# 2025 BUDGET SUMMARY

Our Insights on the Irish Budget

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# Introduction.

***Budget 2025 was the clearest indication yet that a general election is around the corner. The government have probably already agreed a date in early November.***

***They will expect individuals to come out in their droves and vote for a government who gave increases to anyone who asked – well anyone who doesn't own a business that is, more on that later.***

An increase in tax bands by €2k and tax credits by €125 means that the average single worker is going to benefit. Those earning less than €20k will not pay any tax, so our tax base is narrowing as opposed to widening. The help to buy scheme is being extended, as is maternity and paternity benefits. A newborn additional children's allowance of €420 is also being introduced. So, if you are young working adult, who is buying a house and having children – this budget is for you!

There are some interesting changes to capital taxes, some which we will need to see the legislation to determine what effect they will have. Stamp duty on bulk purchases of houses has increased to 15% from 10% (if you buy over 10 houses in a 12-month period). Residential stamp duty has increased when a property is worth over €1.5m. The first €1m will be at 1%, the next €500k at 2% and anything above that at 6%. A substantial increase which will hurt those buying homes in more affluent areas. It will also hurt investors purchasing apartment blocks for rental – hopefully this doesn't dampen this particular market.

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Thresholds for capital acquisitions taxes have increased, with a child now entitled to receive €400k tax free from their parents.

Changes to taxes on passing farms to the next generation seem complicated, based on the initial comments from the Minister. For children to inherit farms and availing of tax relief the disponer will need to have farmed the land for 6 years prior to the gift. This is to stop the perceived practice of wealthy individuals buying farmland and gifting to their children. The legislation will tell a lot on this.

With regard to capital gains tax for business owners there appears to be a change in policy where the business owner is giving a business to the next generation. New rules were to come in from 2025 which was to restrict the availability of retirement relief where the business is worth over €10m. The age limits which had been extended to 69 from 1 January remains, however, any that tax arises due to the €10m cap will be abated where the child retains the asset for 12 years.

With substantial funds being promised to infrastructure projects, the funds coming from the sale of the governments AIB shareholdings, it is a shame that businesses were not catered for a little bit more. Okay, investment in new or nearly new companies got a lift with improvements to the Angel Relief scheme, EIIS allowable contributions going from €500k to €1m per individual and the SURE scheme seeing a small improvement.

Cashflows for small R&D companies got a boost through an increased year one cash refund, going from €50k to €75k. And the corporation tax relief for start up companies did improve albeit not by much. However, your existing business be it a shop, restaurant, bar or any other established business without the need for outside investment didn't really get a look in. No VAT rate reduction for the hospitality sector. Minimum wage being increased by 80 cent per hour. PRSI increases that kick in from today. Auto enrolment to come in from September 2025. Unfortunately, all going one way for these businesses – who will be the most disappointed.

Sporting organisations have got some good news with tax relief available for the donor on contributions made, should they so choose. This makes the donations to sporting organisations more affective to tax payers. Charities no longer have to wait 2 years to access the Charitable Donation Scheme, which allows tax relief on qualifying donations made to approved bodies. Climate changes were mentioned with an extension for BIK on electric cars for another 12 months, home charges being free form BIK and the supply and installation of heat pumps getting a vat reduction to 9% among other changes mentioned.

The only other individuals annoyed by today's budget will be the smokers. 20 cigarettes are now going to cost you €18.05. A new tax on vaping will come in also by the middle of 2025.
I hope this overview gives you a good synopsis of the todays budget. We will update our commentary as new information comes to hand as well as when the Finance Bill gets published.

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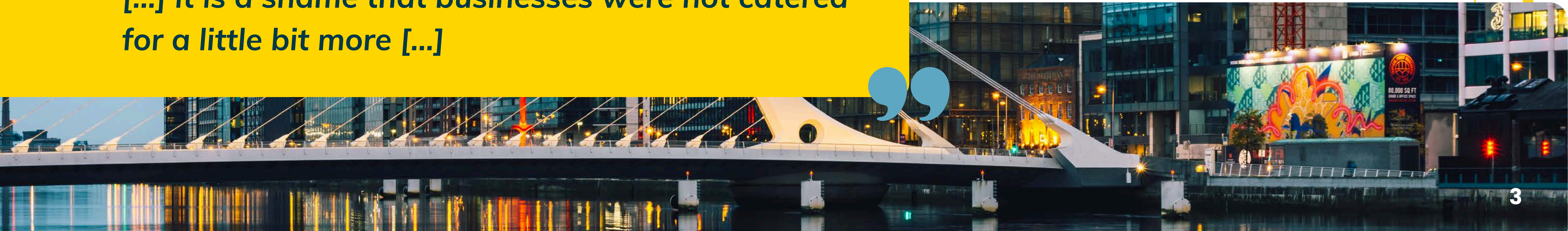


# Income Tax.

The income tax standard rate cut off point will increase by €2,000 from €42,000 to €44,000 with proportionate increases for married couples. A single person will now be able to earn income of up to €44,000 and only pay tax at 20% while a married couple with two incomes will be able to earn up to €88,000 and pay tax at 20%.

There has also been an increase to most of the income tax credits. The personal tax credit, employee tax credit and earned income tax credits have all been increased by €125 from €1,875 in 2024 to €2,000 in 2025.

A reduction in the 4% USC rate to 3% coupled with an increase to the entry threshold to the new 3% rate from €25,760 to €27,382 will assist low earners and in particular those on minimum wage.

For example: A single person earning €44,000 will be €805 better off in 2025 then a single person on the same income in 2024.
Likewise, a married couple with two incomes (€53,000 and €35,000) earning €88,000 will have €1,610 more money in their pockets than they would have had in 2024.

In an attempt to recognise those with caring responsibilities within the family the Home Carer Credit and Single Person Child Carer Credit have been increased by €150, while the incapacitated child credit will see an increase of €300 and the dependent relative tax credit an increase of €60.

The blind tax credit will also see its first increase in many years of €300 from €1,650 to €1,950.

# Housing.

## Residential Zoned Land Tax.

RZLT is an annual tax. It is calculated at 3% of the market value of land within its scope. Certain properties are excluded from the tax such as existing residential properties liable for Local Property Tax (LPT). This tax applies to land zoned for residential use and which has necessary services in place to develop housing and this applied from 2024 onwards.

Amendments proposed to RZLT legislation in Finance Bill 2024 provides a target exemption. It will provide for 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.

Legislation will be introduced to allow for 12-month deferral of RZLT liability between the grant of planning and commencement of development, exemption during Judicial Review Proceedings brought by a third party as well as technical amendments.

## Rent Tax Credit.

In recognition of the cost-of-living pressures facing many renters right now, the rent tax credit is being increased by €250 for single persons (and €500 in the case of jointly assessed taxpayers) for the 2024 year of assessment onwards.

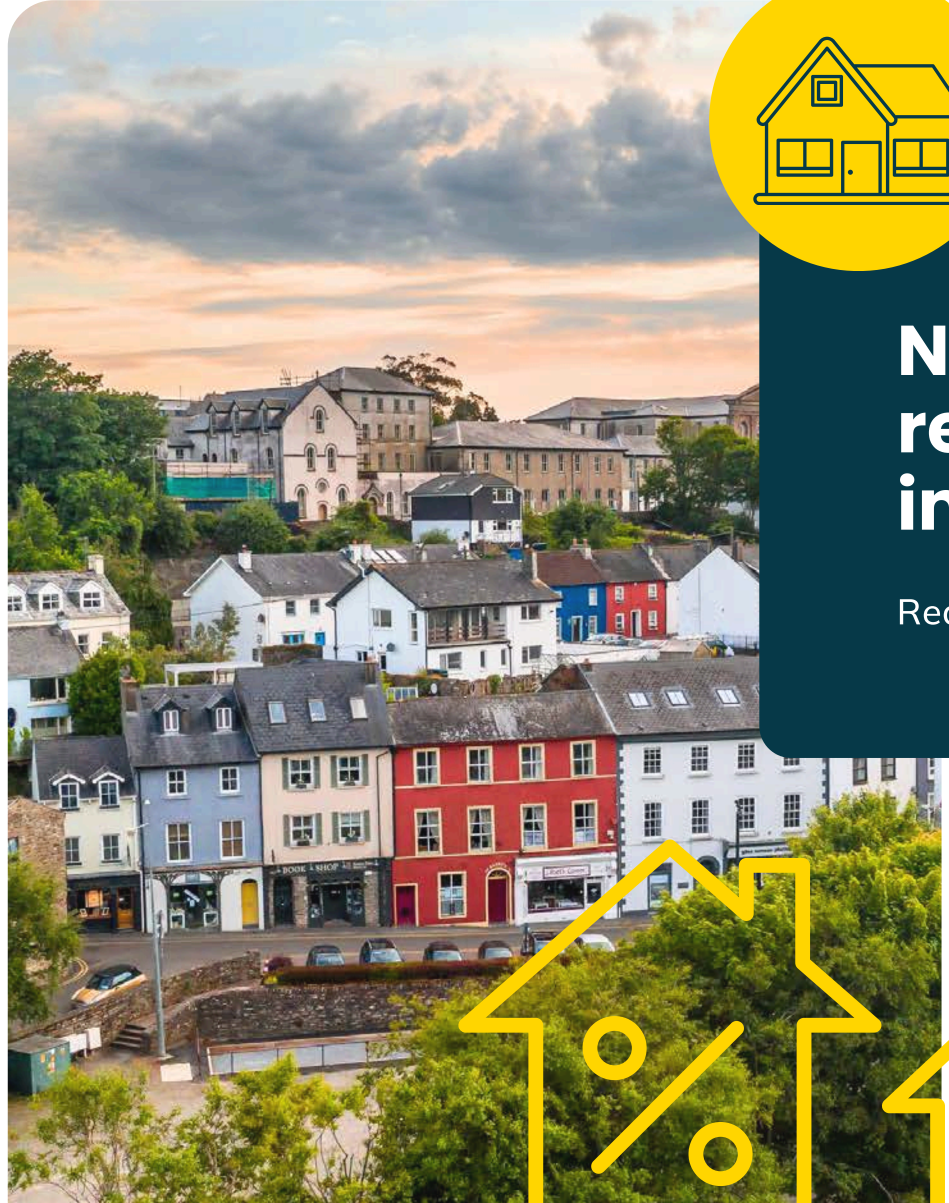
## Pre-letting Expenses.

The pre-letting expenses deduction from rental income for certain pre-letting expenditure will be extended to 31 December 2027. This will continue to help owners of vacant property to bring that accommodation into the rental system increasing the overall supply of rental accommodation.

## Vacant Homes Tax (VHT).

VHT is an annual tax that applies to residential properties in use as a dwelling for less than 30 days in a 12-month chargeable period. The rate of VHT for a vacant residential property is charged in addition to LPT at five times the base LPT rate.

Commencing 1 November 2024, this rate is being increased from five to seven times a property's existing base Local Property Tax liability.



## New Stamp Duty rate on residential properties introduced.

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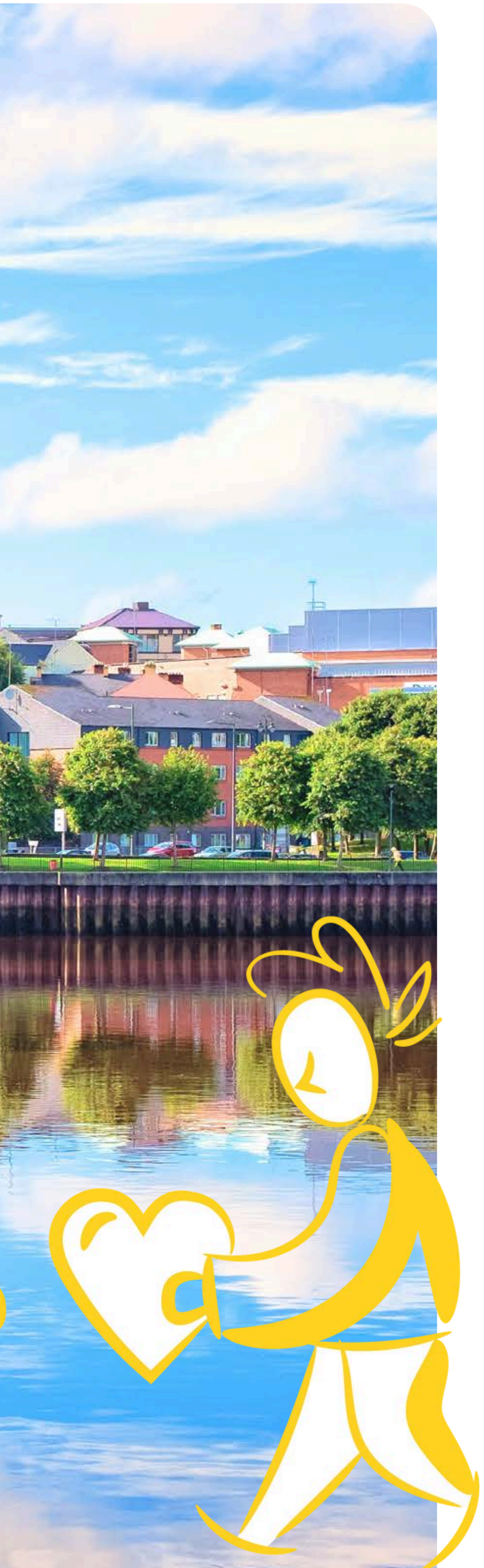


## Stamp Duty Rate on the Bulk Acquisition of Houses.

Currently, if an investor buys 10 houses or more during a 12-month period they are liable to pay 10% stamp duty for each property purchased.

This rate is being increased from 10% to 15% with effect from Budget night. Transitional arrangements will apply. The increase in this stamp duty rate will have significant impact on property related investors operating in the Buy to Let and Property Development sectors.

## Stamp Duty.

Currently the stamp duty rates on a transfer of residential property are:

- 1% on the first €1million
- 2% on excess over €1million.

A third rate of Stamp Duty on residential properties is being introduced. This new rate will apply where the value/acquisition price involved exceeds €1.5 million. It will apply at a rate of 6% to that element of the value above €1.5 million with immediate effect. Transitional arrangements will apply for transactions in process.

Therefore, the new residential stamp duty rates, from Budget night, will be as follows:

- 1% on the first €1million
- 2% on value above €1million and at or below €1.5million
- 6% on excess over €1.5million.

## Help to Buy.

The Help to Buy (HTB) scheme is an incentive for first-time property purchasers. It will help first-time property purchasers with the deposit needed to purchase or self-build a new house or apartment. The purchaser must purchase or self-build the property to live in as their home. The scheme works by refunding Irish income tax and deposit interest retention tax paid in Ireland. The refund will be from the four tax years prior to when the purchaser makes their application, excluding any refund already claimed, up to a maximum of €30,000. The scheme will be extended for a further four years, from the end of 2025 to the end of 2029.

## Mortgage Interest Relief.

Finance Bill 2023 introduced a temporary one-year Mortgage Interest Tax Credit. The tax credit is for taxpayers who have made payments in respect of a qualifying loan for a principal private residence. The Mortgage Interest Tax Credit is only available for the year 2023.

The relief is available to homeowners with an outstanding mortgage balance between €80,000 and €500,000 as of 31 December 2022. The credit is available in respect of the increase in interest paid in 2023 over interest paid in 2022. The amount qualifying for relief at the standard rate of tax (20%) is capped at €6,250 per property. This is equivalent to a maximum tax credit of €1,250. This relief is being extended by one further year.

# Benefit in Kind.

## Small Benefit Exemption.

From 01 January 2022, employers could give employees up to two small benefits, tax free, each year. This is as a result of changes announced in the Budget on 27 September 2022. These benefits must not be in cash and the combined value of the two benefits cannot exceed €1,000.

It is proposed to increase the limit of the “Small Benefit Exemption” from €1,000 to €1,500 and increase the number of benefits that an employer can give, from two to five per year (cumulative total of first five benefits in a year shall not exceed €1,500). It remains to be the case that it is the first five benefits that are exempt (provided they don’t exceed the €1,500 threshold) rather than the largest five benefits received during the year.

## BIK on company car.

From 2023 the amount taxable as BIK is determined by the car’s Open Market Value, the annual business kilometres driven and the $CO_2$ emissions-based bands.

In 2023 and 2024, a reduction of €10,000 could be applied to the OMV of cars in categories A, B, C and D. The reduction is not applicable to cars in category E.

The reduction of €10,000 to the OMV is in addition to the relief of €35,000 for electric vehicles for 2023 and 2024.
This is being extended to 31 December 2025.

## BIK on Battery Electric Vehicle (BEV) home chargers.

A BIK exemption is being made in circumstances where an employer incurs an expense in connection with the provision of a facility for the electric charging of vehicles at the home of a director or employee.

# Capital Taxes.

## CGT - Retirement relief.

The Finance (No. 2) Act 2023 introduced substantial changes to the operation of retirement relief, which will come into effect in respect of disposals made on or after 1 January 2025.

Government today announced to retain the increased upper age limit to 70 years. From 1 January 2025 and as set out in current legislation, in the context of a disposal to a third party, the €750,000 threshold will apply in respect of disposals by individuals aged between 55 and 69, and the €500,000 threshold will apply for disposals by individuals aged 70 or older. Where a parent disposes of a qualifying asset to a child, the €10,000,000 threshold will apply in respect of disposals by parents aged between 55 and 69, and the €3,000,000 threshold will apply for disposals by parents aged 70 or older.

It was announced today to introduce a clawback whereby a child that received a qualifying asset on which retirement relief was claimed by a parent, disposes of the asset within 12 years. This clawback will arise where the asset is disposed of by the child for in excess of €10m. It is expected that in line with existing legislation, the clawback would be assessable on the child if they disposed of the asset within the 12 year holding period.

## Relief for Investment in Innovative Enterprises.

Finance (No. 2) Act 2023 introduced a new Capital Gains Tax relief known as “relief for investment in innovative enterprises” but it is more commonly termed “angel investor relief”. The relief is targeted at attracting angel investors to make investments into Irish SMEs by providing them with a lower capital gains tax rate on an exit.

The relief applies a CGT rate of 16% (or 18% in the case of an investment through a partnership) on qualifying gains of up to twice the value of the initial investment in a qualifying SME.
The relief is subject to Ministerial Commencement Order.

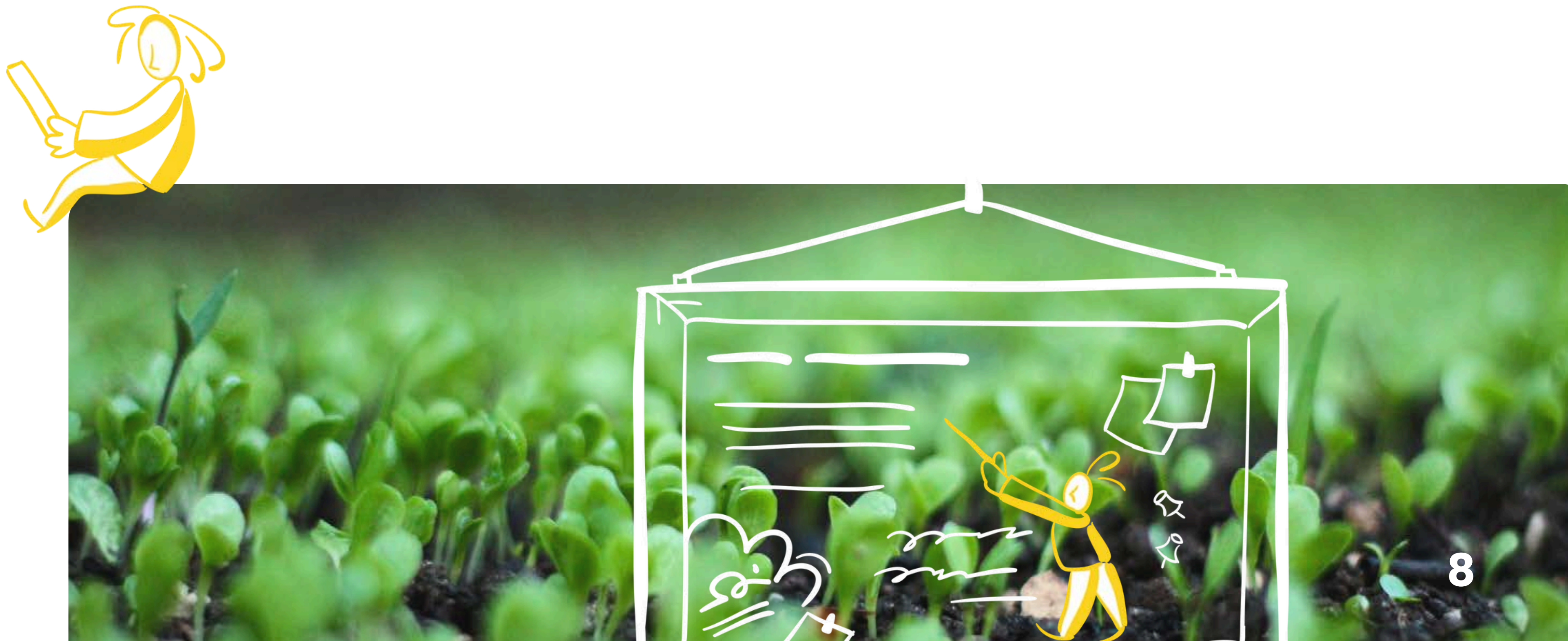
Government today proposed to increase the lifetime limit on gains, on which the reduced rate of Capital Gains Tax applies, from €3 million to €10 million.

## Capital Acquisitions Tax.

There has also been an increase to the CAT group thresholds which apply to gifts and inheritances. This is the first change to the CAT thresholds since 2019. The Group A threshold has been increased from €335,000 to €400,000, the Group B threshold covering gifts from primarily siblings has increased from €32,500 to €40,000 and the group C threshold from €16,250 to €20,000. This will assist somewhat with passing gifts/inheritances to the next generation given the increase of property values over the last number of years.

## Agricultural Relief.

Currently, to claim Agricultural Relief, one of the conditions is that the recipient must be an Active Farmer, i.e. they must farm the agricultural property on a commercial basis for at least six years from or lease the property to someone who farms the agricultural property on a commercial basis for at least six years from the valuation date.
This six-year active farmer test is being extended to the person who provides the gift or inheritance.



# Business Taxes.

## Participation Exemption for Foreign Dividends.

The participation exemption will apply to dividends received on or after 1 January 2025 from subsidiaries in EU/EEA and double tax treaty partner jurisdictions.

This will significantly lower the administrative burden replacing the existing 'tax and credit' method of relief (allowing double tax relief for foreign tax paid on foreign source profits, up to the amount of domestic tax payable on the same income).

A company will have the option (on the CT1) to claim the participation exemption or to continue to use existing tax-and-credit relief.

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.

## Research and Development Tax (R&D) Credit.

A 30% tax credit will continue for all qualifying R&D expenditure. There is an increase to the first year payment threshold from €50,000 to €75,000.

## Small Company Start Up Relief.

Start Up Relief currently provides a Corporation Tax (CT) relief for small new companies in the first five years of trading with an annual CT liability of less than €40,000.

The relief is currently capped by reference to employer PRSI paid (€5,000 per employee).

The relief can now include PRSI paid by owner-directors allowing up to €1,000 of Class S PRSI per individual to count toward this relief cap.

## Supporting SMEs.

Budget 2024 announced that the Employment Investment Incentive (EII), the Start-Up Relief for Entrepreneurs and the Start-Up Capital Incentive have been extended for a further two years, to the end of 2026.

Furthermore, the limit on the amount that an investor will now be able to claim relief on for EII investments has double from €500,000 to €1,000,000.

While the relief available under the Start-Up Relief for Entrepreneurs was increased from €700,000 to €980,000.

## VAT.

VAT Registration Thresholds have been raised from €80,000 to €85,000 for goods and from €40,000 to €42,500 for services.

Extension to the 9% VAT rate for gas and electricity until 30 April 2025.

Increase to the flat-rate compensation for non-VAT registered farmers from 4.8% to 5.1%. VAT reduction on supply and installation of heat pumps from 23% to 9%.

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