

FDC GROUP GUIDE

# Budget 2020

SUMMARY

*The Minister for Finance, Paschal Donohue introduced his third Budget today. In addition to a number of tax and spending changes significant funds have been set aside to assist with the potential consequences of a hard Brexit.*

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# Income Tax

## TAX CREDITS

- Earned income credit increased by €150 to €1,500.
- Home carer credit increased by €100 to €1,600.

## UNIVERSAL SOCIAL CHARGE

- One year extension of reduced rate of USC for Medical Card holders.

## EXTENDED

- 0% BIK charge on qualifying electric vehicles extended to 2022.
- SARP and FED schemes extended to 31 Dec 2022.
- Help to Buy scheme for first time buyers extended by 2 years to 31 Dec 2021.

## KEEP SCHEME

Amended to allow group companies to qualify and definition of qualifying employee extended to include part time workers. Also amended to allow existing shares to qualify. Amendments subject to State Aid approval.

## EIIS SCHEME

EIIS rules changed to allow full income tax relief in year of investment rather than over years one and four. The annual investment limit is increased from €150k to €250k, with a further increase to €500k for investors who commit to invest for ten years or more.



Help to buy  
scheme extended  
by 2 years



R&D tax credit  
change 25% to  
30% for SMEs

# Corporation Tax

## **DIVIDEND WITHHOLDING TAX**

With a view to addressing income tax avoidance on investment income, the dividend withholding tax rate for Irish companies will be increased from 20% to 25% from 1 Jan 2020. From 2021 the DWT rate will be linked to the shareholders marginal income tax rate, based on information available under the newly modernised PAYE system.

## **R&D TAX CREDIT**

The R&D tax credit rate will be increased from 25% to 30% for micro and small companies. Furthermore, R&D relief will now be available for pre-trading expenditure against VAT and payroll tax liabilities. For all claimants, the existing 5% expenditure limit in respect of outsourcing to third level institutes of education will increase to 15%.

## **ANTI-HYBRID MISMATCH RULES**

As required by the EU, Anti-Tax Avoidance Directive, anti-hybrid mismatch rules will be introduced from 1 Jan 2020.

## **TRANSFER PRICING**

Ireland's transfer pricing rules will be updated with effect from January 2020 to bring them into line with the latest OECD guidelines while also extending our rules to SMEs and non-trading transactions.

## **EXIT-TAX**

Introduction of Anti Tax Avoidance Directive [ATAD] compliant exit tax regime from midnight 9 October 2018.

## **CONTROLLED FOREIGN COMPANIES [CFC] RULES**

Introduction of anti-abuse measure, to prevent diversion of profits to offshore entities in low or no-tax jurisdictions.

# Capital Taxes

## GROUP A THRESHOLD

Which applies to gifts/inheritances from parents to children, will increase from €320,000 to €335,000 from 9th October 2019.

## CGT ENTREPRENEUR RELIEF

No changes announced to the CGT Entrepreneur Relief, although consideration is to be given to output from recent Indecon external review of the relief to determine whether changes may be appropriate in the future.

## CGT FARM RESTRUCTURING RELIEF

Extended to 31 Dec 2022.



Group A CAT  
threshold  
increase to  
€335,000



Stamp duty  
on commercial  
property  
increased

# Stamp Duty

## RATE ON NON-RESIDENTIAL PROPERTY TRANSFERS

The rate of stamp duty has been increased from 6% to 7.5% with effect from 9 October 2019.

## REFUND SCHEME FOR RESIDENTIAL DEVELOPMENT

Refund scheme for residential development will be amended to take account of the increased stamp duty rate for non-residential property, thereby maintaining the effective rate at 2%.

## ANTI-AVOIDANCE

In an anti-avoidance measure, stamp duty at 1% rate will now apply to a scheme of arrangement where there is an acquisition of a company by way of a “cancellation scheme”.

# Indirect Taxes

## CARBON TAX

Carbon tax increased by €6 to €26 per tonne from Budget night for auto fuels. Increase will take effect from May 2020 for other fuels including home heating fuels.

## VRT

- VRT Environmental Health Nitrogen Oxide (NOx) surcharge replacing the 1% diesel car surcharge introduced in 2018. Applicable to all passenger cars registered in the State after January 2020.
- VRT reliefs extended for hybrids and plug-in hybrid electric vehicle (PHEVs) to 2020 subject to emissions limits.

## VAT

Reduction in qualifying CO2 thresholds for recovering VAT on commercial vehicles.

## DIESEL REBATE SCHEME

The diesel rebate scheme used by road haulage operators and passenger transport operators will be modified to provide relief from the increase in carbon tax.

## BETTING

Relief from betting tax being introduced for independent bookmakers and betting intermediaries up to an annual limit of €50,000.

## EXCISE DUTY

Increase in excise duty of 50c on a packet of 20 cigarettes from Budget night.

## ALCOHOL PRODUCTS TAX

Production ceiling for qualification for relief from alcohol products tax for microbreweries will be raised to 50,000hl.



Carbon tax  
change applies  
to auto fuel from  
midnight



Brexit funding  
€1.2 billion

# Financial Services - Changes targeted at institutional investors

## **IREFS**

Introduction of limitations on interest expenses by Irish Real Estate Funds (IREFs), thus increasing the potential ultimate exposure to IREF Tax.

## **SECTION 110 SECURITISATION VEHICLES**

Anti-avoidance provisions for Section 110 securitisation vehicles strengthened to ensure that they operate as intended.

## **REITS**

- Application of dividend withholding tax to distributions of proceeds from the disposal of rental properties by REITs.
- Existing provisions allowing re-basing of property values when a company ceases to be a REIT now being limited unless REIT has been in operation for a minimum of 15 years.

# Brexit & Other measures

- €1.2 billion has been allocated for Brexit measures across a number of departments.
- In supporting the Agriculture, Enterprise and Tourism sectors, €650m will be dedicated to assist the most affected citizens and regions. Of this, €220m will be deployed immediately in the event of No Deal.
- €110m will be introduced to help fund emerging businesses who would be especially affected by a no deal Brexit.



- An extra €365m will be provided for Social Protection expenditure on the Live Register and related schemes with a further €45m being made available for retraining and new employment opportunities.
- As committed in Budget 2019, despite Brexit and other pressures on Exchequer finances, €1.5 billion will be transferred from the Ireland Strategic Investment Fund to the Rainy Day Fund, but the additional annual Exchequer contribution of €500 million for 2020 will be deferred.