

# The ABC of Ireland's Budget 2020

8 October 2019

Budget 2020 has been developed in the shadow of Brexit and influenced by the increasing likelihood of a no-deal outcome. The €1.2 billion Brexit response package announced includes €200 million in Brexit expenditure next year and further intervention in the event of a no-deal scenario by way of borrowings to fund support for the Agriculture, Enterprise and Tourism sectors as well as social protection payments and employment schemes. Together with Brexit measures, the Government intends to fund new capital investment projects, respond to demographic demands and provide improvements in public services. To enhance the resources for allocation, targeted tax measures are to be introduced to the net value of approximately €300 million. Revenue raising measures include increases in carbon tax and excise duty on tobacco, a new vehicle nitrogen oxide (NOx) emissions-based charge, an increase in stamp duty on commercial property, an increase in Irish dividend withholding tax (DWT) to target perceived non-compliance by Irish resident individuals in respect of Irish dividend income, and anti-avoidance measures targeting Irish Real Estate Funds (IREFs) and Real Estate Investment Trusts (REITs). Tax cuts and reliefs are minimal but the SME sector is being supported by way of improvements to certain existing share option schemes and to income tax relief on investment in qualifying companies together with enhancements to R&D tax credits available to small and micro companies.

The certainty of Ireland's competitive corporation tax rate of 12.5% was emphasised and noted as only achievable as a result of actions taken to ensure that Ireland's tax regime is transparent, sustainable and legitimate. [Ireland's Corporation Tax Roadmap](#) published last year sets out in detail the steps to be taken by Ireland in implementing changes required under the EU Anti-Tax Avoidance Directives (ATAD) and the OECD's Base Erosion and Profit Shifting project (BEPS).

## Anti-avoidance

### ATAD and BEPS

ATAD compliant anti-hybrid rules to apply from 1 January 2020. Changes to transfer pricing rules from 1 January 2020 to incorporate OECD transfer pricing guidelines and to extend rules to non-trading and material capital transactions. Extension of transfer pricing to SMEs to be subject to a commencement order.

### Irish Real Estate Investment

Targeted measures to increase tax payable by institutional property investors – from 9 October 2019, new 20% tax charge applies to IREFs to target over-leveraging and perceived abuses, and new measures introduced to the REIT regime to ensure appropriate level of tax on capital gains is paid. Section 110 anti-avoidance provisions are to be strengthened in Finance Bill 2019.

### DWT

Increase in DWT from 20% to 25% from 1 January 2020. The measure is aimed at addressing tax avoidance by individual Irish resident taxpayers. Personalised rates of DWT to apply to individual Irish resident taxpayers from 1 January 2021.

## Business

### Stamp Duty

Increase in stamp duty from 6% to 7.5% for non-residential property transactions to apply from 9 October 2019. Stamp duty of 1% to apply from 9 October 2019 where an Irish company is acquired by way of a cancellation scheme.

### SMEs

SMEs supported by improvements to the Key Employee Engagement Programme (KEEP) for share-based remuneration, increased limits for investors in qualifying SMEs under the Employment and Investment (EII) scheme and R&D tax credit reforms for micro and small companies.

### Assignees

Special Assignee Relief Programme (SARP) for inbound relocating employees and Foreign Earnings Deduction (FED) for outbound assignees extended to 31 December 2022.

## Climate Change

### Carbon Tax

Carbon tax to increase from €20 to €26 per tonne and incrementally in future years to €80 per tonne target by 2030. The €6 increase will apply from 9 October 2019 for auto fuels and will apply to other fuels from May 2020.

### Emissions Tax

New NOx emissions-based charge (VRT Environmental Health Surcharge) for newly registered passenger vehicles to apply from 1 January 2020, replacing 1% diesel surcharge introduced last year.

### Electric/Hybrid Vehicles

0% Benefit in Kind (BIK) for qualifying electric vehicles extended to 2022. VRT reliefs for conventional and plug-in hybrids extended to 2020, subject to emissions limits.

## What's Next?

Further detail on the measures announced in Budget 2020 will be contained in Finance Bill 2019, to be published on 17 October 2019. As ever, measures not announced on Budget Day may be introduced by the Government during the Finance Bill process.

## Key Contacts

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