



Budget 2023 Summary

Minister for Finance, Paschal Donohoe, and Minister for Public Expenditure, Michael McGrath delivered the 2023 Budget today, Tuesday 27 September 2022.

The budget's main aim was to deliver money back to individuals and businesses with the goal of providing a buffer against recent cost of living increases.

Our summary includes details on changes to tax bands and credits as well as information on the government's new business support packages.



Summary

- Personal Tax Credit has increased to €1,775.
- The Employee Tax Credit has increased to €1,775.
- Earned Income Tax Credit will also increase to €1,775.
- Single persons standard tax band has increased to €40,000.
- Married persons standard rate band increases up to €49,000 (with a further increase of up to €31,000).
- A Temporary Business Energy Support Scheme was announced.
- Introduction of three €200 Energy Credits for consumers.
- Employers small gift exemption increasing immediately from €500 to €1,000 - 2 vouchers may be granted by an employer in a year.
- VAT for hospitality and tourism sector to return to 13.5% on 01 March 2023.
- Expense allowance for landlords' pre letting expenses has doubled to €10,000.
- Introduction of Rent Tax Credit of €500 for tenants.

Income Tax

Income Tax Bands

The Minister has widened the income tax bands to take more people out of the higher rate of tax meaning you will now not pay the higher 40% rate of tax until you earn over €40,000. This will have a positive impact on take-home pay from January 2023.

The married one income band has increased to €49,000

The married two income band increases of up to €80,000

The Personal Tax Credit has increased to €1,775.

The Employee Tax Credit has increased to €1,775.

The Earned Income Tax Credit has increased to €1,775.

The Home Carer's Credit has increased to €1,700.

USC

There were some operational tweaks to the Universal Social Charge (USC) as well, designed to benefit lower paid workers.

There has been a small update to the 2% rate of Universal Social Charge to take account of the minimum wage increase. The 2% band applies to incomes from €12,012 to €22,920.

Let's look at 2 examples ...

Single person earning 75k

Susan, an IT contractor earning €75,000 per annum will be €830 better off in 2023 when compared to 2022.

Married couple earning 90k

Lisa and Sean, a married couple with 2 incomes totalling €90,000 per annum will be €1,380 better off in 2023 when compared to 2022.

Energy Schemes for Businesses

Temporary Energy Support Scheme for Businesses

The Minister for Finance reiterated helping households and businesses in the face of a rising cost of living is the key objective for this year's Budget.

The Minister today announced the setting up of a State Aid Scheme known as the Temporary Business Energy Support Scheme for tax compliant traders, in order to alleviate the burden of increased gas and electricity costs on businesses.

Where your average per unit price of energy is more than 50% higher in 2022 (when compared to the corresponding period in 2021), you can register for the scheme on a self-assessment basis.

The scheme will cover 40% of the increased bill, subject to a maximum of €10,000 per month.

The first payments are expected to be made in November.

We will issue more information on this important scheme as soon as we have it.

Energy Credit for consumers

The introduction of a direct electricity/energy credit to alleviate the burden of volatile energy prices was announced today. The scheme will grant three €200 credits towards energy bills in December, January & February.

VAT

VAT for Hospitality Sector

The reduced VAT rate of 9% for businesses in the hospitality industry is to be brought to an end. From 01 March 2023, the VAT rate will be 13.5%. Businesses may need to recode their Point of Sale (EPOS) systems accordingly.

Property

Rental Property

Tenants

From 2022, tenants can claim a €500 Rent Tax Credit. If you are renting and want to make sure you avail of this relief make sure you are claiming this credit via Revenue's website.

Landlords

Allowable pre letting expenditure has been doubled from €5,000 to €10,000, if the property has been vacant for a continuous period of 6 months before the date of first letting.

The relief will be clawed back if the claimant ceases to let the property as a rented residential property within 4 years of its first letting.

Vacant Home Tax

A vacant home tax has been introduced, and the rate applied will be 3 times the Local Property Tax (LPT) for that property. The tax will apply to residential properties which are occupied for less than thirty days in a twelve-month period.

Employers

Small Benefit Exemption

There has been an increase to the small benefit exemption cap. Employers can now give €1,000 (up from currently €500) a year tax free to their employees if they so wish. They may give this sum in up to 2 vouchers per annum.

State Pension Age

The state pension age will remain at 66.

Key Employee Engagement Programme

In today's budget the government announced some operational changes and the extension of the Key Employee Engagement Programme (KEEP). This scheme was introduced to incentivise and retain key employees.

It remains to be seen whether these changes will encourage uptake of the scheme amongst SMEs.

Farming

The Minister has announced that 5 agricultural schemes have had their terms extended. These include:

- Young Trained Farmers Stamp Duty Relief
- Farm Consolidation Stamp Duty Relief
- Farm Restructuring CGT Relief
- Registered Farm Partnership Stock Relief
- Young Trained Farmer Tax Relief

The Farmer's Flat Rate Addition VAT rate has reduced from 5.5% to 5%.

Childcare

Pro family moves include a one-off double child benefit payment to cover the winter months, in recognition of the increased expenses families face during this inflationary period.

The Government has backed up their announcements in relation to the childcare sector, in an effort to reduce the cost of childcare by 50% over the coming 2 years.

Summary of Rates

Income Tax

	2023	2022
Top rate of tax	40%	40%
Higher rate entry point (single person)	€40,000	€36,800

USC:

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

0.5% rate band	€12,012	€12,012
2% rate band	on the next €10,908	on the next €9,283
4.5% rate band	on the next €47,123	on the next €48,749
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:

Personal Tax Credit	€1,775	€1,700
Employee Tax Credit	€1,775	€1,700
Earned Income Tax Credit	€1,775	€1,700

We hope you've enjoyed our breakdown of the Budget 2023 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.

