

# Budget 2020

## Life & Pensions Update



## Welcome to our Budget **2020** Summary

### Introduction

The Minister for Finance, Public Expenditure & Reform, Paschal Donohoe, delivered Budget 2020 today.

Due to continued uncertainty around the UK leaving the EU, the Minister has formulated Budget 2020 on the assumption of a no-deal Brexit on October 31. While there were a small number of positives for certain taxpayers, given the backdrop, it is no surprise that this year's Budget was a "conservative" one.

As expected, there were no pension related changes announced in the Budget speech. These types of changes tend to come through in the subsequent Finance or Social Welfare and Pensions Bills.

The last of the agreed reductions in the rate of Deposit Interest Relief Tax (DIRT) will take place as scheduled, however, we again saw no change to the 41% rate of Exit Tax on gains to life assurance policies.

The Department of Finance published a comparison document between DIRT and Exit Tax in December 2018. One of the conclusions was that the difference in the rates was not a contributing factor when a consumer is considering the type of product to save or invest in. We would not support this view and are disappointed that, once again, the opportunity to equalize the tax treatment for all savers was not taken.

**Details of the changes that will be of most interest to pension, protection and investment clients are outlined overleaf.**

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## 1. Pensions and Social Welfare

### State Pension (Contributory)

There is no change to the single rate of State Pension (Contributory) this year. It will remain at €248.30 per week. Instead, the Government has chosen to increase a number of the extra Social Welfare benefits with the focus being on those who are most vulnerable.

### Social Welfare Christmas Bonus

The Minister has confirmed that the Christmas bonus will be paid in full again this year to eligible Social Welfare recipients. The bonus will represent 100% of the weekly Social Welfare payment rate.

### Extra Social Welfare Payments

The **Fuel Allowance** will increase from €22.50 per week to €24.50 per week.

This is a means tested payment which, for those who are eligible, starts in October and currently runs for 28 weeks each year. The total annual payment, after the increase is applied, is €686.

### Why is this important?

Revenue confirmed earlier this year that they will allow individuals who receive a fuel allowance payment, household benefit package and/or telephone support allowance to take those payments into account in determining their specified income.

The **Living Alone Allowance**, which has always counted towards specified income for ARF purposes, will increase from €9 per week to €14 per week. This is paid in addition to an individual's weekly Social Welfare payment. To qualify for this increase you must live completely alone, however, there are some exceptions.

These changes will take effect from January 2020

#### Important

If you have an AMRF or Vested PRSA and you think these changes may impact you, please contact.

## 2. Deposit Interest Retention Tax (DIRT)

The rate of DIRT will decrease by 2% to 33% with effect from 1 January 2020.

This is the last of the phased reductions in DIRT that sees the rate return to the level it was at in 2013.

## 3. Exit Tax

Exit Tax will remain at the current rate of 41% for personally owned life assurance policies effected on or after 1 January 2001 (known as gross roll-up policies)

Exit Tax on any gains in a life assurance policy owned by an Irish company remains at 25%.

## 4. Income Tax, PRSI and USC

### Income Tax

There is no change to Income Tax rates or bands.

### Earned Income Credits

The Earned Income Credit for the self-employed and certain proprietary directors has increased by €150 from €1,350 to €1,500.

This is part of a 3 year move to bring this in line with the PAYE tax credit which is currently €1,650.

There was also an increase in the Home Carer Tax Credit from €1,500 to €1,600.

Typically these increases take effect from 1 January in the following year.

### Universal Social Charge (USC)

There is no change to USC rates or thresholds.

### PRSI

There is no change to PRSI rates.

As announced in Budget 2019, the employer contribution to the National Training Fund Levy will increase from 0.9% to 1% of their employees' reckonable earnings.

The levy is collected through the PRSI system which means that Employer PRSI will increase to 8.8% for employees with reckonable earnings equal to or less than €386 per week and 11.05% for employees with reckonable earnings more than €386 per week.

The increase is effective from 1 January 2020.

## 5. Corporation Tax

There is no change to the Corporation Tax rates of 12.5% for trading income and 25% for non-trading income.

## 6. Capital Acquisitions Tax (CAT)

There is no change to the CAT rate of 33%.

The CAT threshold between children inheriting from their parents will increase by €15,000 to €335,000 with effect from 9 October 2019. There were no changes to other CAT thresholds.

CAT Thresholds	
Group A: €335,000	Applies where the beneficiary is a child (including adopted child, stepchild and certain foster children) or minor child of a deceased child of the disponer. Parents also fall within this threshold where they take an inheritance of an absolute interest from a child.
Group B: €32,500	Applies where the beneficiary is a sibling, niece, nephew or lineal ancestor or lineal descendant of the disponer.
Group C: €16,250	Applies in all other cases.

There is no change to the small gift exemption which remains at €3,000 per annum.

## 7. Capital Gains Tax (CGT)

There is no change to the CGT rate of 33%.

## 8. Dividend Withholding Tax (DWT)

This is the tax withheld on a dividend payment before it is paid to shareholders. The rate is increasing from 20% to 25% from the 1 January 2020.

**Legislation, including the publication of the Finance and Social Welfare Bills, is expected in the near future. These may contain further changes not specifically announced in the Budget.**

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