

Finance Bill 2022



Finance Bill 2022, which implements the tax changes announced on Budget Day, is currently making its way through the Oireachtas.

Depending on your circumstances, measures contained in this Bill are likely to affect you and/or your business in the coming months. In addition, Revenue have announced changes to mileage and subsistence rates, an extension of the timeline for the debt warehousing scheme and an increase in the small benefit exemption.

This newsletter summarises these recent developments. As always, if you need information or advice on your specific circumstances, please contact a member of our team at 053 - 9124211 or info@sheilkinnear.ie.

Income Tax

As announced in the Budget, personal tax credits, including the self-employed earned income credit, are being increased by **€75 to €1,775**. There is no change to the 20% and 40% income tax rates but the standard rate cut-off point for a single person is being increased by **€3,200 to €40,000** with commensurate increases in the bands for married people and people in civil partnerships. The home carer tax credit is going up by **€100 to €1,700**.

USC

The 2% rate band ceiling is being increased by **€1,625 to €22,920** to take account of the National Minimum Wage increase that will apply from 1 January 2023.

Small Benefit Exemption

The Small Benefit Exemption, which allows employees and directors to receive a non-cash tax free benefit (such as a gift voucher at Christmas) is being increased to **€1,000** and the number of permissible benefits an eligible individual can receive under the scheme each year is being increased from one to two. However an employee can only receive **€1,000** in total under this measure, be it in one or two vouchers over the course of the year.

This is available to most company directors.

BIK on Company Cars, Vans and Electric Vehicles

A new method to calculate the cash equivalent of the use of a car comes into effect on 1 January 2023. This will be based off a combination of kilometres travelled and CO2 emission levels. It will be necessary to determine which emissions category the car falls into and maintain accurate records of the business mileage undertaken.

The BIK rates for company vans will increase from 5% to 8%. Note that if a vehicle has rear seats fitted, Revenue generally classify it as a car rather than a van.

Phasing out of the favourable 0% BIK rate for electric vehicles is also due to start on 1 January 2023. For an electric vehicle made available for an employee's private use during the years 2023 – 2025, the cash equivalent will be calculated based on the Original Market Value (OMV) of the vehicle reduced by:

- €35,000 in respect of vehicles made available in the 2023 year of assessment;
- €20,000 in respect of vehicles made available in the 2024 year of assessment;
- €10,000 in respect of vehicles made available in the 2025 year of assessment.

This reduction applies irrespective of the actual OMV of the vehicle or when the vehicle was first provided to the employee. If the reduction reduces the OMV to nil, a BIK charge will not arise. Any portion of OMV remaining, after the reduction is applied, is chargeable to benefit-in-kind at the prescribed rates.

Note that for electric cars purchased by a sole trader Capital Allowances of 100% can be claimed in the first year up to the 'specified amount' of €24,000.

Debt Warehousing

Revenue is extending the repayment timeline for businesses availing of the Debt Warehousing Scheme. These businesses were due to enter into an arrangement with Revenue to deal with their warehoused debt by the end of the year (or by 1 May 2023 for those subject to the extended deadline). The timeline is now extended to 1 May 2024. Businesses can continue to avail of the reduced 3% interest rate from 1 January 2023, as opposed to the general interest rate of 8%, when they come to pay the debt.

Mileage & Subsistence

New civil service mileage and subsistence rates came into effect in September. Mileage between 1 January 2022 and 31 August 2022 will not be altered but the kilometers driven will count towards total kilometers for the year. The new rates can be found on the Revenue website –<https://www.revenue.ie/en/employing-people/employee-expenses/travel-and-subsistence/civil-service-rates.aspx>.

Temporary Business Energy Support Scheme (TBESS)

A Temporary Business Energy Support Scheme (TBESS) is being introduced to support tax compliant businesses that have experienced a significant increase in their electricity and natural gas costs. The scheme, which is subject to State Aid approval, will also apply to new businesses.

In general terms, to be eligible to make a claim in respect of an electricity bill or a natural gas bill, a business must be able to demonstrate that the average unit price for electricity or gas on the relevant bill has increased by 50% or more. Qualifying businesses will be able to claim a refund of 40% of the increased cost. The business will need to be tax compliant and have a current tax clearance certificate. A monthly cap on relief of €10,000 per trade or profession will apply.

Temporary Business Energy Support Scheme (TBESS) (contd.)

The scheme will be administered by the Revenue Commissioners on a self-assessment basis and will run from 1 September 2022 to 31 December 2022, with the intention to extend it to 28 February 2023 subject to the anticipated extension of the European Commission Temporary Crisis Framework (TCF). More information can be found on the Revenue website – <https://www.revenue.ie/en/starting-a-business/documents/tbess-guidelines.pdf>

VAT

The 9% VAT rate reduction for gas and electricity is being extended for an additional 4 months, until 28 February 2023.

The flat rate for farmers has been reduced from 5.5% to 5%.

VAT on newspapers is being reduced from 9% to zero from 1 January 2023.

Other products which will be zero-rated are Automatic External Defibrillators (AEDs), some period products, non-oral Hormone Replacement Therapy and Nicotine Replacement Therapy.

Other Finance Bill 2022 measures

- a new €500 tax credit for renters (this is also available to parents of third level students who pay rent on behalf of their children)
- a new tax on vacant homes to be introduced next year at a rate equal to three times the property's base LPT rate
- an increase to €3,000 from 1 January 2023 in the threshold for cargo bikes under the cycle to work scheme
- a COVID-19 related lay-off payment which is intended to “plug the gap” for employees who lost the opportunity to accrue reckonable service due to lay-off caused by the pandemic public health restrictions

Other Finance Bill 2022 measures (contd.)

- a new 5% levy on certain concrete products from 1 September 2023
- relief from the 10% rate of stamp duty for bulk acquisition of houses to be used for accommodation for people with intellectual disabilities and for children in care.

Measures requiring alignment with EU legislation

A number of measures in the Finance Bill require alignment with EU legislation. These include changes to the Key Employee Engagement Programme (KEEP), provision for Accelerated Capital Allowances for the construction of slurry storage facilities, and the extension of a number of agricultural tax measures due to expire at end December 2022 which are dependent on the outcome of negotiations at a European Level on the Agricultural Block Exemption Regulation (ABER).

Disclaimer

This document is intended as a general guide to the subject matter and should not in isolation be used as the basis for decisions. Professional advice should be obtained for such decisions that take into account all of the client's circumstances. Every effort has been made to ensure the accuracy of the information in this document however in view of its purpose the reader will appreciate that we are unable to accept liability for errors or omissions that may arise.

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The Firm currently consists of 32 people including qualified accountants, tax consultants and uniquely for a firm of our size a fully qualified company secretarial advisor.

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