Tax

Budget 2025 highlights

October 2024

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Overview

Last year the Government was dealing with signs of falling corporate tax receipts, an inflationary environment that was affecting cost of living and a continuing housing crisis.

This year Government expects corporate tax receipt to reach records levels of €27 to €28 billion, inflation is expected to remain below 2% both this year and next which should ensure cost of living remains relatively stable, however, despite some good progress being made, housing continues to remain an issue.

For his first budget, Minister for Finance, Jack Chambers, has to juggle cost of living measures in an economy that is still at full employment, a continuing housing crisis with and exchequer that is forecasting to return a Budget surplus of €23.7 billion in 2024 and €9.7 billion in 2025. All this in a pre-election Budget is big ask for the newly appointed Minister for Finance.

Continuing on for the previous Minister for Finance's approach, the allocation of windfall corporation tax receipts are in part being allocated to the two newly established Funds. The Government transferred €4.3 billion into The Future Ireland Fund in September and announced today that a further €4.1 billion would be transferred to this fund next year. €2 billion has already been transferred to the Climate and Nature Fund in September and a further €1.9 billion is expected to be transferred next year.

In a pre-election budget such medium to long-term initiatives are welcomed and we commend the Government on making these decisions.

Additionally, the Minister announced that a Framework for Infrastructure spending would be established by the Department of Finance and Public Expenditure, NDP Delivery and Reform. While this is not a Department of Infrastructure, which some people hoped to see, it is a welcome step as the aims of the framework is to benefit all citizens by support future economic development. The focus will be on key infrastructure in particular; eliminating key infrastructure bottlenecks and recognises the needs for improvements in the area of housing, water and energy. In this regard, €1 billion has allocated to Irish Water, €1.25 billion to the Land Development Agency to delivery social and affordable housing and €750 million to the upgrade of the national electricity grid. These commitments to infrastructure projects are very welcomed and represents long-term strategic thinking that politicians are often accused of not enacting in the interesting of short-term goals that may resonant more with the electorate.

As is expected there are a number of measures in the Budget aimed at the cost of living issue still facing society. In addition to increases in the Standard Rate Cut Off point and tax credits, there are increases in child care support and the child allowance, and the extension of the mortgage interest relief introduced last year. Further energy cost measure are included to counteract the increase cost of energy and the rent credit is also seeing another increase.

Other housing related measure include the extension of the Help to Buy scheme and an increase in the rate of Vacant Homes Tax.

A number of business friendly measures were also announced in Budget 2025, however, whether they will have a significant impact for business remains to be seen.

To support cashflow for early stage innovative companies the R&D Tax credit first year payment threshold is being increased from €50,000 to €75,000.

VAT registration thresholds are being increased again this year which is welcomed.

Overall Budget 2025 represent a package of measures that come to €10 billion, which is lower than the last two budgets. In a pre-election period this could be seen as some level of constraint on behalf of the Government, however, some would argue in an economy that is at full capacity not enough restraint. It remains to be seen how the electorate view the Governments performance.

We hope you find our commentary on Budget 2025 insightful and informative. If you have any questions on what the measures mean for you or your business, please contact a member of the BDO Tax Team.

DEREK HENRY
Head of Tax
1 October 2024

Business

Participation Exemption

Ireland currently operates a worldwide corporate tax regime whereby all profits earned by an Irish resident company, both domestic and foreign, are subject to taxation. Relief is available for foreign taxes under a 'tax and credit' approach.

In order to reduce the complexity associated with the current regime, a new participation exemption for foreign source dividends will come into effect from 1 January 2025. It is proposed that the exemption will apply to relevant distributions received from relevant subsidiaries that are resident in EU/EEA and tax treaty jurisdictions. The existing method of claiming double taxation relief should continue to be available for dividends received from non-qualifying jurisdictions.

A company may choose annually whether to claim the exemption. Where the exemption is claimed, it will apply to all qualifying dividends received in that period. Where the exemption is not claimed, the existing method of claiming double taxation relief should apply.

The most recent consultation period in respect of the introduction of the participation exemption for foreign source dividends only recently closed. Therefore, some further amendments to the proposed legislation may be expected. In his speech, the Minister noted that further consideration may be given to the geographic scope of the exemption, and also referred to the future consideration of a foreign branch exemption.

Reform of Interest Deductibility Rules

The Minister highlighted the ongoing review of the tax treatment of interest in Ireland in his speech. A public consultation was recently announced on this matter, which will cover both the tax treatment of interest income and expenditure. However, given the complexity of the current interest deductibility rules in Ireland, particularly after the introduction of the Interest Limitation Rules in Finance Act 2021, the consultation is expected to mainly focus on simplifying the rules for companies obtaining a tax deduction for interest expenses.

A much-needed reform of the interest deductibility rules may bring Ireland more in line with its European counterparts, which would be welcomed given the Minister's comments on the need to maintain Ireland's attractiveness to businesses.

Section 486C Start Up Company Relief

Start Up Company Relief currently allows relief from Corporation Tax for small companies in the first five years of trading where their annual liability is less than €40,000. Where the Corporation Tax liability is between €40,000 and €60,000, marginal relief is available.

The relief is available against Corporation Tax liabilities and it may be carried forward where not fully used in the five years. It has been calculated by reference to employer PRSI paid of up to €5,000 per employee.The €5,000 PRSI per employee requirement is now being amended to include a €1,000 of Class S PRSI per individual to count toward this cap. This will allow for PRSI paid by owner-directors to be included in the calculation.

Bank Levy

The bank levy which was introduced in 2024 (and applies to those banks that received financial assistance from the State during the banking crisis) is being extended for a further year with a revenue target of €200 million.

Funds Sector

A Funds Review Team was established last year to undertake a detailed forward-looking review of the funds sector with a view to safeguarding Ireland's leasing position in the investment funds and asset management industry.

Last year, the Minister announced that the report was due to be provided in Summer 2024 and by way of update, the Minister confirmed that this report has been provided to him and his intention is to bring it to the Government shortly and publish thereafter.

Following a review of the findings, the Minister will then outline the next steps.

Whilst we expected that any changes would be considered for this year's Finance Bill, this now seems unlikely based on the latest comments from the Minister.

Motor Insurers Insolvency Compensation Fund

The Minister announced that the Motor Insurers Insolvency Compensation Fund levy will be reduced from 1% to 0%. The reduction is expected to benefit up to 2.2 million policy holders on renewal from 1 January 2025.

Relief for Listing Expenses

The Minister announced a new measure giving relief for expenses incurred on an initial stock market listing. This measure will support businesses in the scale-up phase of their growth and development, and is intended to encourage more stock exchange listings. The deduction will be for expenses incurred wholly and exclusively on a first listing (IPO) on a recognised stock exchange in Ireland or the EU/EEA area. The relief will be available to investment companies as an expense of management, or to trading companies as a trading deduction.

An overall cap of €1 million of expenses per listing will apply, with the relief being claimable by a company in the year of first successful listing. Expenses wholly and exclusively incurred for the purposes of the listing, both in the year of listing and the previous three years, will be allowable, subject to the overall €1 million cap. The new relief will apply for successful listings completed on or after 1 January 2025.

R&D Tax Credit Regime

Building on the previous years changes to the R&D tax credit regime, the year one refundable R&D credit is being increased from €50,000 to €75,000, or 50% the value of the credit if higher.

This will provide an immediate cash-flow benefit for companies, particularly small companies engaging in R&D, or those availing of the R&D tax credit for the first time.

Carbon Tax

Carbon Tax continues to follow the trajectory set out in the Finance Act of 2020.

The rate per tonne of CO_2 emitted for petrol and diesel will go up from €56.00 to €63.50 from the 9 October 2024.

For other fuels, such as home heating hydrocarbon products, the rate increase will take place in May 2025.

Irish Property Related Measures

Help-to-Buy Scheme Extended

The Help to Buy (HTB) incentive is a scheme for first-time home buyers. Budget 2025 extends the scheme until 31 December 2029, offering first-time buyers a tax rebate of up to €30,000 on the purchase of new build homes.

Vacant Homes Tax

The rate of the Vacant Homes Tax will increase from five times to seven times the property's Local Property Tax liability. This increase will apply to the next chargeable period, which begins 1 November 2024.

Residential Zoned Land Tax

Residential Zoned Land Tax (RZLT) was introduced in Finance Act 2021 and was to apply to land which is zoned suitable for residential development and is serviced but has not been developed for housing. It is an annual tax to be calculated at 3% of the market value of the land in scope.

The Minister today confirmed that amendments proposed include a further opportunity for RZLT landowners to seek a change in zoning in 2025 to a zoning which reflects the economic activity they undertake on the land. Also being introduced is a 12 month deferral for developments that are held up due to ongoing judicial review process, that has been initiated by third parties.

Pre-letting Expenses

Minister Chambers confirmed that a deduction for pre-letting expenses for landlords, capped at €10,000 per premises, is to be extended for a further three years to 31 December 2027.

This deduction is available in respect of vacant residential properties that have not been occupied for an entire six-month period before they are let for the first time.

Stamp Duty on Bulk Buying of Residential Property

Finance Act 2021 introduced a higher rate of Stamp Duty of 10% to be charged where a person acquired at least 10 residential units during any 12-month period.

The Minister announced the increase of the rate of stamp duty to be charged in these circumstances to 15%, effective immediately.

Stamp duty on residential properties valued above €1.5 million

A new 6% rate of Stamp Duty has been introduced on the transfer of residential properties and which will be applicable to the consideration that exceeds €1.5 million. This is to run concurrent to the existing stamp duty rates of 1% on consideration up to €1 million, and 2% on amounts between €1 million and €1.5 million.

Agri-Business

General stock relief, Stock relief for Young Trained Farmer and Stock Relief for Registered Farm Partnerships are being extended until 31 December 2027.

The Minister also announced a broadening of the scope of accelerated capital allowances for farm safety equipment.

The Department of Finance (in conjunction with the Department of Agriculture, Food and the Marine) are going to consider proposals for income volatility measures to support the farming sector for consideration in advance of next year's Budget.

Film Relief

The Minister announced a new incentives for the film industry. There is a new tax credit for "unscripted production". The credit will be available at 20% on qualifying expenditure of up to €15 million, and projects will be required to pass a cultural test.

The new tax credit is subject to European Commission approval. He also intends introducing a new 8% uplift in the Section 481 film tax credit again subject to European Commission approval. Further details of these tax credits will be set out in the Finance Bill 2024.

Personal tax

Income Tax Rates, Bands, Tax Credits and Exemption Limits

The income tax standard rate band is increased from €42,000 to €44,000 for single individuals, and from €51,000 to €53,000 for married couples/civil partners with one earner.
The Personal Tax Credit, the Employee Tax Credit (PAYE Credit) and Earned Income Credit for self- employed, are all increased from €1,875 to €2,000. There are also increases in:

- Home Carer Tax credit is increased from €1,800 to €1,950.
- Single Person Child Carer tax credit is increased from €1,750 to €1,900.
- Incapacitated Child credit is increased from €3,500 to €3,800.
- Dependant Relative tax credit is increased from €245 to €305.
- Blind Person tax credit is increased from €1,650 to €1,950.
- Rent tax credit is increased from €750 to €1,000 or €2,000 in the case of a jointly assessed couple). The €1,000 (€2,000) credit also applies retrospectively to 2024.

No changes were made to Income Tax rates.

Pay Related Social Insurance (PRSI) & Universal Social Charge (USC)

While not part of the budget speech, (as these rates changes were already legislated for in the Social Welfare Miscellaneous Provisions Act 2024), the rates for all classes of PRSI will increase initially by 0.1 percentage point from 1st October 2024, followed by further increases from October 2025 to October 2028. The proposed rate changes are as follows:

YEAR	EMPLOYEE	EMPLOYER
2024	4.10%	11.15%
2025	4.20%	11.25%
2026	4.35%	11.40%
2027	4.50%	11.55%
2028	4.70%	11.75%

The 4% rate of USC has been reduced to 3%.

The 2% USC band has been widened so that it applies on income of €12,013 to €27,382. This is to ensure that people on the national minimum wage will not see the recent increase push them into the 3.0% USC band.

All USC changes are effective from 1 January 2025.

Rent Tax Credit

The rent tax credit is being increased from €750 to €1,000, or €2,000 in the case of a jointly assessed taxpayer. The increased amount is available in respect of the 2024 and 2025 tax years.

The credit will continue to be available to parents who pay for their student children's rental accommodation in the form of 'digs'.

Mortgage Interest Relief

Minister Chambers announced the extension of the mortgage interest tax relief initially announced in Budget 2024 by a further year to 31 December 2025.

Relief will continue to be available at a rate of 20% in respect of the increase in interest paid in the calendar year 2024 compared to calendar year 2022 and continues to be capped at a maximum credit of €1,250. This remains available to qualifying homeowners with an outstanding mortgage balance in respect of their principal private residence of between €80,000 and €500,000.

Relief for Investment in Corporate Trades

The Minister confirmed the Government's commitment to supporting and promoting SME's, by helping them attract funding through incentives such as Employment Investment Incentive Scheme ("EIIS"), Start Up Relief for Entrepreneurs ("SURE") and Start Up Capital Incentive ("SCI"), and announced the following changes.

- These schemes have been extended for a further two years to the end of 2026.
- The amount an investor can claim tax relief on under the EII scheme is being doubled from €500,000 to €1 million.
- The relief available under SURE is being increased from €700,000 to €980,000 (over 7 years).

Although the above changes are to be welcomed, it had been was hoped that the schemes would be simplified to increase the number of SME's benefiting. It is apparent that currently many SME's are faced with difficulties in terms of having access to finance and the implementation of these schemes is unnecessarily complicated.

Another change that was not forthcoming was in relation to CGT losses and EII. Currently CGT losses are not available where a loss is made on investments.

Employment Tax

Benefit in Kind on Company Cars

The Government introduced legislation in April 2023 to reduce the taxable BIK on company cars for the 2023 tax year only. This was achieved by allowing a €10,000 reduction to the original market value. This reduction applied to all company cars aside from those cars falling into the highest CO2 emissions category (more than 179g/km). This temporary relief has now been extended to 2025.

The Minister also announced that tax relief applicable to electric cars will remain at €35,000 for 2025. Furthermore, electric vehicles will continue to qualify for the above €10,000 relief, as a result, the total relief for electric vehicles in 2025 will be €45,000.

BIK treatment of Battery Electric Vehicle (BEV) home chargers

The provision of a facility for the electric charging of vehicles at the home of a director or employee will be treated as a tax-exempt benefit with effect from 1 January 2025.

Small Benefit Exemption

The Small Benefit Exemption allows employers to give employees up to two small benefits, tax-free, each year. These benefits must not be in cash, and the combined value of the two benefits cannot exceed €1,000. The exemption allows for non-cash benefits such as vouchers or small gifts without incurring income tax, PRSI, or USC.

The Minister announced that the limit of the "Small Benefit Exemption will increase to €1,500 and the number of benefits that an employer can give will increase from two to five per year (cumulative total of first five benefits in a year shall not exceed €1,500).

Pensions

Auto-enrolment

The Minister for Social Protection announced this week that the Government's new auto-enrolment pension scheme will begin on 30 September 2025. This new scheme will apply to all employees between the ages of 23 and 60 who are not members of an approved pension scheme. Contributions will be payable from that date for employees and employers.

Standard Fund Threshold

The Standard Fund Threshold ('SFT') is a limit on the amount of benefits an individual can accrue from Irish pension arrangements. The SFT has been at €2m since 2014. This limit will be increased to €2.8m between 2026 and 2029. From 2030, the SFT will be indexed in line with wages growth.

The amount of the lump sum that will be taxable at the higher rate will be fixed at €300k and will not be linked to the rising SFT.

The charge on excess funds will remain at 40% until at least 2030.

Share Based Remuneration

Last year, the Minister announced an independent consultation process would commence on share-based remuneration.

The report arising from that review has been published today. The recommendations are broadly positive and designed to balance the objective of maintaining or improving Ireland's competitive position while reducing the increasing Exchequer costs of share-based schemes.

Capital Taxes

Capital Gains Tax

The rate of Capital Gains Tax remains unchanged at 33%.

Retirement Relief

Finance Act 2023 introduced significant changes to Retirement Relief for disposals from 1 January 2025, including the extension of the upper age limit for the relief from 65 until the age of 70, and the imposition of certain lifetime limits. The Minister confirmed that the extension of the upper age limit for the relief from 65 until the age of 70 will remain in place and that certain lifetime limits would be relaxed.

Finance Act 2023 provides that relief on transfers to a child where the disponer was aged 55 to 69 was to be effectively capped at €10 million.

However the Minister announced today that where the child retains the assets transferred (at a value of €10m or more) for more than 12 years, the CGT will be fully relieved, with no clawback. here there are disposals by the child within 12 years of receiving the assets, a clawback of the relief will apply. This is a welcome announcement as it significantly reduces the cap on the relief announced in 2023 and recognises the importance of family-owned businesses to the economy and should assist, and encourage the transfer of businesses to the next generation.

Angel Investor - Capital Gains Tax Relief

An Angel Investor Capital Gains Tax Relief was announced in Budget 2024 on which a reduced rate of Capital Gains Tax (16%, or 18% if the investment is made through a partnership) was to apply.

There was lifetime limit of €3 million on gains to which the reduced rate of CGT will apply. This limit has now been increased to lifetime gains of up to €10 million.

The relief is due to commence shortly (subject to Ministerial Order) and it is hoped this will encourage business angel investment in innovative start-ups.

Capital Acquisitions Tax

The rate of Capital Acquisitions Tax remains unchanged at 33%.

As anticipated the Group CAT Thresholds are increased as follows:

- CAT Group A from €335,000 to €400,000
- CAT Group B from €32,500 to €40,000
- CAT Group C from €16,250 to €20,000

Agricultural Relief

An additional condition to qualify for agricultural relief in the case of gifts will require the **donor** to meet the 6-year Active Farmer test. This is a tax relief limiting measure to narrow this relief to benefit farmers, and to safeguard agricultural relief for the genuine active farmer and the next generation of farmers.

VAT

Electricity and Gas

The temporary 9% VAT rate for the supply of electricity and gas has been further extended until 30 April 2025.

Registration Thresholds

The VAT registration thresholds will be increased from €40,000 to €42,500 for services and from €80,000 to €85,000 for goods with effect from 1 January 2025.

Farmers Flat Rate Addition

The VAT Flat Rate Addition will increase from 4.8% to 5.1% with effect from 1 January 2025. The Flat Rate Addition compensates farmers who are not VAT registered for VAT incurred on their purchases.

VAT rate on the supply and installation of Heat Pumps

The VAT rate on the supply and installation of qualifying Heat Pumps will reduce from 23% to 9% to incentivise homeowners to install such heat pumps.

Customs and Excise

ESG measures

A VRT amendment was announced so that battery powered commercial electric vehicles can qualify for the €200 VRT rate.

In addition, the Minister announced the introduction of an emissions-based approach for category B commercial vehicles with a CO_2 emission of less than 120gCO_2/km.

Furthermore, the Accelerated Capital Allowances scheme for gas and hydrogen powered vehicles will be extended for another year. As such, the definition of a 'low emitting vehicle' has been redefined and will be applied from 1 January 2027. Maximum emission levels for a low emission vehicle will now be 141gCO_2/km, down from 156gCO_2/km. This measure is to incentivise the uptake in the purchase of electric vehicles.

Infrastructure, Climate and Nature Fund (ICNF)

The ICNF has been established set up and has objectives :

- Endure there is sufficient money to invest when the economy is not so strong.
- For investment in climate transition and preparing for a greener future.

Between 2026 and 2030 €3 billion will be invested in projects that can assist with:

- Reduction in greenhouse gas emissions
- Improvement in water quality
- Improvement in nature and biodiversity objectives.

Excise

Tobacco
To support public health policy and to reduce smoking levels, excise duty on a packet of 20 cigarettes increased by €1, with a pro-rata increase on other tobacco products. This will bring the price of cigarettes in the most popular price category to €18.05.

e-Cigarettes (e-liquid excise)
On public health grounds a domestic tax on e-cigarettes was announced. The tax will apply to all e-liquids at a rate of 50c per ml of e-liquid. A typical disposable vape contains 2ml of e-liquid, and costs in the region of €8. This new tax will bring the price of such a product to €9.23 including VAT.

Due to the operational and administrative challenges associated with this measure it will not commence until the middle of next year and therefore will be subject to a commencement order.

Excise Relief – Small producers
The excise relief introduced last year for independent small producers of cider and perry has now been extended to cover what is known as other fermented beverages which includes products such as mead and wines other than grape wine such as elderberry wine, strawberry wine etc.

In addition, extended this relief to higher strength cider and perry produced by independent small producers.

Appendices

Budget 2025 tables

Income Tax & USC

Tax rates	2025	2024
Standard tax rate	20%	20%
Higher tax rate	40%	40%
Standard rate bands		
Single/widowed	€44,000	€42,000
Married couple/civil partnership one income	€53,000	€51,000
Married couple/civil partnership two incomes	€88,000	€84,000
One parent family	€48,000	€46,000
Tax credits		
Single person	€2,000	€1,875
Married couple/civil partnership	€4,000	€3,750
Single person child carer	€1,900	€1,750
PAYE	€2,000	€1,875
Earned income	€2,000	€1,875
Home carer (maximum)	€1,950	€1,800
Rent (singe)*	€1,000	€1,000
Incapacitated child	€3,800	€3,500
Blind	€1,950	€1,650
Dependent relative	€305	€245

*2024 also increased to €1,000 previously €750

Universal Social Charge (USC)			
2025	**	2024	
€0 - €12,012	0.5%	€0 - €12,012	0.5%
€12,013 - €27,382	2.0%	€12,013 - €25,760	2.0%
€27,383 - €70,444	3.0%	€25,761 - €70,044	4.0%
Balance over €70,445	8.0%	Balance over €70,045	8.0%
Relevant income over €100,000	11.0%	Relevant income over €100,000	11.0%

** With effect from 1 January 2025.

Comment: The 2% USC ceiling band has increased to €27,382.

PRSI

Tax rates	2025*	2024
Class A Employee PRSI	4,2%	4,1%
Employer PRSI on weekly income	8.9% (not exceeding €441)	8.9% (not exceeding €441)
Employer PRSI on weekly income	11.15% (over €441)	11.15% (over €441)
Self-employed PRSI	4.2%	4,1%

*0.1% increase from October 1st 2025

Corporation Tax	2025	2024
Standard Rate*	12,5%	12,5%
Knowledge Development Box**	10%	10%
Non -Trading income (&certain property transactions) rate	25%	25%

Stamp Duty	2025	2024
Residential property valued <€1m	1.0%	1.0%
Residential property valued >€1m	2.0%	2.0%
Residential (at least 10 relevant units)	15%	10%
Residential property valued >€1.5 million	6% (above1.5m)	
Non-residential property (other than policies of insurance)	7.5%	7.5%
Shares (subject to some exceptions)	1.0	1.0%

DIRT	2025	2024
	33%	33%

VAT	2025	2024
Standard rate	23.0%	23.0%
Reduced rate	13.5%	13.5%
The 9% VAT rate on gas and electricity will be extended to 30 April 2025	9.0%	9.0%
The VAT registration thresholds for the supply of goods and services are to be raised.		
The registration thresholds are currently €80,000 and €40,000 respectively, and will rise to €85,000 and €42,500 respectively.		

Capital Gains Tax	2025	2024
General Rate	33%	33%
Entrepreneur relief (reduced rate)	10%	10%
Annual exemption	€1,270	€1,270
Retirement Relief	Finance Act 2024 retain the increased upper age limit and will introduce a clawback period of 12 years for relief available for disposals over €10 million, after which the CGT will be abated. These changes are to ensure that the intergenerational transfer of Irish family businesses continues to be supported by the tax system.	Finance Act 2023 increased the age parameters and introduced a cap on Retirement Relief of €10 million.
Angel Investor Capital Gains Tax Relief	The Angel Investor Capital Gains Tax Relief, which is targeted at encouraging business angel investment in innovative start-ups, was announced in Budget 2024, and will commence shortly. It is proposed to increase the lifetime limit on gains, on which the reduced rate of Capital Gains Tax applies, from €3 million to €10 million.	It will allow angel investors to benefit from a reduced rate of CGT when they dispose of qualifying investments in startups.

Capital Acquisition Tax	2025	2024
General rate	33%	33%
Group A threshold	€400,000.00	€335,000
Group B threshold	€40,000.00	€32,500
Group C threshold	€20,000.00	€16,250

DWT	2025	2024
	25%	25%

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