

## Irish Budget 2021

The Minister for Finance delivered his Budget speech for the coming year on 13<sup>th</sup> October 2020, announcing a total budgetary package of nearly €18bn. Of this, a €3.4bn recovery fund will focus on infrastructure, re-skilling and jobs, and will support investment and retraining. €8.5bn has been provided for public services to address Covid challenges.

The principal taxation features of the Budget, which will be included in the forthcoming Finance Bill, are as follows:

### Corporation Tax

- No change to the 12.5% trading rate
- In last year's Finance Act the three year 0% Corporation Tax relief was extended until the end of 2021, for profit making start –up companies which create and maintain jobs
- An update will be published on Ireland's Corporation Tax Roadmap which will reflect on the significant action taken to-date on Corporation Tax reform and outline further areas for consideration, consultation and action in the future. The update will also consider further the reports published by the OECD BEPS Inclusive Framework on 12<sup>th</sup> October 2020 to address the tax challenges of digitalisation

### Dividend Withholding Tax (DWT)

- It was announced last year that from January 2021 a modified DWT scheme for residents will be introduced through the real- time PAYE system, allowing a personalised rate of DWT to be applied to each individual taxpayer, based on their actual rates of tax. These provisions will not affect the DWT exemptions which currently apply to non-resident shareholders
- As before, subject to certain conditions and declarations there are exemptions from Irish DWT for foreign shareholders where dividends are paid to companies or individuals resident in a treaty country or another EU member state

### Anti- Tax Avoidance Directive (ATAD)

- Exit Tax: As part of Ireland's ongoing commitment to implementing the ATAD, a new ATAD compliant exit regime was introduced last year. This taxes at 12.5% unrealised capital gains where companies migrate or transfer assets offshore where the effect is to leave the scope of Corporation Tax. The implementation of ATAD will see the introduction in 2021 of interest limitation, and anti-reverse-hybrid rules for greater tax transparency

## Value Added Tax (VAT)

- The reduction earlier in the year of the standard rate of VAT from 23% to 21% from 1<sup>st</sup> September 2020 to 28<sup>th</sup> February 2021, was reaffirmed
- From 1<sup>st</sup> November 2020 the VAT rate of 13.5% will be reduced to 9% for the hospitality and tourism sector

## Further Business Supports

- In addition to existing Covid wage assistance schemes, the Covid Restrictions Support Scheme (CRSS) has been announced to provide targeted cash support to assist businesses whose trade has been severely impacted or temporarily closed as a result of the restrictions imposed by the Government which directly prohibit or restrict access by customers. The sectors impacted by current restrictions are accommodation, food, the arts, recreation and entertainment. If higher levels of restrictions come into force, other business sectors may qualify for the relief.
- Knowledge Development Box relief is being extended for a further 2 years until 31st December 2022. This is an OECD-compliant intellectual property regime that supports businesses in retaining and exploiting assets that have resulted from R&D activities in Ireland

VerFides will continue to keep you updated with any developments. In the meantime, please do not hesitate to speak to your usual VerFides advisor for further assistance, or email or call the Tax Team: [tax\\_team@verfides.com](mailto:tax_team@verfides.com); call +44 20 7930 7111.

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