

Budget 2021 - Tax

Tuesday 13 October 2020

We have now digested the detail of Minister Donohoe's Budget speech today. The Budget was primarily about expenditure with few tax changes. These are the relevant points for our clients.

VAT reduction

The 13.5% rate for the Hospitality sector will be reduced to 9%

Capital gains tax 10% rate

There is a small positive change to the 10% capital gains tax rate (entrepreneur relief) on the 5% share ownership test.

No other changes to the 10% rate

Tax Reliefs Extended

The expiry date for a number of tax reliefs is extended.

- Film relief
- Knowledge Development Box
- Help to buy scheme (for first time buyers)

2019 and 2020 tax payments

The new "tax warehousing" scheme is extended to include those who are unable to pay 2019 income tax and 2020 preliminary income tax

No change to tax rates for:

Income tax (55%/52% top rates)

Capital gains tax (33%)

Capital gains tax - entrepreneur relief (10%)

Gift and inheritance tax (33%)

Corporation tax (12.5%/25%)

It's all in the detail

With some exceptions, the Budget statement is a general statement of tax changes. The important detail will be in the Finance Bill, which will be published on 22 October.

Rates of tax in 2021

Our system of tax rates is a minefield. We hope our table attached will help you understand the **maximum** rate of tax applying in 2021 to your income and gains.

We are here to help...

Please call any of us at Twomey Moran to clarify or explain any of today's changes.

And finally, the disclaimer..... This Briefing Note is not a substitute for formal tax advice. If you take, or do not take, action as a result of this Briefing Note without formal advice from us, Twomey Moran & Partners Limited can accept no responsibility for any loss, damage or distress.

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What is the rate of tax on my income and gains in 2021?

The answer to this question is complex. This guide sets out the **maximum** tax rates that apply from 1 January 2021 based on Budget 2021 published on 13 October 2020.

Income	Max Tax rate 2021	Max Income tax	Max PRSI	Max Universal Social Charge (USC)	Max Tax rate 2020
Self employed income	55%	40%	4%	11%	55%
Employment income	52%	40%	4%	8%	52%
Irish/EU deposit interest	37%	33%	4%	–	37%
Non Irish/Non EU deposit interest	37%	33%	4%	–	37%
Interest on Irish/foreign Govt gilts	55%	40%	4%	11%	55%
Dividend and rental income	55%	40%	4%	11%	55%
Gains on Irish and EU funds	41%	41%	-	-	41%
Gains on non EU etc funds	55%	40%	4%	11%	55%
Annual payments from Irish/EU funds	41%	41%	-	-	41%
Payments from non EU funds	55%	40%	4%	11%	55%
Capital	Tax rate 2021				Tax Rate 2020
Gains on assets	33%				33%
Gains for entrepreneurs (company shares, farmers, business)*	10%				10%
Gains on Irish Government gilts	Exempt				Exempt
Gains on foreign Government gilts	33%				33%
Gift/inheritances	33%				33%
Stamp duty on residential property	1%/2%				1%/2%
Stamp duty on commercial property/land	7.5%				7.5% (from 8 Oct 19)

* Subject to lifetime limit of EUR1m of gains