
Budget 2022 Update – The Main Points

- Income tax standard rate bands increased by €1,500 and the main personal tax credits increased by €50.
- The 2% USC band will be increased in 2022 from €8,675 to €9,283, with a corresponding reduction in the 4.5% band.
- No change announced in the DIRT rate of 33%, exit tax rate of 41% or in the 1% life assurance premium levy.
- The maximum personal rate of State Pension and other Social Welfare benefits increases by €5pw, with proportionate increases for qualified adults and those on reduced rates of payment. Also:
 - The Living Alone allowance increases by €3 pw to €22 pw
 - The Qualified Child addition increases by €2 pw for under 12s and by €3 pw for the over 12s, to €40 pw and €48 pw respectively.
 - The Christmas Bonus of 100% of the weekly rate of State Pension will be paid in early December 2021.
- No changes in private pension tax reliefs, limits or taxation of benefits.
- No change in CAT rates or Threshold amounts.
- No change in CGT rate.
- No change in PRSI rates, employer or employee.
- Help to Buy Scheme extended to end of 2022.
- Other taxation and pension changes not announced in the Budget could be introduced later in the Finance Bill 2021, in particular, anticipated pensions reform measures, such as the abolition of the AMRF requirement.

Increase in income tax standard rate bands and tax credits

Standard rate bands have been increased by €1,500 for 2022 with a €50 increase in the main tax credits:

Income tax standard rate bands and main tax credits

	2021	2022
Single person standard rate band	€35,300	€36,800
Married couple, one income standard rate band	€44,300	€45,800
Married couple, two incomes standard rate band	€44,300 plus max of €26,300	€45,800 plus max of €27,800
Personal tax credit	€1,650	€1,700
Employee tax credit	€1,650	€1,700
Earned income tax credit	€1,650	€1,700

Small increase in 2.0% USC band

The current €8,675 band of income taxed at 2.0% USC will be increased in 2022 to €9,283 with a corresponding reduction in the 4.5% band:

USC Rates and bands

2021		2022	
First €12,012	0.5%	First €12,012	0.5%
Next €8,675	2.0%	Next €9,283	2.0%
Next €49,357	4.5%	Next €48,749	4.5%
Balance	8.0%	Balance	8.0%

No change in DIRT, exit tax, Capital Gains Tax or Capital Acquisitions Tax rates or bands

The Budget speech did not make any change to the DIRT, exit tax, Capital Gains Tax or Capital Acquisitions Tax rates or bands.

No change in the 1% levy on life assurance policy premiums

The Budget speech did not make any change to the current 1% levy on life assurance policy premiums.

State Pension & Social Welfare benefit increases

The maximum personal rate of State Pensions will be increased by €5 pw from 1st January 2022, with proportionate increases for qualified adults and those on reduced rates of payment.

Other Social Welfare benefits will also increase by €5pw in 2022, with proportionate increases for qualified adults and those on reduced rates of payment.

The Christmas Bonus will again be paid at 100% of the weekly rate in early December 2021.

In addition, two allowances will be increased in 2022:

- The State Pension Living Alone allowance increases by €3 pw to €22 pw
- The Qualified Child addition to certain Social Welfare benefits increases by €2 pw for under 12s and by €3 pw for the over 12s, to €40 pw and €48 pw respectively.

No private pension tax relief changes

The Budget speech and related documents made no reference to any changes in private pension tax reliefs, the €2m Standard Fund Threshold, the €200,000 limit on tax free lump sums, the €115,000 NRE limit, or the taxation of benefits.

No change in PRSI rates

There were no announced changes to PRSI rates for 2021. However, there is a very small increase in the earnings for Class A at which the employer contribution jumps from 4.0% to 11.05%. It will increase from €398 pw to €410 pw in 2022.

Enhanced Help to Buy Scheme extended to 2022

The enhanced Help to Buy Scheme introduced in July 2020 is being extended to the end of 2022, i.e. maximum tax refund to first time buyers of new properties of €30,000.

Finance Bill 2021

The Finance Bill 2021 implementing Budget 2022 will be published within the next 10 days or so.

It is possible that other taxation and pension changes not announced in the Budget could be introduced in the Bill, either at publication of the Bill or as it goes through the Dail and Senate. For example, some pensions reform proposals which may turn up in Finance Bill 2021 include:

- Abolition of the AMRF requirement;
- Abolition of the 15-year active service limit on transfers from occupational pension schemes to PRSAs; and
- ARF option for beneficiaries of occupational pension scheme death in service benefits which cannot be paid out as a lump sum, i.e. the excess over 4 x final remuneration + refund of personal contributions.
- Provision for higher employer contributions to a PRSA.

Income Tax

Tax Rates

	Tax Rate
Standard rate band	20%
Higher rate band	40%

Standard Rate Band

	Bands 2022
Single / Widowed without dependent children	€36,800
One Parent Family	€40,800
Married / Civil Partners, one earner	€45,800
Married / Civil Partners, two earners	€45,800 + increase max €27,800*

* The increase is the lower of €27,800 and the amount of income of the spouse / civil partner with the lower income. The increase is not transferable between spouses / civil partners.

Income Tax Exemption Limits

	Limit 2022
Single (65 and over)	€18,000
Married / Civil Partners (at least one aged 65 or over)	€36,000
Additional allowance per Child	€575
Additional allowance per Child (3 rd and more)	€830

Main income tax credits

	Tax Credit 2022
Single Person	€1,700
Married / Civil Partners	€3,400
Employee tax credit	€1,700 (max)
Earned Income tax credit	€1,700 (max)

Universal Social Charge (USC)

Total income subject to USC	USC Rate 2022
The first €12,012	0.5%
Next €9,283	2.0%
Next €48,749	4.5%
Balance	8%*

However:

- Individuals whose total income subject to USC for the year is less than €13,000 are exempt from USC.
- The following pay a reduced rate of **2.0%** on all income subject to USC over €12,012:
 - Individuals over age 70 whose total income subject to USC for the year is €60,000 or less.
 - Individuals under age 70 who hold a full medical card (i.e. not a GP only card) and whose total income subject to USC for the year is €60,000 or less.

* A 3% additional USC rate (i.e. on top of the 8% rate) applies to non-PAYE income of the self-employed in excess of €100,000.

PRSI Contribution Rates

PRSI	A1	S1	B1
Employee	4.0%	4.0%	0.9%*
Employer (earning more than €410 pw)	11.05%	Nil	2.01%

* B1 employee rate increases to 4% for income > €1,443 per week.

Social Insurance Benefits 2022

Benefit	Maximum weekly rate of benefit
State Pension (Contributory) Max personal Rate (Under 80)	€253.30
Widow's / Widower's / Surviving Civil Partner's Contributory Pension (Under 66) Max personal rate	€213.50
Invalidity Pension Max personal Rate (Under 66)	€213.50
Illness / Jobseekers Benefit Personal Rate	€208.00
Increases for each Child Dependant, max State Pension / Invalidity Pension Illness / Jobseeker's Benefit Widow's / Widower's / Surviving Civil Partner's Pension	Under 12: €40 pw 12 and over: €48 pw

Pensions

Income Tax Relief on Personal Contributions

Age attained during year	% of Net Relevant Earnings (max €115,000)
Less than 30	15%
30 – 39	20%
40 – 49	25%
50 – 54	30%*
55 – 59	35%
60 and over	40%

* The 30% limit above also applies to certain professional sportspeople (e.g. professional golfers) under 50 in relation to their income from their sports occupation.

Taxation of Pension Lump Sums

Total lump sums received since 7 th December 2005	Tax
Up to €200,000	Tax free
Next €300,000	Standard rate income tax
Balance	Marginal rate income tax and USC

Chargeable Excess Tax

Total retirement benefits taken since 7 th December 2005	Tax
Less than Threshold*	Nil
Excess over Threshold (€2m)	40%**

* Threshold is the Standard Fund Threshold (€2m) or Personal Fund Threshold, if greater.

**Tax reduced by a credit for any standard rate tax deducted from pension lump sums taken since 1st January 2011 and not previously offset against a chargeable excess tax charge.

Redundancy Payments

Tax Free Limits

	Band
Statutory	2 weeks for each year of service (including parts of a year) plus 1 week; maximum reckonable weekly pay of €600
Ex gratia	
Basic	€10,160 + €765 for each complete year of service
Increased	Basic + a maximum of €10,000; provided no entitlement to a pension lump sum and no ex gratia termination payment within last 10 years
Standard Capital Superannuation Benefit (SCSB)	N / 15 x Average Annual Remuneration over last 36 months less present value of tax-free pension lump sum, where: <ul style="list-style-type: none"> • N = number of complete years of service • Present value of tax-free pension lump sum is nil, if individual signs an irrevocable waiver to receive such a sum
Lifetime limit of €200,000 on all tax-free ex gratia termination payments.	

Capital Acquisitions Tax

Tax Rate

Total Gifts & Inheritances received since 05/12/1991	Tax Rate
Threshold	Nil
Balance	33%

Exit Tax Rate

	Rate
Life assurance policies effected on or after 1 st January 2001	41%

Thresholds – with effect from 9th October 2019

Relationship to donor / testator	Threshold
Child or minor child of deceased child or parent (absolute inheritance on death)	€335,000
Brother, sister, child of brother or sister, or another lineal ancestor or descendant	€32,500
Others	€16,250

DIRT Rates

2018	2019	2020	2021	2022
37%	35%	33%	33%	33%

Inheritance Tax – child inheriting from parent from 9th October 2019

Inheritance	Inheritance Tax*
€300,000	€0
€400,000	€21,450
€500,000	€54,450
€600,000	€87,450
€700,000	€120,450
€800,000	€153,450
€900,000	€186,450
€1,000,000	€219,450

* Assuming full Class A Threshold of €335,000 is available.