

Budget 2024



A Home Run

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BUDGET 2024: A Home Run

If ever a government's priorities were required to shine brightly, it's in Budget 2024, and to a large extent Minister McGrath has succeeded in doing this. His Budget Speech left no doubt that his twin objectives are to reduce Ireland's dependence on foreign industry and to improve the housing market. Moreover, he looked like a man in a hurry.

When it comes to incentives for indigenous industry, we saw a dual strategy. For employees there's lower income tax in the form of increased credits and an increase in the standard rate band while for their employers there was a multiplicity of measures.

Increased R&D credits, a new scheme for Angel investors, accelerated capital allowances for energy-efficient equipment and the increase in the ceiling for deductible investment in projects that qualify for the Employment Investment Incentive all of which point to the need to rebalance Ireland's industry towards native enterprise. But of course the icing on the cake was the retention of the 12.5% rate of corporation tax for indigenous firms. It would have been a disaster to have lost it.

Increased tax credits for those who rent their homes and a temporary mortgage interest relief are aimed at easing the cost burden on those who already have a roof over their heads. The modest tax exemptions for existing landlords are an incentive for them to hang on to their investment properties. And the sharp increase in the Vacant Homes Tax is a nudge to those who are holding empty houses to get out and use them.

Residential Zoned Land Tax always looked like rushed business so the extension of the liability date will bring order to what could have been a chaotic affair.

All in all, this was a busy budget that wasn't lacking in ambition for the domestic market. One, perhaps, for those who get up early in the morning?

INCOME TAX

Income Tax Bands & USC

In light of the continued cost of living crisis, the Minister has announced a €2,000 increase in the standard rate band on which income tax is charged at 20%. The standard rate band for single persons will increase to €42,000 while the increased standard rate band for married couples with one income will increase to €51,000. Married couples with two incomes will see the standard rate band increase to €51,000 for the assessable spouse and the non-assessable spouse will be permitted to earn €33,000 at the 20% standard rate.

The Personal tax credit, Employee tax credit and Earned Income tax credit will all increase by €100 per annum.

Both the Home Carers credit and the Single Person Child Carer tax credit will increase by €100 to €1,800 and €1,750 respectively while the Incapacitated Child Tax Credit will increase by €200 to €3,500.

The 2% USC threshold will increase by €2,840 to €25,760. The 4.5% USC rate will be reduced to 4% from 1 January 2024. The 4% rate will apply to incomes between €25,761 and €70,044. There have been no changes to the USC rates on incomes over €70,044. The top rate of USC for all medical card holders and individuals over the age of 70 who earn less than €60,000 remains at 2% until the end of 2025.

The Minister announced that PRSI contributions are scheduled to increase by 0.1% from 1 October 2024.

BIK Measures

The temporary universal relief of a €10,000 deduction from the Original Market Value of all vehicles falling into Categories A-D will be extended until 31 December 2024.

The €35,000 Original Market Value deduction applied to electric vehicles will be extended until 2025.

Microgeneration of Electricity

Households who generate renewable, sustainable or alternative energy sources for their own consumption and sell the excess back to the national grid will be exempt from income tax, PRSI and USC on the profits generated provided the profits do not exceed €400 in any given calendar year.

Review of the Funds Sector

The Minister has confirmed in his speech that his officials are currently undertaking a review of the funds sector including the Life Assurance Exit Tax (LAET) and Exchange Traded Funds (ETFs). Once the review has been completed, the Minister will consider if any changes to the current taxation framework are appropriate.

PROPERTY TAX

Landlords of Residential Housing

The Minister indicated that 86% of the landlords in the residential housing market own two properties or less. To attempt to encourage them to stay in the housing market a temporary tax relief will be introduced.

The new measure will, subject to various conditions, disregard for the purpose of the standard rate (20%) of income tax the following levels of rental income:

- For 2024: €3,000
- For 2025: €4,000
- For 2026: €5,000
- For 2027: €5,000

It applies only to rental income from tenancies registered with the Residential Tenancies Board, or where a landlord lets a residential property to a public authority. The reliefs are equivalent to a tax credit for landlords of up to €600, €800 and €1,000 respectively.

An important condition of the relief is that the properties held by a landlord must remain in the rental market for four years, otherwise the full amount of the relief will be clawed back.

Tax Credit for Renters of Residential Property

The credit is being increased from €500 to €750 from 1 January 2024. It applies only to tenancies registered with the Residential Tenancies Board and to licences for the use of a room in another person's principal private residence.

Eligibility for the credit will be extended to parents who pay for their student children's rental accommodation under the Rent-a-Room scheme or for "digs". Importantly, the change will also apply retrospectively to the years 2022 and 2023.

The credit is not available to those making use of State housing supports.

Vacant Homes Tax

In a move aimed at bringing more vacant homes into use, the rate of the Vacant Homes Tax is being increased from three times to five times a property's existing Local Property Tax liability. This increase will take effect for the chargeable period commencing on 1 November 2023.

Mortgage Interest Relief

A temporary one-year mortgage interest tax relief scheme is being introduced for homeowners who, on 31 December 2022, had an outstanding mortgage balance on their principal private residence of between €80,000 and €500,000. Those who qualify will be eligible for relief on the increased interest paid on their loan in calendar year 2023 over that paid in 2022. Relief will be given at the standard rate of 20%, subject to a ceiling of €1,250 per property.

The Help to Buy Scheme

The scheme will be extended for a further year until 31 December 2025 and will be amended so as to interact more effectively with the Local Authority Affordable Purchase Scheme (LAAP). The amendment will allow the use of the affordable dwelling contribution to be used for the purposes of calculating the 70% loan-to-value requirement and in this way improve access to the Help to Buy Scheme for all LAAP purchasers. The amendment will come into effect from 11 October 2023.

Residential Zoned Land Tax

The Residential Zoned Land Tax, or RZLT, is calculated at 3% of the market value of land that falls within its scope. It was due to apply from 2024 onwards.

To allow affected landowners a sufficient opportunity to engage with the mapping process, the liability date for the tax is being extended by a year to allow for the planned 2024 local authority mapping review to take place.

The Defective Concrete Products Levy

The levy will be amended so that it will no longer apply to pouring concrete that is used in the manufacture of precast concrete products. A refund scheme is also being put in place to allow those who paid the levy on this type of concrete between 1 September 2023 and 31 December 2023 to reclaim it.

Investor Tax

Angel Investor Tax Relief

The Minister introduced a cut in the Capital Gains Tax (CGT) rate paid by certain “angel” investors in qualifying investments in innovative Small and Medium Enterprises (SMEs).

Individuals who invest a minimum of €10,000 in acquiring between 5% - 49% of the newly issued ordinary share capital of an SME can avail of a CGT rate of 16% on the gain on disposal of their investment. This discounted rate of CGT will apply where the gain is up to twice the value of the initial investment.

The CGT rate increases to 18% if the investment is made by a partnership.

The new relief applies to individual Angel Investors who invest in innovative SMEs for a minimum period of 3 years. The scheme will include a certification process by the investee company and will target investment in SMEs that can demonstrate financial viability.

There will be a lifetime limit of €3 million on gains to which this discounted rate of CGT will apply.

Employment Investment Incentive Scheme (EII)

The Minister confirmed that he will include enhancements to the Employment Investment Incentive Scheme in Finance Bill 2024 that will simplify the management of the scheme and increase the scope for investment by individual taxpayers.

The investment period of the scheme will be standardised to four years for all investments.

Moreover, the amount on which a qualifying investor can claim relief for the four-year investments will double from €250,000 to €500,000.

The scheme provides relief from income tax on the value of qualifying investments in the year of investment. The investor is required to hold his or her investment for a minimum period of four years.

The Minister confirmed that his department will undertake a further review of EII in early 2024 with the aim of further simplifying the scheme.

Business Tax

Implementation of the 15% effective Corporation Tax rate for Large Companies

The Minister announced that Finance Bill 2024 will include legislation to implement the 15% minimum effective tax rate for large companies. This follows extensive discussions with the European Commission and is the culmination of a ten-year global project to reform the taxation of multinational enterprises.

The new global minimum effective tax rate of 15% will apply to multinationals (MNEs) with global turnover of at least €750 million.

Participation Exemption

The Minister confirmed that Finance Bill 2024 will include legislation on a participation exemption for foreign sourced dividends. This follows the publication of a roadmap in September 2023.

A participation exemption for foreign-sourced dividends is a double taxation relief measure, which operates by exempting certain qualifying foreign dividend income received from corporation tax in the hands of the recipient Irish company.

Research & Development Tax Credit

The Research and Development (R&D) tax credit provides a 25% tax credit for qualifying R&D expenditure. Following Budget 2024, the Research and Development (R&D) Tax Credit will be increased from 25% to 30%.

The increase is to ensure that companies subject to the new minimum corporation tax rate of 15% will continue to be able to avail of the benefits of the R & D tax credit initiative while giving further supports to smaller companies, outside the scope of the minimum effective tax rate.

The tax credit is available for companies within the charge to Irish corporation tax in respect of qualifying expenditure on research and development activities undertaken within the European Economic Area. The credit is also available in respect of expenditure on associated plant, machinery and buildings used for qualifying R & D Activities.

The first-year payment threshold will be doubled from €25,000 to €50,000 to provide valuable cash-flow support to companies engaged in smaller R&D projects. The company can choose to offset the R & D tax credit against its corporation tax liability for the current accounting period and preceding accounting period. Where an excess of the R & D tax credit remains after offset, the company is entitled to claim to have that excess refunded to the company by Revenue.

Accelerated Capital Allowances – Energy Efficient Equipment

The Accelerated Capital Allowances (ACA) scheme for Energy Efficient Equipment (EEE) provides a tax incentive for companies and unincorporated businesses who invest in highly-EEE. The scheme will be extended for a further two years to 31 December 2025.

Under the ACA scheme, companies can claim capital allowances on 100% of the value of highly-EEE in the year of acquisition.

Section 481- Film Tax Credit

The Minister confirmed that the maximum qualifying expenditure for the Film Corporation Tax Credit will be increased from €70 million to €125 million, subject to EU State Aid approval. The credit offers tax relief to companies in respect of qualifying expenditure on film and other audiovisual productions. It is currently in place until 2025.

The Department will also begin engagement with the European Commission on developing an incentive for the unscripted production sector (a sector which would include producers of documentaries and reality television).

Key Employee Engagement Scheme

The Key Employee Engagement Programme or KEEP is a tax efficient share option scheme that is available for employees of small and medium-sized enterprises (SMEs). The Minister has confirmed that the changes announced in Budget 2023 have received EU State Aid approval and will be implemented by Ministerial Order shortly.

These changes include the extension of the scheme to 2025 and a doubling of the limit for the total market value of issued but unexercised qualifying share options from €3 million to €6 million.

VAT

The Minister made a number of announcements in relation to VAT measures including:

- The existing VAT registration thresholds will be increased from 1 January 2024. In the case of the supply of services the threshold will be increased from €37,500 to €40,000, and in the case of the supply of goods the threshold will be increased from €75,000 to €80,000.
- The reduced VAT rate of 9% for gas and electricity will be extended for an additional 12 months to 31 October 2024.
- The VAT rate for audiobooks and e-books will be reduced from 9% to zero with effect from 1 January 2024.
- The VAT rate for the supply and installation of solar panels in schools will be reduced to zero.
- The flat-rate addition compensates unregistered farmers for VAT incurred on their farming inputs. The flat rate addition will be reduced from 5% to 4.8% from 1 January 2024.
- The total fund for the Charities VAT Compensation Scheme is being increased from €5 million to €10 million for 2024.

Capital Taxes

Retirement Relief from Capital Gains Tax

Retirement relief operates to relieve a gain on the disposal of a business from Capital Gains Tax. Where certain conditions are met the full amount of the gain on a disposal outside a family can be relieved from tax where the consideration for the disposal does not exceed €750,000 and where the disposer is between the ages of 55 and 66. Where the disposer is aged 66 or over the maximum consideration which can be relieved from tax is €500,000. The Minister announced that in line with the Government policy on the age of retirement, from 1 January 2025 the higher level of relief will be available for disposals occurring between the ages of 55 and 70. The reduced relief will be available for disposals occurring from age 70.

In the case of transfers within the family (generally a disposal to a child) the full amount of the consideration is relieved from tax if the disposer is between the ages of 55 and 66. The Minister announced that the upper age limit is to be extended from age 66 to age 70 from 1 January 2025. On the downside however he also announced that there will be a limit of €10 million on the amount of the relief. Parents wishing to avail of the full retirement relief on transfers of a business to their children will need to act during 2024 if they wish to avoid the €10 million limit.

Consanguinity Relief from Stamp Duty

Consanguinity relief supports the transfer of farms from one generation to the next. The relief operates by reducing the rate of stamp duty on intra-familial transfers of farmland from 7.5% to 1%. This stamp duty relief will be extended by five years to 31 December 2028.

Capital Acquisitions Tax Thresholds

The Minister announced that he intends to recognise the wider familial relationships foster children have with their foster family for inheritance and gift tax purposes. Foster children will be able to avail of the Group B Capital Acquisitions Tax threshold based on their relationship to their foster parents.

Donations of Heritage Items

Tax relief is available to taxpayers who donate heritage items to Irish national collections. A credit equal to 80% of the market value of the item donated can be set against donors' liabilities for income tax, corporation tax, capital gains tax or gift and inheritance tax. The aggregate value of items that can be donated under the scheme in any one year will be increased from €6 million to €8 million with effect from 1 January 2024.

Table of tax rates, bands and credits

Standard Tax Rate Bands	2024	2023
Single / Widowed Standard Rate Cut-Off Point	€42,000	€40,000
Married Couple (one income)	€51,000	€49,000
Married Couple (two incomes provided lower-earning spouse has income of at least €33,000)	€84,000	€80,000
Income Tax Rates	2024	2023
Standard Tax Rate	20%	20%
Higher Tax Rate (balance of income)	40%	40%
Income Tax Credits	2024	2023
Single Person Tax Credit	€1,875	€1,775
Married Person Tax Credit	€3,750	€3,550
PAYE Tax Credit	€1,875	€1,775
Earned Income Tax Credit	€1,875	€1,775
Home Carers Credit	€1,800	€1,700
Home Carers income threshold level	€7,200	€7,200
Single Person Child Carer Credit	€1,750	€1,650
Dependent Relative Tax Credit	€245	€245
Incapacitated Child Credit	€3,500	€3,300
Rent Tax Credit	€750	€500
Blind Person – Single	€1,650	€1,650
Blind Person – Married Couple, Both Blind	€3,300	€3,300
Age Tax Credit – Single / Widowed	€245	€245
Age Tax Credit – Married	€490	€490
Relief for Pension Contributions	2024	2023
Earnings limit for determining maximum tax-deductible pension contributions	€115,000	€115,000
Imputed Distribution from an ARF (Value of Fund at 31 December regarded as an imputed distribution)	2024	2023
Value of fund is €2m or less and individual is not 70 years or over	4%	4%
Value of fund is €2m or less and individual is 70 years or over	5%	5%
Value of fund is greater than €2m	6%	6%
Age Exemption Limits (65 years and over)	2024	2023
Single / Widowed	€18,000	€18,000
Married	€36,000	€36,000

Table of tax rates, bands and credits (cont'd)

PRSI Rates	2024		2023	
	Rate	Band	Rate	Band
Employer PRSI	8.8%	€22,932	8.8%	€22,932
Employer PRSI	11.05%	Balance	11.05%	Balance
Employee PRSI	4%	All	4%	All
Self Employed and Proprietary Directors	4%	All	4%	All
USC Rates	2024		2023	
Exempt Income	€13,000 or less		€13,000 or less	
Lower Rate	€0 to €12,012 @ 0.5%		€0 to €12,012 @ 0.5%	
Higher Rate 1	€12,013 to €25,760 @ 2%		€12,013 to €22,920 @ 2%	
Higher Rate 2	€25,761 to €70,044 @ 4%		€22,921 to €70,044 @ 4.5%	
Higher Rate 3	€70,045 to €100,000 @ 8%		€70,045 to €100,000 @ 8%	
Higher Rate 4	PAYE income in excess of €100,000 @ 8%		PAYE income in excess of €100,000 @ 8%	
Higher Rate 5	Self-employed income in excess of €100,000 @ 11%		Self-employed income in excess of €100,000 @ 11%	
Medical Card Holders / Over 70s	Where income does not exceed €60,000 @ 2%		Where income does not exceed €60,000 @ 2%	

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