KPMG

GMS Flash Alert

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Ireland - Budget Measures Embodied in Finance Bill 2022

In *GMS Flash Alert* 2022-174, we summarised the key changes announced in the so-called 2023 "Cost of Living Budget" from Irish employment-tax and global-mobility perspectives.[1] These changes have been formalised in the recently-released Finance Bill 2022.[2] The Finance Bill 2022 embodies the Budget proposals as proposed legislative changes, and therefore gives us further clarity regarding the updates which, barring any late changes, will take effect from 1 January 2023.

The Finance Bill 2022 is due to be signed by Ireland's president in late December 2022, at which point the changes are enacted.

WHY THIS MATTERS

The Budget 2023/Finance Bill 2022 introduces some important changes that Irish employers should be aware of, to help ensure continued compliance in Ireland in respect of employment tax matters. In addition, some of the legislative changes impact the application of certain tax reliefs in Ireland. It is important, therefore, that employers (and in some instances, their employees) are aware of these changes so that they can avail of these reliefs as appropriate.

Special Assignee Relief Programme – SARP

1. *Extension of SARP –* As per the Budget announcement, SARP relief will be extended to the end of 2025 (current legislation only applies to those arriving before 31 December 2022).

2. *Increased SARP Threshold –* The qualifying threshold has been increased to €100,000. The Finance Bill confirms that this increase only applies to individuals arriving from 1 January 2023 onwards, so the €75,000 threshold will continue to apply to SARP eligible employees arriving before 31 December 2022, and who continue to meet the qualifying conditions in the relevant tax years.

3. *Personal Public Services Number "PPSN" Now a Legislative Requirement –* The Finance Bill introduces the requirement that SARP applicants must have a PPSN issued to them when making the application. As a reminder, SARP applications need to be submitted within 90 days of first arrival, meaning that PPSN applications should be submitted without delay.

KPMG NOTE

The inclusion of a PPSN within the SARP legislative requirements is potentially onerous – PPSN applications can take up to eight weeks to be processed (sometimes longer), leaving little margin to meet the 90-day application window which is strictly applied. This requirement will therefore mandate that where a SARP-eligible employee does not have a PPSN, he or she should start the PPSN application process as soon as possible following his or her arrival (or even pre-arrival where possible).

In addition, payroll teams should be aware that there are now two different SARP calculations, depending on employees' date of arrival, using €75,000 for those arriving pre-31 December 2022, and €100,000 for those arriving from 1 January 2023. Payroll processes and/or software may need to be updated accordingly.

Finally, employees due to transfer to Ireland in 2023 may wish to consider the merits of arriving prior to 1 January 2023 in order to avail of the lower salary threshold.

The SARP flyer produced by KPMG in Ireland has been updated to reflect these changes.

Small Benefit Exemption

The Bill confirms that an employer will now be permitted to provide up to two qualifying incentives per annum (previously limited to one), and also that the maximum tax-free amount per annum for such incentives has been increased to €1,000. These changes will provide employers with further scope to reward employees in a tax-efficient manner. The Bill also confirms that these amendments will come into immediate effect in 2022, and so the enhanced benefits are available in the current tax year.

KPMG NOTE

The amended wording to the relevant section (i.e., s.112B) suggests that the Small Benefit Exemption be applied in chronological order, i.e., the exemption should be applied to the first and then the second qualifying benefit (subject to the cap). This means that where, for example, an employee receives a €25 euro voucher in January and again in May, followed by a €500 voucher at Christmas, the Christmas voucher is strictly fully taxable (as the third voucher). Employers should consider this when utilising the Small Benefit Exemption, and note that the additional employer reporting requirements announced (see below for further detail) will give Revenue greater visibility to police this.

KPMG in Ireland is in the process of engaging Revenue on this point, to understand the intended application of these changes – existing legislation does not refer to the timing of the small benefits being relevant, and therefore this update could mean a change in approach for some employers.

Cycle-to-Work Scheme

The Bill provides for a further enhancement to the Cycle-to-Work scheme. Currently, employers can provide employees with a bicycle worth €1,500 in respect of e-bikes, and €1,250 in respect of other bikes without giving rise to a taxable benefit-in-kind.

The Bill extends the benefit-in-kind exemption to cargo bicycles and e-cargo bicycles (i.e., pedelec configuration) by increasing the tax-free benefit-in-kind amount to €3,000. This change will take effect from 1 January 2023.

Rent Tax Credit

As the minister announced in the Budget, the Bill provides a tax credit in respect of rental payments. This credit will be available for the years 2022 to 2025 inclusive. The credit per claimant is capped at €500. Jointly assessed couples will be entitled to a maximum credit of €1,000 (i.e., €500 each).

Subject to meeting the required condition, rental payments in respect of an individual's main residence, or a residence to facilitate work or college qualify for relief.

In addition, the credit may also be available to parents who pay rent on behalf of their student child. The child must have entered a college course qualifying for tax relief on tuition fees before reaching the age of 23 in order to be eligible.

KPMG NOTE

The relief will need to be claimed, and whilst we await further detail on the mechanism, it is expected that the claim will be via Revenue's online portal: MyAccount.

Employer Reporting for Certain Benefits

As referenced above, the Bill introduces a new employer reporting requirement, which will be aimed at recording certain tax-free benefits and expenses payments made to employees. Specifically, items covered by the Small Benefits Exemption, "remote daily working allowance" of up to €3.20 per day, and travel and subsistence payments are all included in the reporting requirement.

The proposed legislation confirms that Revenue will provide the prescribed format and manner in which these benefits and expenses will be reported.

KPMG NOTE

KPMG in Ireland will keep readers of *GMS Flash Alert* informed as we learn more about this new requirement.

When introduced, this requirement will place an additional compliance burden on employers. The detail included with these reports will give Revenue greater visibility as to how the exemptions are being applied by employers, making it easier for them to enforce compliance.

Foreign Earnings Deduction (FED) Relief

The Bill confirms that FED relief has been extended until 31 December 2025.

KPMG NOTE

More information from KPMG in Ireland regarding the Foreign Earnings Deduction can be found here.

FOOTNOTES:

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

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/ .

2 For the Finance Bill, see: https://www.oireachtas.ie/en/bills/bill/2022/101/ .

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