Taxing Times

Budget 2025 & Current Tax Developments

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Tom Woods
Partner

Introduction

The Minister for Finance introduced the 2025 Budget on 1 October 2024. Further detailed measures will be included in the Finance Bill to be published on 10 October 2024.

Budget 2025 was framed by the minister as putting the country "on a firm footing for the future" while delivering benefits for workers and households, tackling the cost of living, stimulating indigenous entrepreneurship and maintaining our competitive edge.

The total budgetary package of €10.5bn was provided against a backdrop of a strong economy and unprecedented windfall receipts driven by the sale of the government's shareholding in AIB and the EU Court of Justice judgement with respect to Apple. The minister acknowledged the need to utilise these receipts to deliver long-term value to the State and committed €3bn to infrastructure and to further investments of €4bn in 2024 and €6bn in 2025 in funds aimed at protecting against the risk of future economic shocks and supporting the green transition. The development by Q1 2025 of a framework for the further use of windfall receipts was also announced.

The tax measures announced amounted to €1.4 billion, and coupled with cost-of-living measures totalling €2.2bn, will be welcomed by households continuing to feel pinched finances.

Individuals can expect to benefit from the following changes announced in the Budget:

- An increase of €2,000 to the standard rate income tax cut off point to €44,000
- An increase in the ceiling of the 2% USC rate of €1,622 and a cut in the USC rate on incomes from €27,382 to €70,044 from 4% to 3%
- Increases of €125 in the personal, employee and earned income credits

In addition to measures aimed at tackling the housing crisis and driving sustainable change, the minister announced changes to the tax cost of passing assets to the next generation. The increase in the Group A CAT Threshold from €335,000 to €400,000 will ensure that many children inheriting the family home will be shielded from an inheritance tax charge. Important changes have been made to CGT relief on the transfer of family businesses to the next generation. The replacement of the previously announced cap with a clawback mechanism should allay concerns among the family business community.

To support domestic entrepreneurship, the minister announced incremental improvements to existing reliefs for investments in SMEs and start-up companies. While these measures are to be welcomed, key factors that impact on an SME's ability to scale and grow are access to risk capital and talent and there is scope for Ireland's tax policy to better support indigenous business in these areas.

Budget 2025 provides personal tax reliefs for workers and households, while making strides towards keeping Ireland's tax system competitive. The announcement of reform of the taxation of foreign dividends and a review of the tax treatment of interest are welcome first steps towards simplification of Ireland's corporation tax system. Tax certainty and simplification will become areas of increasing global competition in the coming years. It is hoped that further streamlining of the corporation tax system will be the subject of future Budgets.

Tom Woods

Tom Woods
Head of Tax & Legal Services

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Personal Tax

Cian Liddy
Partner

Individual taxpayers will generally welcome Budget 2025. The measures introduced seek to address many topical issues, primarily intended to target the cost-of-living challenges in Ireland. In addition, the minister introduced some timely increases to the tax-free thresholds for gifts/inheritances received by individuals. These thresholds were last increased in 2019, and in his speech the minister cited the considerable increase in property values in recent years as a key factor in these changes.

The specific personal tax measures announced in the minister's speech are set out below.

Universal social charge

The minister confirmed that the minimum wage will increase from 1 January 2025 to €13.50 per hour. In keeping with prior years, the minister announced a corresponding increase to the ceiling on the second rate of USC (2%) to ensure that workers on the new minimum wage do not see the benefit eroded by higher rates of USC. The new upper limit will be €27,382, an increase of €1,622.

The minister also announced a reduction from 4% to 3% in the USC rate levied on income up to €70,044.

Full details of the revised rates and bands are included in the Tax Rates and Credits 2025 table at the end of this publication.

Income tax bands

The point at which the higher rate of income tax will apply will increase by €2,000 for all earners from 1 January 2025. For example, the income tax standard rate band cut-off point for single individuals will increase to €44,000 (a 4.5% increase which is greater than the growth of 1.7% in the consumer price index in the year to 31 August 2024) with commensurate increases for married couples/civil partners.

This increase should deliver an annual saving of €400 for a single person earning more than €44,000 per annum and up to €800 for married couples/civil partners.

Tax credits

In line with the increases in the main personal tax credits last year, Budget 2025 proposes a further €125 increase in each of the personal tax credit, employee tax credit and earned income credit, from €1,875 to €2,000. This represents an increase of 6.6% but the automatic index-linking of these credits to inflation or wage increases continues to be conspicuous by its absence.

The minister also provided for increases in the home carer tax credit and the single person child carer tax credit by €150 each and increases in the incapacitated child tax credit and blind person's tax credit by €300 each. There has also been an increase of €60 in the dependent relative tax credit.

In addition to the above, the minister announced the extension of the sea-going naval personnel tax credit for a further five years until 2029. This tax credit is currently €1,500 per annum for permanent members of the Irish Naval Service who have spent at least 80 days at sea in the previous year in the course of their employment.

CervicalCheck payments

Budget 2025 provides that payments made to women impacted by failures in the CervicalCheck national screening programme will be exempt from income tax, capital gains tax, and capital acquisitions tax. In addition, the minister indicated that any income or gains arising to these women from the investment of the funds received under the CervicalCheck payments will also be exempt from the aforementioned taxes. Further detail as to how this latter measure will be applied is awaited in the Finance Bill due to be published next week.

Pension changes

The much-anticipated Automatic Enrolment Retirement Savings Scheme (AE) is a pension scheme where employees who do not have an occupational pension are automatically enrolled into a retirement savings scheme (while retaining the option to opt-out of the scheme under certain conditions). The aim of the scheme is to combat the widely-reported low rates of private pension cover in Ireland. It was recently announced by the Minister for Social Protection that the scheme will come into effect on 30 September 2025 (previously expected to be January 2025).

The minister announced that Finance Bill 2024 will provide for the taxation measures associated with this scheme. Some of the noteworthy points are as follows:

- There will be no tax relief for employee contributions to the AE scheme (as the State is making direct contributions).
- Employers will receive tax relief for their contributions.
- Growth in the AE funds will be exempt from tax.
- Retirees will be taxable on the annuities payable from the AE funds.
- It will be possible to take a lump sum of up to 25% of the fund – this will be tax free up to €200,000, with rates of 20% applying on the next €300,000 and 40% thereafter.

While not included in the Budget speech, in September the minister published the report of the independent examination of the Standard Fund Threshold (SFT) for pensions. The report

Camilla Cullinane
Partner

Robert Dowley
Partner

made a number of recommendations to modernise and update the operation of the SFT. The Government has committed to implementing many of these recommendations in a multi-year plan. This plan includes the following:

- Phased increases in the SFT of €200,000 per year, from 2026 until it reaches €2.8 million in 2029, and then indexing the level of SFT to the applicable level of growth.
- The rate of Chargeable Excess Tax (CET) is to remain unchanged with a specific review of the rate to take place by 2030. The report recommends a reduction of the CET rate to a level that ensures the effective rate on the excess benefits over the threshold is not less than the top marginal rate of tax. In current circumstances, a CET rate of 10% would be sufficient to achieve this, rather than the current rate of 40%.
- The report also recommends revised valuation factors, taking into account the different types of pensions to which the factors apply, and in particular, the different types of benefits that are provided. The minister noted that an independent evaluation of the age-related valuation factors proposed will be undertaken.
- The threshold for the higher rate of taxation to apply to a pension lump sum will be limited to €500,000, rather than a proportion of the SFT.
- An inter-agency group will be formed to oversee the implementation of the remaining recommendations.

Charitable bodies

The minister announced that newly-registered charities will no longer have to wait two years after registering to be eligible for tax relief on donations.

Sporting organisations and bodies

Currently the Irish tax system provides sporting organisations and bodies with the ability to reclaim tax from Revenue on donations made to them by individuals.

The minister announced that there is to be greater flexibility on how donations to sports bodies for both capital projects and other purposes, are to be treated for income tax purposes. Specifically, the minister noted an intention to enable donors to choose whether they obtain the income tax relief or whether the sporting body can claim relief directly from Revenue. It will be interesting to see the extent to which donors elect to claim the tax relief themselves when this measure is introduced.

Further details will be available upon publication of the Finance Bill.

Capital acquisitions tax

Following on from the minister's announcement in September that the gift/inheritance tax regime would be changed in Budget 2025, the following increases in the tax-free thresholds are to be effective for gifts/inheritances taken on or after 2 October 2024:

- The Group A category which relates to inheritance by children from their parents will increase to €400,000 (from €335,000).
- The group B threshold which relates to inheritances involving grandchildren, siblings, nieces and nephews will increase to €40,000 (from €32,500).
- The Group C threshold which relates to all other inheritances will increase to €20,000 (from €16,250).

This marks the first update in capital acquisition tax thresholds since Budget 2020.

Employment Taxes

Olive O'Donoghue
Partner

The minister's speech included welcome enhancements to some existing initiatives designed to ease the financial burden on PAYE workers.

Small Benefit Exemption

Under the existing Benefit-in-Kind (BIK) Small Benefit Exemption, an employer could provide up to two tax-exempt non-cash benefits to an employee in a year with an aggregate value of up to €1,000. The minister announced that up to five benefits will be allowed with an aggregate value of up to €1,500. It remains to be seen in the Finance Bill whether the changes will take effect for 2024 or 2025.

BIK on employer-provided vehicles

The government in March 2023 announced a temporary reduction of €10,000 to the original market value used to calculate BIK on vehicles in the A to D categories for CO2 emissions (which cover most vehicles). This temporary measure was due to expire at the end of 2024, however in a welcome move, the minister has confirmed that this measure will stay in place until the end of 2025 (for both electric and fossil-fuel vehicles).

BIK on electric vehicle chargers

A BIK exemption is to be introduced for the provision by employers of electric vehicle chargers at the home of a director or employee.

Share-based remuneration

In last year's speech, Minister McGrath recognised the importance of share-based remuneration for employers to incentivise and retain key employees. The Department of Finance has since commissioned an independent review into the taxation of share-based remuneration. The report arising from that review, published on Budget Day, contains a number of recommendations for the minister to consider.

This report is welcomed as share-based remuneration is important in many industry sectors where share participation typically forms part of the remuneration package of executives and employees alike. Share-based remuneration is important to both multinational enterprises and our indigenous SME sector as it provides a means to attract and retain talent in a highly competitive employment market. It is therefore crucial that our tax system for share-based remuneration is fair, simple to administer and not out of sync with other jurisdictions.

The report makes several recommendations designed to improve Ireland's competitive position, which include:

- Short-term measures to enhance the attractiveness of the Key Employee Engagement Programme (KEEP) by providing greater clarity and guidance to SMEs on share valuations for KEEP. Further, the report recommends that consideration should be given to wider amendments and a re-design of KEEP post-2025.
- The tax treatment of restricted stock units for internationally mobile employees should be moved to a sourcing or apportionment method aligned with the approach used internationally and with the approach used in respect for stock options for internationally mobile employees in Ireland.
- Simplification of reporting for share-based remuneration to reduce administrative costs and increase the attractiveness of share schemes for SMEs. As part of this, the report recommends that consideration be given to adopting a pre-notification system for approval of Approved Profit Share Schemes by Revenue.
- A reduced BIK rate on loans to employees to fund the costs associated with the purchase of shares in share-based remuneration schemes. The current rate for such loans is 13.5%, with a taxable BIK therefore arising on the difference between the interest paid, if any, and the interest which would have been payable at the 13.5% rate. The report suggests the rate could be linked to market interest rates.
- Reform of employee ownership trusts to align Ireland with the tax treatment of such trusts in the UK.

The report also recommends that consideration should be given to introducing a cap on the employer PRSI exemption for share-based remuneration, with a view to containing the growth in the cost to the Exchequer of share-based remuneration schemes. Such a change would serve to increase the cost for companies of running employee share schemes, and potentially reduce the attractiveness of these schemes for SMEs in particular, which would appear to be in direct conflict with the aim of the recommendations above.

Pay Related Social Insurance (PRSI)

While not referenced in any Budget documents, it is worth reminding readers that Budget Day coincided with an increase of 0.1% to all PRSI contribution rates announced last year. Provisions have also already been enacted for similar rate increases from 2024 to 2028. The objective of these changes is to help address the long-term sustainability challenges facing the Social Insurance Fund and support the retention of the State Pension age at 66.

Business Tax

Andrew Gallagher
Partner

Alan Bromell
Partner

Taxation of interest

In his Budget speech, the minister referenced a review of the tax treatment of interest in Ireland with a view to reducing complexity in tax legislation in this area and maintaining Ireland's attractiveness for businesses. As a first step, a public consultation was launched on 27 September 2024 which seeks stakeholders' views in a number of areas, including:

- The taxation of interest;
- The tax deductibility of interest (in general);
- The interest limitation rules under the EU Anti-Tax Avoidance Directive, together with other anti-avoidance rules and restrictions relating to the deductibility of interest;
- The tax treatment of interest relating to financial services transactions;
- Withholding taxes on interest; and
- Reporting obligations for payers of interest.

The consultation closes on 30 January 2025, and it is expected that the feedback from this consultation will inform future tax policy decisions.

Given the highly complex nature of the current rules, and the recent changes to Ireland's corporation tax regime, including the implementation of Pillar Two, the department has noted that the review will be carried out over a multi-year timeframe.

We have been calling for such a review for several years. It is critical that the cost of doing business in Ireland and the administrative burden is minimised. This review is an important and necessary step in simplifying Ireland's corporation tax regime.

Participation exemption for foreign dividends

Following a number of public consultations, the Minister for Finance has announced the introduction of a participation exemption for foreign dividends. This aims to reduce the administrative burden on multinational businesses by simplifying Ireland's double tax relief provisions and aligning Ireland's regime more closely to international norms.

This exemption will apply to distributions received on or after 1 January 2025 from companies resident for tax purposes in the EU/EEA, or jurisdictions with which Ireland has a double taxation agreement.

While the specific details are not yet available, current indications, based on the recent Feedback Statement, are that the dividend may only qualify if paid during an uninterrupted period of twelve months in which the receiving company controls at least 5% of the ordinary share capital of the payer.

Unfortunately, it is expected that this exemption will only apply to dividends paid out of "profits" in respect of non-redeemable shares. This is inconsistent,

Business Tax

Ken Hardy
Partner

Damien Flanagan
Partner

for example, with the existing approach for all dividends and distributions received from Irish resident companies, which are exempt from corporation tax. Helpfully, there is not expected to be a trading requirement associated with this exemption (unlike the current CGT participation exemption).

The minister confirmed that a company will have the option, by way of an election in the company's corporation tax return, to either claim the participation exemption or continue to use the existing regime (i.e. tax with credit). Where a company elects to claim the participation exemption for a financial period, it must do so for all dividends potentially in scope of the exemption in that period.

This is a welcome regime, which will significantly reduce the administrative burden on businesses. However, further improvements are necessary. The full details on the participation exemption will be set out in the Finance Bill and it is important that the exemption is not limited by reference to distributions paid from "profits".

The minister also indicated that further consideration will be given in the coming year, to the geographic scope of the participation exemption on dividends (in the context of Pillar Two rules), as well as the possible introduction of an exemption for foreign branch profits.

Agri-business measures

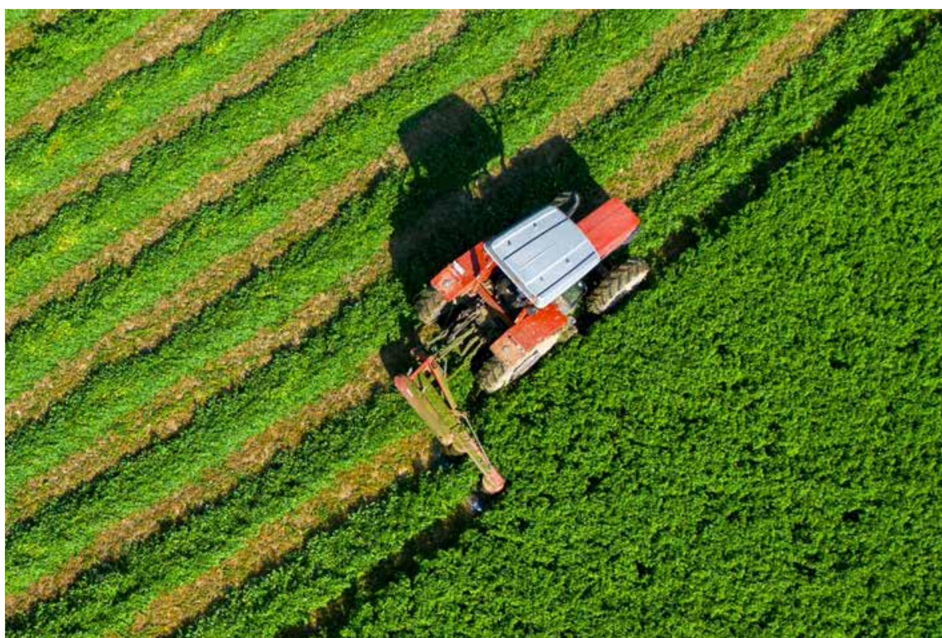
The Minister for Finance highlighted the important role that the Agri-food sector plays in the economy and announced several agricultural-related measures as set out below.

Capital Acquisitions Tax – Agricultural relief

Agricultural relief provides a reduction of 90% in the taxable value of agricultural property passing by gift or inheritance. There are a number of conditions for agricultural relief to apply, including that the assets are qualifying agricultural property and that the beneficiary is an active farmer.

An active farmer includes (i) where a beneficiary who holds a specified farming qualification farms the land for six years, (ii) where a beneficiary farms the land for six years and spends more than 50% of their working time farming land, or (iii) where the land is leased for six years to a person who satisfies either of these requirements.

The Budget introduces a measure to extend the six year active farmer requirement to also apply to the donor of the gift or inheritance. The minister noted that the intention of this change is to narrow the benefit of this relief to active farmer families. Full details of this change will be confirmed in the Finance Bill due to be published next week.



Accelerated capital allowances – farm safety equipment

This relief allows for accelerated capital allowances of 50% per annum over two years for certain eligible farm safety equipment and adaptive equipment for farmers with disabilities. This relief is being broadened to provide relief for expenditure by farmers on certain equipment eligible under Targeted Agriculture Modernisation Schemes (TAMS) which does not currently qualify for accelerated allowances.

Stock relief

Stock relief reduces taxable farm profits by reference to a specified percentage of the increase in value of farm trading stock over an accounting period,subject to certain conditions being met.

This relief is being extended to the end of 31 December 2027.

Agricultural stamp duty reliefs

Stamp duty relief is available on the transfer or lease of qualifying land to young trained farmers who use the land for farming. The minister announced

Anna Scally
Partner

Cillein Barry
Partner

that the relief will be extended to also apply to farmers who carry on their business through a company.

Flat-rate addition for farmers

The flat rate addition payable to farmers who are not registered for VAT will increase from 4.8% to 5.1% with effect from 1 January 2025.

Capital gains tax

Retirement relief

Retirement relief provides relief from capital gains tax to individuals on the disposal of businesses where certain conditions are met. Currently, full relief from capital gains tax is available for individuals who transfer qualifying business assets to a child when the individual is aged 55 to 66. The relief for intergenerational transfers is capped at a value of €3 million for individuals aged 66 and over. Budget 2024 provided that this €3 million cap would be removed for individuals aged 66 to 69 for disposals from 1 January 2025. This, in isolation, was seen as a welcome change, reflecting the increased longevity of individuals in business. Budget 2025 reaffirmed this extension of relief.

However, Budget 2024 also set out a €10 million limit on the value of qualifying assets transferred to a child, with effect from 1 January 2025. There was concern in the family business community that this measure would act as an impediment to well-organised lifetime inter-generational transfers of larger businesses, with the potential to negatively impact the success of those businesses and the employment they support.

The minister's budget speech indicates that the €10 million limit will not come into effect. Instead relief will apply subject to a 12-year clawback period (increased from the existing 6-year clawback period), in respect of assets transferred to a child with a value in excess of €10 million.

The replacement of the previously-announced cap with a clawback mechanism should allay concerns among family businesses who plan to retain the business in the family for the long term and appears to be a sensible compromise that ensures the availability of relief, but in a more targeted fashion.

CGT relief for angel investors

Budget 2024 introduced a new CGT relief for angel investors. "Angel Investor Relief" will, subject to certain conditions, provide for a lower 16% rate of capital gains tax for investors in innovative start-up companies, or 18% where an individual invests via a partnership. This lower rate of CGT will apply to gains arising on the disposal of eligible shares (issued on or before 31 December 2026). The commencement of the relief is subject to Ministerial Order, which is expected to be issued shortly.

In a welcome move, the Minister announced that the lifetime cap available to individuals in respect of all qualifying investments is being increased from the previously-enacted €3m to €10m.

It should be noted that there is significant complexity and onerous conditions associated with the relief which have the potential to make it unattractive and difficult to apply in practice. It remains to be seen whether the Finance Bill will contain any other amendments to the relief to make it more accessible.

Business Tax

Philip Murphy
Partner

Ciara Wrafter
Partner

Reliefs for investment in corporate trades

There are a number of reliefs available for investments in corporate trades to attract investment from individuals. Individuals who make qualifying investments can claim income tax relief on the amount invested under three different incentives (subject to certain limits):

- Employment Investment Incentive (EII) which provides tax relief of up to 40% of the investment made in certain companies;
- Start-Up Relief for Entrepreneurs (SURE) which provides tax relief to entrepreneurs who leave an employment to set up their own company; and
- Start-Up Capital Investment (SCI) which is a tax relief for family members investing in early-stage micro companies founded by their relative(s).

The minister has announced that following a tax expenditure review, it is proposed to extend the reliefs under EII, SURE and SCI for a further two years to 31 December 2026.

In addition, it is also proposed to increase the amount on which an investor can claim relief in respect of an EII investment to €1million (from €500,000) and to a maximum of €140,000 per year (€980,000 over 7 years) for SURE investments.

Research and development tax credit

Following significant change to the research and development tax credit (RDTC) brought about by developments in the international tax landscape, Budget 2025 provides for further enhancement to the RDTC regime.

Currently, companies with RDTC claims of €50,000 or less receive the full benefit of their RDTC claim in one upfront instalment in year 1. This approach is now to be extended to claims of €75,000 or less. This is a further extension of this threshold which increased from €25,000 to €50,000 in Budget 2024.

Companies with RDTC claims of between €75,000 and €150,000 will similarly benefit from a €25,000 increase in the first instalment of their RDTC claim. Companies with RDTC claims above €150,000 will continue to receive a first instalment amount based on 50% of the RDTC claim.

This is a positive update and will provide a vital cashflow benefit to companies engaged in smaller R&D projects or engaging with the credit for the first time.

The Department of Finance has estimated based on 2022 RDTC claims (the latest data available), that increasing the payment threshold to €75,000 will increase, to circa 44%, the proportion of claimant companies qualifying for payment of the credit in full in the first year.

The minister also acknowledged that the Government must support innovative businesses "as they evolve to meet the challenges, and seize the opportunities, of an increasingly digitalised world". A review of the RDTC regime will be carried out in the coming year by the department. Such reviews have happened in the past, usually at a three-year interval. This review is welcome, and we hope it will result in the further broadening of the RDTC regime and provide opportunities for additional tax incentives for innovative businesses.

Kevin Cohen
Partner

Gareth Bryan
Partner

Audio-visual incentives

The minister announced proposals to introduce two new audio-visual incentives as part of Budget 2025 for unscripted productions and a "Scéal Uplift".

The minister also signalled that international trends in the visual effects sector will be monitored over the coming year, with the prospect of sector-specific measures in Budget 2026.

Unscripted productions

It was indicated in Budget 2024 that a new tax credit would be developed for the unscripted production sector with a view to supporting the continued growth of the sector in Ireland.

The relief will take the form of a corporation tax credit at a rate of 20% of certain production expenditure up to a maximum limit of €15 million per project.

A cultural test will be introduced to ensure that public funds under this incentive will be channelled to projects of cultural merit.

Scéal Uplift

Section 481 film tax credit provides a corporation tax credit for the qualifying costs of certain (scripted) audio-visual productions. The scheme is intended to act as a stimulus for the indigenous film industry in Ireland.

The Scéal Uplift introduces an enhancement to the credit by providing for an uplift of 8% for certain feature film productions.

The uplift will result in a tax credit rate of 40% for feature films in respect of projects with a maximum qualifying expenditure of up to €20 million. As the incentive will form part of Section 481, it will be subject to the same sunset clause of 31 December 2028.

Both the unscripted tax credit and Scéal Uplift will be subject to receipt of State Aid approval from the European Commission.

Financial services

Bank levy

A revised basis for calculating the bank levy was introduced for 2024, which provides that the levy is based on a percentage of in-scope deposits held by relevant banks at 31 December 2022 instead of the previous DIRT-based formula. The Budget extends the revised bank levy for one further year to 2025. It applies to banks that received financial assistance from the State during the banking crisis i.e. AIB, EBS, Bank of Ireland and PTSB.

Motor insurers insolvency compensation fund levy

The minister announced that the Motor Insurers Insolvency Compensation (MIIC) Fund levy, which was introduced to meet shortfalls where the motor insurance operator becomes insolvent, will be reduced from 1% to 0% for all motor insurance policies renewed from 1 January 2025. This reduction is expected to benefit up to 2.2 million policy holders and follows a reduction from 2% to 1% in Budget 2024.

Review of funds sector

The Minister for Finance noted in his speech that the review of the Irish funds sector, launched in 2023, is now complete, and a report on the findings of the review together with next steps will be published shortly. The aim of the review is to safeguard Ireland's leading position in the investment funds and asset management industry globally.

We responded to a consultation forming part of this review in 2023 which addressed several topics, including the regulatory and supervisory framework that applies to the Irish funds sector, and the impact on investment activity of Ireland's current taxation regime. As part of our submission, we made several recommendations, including simplifying the tax regime for investment products and ensuring consistency of tax treatment across different products. Implementing these recommendations should reduce the compliance burden for individual taxpayers. These recommendations also included that the tax rates applicable to investment income and gains be aligned to existing marginal tax rates, and that

Business Tax

Donal Thomas
Partner

tax relief be introduced for losses, the absence of which is particularly galling for investors.

Our submission also addressed the taxation of property funds (principally REITs and IREFs) and Section 110 investment vehicles, as well as noting that non-fund investors and developers play an important role in supporting the Irish property market. To this end, we recommended that active real estate businesses should benefit from the 12.5% trading corporation tax rate on rental income and a targeted capital gains tax rollover relief.

We await with interest the publication of the next steps in this review.

Other matters

Accelerated Capital Allowances

Currently, accelerated capital allowances of 100% can be claimed on qualifying expenditure on the provision of new gas or hydrogen-powered commercial vehicles and/or their refuelling equipment where the expenditure is incurred for trading purposes.

It is proposed to extend the relief for a further year, to 31 December 2025.

Company start-up relief

Company start-up relief provides for a reduction in a new company's corporation tax liability for the first five years of trading. A company may be entitled to the relief if the corporation tax liability due in a tax year is €40,000 or less (with marginal relief available for companies with a corporation tax liability of up to €60,000). The total tax relief available is the lower of €40,000 or the employer PRSI paid in the period, subject to a maximum PRSI payment of €5,000 per employee. The minister has included a provision to allow up to €1,000 of Class S PRSI per individual to count towards this cap. This will provide targeted support for small, owner-managed start-up companies.

Listing expenses

To support businesses in the scale-up phase of their growth and development, the Budget provides a tax deduction for expenses incurred by a company in connection with a first listing (IPO) on a recognised stock exchange in Ireland or in the EU/EEA area. Qualifying expenses incurred in the year of listing and the previous three years will be allowable, subject to a cap of €1 million per listing. The relief will be available to investment companies as an expense of management, or to trading companies as a trading deduction, and will apply for successful listings on or after 1 January 2025.

SMEs trading on financial platforms

To support Irish businesses to grow and scale, the minister signalled an intention to introduce a stamp duty exemption for Irish small and medium businesses in the coming year. This is intended to enhance access to funding via financial trading platforms and its introduction is subject to EU State Aid considerations. Further detail is awaited in the coming months.

Compliance measures

The Budget documents confirm that Revenue will conduct a range of targeted compliance activities with a view to yielding additional taxes of €70 million. The approach in 2025 is likely to be consistent with the long-term trend of Revenue relying on data, analytics and real-time reporting to focus their audit and compliance activities on areas with the highest yield.

Property & Construction

Jim Clery
Partner

Carmel Logan
Partner

The property and construction sector remains both a key industry in Ireland's economy, and a critical component in delivering much-needed infrastructure and solving our housing crisis. The sector faces a number of challenges, including the effects of rent caps, recent cost inflation, high costs of financing, and a complex and costly planning system, which inhibit the potential positive contribution that the industry can provide.

We welcome the minister seeking to address a number of the issues faced by participants in the sector – particularly in alleviating the financial burdens faced by tenants and homeowners (both existing and prospective). We are also keenly aware of the wide range of initiatives introduced and investments made by the Government in relation to housing in recent years – Housing for All, Croí Cónaithe, the Shared Equity Scheme, Cost-Rental Housing, and Project Tosaigh amongst others. This has continued with the allocation of an additional €1.25 billion to the Land Development Agency as part of Budget 2025. These are having a tangible impact on the housing sector, and we welcome further measures to positively tackle the challenges faced by all sector participants.

However, there are significant concerns around a number of measures that the Government has sought to introduce, including the new 6% rate of stamp duty on residential property (in excess of €1.5m), the Residential Zoned Land Tax and the draft Zoning Value Sharing Bill. There is a real risk that the implementation of such measures will introduce additional cost and uncertainty around the viability of housing developments and ultimately adversely affect the ability of the sector to support delivery of the infrastructure and housing investments that are urgently needed. We recommend that such measures are carefully considered, in consultation with the industry and practitioners, to mitigate the risk of unintended and adverse consequences.

The measures announced in the Budget for the property and construction sector are as set out below.

Measures relevant to landlords and tenants

Pre-letting expenditure

These rules, which allow for a deduction for certain pre-letting expenses, have been extended for a further three years to the end of 2027. These provisions allow for a deduction of certain 'pre-letting' expenses (up to a cap of €10,000 per property), which would not otherwise be allowable, incurred on a property that has been vacant for at least six months and which is subsequently let as a residential premises on or before 31 December 2027.

Rent tax credit

In order to further alleviate the financial pressures on renters, the minister has increased the annual rent tax credit from €750 to €1,000 (€2,000 for jointly assessed taxpayers). The credit is generally available to tenants in the private rental sector who are not in receipt of any other State housing support.

This increase will apply in respect of 2025, and retrospectively for the 2024 tax year.

Measures relevant to homebuilders and homeowners

Help-to-Buy (HTB)

The HTB scheme is being extended for a further four years until 31 December 2029. We believe this extension is both meaningful and helpful to the overall objective of facilitating housing supply.

The HTB scheme has been a significant support to first time buyers since its introduction in Budget 2017, with just over 50,000 homebuyers having been supported to buy their home under the scheme. The scheme was due to

Property & Construction

Tim Lynch
Partner

end in 2025 and this extension will be welcomed by prospective first-time buyers and indeed registered builders who can continue to bring additional supply onto the market.

Mortgage interest relief

The temporary mortgage interest tax relief provision has been extended for one year. This was introduced in Budget 2024 as a measure to offset the considerable financial burden faced by mortgage holders due to significant increases in interest rates.

There are no changes anticipated to the qualifying criteria for the relief. Mortgage interest tax relief will be available at the 20% standard tax rate on the increase in the interest paid in 2024 when compared to 2022, where the following conditions are met:

- The mortgage is in respect of a taxpayer's principal private residence in Ireland.
- The outstanding mortgage balance was between €80,000 and €500,000 on 31 December 2022.
- The taxpayer is compliant with Local Property Tax requirements.

The maximum value of the relief is €1,250 per property, and in order to claim the mortgage interest tax relief, the taxpayer must file a personal tax return with Revenue.

Measures relevant to developers and investors

Residential Zoned Land Tax (RZLT)

The RZLT is an annual 3% tax on the market value of land that is both serviced and zoned as suitable for residential development, subject to a number of exclusions. This was originally introduced in Finance Act 2021, as part of a range of 'Housing for All' initiatives, specifically as a measure to activate land to increase housing supply. There have been a number of subsequent amendments and deferrals to the tax since its original introduction.

On 1 February 2024, local authorities published draft zoning maps highlighting lands they identified as within scope of RZLT, as well as land which was to be excluded. A revised and final RZLT map is to be published by 31 January 2025. The first RZLT liability date (and valuation date) is set to arise on 1 February 2025 and will apply to lands that first fell in scope of the tax on or before 31 December 2022.

Budget 2025 includes commitments that additional amendments to the RZLT legislation will be introduced in the Finance Bill, including:

- A further opportunity for landowners to seek a change in zoning to one which reflects the economic activity being carried out on the land. As part of this process, the Minister for Housing, Local Government and Heritage will issue guidelines to local authorities on the consideration and accommodation of such rezoning requests. We anticipate this measure will largely impact on owners of agricultural land currently zoned as residential.
- A 12-month deferral of RZLT liability between the grant of planning permission and the date on which development commences.
- An exemption from RZLT during Judicial Review proceedings brought by a third-party.
- Other technical amendments, the details of which are not yet specified.

While a step in the right direction, we believe the proposed amendments to RZLT are likely to fall short of the changes required to ensure the regime effectively meets its policy objectives of incentivising land activation and improving supply of quality affordable housing. We believe additional changes should be considered to ensure RZLT is not inappropriately applied where, for example, genuine impediments to development exist.

Higher rate of stamp duty on bulk acquisition of homes

The minister announced an increase in the rate of stamp duty where 10 or more houses are acquired in any 12-month period, from the current rate of 10% to 15%. This increased rate is to apply from 2 October 2024, with transitional arrangements for transactions in progress.

The 10% rate of stamp duty was introduced in May 2021 to inhibit the bulk purchase of houses in Ireland, in response to reports regarding the purchase by institutional investors of all, or a significant proportion, of residential housing estates, particularly close to the time of completion. There are some specific exemptions in the legislation, including for the acquisition of apartments and for multiple house purchases by Local Authorities and Approved Housing Bodies.

In his Budget speech, the minister noted that the increased rate is being introduced to "discourage significant purchases of houses by investment funds" as the "bulk acquisition of houses impacts on the number of houses made available for purchase". While the intention of this amendment is acknowledged, we believe that the original 10% rate has already been effective and further increasing the rate is unlikely to have a material impact on transactions, and instead will negatively impact on valuations and investor sentiment.

Paul O'Brien
Partner

Wider property sector measures

Higher stamp duty rate on residential property

On Budget Day, the minister announced an increase in the rate of stamp duty for residential property valued above €1.5 million to 6%, with effect from 2 October. The existing rates of 1% up to €1 million, and 2% up to the new €1.5 million threshold will continue to apply. Further details on the scope and application of the change will be set out in the Finance Bill.

Transitional measures will apply to property transactions already in progress, and forward funding transactions where there is a binding contract entered into before 2 October 2024 and the transaction completes before 1 January 2025. Affected persons should contact their KPMG team to discuss the transitional measures.

Vacant Homes Tax

The rate of the Vacant Homes Tax is to be increased from five times to seven times a property's existing base Local Property Tax liability. This increase will take effect from the next chargeable period, commencing 1 November 2024.

The Vacant Homes Tax was introduced in 2023 with the stated aim of maximising the use of existing housing stock, by increasing the supply of homes available for rent or purchase. It applies to residential properties which are in use as a dwelling for fewer than 30 days in a 12-month chargeable period, and there are a number of exemptions to ensure owners are not unfairly taxed where properties may be vacant for genuine reasons.

Zoning Value Sharing (ZVS)

While ZVS is a planning levy, rather than a tax measure announced within the provisions of Budget 2025, readers may wish to know that the Government published the draft Land (Zoning Value Sharing) Bill 2024 on 12 September 2024.

The ZVS Bill is the latest iteration of "land-value sharing" (LVS) proposals, originally outlined in December 2021, with a revised scheme published on 14 April 2023. The original proposed legislation provided for a contribution of 30% on the uplift in value of land arising from a change in zoning for residential development (and, in time, for industrial and commercial development). This contribution would effectively form a charge on the land and would be payable as a condition of planning permission.

The new draft ZVS Bill is largely aligned with the previously-published proposals, with some key considerations set out below:

- The rate has reduced from 30%to 25%.
- The rate will apply to the difference between the "zoning date use value" and the "zoning date market value" on "relevant land".
- Relevant land is widely defined and includes land zoned (wholly or partly) for residential development, land within a strategic development zone (SDZ), and certain land zoned for commercial or industrial uses.
- The process for identifying relevant land will yield a map by 1 October 2025.
- Certain transitional measures are included within the provisions of the draft ZVS Bill. As currently drafted, a ZVS charge may apply where:
  - i. Planning permission granted on or after 1 December 2026: On land that is not relevant land prior to 1 December 2024, but subsequently becomes relevant land by 1 December 2026 i.e. on "newly-zoned land"
  - ii. Planning permission is granted on or after 1 December 2028: All other relevant land.

There are a number of concerns with the ZVS Bill as currently drafted and we would welcome the engagement by the Minister for Housing, Local Government and Heritage with industry groups in this regard.

When the continued delays with the planning system, the increasing costs of development due to new penal measures like the ZVS and the increased rate of stamp duty, and the continuing rent caps are taken into account, there remain very significant challenges for development of much-needed residential stock. We would welcome the engagement of both representatives from the Department of Housing, Local Government and Heritage and the Department of Finance with industry groups to ensure the combined impact of all these measures on the viability of residential supply is appropriately considered.

Indirect Taxes

Glenn Reynolds
Partner

VAT

Registration thresholds

A package of EU-wide measures aimed at simplifying VAT compliance for small and medium enterprises is due to take effect from 1 January 2025 onwards. This package includes allowing EU Member States to set their VAT registration thresholds at a turnover value of up to €85,000 per annum.

The minister announced that businesses established in Ireland will benefit from the maximum permitted relaxation by increasing the VAT registration threshold from €80,000 to €85,000 for businesses principally engaged in supplies of goods. The turnover threshold for businesses principally engaged in supplies of services is to increase from €40,000 to €42,500.

It is important to note that there continues to be a "nil" turnover threshold for (i) businesses in receipt of taxable services from abroad on which they are subject to reverse charge VAT and (ii) traders not established in Ireland who make taxable supplies of goods or services on which they are obliged to account for Irish VAT.

Gas and electricity

The minister confirmed that the temporary VAT rate of 9% for supplies of gas and electricity will be extended for a further six months until 30 April 2025. This temporary rate came into effect on 1 May 2022 in response to the significant increases in the price of these utilities and has previously been extended on several occasions. The VAT rate for these supplies is now due to revert to 13.5% on 1 May 2025.

Heat pumps

The VAT rate applicable to the supply and installation of heat pumps will be reduced from the standard 23% rate to the reduced 9% rate with effect from 1 January 2025. This change is intended to encourage further retrofitting of heat pumps in line with the National Retrofit Plan.

Carbon tax

The carbon tax rate for petrol and diesel per tonne of carbon dioxide emitted will increase by €7.50 from €56 to €63.50 from 9 October 2024 based on the trajectory for annual increases set out in Finance Act 2020. For other fuels, the carbon tax rate increase will take effect from 1 May 2025.

Excise duties

Tobacco products

The excise duty on a pack of 20 cigarettes will increase by €1 (inclusive of VAT), with a pro-rata increase on other tobacco products. This measure will take effect from midnight on 1 October 2024 and will bring the price of a pack of 20 cigarettes in the most popular price category to €18.05.

E-cigarettes / vapes

As earmarked in Budget 2024, the minister also announced the introduction of a new domestic tax on

David Duffy
Partner

e-cigarettes / vapes. This tax will apply to all e-liquids at a rate of 50c per millilitre of e-liquid and will increase the price of a typical disposable vape product from €8 to €9.23 including VAT. Implementation of this new domestic tax will not occur until the middle of 2025 and is subject to ministerial commencement order.

Alcoholic products

There were no increases in excise duty on alcoholic products.

The minister confirmed that the excise relief programme already available to small independent producers of beer, cider and perry (reducing excise duty payable by up to 50% within prescribed limits) is extended to other fermented beverages such as mead and wines other than grape wine (e.g. elderberry wine and strawberry wine), as well as to higher-strength cider and perry.

Vehicle registration tax

The minister announced an amendment to the Vehicle Registration Tax (VRT) weight ratio applicable to battery electric commercial vehicles (BEV) so that they can qualify for the €200 VRT rate available for their fossil-fuelled counterparts. These BEVs currently do not qualify due to the battery weight, which puts them at a competitive disadvantage.

The minister also announced a new emissions-based approach to VRT for Category B commercial vehicles. Under the new approach, a reduced 8% VRT rate will be payable for category B vehicles with CO2 emissions of less than 120g per kilometre. The minister did not specify the commencement date for the above measures.

Customs duty

There were no customs duty changes announced in the Budget.

Update on EU Direct Tax Initiatives

John Doran
Partner

Conor O'Sullivan
Partner

Over the last decade, the European Commission has introduced a range of mandatory anti-avoidance measures alongside proposals designed to further harmonise corporate tax systems across the EU. Ireland has enacted each of the measures required to meet its EU commitments, including the Controlled Foreign Company (CFC), interest limitation rules required under the EU Anti-Tax Avoidance Directive (ATAD), Directive on Administrative Cooperation (DAC 6) mandatory disclosure rules and the Base Erosion and Profit Shifting (BEPS) Pillar Two global minimum tax provisions.

The volume of measures introduced has substantially increased the compliance burden on Multinational Enterprises (MNEs) with EU operations as well as the cost of doing business in the EU. In particular, a significant level of complexity has arisen from the degree of overlap and duplication between the measures introduced.

In her re-election campaign, Commission President, Ursula von der Leyen, referenced de-cluttering the EU tax landscape as a priority, and recent months have witnessed a shift in emphasis towards simplification and increasing European competitiveness. The prominence of tax also appears to be downgraded in the policy portfolios of the new EU Commissioners, with most of the tax portfolio now under the remit of the Commissioner for Climate Action.

In setting priorities for the new Commission, Member States requested that proposals be brought forward to achieve a 25% reduction of reporting burdens for companies and tax administrations. Over the summer, the Commission made a tentative first step by launching public consultations on the effectiveness of the Directive on Administrative Cooperation (DAC 1 – 6) and the EU ATAD. Ireland has taken steps towards simplifying corporation tax, through the announcement of a participation exemption for foreign dividends and the launch of a public consultation on interest deductibility.

The Commission also tasked the former ECB president, Mario Draghi, with preparing a report on European competitiveness. The report calls for the use of tax measures to reduce the cost of energy, an increased use of incentives for selected strategic sectors and the elimination of tax-related obstacles. Some larger Member States have also requested a relaxation of EU State Aid rules to allow Member States to compete internationally, most notably with the US and China where significant subsidies are being provided. The Draghi report and these proposals are expected to be debated by EU finance ministers in October 2024.

Status of European Commission proposals

Due to the European Parliamentary elections being held in June 2024 and political negotiations over the composition of the new European Commission, Member States have made limited progress so far on most of the Commission's "live" proposals. With the focus of the Commission potentially now shifting towards increasing competitiveness, the status of some of these proposals remains unclear.

FASTER Directive

The Faster and Safer Relief of Excess Withholding Taxes (FASTER) Directive proposal is one area where substantial progress was achieved in 2024, with political agreement on a compromise version of the proposal reached at ECOFIN level in May.

The Directive aims to make withholding tax (WHT) relief procedures in the EU more efficient and secure for investors, financial intermediaries, and local tax authorities.

Key features of the Directive include the introduction of:

- A common EU digital tax residence certificate;
- At least one of two fast-track procedures (a relief at source system for WHT on dividends from publicly traded shares and a quick refund system) to complement the existing standard refund procedure in each Member State; and
- National registers, additional due diligence and common reporting requirements for financial intermediaries.

Status: Due to the extensive nature of the changes made to the proposal during negotiations, formal adoption by the Council of the European Union is expected once the European Parliament has provided its opinion on the final text. Member States will have until the end of 2028 to transpose the Directive into domestic law, with the rules becoming effective from 1 January 2030.

DAC 9 – GloBE Information Return exchange

The Commission previously announced its intention to expand the scope of the Directive on Administrative Cooperation to facilitate the exchange of the information reported in Global Anti-Base Erosion (GloBE) Pillar Two Information Returns.

Status: A proposal is expected once further progress has been made on this workstream by the OECD Inclusive Framework.

Public Country-by-Country Reporting (CbCR) Directive – Reporting Schema

Ireland transposed the EU Public CbCR Directive into domestic law when the European Union (Disclosure of Income Tax Information by Certain Undertakings and Branches) Regulations 2023 were signed into operation in June 2023. The Irish regulations require certain groups to make certain information public, including the profit and the taxes accrued and paid in each EU Member State and certain other jurisdictions, on a country-by-country basis for financial years beginning on or after 22 June 2024.

Sean Sheridan
Partner

Nigel Dolman
Partner

Status: In August 2024, the Commission launched a public consultation on a common template and electronic reporting forms for the disclosures required under the Directive. The Commission is expected to finalise these forms imminently, with each Member State subsequently implementing the forms into domestic legislation.

Unshell Directive proposal

The Unshell proposal (Unshell) was launched in December 2021. The proposal aims to identify entities lacking an appropriate level of substance that are sometimes abused for aggressive tax planning or tax evasion. The proposal would introduce a filtering system for EU entities which would have to pass a series of gateways and substance indicators related to income, staff and premises.

Initially, it was anticipated that the consequences of being considered a '"shell" entity would include the denial of certificates of tax residence and certain tax benefits available under double tax treaties and EU Directives. Reports now suggest that Unshell may focus on information exchange (i.e. details of "shell" entities would be exchanged between Member States), with options mentioned including implementing Unshell as an amendment to the DAC (DAC 10) or by amending the list of reportable hallmarks under DAC 6.

Status: Progress has been slow, with technical aspects of the Directive still being negotiated by Member States. If agreement can be reached, it is not expected that the proposal would be effective until 1 January 2026 at the earliest.

SAFE Directive proposal

The delay in reaching agreement on Unshell has had an impact on the Commission's Securing the Activity Framework of Enablers (SAFE) proposal, intended to address the role of advisers and other intermediaries involved in the design, marketing and/or creation of tax arrangements or schemes in non-EU countries that facilitate tax evasion or aggressive tax planning in the EU.

Status: The SAFE proposal is unlikely to move forward until agreement is reached on Unshell.

Transfer Pricing Directive proposal

In September 2023, the Commission launched a Transfer Pricing Directive proposal to harmonise transfer pricing approaches across the EU, by requiring Member States to incorporate the 2022 version of the OECD Transfer Pricing Guidelines (TPG) into domestic legislation. The proposal also provides that, as the OECD TPG are amended, the new versions of the guidelines would become the binding reference framework across the EU.

Status: Achieving agreement politically has proven challenging. Member States have raised concerns, including the risk of creating a double standard between the OECD and the EU, and loss of Member State flexibility in negotiating and applying the OECD TPG. The June 2024 ECOFIN report states that the proposal will not be supported by Member States in its current form. Instead, the report suggests that Member States support a soft law approach through a new EU Transfer Pricing Platform.

BEFIT Directive

The proposal for a Directive on Business in Europe: Framework for Income Taxation (BEFIT) was launched in September 2023. Under BEFIT, a set of common rules for determining the corporate tax base for groups with EU based operations would be introduced for all groups with annual combined revenues of at least €750 million.

The results of in-scope EU group entities would be aggregated into a single combined BEFIT tax base, before being reallocated back to group members in each EU Member State. While a transitional allocation mechanism would operate for a seven-year period, this mechanism could be based on formulary apportionment in future, with the BEFIT tax base being allocated per each Member State's share of tangible assets, staff numbers/ payroll costs, sales by destination and intangible assets.

Status: Several Member States, including Ireland, formally raised concerns with the BEFIT proposal in February 2024. The issues raised include:

- Potential conflicts with the principles of subsidiarity and proportionality;
- The impact on the tax sovereignty of EU countries;
- The impact on future tax revenues of Member States; and
- Increased administrative burdens for taxpayers and tax administrations.

The June 2024 ECOFIN report also highlights that technical concerns were being raised during Council working group meetings, including concerns regarding the interplay of BEFIT with existing tax legislation (e.g. the BEPS Pillar Two GloBE rules). It seems that significant remedial work would be required before the BEFIT proposal could move forward.

Conclusion

As the composition of the new European Commission takes shape, the direction of travel and political emphasis placed on the proposals above should become clearer. Hungary holds the presidency of the Council of the European Union until the end of 2024 but with technical discussions still underway on many of the files, significant developments are more likely to occur during the Polish and Danish presidencies in the first and second halves of 2025 respectively.

Personal income tax rates (changed)

	At 20%, first	At 40%
Single person (increased)	€44,000	Balance
Married couple/civil partnership (one income) (increased)	€53,000	Balance
Married couple/civil partnership (two incomes) (increased)*	€88,000	Balance
One parent/widowed parent/surviving civil partner (increased)	€48,000	Balance

* €53,000 with an increase of €35,000 maximum

Personal tax credits (changed)

Single person (increased)	€2,000
Married couple/civil partnership (increased)	€4,000
Single person child carer credit (increased)	€1,900
Additional credit for certain widowed persons/surviving civil partner	€1,650
Employee credit (increased)	€2,000
Earned income credit (increased)*	€2,000
Home carer credit (increased)**	€1,950
Incapacitated child tax credit (increased)	€3,800

* Applies to self employed income and certain PAYE employments not subject to the PAYE credit
** It is not possible to claim both the increased Standard Rate Cut-Off Point for married couples (two incomes) and the Home Carer Tax Credit

Mortgage Interest Tax Relief (changed)

The temporary one year mortgage interest tax relief scheme has been extended by one further year for home owners with an outstanding mortgage balance on their principal private residence of between €80,000 and €500,000 on 31 December 2022. Tax relief will be available on the difference between the interest paid on that loan between the calendar year 2022 and 2024 at the standard rate of income tax (20%), capped at a credit of €1,250 per property.

Help to Buy Scheme (changed)

Income tax rebate, capped at €30,000, for first time buyers of a principal private residence. The relief is 10% of the house value. No relief for houses valued greater than €500,000. Claimants must take out a mortgage of at least 70% of the purchase price. The scheme only applies to new builds, self builds or a converted building not previously used as a dwelling and not to second hand properties. The scheme has been amended to include the Local Authority Affordable Purchase Scheme (LAAP), with effect from 11 October 2023. The entire scheme has been extended until 31 December 2029.

Vacant Homes Tax (changed)

Vacant Homes Tax will apply to a residential property occupied for less than 30 days in a 12 month period. A number of exemptions will apply to properties which are unoccupied for genuine reasons. Effective 1 November 2024, tax will be charged at a rate equal to seven times the property's existing LPT liability (increased from five times).

Value Added Tax (changed)

Standard rate/lower rate	23% / 13.5%
Electricity and gas*, and sporting facilities	9%
Flat rate for unregistered farmers (rate increased)	5.1%
Cash receipts basis threshold	€2m

* 9% rate applying to electricity and gas extended to 30 April 2025.
** 0% rate in respect of e-books, audio books and solar panels for schools.
** The VAT registration threshold for goods and services has increased to €85,000 and €42,500, with effect from 1 January 2025 (from €80,000 and €40,000 respectively).

Deposit Interest Retention Tax (unchanged)

DIRT	33%*

* 41% rate remains for exit taxes on financial products

Capital gains tax (changed)

Rate	33%
Entrepreneur relief (reduced rate)*	10%
Angel Investor Relief**	16% / 18%
Annual exemption	€1,270

* Relief remains capped at lifetime limit of €1m of chargeable gains
** The relief will be available to an individual who invests in an innovative start up SME for a period of at least 3 years. The investment by the individual must be in the form of fully paid up newly issued shares costing at least €10,000 and constituting between 5% and 49% of the ordinary issued share capital of the company. Qualfying investors may avail of an effective reduced rate of CGT of 16%, or 18% if through a partnership, on a gain up to twice the value of their initial investment. There is a lifetime limit of €10 million on gains to which the reduced rate of CGT will apply (2024: €3 million).
*** Capital Gains Tax Retirement Relief. Effective from 1 January 2025, qualifying disposals to a child from a parent aged up to 70 will qualify for full relief. However, a clawback will apply in respect of assets transferred with a value in excess of €10 million where a child disposes of the assets within a 12 year period.

Local Property Tax (varying rates) (unchanged) based on the following bands:

Bands €	Charge	Bands €	Charge
1 - 200,000	€90	962,501 – 1,050,000	€1,035
200,000 - 262,500	€225	1,050,001 – 1,137,500	€1,189
262,501 – 350,000	€315	1,137,501 – 1,225,000	€1,408
350,001 – 437,500	€405	1,225,001 – 1,312,500	€1,627
437,501 – 525,000	€495	1,312,501 – 1,400,000	€1,846
525,001 – 612,500	€585	1,400,001 – 1,487,500	€2,064
612,501 – 700,000	€675	1,487,501 – 1,575,000	€2,283
700,001 – 787,500	€765	1,575,001 – 1,662,500	€2,502
787,501 – 875,000	€855	1,662,501 – 1,750,000	€2,721
875,001 – 962,500	€945	1,750,000 +	€2,721,+0.3% on value over €1.75m

- Valuation date for LPT purposes was 1 November 2021 and determined the LPT to be paid for 2022 - 2025.
- Applies to residential (not commercial) properties.
- Applies to new homes constructed on or before the valuation date of 1 November 2021, which were brought within the scope of LPT charges from 2022 onwards.
- Various other exemptions no longer apply.
- Certain payment deferral options may be available for low income households
- From 2015 onwards, local authorities can vary the basic LPT rates on residential properties in their administrative areas. These rates can be increased or decreased by up to 15%.

Dividend Withholding Tax (unchanged)

Rate	25%*

* A modified DWT regime which was to be introduced from 1 January 2021 was deferred. Under the modified regime it is proposed to use real-time data collected under the modernised PAYE system to apply a personalised rate of DWT to each individual taxpayer.

continued overleaf >

PRSI contribution (changed), Universal Social Charge (changed)

	%	Income
Employer	11.15%/11.25%*	No limit
	8.9%/9%*	If income is €496 p/w or less
Employee (class A1)		
PRSI	4.1%/4.2%*	No limit**
Universal Social Charge	0.5% (unchanged)	€0 to €12,012***
	2.0% (changed)	€12,012.01 to €27,382****
	3.0% (changed)*****	€27,382.01 to €70,044******
	8% (unchanged)	> €70,044

* From 1 October 2025, the employee PRSI rate will increase from 4.1% to 4.2%. The employer PRSI rate will increase from 11.15% to 11.25% and from 8.9% to 9% where weekly income is €496 or less.

** Employees earning €352 or less p/w are exempt from PRSI. In any week in which an employee is subject to a full-rate PRSI, all earnings are subject to PRSI. Unearned income in excess of €5,000 p.a. is subject to PRSI. Sliding scale PRSI credit of max. €12 per week where weekly income between €352 and €424.

*** Individuals with total income up to €13,000 are not subject to the Universal Social Charge.

**** Increase in upper limit of the 2% band from €25,760 to €27,382.

***** Rate decreased from 4% to 3%.

****** Reduced rate (2.0%) applies for persons aged 70 or over and/or with a full medical card, where the individual's income does not exceed €60,000. Currently, this reduced rate applies until the end of 2025.

Self-employed PRSI contribution (changed), Universal Social Charge (changed)

	%	Income
PRSI	4.1%/4.2%*	No limit**
Universal Social Charge	0.5% (unchanged)	€0 to €12,012***
	2.0% (changed)	€12,012.01 to €27,382****
	3.0% (changed)*****	€27,382.01 to €70,044******
	8% (unchanged)	€70,045 to €100,000
	11% (unchanged)	> €100,000

* From 1 October 2025, the PRSI rate will increase from 4.1% to 4.2%.

** Minimum annual PRSI contribution is €650 from 1 October 2024.

*** Individuals with total income up to €13,000 are not subject to the Universal Social Charge.

**** Increase in upper limit of the 2% band from €25,760 to €27,382.

***** Rate decreased from 4% to 3%.

****** Reduced rate (2.0%) applies for persons aged 70 or over and/or with a full medical card, where the individual's income does not exceed €60,000. Currently, this reduced rate applies until the end of 2025.

Tax relief for pensions (unchanged)

- Tax relief for pension contributions remains available at the marginal income tax rate
- Except where a Personal Fund Threshold applies, the Standard Fund Threshold is €2m

Rent Tax Credit (changed)

Taxpayers who are renting a property and are not receiving housing supports can qualify for a rent tax credit of €1,000 per annum. The credit will be doubled in the case of married couples and civil partners. Relief is available to parents who pay for their student children's rental accommodation in the case of rent a room accommodation and "digs". The change (credit increased from €750 to €1,000) will also apply retrospectively to 2024.

Tax relief for remote working (unchanged)

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.

Rented Residential Relief (Landlords)

Tax relief for landlords from 1 January 2024, will provide relief at the standard rate of tax on residential rental income as follows:

Year	Relief
2024	€3,000
2025	€4,000
2026 & 2027	€5,000

A full claw-back of the benefit of the relief applies in the event the landlord removes from the rental market, within 4 years, any of the rental properties in year 1 when the benefit is claimed. There is no clawback after the expiry of the 4 year period.

* The relief relates only to tenancies registered with the Residential Tenancies Board (RTB), or where a landlord lets a residential property to a public authority (including a local authority) and subject to meeting certain other conditions.

** In the case of joint ownership of a property, the relief will be divided in proportion to the percentage of the rental income to which each owner is entitled.

Capital acquisitions tax (unchanged)

Rate	33%
Thresholds (changed)	
Group A	€400,000
Group B	€40,000
Group C	€20,000

Corporation Tax rates (unchanged)

Standard rate*	12.5% / 15%
Knowledge Development Box rate	10%
Land (not fully developed) and non-trading income rate	25%
Exit tax**	12.5%

* A 15% minimum effective rate applies for large companies (global turnover greater than €750 million) as provided for under Finance (No. 2) Act 2023 (Pillar Two). Effective for accounting periods commencing on or after 31 December 2023.

** Applies to unrealised gains arising where a company migrates or transfers assets offshore, such that they leave the scope of Irish taxation.

*** Research & Development Tax Credit remains at 30% for qualifying expenditure and the year 1 payment threshold has increased from €50,000 to €75,000.

Stamp duty - commercial and other property (unchanged)

7.5%* on commercial (non residential) properties and other forms of property not otherwise exempt from duty.

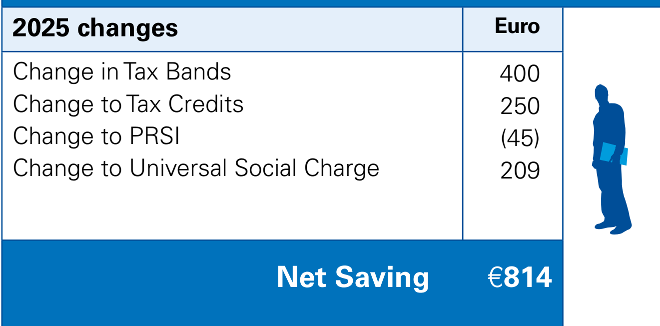
* There is a refund scheme available to reduce the rate of stamp duty to 2% on certain residential development property transfers. Currently the scheme applies until 31 December 2025.

Stamp duty - residential property (changed)

- 1% on properties valued up to €1,000,000
- 2% on balance of consideration between €1,000,000 - €1,500,000
- 6% on balance of consideration in excess of €1,500,000
- 15% on the cumulative purchase of 10 or more residential houses in a 12 month period.

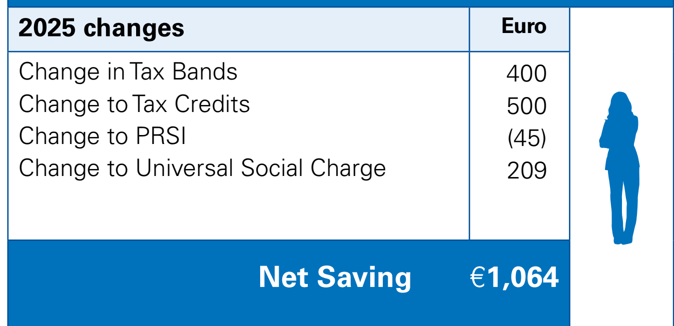
Personal Tax Scenarios **2025**

Single person employed, earning €45,000, homeowner



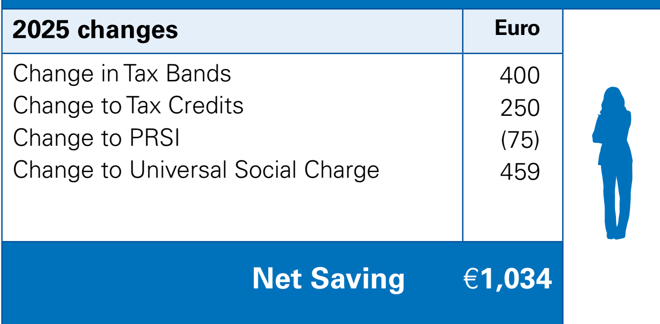
2025 changes	Euro
Change in Tax Bands	400
Change to Tax Credits	250
Change to PRSI	(45)
Change to Universal Social Charge	209
Net Saving	**€814**

Single person employed, earning €45,000, renting



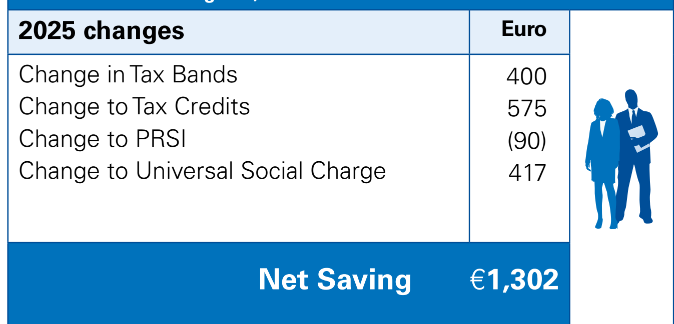
2025 changes	Euro
Change in Tax Bands	400
Change to Tax Credits	500
Change to PRSI	(45)
Change to Universal Social Charge	209
Net Saving	**€1,064**

Single person employed, earning €75,000, homeowner



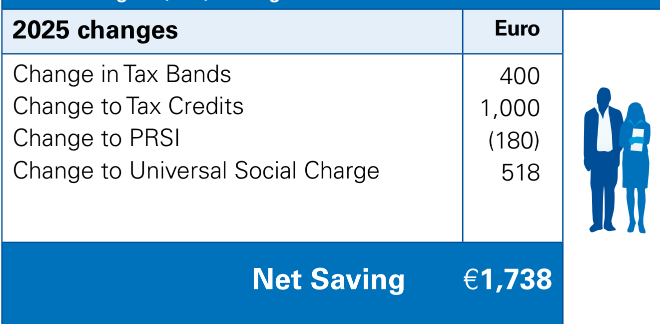
2025 changes	Euro
Change in Tax Bands	400
Change to Tax Credits	250
Change to PRSI	(75)
Change to Universal Social Charge	459
Net Saving	**€1,034**

Married couple, homeowners, one employed earning €60,000, one landlord earning €30,000



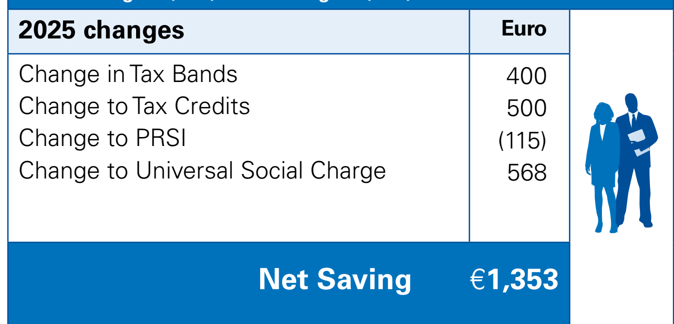
2025 changes	Euro
Change in Tax Bands	400
Change to Tax Credits	575
Change to PRSI	(90)
Change to Universal Social Charge	417
Net Saving	**€1,302**

Married couple, both employed, one earning €150,000, one earning €30,000, renting



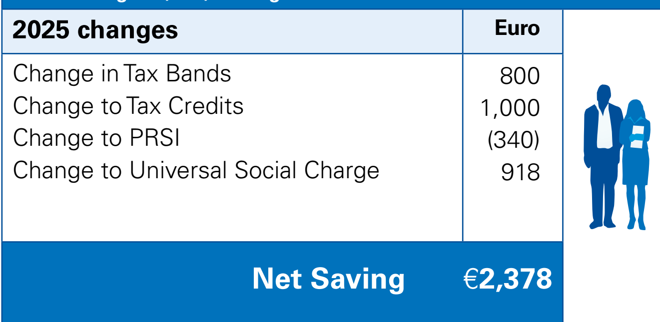
2025 changes	Euro
Change in Tax Bands	400
Change to Tax Credits	1,000
Change to PRSI	(180)
Change to Universal Social Charge	518
Net Saving	**€1,738**

Unmarried couple, living together, both employed, one earning €80,000, one earning €35,000, homeowners



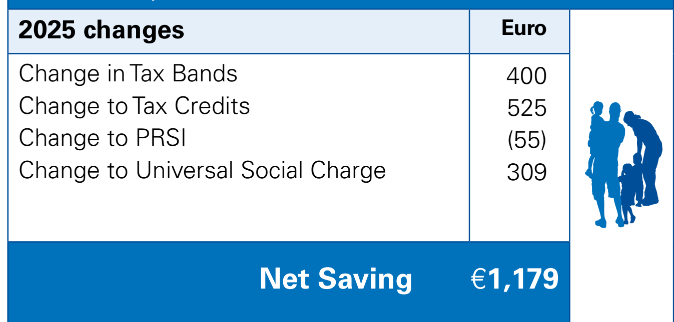
2025 changes	Euro
Change in Tax Bands	400
Change to Tax Credits	500
Change to PRSI	(115)
Change to Universal Social Charge	568
Net Saving	**€1,353**

Married couple, both employed, one earning €250,000, one earning €90,000, renting



2025 changes	Euro
Change in Tax Bands	800
Change to Tax Credits	1,000
Change to PRSI	(340)
Change to Universal Social Charge	918
Net Saving	**€2,378**

Married couple, one employed, earning €55,000, three children, homeowners



2025 changes	Euro
Change in Tax Bands	400
Change to Tax Credits	525
Change to PRSI	(55)
Change to Universal Social Charge	309
Net Saving	**€1,179**

Forbes INSIGHTS

77%

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