

## 2021

## AN OVERVIEW...

**Budget 2022 looks more positive by contrast to Budget 2021, where we saw unprecedented levels of financial supports being provided to support the Irish economy because of COVID-19 and a no deal Brexit looming. This year is a testament to the changing economic landscape.**

Budget 2022 is based on an economic atmosphere where we have seen strong GDP growth in 2021 and an improvement in public finances created by strong taxation receipts.

The key changes and developments on the tax measures announced are as follows:

#### EMPLOYMENT AND INDIVIDUAL TAXES

Increases to the Personal, PAYE and Earned Income Credits of €50.

The Help-to-buy Scheme has been extended to December 31, 2022.

Also announced was the availability of a 30% deduction from income tax for heat, electricity, and broadband costs for those working from home on a statutory basis.

For employers, the Finance Bill extends the Employment Wage Subsidy Scheme (EWSS) to April 30, 2022, albeit on a tapered basis. Finance Bill 2021 introduces an exemption from a BIK charged in respect of employer provided Covid-19 tests where the test is necessary for the performance of the duties of employment, and it also introduces an exemption for employer provided flu vaccines.

#### BUSINESS

The extension, on a graduated basis, of the Employment Wage Subsidy Scheme (EWSS) to April 2022 in three stages was a welcome announcement for employers.

Further changes to the Employment Investment Incentive (EII) scheme are introduced to encourage the flow of much needed seed/early-stage investment capital. The scheme is opening to a wider range of investment funds than before.

Enhancements to the corporation tax exemption for start-ups has been extended by five years to December 31, 2026. For companies who commenced to carry on the qualifying trade on or after 01/01/2018 the exemption can now be claimed for a period of five years. The existing three-year period applies in all other cases.

#### FARMING

There were several existing reliefs extended under the farming sector, these include:

General stock relief extended to December 31, 2024.

The enhanced stock relief for young, trained farmers (100%) and registered farm partnerships (50%) has been extended for 1 year.

The stamp duty exemption for young, trained farmers has been extended and are now due to expire on December 31, 2022.

The farmers' flat rate VAT addition will be reduced from the current 5.6% to 5.5% for the year 2022.

#### DIGITAL GAMING CREDIT

The Bill also introduces a new tax credit for the digital gaming sector. The relief will take the form of a refundable corporation tax credit available to digital games development companies for qualifying expenditure incurred on the design, production, and testing.

As this will require EU state aid approval, it is to be introduced subject to a commencement order.

#### CORPORATION TAX RATE

An effective Corporation Tax rate of 15% will apply to companies with a turnover of more than €750 million, for companies with a turnover of less than this the 12.5% rate remains.

#### CAPITAL ALLOWANCES

The accelerated capital allowance scheme for gas vehicles and refuelling equipment has been extended for 3 years and will now include hydrogen powered vehicles and refuelling equipment, equipment directly operated by fossil fuels will now be prohibited from qualifying for the accelerated capital allowance scheme for energy efficient equipment.

#### CLIMATE CHANGE

A Carbon Tax increase of €7.50 up from €33.50 to €41.00 per tonne of carbon dioxide emitted. This applies from 13 October 2021 for auto fuels and 1 May 2022 for all other fuels.

The Benefit-in-Kind (BIK) exemption for battery electric vehicles is extended to 2025.

The Vehicle Registration Tax (VRT) rates tables have been revised from 1 January 2022. there will be a 1pc increase for cars in bands 9-12 (111g/km to 130g/km). Those in bands 13-15 (131g/km to 145g/km) will be hit with a 2pc hike in VRT, while the most polluting cars of all – those in bands 16-20 (from 146g/km) – face a 4pc increase.

The €5,000 relief for battery vehicles (BEVs) has been extended up to the end of 2023.

#### PROPERTY

The Help to Buy scheme has been extended, in its current form, for another year to the end of 2022.

The relief for pre-letting expenses incurred by residential landlords has been extended for a further 3 years.

A new zoned land tax has been introduced. An annual 3% tax (based on the market value of the land) will apply to serviced land which is zoned for residential development. There will be a two-year lead-in time for land zoned before January 2022 (three years for land zoned after January 2022). This will replace the vacant site levy.

