

Budget Highlights 2024

by Mairéad Hennessy

Budget 2024 was announced by the Ministers for Finance and Public Expenditure, Michael McGrath and Paschal Donohoe, on 10th October 2023. It was acknowledged by the Ministers that the annual Budget is about striking a balance between addressing the needs of citizens and businesses today and also planning for future needs.

This year's Budget comes at a time when geopolitical tensions, inflation and supply chain challenges are reshaping the world economic order. This year's Budget marks a step change in how we plan for the future as a country so as to put the economy in the best position possible to remain resilient against this uncertain backdrop.

The main announcements in Budget 2024 are:

Personal Taxation

Income tax rates

There were no changes made to tax rates for 2024. The standard income tax rate will remain at 20% and the higher rate at 40%.

The Standard Rate Cut Off Points (SRCOP) for 2024 have been increased as follows:

SRCOP	2023	2024
Single / Widowed Person or Surviving Civil Partner – no children	First €40,000 @ 20% Balance at 40%	First €42,000 @ 20% Balance at 40%
Single / Widowed Person or Surviving Civil Partner with qualifying children	First €44,000 @ 20% Balance at 40%	First €46,000 @ 20% Balance at 40%
Married Couple / Civil Partnership One Income	First €49,000 @ 20% Balance at 40%	First €51,000 @ 20% Balance at 40%
Married Couple / Civil Partnership – Two incomes	First €49,000 @ 20% Plus an amount equal to the lower income (subject to a maximum of €31,000) Balance at 40%	First €51,000 @ 20% Plus an amount equal to the lower income (subject to a maximum of €33,000) Balance at 40%

Income tax credits

Certain income tax credits will increase as follows with effect from 1 January 2024:

Personal Tax credits and bands	2023	2024
Single	€1,775	€1,875
Married	€3,550	€3,750
PAYE	€1,775	€1,875
Earned income tax credit for self-employed	€1,775	€1,875
Home carer tax credit	€1,700	€1,800

The sea-going naval personnel tax credit of €1,500 has been extended for 2024.

Universal Social Charge (USC)

A rise in the minimum wage from €11.30 to €12.70 per hour was announced in the Budget to take effect from 1 January 2024.

The USC rates and bands from 1 January 2024 will be:

- €0 – €12,012 @ 0.5% - no change
- €12,013 – €25,760 @ 2%
- €25,761 – €70,044 @ 4.0%
- €70,045+ @ 8% - no change
- Self-employed income over €100,000: 3% surcharge

Incomes of less than €13,000 remain exempt from USC.

PRSI

As from 1 October 2024, all PRSI contribution rates will increase by .01%.

Rental Tax Credit

The Rent Tax Credit will increase from €500 to €750 per year for 2024.

Parents who pay for their student children to rent a room or pay for their digs will also be able to avail themselves of the credit from 2024. A claim may also be made for 2022 and 2023.

Vacant Homes Tax

The vacant home tax will be increased from 3 to 5 times the property's existing basic Local Property Tax rate. The increase will take effect from the next chargeable period, commencing November 2023.

Help-to-Buy Scheme

The Help to Buy scheme is being extended at current rates until the end of 2025.

The scheme is also being revised to ensure that applicants of the local authority affordable purchase scheme can avail of Help-to-Buy.

This change will take effect immediately and will run until the revised end of the scheme in 2025.

Mortgage Interest Relief

A temporary one-year mortgage interest relief will be introduced for taxpayers who have made payments in respect of a qualifying loan for a principle private residence.

The relief will be available to homeowners with an outstanding mortgage balance of between €80,000 to €500,000 as at 31 December 2022.

Relief will be available by way of a credit on the increase in interest paid in 2023 calendar year when compared to 2022 calendar year at the 20% standard rate of income tax (max credit available €1,250).

Rented Residential Relief for Landlords

A temporary tax relief for landlords will be introduced on residential rental income at the 20% standard rate of income tax. The following rental income will be disregarded for income tax purposes - €3,000 for 2024, €4,000 for 2025 and €5,000 for 2026 and 2027, where the property remains in the rental market for four years and the tenancy is registered with the PRTB or let to a public authority.

Landlords must also have tax clearance and be LPT compliant to qualify for the relief.

Certain Profits from Micro-Generated Electricity

The income tax, USC and PRSI exemption from the micro-generation of electricity by an individual is being increased from €200 to €400 per year. The scheme is being extended to 31 December 2025.

Benefit in kind – motor vehicles

The temporary universal relief of €10,000 to the original market value on certain categories of vehicles announced previously is now extended to the end of 2024.

There will also be no tapering of the preferential BIK relief on electric vehicles. Accordingly, the existing €35,000 original market value reduction will apply for 2024 and 2025.

Business Taxation

Corporation Tax rate

Finance Bill 2023 will introduce a minimum effective corporation tax rate of 15% for companies which are members of a multi-national group with turnover in excess of €750 million.

The rules are expected to apply from accounting periods commencing on/ after 31 December 2023.

Research and Development

The R&D Tax Credit is being increased from 25% to 30% and the first-year claim threshold is being increased to €50,000 from €25,000 under Section 766C Taxes Consolidation ("TCA") Act 1997.

Smaller businesses will be able to claim up to €50,000 of their credit in year one under s766D TCA 1997 which will be of particular benefit to SMEs.

The Bill introduces a new concept of a 'pre-notification requirement', which will apply to companies intending to claim the R&D Tax Credit for the first time, or companies which have not claimed the credit in the previous 3 years. A company shall notify Revenue, in writing, 90 days before a claim is made under sections 766C or 766D TCA 1997. The notification to Revenue will require companies to provide the following information:

In respect of section 766C TCA 1997:

- the name, address and corporation tax number of the company,
- a description of the R&D activities carried out by the company,
- the number of employees carrying on R&D activities, and
- details of expenditure incurred by the company on R&D activities which has been or is to be met directly or indirectly by grant assistance or any other assistance.

In respect of section 766D TCA 1997:

- the name, address and corporation tax number of the company,
- confirmation that the building or structure is a qualifying building,
- the proportion of the qualifying building which is to be used for the purpose of the carrying on by the company of R&D activities for the specified relevant period, and
- details of expenditure incurred by the company which has been or is to be met directly or indirectly by grant assistance or any other assistance.

Revenue may request further information, explanations, etc., following submission of the notification.



The pre-notification requirement will apply in respect of claims made in an accounting period commencing on or after 1 January 2024.

CGT Relief for Angel Investors

The relief will provide for a lower CGT rate of 16% (or 18% where held through a partnership) for disposals of qualifying investments for gains up to a value of two times the initial investment. There is a minimum investment period of at least 3 years and lifetime relief limit of €3 million.

This new scheme will see investees being reviewed and certified by Enterprise Ireland to ensure that they meet the innovative start-up requirement.

Retirement Relief

The upper age limit for the relief will be extended from 65 to 70 years of age and a new limit of €10m will apply to disposals to a child from 1 January 2025.

While it's positive that the age limit has been pushed up to 70 years of age, arguably the introduction of the €10m limit on the transfer of family business (where previously there was no limit up to age 66) could motivate business owners to leave the family business by way of inheritance rather than during their lifetime.

Employment Incentive Relief (EII)

The Investment period will be standardised to 4 years for all investments and the amount an investor can claim relief on will be doubled to €500,000 on a 4-year investment from 1 January 2024.

Until now, investments in excess of €250,000 were required to be held for a minimum of seven years.

Share Options

From 1 January 2024, there will be a move from the self-assessment obligation on an employee in respect of tax on gains realised on the exercise, assignment or release of a right to acquire shares or other assets. The employer will now be responsible for accounting for income tax, PRSI and USC through the payroll system on any gains realised on the exercise of share options.

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Gains arising on or before 31 December 2023 will remain subject to self-assessment by the employee.

This move from self-assessment by the employee to the employer new payroll obligation presents a significant burden for employers especially as it is due to coincide with the introduction of the new Enhanced Reporting Requirements for employers.

Energy Efficient Equipment

The existing scheme for accelerated capital allowances, which is an incentive scheme for certain energy-efficient equipment purchased for use in a company's trade, will be extended to 31 December 2025.

The equipment must be included in the list of energy-efficient equipment maintained and published by the Sustainable Energy Authority of Ireland (SEAI) in order to qualify under the scheme.

Accelerated capital allowances of 100% of the capital expenditure incurred on such equipment can be claimed for the year in which the equipment is first used for the purposes of the trade.

The scheme covers the purchase of, for example, the following energy efficient equipment – electric vehicles, lighting equipment and systems, ICT equipment and systems.

Section 481 Film Relief

The maximum expenditure which can be used to calculate the credit will be increased to €125 million, from the date of Commencement Order.

Other Measures

Agricultural reliefs

- Consanguinity stamp duty relief has been extended for a period of 5 years to 31 December 2028.
- The accelerated capital allowances for farm safety equipment is being extended to 31 December 2026.
- Increase in the maximum aggregate lifetime limit of a number of farm-related reliefs to €100,000 including Young Trained Farmer Relief for Succession Farm and Stock Relief for Young Trained Farmers from 1 January 2024.
- Increase from €15,000 to €20,000 in the maximum amount of enhanced stock relief for farmers who are partners in a Registered Farm Partnership will commence 1 January 2024.
- Decrease in Farmers flat rate compensation from 5% to 4.8% from 1 January 2024.

Energy Supports

Three more instalments of €150 each in electricity credits for all households will be paid in December 2023, January/February 2024 and March/April 2024.

VAT

Electricity and Gas

The Budget temporarily extends the 9% rate on the supply of electricity and gas for a further 12 months until 31 October 2024.

Reduction in VAT Rates

From 1 January 2024 the VAT rate for audiobooks, e-books and for the supply and installation of solar panels in schools is being reduced from 9% to 0%.

VAT Registration Thresholds

VAT registration thresholds will be increased from €37,500 to €40,000 for services and from €75,000 to €80,000 for goods with effect from 1 January 2024.

Capital Acquisitions Tax

The Group B threshold of €32,500 will apply to foster children.

Interest free loans

Where an interest-free "specified loan" is made to a person by a "close relative" of that person (e.g., parents, grandparents, siblings, aunts, uncles, etc.), and the balance outstanding on the loan, when aggregated with the balance outstanding on any other interest-free loans, exceeds €335,000 in the reporting period, a Capital Acquisition Tax (CAT) return will have to be filed by the beneficiary. Details of the person who made the loan, as well as the balance outstanding on the loan will need to be included in the return.

A "specified loan" is defined as a loan made in four circumstances:

- to a person by a close relative,
- to a person by a company with a close relative as beneficial owner,
- by a close relative to a company with the person as beneficial owner or
- by a company with a close relative as beneficial owner to a company with the person as beneficial owner.

A "specified loan" made in one of the above circumstances must be reported where there is a deemed gift for CAT purposes in respect of the use or enjoyment of the loan, no interest has been paid in respect of the loan within 6 months of the relevant period in which this gift is deemed to have been taken and the balance outstanding on the loan (aggregated with any other specified loan in the period) exceeds €335,000 on at least one day in the period.

This new reporting requirement will also apply to loans to and from private companies where the beneficial owner of the company and the person making/receiving the loans are "close relatives".

Final Comment

Overall, the Budget is welcome and is widely regarded as being pro-business. The average worker can expect to pay around €800 less in income taxes which is a welcome support for many. We also welcome the announcement of ongoing engagement with the Tax

Administration Liaison Committee (TALC) next year to assess how tax reliefs may be made more accessible for business.

However, there were some missed opportunities in Budget 2024, for example, the general CGT rate at 33% remains very high and there were no changes to Capital Acquisitions Tax lifetime tax exempt thresholds.

Whilst the Budget was broad based, it is difficult to please every group. Furthermore, it must be sensitive against fueling inflation. Overall, we believe the balance was about right.



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