

## Budget 2024 Update – The Main Points

- There is a reduction of 0.5% in the 4.5% USC rate that will now apply to incomes between €25,760 and €70,044. The 2% rate band ceiling has been lifted by €2,840. Incomes of less than €13,000 are exempt from USC.
- The standard rate threshold for income taxpayers has been increased from €40,000 to €42,000 saving €400 in tax.
- An increase of €100 in the personal tax credit, the employee tax credit, the earned income credit, the home carer tax credit, the single person child carer tax credit, and an increase of €200 in the incapacitated child tax credit.
- The rent credit for private renters, which was introduced in Budget 2023, has been increased from €500 to €750.
- For private landlords, subject to certain conditions being met, rental income of €3,000 for the year 2024, €4,000 for 2025 and €5,000 for the years 2026 and 2027, will be disregarded at the standard rate, provided the property remains in the rental market for the full 4 years of the scheme.
- Three energy credits of €150 each will be given to households, between the end of 2023 and April 2024.
- In relation to Capital Gains Tax Retirement Relief, there will be an increase the age limit from 66 to 70 and a limit of €10 million on the relief available for disposals.
- Vacant Homes Tax – increase to five times the property's LPT charge.
- The 9% VAT reduction for gas and electricity is being extended by 12 months until 31 October 2024.
- A one-year Mortgage Interest Tax Relief will be introduced for homeowners with an outstanding mortgage balance on their primary dwelling house of between €80,000 and €500,000 as of 31 December 2022. The added relief will be available on increased interest paid on mortgages this year as compared with the amount paid in 2022, at the standard rate of 20% income tax. The relief will be capped at €1,250 per property. Around 165,000 mortgage holders will benefit from the measure with an estimated cost of €125million.
- No change announced in the DIRT rate of 33%, exit tax rate of 41% or in the 1% life assurance premium levy.
- The maximum personal rate of State Pension and other Social Welfare benefits increases by €12 pw, with proportionate increases for qualified adults and those on reduced rates of payment.
- No changes in private pension tax reliefs, limits or taxation of benefits.
- No change in CAT rates or Threshold amounts.
- No change in CGT rate.
- No immediate change in PRSI rates, employer or employee. However, all PRSI rates are due to increase by 0.1% on 1 October 2024 to fund pension provision following the decision not to increase the state pension age.
- Help to Buy Scheme extended to end of 2024.
- Other taxation and pension changes not announced in the Budget could be introduced later in the Finance Bill 2024.

### Increase in income tax standard rate bands and tax credits

Standard rate bands have been increased for 2024 by €2,000 for a single person, with corresponding increases for married couples, and a €100 increase in the main tax credits:

Income tax standard rate bands and main tax credits

|                                                | 2023                           | 2024                           |
|------------------------------------------------|--------------------------------|--------------------------------|
| Single person standard rate band               | €40,000                        | €42,000                        |
| Married couple, one income standard rate band  | €49,000                        | €51,000                        |
| Married couple, two incomes standard rate band | €49,000 plus<br>max of €31,000 | €51,000 plus<br>max of €33,000 |
| Personal tax credit                            | €1,775                         | €1,875                         |
| Employee tax credit                            | €1,775                         | €1,875                         |
| Earned income tax credit                       | €1,775                         | €1,875                         |

### Increase in USC bands

The current €10,908 band of income taxed at 2.0% USC will be increased in 2024 to €13,747 with a corresponding reduction in the 4.0% band:

USC Rates and bands

|               | 2023 | 2024                                                     |
|---------------|------|----------------------------------------------------------|
| First €12,012 | 0.5% | €0 - €12,012 0.5%                                        |
| Next €10,908  | 2.0% | €12,013-€25,760 2.0%                                     |
| Next €47,124  | 4.5% | €25,761-€70,044 4.0%                                     |
| Balance       | 8.0% | Balance 8.0%                                             |
|               |      | Self-Employed<br>income over<br>€100,000 3%<br>Surcharge |

### No change in DIRT, exit tax, Capital Gains Tax or Capital Acquisitions Tax rates or bands

The Budget speech did not make any change to the DIRT, exit tax, Capital Gains Tax or Capital Acquisitions Tax rates or bands.

### No change in the 1% levy on life assurance policy premiums

The Budget speech did not make any change to the current 1% levy on life assurance policy premiums.

### **State Pension & Social Welfare benefit increases by €12 pw**

- The maximum personal rate of Social Welfare benefits, including the State Pension, will be increased by €12 pw from 1 January 2024, with proportionate increases for qualified adults and those on reduced rates of payment.
- There will be a double payment of Social Welfare benefits at current rates, including the State Pension, in October and in December of this year.
- In addition, there will be a once-off double week 'cost-of-living support' payment to all qualifying social welfare recipients in January 2024, which would include carers in receipt of certain social welfare benefits.
- An additional payment of €400 will be made before Christmas to those who qualify for the Carer's Support Grant.
- For carers, the weekly income disregard will be increased from €350 to €450 for a single person, and from €750 to €900 for carers with a spouse/partner.
- A €300 lump sum will be paid to recipients of fuel allowance in Q4 2023.
- An additional €200 will also be paid this year to recipients of the Living Alone Allowance.
- For those in receipt of regular Social Protection payments, the Christmas Bonus will be paid in early December.

### **No private pension tax relief changes**

The Budget speech and related documents made no reference to any changes in private pension tax reliefs, the €2m Standard Fund Threshold, the €200,000 limit on tax free lump sums, the €115,000 NRE limit, or the taxation of benefits.

### **PRSI rates**

All PRSI rates will be increased by 0.1% from 1 October 2024.

### **Enhanced Help to Buy Scheme extended to 2025**

The Help to Buy Scheme is being extended for a further year until 31 December 2025. The scheme is being amended to reflect its interaction with the Local Authority Affordable Purchase Scheme (LAAP). This amendment will enable the use of the affordable dwelling contribution received through the LAAP scheme for the purposes of calculating the 70% loan-to-value requirement, thereby facilitating access to all LAAP purchasers to the HTB scheme. This will come into effect from 11 October 2023.

### **Increased tax credit for some renters**

Those paying rent on their principal private residence, and not receiving any other State housing support such as HAP, can claim a €750 income tax credit, up from €500.

### **Vacant Homes tax**

Increased to five times the property's LPT charge.

### **Mortgage Interest Relief**

A one-year Mortgage Interest Tax Relief will be introduced for homeowners with an outstanding mortgage balance on their primary dwelling house of between €80,000 and €500,000 as of 31 December 2022. The added relief will be available on increased interest paid on mortgages this year as compared with the amount paid in 2022, at the standard rate of 20% income tax. The relief will be capped at €1,250 per property.

**Tax-free employer vouchers unchanged at €1,000 pa**

The annual €1,000 limit on tax-free vouchers which an employer can provide to an employee remains unchanged.

**Finance Bill 2023**

The Finance Bill 2023 implementing Budget 2024 will be published towards the end of October.

It is possible that other taxation and pension changes not announced in the Budget could be introduced in the Bill, either at publication of the Bill or as it goes through the Dail and Senate.



## Income Tax

### Tax Rates

|                    | Tax Rate |
|--------------------|----------|
| Standard rate band | 20%      |
| Higher rate band   | 40%      |

### Standard Rate Band

|                                                                                                 | Bands 2024                      |
|-------------------------------------------------------------------------------------------------|---------------------------------|
| Single / Widowed or surviving civil partner                                                     | €42,000                         |
| Single, widowed or surviving civil partners qualifying for the Single Person Child Carer Credit | €46,000                         |
| Married / Civil Partners, one earner                                                            | €51,000                         |
| Married / Civil Partners, two earners                                                           | €51,000 + increase max €33,000* |

\*The increase is the lower of €33,000 and the amount of income of the spouse / civil partner with the lower income. The increase is not transferable between spouses / civil partners.

### Income Tax Exemption Limits

|                                                           | Limit 2024 |
|-----------------------------------------------------------|------------|
| Single (65 and over)                                      | €18,000    |
| Married / Civil Partners (at least one aged 65 or over)   | €36,000    |
| Additional allowance per Child                            | €575       |
| Additional allowance per Child (3 <sup>rd</sup> and more) | €830       |

### Main income tax credits

|                          | Tax Credit 2024 |
|--------------------------|-----------------|
| Single Person            | €1,875          |
| Married / Civil Partners | €3,750          |
| Employee tax credit      | €1,875 (max)    |
| Earned Income tax credit | €1,875 (max)    |

## Universal Social Charge (USC)

| Total income subject to USC | USC Rate 2024 |
|-----------------------------|---------------|
| The first €12,012           | 0.5%          |
| <b>Next €13,747</b>         | 2.0%          |
| <b>Next €44,283</b>         | 4.0%          |
| Balance                     | 8%*           |

However:

- Individuals whose total income subject to USC for the year is less than €13,000 are exempt from USC.
- The USC concession for medical card holders is being extended for a further 2 years to 31<sup>st</sup> December 2025. Reduced rates of USC apply to individuals who have a full medical card and whose income is €60,000 or less per annum. The reduced rates of USC are 0.5% on the first €12,012 and 2% on the balance.

\*A 3% additional USC rate (i.e. on top of the 8% rate) applies to non-PAYE income of the self-employed in excess of €100,000.

## PRSI Contribution Rates

| PRSI                                 | A1     | S1   | B1    |
|--------------------------------------|--------|------|-------|
| Employee                             | 4.0%   | 4.0% | 0.9%* |
| Employer (earning more than €410 pw) | 11.05% | Nil  | 2.01% |

\*B1 employee rate increases to 4% for income > €1,443 per week.

## Social Insurance Benefits 2024

| Benefit                                                                                                     | Maximum weekly rate of benefit |
|-------------------------------------------------------------------------------------------------------------|--------------------------------|
| <b>State Pension (Contributory)</b><br>Max personal Rate (Under 80)                                         | €277.30                        |
| <b>Widow's / Widower's / Surviving Civil Partner's Contributory Pension (Under 66)</b><br>Max personal rate | €237.50                        |
| <b>Invalidity Pension</b><br>Max personal Rate (Under 66)                                                   | €237.50                        |
| <b>Illness / Jobseekers Benefit</b><br>Personal Rate                                                        | €232.00                        |

## Pensions

### Income Tax Relief on Personal Contributions

| Age attained during year | % of Net Relevant Earnings (max €115,000) |
|--------------------------|-------------------------------------------|
| Less than 30             | 15%                                       |
| 30 – 39                  | 20%                                       |
| 40 – 49                  | 25%                                       |
| 50 – 54                  | 30%*                                      |
| 55 – 59                  | 35%                                       |
| 60 and over              | 40%                                       |

\*The 30% limit above also applies to certain professional sportspeople (e.g. professional golfers) under 50 in relation to their income from their sports occupation.

### Taxation of Pension Lump Sums

| Total lump sums received since 7 <sup>th</sup> December 2005 | Tax                              |
|--------------------------------------------------------------|----------------------------------|
| Up to €200,000                                               | Tax free                         |
| Next €300,000                                                | Standard rate income tax         |
| Balance                                                      | Marginal rate income tax and USC |

### Chargeable Excess Tax

| Total retirement benefits taken since 7 <sup>th</sup> December 2005 | Tax   |
|---------------------------------------------------------------------|-------|
| Less than Threshold*                                                | Nil   |
| Excess over Threshold (€2m)                                         | 40%** |

\*Threshold is the Standard Fund Threshold (€2m) or Personal Fund Threshold, if greater.

\*\* Tax reduced by a credit for any standard rate tax deducted from pension lump sums taken since 1st January 2011 and not previously offset against a chargeable excess tax charge.

## Redundancy Payments

### Tax Free Limits

|                                                                            | Band                                                                                                                                                                                                                                                                                                                                       |
|----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Statutory                                                                  | 2 weeks for each year of service (including parts of a year) plus 1 week; maximum reckonable weekly pay of €600                                                                                                                                                                                                                            |
| Ex gratia                                                                  |                                                                                                                                                                                                                                                                                                                                            |
| Basic                                                                      | €10,160 + €765 for each complete year of service                                                                                                                                                                                                                                                                                           |
| Increased                                                                  | Basic + a maximum of €10,000; provided no entitlement to a pension lump sum and no ex gratia termination payment within last 10 years                                                                                                                                                                                                      |
| Standard Capital Superannuation Benefit (SCSB)                             | N / 15 x Average Annual Remuneration over last 36 months less present value of tax-free pension lump sum, where: <ul style="list-style-type: none"> <li>• N = number of complete years of service</li> <li>• Present value of tax-free pension lump sum is nil, if individual signs an irrevocable waiver to receive such a sum</li> </ul> |
| Lifetime limit of €200,000 on all tax-free ex gratia termination payments. |                                                                                                                                                                                                                                                                                                                                            |

## Capital Acquisitions Tax

### Tax Rate

| Total Gifts & Inheritances received since 05/12/1991 | Tax Rate |
|------------------------------------------------------|----------|
| Threshold                                            | Nil      |
| Balance                                              | 33%      |

### Exit Tax Rate

|                                                                           | Rate |
|---------------------------------------------------------------------------|------|
| Life assurance policies effected on or after 1 <sup>st</sup> January 2001 | 41%  |

### Thresholds – with effect from 9<sup>th</sup> October 2019

| Relationship to donor / testator                                                      | Threshold |
|---------------------------------------------------------------------------------------|-----------|
| Child or minor child of deceased child or parent (absolute inheritance on death)      | €335,000  |
| Brother, sister, child of brother or sister, or another lineal ancestor or descendant | €32,500   |
| Others                                                                                | €16,250   |

### DIRT Rates

| 2019 | 2020 | 2021 | 2022 | 2023 |
|------|------|------|------|------|
| 35%  | 33%  | 33%  | 33%  | 33%  |

### Inheritance Tax – child inheriting from parent from 9<sup>th</sup> October 2019

| Inheritance | Inheritance Tax* |
|-------------|------------------|
| €300,000    | €0               |
| €400,000    | €21,450          |
| €500,000    | €54,450          |
| €600,000    | €87,450          |
| €700,000    | €120,450         |
| €800,000    | €153,450         |
| €900,000    | €186,450         |
| €1,000,000  | €219,450         |

\* assuming full Class A Threshold of €335,000 is available.