIK exemption will not apply (with the exception of 2 above).

KPMG NOTE

The income tax bands, tax credits, and USC updates will come into effect on 1 January 2022, and should be reflected in the Revenue Payroll Notifications (RPNs) issued by Revenue in January 2022 in respect of office holders/employees. Employers should be aware of these updates as this will impact office holders/employees net pay from this date.

Employers may wish to review the current BIK policies and processes implemented (for example whether the benefits are provided in the first instance, how the cost is borne by the employer directly or by way of reimbursement to the office holder/employee) to determine whether amendments are required in light of the BIK exemptions available in respect of electric vehicles, qualifying check-ups, COVID-19 tests, and flu vaccines.

Given working from home is likely to become the new “norm” for many employers, they may also wish to take this opportunity to inform office holders/employees of the amendment to the current remote worker relief and advise office holders/employees how the relief will be calculated and claimed, as well as what documentation is required to do so.

FOOTNOTES:

- 1 See “[Statement by the Minister for Finance Paschal Donohoe TD on Budget 2022](#)” (12 October 2021) on the Irish government’s website. For communications and analysis of the 2022 Budget and the Finance Bill 2021, see this [website](#) provided by the KPMG International member firm in Ireland.
- 2 “[Tax Rates and Credits 2022](#),” published by the KPMG International member firm in Ireland.
- 3 See “[Revenue’s Tax and Duty Manual, Part 05-02-13, ‘e-Working and Tax’](#)” on the Revenue website.

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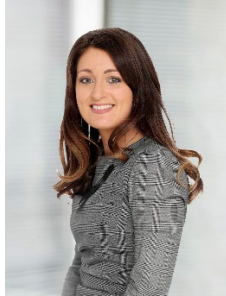
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