



IFA

2024 Budget Report

10th October 2023

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1. Introduction – Background and Overview of Budget 2024

Budget 2024 seeks to support Irish citizens against the challenges of today, while putting in place a long-term plan for the future.

Framed within the context of resilient economic growth (albeit below forecast as Corporation Tax receipts wean), persistent economic / Cost of Living challenges and significant global uncertainty, the Budget seeks to provide a safety net for those that need it without stoking inflation even further.

In the short-term, while inflationary pressures are forecast to wean (estimated by the Department of Finance to decline from over 8% for 2022, to 5.25% in 2023 and 2.9% next year) and Modified Domestic Demand expected to grow 2.25% this year (and similar for next year) a continuation and reliance on temporary, targeted measures was the preferred approach, most particularly for children and climate, projected at a surplus of €8.8 billion, or 3 per cent of national income this year, and €8.4 billion or 2.7 per cent next year.

The vulnerabilities of relying on a highly concentrated revenue stream, most particularly the €10-€12bn ‘windfall’ Corporation tax receipts, was strongly emphasised, which if excluded would have resulted in an underlying General Government deficit of €2 billion in 2023.

To better protect the economy for the future and plan for known increased expenditures into the future, Government announced two major new funds:

- the Future Ireland Fund, with a potential to grow to over €100 billion by the middle of the next decade, will help to protect living standards and public services for current and future generations, and separately:
- €14 billion will be put aside in the Infrastructure, Climate and Nature Fund by 2030 to allow for sustained levels of investment in infrastructure in the event of economic downturns and to support climate and nature related projects

2. Main changes to the Agriculture Budget

The DAFM budget didn't feel the benefit of increased available funds as other Departments did, with a reduction in the total Budget allocation from €2.14bn in 2023 to €1.94bn in 2024.

2.1 Agricultural Taxation

Extension of agri-taxation measures:

- Consanguinity Relief extended to 31st Dec 2028 (reduces rate from 7.5% to 1%).
- Accelerated Capital Allowances for Farm Safety Equipment of 50% per annum for eligible equipment extended to 31st December 2026.
- Stock relief for young trained farmers, relief for succession farm partnerships and young trained farmers stamp duty relief are being amended to increase the aggregate lifetime amount of relief available to a person under these reliefs from €70,000 to €100,000 from 1 January 2024.
- Stock relief for registered farm partnerships is being amended to increase the threshold from €15,000 to €20,000 in the case of qualifying periods commencing on or after 1 January 2024.

Inheritance Tax

- No change in Inheritance Tax ceilings.
- Capital Gains Tax Retirement Relief, upper age limit to raise to 70 from 65. New €10m limit for disposal to a child.

Long Term Lease of Land

- Land Leasing Income Tax Relief will be amended so it only becomes available when the land has been owned for seven years to better target active farmers. Minister McConalogue's press release this evening states this change relates to '*purchasers of land*'. We await full details on publication of Finance Bill.

Corporation Tax

- No change for farms operating as companies, with tax rate remaining at 12.5%.

VAT Flat Rate Refund Decline

- From January 1st 2024 the VAT Flat Rate refund will reduce from 5.0% to 4.8% for non-registered farmers. This reduction is based on macro-economic data received from the CSO and the Revenue Commissioners for the period 2021-2023 in accordance with criteria set down in the EU VAT Directive. Estimated annual cost €18m to farmers.

2.2 Farm Schemes

Key features of the Budget include:

- €113m in supports for Beef & Sheep sectors (€200/suckler cow; €20/ewe [+€8/ewe]).
- Over €700m for agri-environment initiatives (climate, biodiversity & water quality).
- 70% TAMS grant aid for farmers that import slurry under a contract relationship to build slurry storage.
- New separate TAMS investment ceiling for all farmers building additional slurry storage facilities on farm, beyond regulatory compliance (40% / 60% rates as applicable).
- €8m fund for tillage farmers (separate to emergency aid announced recently).
- ACRES funding increased by €40m to €200m in 2024. Tranche 2 to open in few weeks and will accommodate full 50,000 as promised under CSP.
- Soil sampling and multispecies swards scheme extended (90,000 samples over next 12-18mths).
- €57m allocation to support Organic farmers
- €110m for the Forestry Programme (working on outstanding state aid issues in relation to recommendations of the Independent Review of Ash Dieback)
- €6.5m dairy beef scheme (extra €1.5m)
- €5m genotyping programme
- €22.45m Research & Development funding (extra €2m)
- €8m for capital investment in food sector
- Total package of €14.35m to support National Strategy for Horticulture for 2024. Of this €3m allocated to provide advance payments to Producer Organisations under EU funded scheme for fruit & vegetable sector.
- Dedicated €2.5m Farm Safety, Health & Wellbeing fund in 2024.

2.3 Temporary Excise cut on fuel

The temporary excise rate reductions applying to auto diesel, petrol and marked gas oil which were due to expire on 31 October 2023 are being extended until 31 March 2024, with 50% of intended increase deferred to 1 April 2024, and the balance until 1st August 2024.

2.4 Aquaculture

- €24m support for Development of Seafood Infrastructure in 2024.

3. Other relevant expenditure areas

3.1 Carbon Tax

- Total €788m carbon tax revenue available in 2024 for investment, of which almost half will be invested in improving the energy efficiency of homes; an additional €44m will be spent on Social Protection measures; and an additional €32m to DAFM.

3.2 Rural and Community Development

- €431m invested in Rural and Community Development.
- €205m of this for rural development and over €220m for community development.

3.3 Heritage

- Funding allocation to National Parks & Wildlife Service (NPWS) is up 20% on last year to €166m for 2024. While specific allocations are not outlined, per Government's Strategic Action Plan, efforts will be toward conservation measures of 600 natura sites designated under EU nature directives and on protected species, as well as investments in national parks and nature reserves for nature and public amenity, nature programme in the wider countryside, and addressing wildlife crime.

4. Main Taxation measures

4.1 General Taxation

Income Tax

- Increased main tax credits (Personal, Employee and Earned Income Credit) by €100 to €1,875.
- Increased the Home Carer Tax Credit by €100 to €1,800.
- Increased income threshold (+€2,000) to €42,000 before 42% rate applies.

Universal Social Charge (USC)

- 0.5% cut off the 4.5% rate to 4%.
- Increasing the second USC rate band (2 per cent rate) by €2,840 from €22,920 to €25,760 to reflect the increase in the minimum wage.

The USC Rates & Bands from 1 January 2024 will be:

- Incomes of €13,000 are exempt.
- Otherwise:

€0	–	€12,012 @ 0.5%
€12,013	–	€25,760 @ 2%
€25,761	–	€70,044 @ 4.0%
€70,045+		@ 8%
- Self-employed income over €100,000 @ 3% surcharge.

(The reduced rate of USC for medical card holders is being extended for a further 2 years).

Employers' PRSI

- Increase of 0.1% in PRSI rates from October 2024

VAT:

- Reduced rate of VAT on gas and electricity of 9% to continue to 31 October 2024.
- VAT registration threshold increased to €40,000 for Services.
- VAT registration threshold increased to €80,000 for Goods.

Carbon Tax:

- As set out in Finance Act 2020, carbon tax will increase €7.50/tonne for petrol and diesel (equivalent to approximately 2c/l VAT inclusive) from 11 October.
- Will apply to other fuels from 1 May 2024.

4.2 Zoned Residential Land Tax

- Introduced in Finance Bill 2022, 3% annual market value tax on zoned residential and serviced land due to come into force from 2024.
- An extension of the liability date of the tax by one year, to 2025, to allow for the planned 2024 review of maps to take place and to afford affected people a further opportunity to engage with the process.

5. Social Protection and Associated Services

5.1 Social Protection

Welfare / Cost of Living Payments

- Minimum wage increased €1.40 to €12.70/hr from January
- Social welfare payments rise €12 across the board from January
- Double payment of Child Benefit pre-Christmas
- Double welfare payment in January
- Expansion of hot schools meal to a further 900 primary school in April 2023.
- €450 energy credit for all households (3 x €150 from late this year).
- One off €400 payment for carers, people with disabilities and fuel allowance benefits
- A €300 lump sum payment on fuel allowance before Christmas and €200 for people living alone
- A €100 payment on the Qualified Child Scheme
- Child Benefit extended to those aged over 18 who are still in secondary school.
- Increased Rent tax credit from €500 to €750
- Temporary mortgage interest tax relief – available to homeowners whose principle private residence has an outstanding mortgage of between €80,000 and €500,000 as of Dec 31st 2022. Those eligible will be able to avail of a 20% disregard on the increased amount of interest paid on their mortgage between 2022 and 2023, capped at €1,250 per home.

- €300 lump sum payment, paid before Christmas, to recipients of fuel allowance.
- One-off double week "Cost of Living Support" payment to all qualifying social protection recipients (pensioners, carers, people on disability payments and jobseekers); paid in January.
- Normal Christmas Bonus will be paid in early December.
- Additional €400 lump payment to those in receipt of the Working Family Payment.
- Double Child Benefit payment to all qualifying households.
- €400 to those who qualify for the Carer's Support Grant.
- One-off payment of €200 to recipients of the Living Alone Allowance.
- One-off payment of €400 to those who qualify for Disability Allowance, Invalidity Pension and the Blind Pension.

5.2 Education:

- A €1,000 reduction in the student contribution fee for higher education students eligible for the free fees initiative. When taken together with the new €500 student contribution grant the student contribution fee will be halved to €1,500 for eligible families with a household income of between €62,000 and €100,000;
- An increase to the Postgraduate Fee Contribution Grant from €4000 to €5000;
- A once-off reduction of 33% in contribution fee for apprentices in higher education;
- A further €8.1m investment in the Student Assistance Fund for the 2023/24 academic year bringing the total to over €17 million;
- Renters' tax credit is being extended to parents who pay for student children's rent in the case of Rent a *Room accommodation or "digs". This change will also apply retrospectively for the years 2022 and 2023.
- From September 2024, student contribution fees will be abolished for all incomes under €55,924.

6. Housing

- Tax credit for renters to increase to €750.
- Help to Buy scheme for first-time home buyers is extended to end 2025.
- New tax relief for landlords, relief, at the standard rate, of residential rental income. The relief will be as follows: €3,000 in the tax year 2024; €4,000 in 2025, €5,000 in 2026 and €5,000 in 2027.
- Vacant Homes Tax increased to five times the property's existing basic Local Property Tax rate from November (was three times LPT).

7. Other 'Cost of Living' measures

7.1 Public transport

- 20% public transport fare reduction extended and the Youth Travel Card discount of 50% on all operators' services extended to include 24 and 25 year olds.

7.2 Climate funding

- €14 billion will be put aside in the Infrastructure, Climate and Nature Fund by 2030 to allow for sustained levels of investment in infrastructure in the event of economic downturns and to support climate and nature related projects.
- In this regard, the Infrastructure, Climate and Nature Fund will have a climate and nature component worth over €3 billion - the stated aim of which is to help the achievement of carbon budgets through capital projects where it is clear our climate targets are not being reached. Little of no detail provided to date on how farmers will benefit from this scheme.