



Budget 2021

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

Published on
13th October, 2020

Prepared by:

Kevin Connolly, Financial Management Specialist

Main Headline Items —Budget 2021

- The income tax standard rate bands and income tax rates (20% & 40%) have not been changed
- The Earned Income Tax Credit has been increased by €150 to **€1,650**.
- The Dependent Relative Tax Credit has been increased from €70 to **€245**
- There is no change in the Capital Gains Tax (CGT) and Capital Acquisitions Tax (CAT) rates.
- Farm Consolidation Relief from Stamp Duty has been extended until 31st December 2022
- Stamp Duty Consanguinity Relief has been extended for an additional three years until 31st December 2023
- There are no changes to the main general Social Protection Payments for 2020 but there have been some increases to the qualified child additions and living alone allowances.
- A Recovery Fund has been established to ensure continued support for the economy.



Income Tax Rates, Bands and Credits

There have been **no changes** made to either the standard rate bands or the income tax rates for **2021**.

	At 20% Rate - the first	At 40%
Single/Widowed	€35,300	Balance
Married One Income	€44,300	Balance
Married Two Incomes —Max	€70,600	Balance
One Parent/ Widowed Parent	€39,300	Balance

Selected Tax Credits

There has been an increase in both the **Earned Income Tax Credit** and the **Dependent Relative Tax Credit**.

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 2020	Proposed 2021
<u>Personal Tax Credits</u>		
- Single	€1,650	€1,650
- Married	€3,300	€3,300
Single Person Child Tax Credit	€1,650	€1,650
PAYE credit	€1,650	€1,650
Earned Income Tax Credit (Max)*	€1,500	€1,650
Home Carer Tax Credit	€1,600	€1,600
Dependent Relative Tax Credit	€70	€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 €1,650. *Where an individual has earned income that qualifies for the Earned Income Tax Credit and PAYE Tax Credit, the combined tax credits cannot exceed €1,650*

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.

	2021 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 €394 to **€398** (effective from **1st January 2021**)

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 **2021**. So where an individual earns below this amount no USC applies. Where the income exceeds €13,000 in 2021 then the revised rates apply as in the table below.

2020 USC Income Bands	2020 USC Rates	2021 USC Income Bands	2021 USC Rates
€0—€12,012	0.5%	€0—€12,012	0.5%
€12,013—€20,484	2.0%	€12,013— €20,687	2.0%
€20,484—€70,044	4.5%	€20,688 —€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:

	2020	2021
Income Tax	40%	40%
PRSI	4%	4%
Universal Social Charge	4.5%	4.5%
Total	48.5%	48.5%

Stock Relief [no change]

All existing stock relief measures (**General Stock Relief; Stock Relief for Registered Farm Partnerships; Stock Relief for Young Trained Farmers**) are still in place until the **end of 2021**

The legislation enacting the enhanced **stock relief for young trained farmers** (100% relief for up to 4 years for qualifying farmers) outlined in *Section 667B TCA 1997* contains a requirement for the applicant to submit a business plan to Teagasc for certification in order to qualify for the relief. The Teagasc **“My Farm – My Plan”** document is the business plan template agreed with Revenue for certification.

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 [no change]

There is no change to the corporation tax rate which will remain at **12.5%**

Value Added Tax (VAT)

The **flat rate farmer addition** rate is to increase from 5.4% to **5.6%** from 1st January 2021. This is expected to benefit the sector by €12 million in a full year

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

As part of the July Stimulus, the standard rate of VAT was cut from **23% to 21%** from September 2020 until the end of next February 2021. The **13.5%** rate remains unchanged with the exception of the sectors outlined below

The VAT rate for the hospitality sector (including restaurants, guest accommodation, cinemas, theatres, sporting facilities) is to be reduced from 13.5% to **9%** from **1st November 2020 to 31st December 2021**

Deposit Interest Retention Tax (DIRT)

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%**.

A planned move to a real time reporting process on the administration of DWT which was due to be implemented from 1st January 2021 has been postponed due to the challenges imposed by COVID-19 on businesses.

Local Property Tax [no change]

The proposed move to a valuation date of 1st November 2020 has been postponed. The new proposed date is 1st November 2021. With this new valuation date, there will be no change in LPT liabilities until 2022 at the earliest. For homeowners who have purchased or built their houses since 2013 will continue to pay no LPT until the new valuation date is applied.

More details here <https://www.gov.ie/en/press-release/ad612-minister-donohoe-announces-deferral-of-revaluation-date-for-local-property-tax-lpt-to-1-november-2021/>

Stamp Duty

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

2020		2021	
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

Consanguinity Relief for inter-family farm transfers of non-residential property **has been extended until 31st December 2023** (was due to expire on 31st December 2020)

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 Exemption for Young Trained Farmers [no change]

This exemption was extended in Budget 2019 until **31st December 2021** and **there was no change announced in this budget.**

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.

Stamp Duty Exemption for Young Trained Farmers (contd.)

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 from its current expiration date of 31st December 2020 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 6% 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	2021 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)

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

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>

Social Welfare Payments

There have been no changes made to the main headline social welfare payment rates in this budget.

	2020	2021
State Pension (Contributory)(<80)	€248.30	€248.30
- Qualified Adult Increase	€165.40	€165.40
State Pension (Non-Contributory) (Max) **	€237	€237
- Qualified Adult Increase	€156.60	€156.60
Jobseekers Benefit	€203	€203
Jobseekers Allowance (aged 25+) **	€203	€203
Farm Assist **	€203	€203
Invalidity Pension	€208.50	€208.50
COVID-19 Pandemic Unemployment Payment (PUP) (from 1st Feb 2021)	Up to 31st Jan 2020—PUP rate of €300 paid regardless of earnings	Earnings under €300 - PUP rate €203 Earnings over €300 - PUP rate €250

	2020	From March 2021
Increase for child under 12	€36	€38
Increase for child aged 12 & over	€40	€45
Living Alone Allowance	€14	€19

**Means Tested Payments

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 **Christmas Bonus** will be paid at 100% rate in December to certain recipients of a long-term Social Welfare payment—**this is essentially a double payment for that month**. This will also apply to, among other payments, the State Pension and the Pandemic Unemployment Payment (PUP)

The weekly **Fuel Allowance** is to be **increased by €3.50 per week to €26** for the 28 week fuel season.

The **Working Family Payment** income threshold where there are 3 children has been increased by **€10**

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

State Pension Qualifying Age

The state pension qualifying age is to remain at age 66 from January.

Carers Support Grant

The grant for people providing care for an older person or someone with a disability is to increase from €1,700 to **€1,850 for 2021**. The payment is made regardless of a carer's means or social insurance contributions. It is also paid in respect of each person being cared for by an individual carer.

More detail on the Social Welfare rates can be found here <https://www.gov.ie/en/publication/9e914-dsp-budget2021/>

Statutory Minimum Wage

The statutory minimum wage is to **increase by 10 cents** from its current rate of €10.10 per hour to **€10.20** per hour from **1st January 2021**. This increase was approved by the Government on 6th October 2020.

Carbon Related Measures

- **Carbon Tax**—the rate of Carbon Tax will increase by €7.50 from €26 per tonne to **€33.50** per tonne **from midnight on 13th October**. This will mean an approximate increase of 2 cent per litre of petrol or 2.45 cent per litre of diesel. The Diesel Rebate Scheme for hauliers will be extended. A relief is also available for farmers who purchase farm diesel for their farming trade. Increases in Home heating oil and other fuels will not come into effect until 1st May 2021
- **Vehicle Registration Tax** - A new VRT rates table is being introduced based on the Worldwide Harmonised Light Vehicle Testing Procedure (WLTP) which will work off revised CO2 ratings. A new Motor Tax rates table will also be introduced for cars registered from 1st January 2021

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.
- **Drug Payment Scheme** - the amount that participants in this scheme have to contribute themselves will be reduced by €10 from €124 to **€114** with effect from **1st November 2020**.
- **Prescription Charges**—Reduction in prescription charges for all medical card holders under 70 from €1.50 to **€1 per item**
- **Help to Buy Scheme** - has been extended for a further two years to the end of 2021. This scheme is targeted at first time buyers of newly built homes
- **Mortgage Interest Relief**—For homeowners that took out qualifying loans between 2004 and 2012 there will be a further tapering of the Mortgage Interest Relief to **25% of the existing relief for 2020** (reduced from rate of 50% for 2019). The relief will cease entirely from 1st January 2021.

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.

Changes to Tax Return Date for 2020

Revenue have announced a 4 week extension to the Pay and file deadline for self assessment.

For customers who file their 2019 Form 11 return and make the appropriate payment through ROS for:

- Preliminary Tax for 2020
- Income Tax balance due for 2019

the due date is now extended from 12 November to **Thursday, 10 December 2020**.

Revenue has also extended the due date for beneficiaries who received gifts or inheritances with valuation dates in the year ended 31 August 2020. Such beneficiaries now have until **10 December 2020** to make a **Capital Acquisitions Tax (CAT) return** and the appropriate payment through ROS.

Note that there is no change to the deadline of 31 October 2020 for taxpayers who file on paper rather than online through ROS.

Tax Debt - Warehousing and Interest Rate

As a result of COVID-19 Revenue announce the suspension of collection and the warehousing of collection of certain PAYE (Employer) and VAT liabilities. These warehoused debts will be subject to 0% interest for 12 months - after this a reduced rate of 3% will apply. More details on this measure available from the following link <https://www.revenue.ie/en/corporate/communications/covid19/filing-and-paying.aspx>

Revenue also operate a Phased Payment Arrangement for income tax -see details here

<https://www.revenue.ie/en/tax-professionals/tdm/collection/debt-management/instalment-arrangements.pdf>

Brexit Related Measures

A €3.4 billion Recovery Fund is being established to support sectors , including the agri-food and fisheries sectors that would be affected in the event of a no-deal Brexit

Selected Specific Measures Relating to Agriculture

The Department of Agriculture, Food and the Marine has been allocated **€1.826 billion**—a €179 million (11%) increase on the 2020 allocation

- **New Pilot Agri-environmental measures**—funding of **€79 million** allocated to establish pilot measures as a fore runner for a future environmental scheme to follow on from GLAS. €23 million of this is funded by the Carbon Tax with the remaining €56 million funded by the EU. Of the total pilot fund, **€10 million** will be ring-fenced for the tillage sector;
- **GLAS & ANC** — **€450 million** allocated
- **Measures to support sustainable beef farming**—allocation of **€85 million** as follows
 - **Beef Data and Genomics Programme (BDGP)** - allocation of **€40 million**;
 - **€40 million** for the **Beef Sector Efficiency Pilot** based on the BEEP-S Scheme
 - **€5 million** for a **calf weighing measure**
- **Sheep Welfare Scheme**—allocation of **€17 million**;
- **Fisheries Funding**—allocation of an additional **€13 million** in increased funding

Schedule for Finance Act 2020

The measures outlined in the budget will be published in the Finance Bill 2020. It will be debated by both houses of the Oireachtas and will be signed into law as Finance Act 2020 in mid to late December.

Finance Bill stages

- Finance Bill published - 22 October 2020
- Committee Stage - 17, 18, 19 November 2020
- Report Stage - 2, 3 December 2020
- Seanad Report Stage - 16 December 2020
- President signs Finance Act 2019 - on/ before 25 December 2020

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 - <http://budget.gov.ie/Budgets/2021/2021.aspx>

Revenue Budget Information - <https://www.revenue.ie/en/corporate/press-office/budget-information/2021/budget-summary-2021.pdf>

Department of Employment Affairs & Social Protection - <https://www.gov.ie/en/publication/9e914-dsp-budget2021/>

Department of Agriculture, Food & the Marine - <https://www.agriculture.gov.ie/press/pressreleases/2020/october/title,151736,en.html>

