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GMS Flash Alert

2022-174 | September 30, 2022

Ireland – Budget 2023 Announced

The Irish Budget for 2023 was announced by Ireland's Minister of Finance on 27 September 2022, and given the current economic challenges facing most, it was positioned as a "Cost of Living Budget," focused on helping individuals, families, and businesses to deal with rising prices.[1] This *GMS Flash Alert* summarises the key changes from employment tax and global mobility perspectives.

For a complete analysis of Budget 2023 from KPMG in Ireland, click here.

WHY THIS MATTERS

Budget 2023 introduce a number of welcome measures which are likely to benefit Irish employees – including international assignees.

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 should help employees to some extent with the current cost-of-living crisis.

In the case of tax equalised/protected employees on assignment in Ireland, these changes should reduce the cost of these assignments to the employer.

Given the impact of these changes to the operation of Irish payroll/shadow payroll, these changes should be communicated to relevant stakeholders as soon as possible, to help ensure that payroll processes and software can be updated in a timely fashion.

In the case of the update to Small Benefit Exemption, employers may wish to factor this increase into their reward strategy/policy for 2022.

Tax Rates and Credits

One of the primary objectives of the Budget is to help ensure that Irish workers do not pay more income tax as a consequence of inflation, and unsurprisingly, the announced increases to the income tax bands and credits were more significant than in recent years. The 2023 tax rates and credits can be found here, and the changes are summarised below:

• There were a number of changes to both the Irish standard rate bands (i.e., 20-percent income tax band) and Universal Social Charge "USC" thresholds/bands.

• The standard personal tax credits have also been increased slightly in most instances.

• A new "Rent Tax Credit" has been introduced for individuals who are living in rented accommodation. This credit has been back-dated, meaning the credit can be claimed in respect of rent paid in 2022 (as well as applying for 2023).

• There were no changes to the PRSI rates.

Special Assignee Relief Programme "SARP"

The Special Assignee Relief Programme ("SARP") was introduced in Ireland from 1 January 2012. The programme was designed to encourage the relocation of key talent within organisations to Ireland. Where certain conditions have been satisfied, SARP relief effectively reduces an employee's marginal income tax rate from 40 percent to 28 percent on employment income exceeding the prescribed threshold, and up to the €1m earnings cap.

In the 2023 Budget, it was announced that SARP has been extended, now applying to those arriving in Ireland before 31 December 2025 – under current legislation, the relief was due to expire on 31 December 2022, for new arrivals to Ireland. It was also confirmed that for new entrants from 2023, the qualifying minimum annual income threshold has been increased to €100,000 (currently €75,000), meaning that fewer people may qualify for the relief from 1 January 2023.

KPMG NOTE

Given the significant tax savings that SARP can give to qualifying employees, this extension is welcome. However, the increase in the threshold was unexpected, and will mean that fewer people qualify for SARP from 1 January 2023.

Whilst we await clarity on any transitional provisions, our current understanding is that for those availing of SARP under the existing regime, the threshold will continue to be €75,000. Therefore, where SARP relief is given via payroll, the SARP calculation may differ by employee depending on the arrival date, adding complexity to employer payroll withholding and reporting obligations.

For further details on SARP, please refer to our flyer – the flyer will be updated as soon as we have more clarity regarding the impact of the announced changes.

Foreign Earnings Deduction

The Foreign Earnings Deduction "FED" was introduced in 2012 to encourage the expansion of Irish multi-nationals overseas, and particularly into emerging markets. Where applicable, the FED can provide tax savings of up to €14,000 per tax year. In the Budget 2023, it has been confirmed that the FED relief has been extended until the end of 2025. Under current legislation, this was due to expire on 31 December 2022.

Further details regarding FED can be found here.

Small Benefit Exemption

Currently, employers can give employees a small non-cash benefit tax-free each year provided it is worth €500 or less, is not issued in lieu of taxable pay, nor capable of being redeemed for cash – this is known as the Small Benefit Exemption.

The Small Benefit Exemption tax-free limit has been increased to €1,000 (previously €500), effective from the current tax year (i.e., 2022). In addition, it was announced that the exemption could now be granted by means of two separate awards (provided the total is less than €1,000).

KPMG NOTE

The Small Benefit Exemption is used by many Irish employers as part of their reward strategy/policy, so these changes will further enhance the benefits of this exemption.

FOOTNOTE:

1 For the Budget speech and related documents, see: https://www.gov.ie/en/campaigns/budget/?referrer=http://www.gov.ie/en/news/dd50f-budget-2023/ .

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Contact us

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