Commission on Taxation & Welfare
An Coimisiún um Chánachas ⁊ Leas

Briefing Paper

Overview of main taxheads and key changes since 2009

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Key points

- The 2009 Commission on Tax recommended broadening the tax base by introducing carbon taxes, property taxes and water charges – all three measures were introduced, however the effectiveness of property tax and water charges as base broadening measures has been hindered by:
    - failures to update property valuation dates, and
    - public opposition to the concept of water charges, leading to their suspension,

  as such, these measures do not make a significant contribute to receipts.
- The introduction of the Universal Social Charge (USC) in 2011 was a significant development in the taxation of personal income. In the year 2020, USC receipts were €3.26 billion.
- While only the higher rate of Income Tax has changed since 2009, the amount of relief available has changed. A number of measures were undertaken to broaden the Income Tax base such as the reduction of the standard rate band and further restriction of deductions for higher income earners.
- Measures were introduced in the Income Tax and Corporation Tax codes to promote economic growth such as revamped entrepreneurial reliefs and changes to the Research and Development tax credit.
- Ireland also introduced a number of anti-avoidance measures in the corporation tax space, both domestically and on foot of international commitments relating to base erosion.
- The rates of Capital Gains Tax and Capital Acquisitions Tax have both increased to 33%, and have undergone a number of amendments to address avoidance issues in existing reliefs.
- Stamp Duty rates have generally reduced, reducing Ireland's reliance on residential property receipts and transactions. However, rates relating to non-residential property have increased agent in recent years. The reliefs have become more targeted at the farming sector.
- Tax administration has also undergone significant reform in this period, with digitisation giving rise to real-time reporting, pre-population of returns and electronic filing and payments, which has enabled Revenue to provide key assistance with support payments during the Covid-19 pandemic.
- The tax appeal process was also reformed during this period, leading to the establishment of the Tax Appeals Commission (TAC).

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1 Introduction

The purpose of this paper is to provide an outline of the main tax heads in Ireland and a brief summary of the key changes to the tax system since the last Commission on Taxation report (2009 Commission) was published.

2 Overview of the main tax heads[1] and key changes since 2009

2.1 Income Tax

Income Tax (IT) is charged on an annual basis. Individuals who are tax resident in Ireland are, broadly speaking, liable to IT on their worldwide income wherever it arises. Non-residents are liable to IT on income arising in Ireland. (See Appendix 1 for more details on tax residence and the implications thereof).

Most individuals pay their IT through the Pay as You Earn System (PAYE). Under this system, tax is deducted on a real time basis by the employer each time a payment is made to an employee (or director).

For self-employed and other individuals who receive income from sources which are not subject to tax through the PAYE system, such as rental income, dividends and deposit interest, IT operates on a self-assessment basis.

Married couples or civil partners may be taxed on an individual or joint basis.

There are currently two rates of IT, 20% (the standard rate) and 40% (the higher rate, which was reduced from 41% to 40% in Finance Act 2014). The point at which an individual moves from the standard rate to the higher rate depends on their individual circumstances. For example, currently, a single individual can earn up to €35,300 before moving to the higher rate of tax – this amount is referred to as their standard rate band.

Individuals may, depending on their personal circumstances, be entitled to tax credits, which directly reduce the amount of tax due. For example, currently a single person is entitled to a personal tax credit of €1,650 which can be set off against their IT liability. Additionally, there may be expenses, allowances or other reliefs available which directly reduce the income on which tax is paid.

[1] An outline of Pay-Related Social Insurance (which has both characteristics of a tax and an insurance) and key changes thereon is included in the paper - *Social protection: main supports and programmes, and key changes since 2009*

The rate bands and some of the credits available were reduced in Finance Act 2011 on foot of the economic downturn. The rate bands have been significantly restored in recent years. A summary of the current IT tax rates, bands and some tax credits, including a comparison to the 2009 position is set out in Appendix 2.

In addition to these amendments, a number of significant amendments have been made to the IT code since the 2009 Commission. Key changes include the following:

Changes broadening tax base

- The amendment, in Finance Act 2010, of the High Income Earner's Restriction (HIER). HIER restricts the ability of individuals with income of €125,000 or greater to use certain allowance and reliefs to excessively mitigate their tax liability. The 2010 Amendment sought to ensure affected individuals would pay an effective rate of 30% IT (previously 20%).
- The reduction, in Finance Act 2010, of the rate at which health expenses can be claimed. The rate was reduced from an individual's marginal rate[2] to the standard rate of IT. This change does not apply to claims made regarding nursing home expenses.
- The abolition, in Finance Act 2011, of:
    - the tax exemptions from benefit-in-kind[3] (BIK) for employer provided childcare and professional membership fees, and
    - relief for trade union subscriptions.
- The limitation of pension reliefs in Finance Act 2011, most notably:
    - the reduction in the standard fund threshold(SFT)[4] to €2.3m, and
    - the introduction of a €200,000 cap on tax free lump sum payments – this cap also applies to lump sum termination payments .
- The withdrawal, on a phased basis over the tax years 2011 to 2017, of the rent tax credit, an IT credit that was available to individuals who rented accomodation.
- The phasing out of mortgage interest relief, which provided IT relief for an element of qualifying morgtage interest paid on an individual's principal private residence. The relief ended on 1 January 2021 for all claimants.
- The cessation of top-slicing relief[5] on termination payments in Finance Act (No.2) 2013.

[2] The marginal rate is the tax rate imposed on the last euro of income.
[3] BIK is an IT charge applied to non-monetary emoluments
[4] The SFT is the generally applicable maximum tax-relieved pension fund for an individual and is currently set at €2m as of 1 January 2014
[5] This relief limited the tax payable on the taxable portion of a termination payment

Changes promoting economic growth

- The redesign of a number of Entrepreneurial reliefs including:
    - Employment Investment Incentive (EII) and the Seed Capital Scheme (SCS): These were introduced in Finance Act 2011 to replace the Business Expansion Scheme (BES) and previous SCS. These measures offer income tax relief on investments in certain trading companies and provide PAYE refunds to individuals seeking to start new corporate trades. SCS was rebranded to *Start-up Refunds for Entrepreneurs* (SURE) in Budget 2015.

      These measures were further updated in Finance Act 2018 to ensure compliance with European State Aid Rules.
    - Start-up Capital Incentive (SCI): This was introduced in Finance Act 2018 and seeks to attract early stage equity investment in micro-companies from family members of existing shareholders.
- The introduction, in Finance Act 2012, of the Foreign Earnings Deduction (FED) and Special Assignee Relief Programme (SARP).
    - FED was introduced to support efforts by multinational and indigenous firms to expand into BRICS[6] countries by granting income tax relief to certain employees.
    - SARP, which was introduced to encourage the expansion of companies located outside the State to Ireland, provides IT relief for certain people who are assigned from such companies to work for those companies in the State, or for associated companies.
- The introduction, in Finance Act 2015, of an Earned Income Credit for self-employed individuals. The credit was originally €550 and was increased on an incremental basis to €1,650 by 1 January 2021.
- The introduction, in Finance Act 2017, of the Key Employee Engagement Programme (KEEP). This is a focused share option programme, intended to help SMEs attract and retain talent in a highly competitive labour market. KEEP shares are exempt from IT, Universal Social Charge and employer PRSI, requiring an employee to only pay Capital Gains Tax on the ultimate disposal of the shares.

Changes relating to housing

[6] Brazil, Russia, India, China and South Africa

- The introduction, in Finance Act No. 2 2013, of the Home Renovation Incentive (HRI). This provided tax relief for homeowners by way of an IT credit equal to 13.5% (effectively a refund of the VAT incurred) of qualifying expenditure incurred on repair, renovation or improvement work carried out on a homeowner's home or rental property. The incentive ended at the end of 2018.
- The introduction, in Finance Act 2016, of Help to Buy (HTB). This provides for a repayment of tax to assist first-time buyers to obtain a deposit to purchase or build their first home. The repayment consists of IT, in addition to Deposit Interest Retention Tax (DIRT), paid by the individual for the four tax years prior to making an application. The initiative is due to end at the end of 2021.

Other Changes

- The removal, in Finance Act 2010 of the remittance basis of assessment[7] for foreign income of Irish citizens not ordinarily resident[8] in the State. This broadened the scope of income within the charge to Irish tax. Further amendments were made to the remittance basis in Finance Act 2013 to address issues arising relating to offshore gifts between spouses.
- The introduction of provisions in Finance Acts 2011 and 2015 to ensure that all marriages and civil partnerships which are legally recognised in the State are also legally recognised for tax purposes.
- The introduction of the Living City Initiative in Finance Act 2013. These are property tax incentives that apply in certain 'special regeneration areas' in the centres of Dublin, Cork, Limerick, Galway, Waterford and Kilkenny.
- The introduction, in Finance Act 2017, of benefit-in-kind (BIK) exemptions in respect of the provision of electric vehicles and charging points.
- The introduction, in the Financial Provisions (Covid-19) (No. 2) Act 2020, of the ability to carry-back income tax losses to reduce taxable income arising in the prior year for the first time. The measure is limited to losses incurred during the pandemic[9].

[7] The remittance basis of assessment restricted Ireland's taxing rights to amounts remitted into the State by the taxpayer. The 2009 Commission was critical of the remittance approach as it contravened equity principles by treating two resident individuals differently. Elements of the remittance basis remain in the IT code.
[8] Ordinary residence is explained in Appendix 1
[9] Although 'carry-back' rules existed for CT previously, the Bill also allowed for the carry back of *estimated* CT losses arising during the pandemic.

2.2 Universal Social Charge

The introduction of the Universal Social Charge (USC) in 2011 was a significant development in the taxation of personal income. The USC replaced the health contribution as well in addition to the income levy that was introduced in 2009 by way of Finance Act (No.2) 2008.

The stated policy objective of the USC was to widen the tax base, eliminate poverty traps, smoothen the progression between income levels and raise revenues in a time of high budget deficits. In the year 2020, USC receipts were €3.26 billion.

There have been several rate changes to the USC over the last decade (which are detailed in Appendix 3). There are currently five rates of USC, with gross incomes under €13,000 exempt from the tax. Self-employed income above €100,000 is subject to an additional USC surcharge of 3%. A reduced rate of USC is available for medical card holders and those aged 70 or older with total income of €60,000 or less.

Although both IT and USC are taxes on income, several differences arise between the two taxheads. For example, all Department of Social Protection payments are exempt from the USC. Additionally, USC is charged on an individual basis, unlike with IT where married couples and civil partners can be jointly assessed.

2.3 Domicile Levy

The Domicile Levy was introduced in Finance Act 2010, and with effect from January 2010, to ensure that wealthy Irish domiciled individuals with substantial property ties to Ireland (see Appendix 1 for a note on domicile) pay a minimum amount of tax in the State.

Irish domiciled individuals may need to pay a levy of up to €200,000 where:

- their worldwide income exceeds €1 million,
- they have Irish property greater in value than €5 million, and
- their Irish IT in a year was less than €200,000.

Revenues from this levy have been small at €1.41m in 2017 and €3.13m in 2018/2019 (latest data available).

2.4 Corporation Tax

Corporation tax (CT) is charged on the profits (income and gains) of a company. The standard rate of corporation tax in Ireland, which applies to trading profits, is 12.5%.

Other rates apply to companies as follows:

- 25% for non-trading income (e.g. interest, rents, royalties)
- 25% for income from an excepted trade[10]

Although generally taxed as part of profits, companies' chargeable gains are subject to Capital Gains Tax (CGT) rules. As CT and CGT rates differ, special computational rules are applied to such gains, to ensure they are effectively taxed at the applicable CGT rate. In certain anti-avoidance scenarios, CGT applies directly to the chargeable gain instead.

A company may be able to deduct certain amounts in arriving at taxable profits. For example a trading entity may deduct expenditure incurred wholly and exclusively for the purposes of the trade. Relief for capital expenditure may also be available in the form of capital allowances (a concept similar to tax depreciation). Capital allowances may be available in respect of plant, machinery, buildings and intellectual property.

There have been some significant developments in Ireland's corporation tax regime since the 2009 Commission, including the following:

- The introduction in Finance Act 2009, of a new capital allowance regime for intangible assets, including intellectual property as a means of supporting the smart economy.
- Changes, in Finance Acts 2013 (No. 2) and 2014, to company residency rules, requiring all companies registered in Ireland to also be tax resident in Ireland. As part of these amendments, it was no longer possible for an Irish registered company to be stateless for tax residence purposes, which lead to the shutdown of the so called "Double Irish" tax structures.
- The introduction in Finance Act 2015 of the Knowledge Development Box, with the aim of encouraging investment in research and development (R&D) in Ireland. It offers a 6.25% tax rate on profits deriving from certain intellectual property developed using Irish-based R&D.

[10] Excepted trades generally refer to those dealing with dealing or developing land (but not construction) and mineral and petroleum activities.

- The introduction in Finance Act 2018, of a new incentive for provision of childcare services or fitness centre facilities by employers[11] to employees, in the form of accelerated allowances for capital expenditure incurred.
- Changes to the research and development (R&D) tax credit regime, a regime which typically allows companies to claim tax credits of up to 25% of qualifying research expenditure. Some changes include:
  - Provisions introduced in Finance Act 2012 allowing a company to transfer its R&D credits to key employees in certain circumstances.
  - Provisions introduced in Finance Act 2019 which improved R&D tax credits for small and micro entities. Qualifying smaller entities can claim a credit of up to 30% for qualifying research activities and also claim pre-trading R&D credits to reduce any CT liabilities arising prior to commencement of the trade.

  In recent years, Ireland has also transposed a number of EU directives, and introduced a number of actions as a result of the OECD Base Erosion and Profit Shifting (BEPS) initiatives, aimed at tackling aggressive tax planning by corporations[12]. Ireland has also introduced a number of anti-avoidance measures domestically in this period to combat artificial transactions and excessive interest deductions.

A number of corporate housing vehicles, such as the Real Estate Investment Trust (REIT) and Irish Real Estate Fund (IREF), were also introduced in this period – the tax treatment of these will be outlined in later papers on Housing.

For more information on recent changes to Ireland's Corporation Tax regime see *Update to Ireland's Corporation Tax Roadmap, 2021.*

2.5 Value Added Tax

Value Added Tax (VAT) is a tax on the supply of goods and services and is charged as a percentage of the good or service supplied. How member states apply VAT is determined by EU law. VAT is the second highest yielding tax in the State and has undergone very few changes since the 2009 Commission was published.

[11] This amendment applies to all businesses whether in the scope of IT or CT.
[12] These are further detailed in the International obligations section of the 'Overview of economic principles and fundamentals of a tax system' paper.

The standard VAT rate was cut from 21.5% to 21% in 2010 and was subsequently increased to 23% in 2012. As part of the Covid-19 July Stimulus Package VAT was reduced temporarily to 21%, before the 23% rate was reinstated in March 2021.

The VAT rate for the tourism and hospitality sector was reduced in 2011 from 13.5% to 9% with the policy objective of stimulating economic activity in this sector following the economic crisis in the 2000s. The 13.5% rate was reinstated in Finance Act 2018, but was reduced again to 9% in Finance Act 2020 – the rate is currently set to revert to 13.5% in September 2022.

2.6 Excise

Excise duties are taxes on the consumption or use of certain products or income. There are three broad categories of excise in Ireland, EU excises (being excises required under EU law), Vehicle Registration Tax (VRT), and other national excise duties.

Excise duties on alcohol, tobacco and energy products (including motor and heating fuels, electricity and natural gas) are required under EU legislation. EU legislation determines the structure of the tax, the minimum rates of duties and the general provisions that apply.

VRT is payable on the registration of a vehicle in the State. All motor vehicles in the State, other than those brought in temporarily by visitors, must be registered with the Revenue Commissioners (Revenue).

Other national excises include betting duty, bookmaking premises duty, bookmakers' licence duty, and air travel tax, as well as duty on permits and licences required for gaming and amusement machines and by auctioneers.

Increasing rates of Excise Duty on alcohol and tobacco have led to an increase in receipts from €4.9billion in 2009 to €5.8billion in 2019.

In 2018 the Sugar Sweetened Drink Tax (SSDT) was introduced. This applies to water and juice based drinks with high sugar content. The scope of the tax was extended with effect from 1 January 2019 to include certain plant protein drinks and drinks containing milk fats.

2.7 Local Property Tax

One of the key recommendations that came out of the 2009 Commission was to introduce an annual tax on residential property. The key policy rationale behind the recommendation was to broaden the tax base, while creating a stable base that was not reliant on transaction-based taxes such as stamp duty.

The Local Property Tax (LPT) came into effect in 2013 as a capital tax based on the self-assessed value of a homeowner's residential property. The valuation of the home for LPT purposes is based on the market value of the property on the "valuation date" which was, and remains, 1 May 2013. As such, those who purchased a residential property in 2013 are exempt from LPT until the next valuation date.

The valuation date was initially due to be updated to 1 November 2019. However, in April 2019, it was announced that this update would be deferred until 1 November 2021. In June 2021, it was confirmed that legislation is being introduced to amend the valuation date to 1 November 2021, bringing homes built since 2013 into the charge. The valuation date is expected to be revised every 4 years thereafter.

For properties valued at lower than €1 million the rate of LPT which applies is 0.18%. Properties valued at over €1 million are charged 0.25% on the portion of the value above €1 million. LPT receipts currently account for approx. €482 of total receipts for 2020. Although the rate band structure will be revised in November 2021, it has been adjusted to account for increases in property values generally since 2013. As such, the majority of current LPT taxpayers are not expected to face increased LPT charges - increased receipts will mainly be derived from those brought into the charge for the first time.

Since 2015, local authorities can increase or decrease the LPT base rate by up to 15%. This is referred to as the local adjustment factor.

When initially introduced LPT was transferred by Revenue to the Exchequer. From there it was transferred on to the Local Government Fund, which is managed and administered by the Department of Housing, Planning & Local Government. Following amendments introduced in the Water Services Act 2017, and with effect from 1 January 2018, Revenue now transfers LPT receipts to the Local Government Fund directly.

2.8 Capital Gains Tax

Capital Gains Tax (CGT) is chargeable on gains made on the disposal of capital assets. For the purposes of CGT a 'disposal' is not limited to a sale, and includes other events such as the gift or exchange of an asset.

A chargeable gain is the difference between the market value of the asset at the time of the disposal, less the cost of the asset and any allowable expenses. Allowable expenses include amounts spent to enhance the value of the asset as well as fees arising on acquisition or disposal such as auctioneer's fees.

The first €1,270 of chargeable gains made by an individual in a year are exempt from CGT. Assets may also be transferred between spouses or civil partners without attracting a chargeable gain.

The primary rate of CGT is 33%, however other rates may apply in limited circumstances as follows:

- 40% for gains from foreign life policies and foreign investment products.
- 15% for gains from venture capital funds for individuals and partnerships.
- 12.5% for gains from venture capital funds for companies.

Ireland is noted as having a comparatively high headline rate of CGT. However, this is offset by a number of reliefs and exemptions, such as the following:

- Principal private residence (PPR) relief: A CGT exemption available to individuals on the disposal of their main residence.
- Retirement relief: A CGT relief which may be available to individuals over 55 when disposing of a business or qualifying farming assets.
- Entrepreneur relief: A CGT relief that applies a reduced rate of CGT of 10% to sales of qualifying business assets or shares in qualifying businesses by entrepreneurs where certain criteria are met.
- Transfer of site relief: A CGT exemption which may be available where a parent transfers ownership of a site to their child.
- Transfer of business relief: A CGT exemption available to individuals who transfer their business to a company in exchange for shares (usually available at incorporation).

The CGT rate has increased four times since 2008 from 20% to the current rate of 33% which has applied since the end of 2012.

Other key changes include the following:

- The introduction of restrictions to the retirement relief regime in Finance Act 2012 to encourage the timely transfer of business assets by those over 55 and to cap the total exemption available.
- The introduction of entrepreneur relief (noted above) in Finance Act No. 2 2013. This relief has undergone several modifications since its introduction.
- The introduction of the Anti-Tax Avoidance Directive (ATAD) exit tax regime in Finance Act 2018 which taxes unrealised capital gains on assets transferred offshore and outside of the scope of Irish tax.

The 2009 Commission recommended reinstating the following CGT provisions which had both been removed in Finance Act 2003:

- Indexation relief[13], which provided that gains attributable to inflation were excluded from the charge to CGT.
- CGT rollover relief, which allows a trader to defer the payment of capital gains tax where the disposal proceeds of a business asset are reinvested in a new business asset. The 2009 Commission recommendation on reinstating this relief only extended to a situation where the gains were on disposal of farmland pursuant to a compulsory purchase order (CPO) where the proceeds are reinvested in farmland.

The rationale for the abolition of these measures in 2003 was to broaden the tax base in order to support the lower headline rate of CGT which was 20% (and which had been reduced from 40%). In the case of rollover relief, the measure was viewed as facilitating permanent deferral of the charge, which contributed to its removal.

2.9 Capital Acquisitions Tax

Capital Acquisitions Tax (CAT) is a tax on gifts and inheritances. It is charged on the 'taxable value' of the gift or inheritance – which is the market value of the gift or inheritance less any relevant costs or expenses incurred by the recipient, as well as any consideration paid.

At the time of the 2009 Commission the rate of CAT was 25%. It increased to 33% in 2012 and has remained at that level since.

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[13] Although indexation relief was withdrawn in Finance Act 2003, it remains applicable to disposals where the asset was acquired prior its withdrawal. The gain is adjusted for any inflation arising between the acquisition date and the date the relief was withdrawn.

The amount of CAT payable is dependent on the relationship between the person giving the gift or inheritance (the disponer) and the recipient. Relationships are grouped for CAT purposes and different tax free thresholds (group thresholds) apply to different groups.

Table 1: Capital Acquisitions Tax groups

Group	Relationship to the disponer
A	Child (son or daughter, including step-children and certain foster children), or a minor child of a deceased child of the disponer. Parents also fall within this threshold only where they take an absolute inheritance from a child.
B	Sibling (brother or sister), niece or nephew, or a lineal ancestor or descendant of the disponer where not included in A).
C	Other than A or B

Gifts and inheritances between spouses or civil partners are exempt and fall outside of the groups.

CAT is generally chargeable on value of the gift or inheritance in excess of the relevant group threshold amount. Gifts and inheritances received within the same group threshold are cumulative.

Since 2009, the group thresholds have been reduced significantly, reaching their lowest point from December 2012. In October 2015, the thresholds began to increase again and have been at their current rates since October 2019. The absolute difference between the 2009 and current thresholds is set out in the table below:

Table 2: Group threshold amounts – 2009 vs 2021

Year	Group A	Group B	Group C
2009	€542,544	€54,254	€27,127
2021	€335,000	€32,500	€16,250

There are a number of exemptions and reliefs from CAT which include the following:

- Small gift exemption: This provides that gifts of €3,000 or less, from any one person, in a year are exempt.[14]
- Agricultural relief: Subject to certain qualifying conditions, this relief reduces the taxable value of gifts or inheritances of qualifying agricultural property, including land, by 90%.
- Business relief: Subject to certain qualifying conditions, this relief reduces the taxable value of gifts or inheritances of relevant business property by 90%.

[14] This is cumulative for the year i.e. a person cannot issue two gifts of €2,500 to avail of two exemptions. Where a single gift of say €4,000 is given to a person in a year, the first €3,000 is exempt.

- Dwelling house exemption: This allows for the CAT exempt transfer of a dwelling house where certain criteria are met.
- Favoured nephew/niece relief: This allows for the group A threshold to apply when transferring qualifying business assets to a nephew or niece where certain criteria are met.

Apart from changes to the rate and thresholds, since the 2009 Commission a number of other amendments were made to CAT including the following:

- The introduction of changes, in Finance Act 2014, which require that gifts or inheritances of agricultural property must be used for agricultural purposes in order for the relief to apply.
- The introduction of restrictions, in Finance Act 2016, to the dwelling house exemption to address avoidance issues. Notwithstanding the other criteria being met the exemption ceased to apply:
    - to gifts of dwelling houses where not made to a dependent relative[15] of the disponer, and
    - to inheritances of a dwelling house unless:
        - the house was inherited by a dependent relative, or
        - the inheritance was the main residence of both the disponer and the recipient.

2.10 Stamp Duty

Stamp Duty is a tax on documents (instruments). It applies to a broad range of instruments that are executed in the State, relate to any property in the State or to any matter or thing “done or to be done” in the State.

Stamp duties chargeable in Ireland fall into two main categories:

- Duties payable on a wide range of legal and commercial documents, including conveyances of property, leases of property, share transfer forms and certain agreements.
- Duties and levies payable by reference to statements. These duties and levies mainly affect banks and insurance companies and include duties in respect of financial cards and levies on certain insurance premiums and pension schemes.

Generally the purchaser is the person liable (the accountable person) to pay Stamp Duty, but this is not always the case.

[15] A dependent relative is one who is dependent on a person either due to being permanently incapacitated or due to old age.

As the tax is on the actual documents rather than the underlying transaction, where no document is executed, no stamp duty is payable.

Stamp duty rates for residential properties have decreased significantly since the 2009 Commission.

Table 3: Stamp duty on residential property – pre and post December 2010

Pre December 2010		Post December 2010	
Consideration:	**Rate:**	**Consideration:**	**Rate:**
Less than €127,000	Exempt	**First 1 million**	1%
First €125,000	0%	**Balance**	2%
Next €875,000	7%		

The Stamp Duty rate for non-residential property[16] instruments moved from a multi-rate system to a single rate system in 2011. This rate was initially 2% but increased to 6% on Budget night 2018 and 7.5% on Budget night 2020.

Stamp Duty is paid at a rate of 1% on instruments relating to shares, stocks or marketable securities. This is unchanged since the last Commission.

There are a number of stamp duty reliefs available to those in the agricultural sector which are targeted at facilitating agricultural land succession. These include the following:

- Consanguinity relief: This applies a 1% stamp duty rate to transfers of farmland[17] between certain relatives where certain criteria are met.
- Young trained farmer's relief and relief for leases of farmland: These reliefs allow active farmers to reduce their Stamp Duty liability when certain criteria are met.

Other exemptions and reliefs exist outside of the agricultural space such an exemption for documentation underpinning the transfer of assets within certain corporate groups.

Key changes to Stamp Duty since the 2009 Commission include the following:

- The withdrawal in Finance Act 2011, of a series of reliefs relating to residential property, including reliefs for first time buyers and on transfers of sites from parents to children.
- The gradual withdrawal of consanguinity relief which previously applied a 50% Stamp Duty reduction to all transfers between certain relatives - the relief is now limited to Stamp Duty arising on the transfer of certain farmland (as set out above).

[16] Not just limited to non-residential land and buildings, also includes other property such as debtors.
[17] Non-residential property that is suitable for farming and farm buildings of a character appropriate to the farmland.

2.11 Carbon Tax

The introduction of a Carbon Tax was set out in the terms of reference of the 2009 Commission and was ultimately one of the recommendations. The policy objective of the carbon tax is to change patterns of consumption in such a way as to reduce the use of fossil fuels.

Introduced in Finance Act 2010 at a rate of €15/tonne the Carbon Tax originally applied to auto-fuels from 9 December 2009. The charge was extended to other mineral oils and natural gas from 1 May 2010. The rate was increased to €20/tonne in Finance Act 2012.

By 2014, the Carbon Tax was extended to solid fuels which were subject to a rate of €20/tonne[18]. The United Nation's Paris Agreement set in train the introduction of a set of legally binding Climate Targets at EU and national level, placing climate change firmly on the political agenda.

In Finance Act 2019 Carbon Tax increased to €26/tonne and subsequent 2020 receipts were approx. €494m. In Finance Act 2020, the rate was further increased to €33.50/tonne. The Programme for Government highlights the Government's intention to increase the Carbon Tax to €100/tonne by 2030.

2.12 Water Charges

The 2009 Commission recommend that domestic water charges should be phased in over a five year period. It noted that the charges should be substantially based on use but should commence with a flat rate charge and move to volumetric billing once meters were put in place.

This became an area of much controversy, and in 2016 water charges were suspended. In November 2016 the "Expert Commission on Domestic Public Water Services" published its report recommending that normal household water usage should be paid for by the State, with excessive usage paid for by the consumer in a "polluter pays" model. [19] The implementation of excess water charges, although expected in 2022, appears to have been deferred indefinitely.

3 Changes to tax administration

Since the 2009 Commission, a number of changes have occurred in the area of tax administration including the reform of the tax appeals process.

[18] Having been introduced on a phased basis at €10/tonne in 2013

[19] Expert Commission on Domestic Public Water Services

3.1 Digitisation

Many of the changes have been driven by developments in technology with Revenue, supported by relevant legislation, adopting a “digital first” approach. This approach enables Revenue to more seamlessly support voluntary compliance, and through the increased use of data and analytics, to target and tackle non-compliance.

As a result of these changes, in 2020, 9.2 million electronic payments were made to Revenue with a value of €77 billion, and 5.3 million electronic returns were received.

One of the main developments in tax administration in recent years was the introduction of PAYE Modernisation with effect from 1 January 2019. This real-time reporting regime for PAYE delivered the most significant reform of the PAYE system since it was first introduced in 1960. The reporting process by employers to Revenue is now fully integrated into the employer’s payroll, which means that Revenue, employers and employees have the most accurate, up to date information relating to pay and statutory payroll deductions. This has improved the accuracy, ease of understanding and transparency of the PAYE system for all stakeholders.

This integration has also contributed to a significant streamlining of business processes and to reducing administrative cost for employers and Revenue. It was central to the ability of Revenue to administer a number of key COVID-19 support schemes on behalf the Government, including the Temporary Wage Subsidy Scheme (TWSS), the Employment Wage Subsidy Scheme (EWSS), the Debt Warehousing Scheme and the Covid Restriction Support Scheme (CRSS). In 2020, Revenue paid €2.8 billion[20] in subsidies to 66,600 employers in respect of 664,500 employees on the TWSS. In addition, it paid €1.42 billion[21] in subsidies, under the EWSS, to 39,600 employers in respect of 443,100 employees, and €146 million[22] in supports to 16,600 businesses in respect of 19,000 business premises under the CRSS.

In addition to PAYE Modernisation a number of other initiatives were introduced since the 2009 Commission, including the following:

- The expansion of e-filing: Nearly all returns can now, and in many instances must, be completed and submitted online via Revenue’s Online Service (ROS). As noted above, in 2020 Revenue received 5.3m electronic returns.

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[20] Gross TWSS subsidies claimed as at 4 January 2021.
[21] Gross EWSS subsidies claimed as at 4 January 2021.
[22] Gross CRSS claims processed for payment as at 4 January 2021.

- Pre-Populating Tax Returns: Over the past number of years, significant progress has been made as regards the pre population of certain data on annual tax returns using data from a range of sources, including the following:
  - Employers
  - The Department of Social Protection
  - The Department of Agriculture, Food and Marine
  - The Residential Tenancies Board

  This makes it easier for taxpayers to complete tax returns, minimises the scope for errors and omissions, reduces cost, and speeds up the process of filing a tax return.

  In addition, to assist with the administrative burden of corporate taxpayers, Revenue now pre-populates data from the Companies Registration Office (CRO) on Revenue's eRegistration system. Details are automatically updated on Revenue taxpayer records when companies change their name, are struck off or have been restored to the CRO record. This initiative speeds up the tax registration process for new companies, existing customers and tax agents, ensuring that taxpayers and their agents no longer need to contact both the CRO and Revenue for the same event.
- The introduction of eTax Clearance (eTC): Replacing the paper based system for tax clearance, eTC provides taxpayers with on-line tax clearance based on real-time tax return and payment information. eTC means that taxpayers no longer need to provide a paper certificate to confirm tax clearance to a third party as clearance can be verified online.
- The introduction of a new Debt Management Service (DMS): This fully online system gives taxpayers greater flexibility to manage their payment schedule and make certain alterations to suit their circumstances as well as providing an online facility for viable businesses experiencing tax payment difficulties to apply for a phased payment arrangement.
- The launch of a redesigned, mobile friendly, website: The website enables and encourages users to self-serve for information and to seamlessly access online services, by organising and presenting content in a way that meets their diverse needs and in a manner that is easy to understand.

3.2 Tax appeals reform

Another significant reform of note since the 2009 Commission in the area of tax administration, is the reform of the tax appeals process which led to the establishment of the Tax Appeals Commission (TAC) in 2016.

The establishment of an independent tax appeals body with detailed procedures and functions gives taxpayers more certainty in the tax appeals system. Prior to its establishment, taxpayers were required to make their appeals to the Appeal Commissioners[23] via Revenue instead of directly to TAC.

The appeals process became more streamlined as part of this reform, allowing for determinations to be reached and ultimately allowing Revenue and the taxpayer to determine liabilities in a timelier manner.

In addition, determinations are now required by law to be published online, which allows for greater transparency in the administration of tax appeals.

[23] Although the appeal was required to be made via Revenue, it should be noted that the Appeal Commissioners was a separate function to Revenue even prior to this reform.

Appendix 1: Residence, ordinary residence and domicile

Residence

Ireland's tax residence tests are based on time spent in Ireland in the current year, with a 'look back' to the previous year. An individual is tax resident in Ireland for a tax year if he or she:

- is present in Ireland for 183 days or more in that tax year, or
- is present in Ireland for 280 days or more in aggregate in that tax year and the preceding tax year (the 'two-year test').

Any day in which an individual is present in the State at any time is counted for tax residence purposes. Presence in Ireland for periods of 30 days or less in any tax year is not taken into account in applying the two-year test.

Ordinary residence

Ordinary residence for tax purposes in Ireland is established after three consecutive years of tax residence in Ireland. An individual ceases to be ordinarily resident when he or she has been non-tax resident for three continuous years.

Domicile

Domicile is a legal concept which is based on an individual's 'permanent home', regardless of residency status at any particular time, and depending on the facts of each case. Generally, persons are domiciled in the country of which they are nationals and in which they spend their lives.

- Under Irish law, every individual is regarded as acquiring a domicile of origin at birth - this is the domicile of the father or mother, depending on circumstances.
- An individual may acquire a domicile of choice by showing (by means of arrangements made regarding his or her personal and economic affairs) that the intention is to acquire and retain a new domicile.

Summary of implications of residence, ordinary residence and domicile

Table 4: Implications of residence, ordinary residence and domicile

Circumstances	Tax Implications
Resident, ordinarily resident and domiciled	Taxable on worldwide (subject to double taxation agreements).
Resident and ordinarily resident, but not domiciled	Taxable on tax on Irish source income and foreign source income to the extent that it is remitted to Ireland.
Not resident, but ordinarily resident and Domiciled (e.g. recently emigrated)	Taxable on worldwide income except: • Trading/professional income earned outside Ireland • Foreign investments up to €3,810 (if over this amount, you are taxed on the full amount)
Not resident, ordinarily resident, nor domiciled	Taxable on Irish source income only.

Appendix 2: Comparison of income tax rates, bands and credits[24]

Income Tax rates and bands

Table 5: Income tax rates and bands - 2009 vs 2021

Circumstances	2021	Circumstances	2009
• Single • Widowed, or • Surviving civil partner, without qualifying children for Single Person Child Carer Credit (SPCCC)	First €35,300 @ 20% Balance @ 40%	• Single, or • Widowed, and not qualifying for One Parent Family Credit (OPF)	First €36,400 @ 20% Balance @ 41%
• Single • Widowed, or • Surviving civil partner, with qualifying children for SPCCC	First €39,300 @ 20% Balance @ 40%	• Single, or • Widowed, and qualifying for OPF	First €40,400 @ 20% Balance @ 41%
Married or in a civil partnership – one spouse or civil partner with income	First €44,300 @ 20% Balance @ 40%	Married - one spouse with income	First €45,400 @ 20% Balance @ 41%
Married or in a civil partnership - both spouses or civil partners with income	Up to €70,600 @ 20%* Balance @ 40%	Married - both spouses with income	Up to €72,800 @ 20%** Balance @ 40%

*The increase in the rate band between the single income and dual income categories is capped at the lower of €26,300 or the income of the lower earner.

** The increase in the rate band between the single income and dual income categories is capped at the lower of €27,400 or the income of the lower earner.

[24] Further information on tax rates, bands, credits and reliefs is available on the Revenue website

Income Tax credits[25]

Table 6: Comparison of basic income tax credits – 2009 vs 2021

Credit	2021	Credit	2009
Single person	€1,650	Single person	€1,830
Married person or civil partner	€3,300	Married person	€3,660
Widowed person or surviving civil partner • Bereavement year • Other year – dependent children • Other year – no dependent children	 €3,300 €2,190 €1,650	Widowed person • Bereavement year • Other year – dependent children • Other year – no dependent children	 €3,660 €2,430 €1,830
Widowed parent (includes surviving civil partner with dependent children) – 1st year after bereavement*	€3,600	Widowed parent – 1st year after bereavement*	€4,000
Employee (PAYE) tax credit	€1,650	Employee (PAYE) tax credit	€1,830
Earned income tax credit	€1,650	Earned income tax credit	N/A
Single person child carer credit	€1,650	One parent family credit	€1,830
Age tax credit • Single, widowed or surviving civil partner • Married or in civil partnership	 €245 €490	Age tax credit • Single • Married	 €325 €650
Home carer tax credit**	€1,600	Home carer tax credit**	€900
Incapacitated child tax credit	€3,300	Incapacitated child tax credit	€3,660
Dependent relative tax credit***	€245	Dependent relative tax credit***	€80
Blind tax credit • Single, widowed or surviving civil partner • Married or in civil partnership - one spouse or partner blind • Married or in civil partnership - both spouses or partners blind	 €1,650 €1,650 €3,300	Blind tax credit • Single or widowed • Married, one spouse blind • Married both spouses blind	 €1,830 €1,830 €3,660

*The credit tapers off over the 5 years immediately after the year of bereavement
** The home carer tax credit tapers where the home carer's income is above a certain threshold. This threshold was €7,200 in 2021 and €5,080 in 2009

***This credit is subject to a maximum income limit. This was €15,060 in 2021 and €13,837 in 2009

[25] This selection is not exhaustive

Appendix 3: Standard USC Rates 2011 to 2021

Table 7: Standard USC Rates 2011 to 2021

Year	Rates

2011	USC replaced income and health levies – initial standard USC rates were as follows:
	• If total taxable income of less than €4,004: exempt
	• Otherwise:
	  • First €10,036 taxable @ 2%,
	  • Next €5,980 taxable @ 4%,
	  • Balance taxable @ 7%.
	• Individuals (under 70) with non-PAYE income in excess of €100,000 are subject to a 3% USC surcharge on the excess.

2012-2014	Standard rate structure same as 2011 USC exemption extended – now applies where total taxable income is €10,035 or less

2015	• If total taxable income of less than €12,012: exempt
	• Otherwise:
	  • First €12,012 taxable @ 1.5%,
	  • Next €5,564 taxable @ 3.5%,
	  • Next €52,468 taxable @ 7%,
	  • Balance taxable @ 8%.
	• Age limit on 3% USC surcharge on non-PAYE income removed.

2016	• If total taxable income of less than €13,000: exempt
	• Otherwise:
	  • First €12,012 taxable @ 1%,
	  • Next €6,656 taxable @ 3%,
	  • Next €51,376 taxable @ 5.5%,
	  • Balance taxable @ 8%.
	• 3% USC surcharge on non-PAYE income unchanged.

2017	• If total taxable income of less than €13,000: exempt
	• Otherwise:
	  • First €12,012 taxable @ 0.5%,
	  • Next €6,760 taxable @ 2.5%,
	  • Next €51,272 taxable @ 5%,
	  • Balance taxable @ 8%.
	• 3% USC surcharge on non-PAYE income unchanged.

2018	• If total taxable income of less than €13,000: exempt
	• Otherwise:
	  • First €12,012 taxable @ 0.5%,
	  • Next €7,360 taxable @ 2%,
	  • Next €50,672 taxable @ 4.75%,
	  • Balance taxable @ 8%.

	• 3% USC surcharge on non-PAYE income unchanged.

2019	• If total taxable income of less than €13,000: exempt
	• Otherwise:
	  • First €12,012 taxable @ 0.5%,
	  • Next €7,862 taxable @ 2%,
	  • Next €50,170 taxable @ 4.5%,
	  • Balance taxable @ 8%.
	• 3% USC surcharge on non-PAYE income unchanged.

2020	• If total taxable income of less than €13,000: exempt
	• Otherwise:
	  • First €12,012 taxable @ 0.5%,
	  • Next €8,472 taxable @ 2%,
	  • Next €49,560 taxable @ 4.5%,
	  • Balance taxable @ 8%.
	• 3% USC surcharge on non-PAYE income unchanged.

2021	• If total taxable income of less than €13,000: exempt
	• Otherwise:
	  • First €12,012 taxable @ 0.5%,
	  • Next €8,675 taxable @ 2%,
	  • Next €49,357 taxable @ 4.5%,
	  • Balance taxable @ 8%.
	• 3% USC surcharge on non-PAYE income unchanged.