



Kenneth O'Connor & Co.
ACCOUNTANTS, REGISTERED AUDITORS,
TAX CONSULTANTS & BUSINESS ADVISORS

Budget 2021

The COVID-19 Budget



BUDGET OVERVIEW



Kenneth O'Connor & Co.
ACCOUNTANTS, REGISTERED AUDITORS,
TAX CONSULTANTS & BUSINESS ADVISORS

**Calbro Court,
Tuam Road, Galway, Ireland**

tel.: **091 771155**

fax: **091 778263**

kenocon.com

ken.oconnor@kenocon.com

grainne.oconnor@kenocon.com



CERTIFIED
PUBLIC
ACCOUNTANTS

A truly historic Budget involving Fianna Fáil, Fine Gael and the Green Party is marked by huge spending increases. A record Budget of €17.75 billion has been announced with nearly half of all spending going on Covid-19 supports which has been framed by the pandemic and the prospect of a no-trade deal Brexit.

The coronavirus pandemic has been the greatest challenge to face the country since it gained independence, Minister for Finance Paschal Donohoe said as he unveiled Budget 2021.

Businesses hit by restrictions will get rebates along with measures for the hospitality sector and homebuyers.

There were very few changes on the personal tax front, something many will be grateful for however, given the ongoing uncertain economic outlook.

There was an increase in the earned income credit for the self employed from €1,500 to €1,650 to bring it into line with PAYE workers.

HEALTH

- Additional spending of €4 billion has been agreed, including €2 billion for Covid measures.
- Providing for 1,146 acute beds and 1,259 community beds.
- Additional spending of €4 billion has been agreed, including €2 billion for Covid measures.
- Five million additional home care hours.
- €38 million for new mental health measures.
- €100 million will be put towards new disability measures next year.

EXCISE & VAT

- Tax on a pack of 20 cigarettes is to rise by 50c to €14.
- No increase on alcohol.
- €1.51 rise in the cost of a 60 litre fill of diesel and €1.30 for a similar amount of petrol.
- Petrol +2.13 cent per litre from midnight.
- Diesel +2.45 cent per litre from midnight.
- From May 2021 Home heating oil +2.15 cents per litre, Bale of briquettes +20, 40kg bag of coal +90 cent.

EDUCATION

- The teacher ratio will be reduced to 25:1.
- 600 new teaching posts will be created.
- €2 billion will be provided to fund recruitment of 990 new special needs assistants.
- €50 million fund to provide a once-off financial assistance to full-time third-level students.
- Increased funding for the school meals programme will provide for meals for up to 35,000 additional children.
- €120 million package for reskilling and retraining including an extension of the apprenticeship scheme.
- €30 million for research including for all-island research.

HOSPITALITY & TOURISM

- The VAT rate for the hospitality sector will drop from 13.5% to 9% with effect from 1 November this year until December 2021.
- €55 million for a tourism business support scheme and €5 million for tourism product development.
- €50 million in live event supports and an additional €50 million in funding for the Arts Council, bringing its funding to €130 million in 2021.

WELFARE SUPPORTS

- The dependent relative tax credit will increase from €70 to €245.
- Illness benefit will now be available after three days out of work, rather than six.
- The one-week Christmas bonus to people on a welfare payment for four months up to December, including those in receipt of PUP.
- The Carer's Support Grant to increase by €150, from €1,700 to €1,850 per year.
- The Living Alone Allowance will increase from €14 to €19 per week.
- Fuel Allowance is to be increased by €3.50 per week.
- The parent's benefit is to be extended by three weeks to allow people more time with their newborn during their first year.
- The Working Family Payment thresholds with families of up to three children is to be increased by €10.
- The €425 earnings threshold for the One-Parent Family Payment is to be removed.
- The Widowed or Surviving Partner Grant will be increased by €2,000.
- The pension age will stay at 66.
- Qualified Child Payment increase of €2 per week for children under 12 and by €5 per week for children over 12.

GARDAI & DEFENCE

- Funding will be provided to train up to 620 new recruits.
- Additional funds for the recruitment of 500 civilian staff.
- Up to 70 new garda cars will also be bought to replace current models which are currently leased.

SMES & SELF EMPLOYED

- Equalise the earned income credit with the PAYE credit by raising it by €150 to €1,650.
- Self-employed recipients of the Pandemic Unemployment Payment will be able to earn up to €480 per month without losing their payment.
- Debt warehousing provisions will be extended for a period of a year with no interest.
- €30 million fund administered through the Ireland Strategic Investment Fund.
- A new variant of the Employment Wage Subsidy Scheme will kick in after the current scheme ends next spring.
- Weekly rebates of up to €5,000 for businesses closed at Level 3 or higher effective from today until the end of March next year.
- Commercial rates will be waived for the remainder of 2020, at a cost of €300 million.

BREXIT

- €340 million of voted expenditure will be spent on Brexit supports in 2021.
- An additional 500 staff at ports and airports bringing the total provision for approximately 1,500 for operationalising checks.
- A further €600 million will be allocated to the capital budget in addition to a planned increase of €1 billion for 2021 under the National Development Plan.

FARMING & RURAL

- €1.8 billion will be allocated to the Department of Agriculture, Food and the Marine in 2021 which is an increase of €179 million on the 2020 figure.
- The farm consolidation stamp duty relief of 1% is to be extended by two years to 31 December 2022.
- Consanguinity relief will be extended by three years.
- The farmers flat VAT rate addition will be from 5.4% to 5.6% from January 1.

HOUSING

- €500 million to facilitate the construction of 9,500 new social housing units in 2021.
- €2.4 billion to support 15,000 HAP places.
- €65 million to facilitate retrofitting in the social housing stock.
- €22 million for homelessness programmes.
- €110 million for affordable and cost rental schemes.
- €210 million will be made available under the Rebuilding Ireland home loan scheme.
- Help to Buy Scheme will be extended at its current level, which allows up to €30,000 in tax rebate on a new home.

JUSTICE

- The Justice Department will receive €147 million.
- €8 million has been allocated to modernise the Courts, an additional €4.4m to Forensic Science Ireland.



INCOME TAX, RATE BANDS, PRSI & USC

- No changes to income tax, USC or PRSI rates.
- The ceiling of the second USC band will be increased from €20,484 to €20,687 to support those on minimum wage.

CLIMATE CHANGE

- Carbon tax will be increased by €7.50 per tonne next year, from €26 to €33.50 per tonne.
- This comes into effect for auto fuels from midnight tonight and then will be applied to all other fuels from 1 May next year.
- Changes to the Vehicle Registration Tax bands based on emissions to incentivise people to buy low emission cars.

INFRASTRUCTURE

- €1.3 billion for national, local and regional roads.
- Including construction on a range of major road projects such as the N56 in Donegal, the N4 in Sligo, the N5 in Mayo, and the N22 and Dunkettle Interchange in Cork.
- 41 additional InterCity Railcar carriages.
- €360m for investment in walking and cycling.
- 280 new hybrid electric buses.
- Additional investment in Irish Water of €44m.
- €132m in funding for the National Broadband Plan.

ARTS & SPORTS

- €50 million in a Live Entertainment Supports package.
- Arts Council funding will increase to €130 million, €50 million increase on last year's allocation.
- Increase of €36 million in funding for Sport Ireland.
- €7 million for large-scale sports infrastructure as well as €2 million for major sporting events.
- Tax credit for the digital gaming sector from January 2022.
- The film sector will get an extra year at the peak rate for the Section 481 tax credit.



TAX CREDITS FOR YEAR 2021

PERSONAL	2021	2020
	€	€
Single	1650	1,650
Married	3300	3,300
Widowed Person	2190	2,190
Single Child Carer	1650	1,650
Home Carer Credit	1600	1,600
Earned Income Credit	1650	1500
PAYE	1650	1650
WIDOWED PARENT BEREAVEMENT	2021	2020
In Year of Assessment	3,600	3,600
Incapacitated Child	3,300	3,300
Dependent Relative	245	70
BLIND PERSON	2021	2020
Single/Married	1,650	1,650
Both Blind	3,300	3,300
AGE CREDIT	2021	2020
Single/Widowed	245	245
Married	490	490

INCOME TAX RATES 2021

SINGLE PERSON	MARRIED PERSON
2021	2021 (two incomes)
20% of 1st €35,300	20% of first €70,600*
40% Balance	40% balance <i>*Transferable between spouse up to a max of €44,300 for any one spouse</i>
Single Parents	(One Income)
20% of 1st €39,300	20% of 1st €44,300
40% Balance	40% Balance

INCOME EXEMPTION LIMITS

SINGLE/WIDOWED	2021	2020
	€	€
65 years or over	18,000	18,000
MARRIED COUPLES	2021	2020
	€	€
65 years or over	36,000	36,000

UNIVERSAL SOCIAL CHARGE

2021	EMPLOYEE & SELF-EMPLOYED	2020
0% on total earnings <€13,000 per annum		0% on total earnings <€13,000 per annum
0.5% on €0 to €12,012 per annum		0.5% on €0 to €12,012 per annum
2% on €12,013 to €20,687 per annum		2% on €12,013 to €20,484 per annum
4.5% on €20,688 to €70,044		4.5% on €20,485 to €70,044
8% on €70,045 to €100,000		8% on €70,045 to €100,000
PAYE INCOME 8% on excess over €100,000		PAYE INCOME 8% on excess over €100,000
SELF EMPLOYED INCOME 11% on excess over €100,000		SELF EMPLOYED INCOME 11% on excess over €100,000

PRSI

EMPLOYER	2021	2020
Contribution for Class A		
PRSI	11.05%	11.05%
TRAINING LEVY	1.00%	1.00%
TOTAL FOR EMPLOYERS	12.05% on all income	12.05% on all income

EMPLOYEE	2021	2020
PRSI	*4% on all income	*4% on all income
SELF EMPLOYED/ DIRECTORS CONTRIBUTION	2021	2020
PRSI	**4% on all income	**4% on all income
<i>* Not applicable if earnings less than €18,300 p.a. (€352 p.w.)</i> <i>**4.00% subject to a minimum payment of €500</i>		

Please note that this Budget Briefing is merely a general guide and should not be used as a substitute for professional financial advice.

Decision making should be based on sound professional advice, taking into account your individual circumstances. While we have made every effort to ensure the accuracy of this Budget Briefing, we do not take any responsibility or liability for any omissions or errors, losses or injuries cause.