EVERSHEDS SUTHERLAND

Budget 2025 Summary

1 October 2024

On 1 October 2024, the Minister for Finance, Jack Chambers T.D. (the "**Minister**") delivered his first budget speech, Budget 2025.

The Minister announced a total budgetary package of €10.5 billion, consisting of a cost-of-living package of €2.2 billion, and a core package of €8.3 billion, split between expenditure measures worth just under €6.9 billion and tax measures worth over €1.4 billion. The Minister announced that the country is performing well economically, with the rate of employment at a very high level and with inflationary pressures easing. The Minister noted the Governments cognizance of economic and geopolitical uncertainty from a global perspective, against which this Budget 2025 announcement was set.

The Minister announced that Budget 2025 focusses on long term sustainability, with placing the country in a position to respond to economic and geopolitical shocks abroad at the forefront of considerations. Given the ever-changing international landscape, the Minister noted that Budget 2025 provides the country with an opportunity to respond positively to external shocks and possible deteriorations in the international economy, which it may not otherwise be able to prevent.

The Department of Finance has forecast tax revenue to amount to €105.7 billion, an increase of €13.6 billion on the Spring forecast, which has been largely attributed to corporation tax receipts and the revenue from the recent judgment of the Court of Justice of the European Union. The Department of Finance has projected a modified domestic demand, a proxy for the domestic economy, to grow by 2.5% this year, and by close to 3% next year.

Set out below is a brief overview of the key highlights arising from Budget 2025 as announced today. The finer details of these changes, and any additional policy and legislative changes, will become more apparent with the release of the Finance Bill in the coming week. Unless otherwise stated, these measures will take effect from 1 January 2025.

Tax Highlights

Income Tax

- The standard rate income tax band is increased by €2,000 to €44,000 for all earners.
- The personal tax credit, employee tax credit and the earned income credit have each increased by €125 to €2,000.
- To ensure that a full-time worker on the minimum wage will remain outside the top rates of USC, the ceiling of the second Universal Social Charge ("USC") rate band will be increased from €25,760 to €27,382.
- The minimum wage has increased by €0.80 to €13.50.
- The second USC rate band will decrease from 4% to 3%.

- The annual limit for the Small Benefit Exemption is increasing from €1,000 to €1,500. This will permit five non-cash benefits to be granted by an employer in a single year.

Corporation Tax

- A participation exemption for foreign dividends will be introduced, providing an alternative, simplified mechanism for double tax relief for multinational businesses.
- The R&D tax credit first year payment threshold has been increased from €50,000 to €75,000.
- The Minister confirmed that capital gains tax ("CGT") entrepreneur relief, targeted at investors in innovative start-ups, will be amended to increase the lifetime limit on gains to which the relief applies from €3 million to €10 million.
- An enhancement of the section 486C small company start-up relief from corporation tax has been introduced. This will allow companies to qualify for the relief by reference to Class S PRSI, extending the scope of the relief to small owner-managed start-up companies.

Real Estate & Farming

- €1.25 billion has made available to Land Development Agency bringing the total amount of funding now available to the agency to €6.25 billion to deliver thousands of more affordable homes.
- The one-year Mortgage Interest Tax Relief will be extended for one further year.
- The Rent Tax Credit introduced in budget 2023 will be increased from €750 to €1,000 and €2,000 for a jointly assessed couple for 2025. This credit is also being increased to €1,000 and €2,000 for a jointly assessed couple for 2024.
- The Help to Buy Scheme is to be extended to 2029.
- To discourage significant purchases of houses by investment funds, a higher rate of stamp duty on bulk acquisitions of houses will increase from 10% to 15% with immediate effect.
- To help owners of vacant property to bring accommodation into the rental system, the relief for pre-letting expenses for landlords will continue for a further three years, to the end of 2027.
- Stamp duty applicable to residential property valued above €1.5 million increased to 6% with effect from tonight. The existing rate of 1% will continue to apply to values up to €1 million, and 2% on values above €1 million, with a third rate of 6% to apply to any value in excess of €1.5 million.
- The Vacant Homes Tax will be increasing to seven times (up from five times) the Local Property Tax amount from the next chargeable period (November 2024).
- General Stock Relief, Stock Relief for Young Trained Farmers, and Stock Relief for Registered Farm Partnerships due to expire at the end of this year are now extended to the end of 2027.
- Agricultural Relief promotes the transfer of farms from one generation to the next. As agricultural land has increased in value above inflation it is difficult for genuine farmers to purchase the land they need for farming. To address this the six-year active farmer test is extended to the person who provides the gift or inheritance.

Climate Action

- There will be €750 million allocated as direct equity injection to support capital spending on the further development of our national electricity grid infrastructure.
- There will be a BIK exemption for the provision of electric vehicle charger at the home of a director or employee.

- For an employee with an electric vehicle provided by their employer, they can avail of an overall BIK relief of €45,000 which comprises of the €35,000 electric vehicle specific relief plus an additional universal relief of €10,000.
- In relation to battery electronic commercial vehicles, there will be an amendment so that people can qualify for the €200 VRT rate.
- With regards to the VRT rate for B commercial vehicles, a measure will be introduced to provide a lower 8% rate for category B vehicles.
- In relation to Carbon Tax, the rate per tonne of carbon dioxide emitted for petrol and diesel will go up from €56 a tonne to €63.50 a tonne from 09 October.
- Accelerated Capital Allowances scheme for Gas and Hydrogen-powered vehicles to be extended for a further year.
- Motor insurers insolvency compensation fund levy will be reduced from 1% to 0%.

VAT

- There will be an extension of the temporary reduction in the rate of VAT for gas and electricity to 9% for a further 6 months to 30 April 2025.
- VAT registration thresholds have been increased from €40,000 to €42,500 for the supply of services and increased from €80,000 to €85,000 for the supply of goods.
- The VAT rate charged on the installation of heat pumps will be lowered from 23% to a 9% reduced rate.
- The flat-rate scheme compensates unregistered farmers on an overall basis for VAT incurred on their farming inputs and it is proposed that this rate be increased from the current 4.8% to 5.1% from 1 January 2025.

Excise Tax

- The cost of a pack of cigarettes is to increase by €1 from midnight on 1 October 2024 (tonight), and pro rata increases will also apply on other tobacco products. This will bring the price of cigarettes in the most popular price category to €18.05 and support public health policy to reduce smoking levels in Irish society.
- Domestic tax on e-cigarettes to be introduced, this will be in the form of a domestic tax on e-liquids of 50c per ml (a typical dispenser would have 2ml and costs in the region of €8). This new tax will bring the price of such a product to €9.23 including VAT from the middle of next year and will be subject to a commencement order.
- Extension of the excise relief introduced last year for independent small producers of cider and perry to cover what is known as other fermented beverages (which includes products such as mead and wines other than grape wine such as elderberry wine, strawberry wine etc). In addition, this relief is being extended to higher strength cider and perry produced by independent small producers.

Capital & savings

- An increase to the capital acquisitions tax ("**CAT**") categories has been introduced as follows:

  Category A - Parent to child including stepchildren and foster children under certain circumstances: €335,000 increased to €400,000
  Category B - Grandparent to grandchild, sibling to sibling or aunt/uncle to niece or nephew: €32,500 to €40,000
  Category C - All other gifts: €16,250 to €20,000

- Employment Investment Incentive ("EII"), Start Up Relief for Entrepreneurs and Start-Up Capital Incentives are all extended to the end of 2026, with the relief under EII being doubled from €500,000 to €1 million and the relief available under the Start-Up Relief for Entrepreneurs increasing from €700,000 to €980,000.
- New relief for expenses connected with a first listing on the Irish or a European stock exchange of up to €1 million.
- In respect of retirement relief, the increased age limit of 70 years old, up from 65, is to be retained. In addition, where there are disposals by the child or children above €10 million within 12 years of receiving the assets, a clawback of the relief will apply.

Miscellaneous

- The introduction of a new tax credit for Unscripted Production. Subject to European Commission approval, the credit will be available at a rate of 20% on qualifying expenditure of up to €15 million and, similar to the other audio-visual reliefs, projects will be required to pass a cultural test.
- An introduction of a new 8% uplift of the section 481 film tax credit. This will apply to feature film productions with a maximum qualifying expenditure of €20 million.

We will await further details regarding the above changes, as well as any measures not announced in today's Budget speech. However, should you have any queries in relation to Budget 2025, or the potential implications of same for your clients, please do not hesitate to contact a member of the Tax team.

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