

Budget 2021 – Update

PENSION CHANGES

STATE PENSION

- State Pension (Contributory) full rate remains at €12,911
- State Pension age to remain at 66 for 2021
- Commission on Pensions to report by mid-2021
- Will review State Pension age and PRSI contribution rates

AMRF will change to ARF where €12,700 income requirement is met

- Can include 100% Christmas bonus to be paid in 2020
- Can include Fuel Allowance, increased by €3.50 per week
- Living Alone Allowance increased by €5 to €19 per week

NO CHANGE ON

- Tax relief on pension contributions
- Tax exemption on pension investment income
- €200,000 tax free retirement lump sum
- AMRF limit of €63,500
- €12,700 Guaranteed Income

NO CHANGE TO PROTECTION, SAVINGS & INVESTMENTS

CAPITAL ACQUISITIONS TAX (CAT)

No Change

GROUP THRESHOLDS

Group 1: €335,000

Group 2: €32,500

Group 3: €16,250

No Change to Tax Rate - 33% Tax rate after thresholds

TAX TREATMENT OF DEATH BENEFITS

No change to taxation treatment of death benefits payable from protection plans

GOVERNMENT LEVY AND EXIT TAX

No Change

- Government Levy (Stamp Duty) 1%
- Exit Tax 41% - Personal Investors
- Exit Tax 25% - Corporate Investors

OTHER ITEMS

EMPLOYER PRSI

Employer PRSI higher rate threshold increased to €398pw

INCOME TAX CREDIT

- Earned Income Credit increase to €1,650
- Dependant Relative Tax Credit increase to €245

CHRISTMAS BONUS

- Persons receiving pandemic unemployment payment (PUP) may qualify for Christmas Bonus
- Jobseekers and PUP qualify if in receipt of payment for 4 months, reduced from 15 months.

CARBON TAX

Increase by €7.50 to €33.50 per tonne / CO₂

CIGARETTES

Excise duty on a packet of 20 cigarettes being increased by €0.50

TEMPORARY VAT REDUCTION

Hospitality & Tourism VAT rate reduction 13.5% to 9%

INCOME TAX, PRSI & USC

Income Tax	2021
Income Tax Rates	
Standard Rate	20%
Higher Rate	40%
Standard Rate Band	
Single Widowed	
No dependent children	€35,300
With dependent children	€39,300
Married – one income	€44,300
Married – two incomes	€44,300 + increase

Increase is the lower of €26,300 and income of lower earning spouse

PRSI Rates	2021	
Individual	A1	S1
All income	4%	4%
Earnings less than €352 pw exempt		
Employer		
Income up to €20,696	8.8%	
Income exceeding €20,696	11.05%	

Income threshold for higher rate employer PRSI increasing to €398 pw (€20,696 a year)

USC Rates	Employee	Self Employed
Income up to €12,012	0.5%	0.5%
Between €12,012 and €20,687	2%	2%
Between €20,687 and 70,044	4.5%	4.5%
Between €70,044 and €100,000	8%	8%
Income in excess of €100,000	8%	11%
<i>Total income less than €13,000 is exempt from the USC</i>		
Full Medical Card Holders & Over 70s	Employee	Self Employed
Income up to €12,012	0.5%	0.5%
Income in excess €12,012	2%	2%

Those with earnings greater than €60,000 will pay the normal USC rates

CAT, SAVINGS & INVESTMENT TAXES

Capital Acquisition Tax	
Group A	€335,000 (child)
Group B	€32,500 (lineal ancestor / descendent, brother, sister or child of brother / sister)
Group C	€16,250 (others)
<i>The thresholds apply to all gifts and inheritances received since 5 December 1991</i>	
Tax Rate on all gifts / inheritances above thresholds	33%
Annual Gift Exemption	€3,000

The annual small gift exemption can be availed of regardless of the relationship between the donor and the beneficiary. The exemption is limited to one gift per beneficiary from each donor in a calendar year. It does not impact on the CAT thresholds noted above.

Savings & Investment Tax	2021
Life Assurance Exit Tax	
❖ Personal Plans	41%
❖ Corporate owned	25%
❖ Wrapper products	60%
<i>No changes announced in the Budget to Exit Tax rates, we await details of Finance Bill for confirmation of any changes.</i>	
Deposit Interest Retention Tax (DIRT)	33%

SOCIAL WELFARE BENEFITS

State Pension Benefits	2021
State Pension (Contributory)	
Personal Rate	€248.30
Personal Rate + Adult dependent (over 66)	€470.80
Widow / Widowers under 66	€208.50
State Pension (non-Contributory)	
Personal Rate	€237.00
Personal Rate + Adult dependent (over 66)	€393.60
Widow / Widowers under 66	€203.00
Invalidity Pension	
Personal Rate (65 and under)	€208.50
Personal Rate + Adult dependent	€357.40

Other Benefits	2021
Disability Allowance	
Personal Rate	€203.00
Personal Rate + Adult dependent	€337.70
Illness Benefit	
Personal Rate	€203.00
Personal Rate + Adult dependent	€337.70
Increase for Qualified Child	
Children under 12	€38.00
Children over 12	€45.00
Child Benefit	
Monthly rate per child	€140.00

Illness Benefit: Reduction in number of waiting days for illness benefit from three to six from February 2021.

Fuel Allowance: Rate increased to €28pw from January 2021.

Living Alone Allowance: Increased to €19pw from January 2021.

Island Allowance: Increased to €20pw from January 2021

Widowed / Surviving Partner Grant: Increased to €8,000 from January 2021.

Source: Irish Life "Budget 2021 Advisory Services Update"

<http://www.budget.gov.ie/Budgets/2021/2021.aspx>

<https://www.revenue.ie/en/corporate/press-office/budget-information/2021/index.aspx>

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