



# Budget 2021

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING



**RSM**

# The highlights

---

**3m**

**allocation**

to funding digital hubs  
to support remote  
working in SMEs

---

**€7.50**

**increase**

on **carbon tax** per  
tonne/Co2 on  
autofuels

**9%**

**VAT rate**

for the hospitality  
sector

**5,000**

**max weekly  
payment**

to help businesses  
impacted by Covid-19

**€132m**

**allocation**

for the National  
Broadband plan

**2.5%**

**projected decrease**

in GDP for the year  
as a whole.



*“We will come through this.  
And from the ashes of the pandemic, together,  
we will build a stronger, more resilient Ireland.”*

**Minister Paschal Donohue, 2020**

---

On October 13th, the Government announced Budget 2021. The package totaling €17.7 billion outlines a wide range of spending, funding and tax measures designed to stimulate a jobs-led recovery and build economic confidence while continuing to manage the impact of both COVID-19 and Brexit. The expenditure includes over €8.5 billion of Covid-related spending, €270 million of taxation measures and €340 million of Brexit Supports. In this RSM update, we have summarized the key tax measures included in the Budget.

# RSM commentary

---

## Covid-19

Budget 2021 is underpinned by the assumption that Covid-19 will continue to exist next year in the absence of a vaccine. To date, the total value of Covid supports in 2020 amounted to €24.5m. As part of an extra €17.7b budgetary package in 2021, €8.5b is being provided for Covid-19 supports and €4b extra is being provided to the health service. Budget 2021 aims to protect workers and businesses from the threats of the pandemic and Brexit.

## Brexit

Budget 2021 continues to make provision for Brexit, preparing for a disorderly exit. There are substantial spending packages which will only be utilized in the event of a no deal Brexit. There will be a €3.4bn Recovery Fund aimed at increasing employment throughout 2021. €340m of voted expenditure will be spent on Brexit supports including work on ports, airports and 500 customs staff.

## Income Tax

The only changes to income tax are an increase in the Earned Income Credit up €150 per annum in line with the PAYE Credit of €1,650, an increase in the Dependent Relatives Tax Credit from €70 to €245 and minor changes to the second-rate USC band. Taxpayers across the board will be hit by the increase in costs such as the increase in motoring costs.

## VAT

The 6-month reduction in the standard rate of VAT from 23% to 21%, effective from 1 September 2020, will end 28 February 2021. The tourism and hospitality sector will see a VAT cut from 13.5% to 9% from 1 November 2020 until 31 December 2021.

## Employment Wage Subsidy Scheme (EWSS)

The EWSS runs until 31 March 2021. To qualify for the EWSS, the employer must be able to demonstrate that they reasonably anticipate a minimum of 30% reduction in turnover or customer orders in July to December 2020 compared with the same period in 2019.

# RSM commentary

In the case of new businesses, this is based on a projected forward test. Where the employer is a registered childcare provider, the EWSS is available without the requirement to meet the 30% reduction in turnover or customer orders test. EWSS provides a flat-rate subsidy to qualifying employers, based on the number of qualifying employees on the payroll. It was confirmed that the EWSS will be replaced by a similar scheme for the remainder of 2021.

## EU Supports

The Department of Finance has sought to access the SURE fund, resulting in possible funding of €2.5 billion to fund the TWSS. Ireland will also seek to avail of the Brexit Adjustment Reserve established by the European Council.

## COVID Restrictions Support Scheme

This will support certain businesses significantly impacted or temporarily closed as a result of Government restrictions. The scheme operates as a cash payment when the business is at Level 3 or higher (10% up to €1m and 5% thereafter, up to a maximum weekly payment of €5,000) based on 2019

turnover. Valid claims will be repaid for the entire period of restrictions. This scheme is effective from budget day, 13 October 2020 until 31 March 2021 with the first payments being made mid-November.

## Warehousing of tax liabilities

This will extend the previous warehousing scheme to include repayments of Temporary Wage Subsidy Scheme funds owed by employers, 2019 balance and 2020 preliminary tax obligations of self-employed taxpayers. This will allow for those affected by Covid-19 to delay payment of their tax obligations in part or in full for a set period of 12 months free of interest or penalties. After the end of the 12-month period, warehoused debt may be discharged or entered a phased payment arrangement at a reduced interest rate of 3% per annum with no surcharge.

# RSM commentary

---

## Corporation Tax

Preservation of the 12.5% rate of corporation tax is confirmed as expected. A technical change will be made to the intangible asset regime. The change is to ensure Ireland's tax regime for IP assets is fully consistent with international best practice, such that intangible assets acquired after 13 October 2020 will be fully within the scope of balancing charge rules.

A development of digital gaming tax credit was announced, which may be introduced in 2022. This would complement significant innovation incentives already available for this sector.

## Mobile employees

There has been on change to existing income tax scheme which benefit inbound and outbound employees in our global economy.

## Capital Gains Tax Entrepreneur Relief

Entrepreneurs who have owned at least 5% of the shares of a company for any continuous three-year period will qualify for relief, removing the need for this three-year period to be within the last five years. This gives a reduced CGT rate of 10% instead of 33%. Passive investors do not benefit, as the requirement to work in the business for three of the past five years remains. The relief has remained unchanged at €1m, well below the £10m relief offered in the UK.

## Commercial Rates Waiver

There is a further commercial rates waiver for the final quarter of 2020, providing a significant relief to businesses.

## Knowledge Development Box

This relief will be extended for two years until December 2022. This offers a reduced tax rate of 6.25% on qualifying profits.

# RSM commentary

## State Pension

The proposed increase of the State Pension age from 66 to 67 next January has been postponed.

## Help to Buy Scheme

Increased tax relief under this scheme for the purchase of residential housing will be available until 31 December 2021. The maximum relief available is the lower of €30,000 or 10% of the cost of the new home.

## Stamp Duty Residential Development Refund Scheme

The scheme will be extended to include operations commenced by 31 December 2022. The time allowed between commencement and completion of a qualifying project is also extended by six months to two-and-a-half years.

## Carbon Tax

A range of carbon tax measures were announced as expected and gives rise to an overnight increase in fuel at the pumps. Increase on other fuels has been delayed until May after the winter heating season.

## Extension of Accelerated Capital Allowance scheme

This scheme for energy efficient equipment will be extended for three years until 31 December 2023. The scheme allows taxpayers to deduct the full cost of expenditure on eligible energy efficient equipment from taxable profits in the year of purchase.

## Conclusion

Overall, it is to be welcomed that business and personal taxpayers are not directly bearing the brunt of Covid-19 and Brexit risks through tax hikes. Time will tell if the spending measures announced are adequate to combat the potential impact of a hard Brexit and prolonged Covid-19 restrictions.

# Get in touch

If you have any questions or want to know more get in touch with the person you usually deal with in RSM or contact a member of our tax team.



**Aidan Byrne**  
Lead Tax Partner  
[abyrne@rsmireland.ie](mailto:abyrne@rsmireland.ie)



**Suzanne O'Neill**  
Tax Partner  
[soniell@rsmireland.ie](mailto:soniell@rsmireland.ie)



**Paddy Stapleton**  
Tax Partner  
[pstapleton@rsmireland.ie](mailto:pstapleton@rsmireland.ie)

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING

