

# Budget 2023

Our analysis of Budget 2023:  
The Cost of Living Budget



# Budget Overview

Finance Minister Paschal Donohoe has announced a Budget of around €11bn.

As he delivered his Budget speech in the Dáil at lunchtime yesterday, Minister for Finance Paschal Donohoe said that Budget 2023 is and must be, a cost-of-living budget, focused on helping individuals, families and businesses to deal with rising prices.

Among the main components is a package worth €1,100 for pensioners, an increase in the higher rate tax band to €40,000 and a reduction in childcare costs of about €170 per month.

€1.4bn allocated to the new Business Energy Support Scheme (BESS).

The Budget, announced two weeks earlier than usual, will also see the introduction of a €600 energy credit paid out to households in three instalments to help stave off sky-rocketing energy costs.

Mr Donohoe highlighted the war in Ukraine as a major factor in the crisis currently being experienced, adding that Brexit could bring further challenges.

# Stuart's Analysis

Described by Paschal Donohoe as a “Cost of Living Budget”, Budget 2023 has focused on helping individuals and businesses to deal with the inflation crisis. The Minister hopes to alleviate inflationary pressures without adding fuel to the fire — the success of which will only be possible to judge at a later date.

There was lots of pre-Budget talk about a new 30% income tax rate which hasn't materialised. Instead, the Minister opted to leave the existing rates in place but has increased the standard rate bands. While Kwasi Kwarteng's Budget strategies appear cavalier at best, Ireland's competitiveness from an income tax perspective will be judged, at least in part, relative to our nearest neighbour.

Elsewhere, there was a strong focus on minimising the impact of the high rate of current inflation, with taxpayers being supported by increased tax credits, and a wider 20% band. In addition, a new yearly tax credit of €500 is to be introduced for renters in the private rental sector, with relief for rent paid in 2022 to be claimed next year.

From a business perspective, the small benefits exemption has been increased so an employer can now give employees up to 2 non-cash benefits tax-free each year subject to an overall maximum of €1,000.

There were welcome extensions to the KEEP and SARP schemes and some amendments to the R&D Tax Credit scheme to align with international norms and definitions.

*Stuart Fitzgerald*

MANAGING PARTNER



## Cost of Living Package

- ▶ Is a series of one-off spending measures to help people struggling to pay bills due to record levels of inflation.
- ▶ €600 electricity credit taken off energy bills in three instalments over the coming months.
- ▶ Child Benefit recipients will receive a double payment on November 1st.
- ▶ There will also be a two double payments of welfare rates between now and the end of the year.
- ▶ Under Business Energy Support Scheme (BESS), businesses can avail of grants up to €10,000 p.m., per premises to help with their energy costs, subject to meeting certain criteria.
- ▶ Rainy day fund will benefit from €2bn of the exchequer surplus, with €4 billion earmarked for the fund next year.

## Tax Credits for year 2023

Personal Tax Credits	2023	2022
Single	1775	1700
Married	3550	3400
Widowed Person	2190	2190
Single Child Carer	1650	1650
Home Carer Credit	1700	1600
Earned Income Credit	1775	1700
PAYE	1775	1700
Widowed Parent Bereavement	2023	2022
In Year of Assessment	3600	3600
Incapacitated Child	3300	3300
Dependent Relative	245	245
Blind Person	2023	2022
Single / Married	1650	1650
Both Blind	3300	3300
Age Credit	2023	2022
Single / Married	245	245
Married	490	490

## Pensions & Social Welfare

- ▶ Pensioners to receive one-off payments of up to €1,100 before end of year.
- ▶ State pension of €253 will be paid twice in the coming months.
- ▶ Living Alone allowance recipients will receive a separate €200 payment, those claiming Fuel Allowance will receive once-off €400 lump sum.
- ▶ The Fuel Allowance scheme extended to up to 80,000 people who currently do not qualify for the payment, bringing the total number claiming to 450,000.
- ▶ The weekly Fuel Allowance means limit for the over 70's, increases to €500 for single people and €1,000 for couples.
- ▶ Social Welfare rate increase by €12-per-week increase in the new year, along with a special once-off €500 payment for carers and people with disabilities this year.

## Income Tax Rates for year 2023

Single	Married (Dual Income)
20% of 1st €40,000	20% of 1st €80,000**
40% Balance	40% Balance *Transferable between spouse up to a max of €44,300 for any one spouse
Single Parents	Married (One Income)
20% of 1st €44,000	20% of 1st €44,300
40% Balance	40% Balance

## Income Exemption Limits

Single / Widowed	2023	2022
65 Years and over	18000	18000
Married Couples	2023	2022
65 Years and over	36000	36000

# Universal Social Charge

## EMPLOYEE & SELF-EMPLOYED

2023	2022
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 €22,920 per annum	2% on €12,013 to €21,296 per annum
4.5% on €22,920 to €70,044	4.5% on €21,297 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

## Taxation

- ▶ Standard Rate tax band of 20%, to increase by €3,200 from €36,800 to €40,000.
- ▶ Personal tax credit will rise from €1,700 to €1,775.
- ▶ Employee tax credit and the Earned Income Tax Credit will also increase from €1,700 to €1,775.
- ▶ The 2nd USC band increases from €20,687 to €22,920 due to the increase in the minimum wage.
- ▶ Small benefit exemption will rise from €500 to €1,000. In addition, two vouchers can be given under the exemption in this tax year if an employer wishes to do so.
- ▶ Personal tax credits for carers will also increase by €100, from €1,600 to €1,700.

# PRSI

Employer CONTRIBUTION FOR CLASS A	2023	2022
PRSI	10.05%	10.05%
Training Levy	1%	1%
<b>Total for Employers</b>	<b>11.05%</b>	<b>11.05%</b>

  

Employee	2023	2022
PRSI	4%*	4%*

  

Self Employed / Directors Contribution	2023	2022
PRSI	4%*	4%**

\* NOT APPLICABLE IF EARNINGS LESS THAN €18,300 P.A. (€352 P.W.)  
 \*\*4.00% SUBJECT TO A MINIMUM PAYMENT OF €500

## Housing

- ▶ Rent tax credit introduced valued at €500 a year and will apply for 2023 and subsequent years, and will be able to be recouped for 2022
- ▶ The Help-to-buy scheme has been extended until 2024.
- ▶ A vacant homes tax introduced applying to residential properties occupied for less than 30 days a year, which will also affect holiday home owners. This will be charged at a rate equal to three times the property's existing basic Local Property Tax rate.
- ▶ The pre-letting expenses for landlords doubling to €10,000 and reducing the amount of time the premises must be vacant from 12 months to six months..



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## Transport & Climate

- ▶ €6 Excise duty reduction to continue, 21c per litre for petrol, 16c cent per litre for diesel and 5.4c per litre for Marked Gas Oil (MGO).
- ▶ The rate per tonne of carbon dioxide emitted for petrol and diesel increasing from €41 to €48.50 from 12 October, resulting in an increase c2% per litre of petrol and diesel.
- ▶ A 10% concrete block levy introduced to including pouring concrete and other concrete products
- ▶ 20% public transport fare reduction and the Youth Travel Card discount of 50% on all operators' services extended to end of 2023.
- ▶ €337 million pledged to energy efficiency measures, an 32% increase on last year, with 37,000 home energy upgrades.
- ▶ All schools to be eligible for funding for solar panels.

## Third Level

- ▶ Student Contribution Fee cut by €500 for eligible families earning between €62,000 and €100,000.
- ▶ Income limit to qualify for a 50% reduction in contribution fees under SUSI will be increased from €55,240 to €62,000.
- ▶ All SUSI maintenance grants will be increased by between 10% and 14% in September 2023.
- ▶ Once-off €1,000 increase to the post graduate fee contribution grant.
- ▶ Post-Graduate Fee Contribution Grant for eligible students of €3,500 will increase by €500.
- ▶ An extra €10 million for further and higher education institutions to help with rising costs.

## Agriculture

- ▶ Five agricultural tax reliefs to be extended - Young Trained Farmer and Farm Consolidation Stamp Duty Reliefs, the Farm Restructuring CGT relief, and the Young Trained Farmer and Registered Farm Partnership Stock Reliefs.
- ▶ Agri-green diesel will also benefit under marked gas oil reduction of 5.4%
- ▶ A new scheme will help provide accelerated capital allowances to farmers for the construction of modern slurry storage facilities.

## Childcare & Education

- ▶ Childcare fees to be cut by up to 25% for those availing of the National Childcare Scheme, costing €121million
- ▶ Free primary school books for all children
- ▶ 370 additional teacher posts further reducing the pupil to teacher ratio of 23:1
- ▶ 1,194 additional Special Needs Assistants, bringing total overall to 20,300.
- ▶ 4,800 additional apprenticeship places and 4,000 further education registrations

## Healthcare

- ▶ An overall package of €443 million to help reduce waiting lists.
- ▶ Free GP care extension will see a further c70,000 children aged six and seven become eligible for free doctor visits by the end of the year.
- ▶ Free GP visit card by April 1st next year to help c.360,000 adults and children in low-income homes.
- ▶ IVF public funding of €10m being allocated in 2023, including subsidising private IVF.
- ▶ Free contraception expanded, currently available to women aged 17 to 25, to those aged from 16 to 30 years.

## Defence Forces & Garda

- ▶ Defence budget is set to increase by more than €1.1bn
- ▶ Includes €176m on building projects at barracks, new vessels for the navy, new aircraft for the Air Corps and more armoured vehicles for the Army.
- ▶ 1,000 new gardaí and extra civilian garda staff.

## Others

- ▶ Newspapers will be zero-rated for Vat in today's speech from January 1, also apply to digital editions and subscriptions.
- ▶ Knowledge Development Box to be extended for 4 years
- ▶ The Special VAT rate for hospitality of 9% will expire at the end of February 2023.
- ▶ Cigarettes will cost an extra 50c from tonight, but there will be no increase in price of alcohol.

Fitzgerald Power is a leading financial advisor to the Irish SME sector.

We provide accountancy, corporate finance and taxation advice to businesses across the country.

If you need any support on implementing any of these changes or you have any questions regarding Budget 2023 please get in touch.

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