



Budget 2022

Summary of the main measures
including those affecting the farming sector.

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Main Headline Items —Budget 2022

- The income tax standard rate bands have been increased by €1,500. The income tax rates (20% & 40%) have not been changed
- There has been a €50 increase in the principle tax credits
- An adjustment has been made to the 2% USC band
- The three stock relief measures have been extended - general stock relief for 3 years and the other two measures for 1 year.
- There have been changes in corporation tax but farming companies will not be affected
- There are no change to the Capital Gains Tax (CGT), Capital Acquisitions Tax (CAT) and Stamp Duty rates.
- Stamp Duty relief for Young Trained Farmers has been further extended until 31st December 2022
- The VAT flat rate farmer addition rate is to decrease from 5.6% to **5.5%** from 1st January 2022
- There have been significant changes to Social Protection Payments for 2022 with a general €5 weekly increase applied
- Further changes have been made to Carbon Taxes and Vehicle Registration Tax.
- Additional funding has been allocated for specific measures relating to Agriculture.

Income Tax Rates, Bands and Credits

The standard rate bands have been increased with the income tax rates (20% & 40%) remaining unchanged for 2022 as shown below

	At 20% Rate - the first			At 40%
	Existing 2021	Change	Proposed 2022	
Single/Widowed	€35,300	+ €1,500	€36,800	Balance
Married One Income	€44,300	+ €1,500	€45,800	Balance
Married Two Incomes —Max	€70,600	+ €3,000	€73,600	Balance
One Parent/ Widowed Par-	€39,300	+ €1,500	€40,800	Balance

Selected Tax Credits

There has been an increase of **€50** in the principle tax credits.

Tax Credits are applied as a straight deduction from an individual's income tax -as calculated by applying the two tax rates and using the bands outlined above.

	Existing 2021	Proposed 2022
<u>Personal Tax Credits</u>		
- Single	€1,650	€1,700
- Married	€3,300	€3,400
Single Person Child Carer Tax	€1,650	€1,650
Widowed Person Credit	€2,190	€2,240
PAYE credit	€1,650	€1,700
Earned Income Tax Credit (Max)*	€1,650	€1,700
Home Carer Tax Credit	€1,600	€1,600
Dependent Relative Tax Credit	€245	€245
<u>Age Credit</u>		
- Single	€245	€245
- Married	€490	€490

* The Earned Income tax credit is calculated at 20% of an individual's earned income (excluding earned income that is taken into account for the PAYE Tax Credit) subject to a maximum of €1,700. *Where an individual has earned income that qualifies for the Earned Income Tax Credit and PAYE Tax Credit, the combined tax credits cannot exceed €1,700*

Age Exemption Limits

There are income thresholds set for people aged above 65 years and below which they can earn income and pay no income tax. These thresholds remain unchanged.

	2022 Limit
Single	€18,000
Married	€36,000

PRSI

Farmers pay the self-employed rate of PRSI known as Class S PRSI. This is applied to all income and there is only one rate so no bands apply. The Class S rate remains **unchanged** at **4%**.

'Reckonable income' for the purposes of PRSI is profit after capital allowances but before reliefs and deductions.

The **weekly income threshold** for the higher rate of **employer PRSI** will increase from €398 to **€410** (effective from **1st January 2022**)

Universal Social Charge

The Universal Social Charge is payable on gross income after relief for certain trading losses and capital allowances, but before relief for pension contributions.

The lower exemption threshold above which income becomes liable to the USC will remain at €13,000 for **2022**. So where an individual earns below this amount no USC applies. Where the income exceeds €13,000 in 2022 then the revised rates **showing a €608 increase in the 2% band** ceiling applies for 2022 as in the table below.

2021 USC Income Bands	2021 USC Rates	2022 USC Income Bands	2022 USC Rates
€0—€12,012	0.5%	€0—€12,012	0.5%
€12,013—€20,687	2.0%	€12,013— €21,295	2.0%
€20,688—€70,044	4.5%	€21,296 —€70,044	4.5%
€70,045—€100,000	8%	€70,045—€100,000	8%
> €100k (self-employed only)*	11%	> €100k (self-employed only) 11% *	

- * Self-employed individuals with annual income exceeding €100,000 are subject to a 3% additional surcharge – an effective 11% rate of USC. Those in receipt of PAYE income only in excess of €100,000 will be subject to a max USC rate of 8%.

The marginal rate of tax for employed / self-employed individuals (**under 70 years**) with a maximum income **below €70,044** is as follows:

	2021	2022
Income Tax	40%	40%
PRSI	4%	4%
Universal Social Charge	4.5%	4.5%
Total	48.5%	48.5%

Stock Relief

General Stock Relief, which is available to all farmers at the 25% rate, has been **extended until 31st December 2024**.

Stock Relief for Registered Farm Partnerships and **Stock Relief for Young Trained Farmers** have been **extended until 31 December 2022**. These measures come under the State Aid Rules for which the current exemption is due to expire at the end of 2022. It is expected that once the new State Aid exemption is in place then these two stock relief measures will be further extended.

The Teagasc “**My Farm – My Plan**” document is the business plan template agreed with Revenue for certification for the enhanced **stock relief for young trained farmers**

This business plan template can be downloaded from <https://www.teagasc.ie/publications/2018/my-farm-my-plan---planning-for-my-future.php>

The business plan must be submitted for certification **on or before 31st October in the year following the first year of assessment**.

Corporation Tax

A significant change has been announced to Ireland’s Corporate tax regime but the proposed changes will not impact farm businesses.

For farms that are trading as companies there is **no change** proposed to the corporation tax rate which will remain at **12.5%**.

For companies with a turnover **in excess of €750m** the proposal is to increase the effective rate of corporation tax to 15% from the year 2023.

Value Added Tax (VAT)

The **flat rate farmer addition** rate is to **decrease** from 5.6% to **5.5%** from 1st January 2022

The VAT rate applying to sales and purchases of livestock remains at **4.8%**.

The standard rate of VAT remains at **23%** and the **13.5%** rate remains unchanged with the exception of the sectors outlined below.

The **9%** VAT rate for the hospitality sector (including restaurants, guest accommodation, cinemas, theatres, sporting facilities) is to remain in place until **31st August 2022**

Deposit Interest Retention Tax (DIRT) [no change]

This is a tax on interest paid or credited on deposits of Irish residents. There has been no change in the DIRT rate applied - it remains at **33%**.

Dividend Withholding Tax (DWT) [no change]

The rate of Dividend Withholding Tax remains at **25%**.

Local Property Tax (LPT)

The LPT was introduced in 2013. At that stage the tax was calculated based on a property valuation on 1st May 2013. As was flagged in last years budget, on 1st November 2021 an updated valuation of properties will be required for the calculation of the LPT for 2022 and beyond

More details here <https://www.revenue.ie/en/property/local-property-tax/what-to-do-for-2022/index.aspx>

Stamp Duty

There was no change to the stamp duty rates applying to either residential or non-residential property.

2021		2022	
Non Residential Property (including land)			
Consideration	Rate of Duty	Consideration	Rate of Duty
Entire Consideration	7.5%	Entire Consideration	7.5%
Residential Property			
Up to €1,000,000	1%	Up to €1,000,000	1%
Over €1,000,000	2%	Over €1,000,000	2%

Consanguinity relief for Stamp Duty [no change]

Consanguinity Relief for inter-family farm transfers of non-residential property is in place until **31st December 2023**. The relief reduces the effective rate applied on lifetime land transfers by gift between certain related persons **from 7.5% to 1%**.

Consanguinity relief applies to transfers between related persons.- i.e. blood relations including lineal descendant, parent, grandparent, step parent, husband or wife, brother or sister of a parent or brother or sister, or lineal descendant of a parent, husband or wife or brother or sister & foster children.

Stamp Duty Relief for Young Trained Farmers

This relief has been extended until **31st December 2022**—it is expected that once the new State Aid arrangements are in place (see page 8) that this relief will be further extended. Budget 2016 introduced an additional requirement (specified by the European Commission under State Aid rules) that the Young Trained Farmer applicant must complete a **Business Plan** and present it to Teagasc for certification prior to claiming this relief.

The Teagasc My Farm-My Plan document is the Revenue approved business plan template. This template can be downloaded from <https://www.teagasc.ie/publications/2018/my-farm-my-plan---planning-for-my-future.php>

EU State Aid Cap on measures applying to young farmers

Note as per Finance Act 2019 in order to comply with EU State Aid regulations, an overall **lifetime cap** of **€70,000 per farmer applies** on the effective tax saving/ benefit claimed under the following three reliefs/credits

- Young trained farmers stamp duty relief
- Enhanced stock relief for Young Trained farmers
- Succession farm partnerships tax credit

Stamp Duty—Farm Consolidation Relief

This relief was extended in Budget 2021 to 31st December 2022. This lines up with the expiry date for Capital Gains Tax Restructuring Relief.

Consolidation relief may apply where land is disposed of and replaced with other land with the end result of a less fragmented and more viable farming operation.

Purchase and sale transactions that take place between the dates of **1st January 2018 to 31st December 2022** are potentially eligible for the relief. The two land transactions involved in the consolidation must occur within 24 months of each other.

A certificate from Teagasc will be required stating that the transactions involved in the consolidation meet the conditions set out in guidelines - see section on CGT Restructuring Relief (page 11) for link to guideline document.

Claimants of the relief must commit to retaining ownership of their interest in the qualifying land and use the land for farming for a period of 5 years from the date of first claiming the relief.

The relief has the effect of reducing the rate of stamp duty applying on eligible transfers of land from 7.5% to 1% on the excess of the value of land purchased over the value of land sold as part of the consolidation transactions.

Capital Acquisitions Tax (CAT)

The rate of CAT is unchanged at **33%**

CAT tax free thresholds —[no change]

	Group	2022 Threshold
A	Son/Daughter, minor child of deceased child	€335,000
B	Lineal Ancestor/ Descendent, brother, sister, niece, nephew	€32,500
C	Any other person	€16,250

Capital Acquisitions Tax—Agricultural Relief—[no change]

The conditions for a donee (receiving a gift) or successor (receiving an inheritance) to avail of CAT agricultural relief as follows:

- They must continue to meet the Farmer Test (the 80% agricultural property test)
- The eventual user of the property subject to the relief must meet the Active Farmer test as set out below.

To meet the Active Farmer test the final user of the agricultural property must either:

- Hold (or obtain within 4 years of receiving the property) a recognised agricultural qualification (as listed for the young farmer stamp duty exemption qualifications listed in schedule 2,2A or 2B to the Stamp Duties Consolidation Act 1999) AND who farms the property on a commercial basis with a view to the realisation of profits for a period of 6 years from the valuation date for the property **OR**
- Spend 50% of that individual's normal working time* farming agricultural property (including the property received) on a commercial basis with a view to the realisation of profits for a period of 6 years from the valuation date for the property **OR**
- Lease the whole or substantially the whole of the agricultural property, comprised in the gift or inheritance for a period of not less than 6 years commencing on the valuation date of the gift or inheritance, to an individual who satisfies either of the previous two criteria.

**Definition of “normal working time”*

- Normal working time including both on-farm and off-farm working time approximates to 40 hours per week.
- An individual spending an average of 20 hours per week working on the farm will meet the 50% of normal working time criteria.
- Where it can be shown that an individual’s normal working time is less than 40 hours a week, then the 50% requirement will be applied to the actual hours worked, subject to the overriding requirements that the farm be farmed on a commercial basis and with a view to the realisation of profits.

Capital Gains Tax (CGT) [no change]

The general rate of CGT is unchanged at **33%**

Capital Gains Tax Retirement Relief [no change]

There were no changes to the general conditions or operation of Retirement Relief from Capital Gains Tax announced in this budget

CGT Farm Restructuring Relief [no change]

To enable farm restructuring, relief from Capital Gains Tax has been available (subject to conditions) where land disposed of by either sale or exchange and the proceeds have been reinvested into other land.

The deadline for the completion of the **first** restructuring transaction is **31st December 2022**.

Both restructuring transactions must be completed within a 24 month period.

The guideline document for this relief (& Consolidation Relief from Stamp Duty) is available here - <https://www.agriculture.gov.ie/media/migration/foodindustrydevelopmenttrademarkets/agri-foodandtheeconomy/CapitalGainsTaxStampDutyReliefGuidelines270718.pdf>

Capital Gains Tax—Entrepreneur Relief [no change]

Under this relief a reduced rate of 10% applied to gains on the disposal of business assets. A limit of €1 million applies on all gains which are deemed eligible counted back from 1st January 2016. From 1st January 2021 an individual who held at least 5% of the shares in a qualifying company will be able to qualify for the relief. All other qualifying criteria remain unchanged.

More details on the operation of this relief are available here <https://www.revenue.ie/en/gains-gifts-and-inheritance/cgt-reliefs/revised-entrepreneur-relief.aspx>

Zoned Land Tax

A new Zoned Land Tax of 3% is being introduced to encourage the use of land that is zoned residential and mixed use to build homes. The tax will apply to land which is zoned suitable for residential development and is serviced, but has not been developed for housing.

Social Welfare Payments

A €5 increase in the main weekly payments is being applied for 2022 with corresponding increases for the qualified adult adjustments

	2021	From January 2022
State Pension (Contributory)(<80)	€248.30	€253.30
- Qualified Adult Increase	€165.40	€168.70
State Pension (Non-Contributory) (Max) **	€237	€242
- Qualified Adult Increase	€156.60	€159.90
Jobseekers Benefit	€203	€208
Jobseekers Allowance (aged 25+) **	€203	€208
Farm Assist **	€203	€208
Invalidity Pension	€208.50	€213.50

**Means Tested Payments

	2021	From January 2022
Increase for child under 12	€38	€40
Increase for child aged 12 & over	€45	€48
Living Alone Allowance	€19	€22

Selected Weekly Increases [applied to selected weekly payments listed above]

There is an increase in the **Qualified Child Payment** of **€2 per week** for children **under 12** and **€5 per week** for children **over 12** years—applies to all weekly payments.

The weekly **Fuel Allowance** is to be **increased by €5 per week to €33** from midnight 12th October.

All weekly increases take effect from the first week of January 2022, with the exception of the Fuel Allowance increase which is effective immediately.

The **Christmas Bonus** will be paid at 100% rate in December 2021 to certain recipients of a long-term Social Welfare payment—**this is essentially a double payment for that month.**

The **Working Family Payment** income threshold has been increased by **€10**

Drug Payment Scheme - the amount that participants in this scheme have to contribute themselves will be reduced from €114 to **€100** with effect from **1st November 2020**.

Child Benefit rates have not changed and remain at **€140/ month**.

Employment Wage Subsidy Scheme is extended until 30th April 2022. The scheme will close to new applicants from 1st January 2022.

Carers Allowance

The means test for the Carer's Allowance is being adjusted to increase the max assessed earnings for qualification for the allowance for a single person to **€350 per week** and for couples to **€750 per week**. The capital disregard will increase from €20,000 to **€50,000**.

More detail on the Social Welfare rates can be found here <https://assets.gov.ie/201321/cae20354-1cf0-4293-97c8-72fe705b3312.pdf>

Statutory Minimum Wage

The statutory minimum wage is to **increase by 30 cents** from its current rate of €10.20 per hour to **€10.50** per hour from **1st January 2022**.

Carbon Related Measures

- **Carbon Tax**—the rate of Carbon Tax will increase by €7.50 from €33.50 per tonne to **€41** per tonne **from midnight on 12th October**. This will have the approximate impact for a 60-litre tank of diesel of an increase of €1.48 and for a similar tank of petrol of an increase of €1.28. **Increases in Home heating oil and other fuels will not come into effect until May 2022.**
- **Vehicle Registration Tax** - A revised VRT rates table is being introduced from January 2022 updating the 20 band table introduced last year which worked off revised CO₂ ratings. There will be a 1% increase for vehicles which fall between bands 9-12, a 2% increase for bands 13-15 and a 4% increase for bands 16-20. The €5,000 relief for Battery Electric vehicles is being extended to the end of 2023.

Other measures announced

- **Cigarettes**—Exercise duty on a pack of 20 cigarettes will rise by 50 cent, with a pro-rata increase on other tobacco products.
- **Student Maintenance Grant**—will **increase by €200** in 2022. The cut off threshold for eligibility for the student grant will increase by €1000. The travel distance for the 'non-adjacent' rate will decrease to 30 km from 45 km.
- **Youth Travel Card** - Young people will be able to avail of **half-price travel on public transport**. Discounts of 50pc on all fares will apply up to age 24, and to young adult workers as well as those studying at third level. It will be introduced in 2022.
- **Free GP care** for 6 and 7 year olds will be introduced
- **Help to Buy Scheme** - has been extended until the end of 2022. This scheme due to undergo a full review in 2022
- **Working from Home Relief**—Income tax relief of 30% on heating, electricity and broadband expenses will be introduced.

State Aid Rules and their impact on Tax Reliefs

A ceiling of €20,000 is imposed on the amount of aid that any one farmer or farming entity can receive over a 3-year period. This ceiling applies to the amount of 'de minimis' aid that is received in respect of all such State aid schemes, whether given by way of tax relief or direct grants. The relevant tax relief schemes are this

- stamp duty relief on leases of land and
- relief given under section 667C Taxes Consolidation Act 1997 (registered farm partnerships).

In the case of the relief relating to Stamp Duty on Leases, the aid granted is the amount of stamp duty that would be payable if the relief did not apply. The 3-year period operates on a rolling basis so that, for each new grant of aid, the total amount of aid granted in the particular calendar year and in the preceding two years is to be taken into account.

Acceleration of Wear and Tear Allowances for Farm Safety Equipment Scheme

This measure was included in last years Finance Act 2020 (Section 17 of the Finance Act 2020) but the commencement order for the measure was just recently signed on 6th October, 2021.

The new scheme will allow for accelerated capital allowances of 50% per annum over two years for certain eligible equipment—see summary list below. An annual total equipment cost of €5 million per annum., excluding VAT, for the measure will apply.

The Department of Agriculture, Food and the Marine will issue a Farm Safety/Adaptation Accelerated Capital Allowance Certificate. This certificate must be submitted to Revenue in support of claims under this measure.

The full terms and conditions for the scheme and application form are available at www.gov.ie/farmsafety.

Some of the equipment eligible for this scheme includes—Big bag lifters, Chemical storage cabinets, anti-backing gates for cattle crushes, tractor implement quick hitch mechanisms, hydraulically located lower three-point linkage arms, farm vehicle access lifts or hoists, wheelchair restraints, modified seating & controls to enable operation of a farm vehicle and other adaptive equipment to assist farmers with disabilities

DAFM Press Release on Accelerated Wear & Tear Allowances for Farm Safety

<https://www.gov.ie/en/press-release/9ba24-minister-heydon-launches-acceleration-of-wear-and-tear-allowances-for-farm-safety-equipment-scheme/>

Selected Specific Measures Relating to Agriculture

The Department of Agriculture, Food and the Marine has been allocated **€1.858 billion**—a €32 million increase on the 2021 allocation.

Some details has been announced on budget day on the following

- **€872 million** in funding for Rural Development and Forestry supports
- **Targeted supports for the beef and sheep sectors** - **€100 million** to cover BDGP, BEEP-S, Sheep Welfare Scheme and Dairy Calf Programme
- **TAMS** - €80 million including specific supports for solar panel installation
- **Soil Sampling Programme** - funding of **€15 million** for a second phase of this programme
- **Organic Farming Scheme** - **€21 million** (up from €16 million last year)
- **Multi-Species Swards**—grant proposed to support the planting of these swards
- **Farm Safety** - an additional **€2 million** to support initiatives
- **€157 million** for fisheries and coastal communities that depend on fishing

Schedule for Finance Act 2021

The measures outlined in the budget will be published in the Finance Bill 2021. It will be debated by both houses of the Oireachtas and will be signed into law as Finance Act 2021 in mid to late December.

Finance Bill stages

- Finance Bill published - 21 October 2021
- Committee Stage - 16 - 18 November 2021
- Report Stage - 30 November - 1 December 2021
- Seanad Report Stage - 15 December 2021
- President signs Finance Act 2021 - on/ before 25 December 2021

Note:

This summary is based on the author's interpretation of the relevant Budget and Finance Bill measures and should not be taken as a definitive interpretation of these measures. For all individual tax queries you are advised to seek professional tax advice from your own accountant/ tax adviser.

References

Department of Finance Budget Section - <https://www.gov.ie/en/campaigns/0020e-budget-2021/>

Revenue Budget Information - <https://www.revenue.ie/en/corporate/press-office/budget-information/2022/budget-summary-2022.pdf>

Department of Social Protection - <https://www.gov.ie/en/publication/318a9-budget-2022/#weekly-rate-increases>

Department of Agriculture, Food & the Marine - https://www.gov.ie/en/publications/?q=&sort_by=published_date&type=press_releases&organisation=department-of-agriculture-food-and-the-marine