

Tax

Budget 2024 highlights

October 2023



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Overview

Budget 2024 is set against the backdrop of three matters that needed careful consideration from the Government, namely signs of falling corporate tax receipts, an inflationary environment that is still affecting cost of living and a continuing housing crisis.

That said the country is at full employment with a record 2.6 million people at work and the exchequer is still forecasting to return a Budget surplus of €10 billion in 2023 and €12.5 billion in 2024.

Last year Minister Donohoe, as Minister for Finance, described Budget 2023 as a "Cost of Living" Budget. This year, as Minister for Public Expenditure, NDP Delivery and Reform, the Minister noted that "this is a Budget for building a better future for this country".

With this forward thinking in mind, the Minister for Finance, Minister McGrath, announced the introduction of two National Funds:

- 1 The Future Ireland Fund and
- 2 The Infrastructure, Climate and Nature Fund.

These funds will be funded by windfall corporation tax receipts.

The Minister was clear that the Future Ireland Fund was not a rainy day fund but rather a fund established to help meet future costs we know are coming in the years ahead.

The Infrastructure, Climate and Nature Fund will be designed to be counter cyclical and will provide support in times of fiscal and economic difficulties.

These are both welcome and represents long-term strategic thinking that politicians are often accused of not enacting in the interesting of short-term goals that may resonant more with the electorate.

As is expected there are a number of measures in the Budget aimed at the cost of living issue facing society. In addition to increases in the Standard Rate Cut Off point and tax credits, there are increases in child care support and the child allowance, and the introduction of a limited form of mortgage interest relief. Further energy cost measure are included to counteract the increased cost of energy and the rent credit is also seeing an increase.

In an effort to reduce the exodus of small scale landlords from the rental market, anticipated measures have been introduced in the form of a tax credit against rental income.

Other housing related measure include the extension of the Help to Buy scheme and an increase in the rate of Vacant Homes Tax.

A number of business-friendly measures were also announced in Budget 2024.

The introduction of a new targeted capital gains tax relief for Angel Investor in innovative start-up SMEs is to be welcomed.

The R&D Tax credit is being increased from 25% to 30%. For large multinationals that are facing the new 15% rate of tax from next year, the increase will offset what would have been lost by this new rate of corporation tax. However, for companies who are still subject to the 12.5% rate of corporation this will represent a welcomed increase relief.

VAT registration thresholds are being increased for the first time in quite a few years.

Overall Budget 2024 represent a package of measures that come to €14 billion. In many ways it could be said that Budget 2024 has tried to keep the ship steady in terms of the measures while trying to give something to as many people as possible. A lot of extensions to existing schemes have been announced without the introduction of any radical new reliefs.

We hope you find our commentary on Budget 2024 insightful and informative. If you have any questions on what the measures mean for you or your business, please contact a member of the BDO Tax Team.

Derek Henry

Head of Tax

10 October 2023

Business Tax

International Tax Reform

As expected, Minister McGrath confirmed that legislation will be brought forward to transpose the EU Minimum Tax Directive in Finance Bill 2023 which is ahead of the transposition deadline of 31st December 2023. This means that a minimum effective corporate tax rate of 15% (Pillar Two) will apply to the profits of 'large' enterprises - those whose annual turnover exceeds €750 million - from next year. However, due to the expected delay in global agreement on Pillar One, it will be 2026 before there is any impact on government receipts.

As Ireland's existing headline corporation tax rate of 12.5% is below the Pillar Two rate of 15%, the legislation will provide for a Qualified Domestic Minimum Top-up Tax (QDMTT) to apply from 1 January 2024.

Companies/Groups outside the scope of Pillar Two will remain subject to the 12.5% rate and the existing tax regime in Ireland.

Participation Exemption

The Minister also referenced his recent announcement that a participation exemption for foreign sourced dividends will be legislated for in Finance Bill 2024 (due for publication in November 2024).

While the introduction of a participation exemption for dividends is to be welcomed, it is disappointing that it is not being introduced this year, in conjunction with the introduction of the Pillar Two rules, as was indicated in last year's Budget speech.

Reform of Interest Deductibility Rules

On a more positive note, however, the Minister announced his commitment to engaging with stakeholders in the period ahead on Ireland's current regime for interest deductibility, noting its complexity. Hopefully this engagement can happen soon with a view to seeing some simplifying measures in Finance Bill 2024.

Fund Sector 2030

There is currently an ongoing review of the Funds Sector. The Minister noted that he expects to receive the review in Summer 2024 and that following it's completion, he will consider whether any changes to the current taxation framework are appropriate.

R&D Tax Credit Regime

There were two welcome changes regarding the R&D tax credit regime. These changes relate to both the applicable credit rate and minimum repayment amounts:

R&D Tax Credit Rate Increase

As part of the incoming 15% global minimum tax rate (referenced above) the R&D tax credit will be treated as taxable income. In a welcome move to mitigate the impact of this the R&D tax credit rate has been increased from 25% to 30%. This will be applicable from 2024 (i.e. for claims to be filed in 2025).

R&D Tax Credit First Instalment Increase

Recent changes to the R&D tax credit regime mean that the credit will be paid in three instalments over three years, regardless of the tax position of the claimant company. The first instalment was set as the higher of 50% of the value of the credit, or €25,000.

The Minister announced that this first instalment threshold has been increased from €25,000 to €50,000. This is a welcomed change, particularly for SME's where cash flow during the R&D phase of their lifecycle is particularly important.

Carbon Tax

The rate per tonne of CO2 emitted for petrol and diesel will increase from €48.50 to €56.00 from 11 October 2023 as per the trajectory set out in the Finance Act 2020. This increase will be applied to auto diesel and petrol with effect from 11 October 2023 and to all other fuels with effect from 1 May 2024.

Irish Property Related Measures

Help-to-Buy Scheme Extended

The Help to Buy (HTB) incentive is a scheme for first-time home buyers. Budget 2024 extends the scheme until 31 December 2025, offering first-time buyers a tax rebate of up to €30,000 on the purchase of new build homes.

The scheme has also been amended with effect from 11 October 2023 to allow access to purchasers that are availing of the Local Authority Affordable Purchase Scheme (LAAP). The affordable dwelling contribution received through LAAP can be used for the purposes of calculating the 70% loan-to-value requirement of the HTB scheme.

Landlords Rented Residential Relief

A new tax relief for landlords will be available from 2024 which will give relief at the standard rate of income tax (currently 20%) on certain amounts of rental income. The maximum amounts on which relief can be claimed are as follows :

- €3,000 for tax year 2024
- €4,000 for tax year 2025
- €5,000 for tax year 2026
- €5,000 for tax year 2027.

The relief will apply only to tenancies that are registered with the Residential Tenancies Board, or where the property is let to a public authority.

The relief will be clawed back where the landlord removes any of the properties held in year 1 from the rental market within a four-year period.

Vacant Homes Tax

The rate of the Vacant Homes Tax will increase from three times to five times the property's LPT liability. This increase will apply to the next chargeable period, which begins 1 November 2023.

Defective Concrete Products Levy

The Defective Concrete Products Levy came into effect on 1 September 2023, with an aim of offsetting some of the cost to the State of the Defective Concrete Blocks (Mica) Redress Scheme.

Budget 2024 amends the levy so that it will no longer apply to the pouring concrete used in the manufacture of precast concrete products. A refund will be available for those who have paid the levy on such concrete between 1 September 2023 and 31 December 2023.

Residential Zoned Land Tax

The Residential Zoned Land Tax (RZLT) was introduced in Finance Act 2021 and was to apply to land which is zoned suitable for residential development and is serviced but has not been developed for housing.

The Minister announced today that the liability date of the tax will be extended by one year to 1 February 2025 to allow for the planned 2024 review of maps to take place and to afford those affected a further opportunity to engage with the process.

Bank Levy

A revised bank levy is being introduced in 2024 which will apply to those banks that received financial assistance from the State during the banking crisis (AIB, EBS, Bank of Ireland and PTSB) and will have a revenue target of €200 million.

Agri-Business

Consanguinity (Stamp Duty) relief is being extended to 31 December 2028. It reduces the rate of stamp duty from 7.5% to 1% on inter-family transfer of farmland.

Accelerated capital allowances (50% per annum) on certain farm safety equipment to 31 December 2026

Young Trained Farmer (Stamp Duty) Relief, Stock relief for Young Trained Farmer and relief for succession farm partnerships are being amended to increase the aggregate lifetime amount of the relief from €70,000 to €100,000 from 1 January 2024.

Stock relief (Registered Farm Partnerships) is being increased from €15,000 to €20,000 for qualifying periods commencing on or after 1 January 2024

Land Leasing Income Tax Relief is amended so applies to land that is owned for 7 years.

Film Relief

There is an increase in the current project cap on qualifying expenditure for the Film Tax Credit, extending it from €70 million to €125 million.

Personal Tax

Income Tax Rates, Bands, Tax Credits and Exemption Limits

The income tax standard rate band is increased from €40,000 to €42,000 for single individuals, and from €49,000 to €51,000 for married couples/civil partners with one earner.

The Personal Tax Credit, the Employee Tax Credit (PAYE Credit) and Earned Income Credit for self-employed, are all increased from €1,775 to €1,875.

The Home Carer Tax credit is increased from €1,700 to €1,800.

No changes were made to Income Tax rates.

Pay Related Social Insurance (PRSI) & Universal Social Charge (USC)

There will be an increase of 0.1% in all PRSI contributions rates from 1 October 2024.

The 4.5% rate of USC has been reduced to 4%

The 2% USC band has been widened so that it applies on income of €12,013 to €22,760. This is to ensure that people on the national minimum wage will not see the recent increase push them into the 4.0% USC band.

All USC changes are effective from 1 January 2024.

Rent Tax Credit

The rent tax credit introduced in Budget 2023 is being increased from €500 to €750 with effect from 1 January 2024.

The credit is now also available to parents who pay for their student children's rental accommodation in the form of "digs". The credit can be claimed retrospectively for 2022 and 2023 in these cases.

Mortgage Interest Relief

A temporary one-year mortgage interest tax relief is being introduced for individuals in respect of their mortgage on their principal private residence (i.e. does not include rental properties) in Ireland where:

- the outstanding mortgage balance was between €80,000 and €500,000 on 31 December 2022, and
- the individual is compliant with all Local Property Tax (LPT) requirements.

Relief will be available at a rate of 20% in respect of the increase in interest paid between the calendar year 2022 compared to the calendar year 2023.

The relief is capped at €1,250 per property and must be claimed by filing a tax return with Revenue.

Further details will be contained in the Finance Bill. However it is anticipated that individuals should be able to claim the relief in early 2024 by way of a credit against the taxpayer's 2023 income tax liability.

Benefit in Kind on Company Cars

The government introduced legislation in April 2023 to reduce the taxable BIK on company cars for the 2023 tax year only. This was achieved by allowing a €10,000 reduction to the original market value. This reduction applied to all company cars aside from those cars falling into the highest CO2 emissions category (more than 179g/km). This temporary relief has now been extended to 2024.

The tax relief applicable to electric cars will remain at €35,000 for 2024. It was originally legislated to be reduced to €25,000. The revised tapering of this relief will be as follows:

Tax Year	Relief (€)
2024	35,000
2025	20,000
2026	10,000
2027	NIL

Furthermore, it is understood that electric vehicles will continue to qualify for the above €10,000 relief. On this basis, the total relief for electric vehicles in 2024 will be €45,000.

Share Based Remuneration

Key Employee Engagement Programme (KEEP)

KEEP is a tax efficient share option scheme whereby a participant is given an option to acquire shares at a future date at affixed price. However the participant will not have to pay tax when the option is exercised even if the shares have increased in value. There are a significant number of qualifying conditions. The Minister has announced that EU State aid approval has been obtained in respect of certain proposed amendments announced in Finance Act 2022. The amendments include the extension of the scheme to the end of 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. The Minister announced these amendments will be brought into effect shortly.

Consultation Process

The Minister also announced an upcoming public consultation on share-based remuneration. The Minister highlighted in his speech the increasing importance that business places on share-based remuneration in rewarding and retaining employees and the continued globalisation of the workforce

Relief for Investment in Corporate Trades

A number of changes were announced to the Employment Investment Incentive changes will be apply from 1 January 2024 and are summarised as follows:

- The minimum holding period in order to obtain the relief is now 4 years for all investments.
- The amount of qualifying investment that an investor can claim relief on is going to increase to €500,000 (€500,000 was previously available for investments post 1 January 2020 subject to an extended vesting period of 7 years).
- Further changes are expected to be implemented in Finance Bill 2023 to reflect amendments to the EU General Block Exemption Regulations. At a high level these amendments deal with revision to risk finance aid.
- The amendments outline the conditions that an eligible undertaking must meet to avail of initial risk finance investment as well as amendments to expansion risk finance and follow on risk finance. The amendments also outline the maximum amount of relief that can be obtained depending on the type of risk finance investment being undertaken.

Capital Taxes

Capital Gains Tax

The rate of Capital Gains Tax remains unchanged at 33%.

“Angel” Investment

Minister McGrath announced a new relief from capital gains tax (“CGT”) for “angel investors” in innovative start-ups. Qualifying investors will be able to avail of an effective reduced rate of CGT of 16%, or 18% if the investment is made through a partnership.

The relief will be available for investors who meet the following criteria;

- The investment is in an innovative start-up which is a small and medium enterprise (“SME”).
- The investment is held for a period of at least 3 years.
- The investment is in the form of fully paid-up newly issued shares of at least €10,000.
- The investment must also constitute between 5% and 49% of the ordinary issued share capital of the company.

The relief will be available on a gain up to twice the value of the initial investment. There is also a lifetime limit of €3 million on gains to which the reduced rate of CGT will apply.

It should also be noted that the scheme will also include a certification process. This is to ensure the relief is targeted at innovative SMEs. Applicants will need to be able to demonstrate financial viability and compliance with the requirements of the EU General Block Exemption Regulation (“GBER”). This certification process will be administered by Enterprise Ireland.

Further details will be outlined in Finance Bill 2023.

Retirement Relief

The age limit for retirement relief will be increased from 66 years to 70 years for qualifying individuals claiming the maximum relief. The Minister also introduced a new maximum limit of €10m for disposals to a child up until the age of 70.

Both of these changes will take effect from 1 January 2025.

Capital Acquisitions Tax

The rate of Capital Acquisitions Tax remains unchanged at 33%.

All the Group tax-free thresholds which applies to gifts/inheritances have remained unchanged.

Foster children will be able to avail of the Group B Capital Acquisitions Tax threshold, €32,500, based on their relationship to their foster parents.

Stamp Duty

Consanguinity Relief has been extended by 5 years to 31 December 2028. Consanguinity Relief is available when transferring farmland between certain family members. This reduces Stamp duty from 7.5% to 1% on family farm transfers that qualify for the relief.

Young Trained Farmers and Succession Farm Partnerships. Stamp Duty relief to be amended to increase the aggregate lifetime amount of relief available to a person, from €70,000 to €100,000. This amendment to come into effect 1 January 2024.

VAT & Excise

Electricity and Gas

The temporary 9% VAT rate for the supply of electricity and gas has been further extended until 31 October 2024.

Registration Thresholds

The VAT registration thresholds will be increased to €40,000 for services and €80,000 for goods with effect from 1 January 2024. The current registration thresholds €37,500 for services and €75,000 for goods.

Ebooks and Audio Books

VAT on e-books and audio books will be reduced to 0% from 1 January 2024.

Supply & Installation of Solar Panels for Schools

The zero % VAT rate for the supply & installation of solar panels (which was introduced for private dwellings earlier this year) will be extended to schools with effect from 1 January 2024.

Charities VAT Compensation Scheme

The total annual cap for the Charities VAT Compensation Scheme is being increased from €5million to €10 million. This scheme aims to reduce the VAT burden on charities by partially compensating them for VAT paid on related expenses.

Digital Advances to modernise Ireland's VAT Invoicing and Reporting System

The Minister announced that the Revenue Commissioners will shortly launch a Public Consultation on how Ireland can use digital advances to modernise Ireland's VAT invoicing and Reporting System.

We would very much encourage all stakeholders to submit their views and proposals on this initiative.

Farmers Flat Rate Addition

The VAT Flat Rate Addition will decrease from 5% to 4.8% with effect from 1 January 2024. The Flat Rate Addition compensates farmers who are not VAT registered for VAT incurred on their purchases.

Excise

The temporary excise rate reductions applying to auto diesel, petrol and marked gas oil which were due to expire on 31 October 2023 are being extended until 31 March 2024.

Half of the outstanding amounts of 8 cents on petrol, 6 cents on diesel and 3.4 cent on Marked Gas Oil will be restored on 1 April 2024, with the balance restored on 1 August 2024.

An additional 75 cent has been added to the price of a packet of 20 cigarettes with a pro-rata increase on other tobacco products.

Appendices

Budget 2024 tables



Income Tax & USC

Tax rates	2024	2023
Standard tax rate	20%	20%
Higher tax rate	40%	40%
Standard rate bands		
Single/widowed	€42,000	€40,000
Married couple/civil partnership one income	€51,000	€49,000
Married couple/civil partnership two incomes	€84,000	€80,000
One parent family	€46,000	€44,000
Tax credits		
Single person	€1,875	€1,775
Married couple/civil partnership	€3,550	€3,550
Single person child carer	€1,750	€1,650
PAYE	€1,875	€1,775
Earned income	€1,875	€1,775
Home carer (maximum)	€1,800	€1,700
Rent (Single)	€750	€500
Incapacitated Child	€3,500	€3,300

Universal Social Charge (USC) - Income €13,000 or less exempt.

2024		2023	
First €12,012	0.5%	First €12,012	0.5%
€12,013 - €25,760	2%	€12,013 - €22,920	2%
€25,761 - €70,044	4%	€22,921 - €70,044	4.5%
Balance over €70,045	8%	Balance over €70,045	8%
Relevant income > €100,000	11%	Relevant income > €100,000	11%

PRSI

Tax rates	2024	2023
Class A Employee PRSI (*0.1% increase from October 1 st 2024)	4.1%	4%
Employer PRSI on weekly income	8.8% (not exceeding €398)	8.8% (not exceeding €395)
Employer PRSI on weekly income	11.05% (over €398)	11.05% (over €398)
Self-employed PRSI	4.1%	4%

Corporation Tax

Standard rate	12.5%
Knowledge Development Box	10%
Non-trading income rate	25%

Capital Gains Tax

General rate	33%
Entrepreneur relief (<i>reduced rate</i>)	10%
Annual exemption	€1,270
Retirement Relief	Age extended from 66-70 years
Angel Investor Capital Gains Tax Relief *	

Stamp Duty

Residential property valued <€1m	1%
Residential property valued >€1m	2%
Residential (at least 10 relevant units)	10%
Non-residential property (other than policies of insurance)	7.5%
Shares (subject to some exceptions)	1%
DIRT	33%

Capital Acquisition Tax

General rate	33%
Group A threshold	€335,000
Group B threshold	€32,500
Group C threshold	€16,250
DWT	25%

VAT

Standard rate	23%
Reduced rate	13.5%
Reduced rate for electricity & gas (12 month extension to 31 October 2024)	9%

FOR MORE INFORMATION:

DUBLIN
(01) 470 0000

LIMERICK
(061) 414 455

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