

Budget 2023 Update – The Main Points

- Income tax standard rate bands increased by €3,200 for a single person, with corresponding increases for married couples, and main personal tax credits increased by €75 for a single person and €150 for a married couple.
- The 2% USC band will be increased in 2023 from €9,283 to €10,908, with a corresponding reduction in the 4.5% band.
- 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. There will be a double payment of Social Welfare benefits in October and again in December.
- 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 change in PRSI rates, employer or employee.
- Help to Buy Scheme extended to end of 2024.
- A new €500 annual tax credit from 2022 for those renting their principal private residence and not in receipt of any other State housing support.
- A new Vacant Homes Tax of 3 x Local Property Tax will be introduced in 2023.
- Tax free employer vouchers annual limit doubled to €1,000.
- Other taxation and pension changes not announced in the Budget could be introduced later in the Finance Bill 2022.

Increase in income tax standard rate bands and tax credits

Standard rate bands have been increased for 2023 by €3,200 for a single person, with corresponding increases for married couples, and a €75 increase in the main tax credits:

Income tax standard rate bands and main tax credits

	2022	2023
Single person standard rate band	€36,800	€40,000
Married couple, one income standard rate band	€45,800	€49,000
Married couple, two incomes standard rate band	€45,800 plus max of €27,800	€49,000 plus max of €31,000
Personal tax credit	€1,700	€1,775
Employee tax credit	€1,700	€1,775
Earned income tax credit	€1,700	€1,775

Increase in USC bands

The current €9,283 band of income taxed at 2.0% USC will be increased in 2023 to €10,908 with a corresponding reduction in the 4.5% band:

USC Rates and bands

2022		2023	
First €12,012	0.5%	First €12,012	0.5%
Next €8,675	2.0%	Next €10,908	2.0%
Next €49,357	4.5%	Next €47,124	4.5%
Balance	8.0%	Balance	8.0%

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 1st January 2023, 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, the Qualified Child addition to certain Social Welfare benefits increases by €2 pw, to €42 pw for under 12s and €50 pw for over 12s.

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.

No change in PRSI rates

There were no announced changes to PRSI rates for 2022.

Enhanced Help to Buy Scheme extended to 2024

The Help to Buy Scheme for first-time buyers is extended to the end of 2024, i.e. the maximum tax refund to first-time buyers of new properties of €30,000.

New €500 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 €500 income tax credit from 2022 onwards.

New Vacant Homes tax

A new tax on vacant homes (occupied for less than 30 days in a year) will be introduced in 2023 at 3 times the level of Local Property Tax applicable to that property. There will be certain exceptions from the tax allowed, e.g. when the property is up for sale.

Tax-free employer vouchers increased to €1,000 pa

The annual €500 limit on tax-free vouchers which an employer can provide to an employee will be doubled to €1,000 for 2022 and future years.

Finance Bill 2022

The Finance Bill 2022 implementing Budget 2023 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.

For example, some pensions reform proposals which may turn up in Finance Bill 2022 include removal of BIK charge on employer contributions to PRSAs.

Income Tax

Tax Rates

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

Standard Rate Band

	Bands 2023
Single / Widowed without dependent children	€40,000
One Parent Family	€44,000
Married / Civil Partners, one earner	€49,000
Married / Civil Partners, two earners	€49,000 + increase max €31,000*

* The increase is the lower of €31,000 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 2023
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 rd and more)	€830

Main income tax credits

	Tax Credit 2023
Single Person	€1,775
Married / Civil Partners	€3,550
Employee tax credit	€1,775 (max)
Earned Income tax credit	€1,775 (max)

Universal Social Charge (USC)

Total income subject to USC	USC Rate 2022
The first €12,012	0.5%
Next €10,908	2.0%
Next €47,124	4.5%
Balance	8%*

However:

- Individuals whose total income subject to USC for the year is less than €13,000 are exempt from USC.
- The following pay a reduced rate of 2.0% on all income subject to USC over €12,012:
 - Individuals over age 70 whose total income subject to USC for the year is €60,000 or less.
 - Individuals under age 70 who hold a full medical card (i.e. not a GP only card) and whose total income subject to USC for the year is €60,000 or less.

* 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 2023

Benefit	Maximum weekly rate of benefit
State Pension (Contributory) Max personal Rate (Under 80)	€265.30
Widow's / Widower's / Surviving Civil Partner's Contributory Pension (Under 66) Max personal rate	€225.50
Invalidity Pension Max personal Rate (Under 66)	€225.50
Illness / Jobseekers Benefit Personal Rate	€220.00
Increases for each Child Dependant, max State Pension / Invalidity Pension Illness / Jobseeker's Benefit Widow's / Widower's / Surviving Civil Partner's Pension	Under 12: €42 pw 12 and over: €50 pw

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 th 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 th 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"> • N = number of complete years of service • Present value of tax-free pension lump sum is nil, if individual signs an irrevocable waiver to receive such a sum
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 st January 2001	41%

Thresholds – with effect from 9th 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 9th 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.