

Tax News

BUDGET 2021



Earlier today in the unusual setting of The Convention Centre Dublin, Minister Donohoe delivered his fourth Budget as Minister for Finance. Given the extraordinary times we are currently enduring, the Minister unveiled a Budget with a record spend of nearly EUR18bn.

Despite pre Budget speculation in the media regarding tax changes, there were fewer than expected taxation measures introduced. A summary of the main changes impacting private clients is set out below.

The Minister ended his Budget speech with a quote from Seamus Heaney (reproduced below) which seems to capture the mood of the nation.

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“If we winter this one out, we can summer anywhere” –
Seamus Heaney.

Despite speculation prior to the Budget, there has been no change to:

- The 12.5% corporation tax rate
- Capital gains tax rates
- The 10% entrepreneur relief tax rate and EUR1m threshold
- Gift/inheritance tax rates and tax free thresholds
- Income tax rates
- Stamp duty rates
- Employer and employee PRSI rates
- Investment fund rates (41%)
- Tax residence rules
- Tax rules for non-domiciled individuals.



A new Commission on Taxation and Welfare to be established



And finally the disclaimer.....

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Income taxes 2021

- Earned Income Credit increased by EUR150 to EUR1,650
- Dependent Relative Credit increased from EUR70 to EUR245
- Small increase in the 2% USC rate band ceiling.

VAT

- From 1 November 2020 a temporary reduction in VAT rate from 13.5% to 9% on Tourism and Hospitality goods and services
- No indication that the reduction in the general rate of VAT from 23% to 21% will continue beyond 28 February 2021.

Stamp duty

- Stamp Duty Refund Scheme for residential development is extended to 31 December 2022
- Extension of farm consolidation relief until 31 December 2022.

Other tax measures

- For the self-employed payment of the balance of income tax for 2019 and 2020 preliminary tax can be deferred for a year with no interest applying
- Accelerated capital allowances scheme for energy efficient equipment extended to 31 December 2023
- A review of the Employment and Investment Incentive to be undertaken with a view to enhancing the relief
- Help to buy scheme – extension of additional measures to 31 December 2021.

Capital gains tax (CGT) – technical changes:

- A small change to entrepreneur relief to allow a person whose shareholding dips below 5% some years before a sale to continue to qualify for the relief
- A change to the CGT rules for cash in foreign currency accounts, so that a transfer of cash from one bank account to another will no longer trigger a capital gain or loss provided the cash is still kept in the same currency.

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