

10 things Irish SMEs need to know about Budget 2021

Budget 2021 is unprecedented in Irish business history and critical as SMEs grapple with changes caused by Covid-19.

Ireland's business community entered 2020 in good health but has since been decimated by the challenges posed by Covid-19.

Finance Minister Paschal Donohoe, TD, didn't mince his words and stated that the entire Budget is built on the assumption that there will be no trade deal between the EU and the UK. "My Department estimates that the absence of such a deal will reduce Irish growth by just under three percentage points in 2021, with expected growth of 1.75pc."

Budget 21 also assumes Covid-19 will continue to be a factor in economic and social life well into 2021 in the absence of a vaccine. "Budget 2021 has been framed on the assumption of the continued presence of the virus in Ireland next year, and the absence of a broadly available vaccine. Looking to the final months of 2020, GDP is projected to decline by 2.5pc for the year as a whole, with domestic demand falling by 6pc.

Here are 10 key takeaways for SMEs from Budget 2021:

Employment Wage Subsidy Scheme to continue

The Finance Minister said that Ireland is looking to access an EU fund called SURE that could result in Ireland accessing close to €2.5bn to help protect jobs and workers affected by the Covid-19 pandemic. There is also an EU Brexit Adjustment Reserve. "Ireland will seek to avail of these funds in the coming years given the disproportionate impact of Brexit on us."

He said that the Employment Wage Subsidy Scheme is set to continue to 31 March 2021, however a similar scheme will be needed to the end of 2021 to provide businesses with greater levels of certainty.

"There will be no cliff edge to this vital scheme. It will continue during 2021 and the Government will decide on the form of its extension when economic conditions are clearer," Donohoe promised.

Covid Restrictions Support Scheme (CRSS)

Minister Donohoe said that there will be a new scheme for businesses that have had to close because of Covid-19 and a maximum of €5,000 per week will be made available.

Payments will be calculated on the basis of 10pc of the first €1m in turnover and 5pc thereafter, based on average VAT exclusive turnover for 2019.

The payment will be based on the 2019 average weekly turnover. It will be effective from today (13 October) until the end of March 2021. The first payments will be issued from the middle of November. The payment will operate while Level 3 restrictions are in place and will cease when they are lifted. If restrictions are extended a subsequent claim can be made.

Qualifying businesses must be able to demonstrate that turnover has been severely impacted by up to 80pc.

Tax warehousing scheme for employers and self-employed

The Minister revealed an extension to the tax warehousing scheme to include repayments of Temporary Wage Subsidy Scheme funds owed by employers and preliminary tax obligations for adversely affected self-employed.

Recognising that not all self-employed people can benefit from the provisions in the [July Stimulus](#) and will struggle to pay their 2019 balance and preliminary tax for 2020, Donohoe said that debt warehousing provisions can be extended to include the 2019 balance and 2020 preliminary tax to allow taxpayers to defer payments for one year, with no interest. A 3pc interest rate will apply thereafter.

Hospitality and tourism VAT reduction

There will be a reduced VAT rate from 13.5pc to 9pc with effect from 1 November. The reduced rate will remain in place until December 2021.

Minister for Public Expenditure Michael McGrath outlined some additional supports for the entertainment sector with €50m in funding being allocated to live entertainment supports and €50m being allocated to the Arts Council, which next year will receive Exchequer support of €130m.

R&D and film

As well as extending the Knowledge Box intellectual property relief for a further two years until the end of December 2022 to support businesses engaged in R&D, new measures were introduced to support the film industry whose members lost the benefit of the Section 481 regional uplift. The scheme is being amended to provide for an additional year at its peak rate of 5pc and will be in place until 31 December 2023.

Gaming and animation

Donohoe also revealed plans to develop a tax credit for the digital gaming sector with a view to support activity in this area from January 2022 onward. “This is a sector that has seen exponential global growth in the past decade, and there are potential synergies with our established film and animation sectors to support quality employment in creative and digital arts in Ireland.”

Self-employed

For the self-employed, Minister Donohoe said he would implement a Programme for Government commitment to equalise the earned income credit with the PAYE credit by raising it by €150 to €1,650.

Energy efficiency

The Minister said he is extending the accelerated capital allowances scheme for energy efficient equipment for a further three years. He said the energy efficiency criteria for the scheme will be re-assessed over the coming year to ensure the categories of equipment remain appropriate.

Remote workers

The vast majority of Ireland’s office workers were sent home in response to Covid-19. Under new income tax rules, for remote workers where the employer makes payments towards the expenses of working from home, up to €3.20 may be paid to employees without a Benefit-In-Kind arising.

However, where employers do not contribute the worker may claim a tax deduction for utility expenses such as heat and light – and, new for 2020, the Revenue Commissioners have now confirmed that this may include the cost of broadband.

Ireland Strategic Investment Fund

The Government will provide an initial €30m in funding through the Ireland Strategic Investment Fund (ISIF) to support an appropriate and effective scheme and thereby leverage matching funding for early stage seed and growth capital.

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