



## IRELAND'S BUDGET 2020 CALLS FOR SOME TAX, HEALTH, LABOR CHANGES

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Ireland's [Budget 2020](#) — delivered by the Finance Minister on 8 Oct 2019 — includes some pension, tax, health and workforce-planning provisions of interest to employers. However, the budget calls for limited changes, so the government can focus on positioning the Irish economy to “meet the challenge of a No Deal Brexit from a position of strength,” the minister [said](#). Highlights of the key changes are set out below.

### PENSION CONTRIBUTIONS AND TAXES

**State benefits.** The full rate for the contributory state pension will stay at €248.30 per week (€12,911.60 per year). This is the first time without an increase in four years. All social welfare recipients will again receive the Christmas bonus, which was restored in 2018.

**Income tax and Universal Social Charge (USC).** Current income tax rates and the USC will remain unchanged. The USC is a tax that replaced both the income levy and the health levy from 1 Jan 2011. Under existing policy (not announced in the budget), the employer rate for Pay Related Social Insurance will increase on 1 Jan 2020 from 10.95% to 11.05%. This will mark the final instalment of the phased increase to the employer PRSI rate.

**Tax compliance and Dividend Withholding Tax (DWT).** A new process will focus on increasing compliance with the tax and USC on income arising from company distributions. On 1 Jan 2020, the DWT rate will increase to 25%, up from 20%. Starting 1 Jan 2021, the DWT will be included in the modified pay-as-you-earn (PAYE) system. This means that the amount of DWT payable by individuals will be calculated on their personal tax rate.

**Issues not addressed.** Despite the government's plans to introduce pension auto-enrolment by 2022, the budget didn't directly reference private pensions or give details about the [Roadmap for Pensions Reform](#). Other areas not mentioned in the budget include the capital spending necessary for establishing the Central Processing Agency (part of the proposed auto-enrolment system), the simplification of pensions and development of the new pensions regulatory regime related to IORP II.

## HEALTH

**Drugs Payment Scheme.** The monthly threshold for the Drugs Payment Scheme will decrease to €114, down from €124. This is the third successive reduction of the threshold.

**Sláintecare funding.** Funding for the recently announced [Sláintecare](#) reforms — a 10-year health care reform plan — will be ring-fenced at €12m.

**Free care for young children.** Free general practitioner care for children will be extended to age eight, up from age six, and free dental care will be available for children under age six. Many employers have considered expanding their benefit offerings to include dental insurance, reflecting the importance of prevention and support in this area.

## FUTURE WORKFORCE

The minister noted that the Civil Service of the future will differ from today's workforce in its skills mix, use of technology and geographical footprint. As a result, the government is crafting a longer-term vision and strategy for the Civil Service to ensure consistency with the goals of [Ireland 2040](#) and balanced regional development. Preparing for the future of work is also gaining traction in the private sector as organizations struggle to keep pace with the ongoing disruption caused by rapid technological change.

## RELATED RESOURCES

- [Budget 2020](#) (Revenue, 8 Oct 2019)
- [Financial Statement](#) (Finance Minister, 8 Oct 2019)

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