Taxation News

Current legislative updates:

Employers paying Employees' 2020 Tax Liabilities which arise due to TWSS

Revenue will facilitate employers who wish to pay some/all of the employees' 2020 tax liabilities (Income Tax (IT) and Universal Social Charge (USC) liabilities) which arise due to the TWSS.

Employers must engage directly with employees and agree the value/method to pay the liability involved. In January 2021, Revenue made a Preliminary End of Year Statement for 2020 in MyAccount available for each employee which shall assist in determining the amount of IT and USC due. Further information may be located herewith: *https://www.revenue.ie/en/employing-people/twss/employers/index.aspx*

The Sick Leave Bill 2021

Ireland currently does not maintain a mandatory sick pay scheme and the decision as to whether employees receive pay during periods of sick leave is a matter for the discretion of each individual employer.

Employers will be required to provide Statutory Sick Pay to employees under proposed draft legislation, the Sick Leave Bill 2021 (the "2021 Bill") https://enterprise.gov.ie/en/Legislation/Legislation-Files/Sick-Leave-Bill-2021-RIA.pdf which shall commence in 2022 and be phased in as part of a four-year plan to provide statutory sick pay to employees.

The determination for **qualifying employees** and **qualifying statutory sick sums payable** to the employee have been provisionally outlined in the "2021 Bill" above.

Government press release herewith for your perusal:

https://www.gov.ie/en/press-release/fee76-tanaiste-announces-details-of-statutory-sick-pay-scheme/

Tax Measures subject to enactment of the Finance Bill 2022

1. Measures to support Enterprise/SMEs/Agri-sector Employment Wage Subsidy Scheme

The Employment Wage Subsidy Scheme will be extended until 30 April 2022, in a graduated form.

The following are the broad parameters of this extension:

- no change to EWSS for the months of October and November,
- businesses availing of the EWSS on the 31st of December 2021 will continue to be supported until the 30th of April 2022,
- across December, January and February, the original two-rate structure of €151.50 and €203 will apply,
- for March and April 2022, a flat rate subsidy of €100 will be put in place. In addition, the reduced rate of Employers' PRSI will no longer apply for these two months; and
- the scheme will close to new employers from 1 January 2022. The estimated cost of extending the EWSS from November 2021 to 30 April 2022 is in the region of €1.26 billion, which is funded by the Vote for the Department of Social Protection.

2. Expansion of Warehousing of tax liabilities

The tax debt warehousing scheme will be expanded to allow self-assessed income taxpayers with employment income who have a material interest in their employer company to warehouse income tax liabilities relating to their Schedule E income from that employer company.

CPA Ireland have made extensive representations via CCAB-I and to Revenue at TALC on the interaction of the Debt Warehousing Scheme for PAYE (Employer) liabilities with Section 997A of the TCA 1997, as credit for PAYE deducted from remuneration paid to certain directors/employees is not permitted unless the PAYE has been remitted to the Collector-General. The financial implications for affected taxpayers who do not qualify for income tax debt warehousing were represented.

https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-38/38-01-04E.pdf

3. Work from Home Measures

The current tax arrangements for working from home will be enhanced and formalised so that an income tax deduction amounting to 30% of the cost of vouched expenses for heat, electricity and broadband in respect of those days spent working from home can be claimed by taxpayers.

OECD/G20

Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy

Base Erosion and Profit Shifting Project October 2021
https://www.oecd.org/tax/beps/brochure-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf

Following years of detailed/ intensive work and negotiations to bring the international tax rules into the 21st century, members of the OECD/G20 Inclusive Framework on BEPS (the Inclusive Framework) agreed on 8 October 2021 to the Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy.

The Two-Pillar Solution will ensure that multinational enterprises (MNEs) will be subject to a minimum tax rate of 15% and will re-allocate profit of the largest and most profitable MNEs to countries worldwide. The OECD proposals would also change where taxes are collected, with a greater focus on taxing profits where sales are made.

It is expected that swift implementation of a minimum tax rate is key to stabilising the international tax architecture and avoiding damaging trade disputes. If members have set an ambitious deadline of 2023 to bring the new international tax rules into effect.

This shall have consequences for Ireland in terms of increasing its 12.5% rate to 15% for firms with a turnover in excess of €750m (£636m). Smaller businesses will still be taxed at the 12.5% rate. The 15% rate will apply to 56 Irish multinationals employing approximately 100,000 people, and 1,500 foreign-owned firms based in Ireland employing approximately 400,000 people.