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COVID’S TAXING TIMES

The recent budget continued unprecedented levels of intervention and financial support for affected businesses and workers in the wake of COVID-19, say

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Budget 2021, followed by more detailed measures in the Finance Bill on 22 October, was framed on the assumption that there would be no bilateral trade deal between the EU and Britain, post-Brexit, and that there would be no COVID-19 vaccine in Ireland next year.

In his budget-day speech, Minister Donohoe said the Government was able to respond "swiftly and assertively" to the economic uncertainty of COVID "because of the decisions of recent budgets".

That said, there is no doubt that keenly placed taxation measures can serve as a positive mechanism, for domestic and foreign-direct investors alike, in facing the wide-ranging economic variables unleashed in Ireland in 2020.

Key measures

Some of the measures affecting individuals and employees in Budget 2021 and the Finance Bill include the following:

Consideration shown to proprietary directors who actively work in affected businesses - the blanket exclusion of proprietary directors from the Employment Wage Subsidy Scheme (EWSS) had been widely criticised by business owners. The Finance Bill amends the Emergency Measures in the Public Interest (COVID-19) Act 2020 to include proprietary directors within the EWSS from 1 September 2020.

Warehousing of unpaid taxes arising from COVID-19 - in the July Jobs Stimulus Package, the Government announced that it would defer unpaid VAT and PAYE debts arising from COVID for a period of 12 months after the business reopens; therefore, no interest will be charged during this time. In addition, a lower interest rate of 3% per annum will apply to the repayment of the warehoused debts after that date.

The Finance Bill provides that these warehousing provisions will apply to excess Temporary Wage Subsidy Scheme Payments (TWSS) received by an employer, which must be refunded to Revenue. The inclusion of the excess TWSS payments in the tax warehousing arrangements will provide a measure of relief for employers in these difficult times.

It is important that taxpayers continue to file returns for all taxes and maintain current tax payments, in order to avail of the reduced interest rates.

COVID Restrictions Support Scheme (CRSS) - the scheme is available to affected selfemployed individuals (sole traders or partners in a partnership) and companies that carry on a trade from a business premises located wholly within a geographical region for which COVID restrictions are in operation. Generally, this refers to restrictions at Levels 3, 4 or 5 of the Government’s Plan for Living with COVID.

The support for those qualifying is a maximum weekly payment of €5,000 for each week that their business is affected by the COVID restrictions.

Protective measures for those on the minimum wage - there were no changes to income-tax credits or bands, but the minister did announce that the 2% USC rate threshold is to be increased from €8,472 to €8,675. The weekly threshold for the higher rate of employer’s PRSI of 11.05% also increases from €394 to €398.

These changes are to ensure that those on the minimum wage are not adversely affected, from a tax perspective, and that there is no incentive to reduce working hours for a full-time minimumwage worker.

Remote working supports - the minister announced that the existing regime whereby workers may claim a tax deduction for utility expenses (light/ heat) would now be extended to include the cost of broadband. This will have minimal impact for employees. He also highlighted the tax-free allowance of €3.20 per day, which may be paid tax-free by employers to employ- ees who are working from home.

The area of remote working becomes more complex when one considers that many employees are currently working in overseas jurisdictions for their Irish employers.

If this arrangement continues for a significant period of time or becomes a permanent arrangement, this will lead to administrative complications in terms of corporate tax permanent establishment issues, payroll and social security withholding obligations, and immigration requirements.

Housing: stamp-duty refund - the stamp-duty refund scheme allows those acquiring land for the purposes of residential development to claim a refund of 5.5% of the 7.5% stamp duty paid on purchase, giving an effective rate of 2%. Previously, development of the land must have been commenced by 31 December 2021. This has now been extended to 31 December 2022, while the time period allowed to complete the build has now extended from two years to two-and-a-half years.

These extensions will serve as a welcome injection of cashflow and time for those striving to meet Ireland's housing market needs.

Missed opportunities

Capital Gains Tax (CGT) - it is notable that no steps were taken to reduce the CGT rate to make investing in a business in Ireland more attractive. At 33%, Ireland has one of the highest rates of CGT among developed econo- mies. While some minor amendments to Entrepreneur Relief were announced, the €1-million lifetime limit has not been adjusted.

KEEP - unfortunately, the Finance Bill did not make any amendment to the Key Employee Engagement Programme (KEEP) to encourage a wider uptake of the scheme, or make any broader changes to the taxation of share schemes for domestic and foreign multinational corporations who do not fall within the criteria for KEEP.

SARP - the Special Assignee Relief Programme is a valuable relief that encourages skilled individuals to relocate to Ireland by providing an income-tax exemption for earnings in excess of €75,000 up to a cap of €1 million.

It was disappointing that the Finance Bill did not include any measures in relation to the various employment-related COVID concessions that have been introduced over the last few months. As a result of remote working arrangements, individuals may now find it difficult to avail of some of the technical conditions of the relief, and it is uncertain whether any relaxation of these conditions will apply.

Marginal rate of tax - tax giveaways were never likely to feature in Budget 2021 but, as our marginal rate remains at 52%, Irish employees still have one of the highest personal tax burdens in the EU.

Economic landscape

Budget 2021 comprised a total package of over €17.75 billion, and saw €270 million specifically allocated to taxation measures, most of which went on VAT-rate cuts for the hospitality sector.

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| ALAMY Finance Bill: 'Back to work, you!'