

OHT Guide Budget 2024



Michael McGrath introduced his first Budget as Minister for Finance on 10 October 2023 against a backdrop of many challenges. He referred specifically to the issues created by Brexit, the pandemic, the war in Ukraine, and rates of inflation not seen for some forty years.

On the plus side he noted that the country is at full employment with a record high of over 2.6 million people at work and that the rate of inflation has fallen and is likely to fall further. For 2024, inflation of 2.9 % is projected.

His strategy is to plan for the next 10, 20 and 30 years. With this in mind, he noted that corporation tax receipts were lower than expected and that sovereign borrowing costs are rising.

A note of the key provisions of Budget 2024 are set out below.

Rental Market

Rent Tax Credit

The value of the Rent Tax Credit is increasing from €500 to €750 per year for 2024.

The rules are also being amended to allow parents who are paying for their children's tenancies in 'Rent a Room' or 'digs' accommodation to claim the credit. Backdated claims for 2022 and 2023 will be allowed.

Landlords

A temporary tax relief is to be introduced for small landlords. Where the relief is available rental income of €3,000 for the year 2024, €4,000 for 2025 and €5,000 for the years 2026 and 2027, will be disregarded at the standard rate of 20%. This is equivalent to a tax credit of €600 for 2024, €800 for 2025 and €1,000 for 2026 and 2027.

A full claw-back of relief claimed in a year applies in the event the landlord removes any of the rental properties from the rental market within 4 years. There is no clawback after the expiry of the 4-year period.

The relief relates only to tenancies registered with the Residential Tenancies Board, or where a landlord lets a residential property to a public authority (including a Local Authority). In the case of joint ownership of a property, the relief will be divided in proportion to the percentage of the rental income to which each owner is entitled.

Vacant Homes Tax

The Vacant Homes Tax is to be increased from 3 times to 5 times the property's existing LPT rate. The increase will take effect from the next chargeable period, starting in November 2023.

Succession Planning

Retirement Relief

The current regime allows CGT retirement relief for an individual over 55, subject to the following limits on the consideration paid:

Disposal to a child:

- Age 55-65 No limit
- Age 66 and over €3m

Any other disposal:

- Age 55-65 €750,000
- Age 66 and over €500,000

The changes proposed will mean CGT retirement relief will be subject to the following limits on the consideration paid:

Disposal to a child:

- Age 55-70 €10m
- Age 70 and over €3m

Any other disposal:

- Age 55-70 €750,000
- Age 70 and over €500,000

Foster Child Relief

Changes will be introduced to ensure foster children can avail of the group (b) CAT threshold based on their relationship to the family of their foster parents.

Stamp Duty Consanguinity Relief

Stamp Duty Consanguinity Relief which allows actively farmed land to be passed on to relatives with a stamp duty cost of 1% (as opposed to the 7.5% rate that applies generally) was due to end on 31 December 2023 but the Minister has indicated that he will extend this relief for 5 years (to 2028).



Personal

Income Tax & USC

The following income tax standard rate bands are to increase for 2024:

Single, Widowed, or Surviving Civil Partner	€42,000
Single Person Child Carer band	€46,000
Married Persons or Civil Partners band	€51,000*

*with a maximum increase of up €33,000

The following tax credits are to increase for 2024:

Personal Tax Credit	€1,875
Employee Tax Credit	€1,875
Earned Income Credit	€1,875
Home Carer Credit	€1,800
Single Person Child Carer Tax Credit	€1,750
Incapacitated Child Tax Credit	€3,500

The following changes have been made to USC:

- The ceiling for the 2% rate of USC will rise to €25,760.
- The 4.5% rate of USC will reduce to 4.0%.
- The USC concession for medical card holders is to be extended to 31 December 2025.

Electric Vehicles

In relation to the BIK regime for company cars, the temporary universal relief of €10,000 to the Original Market Value is being extended for a further year. In order to encourage the use of electric vehicles, the tapering of the preferential BIK relief is being temporarily suspended. The existing €35,000 Original Market Value reduction will remain for 2024 and 2025.

Taken together with the extension of the universal Original Market Value relief of €10,000, this measure will mean that an employee with an electric company vehicle will see an overall BIK Original Market Value relief of €45,000 in 2024.

The VRT relief for battery electric vehicles (with a value of up to €50,000) is being extended for a further two years to the end of 2025.



“Budget 2024 is being framed against a backdrop of global uncertainty – both economic and geopolitical. The outlook for the global economy has deteriorated. As one of the most economically open countries in the world, international developments have immediate repercussions for Ireland.”

Minister Michael McGrath

Mortgage Interest Relief

A one-year Mortgage Interest Tax Relief is being introduced for home owners with an outstanding mortgage balance on their primary dwelling house of between €80,000 and €500,000 as of 31 December 2022.

Relief will be available in respect of the increased interest paid on the mortgage in the calendar year 2023 as compared with the amount paid in 2022, at the standard rate of 20% income tax. The relief will be capped at €1,250 per property.

Sale of Electricity to National Grid

From 1 January 2024, relief from income tax, USC and PRSI of up to €400 per year will apply to profits or gains arising to a qualifying person from the micro-generation of electricity.

Relief for Income from Leased Farmland

This relief allows a reduction from rental income on farmland up to a maximum limit which depends on the term of the lease. The current requirement to qualify is a lease of at least 5 years but the Minister intends increasing this to 7 years so that it is better targeted to active farmers.

Help to Buy (HTB)

The HTB scheme is extended for a further year to 31 December 2025. The scheme has also been amended to increase its compatibility with the Local Affordable Purchase Scheme for eligible applicants, effective from 11 October 2023.

Business

OECD - Pillar Two 15% Tax Rate for Multinational Groups

Pillar Two is the second of two pillars in the OECD's framework which aims to reform the taxing of the digital economy. It sets out the Global Anti-Base Erosion rules which introduce a global minimum Effective Tax Rate of 15% for multinational groups with consolidated revenue in excess of €750m. Going forward this would mean that if the revenue is initially taxed in a jurisdiction where the effective tax rate is less than 15%, the tax paid must be topped up somewhere within the group. The Minister will be including legislation in the Finance Bill next week to provide for the 15% minimum effective tax rate.

Participation Exemption for Dividends

In September 2023 the Minister published a roadmap for the introduction of a participation exemption to Irish Corporation Tax. He noted that Ireland is the only EU country that does not operate some form of participation exemption for foreign dividends and he confirmed in the Budget Speech that legislation for a participation exemption for foreign sourced dividends will be included in the Finance Bill 2024, which will be published next week.

Bank Levy

The Stamp Duties Consolidation Act (SDCA) 1999 provides for a levy on certain financial institutions (known as the bank levy), which currently runs to end 2023. The Minister has planned to put in place a revised bank levy in 2024 to ensure that the banking sector continues to make a contribution to the Irish economy following the support they received during the financial crisis.

Accelerated Capital Allowances

Capital allowances for expenditure incurred on certain farm safety equipment, by a person carrying on a trade of farming are accelerated (being written off at 50% over 2 years) and these accelerated allowances are to be extended for three years.

The accelerated capital allowances scheme for energy efficient equipment is being extended for a further two years.

ABER Lifetime Limit

A lifetime ceiling of €70,000 currently applies to the amount of aid to be granted to a young trained farmer under three Agricultural Block Exemption Regulation (ABER) schemes, namely Young Trained Farmers Stamp Duty Relief, Young Trained Farmers Stock Relief and the Succession Farm Partnership Credit. The Minister announced that the lifetime limit will be increased to €100,000.

For farmers who are partners in a Registered Farm Partnership the maximum amount of enhanced stock relief is being increased from €15,000 to €20,000.



Simplification of Business Taxes

A dedicated Tax Administration Liaison Committee (TALC) subgroup is to be established with the aim of identifying any opportunities that exist to simplify and modernise the administration of the various business supports provided for in the tax legislation.

The Revenue Commissioners will shortly launch a Public Consultation on how we can use digital advances to modernise Ireland's VAT Invoicing and Reporting System. The Department of Finance is launching a consultation on share based remuneration.

Charity & Philanthropy

The funds available under the Charity VAT Compensation Scheme is being increased from €5m to €10m, allowing Charities to recover more of the VAT that they pay.

VAT

The following VAT changes were announced:

- The VAT registration thresholds for businesses is to rise to €40,000 for services and €80,000 for goods.
- The 9% reduced VAT rate for gas and electricity is being extended for an additional 12 months.
- The 0% VAT rate on solar panels for private dwellings is being extended to schools from 1 January 2024.

Overall, the message of Budget 2024 was optimistic. In his speech on public expenditure the Minister Paschal Donohoe said that:

'In recent years we have returned our public finances to surplus twice, we have now set up funds to make best use of these surpluses, we have reduced the burden of our national debt, and we have never had more people working in our country.'

Fuller details of the provisions announced will be contained in Finance Bill 2024, which is due to be published next week.

Caveat: These notes are intended as a general guide to Budget 2024. OHT has endeavoured to provide an accurate commentary but the notes cannot cover all circumstances and OHT strongly recommends that formal tax advice be obtained before any steps are taken that may have a tax effect.