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Budget 2021

Budget 2021 is focused primarily on protecting jobs for the coming year, as well as providing significant resources for the Public Service sector to cope with increased demands.

There is an emphasis as well on saving jobs and protecting health.

Personal Tax:

There have been no major changes to personal tax in the budget. However the 2% USC rate band will be increased slightly, allowing you to earn an additional €203 at the 2% rate before moving into the 4.5% rate.

Earned Income Tax Credit

For the self-employed and self-assessed, the earned income tax credit is increasing by €150 to €1,659 to bring it fully into line with that of the PAYE tax credit for employees.

Warehousing of Tax Liabilities

The tax debt warehousing scheme essentially allows individuals and businesses to delay paying their tax liabilities as a means of providing temporary financial and cash-flow support. The scheme will be expanded to further support:

1. Individuals by including preliminary tax obligations for adversely affected self-assessed taxpayers. The self-assessed can delay payment of 2019 income tax & 2020 preliminary tax for one year without interest and penalties being applied.
2. Businesses by including repayments of Temporary Wage Subsidy Scheme owed by employers.

Employer's PRSI

The weekly income threshold for the higher rate of employer PRSI will increase from €394 to €398 from January 2021. This follows a recommendation from the Low Pay Commission to ensure that the increased hourly minimum wage from €10.10 to €10.20 does not lead to work disincentives for workers. In particular those seeking work full-time.

Remote and Home Working

Working from home is now the new norm for many professional contractors. For contractors new to working from home, we highlight items of expenditure on which you may be able to claim tax relief.

Computer Equipment

Computer equipment which is eligible for tax relief includes equipment which is necessary for you to carry out the duties of your contract role. Common examples include desktops, laptops, tablets, monitors, printers and scanners. Other examples include webcams, headphones and additional monitors. All purchases should be reasonable and justifiable to Revenue in cost and quantity.

Office Furniture

As Covid-19 has resulted in many people working from home for a long period, many contractors have invested in setting up a small, dedicated work space in their home and in buying a few items to ensure they can work comfortably.

This would typically include a desk, chair, storage and shelving units. All purchases should be reasonable in cost and justifiable to Revenue.

Telephone and Broadband

As a general rule of thumb, the following percentages are typically accepted by Revenue as being reasonable:

- * Mobile phone and handset 50%
- * Home telephone bills 50%
- * Home broadband bills 50%

If any of the above are dedicated specifically for business use, with minimal private use, 100% tax relief may be claimed.

Electricity and Heating Costs

For most people, working from home on a continuous basis will significantly increase their electricity and/or heating bills. The amount which may be claimed should represent the additional cost due to you working from home. The two methods of calculating the cost are:

1. E-Worked Flat Rate Expenses

If you are working from home you can claim €3.20 for each day worked. This flat rate allowance was created to provide tax relief on the cost of heating and electricity. If you have been working from home and haven't yet claimed these, the good news is that they can be back-dated to the day you started working from home.

2. Claim a portion of actual bills. This is submitting a claim based on the costs actually incurred on your utility bill. This can be complicated if there are other people in the house while you are working from home.

Generally it is advisable to use the €3.30 per day claim.

If you need help our team are on hand to ensure you claim all the expenses you are entitled to. e: info@macs.ie