Budget report

2023

mazars

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Mazars in Ireland
Who we are

In providing tailored solutions to the individual needs of our clients, Mazars examine and offer a comprehensive range of tax services to national and international clients with a particular emphasis on helping them to structure their businesses and financial affairs tax efficiently.

Mazars has one of the largest teams of tax specialists in Ireland and provides a full range of tax services to small and medium sized enterprises, private and publicly quoted companies and individuals. Our approach entails coming forward with ideas and solutions that bring added value to clients, based on a comprehensive understanding of each client's particular business. We are part of the International Mazars organisation, Europe's largest independent firm of accountants and advisors, and as such are ideally placed to provide advice on cross border transactions and international tax issues.

3
offices in Dublin, Galway and Limerick

500+
staff

30+
partners

Our view
Budget 2023

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Budget 2023 was delivered on the 27th September 2022 to the Dail by Ministers Donohoe and McGrath and the main focus was on supporting individuals and businesses through the current challenging cost increases environment. All aspects of our society and economy have been hit with sizeable cost increases over the past 12 months and this Budget seeks to support the many people and areas that have been severely impacted.

Inflation is projected at 8.5% for 2022 and 7% for 2023, with energy costs contributing approx. 3% of these increases. Growth in the economy in 2023 is estimated at 4.7% while modified domestic growth is expected to come in at 1.25%.

For individuals the increase in the tax credits will benefit somebody on €40k + per annum to the extent of €70 per month and a rent tax credit will be available of €500. These tax reductions, allied with increase in wages/salaries, and the energy credit should provide people with some additional financial resources to cover some of the increased day to day living costs.

Likewise for businesses the new Temporary Business Energy Support Scheme should greatly assist in meeting some of the energy costs increases that have occurred. This new scheme, which will be administered by the Revenue Commissioners, will provide for a subsidy of 40% of the increase in the relevant costs subject to a cap of €10k per trade/company per month , and the scheme will run from 1 September 2022 to end of February 2023.

A major plus for the Irish economy is the one off spend is being mainly funded from this year's tax surplus and does not require borrowings. In addition the number of people in employment is at a record high and unemployment is at approx. 4.5%. The strength of the economy has enabled the Government to provide the necessary supports to individuals in tax reductions and social welfare payment increases and businesses in the new energy support scheme.

Overall the Budget is a very positive statement about the current financial wellbeing of the Irish economy and there is something for almost all sections of the economy with additional significant spend on housing, health, education, justice and social welfare. However there are many challenges still to be met as we face increasing interest rates, high national debt, inflation, Brexit issues and fallout from the war in Ukraine. In the past this would have been termed a giveaway or election type Budget but it would be unfair to label this Budget in that manner and it is certainly a budget of necessity for our time.

Frank Greene
Head of Tax

Personal tax and social welfare
Budget 2023

Employment tax

Small Benefit Exemption

The Small Benefit Exemption allows an employer to provide limited non-cash benefits or rewards to their workers without deduction of PAYE, PRSI and USC.

It is proposed that employers will now be able to provide employees with a small benefit of up to €1,000 in value tax free, each year (increased from €500). This benefit must not be in cash. Employers will be able to give two vouchers to an employee in a year under this exemption (to a maximum annual total of €1,000). Historically only one voucher per annum was permitted.

The Minister also proposes that these changes will apply in the current tax year (2022), so that additional benefits can be paid this year if an employer wishes to do so.

Special Assignee Relief Programme (SARP)

The relief is extended for a further three years to 31 December 2025.

With effect from 1 January 2023, the entry threshold is increased from €75,000 to €100,000 i.e. SARP will now apply to employees with a salary of €100,000 or more, provided all other qualifying conditions are met. The increased threshold amount will not impact existing claimants.

Foreign Earnings Deduction

The FED scheme is being extended for a further three years to 31 December 2025. It provides relief from income tax on up to €35,000 of income for employees. This applies where the employee is tax resident in Ireland and travels outside of Ireland to temporarily carry out duties of employment in certain qualifying countries.

Compliance

Revenue will conduct a range of targeted projects which will include PAYE compliance interventions. This will include a focus on share schemes and increased debt management activity. It is expected that these projects will yield additional Exchequer receipts arising from increased taxpayer compliance.

Income tax standard rate band

There will be an increase of €3,200 in the income standard rate band for all earners from 1 January 2023. The effect of this is that the band for single individuals will increase from €36,800 to €40,000, while married couples/civil partners will increase from €45,800 to €49,000. The band for a single individual qualifying for the single parent child carer tax credit will increase from €40,800 to €44,000.

Universal Social Charge (USC)

With effect from 1 January 2023, the ceiling of the 2% rate of USC will be increased from €21,295 to €22,920. This increase in band will ensure that full-time adult workers who benefit from the increase in the hourly minimum wage rate will remain outside the scope of the top rates of USC. In addition, the reduced rates of USC applicable to holders of current valid medical cards have been extended for a further year to 31 December 2023.

Personal and employee tax

Both the personal and employee tax credit will be increased from €1,700 to €1,775 with effect from 1 January 2023.

Earned income credit

The earned income tax credit will be increased from €1,700 to €1,775 with effect from 1 January 2023. This credit applies to individuals who earn self-employed income (including farmers) and business owners/managers, who are ineligible for a PAYE credit on their salary.

Home carer tax credit

The home carer tax credit will be increased from €1,600 to €1,700 with effect from 1 January 2023. This credit applies to individuals who stay at home to mind their children.

Rent tax credit

A new rent tax credit will be introduced in the amount of €500 with effect from 1 January 2023. However, it will also apply for 2022 and can be claimed in early 2023 so it will generate a refund of tax paid for the 2022 tax year. This credit applies to individuals who are renting and it is proposed that the value of the credit will be doubled in the case of married couples and civil partners. The credit will only apply where the rental property is the tenant's principal private residence but we await legislation in this regard.

Social welfare payments

The weekly social welfare rate will be increased by €12 for working age recipients including pensioners from 1 January 2023 and there will be an increase in eligibility for fuel allowance. A €400 lump sum fuel allowance payment will also be made in November and a €200 lump sum living alone allowance payment will be made in November.

There will be an increase of €40 in the Working Family Payment threshold, and a €500 lump sum for families availing of the Working Family Payment is to be paid in November. €500 will be paid in November to carers who qualify for the Carer's Support Grant; individuals availing of the Disability Allowance; those entitled to an Invalidity Pension; and those availing of the Blind Pension.

There will be a double week social welfare payment for all weekly welfare schemes in October 2022, to include pensioners, carers, people on disability payments, and jobseekers. The usual Christmas Bonus payment will be paid in early December 2022.

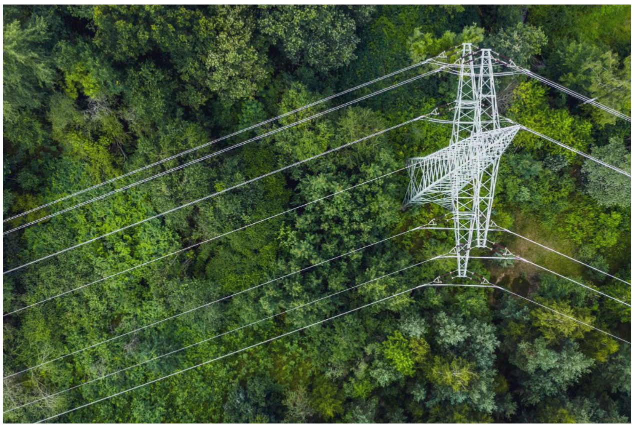
Childcare

The National Childcare Scheme hourly subsidy is to increase from 50c to €1.40.

A double children's allowance payment will be paid in November 2022, worth €140 per child in addition to the normal monthly payment.

Electricity

A €600 electricity credit package will be paid to every household in Ireland, with the first €200 being in November 2022, the second payment in January 2023 and the third payment in March 2023.



Corporation tax
Budget 2023

Corporation tax rate

The 12.5% rate is to remain unchanged.

In 2021, Ireland signed up to the OECD two-pillar solution to address the tax challenges arising from digitalisation. Ireland has committed to the two-pillar agreement and has engaged extensively at OECD and EU level to follow through on this commitment. Work is continuing to develop the multiple new elements required to give effect to the Pillar Two minimum effective tax rate of 15% and will continue over the coming months. The 15% rate, applying to Multinational Enterprises (MNEs) with revenue above €750 million annually, was initially to have been introduced from 2023. The date from which the 15% rate will apply to companies within scope is not currently clear.

In his Budget address, Minister Donohue mentioned that serious consideration is currently being given to moving towards a territorial corporation tax system. If introduced, this move should simplify the existing mechanism of taxing foreign source income of Irish tax resident companies and providing credit for foreign tax imposed.

Temporary Business Energy Support Scheme

In the context of spiralling energy costs, the Temporary Business Energy Support Scheme was announced. To be eligible, businesses will need to carry on a Case I trade, be tax compliant and have experienced a significant increase in their gas and electricity costs.

This significant increase will be assessed by comparing the average unit price for the relevant bill period in 2022, with the average unit price for a similar period in 2021. The threshold to be eligible is set where the increase in the average unit price exceeds 50%.

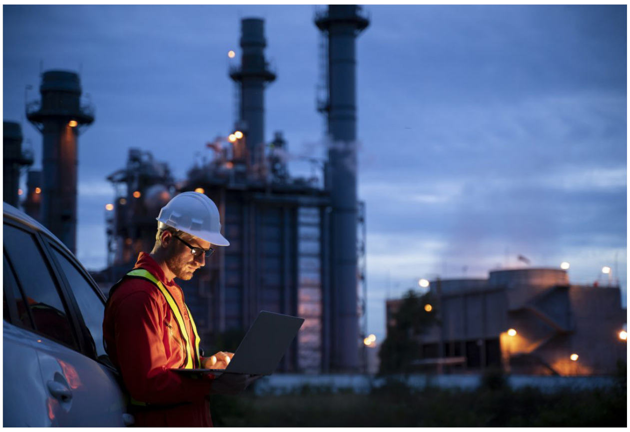
The support will be calculated on the basis of 40% of the amount of the increase in the energy bill. The scheme will be administered by the Revenue Commissioners, requiring that businesses register for the scheme and make claims within the required time limits. The scheme will operate on a self-assessment basis. We would expect detailed guidance to be issued by Revenue.

A monthly cap, equivalent to €10,000 per trade, as well as an overall cap will apply to the total amount a trade can claim.

The Minister highlighted that the scheme had been designed to be compliant with the EU State Aid Temporary Crisis Framework and will need to be approved by the EU Commission in advance of payments being made to businesses under the scheme.

Windfall tax for energy companies

A windfall tax on the additional profits generated by energy companies due to the unprecedented increase of energy prices is being considered. This windfall tax will be in line with the approach to be taken at a European level.



Knowledge Development Box (KDB)

The Knowledge Development Box (KDB) is an intellectual property (IP) regime which provides for an effective 6.25% rate of corporation tax on certain income from qualifying IP assets. Budget 2023 provides for the extension of the KDB for 4 years, to allow the relief to be available for accounting periods commencing before 1 January 2027.

The KDB will be impacted by changes in the international tax environment, specifically the Subject to Tax Rule (STTR), which is part of the OECD Pillar Two agreement. In order to prepare for implementation of the agreement, legislation for an increase in the effective rate of the KDB to 10% is being introduced. The intention is that it will be brought into effect by Ministerial commencement order once agreement is reached at the OECD/G20 Inclusive Framework on STTR implementation.

Research and Development Tax Credit

The Research and Development (R&D) tax credit provides a 25% tax credit for all qualifying R&D expenditure. In order to align with new norms in international tax, a number of changes to the operation of the R&D tax credit regime are being announced in Budget 2023.

These changes are all adjustments to the timing of payment of the credit. No changes are being made to the quantum of credit that a company may receive.

Currently, R&D tax credits may be offset against corporation tax liabilities and payment in three payable instalments. This is being changed to a new fixed three-year payment system.

A company will have an option to call for payment of their eligible R&D tax credit or to request for it to be offset against other tax liabilities, and existing caps on the payable element of the credit are being removed.

The first €25,000 of a claim will now be payable in the first year, to provide a cash-flow benefit for smaller research & development projects and to encourage more companies to engage with the regime.

Transitional measures will be in place for one year, to smooth the transition to the new payment system for companies that are already engaged in research & development activities.

Digital gaming tax credit

A digital gaming sector was initially announced in Budget 2021 and confirmed in Budget 2022. As European State Aid approval is still pending, the introduction of the credit is subject to a commencement order. No further update was provided as part of the Budget.

Film Relief

Section 481 Film Relief is a corporation tax credit that provides relief related to the cost of production of certain audiovisual material, thereby incentivising film and TV, animation and creative documentary production in Ireland. The scheme is intended to act as a stimulus to the creation of an indigenous film industry in Ireland, creating quality employment opportunities and supporting expression of Irish culture. The credit is granted at a rate of 32% of qualifying expenditure which is capped at €70 million. The Minister announced today the extension to the film corporation tax credit from its current end date of 31 December 2024 to 31 December 2028.

Bank Levy extension

The bank levy, which was introduced in 2013, is extended until the end of 2023. The Minister announced that a review of the levy in the retail banking sector will be undertaken in the next year.

Review of specific tax regimes

Review of the REIT and IREF regimes, as well as the Section 110 regime are to be undertaken.

The REIT and IREF regimes both relate to institutional investment in the residential property sector. They were respectively introduced in Finance Acts 2013 and 2016. The review will consider both structures and how they can continue to support housing policy objectives in the future.

The Section 110 regimes were initially introduced by Finance Act 1991 and have been amended regularly since. In addition to a review of the use of Section 110 regimes, a working group is to be established to consider the taxation of funds, life assurance policies and other investment products.

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Agriculture
Budget 2023

Farm restructuring (Capital Gains Tax) relief

The CGT Farm restructuring relief is designed to make farms more efficient, improve the operation and viability of the farm. This can be achieved by selling and purchasing or exchanging of parcels of land to bring them closer together. A parcel of land is an entire agricultural field or group of fields used for farming purposes. The relief provides:

- full relief from CGT when the purchase price exceeds the sales price; and
- partial relief from CGT when the purchase price is lower than the sale price, with relief given in proportion to the amount of the sales proceeds reinvested in purchasing a new parcel of farm land.

It is intended that this relief, which provides relief from CGT for land transactions qualifying for a "Farm Restructuring Certificate" from Tegasc is being extended to 31 December 2025. This is subject to finalisation of issues relating to the Agricultural Block Exemption Regulation at EU level.

Young Trained Farmer (stamp duty) relief

This relief applies a full exemption from stamp duty to young trained farmers when they acquire (by gift or purchase) farmland and associated buildings including farmhouses. The relief is due to expire at the end of 2022 and is now intended for it to be extended to 31 December 2025, again subject to finalisation of issues relating to the Agricultural Block Exemption Regulation at EU level.

Property
Budget 2023

Pre-letting Expenditure for Landlords

Budget 2023 sees the enhancement of the pre-letting expenses regime for landlords by increasing their eligible expenditure limit from €5,000 to €10,000 and also by reducing the period for which a premises must be vacant in order to qualify for the relief from twelve to six months.

Help-to-Buy (HTB)

The Help-to-Buy scheme provides support for first time buyers of new homes. Budget 2023 confirms that the HTB scheme is being extended in its current form for a further two years to 31 December 2024.

Vacant Homes Tax (VHT)

The Minister announced the introduction of a new Vacant Homes Tax (VHT) in 2023. The measure aims at maximising the use of existing housing stock to increase the supply of homes for rent or purchase to meet demand. The primary objective of this new tax is to incentivise owners of vacant homes to bring their properties back into use. This is not intended to be a revenue raising measure.

The tax will apply to long-term vacant residential property. Long-term for this purpose refers to properties which are unoccupied for 12 months or more. A property will be considered vacant for the purposes of the tax where it is occupied for less than 30 days in a 12 month period. The tax will be charged at a rate equal to three times the property's existing Local Property Tax liability. The VHT will be self-assessed and administered by the Revenue Commissioners.

There will be a number of exemptions to ensure that owners are not unfairly charged for temporary vacancy arising from genuine reasons. This will include properties recently sold or currently listed for sale or rent; properties vacant due to the occupier's illness or long-term care; and properties vacant as a result of significant refurbishment work

Indirect taxes
Budget 2023

VAT rates

Extension of the 9% VAT rate for gas and electricity until 28 February 2023.

The VAT rate on newspapers and news periodicals, including digital editions, will be reduced from 9% to a zero rate of VAT with effect from 1 January 2023.

The VAT rate on Automatic External Defibrillators (currently at 23%) and a small number of sanitary products (currently at 9%) will be reduced to a zero rate of VAT with effect from 1 January 2023.

The VAT rate of non-oral Hormone Replacement Therapy and non-oral Nicotine Replacement Therapy will be reduced from 23% to a zero rate of VAT with effect from 1 January 2023.

Farmers flat-rate addition to be reduced from 5.5% to 5.0% with effect from 1 January 2023.

The 9 % VAT rate which is currently in place to support the tourism and hospitality sectors will continue until 28 February 2023. It is understood that there will be no further extension beyond this date. However, the issue is likely to be subject to significant industry representations.

Excise Duty

The cost of a standard 20 pack of cigarettes will be increased by an extra 50 cents (including VAT), with pro-rata increases to the price of related tobacco products.

The excise fees for an application for a special exemption order (orders that allow nightclubs and late-night bars to trade past normal trading hours) are being reduced by 50%, from €110 to €55, to support the night time economy.

An alcohol excise relief scheme is being provided for small producers of cider and perry. A 50% excise relief will be available on up to 8,000 hectoliters of cider produced by micro-producers with an annual production threshold of up to 10,000 hectoliters.

The qualifying production threshold for micro-breweries is being increased from 50,000 hectoliters to 75,000 hectoliters.

Mineral oil excise rate reductions which were due to expire on 12 October 2022 are being extended until 28 February 2023.

Carbon tax

Carbon tax will be increased from €41.00 to €48.50 per tonne of CO_2. This increase will be applied to auto fuels from 12 October 2022, and all other fuels from 1 May 2023. The impact of the carbon tax increase will be offset by a matching reduction in the National Oil Reserves Agency levy from 2 cent per litre to 0 cent per litre.

Construction levy

A levy of 10% is to be introduced on concrete blocks, pouring concrete and other concrete products to offset the "significant cost" of the redress scheme agreed earlier this year for home owners who have been affected by the issue of defective products used in the building of their homes.

Example scenarios
Budget 2023

Single person - PAYE taxpayer	2022 €	2023 €
Gross income	40,000	40,000
Income tax liability	5,240	4,540
PRSI liability	1,600	1,600
USC liability	1,087	1,047
Total liability	7,927	7,097
Net income	32,073	32,903
Annual gain		830
Change as a % of net income		2.52%

Single person - Self employed	2022 €	2023 €
Gross income	60,000	60,000
Income tax liability	13,240	12,450
PRSI liability	2,400	2,400
USC liability	1,9875	1,947
Total liability	17,627	16,797
Net income	42,373	43,203
Annual gain		830
Change as a % of net income		1.92%

Married couple - One Self-employed income, Two children	2022 €	2023 €
Gross income	45,000	45,000
Income tax liability	2,300	1,975
PRSI liability	1,800	1,800
USC liability	1,312	1,272
Total liability	5,412	5,047
Net income	39,588	39,953
Annual gain		365
Change as a % of net income		0.91%

Married couple - One PAYE, one self employed	2022 €	2023 €
Husband – employment income	40,000	40,000
Wife – self-employed income	30,000	30,000
Income tax liability	7,200	6,900
PRSI liability	2,800	2,800
USC liability	1,725	1,644
Total liability	11,725	11,344
Net income	58,275	58,656
Annual gain		381
Change as a % of net income		0.65%

Retired married couple - State Pension (including increase for qualified adult) and occupational pension for one spouseindividual	2022 €	2023 €
Occupational Pension	30,000	30,000
Contributory Old Age Pension	25,963	26,754
Income tax liability	7,635	7,087
PRSI liability	0	0
USC liability	420	420
Total liability	8,055	7,507
Net income	47,908	49,247
Annual gain		437
Change as a % of net income		2.72%

Examples are exclusive of €500 rent credit and €600 electricity credit

Summary of personal tax rates and bands
Budget 2023

Income tax rates and bands

Single person				
Bands	2022		2023	
Standard	20%	€36,800	20%	€40,000
Top	40%	Balance	40%	Balance

Single parent/widowed parent/surviving civil partner parent				
Bands	2022		2023	
Standard	20%	€40,800	20%	€44,000
Top	40%	Balance	40%	Balance

Married or civil partnership (duel income)				
Bands	2022		2023	
Standard	20%	€73,600*	20%	€80,000
Top	40%	Balance	40%	Balance

*Maximum amount allowed where one individual is working is €49,000 (2022: €45,800)

Universal social charge			
2022		2023	
Exempt	€13,000	Exempt	€13,000
First €12,012	0.5%	First €12,012	0.5%
Next €9,283	2%	Next €10,908	2%
Next €48,749	4.5%	Next €47,124	4.5%
Balance	8%	Balance	8%

2% rate applies for individuals 70 or over and individuals who hold full medical cards with income up to €60,000

Self employed income in excess of €100,000 regardless of age @11%

Tax credits

Tax credits	2022	2023
Personal	€	€
Single	1,700	1,775
Married/Civil partnership	3,400	3,550
Widowed	2,240	2,240
One Parent Family Credit (including widowed)	1,650	1,650
PAYE	1,700	1,775
Earned Income Credit (Self Employed and Business owner/managers)	1,700	1,775
Child		
Incapacitated child (max)	3,300	3,300
Widowed Parent		
Bereaved in 2022		3,600
Bereaved in 2021	3,600	3,150
Bereaved in 2020	3,150	2,700
Bereaved in 2019	2,700	2,250
Bereaved in 2018	2,250	1,800
Bereaved in 2017	1,800	
Dependent Relative (max)	245	245
Blind person		
Single	1,650	1,650
Married/Civil partnership	3,300	3,300
Home Carers (max)	1,600	1,700
Age credit		
Single/widowed	245	245
Married/Civil partnership	490	490
Age Exemption Limits - over 65 years of age		
Single/widowed	18,000	18,000
Married/Civil partnership	36,000	36,000
Rent credit		
Rent credit	500	500

* Rent credit for 2022 may be claimed retrospectively in 2023.

Contact

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory and tax and services. Operating in over 90 countries and territories around the world, we draw on the expertise of 44,000+ professionals – 26,000+ in Mazars' integrated partnership and 16,000+ via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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