

SUMMARY OF 2021 BUDGET MEASURES

POLICY CHANGES

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Summary of Budget 2021 Measures – Policy Changes

Taxation Measures for Introduction in 2021

Measure	Yield/Cost 2021	Yield/Cost Full Year
Personal Income Tax		
Income Tax		
An increase in the Earned Income Credit from €1,500 to €1,650 ¹	-€24m	-€24m
An increase in the Dependent Relative Credit from €70 to €245	-€5.2m	-€5.9m
Extension of the Sea-going Naval Personnel Tax Credit to 31 December 2021 and to increase it to €1,500 for 2021 (from €1,270 in 2020).	-€0.5m	-€0.5m
USC		
The following changes to USC will apply from 1 January 2021.		
<ul style="list-style-type: none"> €203 increase to €20,484 band ceiling to €20,687 	-€6m	-€7m
The increase in the 2% rate band ceiling will ensure that a full-time adult worker who benefits from the increase in the hourly minimum wage rate from €10.10 to €10.20 will remain outside the top rates of USC.		
<u>The USC Rates & Bands from 1 January 2021 will be:</u>		
Incomes of €13,000 are exempt. Otherwise:		
<ul style="list-style-type: none"> €0 – €12,012 @ 0.5% €12,012 – €20,687 @ 2% €20,687 – €70,044 @ 4.5% €70,044+ @ 8% Self-employed income over €100,000: 3% surcharge 	-	-

¹ This measure will also be applied for the 2020 tax year with a 2020 cost of €13m.
Department of Finance | Tax Policy Changes

<p>The reduced rate of USC for medical card holders is being extended for a further year, at an estimated cost of €44m in 2021 and €53m per annum thereafter. This measure is revenue neutral as it is already included in the tax base.</p>		
<p>Measures to support Enterprise/SMEs/Agri-sector</p> <p>Knowledge Development Box</p> <p>Two year extension of the Knowledge Development Box to 31/12/2022²</p> <p>Film Relief</p> <p>The Section 481 (Film Tax Credit) Regional Uplift scheme is being extended by one year by inserting an additional year of uplift at the rate of 5% in 2021. The uplift will then reduce to 3% in 2022, 2% in 2023, and Nil thereafter.</p> <p>Amend CGT Entrepreneurial Relief</p> <p>Farm Consolidation (Stamp Duty) Relief</p> <p>Extension in its present format until 31 December 2022</p> <p>Consanguinity (Stamp Duty) Relief</p> <p>Extension in its present format until 31 December 2023</p> <p>Expansion of Warehousing of tax liabilities</p>	<p>-</p> <p>-€2m</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p>	<p>-</p> <p>-€2m</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p>
<p>Housing</p> <p>Residential Development (Stamp Duty) Refund Scheme</p> <p>Extension from 31 December 2021 to 31 December 2022 with minor amendments</p> <p>Help to Buy</p> <p>Extension of Help to Buy additional measures to end 2021 (additional cost)</p>	<p>-</p> <p>-€43m</p>	<p>-</p> <p>-€43m</p>

² The annual cost of this measure is estimated to be €14m, which is included in the tax base

Climate and Environmental measures		
Carbon Tax		
€7.50 Increase in Carbon Tax Rate	+€108m	+€147m
Vehicle Registration Tax		
Changes to Vehicle Registration Tax	-	-
Motor Tax		
Changes to Motor Tax	-	-
Accelerated Capital Allowances for Energy Efficient Equipment³		
The Accelerated Capital Allowance scheme for Energy Efficient Equipment is being extended for three years to 31/12/2023	-€1m	-€1m
Anti-Avoidance		
Amend Section 541 TCA 1991 to close an avoidance scheme.	-	-
Corporation Tax – BEPS/ATAD Implementation		
Technical amendment to Exit Tax (ATAD)	-	-
Additional Taxation Measures		
VAT		
Temporary Reduction of VAT for Tourism and Hospitality items from 13.5% to 9% ⁴	-€336m	-
Increase in the Farmers Flat Rate Addition from 5.4% to 5.6%	-€10m	-€12m
Capital Allowances for Intangible Assets		
Revised balancing charge rules with effect from 14 October 2020	-	-

³ The annual cost of this measure is estimated to be €4m, which is partially included in the base.

⁴ Estimated cost of measure from 1 November 2020 to 31 December 2021 is €401m in total

<p>Covid Restrictions Support Scheme</p> <p>Estimated. cost of €40m for every week nationwide at Level 3⁵</p>	-	-
<p>Tobacco Products Tax</p> <p>Increase in 50c on pack of 20 cigarettes with pro-rata increase on other tobacco products. The Minimum Excise Duty rate on cigarettes is increasing such that any 20 pack priced below €11.50 will be subject to excise as if it were priced at €11.50.</p>	+€57m	+€57m
<p>Employer's PRSI</p> <p>From 1 January 2021 the weekly income threshold for the higher rate of employer's PRSI will increase from €394 to €398.</p> <p>This follows a recommendation of the Low Pay Commission to ensure that the increase in the hourly minimum wage does not lead to work disincentives for workers, in particular those seeking to work full-time.</p>	-€3.1m	-€3.7m

⁵ The actual cost will be determined by reference to Covid-19 restrictions. Any costs arising in 2021 will be met from the National Recovery Fund

