Budget report
2025

forvis mazars

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Forvis Mazars in Ireland

Who we are

At Forvis Mazars, we are dedicated to delivering tailored solutions that meet the unique needs of our clients. We offer a comprehensive suite of tax services to national and international clients, with a strong focus on helping them optimise the tax efficiency of their business operations and financial affairs.

With one of Ireland's largest teams of tax specialists, Forvis Mazars is well-equipped to provide a wide range of tax services to a diverse clientele, including small- and medium-sized enterprises, privately held companies, publicly quoted corporations and individuals. Our approach is rooted in our ability to propose innovative ideas and practical solutions that add substantial value to our clients. This approach is built upon a deep understanding of each client's specific business circumstances.

Forvis Mazars is a leading global professional services network established on 1 June 2024. It brings together the previously known Mazars international partnership and FORVIS, a top-ranked firm in the United States. As a two-firm network, Forvis Mazars is unique in the market and provides the agility, capacity and coverage to support our clients wherever in the world they operate.

5
offices in Dublin, Galway, Limerick and Cork

850+
staff

38
partners

Our view

Budget 2025

Budget 2025 was delivered on 1 October 2024 to Dáil Éireann by Ministers Chambers and Donohoe and the main focus of the Budget was the continued support of individuals and the sizeable increase in both current and capital expenditure. The cost of living is still a challenge across society, and this has necessitated continued increased social welfare payments and once-off supports.

Inflation is projected at 2% for both 2024 and 2025 and this is a significant downward position compared to 2022 and 2023, where the rates were 8.5% and 7%. Real growth in the economy is estimated at 2.5% for 2024 and 3% for 2025.

Unemployment is at record lows and the number of people in employment is now at 2.7m. It is also projected that an additional 110,000 people will be added to the workforce by the end of 2025. Wage growth should also mean additional real income to workers.

The increases in the standard rate band, reduction in USC and amendment to tax credits will mean that taxpayers will see a reduction in their tax liabilities of up to €2,000 depending on their income and personal circumstances.

Significant cost of living once-off supports will be made, including an energy credit of €250, double month child benefit and €300 fuel allowance, to mention just some.

The hospitality sector was hoping for the much-lobbied reduction in the VAT rate to 9%. It is disappointing that the Government, with the monies at its disposal, did not consider this, as many businesses in that sector are struggling with increased costs and low or non-existent profitability.

With the ordinary budget surplus, Apple monies and the sale of the stake in AIB, the Government has significant surplus funds available. Much comment has been made on the underinvestment in infrastructure to support our economy and country into the future and the Government has set out a clear roadmap as to how these excess receipts will be invested. The main capital investment areas of focus will be housing, water, energy and transport. These will augment the strategy set out in the National Development Plan 2021-2023, where €165bn is being earmarked for capital expenditure. Housing has been highlighted for sizeable expenditure on social and affordable developments. Total Government capital expenditure is projected at €14.9bn for 2025.

The level of dependence on corporation tax receipts is well illustrated in the figures provided with €37.5bn in 2024 and €34.3bn in 2025. However, the projections for 2026 and 2027 show corporation tax at €30bn each year and it remains to be seen whether these will fully materialise and, if not, whether other more sustainable forms of taxation may need to be considered.

It is unusual for the Government to have so much to give out to so many in a year in which an election is on the horizon. Almost all sectors of the country will benefit from a combination of reduced taxes, increased welfare, once-off cost of living supports and a significant increase in both current and capital expenditure. The real test will be the ability to deliver the significant capital expenditure projects in a timely and cost-efficient manner over the next number of years to the benefit of society and for the continued growth and development of the Irish economy.

Frank Greene
Head of Tax

Personal tax and social welfare
Budget 2025

Income tax standard rate band

There will be an increase of €2,000 in the income tax standard rate band cut-off point for all earners from 1 January 2025. This increases the band for single individuals from €42,000 to €44,000. The tax band for married couple/civil partners will increase from €51,000 to €53,000. The band for a single individual qualifying for the single parent child credit carer tax credit will increase from €46,000 to €48,000.

Tax credits

Personal and employee tax credit

Both the personal and employee tax credit will increase from €1,875 to €2,000 with effect from 1 January 2025.

Earned income tax credit

The earned income tax credit will be increased from €1,875 to €2,000 with effect from 1 January 2025. This credit applies to individuals with self-employed income (including farmers) and business owner/managers, who are ineligible for a PAYE tax credit on their salary.

Home carer tax credit

The home carer tax credit will be increased from €1,800 to €1,950 with effect from 1 January 2025.

Single person child carer tax credit

The single person child carer tax credit will be increased from €1,750 to €1,900 with effect from 1 January 2025.

Incapacitated child tax credit

The incapacitated child tax credit will be increased from €3,500 to €3,800 with effect from 1 January 2025.

Blind person's tax credit

The blind person's tax credit will be increased from €1,650 to €1,950 with effect from 1 January 2025.

Dependent relative tax credit

The dependent relative tax credit will be increased from €245 to €305 with effect from 1 January 2025.

Rent tax credit

The rent tax credit is being increased from €750 to €1,000 (€2,000 in the case of a jointly assessed couple). The €1,000 (and €2,000 in the case of jointly assessed couples) applies for both the 2024 and 2025 tax years.

Sea-going naval personnel tax credit

The sea-going naval personnel tax credit is being extended to 31 December 2029. It applies where a permanent member of the Irish Naval Service spends at least 80 days at sea on board a naval vessel in the previous tax year. The tax credit amounts to €1,500 per annum.

Universal Social Charge (USC)

With effect from 1 January 2025, the ceiling of the 2% rate of USC will be increased by €1,622 from €25,760 to €27,382. This increase in band will ensure that full-time adult workers who benefit from the increase in the hourly minimum wage rate will remain outside the scope of the top rates of USC.

In addition, the 4% rate of USC is being reduced by 1 percentage point to 3%. This applies to the income band between €27,383 and €70,044 inclusive.

Incomes of less than €13,000 will remain exempt from USC.

Mortgage interest tax relief

Mortgage interest tax relief, introduced in Budget 2024, is being extended by an additional year. Qualifying homeowners can avail of this relief in respect of the increased interest paid on their mortgage in the calendar year 2024 over the calendar year 2022 at the standard rate of income tax (20%), capped at €1,250 per property. The qualifying criteria for the relief remains unchanged, including that qualifying homeowners must have an outstanding mortgage balance on their principal private residence of between €80,000 and €500,000 on 31 December 2022.

CervicalCheck payments

An exemption from Income Tax, Capital Gains Tax and Capital Acquisitions Tax is introduced on payments made to the people impacted by the deficiencies in the CervicalCheck national screening programme.

Future and historic income or gains arising from the investment of CervicalCheck payments will also be exempt from the relevant taxes.

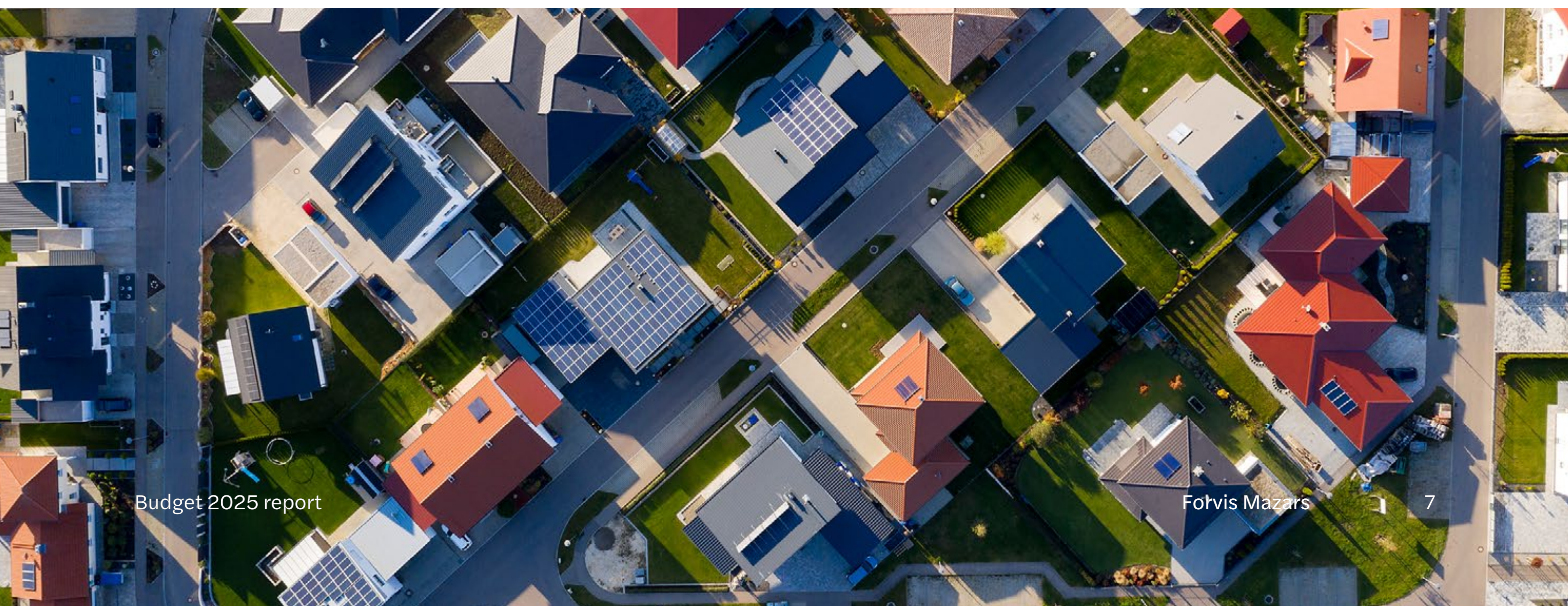
Pre-letting expenses

Relief for pre-letting expenses, providing for a deduction (capped at €10,000 per premises) from rental income, for landlords is being extended for a further three years, to the end of 2027. The aim of doing so is to continue to assist owners of vacant properties to bring those properties into the rental system and increase the overall supply of accommodation for rent.

One-off cost of living supports (Social Welfare)

The following is a list of the one-off cost of living supports as announced by the Minister in Budget 2025:

€250 electricity credits (2 x €125)
€300 Fuel allowance lump sum
€200 Living alone allowance lump sum
Double month child benefit to be paid in November and December
€400 Working family payment lump sum
€100 Qualified child increment lump sum
Double week for all long-term weekly welfare schemes
€400 lump sum to those in receipt of Carer's Support Grant, Disability Allowance, Blind Pension, Invalidity Pension and Domiciliary Care Allowance
Double payment of foster care allowance



Personal and social welfare
Budget 2025 report

Gift and inheritance tax

Tax-free thresholds

The tax-free thresholds for Capital Acquisitions Tax (CAT) will be increased as follows:

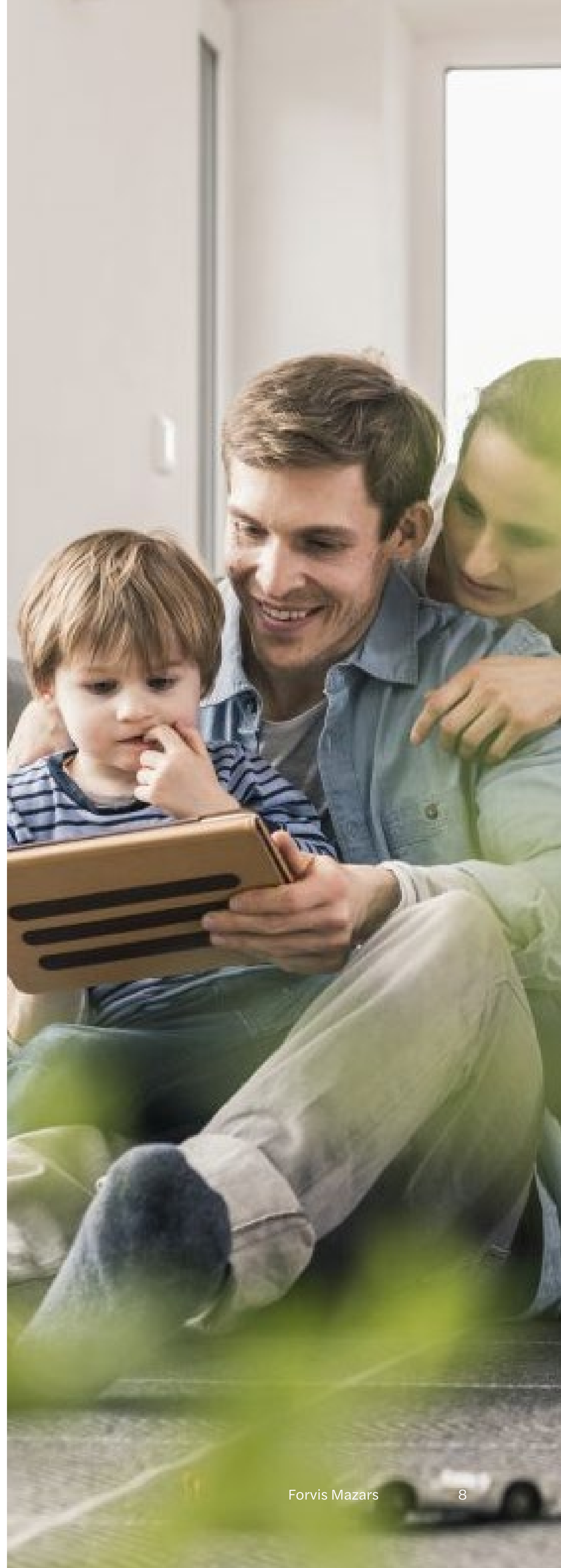
- Group A: From €335,000 to €400,000
- Group B: From €32,500 to €40,000
- Group C: From €16,250 to €20,000

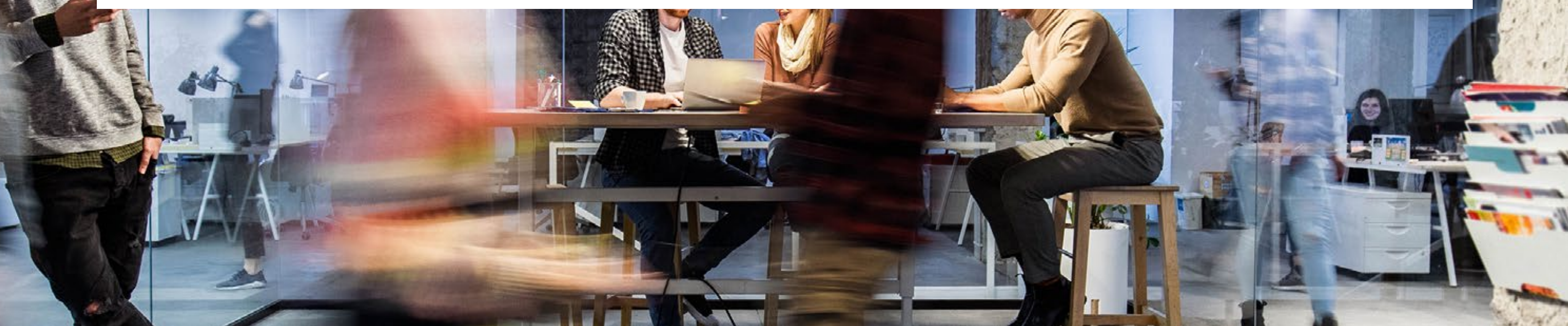
Threshold Details:

- Group A: Beneficiaries include children of the disponer or the minor children of a deceased child of the disponer.
- Group B: Beneficiaries include brothers, sisters, nieces, nephews, lineal descendants, or lineal ancestors of the disponer.
- Group C: Applies to all other cases not covered by Groups A or B.

CAT is applied at 33% on the excess value of the property over the threshold, with the tax payable by the recipient of the property.

This welcome change takes effect from midnight on Budget Day.





Employment tax
Budget 2025

PRSI

From 1 October 2025, the PRSI rates (employee and employer) will increase by 0.1% for all PRSI classes.

Please note that from 1 October 2024, the PRSI rates also increased by 0.1% for all PRSI classes, which was announced in last year's budget.

Small Benefit Exemption

The Small Benefit Exemption currently allows an employer to provide up to two non-cash benefits to their employees tax-free each year. These benefits must not be in cash and the combined value of the two benefits cannot exceed €1,000.

The Minister announced an increase in the annual limit provided for in the exemption from €1,000 to €1,500 along with an increase in the number of non-cash benefits that can be granted by an employer in a single year under this exemption to five.

This change provides greater flexibility to employers to give non-tax rewards to their employees, with scope for employees to receive up to three additional tax-free non-cash benefits each year, for example, as a reward for performance.

Benefit-in-Kind for vehicles and chargers

The temporary universal relief of €10,000 applied to the Original Market Value (OMV) of a vehicle in calculating the Benefit-in-Kind (BIK) for company vehicles in Category A-D, and the amendment to the lower limit of the highest mileage band (i.e. 48,001 kms), is being extended to 31 December 2025.

In addition, a BIK exemption is provided for the installation of electric vehicle chargers at the home of a director or employee.

Share-based remuneration

The Minister recognises the important role that share-based remuneration plays in rewarding and retaining employees, which in turn helps businesses to grow. The Department of Finance commissioned an independent review of share-based remuneration by Indecon earlier this year. As part of the project, Indecon considered policy developments in the taxation of share-based remuneration internationally and evaluated submissions made to the Department of Finance's public consultation. A workshop was also held with those organisations who made submissions, as well as meetings with key stakeholders and representative bodies.

The report arising from that review has been published today, and contains a number of recommendations, which the Minister will consider in due course.

Automatic Enrolment Retirement Savings

Auto-enrolment is a new pension savings scheme for certain employees who are not paying into a pension. Finance Bill 2024 will provide for the taxation of the Automatic Enrolment Retirement Savings Scheme (referred to as AE).

The tax treatment is expected to be aligned with that of Personal Retirement Savings Accounts (PRSAs), with the exception of employee contributions. As the State is making a direct contribution for employees within the AE scheme, there will be no tax relief for employee contributions to AE.

Employer contributions will be tax relieved and the growth in the AE fund will be exempt from tax. The AE funds will be taxed on draw down - a tax free lump sum can be taken up to €200,000, the amount between €200,000 and €500,000 will be taxed at 20%, and any amount above €500,000 will be taxed at 40%.

Supports for businesses and other measures
Budget 2025

Capital Gains Tax Angel Investor Relief

The Capital Gains Tax relief targeted at angel investors in innovative start-ups, announced in Budget 2024, is being amended to raise the lifetime limit on eligible gains from €3 million to €10 million.

The relief will commence shortly and provides for a reduced rate of 16% generally, or 18% where the investment is through a partnership. To qualify for the scheme, the start-up company that is the object of the investment by the angel investor will need to be certified by Enterprise Ireland to ensure the relief is targeted at innovative SMEs that are financially viable.

Retirement relief

Welcome changes to the retirement relief regime were also announced.

In Budget 2024, it was announced that from 1 January 2025, the upper age limit for the relief will be extended from 65 to the age of 70. In today's budget, it was confirmed that this upper age limit is being retained.

In last year's Budget, a new limit of €10 million on the relief available for disposals to a child was announced, where the disposal or transfer takes place by the time the transferor is 70 and was to take effect from 1 January 2025. In order to ensure that businesses can be transferred from one generation to the next, the Minister announced today that for disposals of a business made to a child, with a value in excess of €10 million, a clawback period of 12 years will be introduced. Once that clawback period has lapsed, and the assets are retained for more than 12 years, CGT will be fully abated.

Further details are expected in the Finance Bill.

Relief for investments in corporate trades

To reflect that start-up and scaling businesses are the backbone of the economy, the Employment Investment Incentive, the Start-Up Relief for Entrepreneurs (SURE) and the Start-Up Capital Incentive are being extended for a further two years, to the end of 2026.

The EII regime will also be enhanced by way of doubling the amount on which an investor can claim relief for four year investments from €500,000 to €1,000,000.

Relief available under the Start-Up Relief for Entrepreneurs has also increased from €700,000 to €980,000.

Start-up relief

Section 486C Start Up Relief has been in place since 2008 and allows tax relief for new companies carrying on a qualifying trade. It is available for the first five years of trading activity of a small company, having an annual CT liability of less than €40,000 per year. Marginal relief is available to companies with corporation tax liabilities of between €40,000 and €60,000.

Section 486C allows relief of up to €40,000 per year against CT liabilities, which may be carried forward where not fully utilised in the five years. The relief is currently calculated based on the employer PRSI paid, up to a maximum of €5,000 per employee. This previously did not include Class S PRSI paid by owner-directors. Under Budget 2025, it is proposed to allow up to €1,000 of Class S per individual, up to the €40,000 cap, to facilitate extension of the relief to owner-managed businesses.

Supports for businesses and other measures
Budget 2025

Research and development tax credit (RDTC)

Recent Budgets have introduced numerous welcome changes to the research and development tax credit (RDTC) regime.

Finance Act 2023 increased the RDTC rate from 25% of qualifying R&D expenditure to 30%.

The RDTC is received by way of three cash instalments over three years. Where the RDTC is less than or equal to the first-year payment threshold, a single refundable cash instalment is payable in Year 1, rather than over the course of three years. The Minister announced that the current first-year payment threshold of €50,000 is being increased to €75,000, therefore an RDTC of €75,000 or less (i.e. qualifying R&D expenditure of €250,000 x 30%) will be receivable by the claimant company in full in Year 1.

Audiovisual incentives

The Minister announced plans to introduce two new audiovisual incentives as part of Budget 2025. These are the tax credits for unscripted production and the Scéal uplift for small to medium-budget productions. The former scheme was originally announced as part of Budget 2024. It will allow 20% relief on qualifying expenditure up to €15 million. It aims to promote the production of reality TV or gameshows, chat shows, and other light-entertainment programmes made in Ireland, often filmed in front of a live studio audience, in line with Ireland's already established film and animation sector. In order to qualify for the credit, a cultural test will be introduced as part of the measure to ensure that public funds under this incentive will be channelled to projects of cultural merit. The incentive is subject to European Commission approval.

The Scéal uplift for small to medium-budget feature film productions provides a 40% incentive, an increase of 8%, under Ireland's current S481 film tax credit. This allows relief in the form of a corporation tax credit for qualifying costs, up to a maximum of €20 million. The relief is intended to remain in place until 31 December 2028. Establishment of the initiative will be subject to the receipt of State aid approval from the European Commission.

Accelerated Capital Allowances – gas & hydrogen vehicles

The Accelerated Capital Allowances scheme for gas and hydrogen-powered vehicles and refueling equipment provides a wear and tear allowance at 100% of the capital expenditure for companies and unincorporated businesses who invest in such vehicles and equipment for the purposes of their trade. It is proposed to extend the relief for a further year, to 31 December 2025.

Emission thresholds for vehicle capital allowances

The CO_2 thresholds for claiming capital allowances on passenger motor vehicles are being adjusted downward in light of improved vehicle emissions standards. From 1 January 2027, expenditure of €24,000 will be allowable for cars with CO_2 emissions of 0-120g/km. A reduced amount of €12,000 will be allowable for vehicles with CO_2 emissions of 121-140g/km. There will be no allowable expenditure for vehicles with emissions >141g/km and unincorporated businesses who invest in such vehicles and equipment for the purposes of their trade. It is proposed to extend the relief for a further year, to 31 December 2025.

Supports for businesses and other measures
Budget 2025

Relief for listing expenses

In order to support Irish businesses scaling up and facilitating further growth through access to capital, the Minister announced in Budget 2025 a new relief for expenses of Irish companies incurred in connection with their first listing on a recognised stock exchange located in Ireland, the EU or EEA. The deduction will be for expenses incurred wholly and exclusively on a first listing (IPO) on a recognised stock exchange and will be available to investment companies as an expense of management, or to trading companies as a trading deduction. A cap of €1 million of expenses per listing will apply, with the relief being claimable by a company in the year of the first successful listing. Expenses wholly and exclusively incurred for the purposes of the listing, both in the year of listing and the previous three years, will be allowable, subject to the overall €1 million cap. The relief will apply for successful listings completed on or after 1 January 2025.

A stamp duty exemption will also be introduced to enable Irish SMEs to access equity via financial trading platforms designed to support their funding needs. This exemption is subject to state aid considerations and is to be introduced in the coming year.

Participation exemption for foreign dividends

Budget 2025 provides for the introduction of a participation exemption for foreign dividends, a simplified method of giving double tax relief for dividends received from foreign subsidiaries within the EU or EEA and tax treaty partner jurisdictions. This is an alternative method of double taxation relief to the currently adopted 'tax and credit' method of relief. The newly proposed rules have been introduced in order to reduce the administrative burden of applying the 'tax and credit' method. It will allow Irish companies in receipt of foreign dividends that are within the scope of the exemption the option of either claiming the participation exemption or continuing to apply the "tax and credit" method.

This will be available for relevant distributions received on or after 1 January 2025 from subsidiaries in the EU or EEA and tax treaty partner jurisdictions.

These new rules will bring Ireland into line with many other EU jurisdictions and will ensure Ireland's continued attractiveness to foreign direct investment by providing flexibility and administrative simplicity to taxpayers when claiming double tax relief.

Interest deductibility

As a continuous effort to maintain Ireland's competitiveness in attracting global investment, the Minster restated the government's commitment to simplify the tax treatment of interest. A Public consultation on the interest deductibility by businesses was launched last Friday and will run until Thursday 30 January 2025.

Bank levy

Introduced in Budget 2024, the revised bank levy has been extended to apply for one more year, that is, 2025. The affected financial institutions are AIB, EBS, Bank of Ireland and PTSB, which received financial assistance from the State during the banking crisis. The target is to provide Revenue with €200 million for 2025.

Review of funds sector

In Budget 2025, the Minister recognised the importance of the investment funds and asset management sector to the Irish economy, in particular with regards to the employment generated by the sector. The Department of Finance has conducted a detailed forward-looking review of the funds sector with the aim of safeguarding Ireland's leading position in the industry. This report has been received by the Minister and will be brought to Government shortly.

Agriculture
Budget 2025

The Minister noted the important role that Irish farmers play in our economy and provided an extension to many of the measures announced in Budget 2024 in order to support the Agri-food sector.

Extension of stock reliefs

General Stock Relief, Young Trained Farmer Stock Relief and Stock Relief for Registered Farm Partnerships, which were all due to expire on 31 December 2024, are extended for a further three years, to 31 December 2027.

Accelerated capital allowances – farm safety equipment

This scheme allows for accelerated capital allowances of 50% per annum for eligible equipment. Budget 2025 is extending this scheme to 31 December 2027.

The scheme is also being broadened so that expenditure incurred by farmers on additional eligible safety equipment within the Targeted Agriculture Modernisation Schemes (TAMS) will qualify.

Income stability

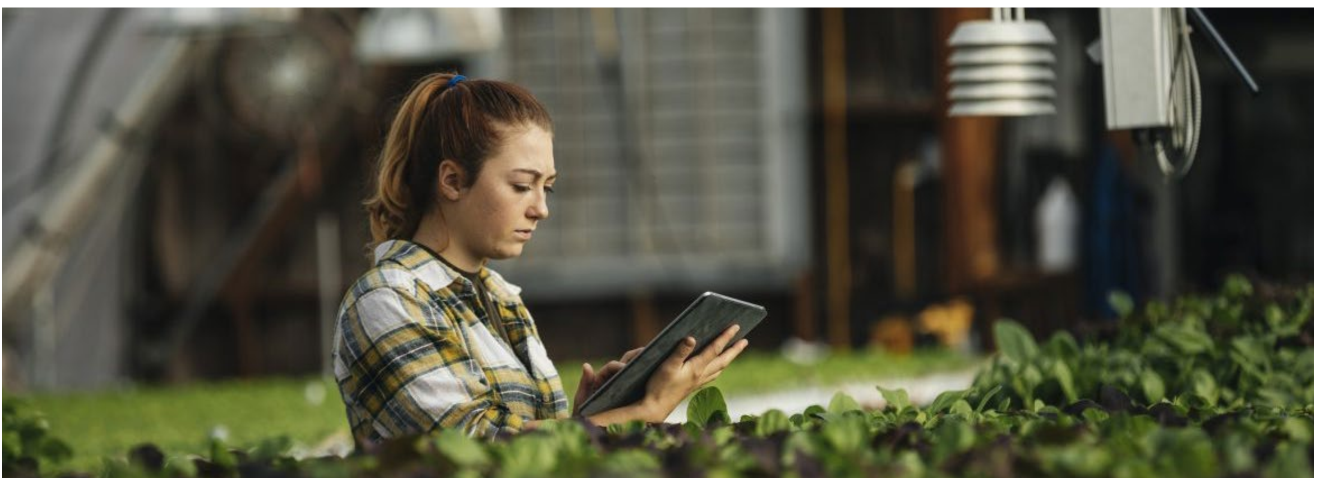
The Minister acknowledged the income instability in the farming sector and committed to the consideration of an income volatility measure for next year's budget.

CAT agricultural relief

Agricultural relief supports the transfer of farms from one generation to the next. Agricultural relief from capital acquisition tax (CAT) is dependent on several conditions being met. Budget 2025 extends the six-year Active Farmer test required to be met by the donor in order for the beneficiary to benefit from agricultural relief. This measure aims to narrow and safeguard agricultural relief for genuine active farmers among the current and next generation.

Agricultural stamp duty reliefs

The Minister announced amendments to the Young Trained Farmer Stamp Duty Relief and the stamp duty relief, which applies to farmers who lease land, in order to cover farmers who carry on their farming business through a company.



Housing

Budget 2025

Help to Buy (HTB)

The Help to Buy (HTB) scheme provides support for first-time buyers of new homes, subject to certain criteria. The HTB scheme has to date supported more than 50,000 individuals or couples to buy their own homes.

The scheme had been due to expire on 31 December 2025. To provide certainty to homebuyers, the minister announced the extension of the HTB scheme for a further four years to 31 December 2029.

Residential Zoned Land Tax (RZLT)

The Residential Zoned Land Tax (RZLT) was introduced by Finance Act 2021 and aims to encourage the development of housing on land zoned for residential use by local authorities. This tax seeks to ensure that suitable land is utilised for housing to address ongoing shortages.

The RZLT is an annual tax set at 3% of the market value of land zoned for residential use.

To mitigate the impact on landowners engaged in genuine economic activity, landowners who seek to have their land rezoned to reflect the activity they carry out on their land can avail of an exemption in 2025 from RZLT. The Minister for Housing, Local Government and Heritage will issue guidelines to local authorities indicating that they should consider and accommodate rezoning requests where landowners seek to continue undertaking existing economic activity.

Vacant Homes Tax (VHT)

The VHT applies to residential properties which are occupied for less than 30 days in a chargeable period (1 November to 31 October annually).

To encourage the use of existing housing stock, the Vacant Homes Tax (VHT) rate will be increased from five to seven times the property's base Local Property Tax (LPT) rate. This measure aims to reduce the number of vacant properties and bring them into the housing market.

The new VHT rate will apply from the next chargeable period, starting in November 2024.

Stamp duty on bulk acquisitions

Stamp duty on the bulk acquisition of houses was introduced in 2021. In order to discourage significant purchases of houses by investment funds, an increased stamp duty rate of 10% already applies where on investor acquires 10 houses or more in the same development within a 12-month period. This stamp duty rate will be increased to 15% from 2 October 2024.

Transitional measures will be announced for ongoing acquisitions.

Stamp duty on residential property

The rate of stamp duty applicable to residential property valued above €1.5 million is to increase to 6% with effect from tonight. The existing rate of 1% will continue to apply for values up to €1 million. The 2% rate will apply for values above €1 million and up to €1.5 million, with the third rate of 6% to apply to any value in excess of €1.5 million.

Indirect taxes and customs
Budget 2025

VAT rates

- As part of continued cost of living measures, the reduced 9% VAT rate for gas and electricity is extended for a further six months until 30 April 2025.
- Farmers flat-rate addition to be increased from 4.8% to 5.1% with effect from 1 January 2025.
- The VAT rate on the supply and installation of heat pumps meeting specific technical standards will be reduced to 9% with effect from 1 January 2025.

VAT thresholds

- The existing VAT registration thresholds are being increased from:
  - €40,000 to €42,500 for services; and
  - €80,000 to €85,000 for goods.

Excise duty

- The cost of a standard 20-pack of cigarettes will be increased by an extra €1 (including VAT), with pro-rata increases to the price of related tobacco products.
- Excise duty is being introduced on e-cigarettes. A rate of 50c per millilitre of e-liquid will apply. This measure is subject to a commencement order and is not due to commence until mid-2025.
- The alcohol excise relief scheme for independent small producers of cider and perry is being extended to cover other fermented beverages, including products such as mead and wines (other than grape wine) in addition to higher strength cider and perry.

Carbon tax

- Carbon tax will be increased from €56.00 to €63.50 per tonne of CO2. This increase will be applied to petrol and diesel from 9 October 2023, and all other fuels from 1 May 2025.

VRT

- The weight carriage ratio for battery electric commercial (BEV) vehicles is being amended so that they can qualify for the VRT rate of €200.
- An emissions-based approach to VRT for category B commercial vehicles is being introduced. A new lower 8% rate will apply to category B vehicles (e.g. light commercial vehicles) with CO2 emission of less than 120 grams per kilometre.

Example scenarios
Budget 2025

Single person - PAYE taxpayer	2024 €	2025 €
Gross income	43,000	43,000
Income tax liability	4,300	3,600
PRSI liability	1,731	1,774
USC liability	1,025	836
Total liability	7,055	6,210
Net income	35,945	36,790
Annual gain		846
Change as a % of net income		2.35%

Single person - Self employed	2024 €	2025 €
Gross income	60,000	60,000
Income tax liability	11,850	11,200
PRSI liability	2,415	2,475
USC liability	1,705	1,346
Total liability	15,970	15,021
Net income	44,030	44,979
Annual gain		949
Change as a % of net income		2.15%

Married couple - One self-employed income, Two children	2024 €	2025 €
Gross income	45,000	45,000
Income tax liability	1,575	1,050
PRSI liability	1,811	1,856
USC liability	1,105	896
Total liability	4,491	3,802
Child benefit	3,360	3,360
Net income	43,869	44,558
Annual gain		689
Change as a % of net income		1.57%

Married couple - Two incomes, one child	2024 €	2025 €
Husband – employment income	60,000	60,000
Wife – self-employed income	30,000	30,000
Income tax liability	12,300	11,400
PRSI liability	3,623	3,713
USC liability	2,209	1,792
Total liability	18,132	16,905
Child benefit	1,680	1,680
Net income	73,548	74,776
Annual gain		1,227
Change as a % of net income		1.67%

Retired individual - State Pension and occupational	2024 €	2025 €
Contributory Old Age Pension	14,420	15,044
Occupational Pension	30,000	30,000
	44,420	45,044
Income tax liability	5,373	4,973
PRSI liability	0	0
USC liability	420	420
Total liability	5,793	5,392
Net income	38,627	39,652
Annual gain		1,024
Change as a % of net income		2.65%

Summary of personal tax rates and bands
Budget 2025

Income tax rates and bands

Single person				
Bands	2024		2025	
Standard	20%	€42,000	20%	€44,000
Top	40%	Balance	40%	Balance

Single parent/widowed parent/surviving civil partner parent				
Bands	2024		2025	
Standard	20%	€46,000	20%	€48,000
Top	40%	Balance	40%	Balance

Married or civil partnership (dual income)*				
Bands	2024		2025	
Standard	20%	€84,000	20%	€88,000
Top	40%	Balance	40%	Balance

*Maximum amount allowed where one individual is working is €53,000 (2024: €51,000)

Universal social charge			
2024		2025	
Exempt	€13,000	Exempt	€13,000
First €12,012	0.5%	First €12,012	0.5%
Next €13,747	2%	Next €15,370	2%
Next €44,283	4%	Next €42,662	3%
Balance	8%	Balance	8%

The reduced rates of 0.5% on the first €12,012 and 2% on the balance applies for individuals who hold full medical cards with income up to and including €60,000.

Self employed income in excess of €100,000 regardless of age is @ 11%

Tax credits

Tax credits	2024	2025
Personal	€	€
Single	1,875	2,000
Married/Civil partnership	3,750	4,000
Widowed	2,415	2,540
One Parent Family Credit	1,750	1,900
PAYE	1,875	2,000
Earned Income Credit (Self Employed and Business owner/ managers)	1,875	2,000
Child		
Incapacitated child (max)	3,500	3,800
Widowed parent		
Bereaved in 2024		3,600
Bereaved in 2023	3,600	3,150
Bereaved in 2022	3,150	2,700
Bereaved in 2021	2,700	2,250
Bereaved in 2020	2,250	1,800
Bereaved in 2019	1,800	
Dependent relative (max)	245	305
Blind person		
Single	1,650	1,950
Married/Civil partnership	3,300	3,900
Home Carers (max)	1,800	1,950
Age credit		
Single/widowed	245	245
Married/Civil partnership	490	490

Age Exemption Limits - over 65 years of age		
Single/widowed	18,000	18,000
Married/Civil partnership	36,000	36,000

Rent credit		
Rent credit	750	1,000

Participation Exemption on Foreign Dividends
Budget 2025

The introduction of a Participation Exemption on Foreign Dividends in todays budget is a welcome addition to the Irish tax system, bringing it into line with many of our EU and OECD counterparts.

Ireland currently operates within a worldwide system of taxation which considers both domestic and foreign profits, with a credit available for foreign taxes. The current treatment of foreign dividends is dependent on whether the dividend is considered a trading receipt or non-trading receipt in the hands of the recipient. This has led to a complex system which many taxpayers struggle to understand and is out of line with most of our EU and OECD counterparts, who operate some type of Participation Exemption for dividends as a feature of their tax code.

Trading

Irish companies may receive dividends from both trading and non-trading activities. Dividends from trading activities, sourced outside Ireland, may be exempt under section 21B TCA 1997 or taxable at 12.5%. A credit may be available for dividend withholding or underlying taxes suffered.

Section 21B TCA 1997 provides for an exemption from Irish corporation tax on certain foreign source portfolio dividends. For the exemption to apply, the following conditions must be met:

- The Irish recipient company (together with any associated parties) must not hold, directly or indirectly, more than 5% of the share capital or voting right of the dividend paying company.
- The dividend income must be classified as a trading receipt in the hands of the Irish recipient company.
- The dividend-paying company must be resident in the EU or a jurisdiction with which Ireland has a Double Taxation Agreement (DTA jurisdiction) or its shares (or those of its 75% parent company) must be listed on a recognised stock exchange.

Recipient companies typically refrain from claiming the exemption if it would lead to violations of the "bond-washing" provisions contained in Part 28, Chapter 1, TCA 1997.

Where dividends do not qualify for the Portfolio Dividend Exemption or it is not claimed, the dividend is taxable at 12.5%.

Non-trading

Where an Irish company receives non-trading dividends, they may be taxable at 12.5% or 25%. A credit may be available for dividend withholding and/or underlying foreign taxes.

The 12.5% rate is available for dividends paid out of trading profits of a 5% subsidiary resident in an EU or DTA jurisdiction or where the shares of the dividend paying company (or its 75% parent company) are sustantially regularly traded on a recognised stock exchange. Otherwise, the dividend is taxable at the higher rate of 25%.

A foreign tax credit is generally available for any dividend withholding taxes suffered. In addition, a credit for underlying foreign tax paid by the dividend-paying company may be available where the dividend paying company is resident in an EU or EEA jurisdiction. Pooling of unused foreign tax credits is also available in certain instances.

Participation exemption on Foreign Dividends
Budget 2025

Budget 2025

A Participation Exemption for Foreign Dividends was announced today in Budget 2025 to *"provide an alternative, much simplified mechanism for double tax relief for multi-national businesses".* This measure comes into effect from 1 January 2025 and will apply to relevant distributions received from subsidiaries in EU/EEA and tax treaty countries.

Under the new rules, a company will have the option to elect, in their respective corporation tax return, to claim either the participation exemption or to continue to use existing tax and credit relief under Schedule 24 (as referred to above). Where a company elects to claim the participation exemption for a financial period, the election will apply to all dividends potentially in the scope of the exemption in that period.

Further detail on the participation exemption for foreign dividends will be set out in the Finance Bill.

This measure is a welcome addition to the Irish tax system, bringing it into line with many of our EU and OECD counterparts, as is the announcement by Minister Chambers today of continued work on further consideration of "geographic scope" of the participation exemption and "of a foreign branch exemption".

BEPS: Pillar Two – Introduction of the UTPR
Budget 2025

MNEs continue to come to grips with BEPS: Pillar Two calculations under the Qualified Domestic Top-up Tax (‘QDTT’) and Income Inclusion Rules (‘IIR’). However, 2025 will mark the introduction of the final and most controversial aspect of the Pillar Two puzzle – the Under-Taxed Profits Rules (‘UTPR’).

While the IIR and the UTPR have the same general purpose, they have a different function and operate in a very different manner. The IIR provides a mechanism to collect the top-up tax based on the Ultimate Parent Entity’s direct or indirect ownership of the low-tax Constituent Entities. However, where the MNE has an Intermediate Parent Entity located in an adopting jurisdiction, the IIR will take precedence over the UTPR in relation to that sub-group, with the UTPR applying to the remainder of the group’s undertaxed profits.

The UTPR acts as a stopgap solution to ensure that MNEs whose Ultimate Parent Entity is established in a non-adopting jurisdiction will be brought within the charge of the Pillar Two regime on the group’s total profits. This limits MNE’s ability to move operations or shift profits through deductible intra-group payments to non-adopting jurisdictions in order to avoid the Pillar Two tax charge. It does this by allocating a proportion of the group’s undertaxed profits, wherever earned, to Constituent Entities located in adopting jurisdictions. The allocation of the UTPR is based on the substance of the Constituent Entity relative to the MNE’s global operations in terms of employees and tangible assets.

The most notable of these non-adopting jurisdictions is the United States. With many US headquartered MNEs basing their non-US operations here in Ireland, this represents another complexity for Irish Constituent Entities to work through along with the additional Irish tax burden on the MNE Group’s operations. Given the potential to erode the US tax base, the adoption of the UTPR has been met by a proposal from the US Republican Party to increase withholding tax rates by 5% to adopting jurisdictions. However, with the Democratic Party (who are generally in support of adopting Pillar Two) controlling the US House of Representatives, this measure is unlikely to be passed and it remains uncertain how the US will address this issue.

The EU Commission has launched infraction proceedings against 9 EU Member states (Estonia, Greece, Spain, Cyprus, Latvia, Lithuania, Malta, Poland, and Portugal) who failed to implement the Minimum Tax Directive by the 31 December 2023 deadline; however, it is expected that each of these will have at least the IIR and QDTT enacted by 31 December 2024 which should prevent the UTPR applying to profits of MNEs or Constituent Entities located in these jurisdictions.

Other non-adopting jurisdictions at the time of writing will be of interest to Irish based MNEs.

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