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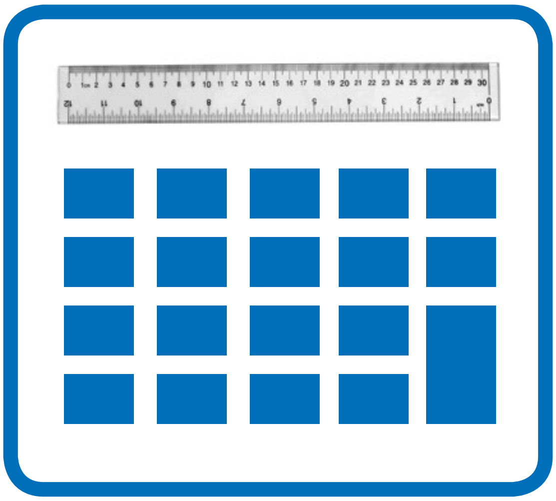
Looking at the numbers
Budget 2020 summary



On 8 October 2019, the Minister for Finance and Public Expenditure and Reform, Paschal Donoghue T.D., (the "Minister") delivered his Budget 2020 speech.

Set out below is a brief overview of the key Tax highlights arising from Budget 2020 as announced. Further details regarding the changes highlighted by the Minister, as well as any measures not specifically announced in his speech, are awaited in the draft Finance Bill which is due to be published on 17 October 2019.

The majority of the measures announced by the Minister will take effect from 1 January 2020 following the passing of the Finance Bill. Some of the measures announced by the Minister were introduced by way of financial resolution and took effect from midnight on 8 October 2019 (the relevant measures are referenced below). Other measures may be subject to a commencement order following the passing of the Finance Bill, or approval under EU State Aid rules.

Tax highlights	
Policy outlook and international tax reform	– Commitment to Ireland's 12.5% corporate tax trading rate. – Introduction of anti-hybrid mismatch rules with effect from 1 January 2020 as part of Ireland's commitment to implementing the Anti-Tax Avoidance Directive (ATAD). Anti-hybrid mismatch rules seek to deal with situations where another jurisdiction sees an entity or instrument different to the way Ireland sees it such that it results in a tax advantage. – Modernisation of Ireland's transfer pricing regime with effect from 1 January 2020 to ensure that same is in line with international best practice, including bringing Irish transfer pricing rules into line with OECD guidelines, and extending the regime to non-trading transactions and SMEs. – Technical changes to Ireland's exit tax rules introduced in 2018 (these changes became effective from midnight on 8 October 2019).
Domestic and international large companies	– Extension of the Special Assignee Relief Programme (SARP), which provides Income Tax relief for certain people who are assigned to work in Ireland from abroad, until 31 December 2022. – Enhancements to the Key Employee Engagement Programme (KEEP), a share-based remuneration scheme available to unquoted SMEs, to permit group companies to qualify under the programme (allowing employees to move within group structures), and extend the programme to include part-time employees and employees in certain 'family-friendly' working arrangements. – Extension of the Foreign Earnings Deduction (FED), which provides Income Tax relief for employees who spend some time working abroad in certain countries, until 31 December 2022. – Amendment of stamp duty rules to bring schemes of arrangement involving a 'cancellation scheme' within the charge to Irish stamp duty at the rate of 1% where such schemes are used in relation to the acquisition of a company (this measure became effective from midnight on 8 October 2019).

Tax highlights	
Private business and individuals	– Changes to the Employment and Investment Incentive ("**EII**") scheme, including the provision of full Income Tax relief in the year of investment (as opposed to in years one and four of the investment under existing rules), an increase in the annual investment limit from €125,000 to €250,000, and the introduction of a new €500,000 annual investment limit for investors who invest in the EII scheme for at least 10 years. – No changes announced to entrepreneur relief from Capital Gains Tax at this time, but same to be considered in the future following completion of the external review of the relief. – Increase in the research and development ("**R&D**") tax credit available to micro and small companies from 25% to 30%, in addition to other enhancements for such companies (such as simplifying the method of calculating the R&D tax credit due, and permitting qualifying pre-trading R&D expenditure to be offset against payroll and VAT tax liabilities). – Increase in the third level outsourcing limit available to companies availing of the R&D tax credit from 5% to 15%. – Increase in the rate of Dividend Withholding Tax ("**DWT**") from 20% to 25% as part of a two-stage process to align the amount of DWT remitted by companies with Income Tax and Universal Social Charge ("**USC**") that is ultimately payable by the individual taxpayer. The second stage of the process will involve the introduction of a modified DWT regime from 1 January 2021 (subject to a public consultation), which will seek to adopt a personalised rate of DWT for recipients of dividends calculated utilising real-time data collected by the Irish Revenue Commissioners. – Technical changes to the capital allowances regime in respect of capital expenditure incurred on scientific research.
Real estate and funds	– Increase of 1.5% in respect of stamp duty payable on non-residential property transactions from 6% to 7.5%. This increase became effective from midnight on 8 October 2019, subject to transitional arrangements such that the existing 6% rate will continue to apply to instruments executed before 1 January 2020 where a binding contracted existed prior to 8 October 2019. – Introduction of anti-avoidance measures to combat perceived aggressive activities by certain Irish Real Estate Funds (IREFs), including limitations on interest expenses based on debt to property cost and an income to interest ratio. – Enhancement of anti-avoidance measures applicable to Section 110 securitisation vehicles to ensure such measures operate as intended. – Amendments to the Real Estate Investment Trust (REIT) framework to ensure appropriate levels of tax are being collected from such entities. – Extension of the Help To Buy (HTB) scheme, a tax incentive for first-time property buyers, in its current form for two years until 31 December 2021. – Extension of the Living City Initiative, a tax relief scheme where residential or commercial properties in certain special regeneration areas are refurbished or converted, in its current form until 31 December 2022. – Amendment of the stamp duty refund scheme to take into account the increased rate of stamp duty in respect of non-residential property transactions (as referenced above).
Employment and individual taxes	– Increase of 0.1% in the employer contribution to the National Training Fundy levy (resulting in an increase in the rate of employer PRSI from 10.95% to 11.05%), as indicated as part of Budget 2019. – Extension of the 0% benefit-in-kind charge in respect of qualifying electric vehicles to 31 December 2022. – Increase in the 'home carer' tax credit from €1,500 to €1,600. – Increase in the 'earned income' credit from €1,350 to €1,500. – Increase of €15,000 in the Parent Child tax free threshold in respect of Capital Acquisitions Tax from €320,000 to €335,000 (effective for gifts and inheritances received on or after 9 October 2019). – Extension of the reduced rate of USC for medical card holders for a further year.

Tax highlights	
Agri-sector	– Extension of farm restructuring relief from Capital Gains Tax, which provides relief to individuals on the disposal and acquisition of land and/or exchanges of land between farmers with a view to consolidating an existing farm, until 31 December 2022 (subject to approval under EU State Aid rules).
Climate and environmental measures	– Increase in Carbon Tax from €20 to €26 per tonne. This increase took effect for auto fuels from midnight on 8 October 2019, and will become effective in for all other fuels from May 2020. – Equalisation of the rate of Electricity Tax between businesses and non-businesses. – Replacement of the existing 1% diesel surcharge for Vehicle Registration Tax ("**VRT**") purposes, introduced in 2018, with a new environmental health nitrogen oxide charge. – Extension of existing VRT relief in respect of hybrid and plug-in hybrid electric vehicles until 31 December 2020. – Reduction in qualifying CO2 thresholds in respect of commercial vehicles for capital allowances and VAT reclaim purposes. – Changes to the Diesel Rebate Scheme for certain users, such as haulage and passenger transport operators, to take into account the increase in Carbon Tax (as referenced above).
Miscellaneous measures	– Increase in the rate of the bank levy payable by financial institutions from 59% of the Deposit Interest Retention Rate (DIRT) in the 2015 base year to 170% of DIRT for the 2017 base year. This measure is aimed at protecting the €150 million yield from the levy in 2019 and 2020. – Increase in the production ceiling from 40,000hl to 50,000hl for the purposes of microbrewery tax relief. – Introduction of relief from betting duty and betting intermediary duty up to a limit of €50,000 per annum in the case of single undertakings.

How Eversheds Sutherland can help

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For more information, please contact a member of the Tax Team

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