



# Budget 2020

Summary of the main measures  
including those affecting the farming sector.

Published on  
8th October, 2019

**Prepared by:**

*Kevin Connolly, Financial Management Specialist*

Email: [kevin.connolly@teagasc.ie](mailto:kevin.connolly@teagasc.ie)

## Main Headline Items —Budget 2020

- The income tax standard rate bands and income tax rates (20% & 40%) have not been changed
- The Earned Income Tax Credit has been increased by €150 to **€1,500**.
- The Home Carer Tax Credit has been increased by €100 to **€1,600**
- There is no change in the Capital Gains Tax (CGT) and Capital Acquisitions Tax (CAT) rates.
- Capital Gains Tax Restructuring Relief has been extended until the end of 2022
- The group A (parent to child) CAT threshold has been increased to **€335,000**.
- There are no changes to the main general Social Protection Payments for 2020 but there have been some increases to the qualified child additions and living alone allowances.
- The Dividend Withholding Tax rate is to be increased from 20% to 25% from 1st January 2020
- Significant funding has been announced for Brexit related measures



## Income Tax Rates, Bands and Credits

There have been **no changes** made to either the standard rate bands or the income tax rates for 2020.

	At 20% Rate - the first	At 40%
	Proposed 2020	
Single/Widowed	€35,300	Balance
Married One Income	€44,300	Balance
Married Two Incomes —Max	€70,600	Balance
One Parent/ Widowed Parent	€39,300	Balance

### Selected Tax Credits

Similar to last year there has been an increase in both the **Earned Income Tax Credit** and the **Home Carer Tax Credit**.

Tax Credits are applied as a straight deduction from an individual's income tax -as calculated by applying the two tax rates and using the bands outlined above.

	Existing 2019	Proposed 2020
<b><u>Personal Tax Credits</u></b>		
- Single	€1,650	€1,650
- Married	€3,300	€3,300
<b>Single Person Child Tax Credit</b>	€1,650	€1,650
<b>PAYE credit</b>	€1,650	€1,650
<b>Earned Income Tax Credit (Max)*</b>	€1,350	<b>€1,500</b>
<b>Home Carer Tax Credit</b>	€1,500	<b>€1,600</b>
<b>Dependent Relative Tax Credit</b>	€70	€70
<b><u>Age Credit</u></b>		
- Single	€245	€245
- Married	€490	€490

\* The Earned Income tax credit is calculated at 20% of an individual's earned income (excluding earned income that is taken into account for the PAYE Tax Credit) subject to a maximum of €1,500. *Where an individual has earned income that qualifies for the Earned Income Tax Credit and PAYE Tax Credit, the combined tax credits cannot exceed €1,650*

## Age Exemption Limits

There are income thresholds set for people aged above 65 years and below which they can earn income and pay no income tax. These thresholds remain unchanged.

	2020 Limit
Single	€18,000
Married	€36,000

## **PRSI**

Farmers pay the self-employed rate of PRSI known as Class S PRSI. This is applied to all income and there is only one rate so no bands apply.

The Class S rate remains unchanged at **4%**.

*'Reckonable income' for the purposes of PRSI is profit after capital allowances but before reliefs and deductions.*

## **Universal Social Charge**

*The Universal Social Charge is payable on gross income after relief for certain trading losses and capital allowances, but before relief for pension contributions.*

The lower exemption threshold above which income becomes liable to the USC will remain at **€13,000** for **2020**. So where an individual earns below this amount no USC applies. Where the income exceeds €13,000 in 2020 then the revised rates apply as in the table below.

2020 USC Income Bands	2020 USC Rates
€0—€12,012	0.5%
€12,013—€19,874	2.0%
€19,875—€70,044	<b>4.5%</b>
€70,045—€100,000	8%
> €100k (self-employed only)*	11%

\* Self-employed individuals with annual income exceeding €100,000 are subject to a 3% additional surcharge – an effective 11% rate of USC. Those in receipt of PAYE income only in excess of €100,000 will be subject to a max USC rate of 8%.

The marginal rate of tax for employed / self-employed individuals (**under 70 years**) with a maximum income **below €70,044** is as follows:

	2019	2020
Income Tax	40%	40%
PRSI	4%	4%
Universal Social Charge	4.5%	4.5%
Total	48.5%	48.5%

## Stock Relief

All existing stock relief measures (**General Stock Relief; Stock Relief for Registered Farm Partnerships; Stock Relief for Young Trained Farmers**) were renewed last year for a further three years until the **end of 2021**

The legislation enacting the enhanced **stock relief for young trained farmers** (100% relief for up to 4 years for qualifying farmers) outlined in *Section 667B TCA 1997* contains a requirement for the applicant to submit a business plan to Teagasc for certification in order to qualify for the relief. The Teagasc **“My Farm – My Plan”** document is the business plan template agreed with Revenue for certification.

This business plan template can be downloaded from <https://www.teagasc.ie/media/website/rural-economy/farm-management/MyFarm-MyPlan-Business-Plan.pdf>

The business plan must be submitted for certification **on or before 31<sup>st</sup> October in the year following the first year of assessment.**

## Corporation Tax

There is no change to the corporation tax rate which will remain at **12.5%**

## Value Added Tax (VAT)

The **flat rate farmer addition** rate remains at **5.4%**.

The VAT rate applying to sales and purchases of livestock remains at **4.8%**.

The standard rate of VAT remains at **23%**. The **13.5%** rate also remains unchanged.

## Deposit Interest Retention Tax (DIRT)

This is a tax on interest paid or credited on deposits of Irish residents.

It was announced in Budget 2017 that the DIRT rate would decrease by 2% each year from 2018 to 2020 until it reaches 33%.

From **1st January 2020** the DIRT rate will decrease by 2% from its current rate of 35% to **33%**.

## Dividend Withholding Tax (DWT)

The rate of Dividend Withholding Tax will be increased from 20% to 25% from 1st January 2020.

As DWT is normally assessed as part of the annual tax return process and is also subject to USC (of which the most common rate is 4.5%) then this will result in no significant change in the tax liability associated with dividends received.

## Stamp Duty

Stamp Duty on non-residential property is to increase from **midnight 8th October 2019**. Transitional arrangements will apply where a binding contract exists prior to 8th October. There was no change to the rates applying to residential property.

2019		2020	
<b>Non Residential Property (including land)</b>			
Consideration	Rate of Duty	Consideration	Rate of Duty
Entire Consideration	6%	Entire Consideration	7.5%
<b>Residential Property</b>			
Up to €1,000,000	1%	Up to €1,000,000	1%
Over €1,000,000	2%	Over €1,000,000	2%

### Consanguinity relief for Stamp Duty [no change]

Consanguinity Relief for inter-family farm transfers of non-residential property will continue to be available up to 1st January 2021.

The relief reduces the effective rate applied on lifetime land transfers by gift between certain related persons **from 7.5% to 1%**.

Consanguinity relief applies to transfers between related persons.- i.e. blood relations including lineal descendant, parent, grandparent, step parent, husband or wife, brother or sister of a parent or brother or sister, or lineal descendant of a parent, husband or wife or brother or sister & foster children.

### Stamp Duty Exemption for Young Trained Farmers [no change]

This exemption was extended last year until **31st December 2021** and there was no change announced in this budget.

Budget 2016 introduced an additional requirement (specified by the European Commission under State Aid rules) that the Young Trained Farmer applicant must complete a **Business Plan** and present it to Teagasc for certification prior to claiming this relief.

## Stamp Duty Exemption for Young Trained Farmers (contd.)

The Teagasc My Farm-My Plan document is the Revenue approved business plan template. This template can be downloaded from <https://www.teagasc.ie/media/website/rural-economy/farm-management/MyFarm-MyPlan-Business-Plan.pdf>

## EU State Aid Cap on measures applying to young farmers

Note as per Finance Act 2019 in order to comply with EU State Aid regulations, an overall **lifetime cap of €70,000 per farmer applies** on the value claimed under the following three reliefs/credits

- Young trained farmers stamp duty relief
- Enhanced stock relief for Young Trained farmers
- Succession farm partnerships tax credit

## Stamp Duty Farm Consolidation Relief [no change]

Consolidation relief may apply where land is disposed of and replaced with other land with the end result of a less fragmented and more viable farming operation.

Purchase and sale transactions that take place between the dates of 1st January 2018 to 31st December 2020 are potentially eligible for the relief. The two land transactions involved in the consolidation must occur within 24 months of each other.

A certificate from Teagasc will be required stating that the transactions involved in the consolidation meet the conditions set out in guidelines - see section on CGT Restructuring Relief (page 11) for link to guideline document.

Claimants of the relief must commit to retaining ownership of their interest in the qualifying land and use the land for farming for a period of 5 years from the date of first claiming the relief.

The relief has the effect of reducing the rate of stamp duty applying on eligible transfers of land from 6% to 1% on the excess of the value of land purchased over the value of land sold as part of the consolidation transactions.



## Capital Acquisitions Tax (CAT)

The rate of CAT is unchanged at **33%**

There has been an increase in the Group A CAT thresholds as outlined below - applies in respect of gifts and inheritances received on or after the 9th October

	Group	2019 Threshold	2020 Threshold
<b>A</b>	Son/Daughter, minor child of deceased child	€320,000	<b>€335,000</b>
<b>B</b>	Lineal Ancestor/ Descendent, brother, sister, niece, nephew	€32,500	€32,500
<b>C</b>	Any other person	€16,250	€16,250

## Capital Acquisitions Tax—Agricultural Relief—[no change]

The conditions for a donee (receiving a gift) or successor (receiving an inheritance) to avail of CAT agricultural relief as follows:

- They must continue to meet the Farmer Test (the 80% agricultural property test)
- The eventual user of the property subject to the relief must meet the Active Farmer test as set out below.

To meet the Active Farmer test the final user of the agricultural property must either:

- Hold (or obtain within 4 years of receiving the property) a recognised agricultural qualification (as listed for the young farmer stamp duty exemption qualifications listed in schedule 2,2A or 2B to the Stamp Duties Consolidation Act 1999) AND who farms the property on a commercial basis with a view to the realisation of profits for a period of 6 years from the valuation date for the property **OR**
- Spend 50% of that individual's normal working time\* farming agricultural property (including the property received) on a commercial basis with a view to the realisation of profits for a period of 6 years from the valuation date for the property **OR**
- Lease the whole or substantially the whole of the agricultural property, comprised in the gift or inheritance for a period of not less than 6 years commencing on the valuation date of the gift or inheritance, to an individual who satisfies either of the previous two criteria.

*\*Definition of “normal working time”*

- Normal working time including both on-farm and off-farm working time approximates to 40 hours per week.
- An individual spending an average of 20 hours per week working on the farm will meet the 50% of normal working time criteria.
- Where it can be shown that an individual’s normal working time is less than 40 hours a week, then the 50% requirement will be applied to the actual hours worked, subject to the overriding requirements that the farm be farmed on a commercial basis and with a view to the realisation of profits.



## Capital Gains Tax (CGT)

The general rate of CGT is unchanged at **33%**

## Capital Gains Tax Retirement Relief [no change]

There were no changes to the general conditions or operation of Retirement Relief from Capital Gains Tax announced in this budget

## CGT Farm Restructuring Relief

To enable farm restructuring, relief from Capital Gains Tax has been available (subject to conditions) where land disposed of by either sale or exchange has been reinvested into other land.

The deadline for the completion of the **first** restructuring transaction has been extended to **31st December 2022**.

Both restructuring transactions must still be completed within a 24 month period.

The guideline document for this relief (& Consolidation Relief from Stamp Duty) is available here - <https://www.agriculture.gov.ie/media/migration/foodindustrydevelopmenttrademarkets/agri-foodandtheeconomy/CapitalGainsTaxStampDutyReliefGuidelines270718.pdf>

## Capital Gains Tax—Site to Child Relief [no change]

This relief under section 603A TCA1997 was amended last year for disposals made on or after 1st January 2019 to allow **both a child and his/ her spouse or civil partner** to avail of the relief. Under this relief a site (max area of 1 acre and max value of €500,000) can be transferred to a child of the parents/ civil partners or a child of one of the parents/ civil partners and avail of relief from Capital Gains Tax.

## Social Welfare Payments

There have been no changes made to the main headline social welfare payments in this budget.

	2020
State Pension (Contributory)(<80)	€248.30
- Qualified Adult Increase	€165.40
State Pension (Non-Contributory) (Max) **	€237
- Qualified Adult Increase	€156.60
Jobseekers Benefit	€203
Jobseekers Allowance (aged 25+) **	€203
Farm Assist **	€203
Invalidity Pension	€208.50

\*\* Means Tested Payments

### Selected Weekly Increases [applied to selected weekly payments listed above]

	2019	From March 2020
Increase for child under 12	€34	€36
Increase for child aged 12 & over	€37	€40
Living Alone Allowance	€9	€14

There is an increase in the **Qualified Child Payment** of €2 per week for children under 12 and €3 per week for children over 12 years.

The **Christmas Bonus** will be paid at 100% rate in December to certain recipients of a long-term Social Welfare payment—**this is essentially a double payment for that month.**

The weekly **Fuel Allowance** is to be **increased by €2 per week to €24.50** for the 28 week fuel season.

There is an increase in the income disregard for the **One Parent Family Payment** and the **Jobseeker Transition** payment. The **Working Family Payment** income threshold where there are 3 children has been increased by €10

**Child Benefit** rates have not changed and remain at **€140/ month.**

## Medical Card Eligibility

The income eligibility threshold for a medical card is to increase by €50 for a single person to €550 per week. For a couple this limit will increase from €900 to €1,050 per week. These changes will come into effect mid- 2020

More detail on the Social Welfare rates can be found here <https://www.welfare.ie/en/Pages/Budget2020.aspx>

## Carbon Related Measures

- **Carbon Tax**—the rate of Carbon Tax will increase by €6 to €26 per tonne from midnight on 8th October. This will mean an approximate increase of 2 cent per litre of petrol or diesel. The Diesel Rebate Scheme for hauliers will be extended. Increases in Home heating oil and other fuels will not come into effect until May 2020
- Benefit-in-kind zero rate on electric vehicles is to be extended to 2022
- **Vehicle Registration Tax** - The 1% diesel surcharge introduced last year is being replaced with a nitrogen oxide (NOx) emissions-based charge. This surcharge will apply to all passenger cars registering for the first time in the State from 1st January 2020. The charge will apply on a euro per milligram/kilometre basis, with the rate increasing in line with the level of nitrogen oxide emitted. VRT reliefs are being extended to 2020 for conventional and plug-in hybrids

## Other measures announced

- **Cigarettes**—Exercise duty on a pack of 20 cigarettes will rise by 50 cent, with a pro-rata increase on other tobacco products.
- **Drug Payment Scheme** - the amount that participants in this scheme have to contribute themselves will be reduced by €10 from €124 to **€114**
- **Prescription Charges**—Reduction in prescription charges for all medical card holders under 70 from €1.50 to **€1 per item**
- **Children GP & Dental care**—Free GP care for children is extended to cover children under the age of eight, with free dental care for children under 6. **Both to be introduced from September 2020**
- **Help to Buy Scheme** - has been extended for a further two years to the end of 2021. This scheme is targeted at first time buyers of newly built homes
- **Mortgage Interest Relief**—For homeowners that took out qualifying loans between 2004 and 2012 there will be a further tapering of the Mortgage Interest Relief to **25% of the existing relief for 2020** (reduced from rate of 50% for 2019). The relief will cease entirely from 2021.

## Brexit Related Measures

- €170 million will be targeted at Brexit vulnerable businesses and enterprises (including those in the Agri sector) to help them prepare for the challenges of Brexit
- €185 million is being earmarked for port and airport upgrades and to ensure that the necessary regulatory and customs staff are in place
- A €650 million Brexit Contingency fund will be established in the event of a No Deal Brexit Of this €110 M will be provided through the Department of Agriculture, Food and the Marine
  - €85 million will be provided for beef farmers
  - €14 million for fisheries
  - €6 million for other livestock farmers and mushroom sector
  - €5 million for the food and drinks processing industry.

## Selected Specific Measures Relating to Agriculture

The Department of Agriculture, Food and the Marine has been allocated €1.647 billion—a €51 million (3%) increase on the 2019 allocation

- **Beef Data and Genomics Programme (BDGP)** - allocation of €45 million;
- **Other Targeted Support Measures for Beef sector**—allocation of €40 million—possible options for this funding include
  - continuation of the pilot BEEP suckler cow/calf weighing scheme
  - provision of supports for beef farmers rearing dairy beef animals, to encourage best practice and improve the efficiency of such enterprises
  - encouraging farm practices that ensure the very highest standards of animal welfare on beef farms
- **Sheep Welfare Scheme**—allocation of €18 million;
- **Forestry**—Funding of €103 million for the support and development of forestry;
- **Targeted Agriculture Measures (TAMS)/ Horticulture/ Organic Sector Funding** - total funding of €91 million;
- **Agri-environmental measures**—funding of €235 million ;
- **Fisheries Funding**—allocation of €137.8 million
- **Horse and Greyhound Sectors**—Allocation of €84 million

## Schedule for Finance Act 2019

The measures outlined in the budget will be published in the Finance Bill 2019. It will be debated by both houses of the Oireachtas and will be signed into law as Finance Act 2019 in mid to late December.

### Finance Bill stages

- Finance Bill published - 17 October 2019
- Committee Stage - 5, 6, 7 November 2019
- Report Stage - 19, 20 November 2019
- Seanad Report Stage - 10 December 2019
- President signs Finance Act 2019 - on/ before 25 December 2019

### **Note:**

**This summary is based on the author's interpretation of the relevant Budget and Finance Bill measures and should not be taken as a definitive interpretation of these measures. For all individual tax queries you are advised to seek professional tax advice from your own accountant/ tax adviser.**

### **References**

Department of Finance Budget Section - <http://www.budget.gov.ie/Budgets/2020/2020.aspx>

Revenue Budget Information - <https://www.revenue.ie/en/corporate/press-office/budget-information/2020/budget-summary-2020.pdf>

Department of Employment Affairs & Social Protection - <https://www.welfare.ie/en/Pages/Budget2020.aspx>

Department of Agriculture, Food & the Marine - <https://www.agriculture.gov.ie/press/pressreleases/2019/october/title,133799,en.html>