

Budget 2024

Life & Pensions
Update



Bank of
Ireland
Life

Introduction

The Minister for Finance, Michael McGrath and Minister for Public Expenditure and Reform, Paschal Donohoe delivered Budget 2024 yesterday. As expected the main focus again was tackling the cost of living, inflation, and supporting the most vulnerable in our society. There was also a significant intervention from the State across a range of measures to support education, health, housing and business.

Given the scale of this crisis the Exchequer has responded with an increased budget package of just over €14 billion which includes a €2.7 billion package of once off measures to tackle the cost of living increases, €5.3 billion in core expenditure, a tax package of €1.1 billion and an additional €4.75 billion in non-core expenditure plus €250 million for public capital.

Some details of the changes that we believe will be of most interest to clients are outlined in this document.

1. Pensions

Private Pensions

While there were no private pension related changes announced in the Budget we expect if there are any pension updates that they will be included in the upcoming Finance Bill due to be published next week.

State Pension

The State Pension (Contributory) is set to increase by €12 from January 2024, this will be a rise from €265.30 per week to €277.30 per week.

2. Social Welfare payments

There have been a number of welcome changes to Social Welfare payments including the increase in weekly welfare payments of €12 from January 2024.

Those eligible for the Fuel Allowance will receive a once off payment of €300 to be paid in the last quarter of this year.

The Living Alone Allowance recipients will receive a €200 lump sum.

There will be a €400 once off lump sum for those in receipt of the Carers' Support Grant, Disability Allowance, Invalidity Pension, Blind Pension, Domiciliary Care allowance and those in receipt of the Working Family payment.

The Minister has confirmed that the Social Welfare Christmas bonus will be paid in full again this year to eligible Social Welfare recipients in December and a double payment to those in receipt of child benefits will be paid before Christmas. There will also be a double payment in January for all eligible Social Welfare recipients.

In addition to these payments, every household will receive €450 paid in 3 instalments of €150 to be paid between the end of this year and April 2024, to offset rising electricity bills.

3. Tax

Income Tax

The standard rate tax band will increase by €2,000 to help with the impact of inflation. This means an increase from €40,000 to €42,000 for a single person and from €49,000 to €51,000 for married couples and civil partnerships with one earner from January 2024.

There was no change to Income Tax rates. The higher rate of Income Tax remains at 40% with the standard rate of Income Tax unchanged at 20%.

Tax payers that are paying rent on their principal private residence will receive an increased rent tax credit valued at €750 for 2024.

Tax Credits

There has been an increase of €100 on the Personal, Employee and the Earned Income tax credits.

Universal Social Charge (USC)

The ceiling of the second USC rate band of 2% will be increased by €2,840 from €22,920 to €25,760.

The 4.5% rate of USC will be cut to 4%. Amended rates and thresholds are set out below:

Rate	Threshold
0.5%	€0 to €12,012
2%	€12,013 to €25,760
4%	€25,761 to €70,044
8%	Balance

The USC rate of 2% for medical card holders and individuals aged 70 years and over, whose aggregate income does not exceed €60,000 has been extended for a further 2 years to the end of 2025.

PRSI

All PRSI rates will be increased by 0.1% from October 2024.

Exit Tax for Life Assurance Policies

Disappointingly there was again no change to the rate of Exit Tax on investment gains under life assurance policies however the Minister has confirmed that his Department is currently reviewing the Funds sector which includes life assurance policies. His expectation is for this review to be complete by next summer and any recommendations from this review could change the current taxation framework.

While the Government has looked at a range of measures there has been no change to the following:

- ▶ DIRT will remain at 33%.
- ▶ Exit Tax on any gains in a life assurance policy will remain at the current rate of 41% for personally owned life assurance policies effected on or after 1 January 2001 (known as gross roll-up policies).
- ▶ Exit Tax on any gains in a life assurance policy owned by an Irish company remains at 25%.
- ▶ Corporation Tax rate remains unchanged.
- ▶ Capital Acquisitions Tax remains at 33% and there are no changes announced to CAT thresholds apart from the inclusion of foster children in the Group B threshold.
- ▶ The Small Gift Exemption remains at €3,000 per annum.
- ▶ Capital Gains Tax (CGT) continues at 33%.
- ▶ Dividend Withholding Tax (DWT) rate remains at 25%.

Legislation, including the publication of the Finance and Social Welfare Bills, is expected in the near future. These may contain further changes not specifically announced in the Budget.

Contact Us

Our Pension Specialists are available to help you with any queries you may have.

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