Rialtas na hÉireann
Government of Ireland

Budget 2020

Summary of 2020 Taxation Measures

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SUMMARY OF 2020 BUDGET MEASURES

POLICY CHANGES

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Summary of Budget 2020 Measures – Policy Changes

Taxation Measures for Introduction in 2020

Measure	Yield/Cost 2020	Yield/Cost Full Year
Personal Income Tax		
Income Tax		
An increase in the Home Carer Tax Credit from €1,500 to €1,600	-€7m	-€8m
An increase in the Earned Income Credit from €1,350 to €1,500	-€20m	-€35m
USC		
1 year extension of reduced rate of USC for medical card holders	-	-
Measures to support Enterprise/SMEs/Agri-sector	-€30m	-€90.9m
Key Employee Engagement Programme (KEEP)		
Enhancements to the programme		
Employment and Investment (EII)		
Enhancements to the programme		
Special Assignee Relief Programme (SARP)		
Extension in its present format until 31 December 2022.		
Foreign Earnings Deduction		
Extension in its present format until 31 December 2022.		
Research and Development Tax credit • Enhancements to credit for small and micro companies. • Increase third level outsourcing limit.		
Microbrewery relief		
Production ceiling for qualification raised from 40,000hl to 50,000hl		
Diesel Rebate Scheme		
Relief for users of the scheme from increase in carbon tax		
Betting Tax		
Introduction of a relief from betting duty and betting intermediary duty up to a limit of €50,000 per calendar year. This relief only applies to single undertakings.		
Extension of Section 604B Capital Gains Tax Relief for Farm Restructuring		

Housing		
Help to Buy (HTB) Extension in its present format until 31 December 2021.	-€40m[1]	-€40m
Living City Initiative Extension in its present format until 31 December 2022	-	-
Climate and Environmental measures		
Carbon Tax Increase the rate by €6 to €26 per tonne	+€90m	+€130m
Electricity Tax Equalise the rate for businesses with that of non-business	+€2.5m	+€2.5m
Vehicle Registration Tax VRT Environmental Health (NOx) Surcharge	+€25m	+€25m
Extension of VRT relief for hybrids and plug-in hybrid electric vehicles	-	-
Anti-Avoidance		
Allowance for capital expenditure on scientific research • Correction of unintended additional relief	+€4m	+€4m
Corporation Tax – Collective Property Investment **Corporation Tax – Compliance Measures** • Irish Real Estate Funds (IREFs) and Section 110 anti-avoidance • Real Estate Investment Trusts (REITs) – capital disposals	+€80m	+€80m
Corporation Tax – BEPS Implementation • Introduction of Anti-Hybrid Rules (EU Anti-Tax Avoidance Directive – ATAD) • Modernisation of Transfer Pricing rules	+€10m	+€10m
Stamp Duty on Schemes of Arrangement involving a 'Cancellation Scheme' where used for the sale of a Company The Stamp Duties Consolidation Act 1999 will be amended by financial resolution to provide that a stamp duty charge of 1% is applicable where a scheme of arrangement, in accordance with Part 9 of the Companies Act 2014, is used for the acquisition of a company.		

[1] Full cost of this measure is estimated to be €100 million of which €60 million is in the tax base.

Additional Taxation Measures		
Tobacco Products Tax Increase in 50c on pack of 20 cigarettes with pro-rata increase on other tobacco products	+€57.1m	+€57.1m
Increase in Stamp Duty on Non-residential Property The rate of stamp duty applicable to non-residential property transactions will be raised from 6% to 7.5% from Budget night. This will be subject to transitional arrangements whereby the existing 6% rate will apply to instruments executed before 1 January 2020 where a binding contract existed prior to Budget day (8th October 2019). Consequential amendments will also be made to the legislation relating to the repayment of stamp duty where the land involved is subsequently used for residential development, so as to ensure that the rate of stamp duty chargeable after a full refund remains at 2%.	+€141m	+€141m
Amendment to section 126AA of SDCA 1999 – Further Levy on Certain Financial Institutions (Bank Levy) Section 126AA of the Stamp Duties Consolidation Act 1999 will be amended by Financial Resolution in order to increase the rate of the "Bank Levy" from 59% of DIRT in base year 2015 to 170% of DIRT for base year 2017 in order to protect the €150m yield in 2019 and 2020.	-	-
Capital Acquisitions Tax The current Group A tax free threshold which applies primarily to gifts and inheritances from parents to their children is being increased from €320,000 to €335,000. This increase applies in respect of gifts or inheritances received on or after the 9th of October.	-€9.6m	-€11.2m
Compliance **Increase rate of Dividend Withholding Tax from 20% to 25% from 1 January 2020** As the first step in a two-stage process, the rate of Dividend Withholding Tax (DWT) will be increased from 20% to 25% from 1 January 2020. This will better align the amount of tax remitted by companies with the income tax and USC that is ultimately payable by the individual taxpayer. The 25% rate is considered to be a reasonable combination of the standard 20% rate of income tax and the most common rate of USC which is the 4.5% that applies to income between €19,874 and €70,044. In the event that the 25% rate results in an overpayment of tax, the relevant amounts will be refunded, as is the normal procedure. It is important to highlight that this measure does not alter the underlying liability to tax for Irish tax residents.	+€80m	+€80m

The second step is to introduce a modified Dividend Withholding tax regime from 1 January 2021. Utilising real-time data collected under the newly modernised PAYE system, it is intended that Revenue will apply a personalised rate of DWT to each individual taxpayer based on the rate of tax that they pay on their PAYE income. Revenue will shortly be launching a consultation in order to engage with stakeholders on how the proposed new system will operate.		

Note: As announced in last year's budget, from the 1st January 2020, there will be a 0.1% increase (from 0.9% to 1.0%) in the National Training Fund Levy, payable by employers in respect of reckonable earnings of employees in Class A and Class H employments