

## BUDGET 2024 – ECONOMIC & FISCAL ASPECTS

Budget 2024 was set against a background of an economy that is growing close to full capacity, but is facing pressures from a projected undershoot of €750 million in corporation tax receipts this year, rising interest rates, and intense global economic and political uncertainty.

The political nature of Budget 2024 is important as this is likely to be the second-last budget ahead of a general election due by February 2025, and the last budget ahead of local and European elections in 2024.

In framing Budget 2024, some policy priorities were given clearly and featured prominently:

- Impact of elevated inflation and rising interest rates on the cost of living.
- The increased cost of doing business for SMEs in particular.
- 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% 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 is €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%, which is well above the 5% 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.

Budget 2024 is an expansionary package with a significant injection of fiscal stimulus into the economy. The overall package will support economic activity in 2024, particularly consumer spending.

## Budget 2024 Update – The Main Points

- There is a reduction of 0.5% in the 4.5% USC rate that will now apply to incomes between €25,760 and €70,044. The 2% rate band ceiling has been lifted by €2,840. Incomes of less than €13,000 are exempt from USC.
- The standard rate threshold for income taxpayers has been increased from €40,000 to €42,000.
- An increase of €100 in the personal tax credit, the employee tax credit, the earned income credit, the home carer tax credit, the single person child carer tax credit, and an increase of €200 in the incapacitated child tax credit.
- The 9% VAT reduction for gas and electricity is being extended by 12 months until 31 October 2024.
- The rent credit for private renters, which was introduced in Budget 2023, has been increased from €500 to €750.
- For private landlords, subject to certain conditions being met, 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, provided the property remains in the rental market for the full 4 years of the scheme.
- Three energy credits of €150 each will be given to households, between the end of 2023 and April 2024.
- In relation to Capital Gains Tax Retirement Relief, there will be an increase the age limit from 66 to 70 and a limit of €10 million on the relief available for disposals.
- Vacant Homes Tax – increase to five times the property's LPT charge.
- The Research and Development (R&D) Tax Credit is being increased from 25% to 30%. The first-year payment threshold is being doubled from €25,000 to €50,000 to 'provide valuable cash-flow support to companies engaged in smaller R&D projects.'
- A new capital gains tax relief for angel investors has been announced, which will allow these investors to benefit from a reduced rate of Capital Gains Tax when they dispose of a qualifying investment.
- The EII provides income tax relief for risk capital investments in qualifying small and medium enterprises. From 1 January 2024, the minimum holding period required to obtain relief is being standardised to four years for all investments, and the limit on the amount that an investor can claim relief on for such investments is being increased to €500,000. Further changes will be made to the scheme to reflect amendments to the EU General Block Exemption Regulation and details will be set out in the Finance Bill.
- The Government will be publishing legislation in the Finance Bill to implement the 15% minimum effective tax rate for large companies as provided for under the OECD Pillar Two agreement.
- The Accelerated Capital Allowances (ACA) scheme for Energy Efficient Equipment (EEE) provides a tax incentive for companies and unincorporated businesses who invest in highly-EEE. The scheme is being extended for a further two years to 31 December 2025.

- A one-year Mortgage Interest Tax Relief will be introduced for homeowners with an outstanding mortgage balance on their primary dwelling house of between €80,000 and €500,000 as of 31 December 2022. The added relief will be available on increased interest paid on mortgages this year 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. Around 165,000 mortgage holders will benefit from the measure with an estimated cost of €125 million.
- The Help to Buy Scheme is being extended for a further year until 31 December 2025. The scheme is also being amended to reflect its interaction with the Local Authority Affordable Purchase Scheme (LAAP). This amendment will enable the use of the affordable dwelling contribution received through the LAAP scheme for the purposes of calculating the 70% loan-to-value requirement, thereby facilitating access to all LAAP purchasers to the HTB scheme. This will come into effect from 11 October 2023.
- A Future Wealth Fund is being set up to address long-term challenges such as ageing population. 0.8% of GDP will be allocated annually, with the aim of reaching €100 billion by 2035.
- An Infrastructure, Climate and Nature Fund will be set up. €2 billion will be allocated annually for 7 years. In 2024, €2 billion will be allocated from the dissolution of the National Reserve Fund.
- The accelerated capital allowances scheme for energy efficient equipment is being extended for a further two years.
- The tax disregard in respect of personal income received by households who sell residual electricity from micro-generation back to the national grid is being doubled.
- The Minister for Finance is currently undertaking a review of the funds sector. The review will report to the minister next summer and will examine a 'Life Assurance Exit Tax.' Once the review is completed, the Minister will then consider any changes to the taxation framework.
- There will be an increase in the existing VAT registration thresholds for businesses from €37,500 for services and €75,000 for goods to €40,000 for services and €80,000 for goods respectively. To make it easier for business to avail of supports, a dedicated Tax Administration Liaison Committee (TALC) subgroup will be set up.
- A revised bank levy is being introduced for 2024. It will apply to those banks that received financial assistance from the State during the banking crisis (AIB, EBS, Bank of Ireland and PTSB). It will have a revenue target of €200 million.
- No change announced in the DIRT rate of 33%, exit tax rate of 41% or in the 1% life assurance premium levy.
- The maximum personal rate of State Pension and other Social Welfare benefits increases by €12 pw, with proportionate increases for qualified adults and those on reduced rates of payment.
- No changes in private pension tax reliefs, limits or taxation of benefits.
- No change in CAT rates or Threshold amounts.
- No change in CGT rate.
- No immediate change in PRSI rates, employer or employee. However, all PRSI rates are due to increase by 0.1% on 1 October 2024 to fund pension provision following the decision not to increase the state pension age.
- Help to Buy Scheme extended to end of 2024.
- Other taxation and pension changes not announced in the Budget could be introduced later in the Finance Bill 2024.

### Increase in income tax standard rate bands and tax credits

Standard rate bands have been increased for 2024 by €2,000 for a single person, with corresponding increases for married couples, and a €100 increase in the main tax credits:

Income tax standard rate bands and main tax credits

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

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

### 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.

### **State Pension & Social Welfare benefit increases by €12 pw**

The maximum personal rate of Social Welfare benefits, including the State Pension, will be increased by €12 pw from 1 January 2024, with proportionate increases for qualified adults and those on reduced rates of payment.

There will be a double payment of Social Welfare benefits at current rates, including the State Pension, in October and in December of this year.

In addition, there will be a once-off double week 'cost-of-living support' payment to all qualifying social welfare recipients in January 2024, which would include carers in receipt of certain social welfare benefits.

An additional payment of €400 will be made before Christmas to those who qualify for the Carer's Support Grant.

For carers, the weekly income disregard will be increased from €350 to €450 for a single person, and from €750 to €900 for carers with a spouse/partner.

A €300 lump sum will be paid to recipients of fuel allowance in Q4 2023.

An additional €200 will also be paid this year to recipients of the Living Alone Allowance.

For those in receipt of regular Social Protection payments, the Christmas Bonus will be paid in early December.

### **No private pension tax relief changes**

The Budget speech and related documents made no reference to any changes in private pension tax reliefs, the €2m Standard Fund Threshold, the €200,000 limit on tax free lump sums, the €115,000 NRE limit, or the taxation of benefits.

### **PRSI rates**

All PRSI rates will be increased by 0.1% from 1 October 2024.

### **Enhanced Help to Buy Scheme extended to 2025**

The Help to Buy Scheme is being extended for a further year until 31 December 2025. The scheme is being amended to reflect its interaction with the Local Authority Affordable Purchase Scheme (LAAP). This amendment will enable the use of the affordable dwelling contribution received through the LAAP scheme for the purposes of calculating the 70% loan-to-value requirement, thereby facilitating access to all LAAP purchasers to the HTB scheme. This will come into effect from 11 October 2023.

### **Increased tax credit for some renters**

Those paying rent on their principal private residence, and not receiving any other State housing support such as HAP, can claim a €750 income tax credit, up from €500.

### **Vacant Homes tax**

Increased to five times the property's LPT charge.

### **Mortgage Interest Relief**

A one-year Mortgage Interest Tax Relief will be introduced for homeowners with an outstanding mortgage balance on their primary dwelling house of between €80,000 and €500,000 as of 31 December 2022. The added relief will be available on increased interest paid on mortgages this year 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.

**Tax-free employer vouchers unchanged at €1,000 pa**

The annual €1,000 limit on tax-free vouchers which an employer can provide to an employee remains unchanged.

**Finance Bill 2023**

The Finance Bill 2023 implementing Budget 2024 will be published towards the end of October.

It is possible that other taxation and pension changes not announced in the Budget could be introduced in the Bill, either at publication of the Bill or as it goes through the Dail and Senate.

## Income Tax

### Tax Rates

	Tax Rate
Standard rate band	20%
Higher rate band	40%

### Standard Rate Band

	Bands 2024
Single / Widowed or surviving civil partner	€42,000
Single, widowed or surviving civil partners qualifying for the Single Person Child Carer Credit	€46,000
Married / Civil Partners, one earner	€51,000
Married / Civil Partners, two earners	€51,000 + increase max €33,000*

\* The increase is the lower of €33,000 and the amount of income of the spouse / civil partner with the lower income. The increase is not transferable between spouses / civil partners.

### Income Tax Exemption Limits

	Limit 2024
Single (65 and over)	€18,000
Married / Civil Partners (at least one aged 65 or over)	€36,000
Additional allowance per Child	€575
Additional allowance per Child (3 <sup>rd</sup> and more)	€830

### Main income tax credits

	Tax Credit 2024
Single Person	€1,875
Married / Civil Partners	€3,750
Employee tax credit	€1,875 (max)
Earned Income tax credit	€1,875 (max)

## Universal Social Charge (USC)

Total income subject to USC	USC Rate 2024
The first €12,012	0.5%
<b>Next €13,747</b>	2.0%
<b>Next €44,283</b>	4.0%
Balance	8%*

However:

- Individuals whose total income subject to USC for the year is less than €13,000 are exempt from USC.
- The USC concession for medical card holders is being extended for a further 2 years to 31<sup>st</sup> December 2025. Reduced rates of USC apply to individuals who have a full medical card and whose income is €60,000 or less per annum. The reduced rates of USC are 0.5% on the first €12,012 and 2% on the balance.

\*A 3% additional USC rate (i.e. on top of the 8% rate) applies to non-PAYE income of the self-employed in excess of €100,000.

## PRSI Contribution Rates

PRSI	A1	S1	B1
Employee	4.0%	4.0%	0.9%*
Employer (earning more than €410 pw)	11.05%	Nil	2.01%

\* B1 employee rate increases to 4% for income > €1,443 per week.

## Social Insurance Benefits 2024

Benefit	Maximum weekly rate of benefit
<b>State Pension (Contributory)</b> Max personal Rate (Under 80)	€277.30
<b>Widow's / Widower's / Surviving Civil Partner's Contributory Pension</b> (Under 66) Max personal rate	€237.50
<b>Invalidity Pension</b> Max personal Rate (Under 66)	€237.50
<b>Illness / Jobseekers Benefit</b> Personal Rate	€232.00

## Pensions

### Income Tax Relief on Personal Contributions

Age attained during year	% of Net Relevant Earnings (max €115,000)
Less than 30	15%
30 – 39	20%
40 – 49	25%
50 – 54	30%*
55 – 59	35%
60 and over	40%

\* The 30% limit above also applies to certain professional sportspeople (e.g. professional golfers) under 50 in relation to their income from their sports occupation.

### Taxation of Pension Lump Sums

Total lump sums received since 7 <sup>th</sup> December 2005	Tax
Up to €200,000	Tax free
Next €300,000	Standard rate income tax
Balance	Marginal rate income tax and USC

### Chargeable Excess Tax

Total retirement benefits taken since 7 <sup>th</sup> December 2005	Tax
Less than Threshold*	Nil
Excess over Threshold (€2m)	40%**

\* Threshold is the Standard Fund Threshold (€2m) or Personal Fund Threshold, if greater.

\*\* Tax reduced by a credit for any standard rate tax deducted from pension lump sums taken since 1st January 2011 and not previously offset against a chargeable excess tax charge.

## Redundancy Payments

### Tax Free Limits

	Band
Statutory	2 weeks for each year of service (including parts of a year) plus 1 week; maximum reckonable weekly pay of €600
Ex gratia	
Basic	€10,160 + €765 for each complete year of service
Increased	Basic + a maximum of €10,000; provided no entitlement to a pension lump sum and no ex gratia termination payment within last 10 years
Standard Capital Superannuation Benefit (SCSB)	N / 15 x Average Annual Remuneration over last 36 months less present value of tax-free pension lump sum, where: <ul style="list-style-type: none"> <li>• N = number of complete years of service</li> <li>• Present value of tax-free pension lump sum is nil, if individual signs an irrevocable waiver to receive such a sum</li> </ul>
Lifetime limit of €200,000 on all tax-free ex gratia termination payments.	

## Capital Acquisitions Tax

### Tax Rate

Total Gifts & Inheritances received since 05/12/1991	Tax Rate
Threshold	Nil
Balance	33%

### Exit Tax Rate

	Rate
Life assurance policies effected on or after 1 <sup>st</sup> January 2001	41%

### Thresholds – with effect from 9<sup>th</sup> October 2019

Relationship to donor / testator	Threshold
Child or minor child of deceased child or parent (absolute inheritance on death)	€335,000
Brother, sister, child of brother or sister, or another lineal ancestor or descendant	€32,500
Others	€16,250

### DIRT Rates

2019	2020	2021	2022	2023
35%	33%	33%	33%	33%

### Inheritance Tax – child inheriting from parent from 9<sup>th</sup> October 2019

Inheritance	Inheritance Tax*
€300,000	€0
€400,000	€21,450
€500,000	€54,450
€600,000	€87,450
€700,000	€120,450
€800,000	€153,450
€900,000	€186,450
€1,000,000	€219,450

\* assuming full Class A Threshold of €335,000 is available.