



**Budget 24**



# Budget 2024: Summary Report

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# Introduction

Brokers Ireland have teamed up with Grant Thornton who have compiled comprehensive coverage, commentary and analysis of the 2024 Budget from their team of economic and industry experts. Below are extracts from the Grant Thornton Budget 2024 Report

Budget 2024 is again labelled “A Cost of Living Budget” and includes measures that will benefit people before Christmas. Statements made earlier by the government made it clear that there is limited cash available for permanent Budget day changes but there would be more money to spend on one off measures.

The external economic background is still uncertain, with global inflation high and interest rates continuing to rise. Domestically the economy is still performing well, as shown in booming Corporation Tax receipts and with record levels of employment and unemployment at 4.1%. The concern is too avoid fuelling inflation whilst alleviating pressures on small businesses and households which is a difficult balancing act.

( Grant Thornton/Brokers Ireland 2023)



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# Key Features



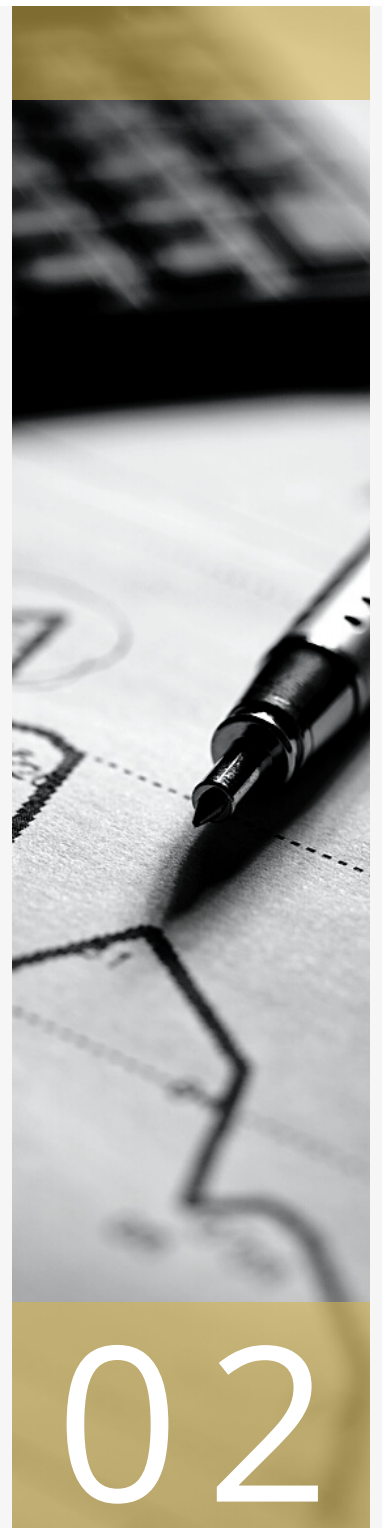
Power, J (2023) in his Budget 2024 commentary is of the opinion that In framing Budget 2024, some priorities were evident:

- Impact of elevated inflation and rising interest rates on the cost of living.
- The increased cost of doing business for small businesses.
- The ongoing pressures on the rental market for both private landlords and renters.
- The pressure on mortgage holders resulting from the increase of 4.5 per cent in ECB official interest rates since July 2022.

As stated in the Summer Economic Statement and reiterated by the Minister for Finance in his opening statement to the Committee on Budgetary Oversight in September, the core package in Budget 2024 would be €6.4 billion, comprised a little over €1.1 billion in taxation measures and core expenditure of just under €5.3 billion.

This would bring net core spending growth to 6.1 per cent, which is well above the 5 per cent expenditure target set out in the Government's original medium term fiscal strategy. This is being justified based on the ongoing cost of living and cost of doing business pressures, which are still intense. In addition to the pre-announced package of €6.4 billion, there was a significant package of once-off cost of living measures of €2.7 billion, and non-core expenditure of €4.75 billion. Total package of €14 billion.

(Power 2023)



02

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# Business Taxes



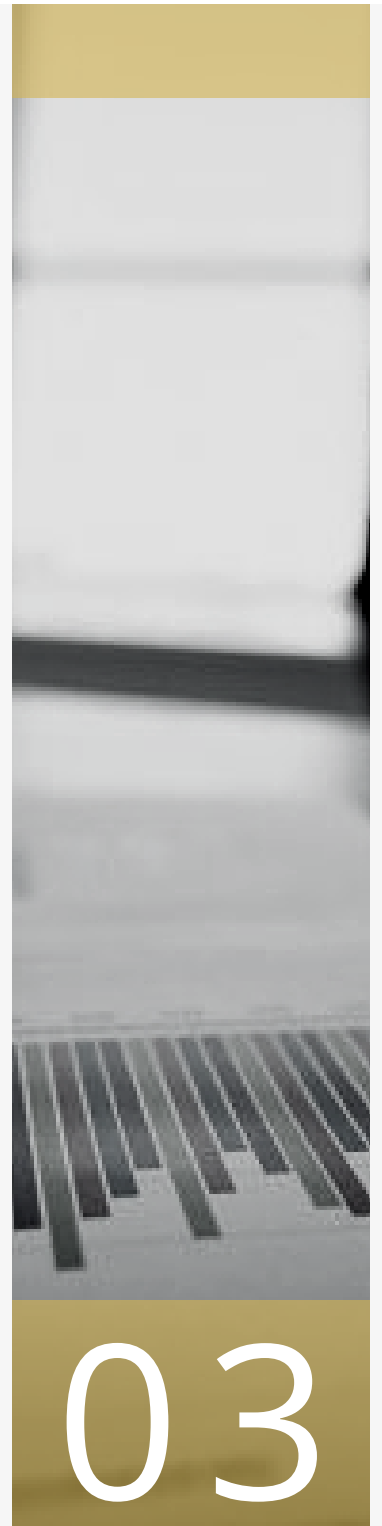
In a welcome relief for SMEs, the Minister announced an increase in the R&D Tax Credit rate from 25% to 30%. This will alleviate some of the additional tax suffered by groups within the scope of the OECD's forthcoming Pillar Two tax changes. Additionally, the year one refundable R&D tax credit is increasing from €25,000 to €50,000 which will give an immediate cash-flow benefit for companies.

The Employment Investment Incentive Scheme (EIS) is being enhanced to double the maximum investment on which you can claim relief to €500,000 per annum where shares are held for a minimum of 4 years.

The 'Film Tax Credit' is being further extended to December 2028, and subject to State Aid approval, there will be an increase in qualifying expenditure on projects from €70m to €125m. The Government is also looking to explore opportunities in the 'unscripted production sector'.

A revised bank levy is being introduced and is expected to raise €200 million in 2024.

(Grant Thornton 2023)



03

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# Personal Tax

As widely reported in the media on the run up to the Ministers Budget speech, the standard rate band has been increased from €40,000 to €42,000 at the lower 20% rate of Income Tax, a saving of €400 per individual where the band is fully utilised. This along with the €100 increase on the main annual tax credits and changes to the USC, the average middle-income family with two incomes totalling €90,000 will be circa. €1,534 better off per annum.

An increase in the ceiling for the 2% rate of USC to €25,760 aligns this band with the increase in minimum wage to €12.70 per hour. This ensures those on the minimum wage will remain outside the top rates of USC. The 4.5% rate of USC has been reduced to 4%, and this is applicable to income between €25,761 and €70,044.

The USC concession for medical cardholders is being extended for a further two years to 31 December 2025. These reduced rates are applicable to individuals who have a full medical card and whose income is €60,000 or less per annum.

PRSI rates will increase by 0.1% from 1 October 2024. The government have introduced a temporary one-year mortgage relief, for approximately 160,000 homeowners, with an outstanding mortgage balance on their home of between €80,000 and €500,000 on 31 December 2022. The relief will be calculated on the increase in interest paid in the calendar year 2022 against that paid in 2023, at the standard rate of income tax of 20%. The relief is capped at €1,250 per property.

(Grant Thornton 2023)



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# Personal Tax

LIA (2023) illustrates the changes to Income tax standard rate bands and main tax credits:

	2023	2024
Single person standard rate band	€40,000	€42,000
Married couple, one income standard rate band	€49,000	€51,000
Married couple, two incomes standard rate band	€49,000 plus max of €31,000	€51,000 plus max of €33,000
Personal tax credit	€1,775	€1,875
Employee tax credit	€1,775	€1,875
Earned income tax credit	€1,775	€1,875

## Increase in USC bands

The current €10,908 band of income taxed at 2.0% USC will be increased in 2024 to €13,747 with a corresponding reduction in the 4.0% band:

USC Rates and bands

	2023		2024
First €12,012	0.5%	€0 - €12,012	0.5%
Next €10,908	2.0%	€12,013-€25,760	2.0%
Next €47,124	4.5%	€25,761-€70,044	4.0%
Balance	8.0%	Balance	8.0%
			Self-Employed income over €100,000 3% Surcharge

## No change in DIRT, exit tax, Capital Gains Tax or Capital Acquisitions Tax rates or bands

The Budget speech did not make any change to the DIRT, exit tax, Capital Gains Tax or Capital Acquisitions Tax rates or bands.

## No change in the 1% levy on life assurance policy premiums.

The Budget speech did not make any change to the current 1% levy on life assurance policy premiums.



# 05

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# Personal Tax

The rent tax credit has been increased from €500 per year to €750 from 2024. There is additional good news for parents paying for their student children's accommodation in the case of Rent a Room / "digs" accommodation, as they can now claim this credit both going forward and retrospectively for the years 2022 and 2023.

Further assistance to the housing market is the introduction of a Rented Residential relief for Landlords. The relief will apply at the standard rate as follows: €3,000 in the tax year 2024, €4,000 in tax year 2025 and €5,000 in tax years 2026 and 2027. A full clawback of the relief will apply should the relevant property be removed from the rental market during this time.

The 'Help to Buy Scheme' is being extended until 31 December 2025 and will include those in the Local Authority Affordable Purchase Scheme, from 11 October 2023.

The electricity credit from 2022 will make a come-back for the end of 2023 and into 2024. It will amount to an electricity credit of €450 for all households. This will be received in 3 instalments of €150. The first to be received before Christmas and the remaining €300 to be paid out in two instalments at the start of 2024.

(Grant Thornton 2023)



# 07

*A new CGT Relief for Angel Investment is being introduced with an effective reduced rate of 16% on a gain up to twice the value of an initial investment*

## Capital Taxes

Against the backdrop of indigenous businesses being the backbone of our economy, there has been a number of favourable changes proposed for SME's.

The Revised Entrepreneur Relief is to be reviewed, in order to refocus the relief with a view to improving the incentives for founders and entrepreneurs and ensure it is contributing to employment creation.

A new CGT relief for angel investment is being introduced with an effective reduced rate of 16% on a gain up to twice the value of an initial investment. The investment must be in the form of newly issued shares costing at least €10,000 and constituting between 5% and 49% of the ordinary issued share capital of the company. There is a lifetime limit of €3m on gains to which the reduced rate of CGT will apply.

Changes to CGT retirement relief will include extending the upper age limit to 70 from 66. The Minister is also introducing a limit of €10m on qualifying disposals to a child up to the age of 70. These changes will come into effect from 1 January 2025.

The Minister has secured EU State aid approval for the 2022 changes to the Key Employee Engagement Programme (KEEP), which includes the extension of the scheme to the end of 2025 and a doubling of the limit for the total market value of issued but unexercised qualifying share options from €3m to €6m.

Consanguinity relief which applies a 1% stamp duty rate on certain land transfers between certain family members is being further extended for a period of five years.

(Grant Thornton 2023)

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# 08

*Changes to CGT Retirement Relief will include extending the upper age limit to 70 from 66*

## Capital Taxes

The Vacant Homes Tax which was introduced in Budget 2023 has been increased from three to five times the rate of Local Property Tax. This aims to incentivise vacant home owners to sell their properties to increase the supply of homes for rent or purchase and will take effect from the next chargeable period which commences on 1 November 2023.

Finally, the Minister commented that amendments will be introduced to improve the efficiency of the Residential Zoned Land Tax, including that affected landowners should have sufficient opportunity to engage with the mapping process, and he is therefore extending the liability date of the tax by one year to allow for the planned 2024 review of maps to take place.

(Grant Thornton 2023)

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## Environmental, Social & Governance (ESG)



The Minister has announced a new Infrastructure, Climate and Nature Fund which will have a climate and nature component worth over €3billion. The aim of this fund is to help the achievement of carbon budgets through capital projects, where it is clear that Ireland's climate targets are not being reached.

Carbon Tax on fuels will increase, as planned, from the current rate of €48.50 to €56.00 per tonne of CO<sub>2</sub> from 11 October as per the trajectory set out in the Finance Act 2020. Part of the funds raised from this increase in carbon tax will be used to fund a socially progressive national retrofitting programme and to encourage and support farmers in the green transition.

The accelerated capital allowances scheme for energy efficient equipment is being extended for a further two years. There will also be an extension to the accelerated capital allowances for farm safety equipment.

The tax disregard in respect of personal income received by households will be doubled to €400 per annum. This applies to households who sell residual electricity from micro-generation back to the national grid from 1 January 2024.

(Grant Thornton 2023)

# 10

*The rate of 9% applying to electricity and gas costs is being extended by 12 months*

## VAT / Excise Duty and VRT changes

In a welcome easement on electricity and gas costs, the reduced rate of 9% applying to these supplies is being extended by 12 months to 31 October 2024.

The zero rate applicable to supply and installation of solar panels is being extended to include supplies made to schools. The VAT zero rate will also apply to the sale of audiobooks and e-books with effect from 1 January 2024 – this removes the unequal treatment between paper and electronic publications.

From 1 January 2024, the existing VAT registration thresholds are being increased from €37,500 for services and €75,000 for goods to €40,000 and €80,000 respectively.

The VAT compensation fund for Charities will be increased from €5M to €10M allowing charities to recover more of the VAT incurred on expenses.

For the third year in a row, the Flat Rate farmer addition has been reduced from 5% to 4.8% with effect from 1 January 2024.

The Excise duty on a package of 20 cigarettes is to increase by €0.75 with a pro-rata increase for other tobacco products from 11 October 2023. It is proposed to introduce a domestic tax on e-cigarettes and vaping products in Budget 2025.

While the expected final tranche of fuel excise increases have been deferred for petrol, diesel, and Market Gas Oil (MGO). However, the Carbon Tax charge (currently €48.50 per tonne) will increase by €7.50 per tonne from 11 October 2023, giving an increase in petrol and diesel overnight of between approx. 2c per litre.

The VRT relief for Battery Electric Vehicles which was due to end on 31 December 2023 is being extended to 31 December 2025.

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# Conclusion

Although the economy is still performing quite strongly, the risks to the economy are now very clear. The global economic outlook is weak and uncertain; energy prices are very volatile; international and domestic long-term interest rates are rising at an alarming pace; and central banks around the world have delivered a very aggressive tightening of monetary policy over the past 18 months, and the cycle may not have peaked yet. Domestically, the elevated cost of living; higher interest rates; and the weaker global economic backdrop are bound to have a negative economic impact over the coming year. The Irish economy cannot logically remain immune to these external and domestic pressures.

From a political perspective, Budget 2024 is the second last budget before the next general election, which must be held by February 2025; and the final budget ahead of the local and European elections next year. It could be the last general election, depending on the cohesion of the coalition in 2024. Faced with this political reality, there is obvious pressure to deliver as expansionary a package as possible, with a focus on spreading the gains thinly across as much of the economy and society as possible. The economic and political realities clashed in Budget 2024 and the political reality won the day. In the event the Government pursued a very expansionary fiscal approach, with significant increases in expenditure and some easing of the tax burden. ( Power 2023)

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*“Everybody will be slightly better off, but nobody will be significantly better off. It is a catch-all budget offering”.*

# References

# 1 2

Grant Thornton (2023) 'Budget 2024: Commentary and Analysis', Dublin, 10 October. Available at : <https://www.independent.ie/business/personal-finance/property-mortgages/bank-of-ireland-to-impose-second-mortgage-rate-rise-but-deposit-rates-up-too-42309942.html> (Accessed 10 October 2023).

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