



Budget 2025

In Search of the Backbone

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BUDGET 2025: In Search of the Backbone

It would be nice to think that Minister Chambers was correct when he declared that start-up and scaling businesses are the backbone of this country. Unfortunately, there are not enough strong small and medium enterprises (SMEs) to form an effective backbone, instead it's the multinational sector that does this. Before the SME sector can become the country's backbone it needs help.

The Budget Speech set out to provide this help by focusing on incentives to provide capital. Thus, the Employment Investment Incentive or EII, the Start-Up Relief for Entrepreneurs and the Start-Up Capital Incentive were all increased and extended for a further two years. The CGT relief for investors in innovative start-ups was increased so that the lifetime limit on gains rises from €3 m to €10 m.

Unfortunately, the Speech said nothing about improving the reliefs that, in practice, need the most attention, the KEEP share option scheme and the Revised Entrepreneur Relief.

First the KEEP scheme. It's no secret that Ireland has a two-tier economy. We have enjoyed immense benefits from our first-class multinational sector, the envy of all our neighbours. But it's not always appreciated that it competes for resources with our indigenous sector. And the competition is most acute in the field of employment.

No SME can match the remuneration package that most multinationals can wield. This is where the KEEP scheme should be capable of levelling the playing field. It does this by providing that there is no tax charge on the date of grant or exercise of a KEEP share option granted to an employee. Instead, a charge arises only on the disposal of the shares acquired under KEEP. In this way, an employee can be incentivised to work for an SME in the hope of making a killing when its shares are sold.

So far so good. The problem that arises concerns the restrictions imposed on the type of activity that qualifies for the scheme. For example, trades that are composed of financial activities, building or construction and professional services are all excluded from the scheme. Attracting talent into trades like these is vital for a growing economy, so their exclusion makes little sense.

As far as Revised Entrepreneur Relief is concerned, it offers a tax rate of 10% on the first €1 m of gain from the disposal of qualifying business assets. This is good in itself; however we share a land border with the UK, and it offers the same rate on gains of up to €5 m. In light of this, it's not difficult to envisage smart, young entrepreneurs making the decision to set up business in Belfast rather than in Dublin.

Each of these points would represent a working improvement to what's already there. They also illustrate the point that it's not enough to put an incentive on the statute book and then forget about it. To operate properly, reliefs such as these need to be amended and made commercially effective before the SME sector can become the country's backbone.

Business Taxation

Start-Up Companies

The reduction in corporation tax for start-up companies is being enhanced by allowing companies to qualify for the relief using the aggregate of Employer PRSI and Class S PRSI contributions. Class S PRSI contributions are payable by both the self-employed and certain company directors. This will extend the scope of the relief to small owner-managed start-ups.

The Research and Development Tax Credit

A review of the R&D tax credit will be undertaken in 2025 but before then the first-year payment threshold will be increased from €50,000 to €75,000. The aim of this is to provide increased cash-flow support to companies undertaking smaller R&D projects or engaging with the credit for the first time.

The Participation Exemption

The exemption from tax will be extended from 1 January 2025 so that it applies to foreign dividends. The amendment will provide an alternative, much simplified mechanism for double tax relief for multi-national businesses.

Small Benefit Exemption

The Small Benefit Exemption allows an employer to provide non-cash rewards, typically vouchers, to their workers without the payment of income tax, PRSI and USC.

The Minister intends to increase the annual exemption limit from €1,000 to €1,500 p.a. and will permit an employer to utilise this by making up to five rewards in any year. The purpose of the amendment is to allow greater flexibility to employers when awarding non-tax rewards to their employees.

Property Tax

Pre-letting expenses for Landlords of Residential Housing

To encourage owners of vacant property to bring that accommodation into the rental market the relief for pre-letting expenses for landlords will be extended to 31 December 2027. Under this relief, a landlord can claim a deduction for up to €10,000 per property for certain revenue expenditure incurred on the property prior to the rental of that property.

Tax Credit for Renters of Residential Property

The credit is being increased by €250 bringing it to €1,000 for a single person and €2,000 for a jointly assessed couple from 1 January 2025. In light of the cost-of-living pressures the credit for the current tax year (2024) is also being increased to €1,000 for a single person and €2,000 for a jointly assessed couple.

Vacant Homes Tax

In a move aimed at bringing more vacant homes into use, the rate of the Vacant Homes Tax is being increased from five times to seven times a property's existing Local Property Tax liability. This increase will take effect for the chargeable period commencing on 1 November 2024.

Mortgage Interest Relief

A temporary one-year mortgage interest tax relief was announced in last year's Budget and provided relief for certain mortgage holders who experienced increased interest rates in 2023 over 2022. This mortgage interest relief is extended for one further year in respect of the increase in interest paid in 2024 over 2022. Relief will be given at the standard rate of 20%, subject to a ceiling of €1,250 per property.

The Help to Buy Scheme

The Help to Buy scheme is an income tax measure which assists first-time buyers with the deposit required to purchase or build a new house or apartment to live in as their home. The scheme will be extended for a further four years until 31 December 2029.

Residential Zoned Land Tax

The Residential Zoned Land Tax, or RZLT, is calculated at 3% of the market value of land that is zoned for residential development, and which has the necessary services in place to develop housing. In an effort to ensure that the tax does not impact landowners who carry out genuine economic activity on their land, the Minister announced that there will be an opportunity for these landowners to seek to have their land rezoned in 2025 to reflect the activity they carry out on their land. 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 their existing economic activity. Legislation will also be introduced to allow for a 12-month deferral of the RZLT liability between the grant of planning and commencement of development. It is also proposed that there will be an exemption from RZLT during judicial review proceedings brought by a third party.

Investor Tax

Angel Investor Tax Relief

The Angel Investor Capital Gains Tax Relief was announced in last year's Budget and is due to commence shortly. It is proposed to increase the lifetime limit of gains to which the discounted rate of CGT can apply from €3m to €10m.

Relief for Investment in Corporate Trades

The Minister announced that he proposes to extend the Relief for Investment in Corporate Trades, which comprises the Employment Investment Incentive (EII), Start-Up Relief for Entrepreneurs (SURE) and the Start-Up Capital Incentive (SCI), for a further two years to 31 December 2026. The amount of investment on which an investor can claim relief under the Employment Investment Incentive will be increased from €500,000 to €1 million. The relief available under the Start-Up Relief for Entrepreneurs will be increased from €700,000 to €980,000 (€140,000 per year over 7 years).

Income Tax

Income Tax Bands & USC

In keeping with previous years, the Minister announced a further €2,000 increase in the standard rate band on which income tax is charged at 20%. The standard rate band for single persons will increase to €44,000 while the increased standard rate band for married couples with one income will increase to €53,000. Married couples with two incomes can opt to allocate the increased standard rate band of €53,000 to the assessable spouse. The standard-rate band allocated to the non-assessable spouse would be reduced to €35,000.

The Personal tax credit, Employee tax credit and Earned Income tax credit will all increase by €125 to €2,000 per annum.

Both the Home Carers credit and the Single Person Child Carer tax credit will increase by €150 to €1,950 and €1,900, respectively. The Incapacitated Child Tax Credit and the Blind Person's tax credit are each set to increase by €300 from 1 January 2025 while the dependent relative tax credit is to increase by €60 to €305.

To account for the €0.80 increase in minimum wage to €13.50, the Minister has increased the 2% USC threshold by €1,622 to €27,382. From 1 January 2025, the 4% USC rate is to be reduced to 3%. This rate applies to income between €27,382 and €70,044.

There have been no changes to the USC rates on incomes over €70,044. The top rate of USC for all medical card holders and individuals over the age of 70 who earn less than €60,000 remains at 2%. The Minister did not mention an extension of the reduced rate and accordingly, this measure is set to end on 31 December 2025.

BIK Measures

The temporary deduction of €10,000 from the Original Market Value of all vehicles within Categories A-D will be extended until 31 December 2025.

An exemption from BIK will be available where an employer incurs the cost of fitting an electric vehicle charger at the home of an employee or director.

VAT

Extension of 9% rate on Gas & Electricity

The Minister confirmed that the reduced rate of 9% VAT on gas and electricity products would be extended by a further 6 months to 30 April 2025.

Increase in VAT registration thresholds

The Minister confirmed that he would raise the thresholds for registering for VAT that apply to goods and services as follows:

- Goods: an increase from €40,000 to €42,500
- Services: an increase from €80,000 to €85,000

Where a trader has turnover in excess of the threshold in a 12-month period, the trader is obliged to register for VAT.

Farmers' flat-rate VAT Compensation

The Minister confirmed that from 1 January 2025, the VAT compensation for unregistered farmers would increase from 4.8% to 5.1%. This is the rate at which non-VAT registered farmers are entitled to claim a rebate of VAT on purchases for their farming trade.

VAT rate reduction on the installation of Heat Pumps

To facilitate and complement the Government's National Retrofit Plan, the Minister confirmed that the VAT rate charged on the installation of heat pumps would reduce from the standard rate of 23% to the 9% reduced rate.

Capital Acquisitions Tax

Increase in Tax-Exemption Thresholds

The Minister announced the following increases in the tax-exemption thresholds for gift and inheritance tax:

- Category A threshold (parent to a child): from €335,000 to €400,000 (a 19.4% increase)
- Category B threshold (between blood relatives): from €32,500 to €40,000 (a 23% increase)
- Category C threshold (all other relationships): from €16,250 to €20,000 (a 23% increase)

The thresholds apply to exempt from CAT the value of all gifts or inheritances received in each individual category since 5 December 1991 up to the limit of the tax-exemption threshold.

Agricultural Relief

Amendments will be made to Agricultural Relief for farmers, to require that a donor must be an active farmer for the period of 6 years prior to the date of gift or bequest to enable the donee/successor to qualify for Agricultural Relief. The donee/successor is also required to be an active farmer for a period of 6 years following the date of acquisition to receive the full benefit of the relief.

To be considered a farmer for gift/inheritance tax, a donee/successor is an individual who must spend not less than 50% of his or her normal working time farming agricultural property on a commercial basis and with a view of the realisation of profits. Alternatively, the individual must be a holder of specialist agricultural qualifications or achieve those qualifications within 4 years of the gift or inheritance and in addition farm the land on a commercial basis.

Capital Gains Tax

Retirement Relief

Retirement Relief allows for an abatement on the CGT charged on the disposal of chargeable business assets. Where a disposal is made from a parent to a child, a lifetime limit of €10 million applies to the market value of the qualifying assets where such assets are disposed of by individuals aged 55 to 69 years.

The Minister announced that from 1 January 2025, the amendment of the upper age limit of 65 until the age of 70 will 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. However, where the child or children retains the assets for more than 12 years, the CGT will be fully abated.

Stamp Duty

Increase in the Stamp Duty rate on the Bulk Buying of Property

The rate of Stamp Duty that applies where a purchaser acquired 10 or more houses in any 12-month period is increased from 10% of the market value of the houses to 15% of their value. This will take effect from midnight on Budget Day. This measure was enacted to discourage the acquisition of multiple housing units by vulture funds and property rental companies.

Additional Rate of Stamp Duty on Residential Properties valued at over €1.5 million

An additional rate of Stamp Duty is to apply to the value of residential properties in excess of €1.5million. Stamp Duty at a rate of 6% will apply to the value of residential property in excess of €1.5 million. Accordingly, on the acquisition of residential property worth two million, the purchaser will incur Stamp Duty as follows:

- 1% from €0 to €1 million
- 2% from €1,000,001 to €1.5million
- 6% from €1,500,001 and above.

Extension of Stamp Duty Reliefs for farmers

The Minister confirmed that his department will issue amendments to Young Trained Farmer Stamp Duty Relief and the Stamp Duty Relief which applies to farmers who lease land. The relief for Young Trained Farmers will be revised so that it will be available where it is claimed by an individual farmer who carries on the farm business through a company. The leasing relief will be amended to also encompass farmers who have chosen to incorporate their businesses.

Stamp Duty Exemption for SMEs Accessing Equity

The Minister confirmed his department will introduce Stamp Duty exemption to enable Irish SMEs to access equity via financial trading platforms, designed to support the companies' funding needs. This exemption will be subject to State Aid approval.

Table of tax rates, bands and credits

Standard Tax Rate Bands	2025	2024
Single / Widowed Standard Rate Cut-Off Point	€44,000	€42,000
Married Couple (one income)	€53,000	€51,000
Married Couple (two incomes provided lower-earning spouse has income of at least €35,000)	€88,000	€84,000
Income Tax Rates	2025	2024
Standard Tax Rate	20%	20%
Higher Tax Rate (balance of income)	40%	40%
Income Tax Credits	2025	2024
Single Person Tax Credit	€2,000	€1,875
Married Person Tax Credit	€4,000	€3,750
PAYE Tax Credit	€2,000	€1,875
Earned Income Tax Credit	€2,000	€1,875
Home Carers Credit	€1,950	€1,800
Home Carers income threshold level	€7,200	€7,200
Single Person Child Carer Credit	€1,900	€1,750
Dependent Relative Tax Credit	€305	€245
Incapacitated Child Credit	€3,800	€3,500
Rent Tax Credit	€1,000	€1,000*
Blind Person – Single	€1,950	€1,650
Blind Person – Married Couple, Both Blind	€3,900	€3,300
Age Tax Credit – Single / Widowed	€245	€245
Age Tax Credit – Married	€490	€490
Relief for Pension Contributions	2025	2024
Earnings limit for determining maximum tax-deductible pension contributions	€115,000	€115,000
Imputed Distribution from an ARF (Value of Fund at 31 December regarded as an imputed distribution)	2025	2024
Value of fund is €2m or less and individual is not 70 years or over	4%	4%
Value of fund is €2m or less and individual is 70 years or over	5%	5%
Value of fund is greater than €2m	6%	6%
Age Exemption Limits (65 years and over)	2025	2024
Single / Widowed	€18,000	€18,000
Married	€36,000	€36,000

*Rental Tax Credit for 2024 amended in Budget 2025 from €750 to €1,000.

Table of tax rates, bands and credits (cont'd)

PRSI Rates	2025		2024	
	Rate	Band	Rate	Band
Employer PRSI	8.9%	€25,792	8.8%	€22,932
Employer PRSI	11.15%	Balance	11.05%	Balance
Employee PRSI	4.1%	All	4%	All
Self Employed and Proprietary Directors	4.1%	All	4%	All
USC Rates	2025		2024	
Exempt Income	€13,000 or less		€13,000 or less	
Lower Rate	€0 to €12,012 @ 0.5%		€0 to €12,012 @ 0.5%	
Higher Rate 1	€12,013 to €27,382 @ 2%		€12,013 to €25,760 @ 2%	
Higher Rate 2	€27,383 to €70,044 @ 3%		€25,761 to €70,044 @ 4%	
Higher Rate 3	€70,045 to €100,000 @ 8%		€70,045 to €100,000 @ 8%	
Higher Rate 4	PAYE income in excess of €100,000 @ 8%		PAYE income in excess of €100,000 @ 8%	
Higher Rate 5	Self-employed income in excess of €100,000 @ 11%		Self-employed income in excess of €100,000 @ 11%	
Medical Card Holders / Over 70s	Where income does not exceed €60,000 @ 2%		Where income does not exceed €60,000 @ 2%	

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