

## 2025 ROI Budget

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An Update on the Statement from the  
Minister of Finance



# INTRODUCTION

On 1 October 2024, the Minister of Finance, Jack Chambers, and the Minister of Public Expenditure and Reform, Pascal Donohoe, delivered Budget 2025.

This budget has been set in the context of a one off Apple tax windfall, a continuing cost of living crisis and an upcoming election before March 2025. The budget consisted of a package of measures of €10.5 billion - a net tax package of €1.4 billion, an expenditure package of €6.9 billion and a cost of living package of €2.2 billion.

## KEY CONTACTS



**Catherine Martin**  
Managing Partner



**Des Kelly**  
Partner



**Michael Drumm**  
Partner



**Ryan Falls**  
Partner



**John McCamley**  
Partner



**Anita Doris**  
Partner



**Steven Lindsay**  
Partner



**Shauna McStravick**  
Partner



**Kathy Blair**  
Director



**Leona Leonard**  
Director

# PERSONAL TAX

- Personal, PAYE and earned income tax credits will increase by €125 from €1,875 to €2,000.
- An increase in the Income Tax standard rate band for all earners was announced. It will increase by €2,000 from €42,000 to €44,000 for single individuals and from €51,000 to €53,000 for married couples / civil partners with one earner.
- The 4% rate of USC rate will decrease to 3%. This rate applies to income between €27,382 and €70,044.
- The ceiling for the 2% rate will also increase by €1,622 from €25,760 to €27,382.
- An increase was also announced for a number of tax credits:
  - An increase of €150 in the Home Carer Tax Credit and Single Person Child Carer Credit
  - An increase of £300 in the Incapacitated Child Tax Credit and Blind Person's Tax Credit
  - An increase of €60 in the Dependant Relative Tax Credit
- The National Minimum Wage will increase by 80c to €13.50 per hour.
- The Finance Bill will provide for the taxation of the Automatic Enrolment Retirement Savings Scheme. The tax treatment should align as much as possible with that of PRSAs.

The €1.6bn Income Tax Package will be welcome for all taxpayers as it will increase the amount of take home pay and assist with the high cost of living.

The Government could have been bolder and looked at whether USC was still required as it was introduced in December 2010 at the height of the financial crisis to shore up the public finances in Ireland.





# PROPERTY TAX

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- The rent tax credit introduced in Budget 2023 will increase by €250 from €750 to €1,000 for single individuals and by €500 to €2,000 for jointly assessed couples. This will apply for the 2024 and 2025 years of assessment.
- The Help to Buy Scheme will be extended for a further four years until the end of December 2029.
- Mortgage Interest Tax Relief which was announced in Budget 2024, will be extended for a further year. The relief will be given in respect of increases in mortgage interest paid in 2024 compared to 2022 at the standard rate of 20% capped at €1,250 per property.
- The pre-letting expenses regime which provides relief to landlords in relation to pre-letting expenses (capped at €10,000 per premises) is being extended. The relief will continue to the end of December 2027.
- Landowners will have an opportunity to avail of an exemption from Residential Zoned Land Tax in 2025 if they seek to have their land rezoned to reflect the activity they carry out on their land.
- Vacant Homes Tax which was introduced in Budget 2023 is being increased from 5 times to 7 times the properties existing basic property tax rate. This increase will take effect from the next chargeable period commencing November 2024.



There are no bold innovative announcements to tackle the increasingly desperate housing market and as rent continues to increase, this will not provide a permanent solution. Hopefully, further announcements will provide a long term plan to tackle this issue.

# BUSINESS TAX

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- There has been no change to the rate of Corporation Tax. The current rate of 12.5% will remain in place.
- The Small Benefit Exemption will increase from €1,000 to €1,500. This allows employers to provide non-cash benefits or rewards tax-free to their employees. Employers will also be allowed to grant five non-cash benefits to an employee in a single year instead of the current two.

This is a welcome move as it enables employers to incentivise their employees and provide additional support without being subject to additional costs.

- The temporary universal relief of €10,000 to the Original Market Value in relation to the BIK regime for company cars is being extended for another year to 31 December 2025.
- A BIK exemption is being given for the provision of electric vehicle chargers at the homes of directors or employees.
- The CO<sub>2</sub> thresholds for claiming capital allowances on business cars are being reduced. From January 2027 expenditure of €24,000 will be allowable for cars with CO<sub>2</sub> emissions less than 120g/km. €12,000 will be allowable for vehicles with CO<sub>2</sub> emissions less than 140g/km and no allowable expenditure for vehicles with CO<sub>2</sub> emissions in excess of 141g/km.
- A new participation exemption is being introduced in respect of foreign dividends with effect from 1 January 2025. This should provide a simplification for double tax relief for multi national companies.

## Investment incentives

- The first year payment threshold in R&D tax credit will increase from €50,000 to €75,000.
- Employment Investment Incentive, the Start-Up Relief for entrepreneurs and the Start-Up Capital Incentive scheme which were due to end in 2024 will be extended for two years to December 2026.
- The amount of relief an investor can claim under the Employment Investment Allowance is being doubled from €500,000 to €1million.
- The relief available under the Start-Up Relief for Entrepreneurs will increase to a maximum of €140,000 per year (€980,000 over 7 years).
- A new method by which companies can qualify for the small company start-up relief from corporation tax will be introduced by reference to Class S PRSI thereby, extending the scope of the relief to small owner-managed start-up companies.
- A new relief for expenses incurred in connection with a first listing on an Irish or European Stock exchange is being introduced. This is subject to a cap of €1m.
- A new tax credit for Unscripted Production was introduced, subject to European Commission approval. The credit at the rate of 20% will apply on qualifying expenditure up to €15m. The Scéal uplift will provide an uplift of 8% for feature film productions with a maximum qualifying expenditure of €20m.

# FARMING

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- General Stock Relief, Stock Relief for Young Trained Farmers and Stock Relief for Registered Farm Partnerships were due to end at the end of the year. They have been extended for a further three years to the end of 2027.
- Additional farm safety equipment types will be added to the scope of assets eligible for Accelerated capital Allowances.
- An income volatility measure is to be considered in advance of Budget 2026.

The farming community may be disappointed by a commitment to look at the income volatility for farmers in the future rather than dealing with it now.

# CAPITAL ACQUISITIONS TAX

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- An increase to all group thresholds was announced. The Group A threshold will increase from €335,000 to €400,000, the Group B threshold from €32,500 to €40,000 and the Group C threshold from €16,250 to €20,000.

These increases will be welcome but are still relatively low when compared to other countries especially as they include lifetime gifts as well as inherited assets.

- For the purposes of Agricultural Relief, the 6 year active farmer test is being extended to the person who provides the gift or inheritance.

This measure is designed to limit the availability of relief for wealthy individuals using the relief for tax planning purposes.

# CAPITAL GAINS TAX

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- A new CGT relief was introduced for Angel investors in Budget 2024 which allowed them to benefit from a reduced Capital Gains Tax rate for qualifying investments up to twice the amount of their original investment subject to a €3m lifetime limit. This lifetime limit is now being increased to €10m.
- Changes are being made to Retirement Relief with effect from 1 January 2025. The upper age limit for claiming the relief which was extended to 70 in Budget 2024 will be maintained. A new clawback will be introduced where there are disposals by a child above €10m within 12 years of receiving the asset.





# STAMP TAXES

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- The Young Trained Farmer Stamp Duty Relief will be revised so that it will be available where it is claimed by an individual farmers who carries on the farm business through a company.
- Stamp Duty relief which applies to farmers who lease land will be amended to also include farmers who have incorporated their business.
- The higher rate of Stamp Duty on bulk acquisitions of houses (10 or more in any 12 month period) will increase from 10% to 15% with immediate effect.
- The rate of Stamp Duty on residential property valued at above €1.5m will increase to 6% with effect from 2 October 2024. The rates will therefore be 1% on values up to €1m, 2% on values above €1m and 6% on values above €1.5m..

# VAT AND EXCISE DUTIES

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- The VAT registration thresholds for goods will increase from €80,000 to €85,000 and the threshold for services will increase from €40,000 to €42,500.
- The flat-rate compensation for farmers which was reduced in Budget 2024 to 4.8% will be increased to 5.1% from 1 January 2025.
- The 9% VAT rate for gas and electricity will be extended for a further 6 months to 30 April 2025.

This will be a welcome announcement for households struggling with increasing home heating costs over the winter period.

- The VAT rate on Heat Pump Installation will decrease from 23% to 9%.
- Excise on cigarettes is to increase by €1 per packet of 20, with a pro-rata increase on other tobacco related products.



- Excise on e-cigarettes will be introduced at a rate of 50c per ml of e-liquid. This will commence in the middle of 2025, subject to a commencement order.
- The Excise relief introduced in Budget 2024 for independent small producers of cider and perry will be extended to cover other fermented beverages such as wines other grape wines as well as higher strength cider and perry.
- Amendments were introduced in respect of Battery Electric Commercial Vehicles (BEV). They can now qualify for the €200 VRT rate.
- An emissions-based approach to VRT for Category B commercial vehicles is being introduced. Vehicles with CO<sub>2</sub> emissions of less than 120g/km will have a lower VRT rate of 8%.
- Carbon Tax for petrol and diesel is increasing by €7.50 from €56 per tonne of CO<sub>2</sub> to €63.5. This will take effect for vehicle fuel from 9 October 2024 and for other fuels from May 2025.
- Motor Insurers Insolvency Compensation Fund levy will be reduced to 0% from 1% for policy holders on renewal from 1 January 2025.
- The Bank Levy has been extended for a further year.



The Government outlined that its key objectives in this budget was to support households, workers, businesses and Climate Action, helping with the cost of living and dealing with housing.

The ROI is in a position that the UK can only look on with envy as the coffers are full. This budget delivers welcome short term relief to households, workers and businesses but we still wait for some innovative, imaginative and far reaching policies that will tackle the issues the Government itself has identified especially housing as it will impact all of society.



We have made every effort to ensure the information provided in this document is accurate, but we cannot accept responsibility for the consequences of any action you take in reliance on its contents. If you have any matters which you would like to discuss further, one of our staff will be pleased to help you.

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