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Parliamentary Budget Office

Finance (No.2) Bill 2023: Budgetary Issues

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Séanadh

Disclaimer

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Introduction

The Finance Bill 2023 gives effect to tax measures announced in Budget 2024. The Bill also introduces a number of additional administrative and technical changes to the tax code. This paper provides a description of those measures contained in the Finance Bill 2023 which are likely to have budgetary implications. To aide Members in their scrutiny of the Bill, it further includes information on the cost or yield, policy background, policy changes, and wider policy implications of these measures.

In the sections that follow, measures are either described as a 'Budget Measure' or not. Measures that are not described as being a 'Budget Measure' are those that were not announced in Budget 2024, and are either being introduced with Finance Bill 2023, or were possibly announced earlier this year (e.g., through previous announcements, public consultations, etc). Yet it is important to note most of the measures in this document were announced as part of Budget 2024, with a small number of exceptions.

As this paper is intended to assist Members in their scrutiny of the measures contained in the Finance Bill 2023, it is structured in line with the format of the Finance Bill itself. This means the section headings included for each tax measure correspond to the section headings provided in the Finance Bill.

Table 1 provides an overview of the revenue reducing and revenue raising measures, as set out by the Department of Finance, for the first and full year of the tax policy changes, as well as the net total. The Department of Finance suggest the total cost of the measures in a full year is estimated at €2.73 billion, while income raised to offset the increased costs accounts for just €0.36 billion. This points towards a potential narrowing of the tax base, given the reductions in taxes being implemented are larger than tax raising measures being implemented. For fiscal sustainability, it is important there is a balance between these measures in the long term to ensure tax reductions are affordable and financially sustainable.

Table 1: Summary of Tax Revenue Measures

Measure	First Year Cost / Yield (€ Millions) (-/+)	Full Year Cost / Yield (€ Millions) (-/+)
Revenue Reducing Measures (Gross)	- €1,576.6	- €2,733.0
Revenue Raising Measures (Gross)	+ €459.5	+ €359.0
Total (Net)	- €1,117.1	- €2,374.0

Source: Budget 2024 Tax Policy Changes, Department of Finance, 2023 and PBO Calculations
Note: Figures are measures in million of euro (€)

As in previous years, some measures included in the Finance Bill did not feature in Budget 2024. Some of these are technical amendments, intended to correct drafting errors or to clarify existing measures or features of the tax code. In addition, the Bill gives effect to certain measures that were announced in advance of Budget 2024. Four Financial Resolutions were published alongside Budget 2024 and were subsequently approved by Dáil Éireann.[1] One of these was a general resolution that is used to continue the Dáil debate on Budget 2024. The other three Financial Resolutions concerned:

- Extending the reductions of mineral oil tax on petrol, diesel and marked gas oil;
- Continued reductions on VAT on gas and electricity;
- Increased excise on tobacco and tobacco related products

Where possible, the Parliamentary Budget Office (PBO) have endeavoured to provide information on the cost or yield of a measure or a policy change, as estimated by the Department of Finance. However, this information is not always available in Budget documentation. Some measures, while potentially having an Exchequer impact, were not costed. Where costings have been provided, there may be differences between the cost or yield from a Budget measure in 2024 and in a 'full year'. This usually arises due to the timing of tax payments, which can be after the year is completed. In addition, some measures do not commence on 1 January 2024 (e.g. those subject to a commencement order). Further, while certain measures are automatically applied to taxpayers (e.g., USC and income tax changes), others require engagement with the taxpayer as part of an application process, which can take time.

[1] Department of Finance, Budget 2024 Financial Resolutions, 2023.

It should be noted, in certain sections, the PBO have provided an estimate from sources other than Budget 2024. This is due to the Budget 2024 not including an estimate for certain measures, either as part of a first year or a full year cost.

Table 2 provides an overview of the cost and revenue raised from different tax measures. These have largely been grouped, where appropriate, into relevant categories to identify the main area of budgetary impact. In addition, the first year and full year costs and income associated with these tax measures have been included. It is important to note, that where figures have not been included does not necessarily indicate there are no cost implications, just that these were not explicitly set out within the Department of Finance's Budget 2024 Tax Policy Changes document.

Table 2: Budget 2024 Taxation and Revenue Measures Summary

Category	Measure	2023 First Year Cost €m (-/+)	Full Year Cost €m (-/+)
Income Tax	Income Tax Changes	- 975	-1,135
Income Tax	USC Changes	-315	-365
Income Tax	Sea-going Naval Personnel Tax Credit	-0.5	-
Housing	Help to Buy	-6	-181
Housing	Rented Residential Relief	-45	-160
Housing	Rent Tax Credit	-88	-88
Housing	Vacant Homes Tax	-	+1
Housing	Mortgage Interest Relief	-	-125
Housing	Residential Zoned Land Tax (RZLT) Deferral	-	-
Enterprise	Angel Investor Capital Gains Tax Relief	-	-55
Enterprise	Capital Gains Tax Retirement Relief	-	-21
Enterprise	Corporate Trades Investment Relief	-	-
Enterprise	R&D Tax Credit	-	-27
Enterprise	Section 481 Film Relief	-10	-53
Enterprise	VAT Registration Threshold	-5	-6
Enterprise	Benefit-in-Kind relief for Battery Electric Vehicles extension	-	-
Enterprise	Corporation Tax	-	-
Energy & Climate	Carbon Tax and application to fuels	+117	+152
Energy & Climate	Extend 9% VAT for gas and electricity	-	-315
Energy & Climate	Microgeneration of Electricity	-4.5	-4.5
Energy & Climate	MOT Rate Reduction Extension	-49	-122

Energy & Climate	Extend Battery Electric Vehicles VRT Relief	-27	-30
Energy & Climate	Electric Vehicle Benefit in Kind extension	-	-
Energy & Climate	Accelerated Capital Allowance – Energy Efficient Equipment	-7	-
Agriculture	Accelerated Capital Allowance – Farm Safety Equipment	-1	-1
Agriculture	Young Trained Farmers and Succession Farm Partnerships	-0.5	-0.5
Agriculture	Consanguinity (Stamp Duty) Relief	-27	-27
Agriculture	Registered Farm Partnerships	-0.1	-0.1
Agriculture	Flat Rate Compensation for Farmers	+15	+18
VAT	Excise Duty on tobacco products	+7.5	+68
VAT	0% VAT Audiobooks and eBooks	-2.5	-3
VAT	0% VAT solar panels for schools	-0.5	-0.5
VAT	VAT Charity Compensation Scheme	-5	-5
Other	Heritage Items Donation Thresholds	-1	-1.5
Other	Bank Levy on certain financial institutions	+200	-
Other	Defective Concrete Products Levy	-7	-7
Other	Compliance	+120	+120
Other	Personal Retirement Savings Accounts	-	-

Finance Bill Announcement of Proposed further changes

Alongside the publication of the Finance Bill in October 2023, the Department of Finance stated that a number of items announced on Budget Day would be introduced at Committee or Report Stage. These include provisions related to the new Capital Gains Tax relief for angel investors and amendments to the exemption from income of certain income which arises from the leasing of farmland.[2]

The Department stated that these measures would be introduced a future stage of the Finance Bill due to "*the nature and extent of issues for which provision is being made in the Finance Bill, and the very complex nature of certain drafting requirements, and the need to align certain provisions with existing legislation*."[3] As a result, the draft legislative provisions for a number of issues are being held over for introduction at Committee Stage of the Bill.

In the Base

In Budget 2024, Tax Policy Changes, there are a number of items which includes "nil" cost, represented by a dash (-), as part of their first-year costs, full year costs, or both.

As part of Budget 2023, the Department of Finance previously set out that where a "nil" is included, this "*signifies that the cost of this item is already incorporated in the base, and as such its further extension incurs no additional cost in terms of budgetary planning*."[4-5] Within the same documentation for Budget 2024, there is no clear explanation about whether the lack of costs for certain measures indicate the measure has been incorporated into the base for the coming year. It is also unclear why certain tax measures have a cost when they are extended from a previous year and factored "in the base", while other tax measures do not.

Department of Finance had previously indicated for Budget 2023 that "*'In the base' means a measure is, from a budgetary arithmetic perspective, considered to be a structural (i.e. non-temporary) part of the taxation system. If a measure has no sunset, or the sunset is not applied from a technical budgetary perspective, the measure is 'in the tax base'. In other words, there is no additional cost to extending the measure on Budget Day. The non-recognition of certain sunsets is the result of an accumulation of various pragmatic decisions taken at the time over many years whereby the Department have made a judgement call on the*

[2] Department of Finance, Press Release, Finance (No. 2) Bill, 2023.
[3] Department of Finance, Press Release, Finance (No. 2) Bill, 2023.
[4] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.
[5] Department of Finance, Budget 2023: Tax Policy Changes, 2022

likelihood of a measure being extended or not. The reasons we have done this is purely from a technical prudential management perspective. From a tax forecast point of view, we have taken this approach so that we were not reliant on the revenue associated with the measure."[6]

As there is no clear information for the approach taken as part of the Budget 2024 Tax Policy Changes, the PBO would draw this to Members' attention for a number of reasons. These include:

- This is important as it potentially means the Department of Finance may have not presented the full potential cost implications of all extensions and changes, with only some measures included.
- Members do not get full budgetary information on the consequences of their decisions during the tax policy process.
- Despite the expiry of certain measures and the need to pass legislation to allow for an extension, the Department is assuming measures will be renewed from a budgetary perspective, rather than awaiting the results of the Finance Bill legislative process.
- While the Department is unlikely to be adequately reviewing and considering these measures when they are being extended, as the Department has assumed the results of the decision-making process, this undermines proper Departmental scrutiny and undermines the parliamentary process.

[6] Department of Finance Email to the PBO, 27th October 2022.

Section 2: Universal Social Charge

Description:

This section provides for an increase in the second Universal Social Charge ('USC') threshold (the rate which currently applies at 2 percent) of €2,840 from €22,840 to €25,760. The increase in the 2 percent rate ensures workers who benefit from the Budget increase to the minimum wage will remain outside the top rate of USC. It reduces the threshold from 4.5 percent to 4 percent on incomes between €25,761 and €70,044. It also extends the reduced rate of USC for those under 70 years whose individual annual income does not exceed €60,000 for a further year.

Table 3: USC Summary of Measures

Heading	Details
Measure	Changes to USC thresholds and income limits.
Budget Measure	Yes
First Year Cost (-/+)	- €315 million
Full Year Cost (-/+)	- €365 million

Changes:

- Increase in the 2 percent USC threshold by €2,840.
- Reduction in USC rate from 4.5 percent to 4 percent.
- Extension of reduced USC rate for medical card holders to end 2025.

Policy Background:

The USC is an income tax which replaced the income and health levies in January 2011. It was introduced in response to the deterioration of the Irish public finances post the 2008 Financial Crisis as part of efforts to broaden the tax base and reduce the deficit.[7] The USC is payable on incomes above €13,000 (income at or below this limit are exempt).[8] Once income exceeds this amount, USC is paid on all income, while the USC does not apply to social welfare or similar payments.

The current rates and bands of the USC, following the changes being proposed in Budget 2024 are:[9]

- 0.5 percent on income from €0 - €12,012
- 2.0 percent on income from €12,013 - €25,760
- 4.0 percent on income from €25,761 - €70,044
- 8.0 percent on income over €70,045
- 3 percent surcharge applies to self-employed income over €100,000.

[7] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.
[8] Revenue, Universal Social Charge Payment Exempt from USC, 2023.
[9] Department of Finance, Finance (No. 2) Bill 2023, 2023.

Budget 2023 also saw the extension of the concession regarding USC for those who hold a medical card (subject to certain qualifying criteria) by a further year to the end of 2025. Costing information provided in Budget 2024 indicates this extension incurs an additional cost of €35 million. However, the decision to extend the relief also carries an additional cost in terms of tax revenue forgone for the duration of the extension.

For an individual whose total income in the year does not exceed €60,000 and is either (i) aged 70 years or older, or (ii) holds a full medical card, the reduced rate of USC applies to all income over €12,012. The reduced rates of USC are:

- 0.5 percent on the first €12,012; and
- 2 percent on all income over €12,012

Policy Impact:

The change to the 2 percent rate will have a relatively small impact on the public finances but will narrow the tax base. However, it is a progressive measure as the increase ensures that a full-time worker in receipt of the increased minimum wage does not move to the 4 percent rate of USC when the minimum wage increases from €11.30 to €12.70 to per hour, from 1st January 2024.[10] This represents an increase in the national minimum wage of €1.40 per hour when implemented.

The reduced rate of USC for medical card holders in Budget 2024 suggests the cost of this reduced rate is approximately €35 million in a full year.[11] A review published as part of Budget 2023 estimated that in 2019, around 117,000 taxpayer units benefitted from this scheme. It found this reduced rate could be seen as inequitable, as medical card holders are being treated differently to other taxpayers with the same income level. The review also noted the Commission on Taxation recommended "*rates of Universal Social Charge should be determined by income level and not by reference to any other eligibility criteria*".[12] The review also noted that "*From a broader efficiency perspective, the principle of linking eligibility for a tax relief directly with health policy decisions outside of the remit of the Minister for Finance is questionable. A significant change in the policy for medical cards could result in an increase or decrease in the number of medical card holders, which in turn could have direct implications on this relief and consequentially on the Exchequer*."[13]

[10] Department of Finance, Change in household disposable income due to national minimum wage rise, 2023.
[11] Department of Finance, Budget 2024 Tax Policy Changes., 2023.
[12] Department of Finance, Budget 2023, Review of the USC concession for Medical Card Holders, 2022.
[13] Department of Finance, Budget 2023, Review of the USC concession for Medical Card Holders, 2022.

Section 6: Help to Buy

Description:

This section outlines an extension of the Help to Buy Scheme for a further year until 31st December 2025. The scheme is also being amended to reflect the interaction with the Local Authority Affordable Purchase Scheme (LAAP), to enable the use of the affordable dwelling contribution received through the LAAP scheme for the process of calculating the 70 percent loan-to-value requirement. This will facilitate access to all LAAP purchasers to the Help to Buy scheme, with effect from 11th October 2023.

Table 4: Summary of Help to Buy Measure

Heading	Details
Measure	Help to Buy Scheme
Budget Measure	Yes
First Year Cost (-/+)	- €6 million
Full Year Cost (-/+)	- €160 million

Changes:

- 12 Month extension of Help to Buy Scheme.
- Changes to eligibility of Help to Buy Scheme to include Local Authority Affordable Purchase Scheme.

Policy Background:

The Help to Buy Scheme was introduced in Budget 2017 to assist first-time buyers in the housing market to acquire the deposit needed to fund the purchase or self-build of their first primary residence, and to encourage new development. The scheme is implemented through a rebate of the Income Tax and Deposit Interest Retention Tax (DIRT) paid by the claimant over the previous four years. In the 2020 July stimulus package, the maximum rebate available was enhanced. The maximum rebate available was increased to 10 percent of the home's purchase price (up from 5 percent previously) up to a maximum of €30,000 (up from €20,000 previously), provided the applicant satisfies certain conditions.[14] In Budget 2022, the Help to Buy Scheme was extended to the end of 2022 and has now been extended again by Budget 2024 until the end of 2025.

To clarify, income tax relief is available to the lesser of: i) €30,000 or, ii) 10 per cent of the home's purchase price (or the completion value of the property in the case of self builds), or iii) The amount of Income Tax and DIRT paid over the four years prior to making the application. In order to qualify for the scheme, the loan to value ratio needs to be at least 70 percent of the property's purchase value and for property purchases/builds

[14] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.

after 1st January 2017 the property price must be less than €500,000. It should be noted that the HTB scheme only applies to new builds.[15]

Policy Impact:

The Help to Buy scheme was introduced to assist those who could afford the mortgage repayments on a house but did not have a sufficient deposit. By end September 2023, 43,170 people have successfully made claims from the scheme since its introduction in 2017, at a cost of €891.5 million.[16]

The PBO previously noted the cost of the 'Help to Buy' scheme has been higher than anticipated.[17] By the end of 2021, the estimated total costs of approved HTB claims were €559.7 million, 43 percent above costs estimates.[18] The PBO also noted previously the deadweight loss associated with the scheme, whereby one third of participants already had their deposits saved (at least 10 percent of the property purchase price) and used the scheme to create larger deposits. This deadweight loss refers to the fact this economic activity (the purchase of homes) would have taken place even without the existence of the tax incentive.[19]

The PBO further notes the full year cost estimates provided in Budget 2024, are almost double the full year cost estimates set out in Budget 2023, at €83 million.[20] This is likely to have contributed to the rapid increase in Irish Residential Property prices during this period.

In 2022 the Department of Finance commissioned a review from Mazars on the scheme, entitled 'Help to Buy Scheme Review'.[21] This review concluded the scheme has weaknesses, is not sufficiently efficient to represent good value for money, and should be withdrawn, but not immediately. Mazars suggested the scheme should be extended for a further two years only while another measure is developed to assist purchasers with saving a deposit. Mazars do not suggest this alternative instrument should be through the tax system. Clearly stating the intention to replace Help to Buy at the end of those two years would provide certainty and clarity. During that two-year extension, Help to Buy should not apply to self-builds, and the minimum mortgage Loan-to-Value ('LTV') should be increased from 70 percent to 80 percent for applications to the scheme after the end of 2022. It is suggested these two changes would help reduce the level of deadweight loss. The Department of Finance did not make the changes recommended by Mazars arising from the review.

[15] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.
[16] Revenue, Help to Buy Incentive Statistics September 2023, 2023.
[17] Parliamentary Budget Office, An overview of the Help to Buy Scheme from 2016-2021, 2022.
[18] Ibid.
[19] Ibid.
[20] Budget 2024 Tax Policy Changes, Department of Finance, 2023.
[21] Department of Finance, Help to Buy Scheme Review, 2022.

It should be noted the Commission on Taxation and Welfare recommended the Help to Buy scheme should have been allowed to expire as planned at the end of 2022. The Commission noted *"[w]hile the Commission acknowledges Government policy in widening access to home ownership, it recommends that such supports, if appropriate, can be provided more equitably outside of the taxation system. Such a change is consistent with the Commission's view that the tax system should be neutral in its treatment of taxpayers that rent or purchase their homes."*[22]

As part of their Budget 2024 commentary, the ESRI noted the Government had announced interventions in the housing market for both the demand and the supply side. They outlined on the demand side, with the extension of the Help to Buy Scheme for a further two years, in addition to other demand measures, that give *"the robust demand for housing combined with long-standing supply constraints, it is likely that these demand-side policies will increase demand for housing, putting pressure on house prices."*[23]

Sections 7 & 8: Benefit-in-Kind Relief for Battery Electric Vehicles extension

Description:

This section confirms the Budget extension of Benefit-in-Kind (BIK) Relief for Battery Electric Vehicles (BEVs). Section 7 provides for the extension of the tapering mechanism applied to BIK relief for BEVs by maintaining the

[22] Commission on Taxation and Welfare, Foundations for the Future, 2022.
[23] ESRI, Budget 2024 Tax and Welfare Measures Likely to Increase Real Income Next Year, 2023.

current Original Market Value deduction of €35,000 until 2025, followed by a reduction to €20,000 in 2026 and €10,000 in 2027.

Section 8 also extends the temporary universal relief of €10,000 applied to the Original Market Value of a vehicle (including vans) for vehicles in Category A-D and the amendment to the lower limit of the highest mileage band (52,001 to 48,001) to 31 December 2024.

Table 5: Summary of Benefit in Kind Measures

Heading	Details
Measure	Extension of Benefit-in-Kind relief for Battery Electric Vehicles
Budget Measure	Yes
First Year Cost (-/+)	-
Full Year Cost (-/+)	-

Changes:

- Extension of temporary reduction for determining Benefit-in-Kind payable.

Policy Background:

Ireland has committed to a 51 percent reduction in greenhouse gas emissions from 2021 to 2030 (equivalent to an average annual reduction of 7 percent based on 2005 levels) and to achieve full carbon neutrality by 2050.[24] In 2022. the transport sector in Ireland currently accounts for 19 percent of Ireland's greenhouse gas emissions.[25] To reduce emissions in this sector, the Climate Action Plan 2021 outlines a national target of almost one million electric vehicles on Irish roads by 2030.[26]

Policy Impact:

This measure should reduce the cost of BEVs and therefore encourage their use as a more environmentally friendly form of transport in comparison to combustion engine vehicles, yet no costing estimates were provided.

Section 9: Income Tax Changes

Description:

Section 9 provides for an increase of €2,000 in the standard rate band cut off point for all earners from €40,000 to €42,000 for single individuals and from €49,000 to €51,000 for married couples or civil partners. It also provides for increases to a range of tax credits.

[24] Government of Ireland, Programme for Government: Our Shared Future, 2020.
[25] Environmental Protection Agency, Greenhouse gas emissions, 2023.
[26] Parliamentary Budget Office, An Overview of Ireland's Electric Vehicle Incentives and a Comparison with International Peers, 2022.

Table 6: Summary of Income Tax Measures

Heading	Details
Measure	Increase to income tax and tax credits
Budget Measure	Yes
First Year Cost (-/+)	- €975 million
Full Year Cost (-/+)	- €1,135 million

Changes:

- Increases in a range of tax credits available (See Table 7 below).
- Increases to the standard rate cut off point by €2,000.

Table 7: Summary of Income Tax Credit Changes

Tax Credit	Increase	Rate
Personal Tax Credit	€100	€1,700 to €1,800
Employee Tax Credit	€100	€1,700 to €1,800
Earned Income Credit	€100	€1,700 to €1,800
Home Carer Credit	€100	€1,700 to €1,800
Single Person Child Carer Tax Credit	€100	€1,650 to €1,750
Incapacitated Child Tax Credit	€200	€3,300 to €3,500

Policy Background:

Ireland has a highly progressive tax system by international standards; however, the entry threshold of paying the higher tax rate is lower than many developed countries.[27]

The current rate and tax bands, prior to changes being proposed in Budget 2024, are:

- 20% on income up to €42,000 for a single person and 40% on the balance above that income;
- 20% on income up to €51,000 for a one parent family and 40% on the balance;

[27] Parliamentary Budget Office, An Assessment of the Resilience, Sustainability and Vulnerability of the Irish Tax Base, 2021.

- 20% on income up to €51,000 for a married/civil partner couple with one income and 40% on the balance; and,
- 20% on income up to €70,600 for a married/civil partner couple with two incomes and 40% on the balance.

Tax credits reduce the amount of tax paid. Tax credits are deducted after your tax has been calculated and so a tax credit has the same value to all taxpayers.[28]

The basic personal tax credit available to married persons and civil partners jointly assessed for tax will increase from €3,550 to €3,750 while in all other cases (single person taxpayers) the value of the tax credit will increase from €1,775 to €1,875.

The value of both the employee tax credit and earned income tax credit will also increase from €1,650 to €1,700. It should be noted that in the circumstances where an individual is entitled to both the employee tax credit and the earned income tax credit, the aggregate of credits available to that individual shall not exceed €1,700.[29]

Policy Impact:

This change will have a large impact on the public finances as it equates to an estimated €975 million in costs in the first year, along with a cost of €1,135 billion a full year to implement this measure.[30] This measure will narrow the tax base but may improve incentives to work due to the increase in take home pay, particularly for those earning close to the previous income threshold. This may result in a marginal increase in the supply of labour. While the increase in tax credits and income tax thresholds will also help to offset the increases in inflation and cost of living.

Section 10: Sea Going Naval Personnel Credit

Description:

Section 10 of the Finance Bill extends the Sea-going Naval Personnel Tax Credit until 31st December 2024. The value of the credit remains unchanged at €1,500.

Table 8: Summary of Naval Personnel Credit

Heading	Details
Measure	Extension of the Sea Going Naval Personnel Credit
Budget Measure	Yes

[28] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2021, 2021.
[29] Department of Finance, Budget 2024 Tax Policy Changes., 2023.
[30] Department of Finance, Budget 2024 Tax Policy Changes., 2023.

First Year Cost (-/+)	- €0.5 million
Full Year Cost (-/+)	-

Changes:

- Extension of existing credit for additional 12 months.

Policy Background:

This credit can be claimed by permanent members of the Irish Naval Service who have spent at least 80 days at sea in the preceding assessment year. When introduced in 2019, the measure was intended to operate temporarily, to be ultimately replaced by alternative measures, following future discussions on the conclusion of the public service stability wage agreement and in respect of recommendations from the Public Service Pay Commission report on the Defence Forces.[31]

Policy Impact:

This measure was originally introduced to help address issues relating to recruitment and retention within the Defence Forces, and to recognise the level of danger and hardship experienced by members of the Naval Service in the fulfilment of their duties. In addition, it was developed as an incentive for personnel to undertake sea going duties to ensure the availability of Naval Vessels at sea. While no information is provided for full year cost, using Budget 2023 and 2024 figures, the PBO estimates the likely cost is €0.5 billion.

However, using the tax system to address issues with the pay and conditions of specific public sector employees is questionable and raises equity issues. The measure obscures the cost of providing public services, as the cost of this credit is not accounted for in the Department of Defence's budget. The ongoing extension of this measure raises questions, as it is unclear how this aligns with the intention to reform the Defence Forces following the Report of the Commission on the Defence Forces in 2022, as well as how impactful it has been to improve retention since 2019.[32] A clear plan should be laid out for this measure long term, rather than ad hoc extensions.

Section 11: Rent Tax Credit

Description:

Section 11 provides for an increase to the existing Rent Tax Credit and amendment to the qualifying criteria. The Rent Tax Credit increase to €750 per annum is being introduced for renters in the private rented sector not receiving any other State housing support. Only one credit may be claimed

[31] Dáil Éireann debate, 19 November 2019.
[32] Merrion Street, Government announces move to transform the Defence Forces and the largest increase in the Defence budget in the history of the State.

per person per year, and the value of the credit will be doubled for married couples and civil partners.[33] This credit will apply in relation to 2024 and 2025, inclusive.

The rent credit applies to rental payments for an individual's principal private residence, a residence to facilitate work or college, or a residence of a qualifying child attending college. The eligibility criteria is being extended to now include parents who pay for student children's rental accommodation in the case of Rent a Room accommodation or "digs", which will apply retrospectively for the years 2022 and 2023.[34]

Table 9: Summary of Rent Credit

Heading	Details
Measure	Rent Tax Credit
Budget Measure	Yes
First Year Cost (-/+)	- €315 million
Full Year Cost (-/+)	- €365 million

Changes:

- Increase rent credit from €500 to €750 per year for 2024 and 2025.
- Amended eligibility criteria and backdated to 2022 and 2023.

Policy Background:

This measure was introduced against the backdrop of increasing pressures in the private rental market in Budget 2023. The Residential Tenancies Board (RTB) compiles a Rent Index to measure changes in rent over time. In Q1 2023, the standardised[35] average rent in new tenancies per month in Dublin was €2,102.[36] Nationally, the standardised average rent in newly registered tenancies was €1,544 per month. This is a year-on-year increase of 8.9 percent.[37]

The shortage of rental properties across the State has caused the demand, and subsequently the price of rents, to rise. Across Dublin, for every ten homes that were available to rent in the late 2010s, there are currently four available.[38] On 1st August 2023, there were over 100 homes available to rent in Dublin city, that is far too low for a city of Dublin's size and economic

[33] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.
[34] Department of Finance, Budget 2024 Tax Policy Changes., 2023.
[35] Standardised average rent is a mix adjusted rent that takes account of the changing mix of properties in an area.
[36] Residential Tenancy Board (2023) Data Hub.
[37] Residential Tenancy Board (2023) Data Hub.
[38] Daft.ie (2023) Q2 rental report.

importance. According to the Q2 2023 daft.ie rental report, rents have risen nationally by 10.7 percent, while Dublin rents have increased 4.3 percent over the same period.

Policy Impact:

This measure is intended to provide relief for renters who are not in receipt of other State housing supports. It should be noted this credit can only be claimed for registered tenancies in an attempt to minimise black market activities (i.e. landlords not declaring rental income). It should also be noted that a previous rent tax credit was in place, which was phased out from Budget 2011 and the last claims could be made for 2017. That rent relief had different levels of a credit based on the age of the renter.[39]

The average rent in Dublin was over €2,300 in Q2 2023.[40] Assuming that a tenant is sharing with two other people in the same accommodation, this means on average the rent credit will effectively give a tenant roughly around one month's free rent.

[39] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.
[40] Daft.ie (2023) Q2 rental report.

Section 13: Mortgage Interest Tax Relief

Description:

Mortgage Interest Relief, also known as Mortgage Interest Deduction, is a tax deduction that allows homeowners to reduce their taxable income by the amount of interest paid on a mortgage.

Table 10: Summary of Mortgage Interest Relief Measure

Heading	Details
Measure	Mortgage Interest Tax Relief
Budget Measure	Yes
First Year Cost (-/+)	-
Full Year Cost (-/+)	- €125 million

Changes:

- 12 months Mortgage Interest Tax Relief for homeowners with outstanding balance on primary dwelling of between €80,000 and €500,000.
- Available in respect of interest paid on mortgages in 2023, at standard rate of 20 percent income tax.
- Relief capped at €1,250 per property, with estimated cost of €125 million.

Policy Background:

High housing costs can make it challenging for many individuals and families to afford homeownership. By increasing mortgage relief, governments aim to make it more affordable for prospective homebuyers to enter the housing market, particularly in regions where housing prices have outpaced income growth.

Policy Impact:

The aim of this relief is to make homeownership more affordable for people, by reducing the overall cost of borrowing. By reducing the amount of income subject to taxation, homeowners can effectively lower their tax liability, resulting in potential tax savings.

Section 15: VAT Charity Compensation Scheme

Description:

Section 15 confirms the Budget 2024 announcement regarding increases to funding available under the Charity VAT Compensation Scheme. This scheme allows charities to retain an increased amount of VAT that they pay.

Table 11: Summary of Charity Compensation Scheme Measure

Heading	Details
Measure	VAT Charity Compensation Scheme
Budget Measure	Yes
First Year Cost (-/+)	- €5 million
Full Year Cost (-/+)	- €5 million

Changes:

- Increase funds available under charity scheme from €5 to €10 million.
- Amendments to legislation to allow Revenue to revoke access to exemptions.

Policy Background:

Provided that a charity has approval from the Revenue Commissioners, they may avail of an exemption from income tax on certain types of income. This exemption is applied solely for charitable purposes.[41]

Policy Impact:

This measure of the Finance Bill 2023 has amended the legislation to allow the Revenue Commissioners to revoke the income tax exemption where a charitable body is determined to cease to qualify and to notify the Charities Regulator. In addition, the measure allows Revenue to publish a list of the charities claiming the income tax exemption.[42] There is also an extension to the income earned to cover the provision of professional services by charities, where the services were provided throughout the course of charitable activities as well as by beneficiaries from the charity itself.[43]

[41] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.
[42] PWC, What does Finance (No. 2) Bill 2023 mean for you and your business, 2023.
[43] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.

Section 19: Personal Retirement Savings Accounts (PRSA)

Description:

This section confirms the Budget changes to the Personal Retirement Savings Accounts (PRSA), which is a type of long-term personal pension plan, designed to help people save for retirement.[44] This section allows new and existing PRSA holders to make initial withdrawal from their PRSAs by amending Section 787K.

Table 12: Summary of Personal Retirement Savings Accounts Measure

Heading	Details
Measure	Flat Personal Retirement Savings Accounts
Budget Measure	Yes
First Year Cost (-/+)	-
Full Year Cost (-/+)	- €21 million

Changes:

- Increase age limit for PRSA by removing upper age limit of 75 years.
- Introduce a limit of €10 million on relief available for proposals.

Policy Background:

A personal retirement savings account (PRSA) is an account which allows the opportunity to save for your retirement, through regular payments or lump sum payments which are usually tax deductible. A PRSA provides benefits at retirement, based on the amount of payments or 'contributions' paid in, and the investment returns earned on those contributions. PRSAs are available to everyone, regardless of their job or employment status, including full and part-time employees, self-employed, carers, jobseekers etc.[45]

Policy Impact:

This measure removes the upper age limit of 75 for taking benefits from a PRSA account, by allowing the PRSA holder to drawdown after they reach the age of 75.[46] Previously the rules required an upper age limit of 75 for accessing the funds, with the new changes a start of the process of implementing the "whole of life PRSA" which allows individuals to accumulate and then draw down their benefits until death.[47]

[44] Citizens Information, Personal Retirement Savings Account (PRSA) .
[45] Pensions Authority, Personal Retirement Savings Accounts (PRSA's) .
[46] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.
[47] PWC, What does Finance (No. 2) Bill 2023 mean for you and your business, 2023.

Section 21: Rented Residential Relief

Description:

Section 21 of the Finance bill provides for a rented residential tax relief. Tax relief for landlords is used to describe the various tax benefits, deductions, and allowances provided to individuals who earn income from renting out properties.

Table 13: Summary of Landlord Tax Relief Measure

Heading	Details
Measure	Rented Residential Tax Relief (Landlord Tax Relief)
Budget Measure	Yes
First Year Cost (-/+)	- €45 million
Full Year Cost (-/+)	- €160 million

Changes:

- Temporary relief for small landlords, subject to conditions being met, allows rental income to be taxed at standard rate.
- Key condition requires properties used to avail of relief must be in rental market for 4 years, from 2023 to 2027k, or relief is reclaimed by State.
- Provides €3,000 in 2024, €4,000 in 2025 and €6,000 in 2026 and 2027.

Policy Background:

Tax relief for landlords is being implemented as a policy measure to encourage investment in the housing market and promote the availability of rental accommodation from 2023 to 2027.[48] By providing tax relief, governments aim to incentivize individuals and businesses to invest in the rental property market, thereby increasing the supply of available rental units.[49]

Policy Impact:

These reliefs are intended to alleviate the financial burden associated with owning and managing rental properties and are typically aimed at reducing the overall tax liability for landlords. The tax relief policy may have the unintended consequence of increasing demand for rental properties,

[48] PWC, What does Finance (No. 2) Bill 2023 mean for you and your business, 2023.
[49] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.

potentially driving up housing prices and making it more challenging for individuals and families to afford homes in certain areas.[50]

Section 28: Microgeneration of Electricity

Description:

This section confirms the Budget increases in the rate of income tax relief for excess micro-generated electricity sold back to the national grid. Section 216D of the Taxes Consolidation Act 1997 provides for an exemption of up to €200 from income tax, USC and PRSI for certain profits arising to a qualifying individual who generates energy from renewable, sustainable or alternative energy sources for their own consumption and sell the excess residual energy back to the national grid.

Table 14: Summary of Microgeneration of Electricity Measure

Heading	Details
Measure	Increase income tax relief for electricity generated by renewable, sustainable or, alternative forms of energy sold back to national grid from €200 to €400
Budget Measure	Yes
First Year Cost (-/+)	-€4.5
Full Year Cost (-/+)	-€4.5

Changes:

- Provides that the amount of the exemption will be increased to €400, and measure will be extended to 31 December 2025.

Policy Background:

The 2019 Climate Action Plan seeks to establish a micro-generation support scheme to help achieve the target of 70 percent of renewable electricity by 2030.[51] There was no support scheme specifically for micro-generation technologies, however, there are grant schemes supporting renewable technologies for self-consumption.[52]

This policy can be seen as part of climate mitigation measures by incentivising individuals and households to develop their own renewable electricity and enabling them to sell their excess electricity from micro-generation to the national grid. This should incentivise the usage of the

[50] ESRI, Budget 2024 Tax and Welfare Measures likely to Increase Real Income Next Year, 2023.
[51] Government of Ireland, Climate Action Plan 2019: To Tackle Climate Breakdown.
[52] Department of Energy, Climate and Communications, Public Consultation on a Micro-generation Support Scheme (MSS) in Ireland, 2021.

technology, particularly when the revenue from the selling of excess electricity is less than the cost of micro-generation technology.[53]

Policy Impact:

This is an incentive for households to generate renewable energy to power their houses, and to sell the excess to the national grid. This should reduce carbon emissions from households and encourage further investment in micro-generation. Given the small amount exempt from income tax and the low number of households micro-generating electricity by renewable and sustainable sources, there will be a minimal impact on the level of tax receipts. While micro-generation of electricity has been in place previously, there were limited electricity supply companies offering to purchase electricity from micro-generation.[54]

Section 29: Accelerated Capital Allowances – Energy Efficient Equipment

Description:

Section 29 of the Finance Bill 2023 confirms the extension of the ACA EEE scheme to the end of 2025. The Accelerated Capital Allowances (ACA) scheme for Energy Efficient Equipment (EEE) provides a tax incentive for companies and unincorporated businesses who invest in highly-EEE. The scheme is being extended for a further two years to 31 December 2025.

Table 15: Summary of Energy Efficient Equipment Measures

Heading	Details
Measure	Extension of the ACA EEE scheme
Budget Measure	Yes
First Year Cost (-/+)	-€7m
Full Year Cost (-/+)	-

Changes:

- The scheme provides for the acceleration of existing allowances, therefore is net cost neutral over the life of the asset.

Policy Background:

Accelerated capital allowances (ACAs) are available to companies who purchase certain items of energy-efficient equipment which are used for the purposes of a trade.[55] This scheme enables a company to claim 100 percent accelerated capital allowances for certain equipment up front in

[53] Ricardo Confidential, Economic and policy advice to support the design and implementation of the new microgeneration support scheme in Ireland, 2020.
[54] SEAI, Guide to Connecting Microgeneration to the Electricity Network, 2009.
[55] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.

the first year, rather than over the standard 8-year period.[56] This incentivises companies to choose particular energy efficient equipment, which can be more expensive. Companies thus can choose more environmentally friendly equipment, contributing to lower energy usage.[57]

Policy Impact:

This policy can be seen as part of climate mitigation measures, to reduce carbon emissions and acknowledging the importance of climate measures by extending the scheme by a further 2 years to end 2025.

Section 30: Accelerated Capital Allowances – Farm Safety Equipment

Description:

Section 30 provides for an extension to 31 December 2026 of the accelerated capital allowances of 50 percent per annum for wear and tear on eligible farm equipment over a period of two instead of eight years, subject to a maximum tax benefit of €500,000 per undertaking. The Scheme is open to individuals or SMEs that are eligible persons who undertake farming and who purchase qualifying equipment in the period to 31 December 2026.

Table 16: Summary of Farm Safety Equipment Measures

Heading	Details
Measure	Accelerated application of wear and tear allowances to farming equipment
Budget Measure	Yes
First Year Cost (-/+)	- €1 million
Full Year Cost (-/+)	- €1 million

Changes:

- This relief allows for accelerated capital allowances of 50 percent per annum, subject to certification of eligible expenditure relating to farm safety or disability adaptive equipment by the Minister for Agriculture, Food and the Marine.
- Scheme was due to expire at the end of 2023, however the Finance Bill 2023 extends this relief to end 2026.

[56] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.
[57] Parliamentary Budget Office, Budgetary Issues in the Finance Bill 2021, 2021.

Policy Background:

The scheme of accelerated capital allowances is aimed at incentivising the purchase of farm safety equipment and the replacement of equipment that may be old or sub-standard as well as assisting farmers who have a disability to continue work through the purchase of certain adaptive equipment.

Policy Impact:

This measure may incentivise improved safety on farms and in agricultural workplaces through the purchase of safer, more modern machinery. In addition, farmers with a disability may be supported in continuing their work in the sector through the use of adaptive equipment which is eligible under the scheme.

Section 31: Relief for Investment of Corporate Trades

Description:

This section confirms the amendments to standardise the Employment Investment Incentive (EII) minimum investment period, increase the investment limit and provide for EU regulation amendments.

Table 17: Summary of Relief for Investment of Corporate Trades Measures

Heading	Details
Measure	Amends part 16 of the TCA 1997 to standardise the EII minimum investment period, increase the EII investment limit and provide for EU General Block Exemption Regulation amendments
Budget Measure	Yes
First Year Cost (-/+)	-
Full Year Cost (-/+)	-

Changes:

- The Bill provides for amendments to Part 16 of the Taxes Consolidation Act 1997 to provide the minimum holding period required to obtain relief under the EII, will be standardised to four years for all investments made from 1 January 2024, and the limit on the amount an investor can claim relief on for such investments will be increased to €500,000.

- The Bill further provides for amendments to ensure the EII, the Start-up Capital Incentive (SCI) and the Start-Up Relief for Entrepreneurs (SURE) are compatible with the amended General Block Exemption Regulation (GBER) from January 2024.

Policy Background:

This relief (formerly BES and EIIS) is legislated for under the Taxes Act and must comply with EU Rules known as the General Block Exemption Regulation (GBER) to comply with state aid rules. Where these EU rules change, then domestic Irish legislation must also change accordingly.[58] Given the recent changes by the EU Commission earlier in 2023 to GBER, the Finance Bill 2023 legislates for these changes to ensure implementation and alignment.

Policy Impact:

This most important change for this area is around the rate of tax relief which is granted to investors. Previously income tax was provided at 40 percent rate, which will be changed so different rates will be applied depending on the eligibility criteria for investment companies.[59] This will depend on whether the investments made are directly into the company (20 percent, 35 percent, or 50 percent) or indirectly through a financial third party (which applies at 30 percent).[60] This means where a company had previously prepared for a tax rate at 40 percent, depending on meeting certain criteria, they may potentially avail of a 20 percent rate on certain "follow on" investments if invested directly into a company.

The changes arising from implementing GBER also means EII relief will not apply to shares in a company which include preferential rights to a dividend or to repayment of capital should the company wind up. But this anti-avoidance amendment will not apply in circumstances where shares are issued to the managers of a qualified investment fund. [61]

[58] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.
[59] PWC, What does Finance (No. 2) Bill 2023 mean for you and your business, 2023.
[60] PWC, What does Finance (No. 2) Bill 2023 mean for you and your business, 2023.
[61] PWC, What does Finance (No. 2) Bill 2023 mean for you and your business, 2023.

Section 32: Stock Relief (Registered Farm Partnerships)

Description:

An increase in the threshold for Stock Relief for a Registered Farm Partnership from €15,000 to €20,000 in the case of qualifying periods commencing on or after 1 January 2024.

Table 18: Summary of Stock Relief Measures

Heading	Details
Measure	Increase of Stock Relief thresholds
Budget Measure	Yes
First Year Cost (-/+)	- €0.1 million
Full Year Cost (-/+)	- €0.1 million

Changes:

- An increase in threshold for Stock Relief for a Registered Farm Partnership from €15,000 to €20,000, in the case of qualifying periods commencing on or after 1 January 2024.

Policy Background:

The partnerships allow for a framework where farmers can work together in a formal business arrangement, where the profits of the business are shared among the partners in that business. The key aim is to improve the social and structural demographics of Irish farms. Within the partnership, the existing farmer is permitted to retain up to 20 percent of the business with the new farmer retaining the balance.

The Stock Relief allows a farmer in a partnership to claim up to 50 percent stock relief on the increased stock value of their equivalent share of the farm profit. Applicable stock refers to items which are sold in the ordinary course of the farm trade such as livestock, crops and other farm produce, as well as direct inputs such as feedstuffs, fertilisers and seeds.

Policy Impact:

Along with other measures, this scheme aims to improve the financial viability of farm businesses while also encouraging succession planning for businesses through the creation of partnerships – both inter-familial and non-familial.

Section 33: Research and Development (R&D) Tax Credit

Description:

Section 33 confirms of the Finance Bill 2023 provides the increases in the rate of the R&D tax credit and in the year one payment threshold.

Table 19: Summary of Research and Development Tax Credit Measure

Heading	Details
Measure	Increase R&D credit from 25% to 30% and increase the year one payment threshold from €25,000 to €35,000.
Budget Measure	Yes
First Year Cost (-/+)	No 2024 cost as claims in respect of 2024 expenditure will be filed in 2025
Full Year Cost (-/+)	- €27m

Changes:

- Provides for a 25 percent tax credit for all qualifying R&D expenditure and increases the rate of the credit to 30 percent. This will maintain the current net benefit of the credit for companies subject to Pillar Two and will deliver a net benefit to companies not subject to the new minimum tax rules.
- Provides for an increase to the first-year payment threshold from €25,000 to €50,000. This threshold is the amount up to which a claim can be paid in full in the first year, rather than paid in instalments over three years.
- A number of technical amendments are introduced to ensure the legislation operates as intended.

Policy Background:

Money spent by a company on research and development activities may qualify for the R&D Tax Credit. The qualifying R&D activities must:

- Involve systemic, investigative or experimental activities in the field of science or technology;
- Involve one or more of these categories of R&D: basic research, applied research, experimental development;
- Seek to make scientific or technological advancement; and
- Involve the resolution of scientific or technological uncertainty.

The implementation of OECD Pillar Two-related tax changes, which brings the minimum effective rate of Corporation Tax to 15 percent will result in a net reduction in the value of the tax credit for claimant companies who are liable to the new 15 percent rate.[62] As noted by the Tax Strategy Group, this is because the credit value will be treated as income and therefore becomes subject to the minimum tax.[63]

Policy Impact:

The R&D tax credit was amended to reflect international tax changes. The removal of the limits on payable R&D tax credit may reduce administrative burden for companies. This could assist companies in using the R&D tax credit, especially for large capital R&D investments. This change could promote R&D activity and a wider knowledge economy. The timing change may help the cash flow of small and medium-sized companies (SMEs) with small R&D tax credit claims. This could provide an incentive for companies to engage in R&D activity.

The Department of Finance conducted a tax expenditure review of the R&D tax credit, including econometric analyses in 2022.[64] There was also a public consultation on the R&D tax credit.[65-66] The tax expenditure review of the R&D tax credit found it to be a "a strategically important element of Ireland's overall support for research and development activities". Firm size is found to exert an impact on the level of R&D expenditure, with SMEs tending to underperform compared to larger companies. There is a difference across economic sectors, with non-manufacturing companies tending to display a lower impact of the R&D tax credit on R&D expenditure.

[62] Department of Finance, Corporation Tax, Tax Strategy Ground – 24/04, 2023.
[63] Department of Finance, Corporation Tax, Tax Strategy Ground – 24/04, 2023.
[64] Department of Finance, Report on Tax Expenditures 2022, 2022.
[65] Department of Finance, Research and Development Tax Credit and the Knowledge Development Box Public Consultation, 2022.
[66] Department of Finance, Submissions on the Research and Development Tax Credit and the Knowledge Development Box, 2022.

Section 37: VAT Registration Thresholds

Description:

Section 37 provides for increased adjustments to the VAT registration thresholds for businesses for the supply goods and services. These thresholds depend on the turnover of a business over a 12-month period.

Table 20: Summary of VAT Registration Threshold Measure

Heading	Details
Measure	Business VAT Registration thresholds increases
Budget Measure	Yes
First Year Cost (-/+)	- €5 million
Full Year Cost (-/+)	- €6 million

Changes:

- Increase taxable threshold for supply of goods from €75,000 to €80,000.
- Increase taxable threshold for supply of services from €37,500 to €40,000.

Policy Background:

Where a business comes under these new increased VAT thresholds, the business is not obliged to register for VAT purposes. The last increase to the VAT registration thresholds occurred in 2008 when the registration thresholds increased from €70,000 to €75,000 for goods, and €35,000 to €37,000 for the supply of services. This previously resulted in 2,700 companies being removed from the VAT net and cost around €20.5 million in a full year.[67]

Policy Impact:

This increase to the thresholds will help reduce the burden on small and medium businesses who would need to ensure VAT compliance.[68] This measure is being implemented in advance of a package of measures being introduced in the EU, which are intended to simplify the VAT compliance process for SMEs. This is due to commence from January 2025 onwards.[69] Further information prepared by the PBO on these EU related measures can be found here.

[67] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.
[68] PWC, What does Finance (No. 2) Bill 2023 mean for you and your business, 2023.
[69] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.

Section 39: Film Relief - Section 481

Description:

This section of the Finance Bill 2023 confirms the increases in the cap on eligible expenditure under the Section 481 Film Relief tax credit. This tax credit is related to production costs of qualifying audio-visual productions, as outlined in Section 481 of the Taxes Consolidation Act 1997. The corporation tax credit is for companies in the film production industry.

Table 21: Summary of Film Relief Measure

Heading	Details
Measure	Increase the cap on eligible expenditure from €70m to €125m
Budget Measure	Yes
First Year Cost (-/+)	- €10m
Full Year Cost (-/+)	- €53m

Changes:

- The amount of relief credit is 32 percent of whichever is the lowest of: eligible expenditure, 80 percent of total qualifying film production costs, and €125 million.

Policy Background:

The aim of the film relief is to foster a vibrant film industry by generating employment, skills and supporting the culture of Ireland. The screen industry is a strategic cultural industry important for Ireland's international reputation, cultural engagement and also contributes to the development of the tourism sector. This is in line with Government policy to support the arts sector, through the Creative Ireland Programme and Audio-visual Action Plan.[70]

For a production company to qualify for the relief it must show the project is important to the promotion and development of national culture. This culture test is administrated by the Department of Tourism, Culture, Arts, Gaeltacht, Sports and Media (DTCAGSM). The production must meet at least three of the eight set criteria of the culture test. There is also an Industry Development Test, which examines if the film is an effective stimulus to film making, including quality employment, training and skills development. There is also a Regional Uplift, an increased rate of relief available to projects which are produced outside the main production hubs.

[70] Department of Culture, Heritage and the Gaeltacht, Audio-visual Action Plan, Creative Ireland Programme Pillar 4, 2019.

Policy Impact:

The Department of Finance undertook an evaluation of the film tax relief in 2022 which recommend film relief be extended in advance of its expiration on 31 December 2024.[71] The review recommended additional information be included in the application for cultural certification by the Minster for Tourism, Culture, Arts, Gaeltacht, Sport and Media to facilitate future reviews of the relief.

The evaluation of the film tax credit provided a descriptive analysis of the relief along with a CBA for the year 2020. The analysis uses data from the Revenue Commissioners and DTCAGSM to outline the characteristics of the productions certified under this scheme and provided some insights on the Regional Uplift. There were 327 productions certified as a qualifying film for the purposes of Section 481 from 2019 to 2021, representing almost 99 per cent of all applications.[72] Production budget sizes range from under €500,000 to over €10 million – indicating the scheme assists both small and large-scale productions. In terms of the Regional Uplift, there was a low take-up in 2019 reflecting the requirement for European Commission State aid approval before the relief was introduced mid-way through the year. The number of Regional Uplift claims subsequently increased, with productions spread across a larger number of locations.

Around 60 per cent of the 120 productions in 2019 employed over 50 people.[73] Whilst in 2020 and 2021, 52.6 per cent and 50.9 per cent of the productions in each year employed over 50 people respectively. There were 2,655 FTE employees in the productions in 2020, with 47 per cent of these employed in animations and a further 38 per cent in TV dramas. The number of FTE employees increased to 3,265 in 2021, with almost 41 per cent employed in animation and a further 38.5 per cent in TV dramas.

Overall, the estimated cost of the credit from 2015 to 2021 was approximately €604 million, rising to €785 million when the shadow price of public funds is included.[74] While the estimated cost of the Regional Uplift from 2019 to 2021 was approximately €10.8 million. This increases to approximately €14.1 million when the shadow price of public funds is included.

The CBA examines the economic cost and benefits of the Section 481 film tax credit for the year 2020, while taking into account standard estimates of the shadow price of labour, the shadow price of public funds, and grant deadweight. The analysis focuses on 2020, as tax data are not yet available for 2021, and FTE data is only available for 2020 and 2021. The CBA finds the

[71] Department of Finance, Report on Tax Expenditures 2022, 2022.
[72] Department of Finance, Report on Tax Expenditures 2022, 2022.
[73] Department of Finance, Report on Tax Expenditures 2022, 2022.
[74] Department of Finance, Report on Tax Expenditures 2022, 2022.

net annual economic impact of the Section 481 film tax credit to be -€78.54 million in 2020, before consideration of the cultural dividend and other unquantifiable benefits.

It is important to acknowledge given the broad economic, social and cultural objective, the CBA is not able to quantify all of the ensuing benefits, particularly the social and cultural returns provided by the relief. Furthermore, it is stated Government policy to support the arts sector as a whole, and to specifically support the development and expansion of the film and television production sector.

Finally, the evaluation acknowledges the benefit from having more data available for this CBA, notes some of the data constraints and points to the potential data that would help to enhance future assessments.

Sections 46 & 47: Capital Gains Tax Retirement Relief

Description:

From 1 January 2025, the higher level of relief, which applies on disposals to children and to others from Capital Gains Tax (CGT) will be available for disposals occurring from the age of 55 until the age of 70.

While from 1 January 2025, there will be a new limit of €10 million on the relief available for disposals to a child up until the age of 70.

Table 22: Summary of CGT Retirement Relief Measure

Heading	Details
Measure	Increase the age limit from 66 to 70 years and introduce a limit of €10 million on the relief available for disposals from 1 January 2025.
Budget Measure	Yes
First Year Cost (-/+)	-
Full Year Cost (-/+)	-€21m

Changes:

- Increase to age limit for qualifying individuals from 66 to 70 years.
- Introduction a new maximum limit of €10 million on the relief available for disposals to a child up until the age of 70 years.

Policy Background:

The CGT Retirement Relief is intended to support the intergenerational transfer of family farms and businesses.[75] The Commission on Taxation and Welfare recommended the introduction of a lifetime limit on all disposals of businesses and farms to children that quality for Retirement Relief.[76] The report of the Commission also notes the cost of the relief in terms of forgone CGT revenue is unknown, and this should be measured to inform future tax policy.

Policy Impact:

The introduction of the new €10 million may have significant consequences for some business owners, given such a limit on transfers has not previously existed.[77] This new limit may prompt business owners to consider succession planning sooner.[78] However, the Commission in its report noted the introduction of such caps are favourable from the

[75] Tax Strategy Group 2023, Enterprise Supports, 2023.
[76] Commission on Taxation and Welfare, Foundations for the Future, 2022.
[77] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.
[78] PWC, What does Finance (No. 2) Bill 2023 mean for you and your business, 2023.

perspectives of fiscal sustainability and equity.[79] Furthermore, the high level of the cap , at €10 million, means it is unlikely to undermine the viability of an enterprise being transferred.[80] The Department of Finance advised that no costs will be borne by the Exchequer for these changes until 2025.[81]

Section 49: Extend Mineral Oil Tax Reduction

Description:

Section 49 of the Finance Bill confirms the extension of the temporary reduction in Excise Duty Rates on auto diesel, petrol and marked gas oil, which will now be restored in two phases in 2024.[82] Previously, these increases were due to take effect from end October 2023.

Table 23: Summary of Mineral Oil Tax Reduction Measures

Heading	Details
Measure	Extension of Temporary Excise Rate Reduction
Budget Measure	Yes
First Year Cost (-/+)	- €49m
Full Year Cost (-/+)	- €122m

Changes:

- Extension of the temporary excise rate reductions on auto diesel, petrol and marked gas oil which were introduced with effect from midnight on 10th October 2023 until 31 March 2024.
- Phased restoration taking place in two phases on 1 April 2024 and 1 August 2024.

Policy Background:

Budget 2010 introduced a tax on carbon emissions which was intended as an environmental measure, to change behaviour to reduce greenhouse gas emissions, and encourage companies to bring low carbon products and services to the market. Budget 2024 provided for an increase in Carbon Tax, in line with the projection to bring the rate to €100 per tonne by 2030.[83] This has seen an annual increase in the carbon component of Mineral Oil Tax (MOT), based on a schedule that would see an additional increase of €7.50 per tonne of carbon dioxide emissions applied each year towards a rate of €100 per tonne of emissions effective from 2030.[84]

[79] Commission on Taxation and Welfare, Foundations for the Future, 2022.
[80] Commission on Taxation and Welfare, Foundations for the Future, 2022.
[81] Department of Finance, Budget 2024 Tax Policy Changes, 2023.
[82] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.
[83] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.
[84] Government of Ireland, Climate Action Plan 2023: Changing Ireland for the Better, 2023.

Excise Duty on Fuel was temporarily reduced in the Finance Act 2023 by 21 cent per litre in respect of petrol; 16 cent in respect of diesel; and 5.4 cent in respect of Marked Gas Oil (MOG), in response to cost of living measures. These reductions were due to be fully restored by 31 October 2023, however they have now been extended into 2024.

Policy Impact:

The extension in the existing MOT reductions on petrol, diesel and MOG will help to mitigate against the impact of the rising costs of living and reduce carbon emissions. However, the primary goal of a carbon tax is to incentivise a behavioural change that reduces carbon emitting activities. This tax also serves to broaden the sources of tax revenue. The extension of the reduction in MOT rates might act as a disincentive to reduce carbon emitting activities[85] given it will reduce the potential cost of fossil fuels.

Section 50: Excise Duties on Tobacco Products

Description:

Section 50 confirms increases in the rates of Tobacco Products Tax. The Tobacco Products Tax rate increase amounts to 75 cents on a pack of 20 cigarettes (including Value Added Tax or 'VAT'), with pro-rata increases on other tobacco related products.

Table 24: Summary of Excise Duty of Tobacco Products Measures

Heading	Details
Measure	Increased Excise Duty on Tobacco Products
Budget Measure	Yes
First Year Cost (-/+)	+ €7.5 million
Full Year Cost (-/+)	+ €68 million

Changes:

- Increase to price of cigarettes and tobacco related products.

Policy Background:

The Programme for Government set a smoking prevalence target of less than 5 percent of the population smoking by 2025.[86] This is an ambitious target, as the current smoking prevalence was 16 percent in 2022.[87] The Department of Health and Health Service Executive ('HSE') estimate smoking remains the leading cause of preventable death in Ireland,

[85] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.
[86] Tax Strategy Group 2023, *General Excise*, 2023.
[87] Health Service Executive, *Smoking Prevalence Tracker 2022*, 2022.

accounting for over 4,500 deaths annually.[88] They estimate one in every two long-term smokers will die of a disease related to their tobacco use.[89]

Ireland has among the highest excise rates on tobacco products (including cigarettes and roll-your-own) in the EU.[90] This reflects a long-standing policy of levying high rates of excise duty on tobacco products to meet public health targets.[91] Excise Duty on tobacco products has increased consistently in the Budget over the past 20 years.[92] More specifically, increases of 50 cent were introduced on a pack of 20 cigarettes in previous budgets (with at least pro-rata increases applied to roll-your-own tobacco products), while smoking prevalence has fallen from over 25 percent in 2008.[93]

Policy Impact:

In addition to raising revenue, Excise Duty is generally applied to disincentivise an activity with negative personal or societal impacts ("externality" effects). This is achieved by increasing the cost of consumption for certain products, thereby encouraging a change in behaviour. However, an increase in the cost of cigarettes may encourage 'black market' activities such as smuggling cigarettes into the country from other jurisdictions. It may also lead to greater use of substitute products, such as e-cigarettes or vapes. For these reasons, Revenue has expressed the view that increased excise duty may not lead to increased yields.[94]

[88] Health Service Executive, *The State of Tobacco Control in Ireland*, 2022.
[89] Health Service Executive, *The State of Tobacco Control in Ireland*, 2022.
[90] Tax Strategy Group, *General Excise*, 2023.
[91] Tax Strategy Group, *General Excise*, 2023.
[92] Apart from Budget 2005, Budget 2006, and Budget 2010.
[93] Health Service Executive, *The State of Tobacco Control in Ireland*, 2022.
[94] Tax Strategy Group 2023, *General Excise*, 2023.

Section 52: VRT for Battery Electric Vehicles

Description:

This section confirms the Budget extension in Vehicle Registration Tax (VRT) on battery electric vehicles (BEVs) to the end of 2025.

Table 25: Summary of VRT for BEVs Measures

Heading	Details
Measure	Extends VRT Relief on BEVs to end 2025.
Budget Measure	Yes
First Year Cost (-/+)	- €27m
Full Year Cost (-/+)	- €30m

Changes:

- Extends the VRT Relief for BEVs by two years, to 31 December 2025. BEVs with an Open Market Selling Price (OMSP) of up to €40,000 are granted VRT relief of up to €5,000.
- Vehicles with an OMSP of greater than €40,000 but less than €50,000 receive a reduced level of relief.

Policy Background:

Road traffic emissions are a recognised contributor to Ireland's Greenhouse Gas Emissions with private cars (accounting for 78 percent of vehicles registered in the State) contributing twice as much CO_2 as Heavy Goods Vehicles and Light Commercial Vehicles combined. The Climate Action Plan of 2023 sets a 2030 emissions reduction target of 50 percent of present levels, with a move towards having 550,000 Electric Vehicles and 290,000 Plug-in Hybrid Electric Vehicles on the road network.[95] The PBO published an analysis of the sustainability of the Vehicle Registration Tax and Motor Tax in 2019, which examines the revenue trends of these taxes. It concludes that increasing movement towards low emitting cars with low rates of taxation has negatively impacted the level of revenue collected.[96]

Policy Impact:

The rationale of the policy is to change VRT rates to provide a significant incentive for consumers to purchase vehicles with lower carbon emissions. If the share of electric vehicles and vehicles with very low carbon emissions increases, this could pose substantial risk to the sustainability of revenue collected from VRT.[97]

[95] Government of Ireland, Climate Action Plan 2023: Changing Ireland for the Better, 2023.
[96] Parliamentary Budget Office, An Analysis of the sustainability of Vehicle Registration and Motor Tax, 2019.
[97] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2021, 2021.

Section 56: Gas and Electricity VAT

Description:

Section 56 of the Finance Bill 2023 provides for the extension of the reduced 9 percent rate of VAT for energy, notably electricity and gas.

Table 26: Summary of Gas and Electricity VAT Measures

Heading	Details
Measure	VAT reduction Extension on electricity and gas
Budget Measure	Yes
First Year Cost (-/+)	-
Full Year Cost (-/+)	- €315 million

Changes:

- Extension of existing measures for 12 months, by applying 9 percent VAT to gas and electricity.

Policy Background:

As an EU Member State, Ireland's VAT laws must comply with the EU VAT Directive.[98] Under a new EU agreement, the list of goods and services to which a reduced rate applies was expanded to include the supply of electricity and gas.[99] Ireland applied the reduced rate of 9 percent VAT rate on the supply of electricity and gas since May 2023, in response to the rising cost of energy following the war in Ukraine. While this VAT reduction was meant to expire at the end of October 2023, the Finance Bill 2023 extends this reduction for a further 12 months until end October 2024.

Policy Impact:

This additional 12 months of lower rate VAT rates for the supply of electricity and gas is targeted on the particularly high costs of energy following Russia's war in Ukraine, and European dependence on Russia as an energy source. It should be noted the Commission on Taxation and Welfare recommended limiting the use of zero and reduced rates of VAT[100] as it does not support the use of temporary VAT reductions as a short-term stimulus measure.[101] However, should the value of the VAT reduction be reflected in reduced energy prices, this may help to reduce the impacts of higher energy prices and associated cost of living pressures.

[98] Council Directive (EU) 2022/542, 2022.
[99] Parliamentary Budget Office, Recent Reforms to European Union Value Added Tax 2020-2022, 2023.
[100] Commission on Taxation and Welfare, Foundations for the Future, 2022.
[101] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.

Section 59: Flat Rate Compensation to Farmers

Description:

This section confirms the reduction in the Flat Rate Compensation for farmers to 4.8 percent, which occurs from January 2024. This is the amount paid to farmers in compensation for the VAT incurred on the costs that they can't recover as they are not VAT-registered.

Table 27: Summary of Farmers Flat Rate Compensation Measure

Heading	Details
Measure	Flat Rate Compensation to Farmers
Budget Measure	Yes
First Year Cost (-/+)	-
Full Year Cost (-/+)	-

Changes:

- Reduction in flat rate compensation from 5 percent to 4.8 percent.

Policy Background:

Flat-rate farmers are not required to register for VAT because of the nature of their business (i.e. engaged solely in agricultural production activities). Generally, VAT is reclaimed when it is charged on inputs used in the productive process (e.g. business expenses). Flat-rate farmers are not entitled to recover VAT charged on their farming expenses (e.g. equipment and utilities) as they are not VAT-registered.[102]

Instead, these farmers are compensated by a flat-rate amount that is added to the price at which they sell their products to VAT-registered persons (e.g. to marts, meat factories, etc.). This flat-rate addition has changed multiple times over the last decades. It is calculated based on a methodology accounting for farming inputs, outputs, VAT rate structures and a provisional forecast of agriculture inputs and outputs. This reduction also aims to avoid overcompensation which would contravene the EU VAT Directive.[103]

Policy Impact:

This will decrease the amount added to the price at which flat-rate farmers sell their products to VAT registered persons.[104]

[102] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.
[103] PWC, What does Finance (No. 2) Bill 2023 mean for you and your business, 2023.
[104] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2021, 2021.

Section 62: VAT on Audio and eBooks

Description:

Section 62 of the Finance Bill confirms the budget measure Value Added Tax, or VAT, applied to both Audiobooks and eBooks will be reduced to zero percent from January 2024[105] a reduction from the current 9 percent VAT.

Table 28: Summary of Audio and eBook VAT Measures

Heading	Details
Measure	Apply zero percent VAT to audiobooks and eBooks
Budget Measure	Yes
First Year Cost (-/+)	- €2.5 million
Full Year Cost (-/+)	- €3 million

Changes:

- Applies a zero percent rate of VAT to audiobooks and eBooks, reducing it from 9 percent.

Policy Background:

Among a range of changes to rates of VAT in Budget 2024, this measure aligns electronically published materials with equivalent items produced in print format. This provides for the reduction of VAT on audio and eBooks from 9 percent to zero percent from January 2024.[106] While electronic supply of books, newspapers, audiobooks etc., which are devoted to advertising or music and video content will not be covered by this measure and which will remain at the standard rate of VAT at 23 percent.[107]

Policy Impact:

This measure may incentivise increased consumption of material through audio and eBook format due to price reductions. It ensures greater policy alignment and consistency with other printed materials providing the same type of service. However, the Commission on Taxation and Welfare previously outlined their reservations on price reductions being achieved through VAT reductions.[108] As a result it remains to be seen whether price reductions will be achieved on these goods.

[105] Department of Finance, Finance (No. 2) Bill 2023, Explanatory Memorandum, 2023.
[106] PWC, What does Finance (No. 2) Bill 2023 mean for you and your business, 2023.
[107] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.
[108] Commission on Taxation and Welfare, Foundations for the Future, 2022.

Section 63: VAT on Solar Panels for Schools

Description:

Section 63 of the Finance Bill 2023 confirms that VAT applied to the supply and installation of Solar Panels on private dwellings will be extended to include premises which are mainly for the provision of education, at both primary and post primary level, from January 2024.[109] The PBO previously prepared a note the taxation of solar panels in an EU context.

Table 29: Summary of Educational Solar Panel VAT Measures

Heading	Details
Measure	Apply zero percent VAT to Solar Panels on Schools
Budget Measure	Yes
First Year Cost (-/+)	- €0.5 million
Full Year Cost (-/+)	- €0.5 million

Changes:

- Extension of zero percent VAT to the supply and installation of solar panels for schools.

Policy Background:

Recent changes on VAT at EU level under the EU VAT Directive, allowed member states the ability to apply reduced rates of VAT, including zero percent, to a range of listed goods.[110] These are set out in a document called Annex III, and include applying zero percent VAT to solar panels. In May 2023, Ireland reduced the VAT rate on solar panels for private dwellings to help achieve climate targets through the reduction in carbon emissions. Finance Bill 2023 legislates for applying zero percent VAT to solar panels[111] and extending the eligibility criteria. Yet further legislation is required to extend this to cover public buildings.[112]

Policy Impact:

This measure may increase the demand for solar panels on the over 4,000 primary and post primary educational premises in Ireland, given the potential price reduction in supply and reduction in energy costs. As the measure will commence in 2024, this may see delays in demand for Solar Panels in schools the remainder of 2023, to benefit from the price reductions. This may increase demand next year, as well as a reduce carbon emissions from the increased use of renewable, solar energy.

[109] Further information on this will be available in an upcoming PBO publication.
[110] Parliamentary Budget Office, Recent Reforms to European Union Value Added Tax 2020-2022, 2023.,
[111] Government of Ireland, Climate Action Plan 2023: Changing Ireland for the Better, 2023.
[112] Parliamentary Budget Office, Recent Reforms to European Union Value Added Tax 2020-2022, 2023.

Section 66: Young Trained Farmers and Succession Farm Partnerships

Description:

Section 66 provides for an increase in the aggregate lifetime amount of relief available to a person under the Stock relief for Young Trained Farmers, relief for succession farm partnerships and young trained farmers stamp duty relief from €70,000 to €100,000 from 1 January 2024.

Table 30: Summary of Young Trained Farmers and Succession Farm Partnership Measures

Heading	Details
Measure	Increase to aggregate lifetime amount of relief available across three individual schemes.
Budget Measure	Yes
First Year Cost (-/+)	- €0.5 million
Full Year Cost (-/+)	- €0.5 million

Changes:

This measure is proposing an increase to the aggregate lifetime amount of relief across three individual reliefs schemes available to farmers:

- Stock relief for Young Trained Farmers,
- relief for succession farm partnerships; and
- Young Trained Farmers stamp duty

The upper limit of these combined reliefs available to a person under these reliefs will increase from €70,000 to €100,000 from 1 January 2024.

Policy Background:

This measure relates to three separate reliefs aimed at incentivising a younger generation of farmer to enter the agricultural sector. The first two schemes mentioned above are applicable when a Farm Partnership is established, while the third scheme can be availed of both through a partnership agreement or a direct conveyance process.

The partnerships allow for a framework where farmers can work together in a formal business arrangement, where the profits of the business are shared among the partners of the business. The existing farmer is permitted to retain up to 20 percent of the business with the new farmer retaining the balance. The associated relief for the succession partnership is a shared tax credit of €5,000 per annum for a maximum of 5 years (totalling €25,000) and may only be availed of up to the tax year prior to the tax assessment year that the successor turns 40 years of age.

The Stock relief allows a Young Trained Farmer to claim 100 percent stock relief on the increased stock value of their equivalent share of the farm profit (minimum 80 percent of total profit earned). Applicable stock refers to items which are sold in the ordinary course of the farm trade such as livestock, crops and other farm produce, as well as direct inputs such as feedstuffs, fertilisers and seeds. To meet the criteria for this relief, the farmer must be:[113]

- Younger than 35
- Hold a relevant agricultural qualification,
- Have submitted a business plan to Teagasc,
- Be registered for income tax,
- Be the head of the farm holding,
- Spend at least 50 percent of your normal working time farming the transferred land, and;
- Retain ownership of the land for at least 5 years (from the date of the transfer).

Policy Impact:

These measures are aimed at encouraging younger farmers to enter the sector through reducing the financial burden of asset transfers and allowing a larger share of profits to be retained within the business.

Section 67: Consanguinity (Stamp Duty) Relief

Description:

Section 67 provides for an extension of five years to 31 December 2028 of the existing reduced rate of 1 percent stamp duty applicable to the inter-familial transfers of farmland. 'Consanguinity Relief' is a stamp duty relief which is available only in respect to the inter-familial transfer of farmland. It serves to reduce the stamp duty rate applicable to the acquisition of farmland by qualifying individuals from the current standard rate on non-residential property of 7.5 per cent to 1 per cent.

Table 31: Summary of Consanguinity Relief Measure

Heading	Details
Measure	Reduced rate of Stamp Duty applicable to inter-familial transfers of farmland
Budget Measure	Yes
First Year Cost (-/+)	- €7 million
Full Year Cost (-/+)	- €7 million

Changes:

- Extend this application of reduced rate to 31 December 2028 (from current expiration date of 31 December 2023).

[113] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.

Policy Background:

The primary purpose of the relief is to encourage greater intergenerational farm transfer, which is a goal of both Government and EU agricultural policy.[114] This relief is provided for in Schedule 1(5) of the Stamp Duties Consolidation Act (SDCA) 1999. The relief is only available in respect of agricultural land (not including farmhouses) and provides, under certain conditions, a rate of stamp duty of 1 percent (compared to normal non-residential rate of 7.5 percent) will apply where a transfer of such land (by sale/purchase, exchange or gift) is made to certain close relations.

The conditions for availing of the relief requires the individual to whom the land is conveyed or transferred must either farm the land for 6 years or lease the land to an individual who will farm the land for 6 years. In addition, the individual who subsequently farms the land is required to hold a relevant agricultural qualification or to spend not less than 50 percent of their normal working time farming land (including the land conveyed or transferred).

Policy Impact:

With the average age of farmers in Ireland increasing, the EU has encouraged Member States to facilitate and motivate intergenerational farm transfers and encourage take up by younger farmers.[115] Furthermore, younger farmers are more likely to have undergone formal training in more modern and environmentally sustainable farming practices, which benefits the agricultural sector. This relief is intended to support younger famers to take over family farming businesses by reducing the financial burden associated with conveyances. The reduction of the applicable stamp duty rate to 1 percent is seen as offering a significant financial benefit.[116] The relief is intended as just one of a suite of measures aimed at encouraging a younger generation of farmers to enter the sector.

[114] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.
[115] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.
[116] Department of Finance, Finance (No. 2) Bill 2023, Explanatory Memorandum, 2023.

Section 70: Bank Levy

Description:

Section 70 confirms the measure to increase the Bank Levy, with a new target yield of €200 million. Finance Bill 2023 inserts a new section 126AB in the SDCA 1999 to provide for a revised form of bank levy for 2024. The revised levy will apply to AIB, Bank of Ireland, EBS and PTSB.

Table 32: Summary of Bank Levy Measures

Heading	Details
Measure	Increase to Bank Levy (Further levy to certain financial institutions)
Budget Measure	Yes
First Year Cost (-/+)	+ €200 million
Full Year Cost (-/+)	-

Changes:

- The levy will be applied at the rate of 0.112 percent of the value of deposits held by each bank on 31 December 2022, to the extent such deposits are "eligible deposits" within the meaning of the European Union (Deposit Guarantee Schemes) Regulations 2015.
- Increase Bank Levy yield from €150 million per annum to €200 million.

Policy Background:

The "Further Levy on certain financial institutions" was introduced in Budget 2014 as a revenue raising measure. It was intended to recoup a contribution from the financial sector following the Global Financial Crisis in 2008 and had a target yield of €150 million.[117] The Levy was previously calculated as a percentage of Deposit Interest Retention Tax (DIRT) paid by liable institutions. The Levy was revised by the Dept. Finance following a review of the retail banking sector, instigated by changes in the market including the exit of KBC and Ulster Bank, and was undertaken by reported windfall profits by remaining banks due to the current interest rate environment. Due to the exit of these banks, the Bank Levy yielded just €87m in 2022.[118] The PBO previously examined Ireland's Bank Levy.

Policy Impact:

The revised Bank Levy will increase the burden of payment on liable banks. As noted previously by the PBO, increased or additional levies on banks can disincentivise banks from attracting deposit funding from customers to reduce their liability.[119]

[117] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.
[118] Parliamentary Budget Office, Ireland's Bank Levy 2014-2023, 2023.
[119] Parliamentary Budget Office, Ireland's Bank Levy 2014-2023, 2023.

Section 86: Vacant Homes Tax

Description

Section 86 provides that the Vacant Homes Tax ('VHT'), introduced in 2023, will be increased to 5 times the value of the properties Local Property Tax (LPT) charge. The VHT will apply to residential properties which are occupied for less than 30 days in a twelve-month period.

Table 33: Summary of Vacant Homes Tax Measure

Heading	Details
Measure	Vacant Homes Tax
Budget Measure	Yes
First Year Cost (-/+)	-
Full Year Cost (-/+)	+ €1 million

Changes:

- Increase in value of Vacant Home Tax to five times the value of LPT.

Policy Background

The Vacant Homes Tax is self-assessed and administered by the Revenue Commissioners. The tax will apply to residential properties which are unoccupied for twelve months or more. A property will be considered vacant for the purposes of the tax if it is occupied for less than 30 days in a 12-month period.[120]

The VHT was previously charged at a rate equal to three times the property's existing LPT. Under Budget 2024, this is being increased to five times the property's LPT. A residential property will be within the scope of the tax if it has been occupied as a dwelling for less than 30 days in a chargeable period.[121] Each chargeable period will commence from 1st November to 31st October the following year. The first chargeable period with this new increased VHT rate will commence on 1st November 2023.[122]

Policy Impact:

It is hoped the increase Vacant Home Tax measure will increase the supply of homes for both renting or purchase, by increasing the cost to landlords of leaving a property vacant. This tax measure is not primarily designed as a revenue raising measure, and is instead aimed to changing behaviour. It should be noted this tax will only apply to habitable residential properties – it will not apply to derelict or uninhabitable properties, which are covered under the Derelict Site Levy. There may be some limitations to the efficacy

[120] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022
[121] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023
[122] PWC, What does Finance (No. 2) Bill 2023 mean for you and your business, 2023.

of this tax, as it may be hard to prove a residential property was unoccupied for the purpose of applying the tax.[123]

It should also be noted there are several specific exemptions from the new Vacant Homes Tax, which may be claimed by the chargeable person where the applicable conditions are met. These include:[124]

Table 34: Summary of Vacant Home Tax Exemptions

No.	Details
1.	Death of the chargeable person in respect of the property, where the property was the sole or main residence of that person, in either the chargeable period or in the 12-month period before the start of the chargeable period.
2.	A grant to administer the estate of a deceased chargeable person issues in the chargeable period and for any chargeable period following such a grant, where the administration of the estate has not yet completed. This exemption applies only where the property was the sole or main residence of that person.
3.	The property was being actively marketed for sale
4.	The property was being actively marketed for rent
5.	The sale or occupation of the property was prohibited by a court order
6.	The property was undergoing structural works, substantial repairs, or significant refurbishment during the chargeable period.
7.	The property was not occupied by the chargeable person as a result of his or her mental or physical infirmity, where prior to this the person occupied the property as his or her sole main residence
8.	The property is owned by a North-South implementation body within the meaning of the British-Irish Agreement Act 1999.

[123] Parliamentary Budget Office, Challenges in Implementing and Administering the Vacant Site Levy, 2020.
[124] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.

Section 87: Heritage Item Donation Threshold

Description:

Section 87 confirms the increases in the threshold for tax relief on the donation of heritage items. Section 1003 of the Taxes Consolidation Act 1997 provides for a tax relief to taxpayers who donate heritage items to Irish national collections. A credit equal to 80 percent of the market value of the item donated can be set against taxpayers' liabilities for certain taxes.

Table 35: Summary of Heritage Donation Threshold Measure

Heading	Details
Measure	Increase threshold for donations of Heritage Items
Budget Measure	Yes
First Year Cost (-/+)	- €1 million
Full Year Cost (-/+)	- €1.5 million

Changes:

- Currently, the aggregate value of items that can be donated under the scheme in any one year cannot exceed €6 million.
- The Bill provides for an increase of this aggregate value to €8 million.

Policy Background:

Taxpayers who donate heritage items to Irish national collections may avail of a tax credit equal to 80 percent of the donated item which can be set against the taxpayer's liability for certain taxes.[125]

Policy Impact:

The Finance Bill 2023 provides for an increase to the maximum overall value of heritage items that can be donated under the scheme within a year, on which the credit can be claimed. This measure will see the total value increase from €6 million to €8 million.[126]

[125] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.
[126] Department of Finance, Finance (No. 2) Bill 2023, Explanatory Memorandum, 2023.

Section 88: Residential Zoned Land Tax

Description:

The Residential Zoned Land Tax (RZLT) was announced in Budget 2022 and was introduced with a two-year lead-in time for land zoned before January 2022, and three years for land zoned after January 2022. Section 88 of the Finance Bill provides for the Budget 2024 extension to the liability date of the tax by a year to allow for the 2024 review of maps to take place.[127]

As noted previously by the PBO, the RZLT will be applied annually to owners of vacant or derelict land which has been zoned for residential use.[128] The 3 percent tax is based on the market value of the land in question. The RZLT will replace the vacant site levy. The Vacant Site Levy was collected by Local Authorities, but the RZLT will be collected by the Revenue Commissioners. Unlike the Vacant Site Levy, there is no minimum site exclusion.[129]

However, there are several exemptions for land that is used for the purposes of a trade/profession or infrastructure facilities, has a statutory condition that prevents development, pays commercial rates, or is designated as derelict and pays the derelict site levy.

Table 36: Summary of Residential Zoned Land Tax Measures

Heading	Details
Measure	Residential Zoned Land Tax deferral
Budget Measure	Yes
First Year Cost (-/+)	-
Full Year Cost (-/+)	-

Changes:

- Extension of the liability date of the tax by 12 months to allow for the planned 2024 review of maps.

Policy Background:

As part of the 'Housing for All' plan, the Government indicated an intention to introduce a Zoned Land Tax. This is part of a series of actions aimed to improve the quantity of housing available on the market, including direct spending. The RZLT was introduced to replace the Vacant Site Levy, which had encountered difficulties in implementation and raised limited revenue. The PBO highlighted this issue previously in a report in May

[127] KPMG, Taxing Times – Finance (No. 2) Bill 2023 and Current Tax Developments, 2023.
[128] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.
[129] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2021, 2021.

2020.[130] The Vacant Site Levy has been operation since January 2017. Since 2019, the levy is 7 percent of the market value of the land, and previously was 3 percent.[131]

Policy Impact:

The policy aims to provide an incentive for owners of undeveloped land zoned for residential purposes to build housing or to make them available to the market. This tax is aimed at increasing the supply of accommodation sites in Ireland. The RZLT is not intended to increase tax revenue, but instead to encourage development and change land owners behaviour. Each Local Authority has published their draft residential zoned land tax map showing lands that will be subject to the RZLT, as of 2nd November 2022.

Section 89: Defective Concrete Products Levy

Description:

Section 89 of the Finance Bill 2023 provides for the amendment of the levy on forms of concrete called the 'Defective Concrete Products Levy', Introduced as part of Budget 2023.

The measure aims to go some way to offset the cost to the State of the Defective Concrete Blocks (Mica) Redress Scheme. The levy applies to specific concrete blocks and pouring concrete. These products fit three broad criteria; they are – primarily used in the construction of buildings, primarily of a structural nature, and products composed primarily of concrete.[132] These concrete products are subject to recognised standards, to which they are required to be manufactured for their use in Ireland, and the levy will be attached to these standards. The levy will be set at a rate of 5 percent of the cost of the concrete product, ex VAT.

Table 37: Summary of Defective Concrete Products Levy

Heading	Details
Measure	Defective Concrete products Levy
Budget Measure	Yes
First Year Cost (-/+)	- €7 million
Full Year Cost (-/+)	- €7 million

[130] Parliamentary Budget Office, Challenges in Implementing and Administering the Vacant Site Levy, 2020.
[131] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.
[132] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.

Changes:

- Amended levy so it no longer applies to the pouring of concrete used in precast concrete products.

Policy Background:

The introduction of this measure arises from a Government decision taken in November 2021 that a levy should be imposed on the construction sector to contribute towards meeting the cost of the Mica Redress Scheme. The intention is to raise revenue to contribute towards the funding of the Defective Concrete Blocks Grant Scheme which was introduced by the Minister for Housing, Local Government and Heritage.[133]

Policy Impact:

While this measure may raise a limited amount of additional revenue for the Irish Exchequer it may also increase the cost of construction at a time when the Irish State is experiencing acute pressures in the housing and rental market. Previously, it was estimated the levy would add between 0.2 per cent and 0.35 per cent to the cost of building a three-bedroom home, and up to 0.2 per cent to the cost of an apartment.[134]

Sections 90-96: EU Minimum Tax Directive - Pillar Two

Description:

Sections 90 to 96 of the Finance Bill 2023 confirm the Ireland's implementation of the OECD's Pillar Two Agreement in 2019 to increase to Corporation Tax. This measure will implement a 15 percent minimum effective tax for large companies with turnover in excess of €750 million, while companies with turnover below this amount will continue to pay 12.5 percent Corporation Tax.[135]

Table 38: Summary of OECD Pillar Two Measures

Heading	Details
Measure	Increase to Corporation Tax
Budget Measure	No (OECD Agreement)
First Year Cost (-/+)	-
Full Year Cost (-/+)	- (Previous DFIN estimates suggested €2 billion)[136]

[133] Parliamentary Budget Office, Budgetary Issues in Finance Bill 2022, 2022.
[134] Irish Times, Concrete levy to be cut to 5% and delayed until September next year, 2022.
[135] Parliamentary Budget Office, Pre-Budget Commentary 2024, 2023.
[136] Parliamentary Budget Office, OECD BEPS and Irish Corporation Tax, 2022.

Changes:

- Increases the minimum effective corporation tax rate for companies with turnover in excess of €750 million to 15 percent.
- Retaining the 12.5 percent corporation tax for companies below this amount.

The Bill implements the Pillar Two minimum effective tax rate for large groups and companies by transposing the EU Minimum Tax Directive (Council Directive (EU) 2022/2523 of 15 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union) into Irish law.

Policy Background:

This measure following from agreement at the OECD to implement Pillar Two, which is a global minimum effective tax rate for companies on 15 percent on profits in each jurisdiction. The aim of this measure was to tackle profit allocation by multinational companies, which resulted in two separate rates being applied for larger companies and smaller companies. While this is currently being progressed at EU level, it is experiencing challenges within the USA.[137] The PBO previously noted in Ireland, "*this new rate will be implemented through the existing 12.5% rate and a 2.5% Qualified Domestic Minimum Top-Up Tax. Where firms have a turnover below this amount, they will only be subject to the 12.5% corporation tax rate.*"[138]

Policy Impact:

This measure may significantly impact on Ireland's economy and tax revenue. One main risk is Ireland's high concentration of tax receipts coming from Corporation Tax, as this is a highly volatile revenue source based around a small number of corporations.[139] In 2022, €22.6 billion in tax came from Corporation Tax, with around 87 percent of this coming from foreign owned multinationals.[140] The reliance on Corporation Tax is unsustainable in the long term and should be invested in long term infrastructural investments or used for future savings, rather than for current, day to day spending. The Dept. Finance estimated the increase to Corporation Tax may result in a reduction of around €2 billion, which would have significant impacts on the exchequer finances.[141] However, the existing rate of corporation tax for companies with smaller turnovers, below €750 million, ensures a continuation of the current policy applying the 12.5 percent, which benefits small and medium domestic firms.

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[137] Tax Foundation, Risks to the US Tax Base from Pillar Two, 2023.
[138] Parliamentary Budget Office, Pre-Budget Commentary 2024, 2023.
[139] Parliamentary Budget Office, Preliminary Review of Budget 2024, 2023.
[140] Parliamentary Budget Office, Pre-Budget Commentary 2024, 2023.
[141] Parliamentary Budget Office, OECD BEPS and Irish Corporation Tax, 2022.

Appendix: Further Measures

Angel Investor Capital Gains Tax Relief

Budget 2024 provided for a new CGT relief for angel investment in innovative start-ups. This follows on from a recommendation in the Commission on Taxation and Welfare report that Entrepreneur Relief be extended to angel investors, subject to appropriate limits and conditionality.[142] Such conditions recommended by the Commission include:

- The relief should only be available for third-party equity investors in early-stage micro, small and medium-sized trading companies less than seven years old;
- As this measure is aimed at aiding SMEs who are unable to benefit from supports like the EII, angel investors should not be able to claim both the EII or the Start-up Capital Incentive (SCI) and a reduced rate of CGT on the same investment; and
- Consideration should be given at design stage to introduce some conditionality that target the relief at serial entrepreneurship and encourages reinvestment.

Carbon Tax

Budget 2024 confirmed the increase in the Carbon Tax from €48.50 to €56.00 per tonne of CO_2, as legislated for in the Finance Act 2020. This increase of €7.50 per tonne will applies to auto fuels from 11th October 2023 and will apply to all other fuels from 1st May 2024. Figures from the Dept. Finance indicate the increase will yield €117 million in the first year, and €152 million in a full year.

Revenues generated by the Carbon Tax are used to fund programmes aimed at accelerating decarbonisation within the economy and to protect those who are most vulnerable to the effects of higher carbon prices.[143] This includes retrofitting programmes, targeted social welfare interventions, green and sustainable farming measures, among other programmes under the auspices of the Department of Transport and the Department of Housing, Local Government and Heritage.[144] The total revenue generated by the carbon tax to fund aforementioned programmes in 2024 is estimated at €788 million.[145]

[142] Commission on Taxation and Welfare, Foundations for the Future, 2022.
[143] Department of Finance, Budget 2024 Tax Policy Changes, 2023.
[144] Department of Finance, Budget 2024 Tax Policy Changes, 2023.
[145] Department of Finance, Budget 2024 Tax Policy Changes, 2023.

Compliance

While not provided for in the Finance Bill, Budget 2024 advised that Revenue Commissioners will conduct a range of targeted compliance management activities in 2024.[146] These activities focus on increasing taxpayer compliance in the areas of eCommerce, payroll and expenses reporting, and the cash/shadow economy; and are expected to yield €120 million in Exchequer receipts.

[146] Department of Finance, Budget 2024 Tax Policy Changes, 2023.

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