



# Budget 2021 Summary

Minister for Finance, Paschal Donohoe, and Minister for Public Expenditure, Michael McGrath delivered the 2021 Budget today, Tuesday 13 October 2020.

Amidst a global health pandemic which has already wreaked havoc on the economy, the Government are also faced with the prospect of a 'No Deal' Brexit in a matter of weeks.

With the SME sector, in particular, bearing the brunt of lockdowns and restrictions on their trading activities, businesses across all sectors were looking to the Ministers for some relief to ensure that they could face in to 2021 with at least some silver lining to the dark clouds that rolled in during 2020.

As it turns out, a budgetary package of almost €18bn, including a recovery fund of €3.4bn to tackle COVID-19 and Brexit, was announced.

Here, we take a look at how Budget 2021 affects small businesses and the self-employed.



## SUMMARY

- Earned Income Tax Credit for the self-employed increased by €150 to €1,650
- COVID-19 Restrictions Support Scheme announced for businesses forced to close or whose trade has been severely impacted by Government restrictions during COVID-19
- Changes to Pandemic Unemployment Payment – self-employed can earn up to €480 per month whilst still qualifying for the payment
- VAT rate on hospitality and tourism sector cut from 13.5% to 9%
- Tax Debt Warehousing Scheme set to be extended to include Temporary Wage Subsidy Scheme repayments and 2020 Preliminary Income Tax payments
- Commercial rates holiday extended for remainder of 2020
- Employment Wage Subsidy Scheme to be extended beyond March 2021
- State pension age to remain at 66 – had been due to increase to 67
- Enhanced Help to Buy Scheme extended for a further 12 months
- Carbon Tax has been increased by €7.50 to €33.50 per tonne
- Farming – Stamp Duty reliefs for transferring agricultural land extended

## BUSINESS SUPPORT PACKAGE

### COVID-19 RESTRICTIONS SUPPORT SCHEME (CRSS)

The COVID-19 Restrictions Support Scheme (CRSS) provides support for businesses who have had to prohibit or restrict access to customers due to Level 3 or higher restrictions.

Accommodation, food and the arts, recreation and entertainment are the sectors which would currently qualify for the scheme although more businesses may become eligible should the country move to a higher level of restriction.

Under CRSS the Government will make a payment, based on the 2019 average weekly turnover. Qualifying businesses can apply to the Revenue Commissioners for a cash payment in respect of an advance credit for trading expenses for the period of the restrictions.

The scheme comes into effect today and will run until 31 March 2021. The first payments will be made to affected businesses by mid-November.

Payments will be calculated on the basis of 10% of the first €1 million in turnover and 5% thereafter, based on average VAT exclusive turnover for 2019. It will be subject to a maximum weekly payment of €5,000.

Qualification will require a business to demonstrate that their turnover has been severely impacted; turnover may not exceed 20% of the turnover for the corresponding period in 2019.

### COMMERCIAL RATES HOLIDAY EXTENDED

The Commercial Rates Holiday has been extended through to the final quarter of 2020.

### VAT REDUCTION FOR TOURISM/ HOSPITALITY SECTOR

The rate of VAT applying to the hospitality and tourism sector will be reduced from 13.5% to 9%, with the reduction taking effect on 01 November 2020 and will continue until 31 December 2021.

### DEBT WAREHOUSING SCHEME

In response to the challenges of COVID-19, the Government legislated earlier this year to allow for tax debts associated with the COVID-19 crisis to be deferred or 'warehoused'. The scheme allows for the deferral of unpaid VAT and PAYE (Employers) debts arising from the COVID-19 crisis with reduced interest rates being applied while these balances remain outstanding.

It was today announced that this scheme was being expanded to include repayments of the Temporary Wage Subsidy Scheme owed by employers and Preliminary Tax due for 2020 for self-assessed taxpayers.

### GOVERNMENT AGENCY FUNDING

Minister Michael McGrath announced an allocation of €1.1bn to the Department of Enterprise to deliver:

- Supports through the Local Enterprise Offices and Enterprise Ireland including the Regional Enterprise Development Fund and the Sustaining Enterprise Fund to assist SMEs and companies with the negative impact of COVID-19;
- Further funding for R&D through the COVID-19 products scheme; and
- Funding for the SBCI Credit Guarantee Scheme and the Future Growth Loan Scheme to ensure that liquidity supports are in place to assist firms.

### SECTORAL ENTERPRISE SUPPORTS

Minister Michael McGrath also announced a number of new funds and initiatives to support those industries hardest hit by COVID-19.

The headline figures include:

€55 million for a Tourism Business Support Scheme

€5 million for Tourism Product Development

€50 million in Live Entertainment Supports

## INCOME TAX

The Earned Income Tax Credit for the self-employed will be increased by €150 to €1,650 from 01 January 2021.

The Dependant Relative Tax Credit, which is available to those who maintain a dependant relative at their own expense, will increase from €70 to €245 per annum.

## EMPLOYERS

### EMPLOYMENT WAGE SUBSIDY SCHEME

The Employment Wage Subsidy Scheme, which came into effect on 01 September 2020 as a replacement for the initial Temporary Wage Subsidy Scheme, is due to expire on 31 March 2021.

The Minister has indicated that some form of this scheme will remain in place beyond this date. He declined to give any more detail, however, saying that the level of any extended scheme would depend on budgetary and economic conditions next year.

### APPRENTICE INCENTIVISATION SCHEME

The Apprenticeship Incentivisation Scheme provides financial support for apprenticeship employers who take on apprentices on all national apprenticeship programmes.

Apprenticeship employers are currently eligible for a €3,000 payment for each new apprentice who is registered between the period 01 March and 31 December 2020.

This scheme will now be extended in to 2021.

### MINIMUM WAGE INCREASE

In line with the recommendation from the low pay commission the statutory minimum wage will increase by 10 cents to €10.20 per hour from 01 January 2021.

## CAPITAL TAX CHANGES

### CAPITAL GAINS TAX – ENTREPRENEURS RELIEF

A minor amendment was announced to the CGT relief known as Entrepreneurs Relief. This allows qualifying business owners to avail of a preferential rate of CGT of 10% when they sell certain business assets.

Budget 2021 will amend the ordinary shareholding requirement so that an individual who has owned at least 5 per cent of the shares in a company for a continuous period of any three years qualifies for this relief.

Previously, a person had to own at least 5 per cent for a continuous period of 3 years in the 5 years immediately prior to the disposal.

## SOCIAL WELFARE

### PANDEMIC UNEMPLOYMENT PAYMENT (PUP)

The rules governing the PUP will be amended to allow the self-employed to undertake some work whilst receiving the payment and still remain eligible.

A self-employed individual will be able to earn €480 per month and still retain their right to claim the PUP.

### RETIREMENT

It was also announced that the planned move to increase the age at which people became eligible for the state pension to 67 has been delayed.

66 will remain the age at which you can qualify for the payment.

## PROPERTY

### HELP TO BUY SCHEME

The Help to Buy Scheme allows first time buyers of newly built houses who are saving for a deposit to reclaim some of the Income Tax and Deposit Interest Retention Tax (DIRT) that they have paid in the previous 4 tax years.

Originally capped at 5% of the purchase price of a qualifying house subject to a maximum refund of €20,000, it was announced in the July Stimulus Package that the rebate was being increased to 10% of the purchase price with the maximum refund being increased to €30,000.

This increase was due to expire on 31 December 2020, but has now been extended for 12 months to 31 December 2021.

### STAMP DUTY RESIDENTIAL DEVELOPMENT REFUND SCHEME

This scheme provides for a refund of a portion of the Stamp Duty paid on the acquisition of non-residential land where that land is subsequently developed for residential purposes.

This scheme is currently due to expire on 31 December 2021, but changes announced today will see it extended to 31 December 2022, and the time allowed between commencement and completion of a qualifying project being extended by 6 months to two-and-a-half years.

## FARMING

### CONSANGUINITY (STAMP DUTY) RELIEF

This relief, which is being extended from its current expiry date of 31 December 2020, to 31 December 2023, provides, under certain conditions, for a 1% rate of stamp duty to be applicable where a transfer of agricultural land (by sale/purchase, exchange or gift) is made to certain close relations, such as a mother to son or uncle to niece.

The standard rate of stamp duty applying to the transfer of agricultural land is 7.5%.

### FARM CONSOLIDATION (STAMP DUTY) RELIEF

This relief, which is being extended from its current expiry date of 31 December 2020, to 31 December 2022 provides for a reduced stamp duty rate of 1% (as opposed to the general rate on non-residential property of 7.5%) to apply where a farmer disposes of and purchases land and/or exchanges land with another farmer in order to consolidate an existing farm.

### VAT FLAT RATE ADDITION

Farmers who are not VAT registered are compensated for the VAT they are charged on purchases by means of a flat rate addition to the prices they receive from VAT registered customers for their products, cattle, milk, grain, etc.

The Flat Rate Addition is being increased from 5.4% to 5.6% from 01 January 2021.

## CORPORATION TAX

### KNOWLEDGE DEVELOPMENT BOX

The Knowledge Development Box is a regime for the taxation of income which arises from patents, copyrighted software and other intellectual property.

The profits arising from patents, copyrighted software etc. are taxed at an effective rate of 6.25% under these rules.

The scheme has now been extended for a further 2 years to 31 December 2022.

## CLIMATE CHANGE

### CARBON TAXES

Carbon Tax has been increased by €7.50 per tonne to €33.50 per tonne. For a 60 litre tank of petrol this will add €1.30, with €1.50 being the increase for a similar size tank of diesel.

Other fuels like home heating oils will also see increases in prices. To combat this increased cost for the vulnerable, an increase of €3.50 per week to the weekly fuel allowance has been announced.

The increases for petrol and diesel will take effect from midnight tonight with home heating oil increases set to be deferred until May 2021.

### ACCELERATED CAPITAL ALLOWANCES FOR ENERGY EFFICIENT EQUIPMENT

The scheme which allows the costs of purchasing energy efficient equipment for use in a business to be fully written off against tax in the year of purchase has been extended for a further 3 years to 31 December 2023.

## VEHICLE REGISTRATIONS TAX (VRT)

The rate of VRT for low emission and electric vehicles will be reduced whereas the rates for models seen to be less climate friendly will be increased.

The existing system of 11 categories/bands will be replaced by 20 bands with the larger and less efficient cars falling into the higher brackets. This will mean increased prices for some of the country's most popular makes and models.

### MOTOR TAX

In line with the changes to the VRT system, the motor tax charging system is being overhauled. The new rules will come into effect for cars registered on or after 01 January 2021 with any cars registered before this date seeing minimal changes.

## SUMMARY OF RATES

### Income Tax

	2021	2020
Top rate of tax	40%	40%
Higher rate entry point (single person)	€35,300	€35,300

### USC:

Income of €13,000 or less is exempt, otherwise:

0.5% rate band (no change)	€12,012	€12,012
2% rate band (no change)	on the next €8,675	on the next €8,472
4.5% rate band (no change)	on the next €49,357	on the next €49,560
8% rate band (on excess over €70,044)	income > €70,044	income > €70,044
11% rate band (self-employed +€100k)	income > €100,000	income > €100,000

### Tax Credits:

Earned Income Tax Credit	€1,650	€1,500
Dependent Relative Tax Credit	€245	€70

We hope you've enjoyed our breakdown of the Budget 2021 announcements and found this summary useful. Our teams are on hand to help. Please speak to us if you'd like to discuss how the latest announcements will impact your small business.

