

## Budget 2023

Are supports sufficient to help households and businesses survive soaring costs?

Minister for Finance, Paschal Donohue, and Minister for Public Expenditure and Reform, Michael McGrath, today announced the Budget for 2023 which is significantly different from the previous two Budgets that contained a wide range of supports to assist businesses and individuals during the Covid-19 pandemic. This year's Budget has mainly focused on addressing the rising cost of living and energy crisis with further packages announced to support jobs and employers and to deal with the residential housing crisis.

One of the key highlights, from a tax perspective, is the increase in the entry point for the higher rate of income tax at 40% to earned income in excess of €40,000. Previously a single person paid 40% tax on earnings above €36,800.

In addition, following extensive discussions yesterday between the Minister for Health, Stephen Donnelly, and his Government colleagues it has been announced that more than 430,000 people will be eligible to receive a free GP visit card. This move means that approximately half the population will have access to either a medical card or a GP visit card which both give the recipient access to free GP services.

In total, the scale of additional spending and tax measures in today's Budget including one-off measures is now expected to be €11 billion, made up of extra spending and tax measures of €6.9 billion and once-off measures of €4.1 billion. Furthermore, €2 billion has been allocated to the "Rainy Day" fund for 2022, increasing to €4 billion in 2023.

Minister Donohoe said he believed today's budgetary measures will make a difference to individuals, families and businesses.

Below is a summary of the key budget measures:

### Taxation

#### Income Tax

An increase of €3,200 in the income tax standard rate cut-off point for all earners, from €36,800 to €40,000 for single individuals and from €45,800 to €49,000 for married couples / civil partners with one earner

- An increase of €75 in the Personal Tax Credit from €1,700 to €1,775
- An increase of €75 in the Employee Tax Credit from €1,700 to €1,775
- An increase of €75 in the Earned Income Credit from €1,700 to €1,775
- An increase of €100 in the Home Carer Tax Credit from €1,600 to €1,700

## **USC**

An increase of €1,625 to the 2% rate band ceiling from €21,295 to €22,920

The reduced rate of USC concession for medical card holders is being extended for a further year

## **Sea-going Naval Personnel Tax Credit**

Extension of the Sea-going Naval Personnel Tax Credit to 31 December 2023

## **Support for Enterprise/SMEs/Agri-sector**

### **Slurry Storage Facilities**

Accelerated capital allowances for the construction of slurry storage facilities so that 50% of expenditure is claimed over two years

### **Foreign Earnings Deduction**

Extension of Foreign Earnings Deduction (FED) to 31 December 2025

### **Key Employee Engagement Programme**

Extension of Key Employee Engagement Programme (KEEP) to 31 December 2025, facilitating the buy-back of KEEP shares by the issuing company and increasing the company limit to €6 million

### **Special Assignee Relief Programme**

Extension of Special Assignee Relief Programme (SARP) to 31 December 2025 and increasing the minimum income limit for new entrants to €100,000

### **Section 481 Film Relief**

Finance Bill 2022 will extend Section 481 from its current end date of 31 December 2024 to 31 December 2028

### **Research and Development Tax Credit**

Finance Bill 2022 will introduce changes to the payment provisions for the R&D tax credit, to align with new international definitions of refundable tax credits

### **Knowledge Development Box (KDB)**

Finance Bill 2022 will extend the sunset clause of the KDB for 4 years, to accounting periods commencing before 1 January 2027. The KDB will have a new effective rate of 10%, to come into effect from a date to be set by commencement order.

### **Young Trained Farmer (Stamp Duty) Relief**

Extension to 31 December 2025

### **Farm Consolidation (Stamp Duty) Relief**

Extension to 31 December 2025

### **Farm Restructuring (Capital Gains Tax) Relief**

Extension to 31 December 2025

### **Stock reliefs**

Extension of the Young Trained Farmer and Registered Farm Partnerships stock reliefs to 31 December 2024

### **Small Benefit Exemption**

An increase in the limit to €1,000 and an increase in the number of benefits in a year that an employer can give from one to two per year.

## Housing

### Help to Buy

Extension of Help to Buy to 31 December 2024

### Living City Initiative

Extension of the Living City Initiative to 31 December 2027, acceleration of relief for owner-occupiers so that it can be claimed as a deduction from total income of 15% of the total eligible expenditure in each of the first six years and 10% for the seventh year and carry forward of relief for owner occupiers

### Pre-letting Expenses

Increase eligible expenditure limit for pre-letting expenses for landlords to €10,000 and halve the vacancy period to six months

### Rent tax credit

Introduce a new €500 tax credit for private tenants who are not in receipt of other State housing supports. The credit will be claimable "in year" in 2023 and in subsequent years and from early in 2023 in respect of rent paid in 2022

### Vacant Homes Tax

A Vacant Homes Tax will be introduced in 2023. The tax will apply to residential properties which are occupied for less than thirty days in a twelve month period

### Development Stamp Duty Refund Scheme

Extension of Residential Development Stamp Duty Refund Scheme to end-2025

### Defective Concrete products Levy

New levy of 10% on certain concrete products at point of first supply

## Carbon Tax

The Carbon Tax rate will increase from the current rate of €41 to €48.50 per tonne of CO<sub>2</sub>. This will apply to auto fuels with effect from 12 October 2022 and all other fuels from 1 May 2023

## Additional Taxation Measures & VAT

### Excise Duty

- €0.50 increase on pack of 20 cigarettes with pro-rata increase on other tobacco products
- Small Cider Producers Excise Relief Scheme
- Special Exemption Order excise fee reduction

### VAT

- Application of a zero VAT rate for newspapers and news periodicals, including digital editions
- Application of a zero VAT rate for Automatic External Defibrillators and period products
- Application of a zero VAT rate for all non-oral Hormone Replacement Therapy
- Application of a zero VAT rate for all non-oral Nicotine Replacement Therapy
- Flat-rate compensation percentage for Farmers reduced 5.5% to 5.0%

### Bank Levy

Extended to the end of 2023

### Compliance

Revenue will conduct a range of targeted projects which will include PAYE compliance interventions involving a further focus on share schemes, and increased debt management activity. It is expected

that these projects will yield additional Exchequer receipts arising from increased taxpayer compliance

#### Temporary Measures

- Extension of Excise Reduction to end February 2023
- Extension of 9% VAT rate for gas and electricity

## Expenditure Items

Budget 2023 is being announced at a time of inflationary conditions, the likes of which have not been seen in recent times. Today's budget announced a total expenditure ceiling for 2023 of €90.4 billion. The total expenditure figure comprises of core expenditure in the amount of €85.9 billion, an increase of €5.8 billion, and non-core expenditure of €4.5 billion aimed at combating numerous temporary challenges. In addition to the more regular budget announcements, today's report also details measures to take effect in 2022 aimed at helping tackle the spiralling cost of living.

#### Social Protection

Budget 2023 provides an allocation of €23.4 billion in core current expenditure for the Department of Social Protection with an aim to assist the most vulnerable in our Society. This represents an increase of over €1 billion which will be utilised to introduce measures such as:

1. an increase in the weekly rates of payment to all working age recipients and pension payments by €12 per week, with proportionate increase for qualified adults and those on reduced rates of payment.
2. an increase in the means threshold for Fuel Allowance for those aged over 70 to €500 per week for a single person, and to €1,000 per week for a couple
3. an increase in the weekly rate of the qualified child increase for children aged 12 and over by €2 per week
4. an increase of €40 in the weekly thresholds for Working Family Payment
5. an increase in the Domiciliary Care Allowance rate to €330 per month
6. an increase in the earnings disregards on both Disability Allowance and Blind Pension by €25, from €140 to €165 per week
7. an increase in the top up payment for Community Employment, TUS, and Rural Social Scheme by €5, from €22.50 to €27.50 per week

#### Health

The primary focus, in respect to Health, of Budget 2023 was to highlight the Government's commitment to the delivery of Sláintecare. This was marked with an additional €1.3 billion in core funding with €0.8 billion for Covid related spending. The primary objective of the additional funds will be to enable the hiring of additional staff. It is also expected the funds will be used to address waiting list challenges and to extend free GP care to more than 400,000 people including, by the end of 2022, all children aged six and seven.

## Housing, Local Government and Heritage

An allocation of almost €2.8 billion represents an increase of over €200 million on the 2022 core current expenditure allocation. It is expected that the additional funding will be utilised to expand schemes such as the Social Housing Current Expenditure Programme, Housing Assistance Payment (HAP) and the new Rental Accommodation Scheme (RAS) tenancies.

## Children, Equality, Disability, Integration and Youth

Budget 2023 provides a core current allocation of €2.4 billion including an additional funding of €121m from January 2023 so all families accessing registered early learning and childcare will receive a minimum hourly National Childcare Scheme (NCS) subsidy of €1.40 towards the cost of early learning and childcare. With the current minimum hourly NCS subsidy set at €0.50 per hour, this represents an additional €0.90 per hour reduction in the cost of early learning and childcare. This translates to a maximum €63 reduction in parents' weekly bill per child. With up to €22.50 currently available per week, this represents up to an additional €40.50 reduction in weekly costs.

## Education

Over €8.7 billion is being provided in current expenditure to invest in the Education Sector. This includes an increase in core current expenditure of €375 million. This will provide various supports to primary and post primary schools, while investing significant resources in special education. The primary measures announced today were:

8. A reduction in primary staffing schedule one point from 24:1 to 23:1.
9. €42m is being allocated to provide free school books and related classroom resources to all pupils in recognised primary schools within the Free Education Scheme. This measure will benefit up to 540,000 primary school students.
10. Additional 1,194 Special Needs Assistants (SNAs), & 686 additional teachers for special education working in special classes and special schools, and Special Education Teachers in mainstream settings to support children with special educational needs.

## Further and Higher Education, Research, Innovation and Science

A core current expenditure allocation of €3.2 billion is being provided to the Department of Further and Higher Education, Research, Innovation and Science, with an increase in core current expenditure of over €160 million. It is expected that This additional investment will provide:

11. Additional funding for Higher Education to address the long term sustainable funding in the sector and to deal with demographic demand.
12. Significant Student Support measures including:
  1. Reduce Student Contribution Fee by €500 for eligible families through the adjustment of income thresholds in the student grant scheme.
  2. Increase in the Student Grant Scheme maintenance grant rates and income thresholds
  3. Increase in the Post-Graduate Contribution Grant by €500.

## Tourism, Culture, Arts, Gaeltacht, Sport and Media

Budget 2023 has provided for €90 million the Tourism, Culture, Arts, Gaeltacht, Sports and Media sectors to help consolidate their recovery from the Covid-19 pandemic.

This €90m includes the following:

13. €15 million for the tourism marketing fund (including €5m for the Invitation);
14. €15 million for Fáilte Ireland initiatives;
15. €25 million to maintain the Arts Council allocation at €130m
16. €4.25 million for Gaeltacht measures; and
17. €2 million for Sport measures.

## Business supports

Today's report also discussed the introduction of a Temporary Business Energy Support Scheme. Where the eligibility criteria are met it is expected that up to 40% of a business' energy cost increases will be covered, subject to a monthly cap of €10,000.

## Cost of Living

Today's report acknowledged the significant cost of living pressures that have arisen due to a mismatch between supply and demand exiting the pandemic which have been exacerbated by the war in Ukraine. Reflecting the continued challenges facing many, it was announced that a further cost of living package will be delivered this year. €2.7 billion will be provided through one-off expenditure supports to households, enterprises and other public and community services to include measures such as €600 in electricity credits for all households to be paid in three instalments of €200; the first payment will be made before Christmas, with two further instalments in the New Year and providing for those in receipt of the fuel allowance payment to receive a lump sum of €400 before Christmas.

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