



Budget 2025

In yesterday’s Budget Speech, Minister Chambers quoted the late Micheál O’Muircheartaigh’s advice to young people, “Always look forward to things. Look forward with hope. Hope is the greatest thing of all.”

Although Budget 2025 wasn’t all we hoped for, it is a step in the right direction with certain positive changes to our tax code and the continued commitment to reducing the complexity of our tax code.

In particular, we welcome the increases to the Capital Acquisitions Tax (CAT) thresholds, amendments to the proposed changes to Capital Gains Tax (CGT) retirement relief and increases to the personal taxation standard rate band and tax credits. However, we feel an opportunity was missed, once again, to make CGT entrepreneur relief more attractive as the CGT rate of 10% on gains of up to €1m only remains the life time limit. Also, our Irish tourism sector clients will be disappointed that the 9% VAT rate wasn’t restored, given the economic value of this sector to our Island economy and the rising costs it currently faces.

We note below some of the key changes announced yesterday’s in Budget 2025. We await publication of the Finance Bill 2024 next week to see further detail of these tax changes.

Should you wish to discuss any aspect of Budget 2025 with a member of our tax department, please contact us.



CAT

We welcome the increase in the CAT thresholds:

- Increase Threshold CAT A from €335,000 to €400,000
- Increase Threshold CAT B from €32,500 to €40,000
- Increase Threshold CAT C from €16,250 to €20,000

Succession

We welcome changes to CGT retirement relief to ensure that the intergenerational transfer of Irish family businesses continues to be supported:

- The €10 million cap on CGT retirement which was announced last year for transfers of business to the next generation, should now only apply where the child/children dispose of the business within 12 years from the date of transfer
- Retention of the proposed change announced last year, effective from 1 January 2025, to the upper age limit for the relief from 65 until the age of 70 to reflect current work practices

We also note:

- CAT Agricultural relief - extending the six-year active farmer test to the person who provides the gift or inheritance. Currently there is a 6 year active-farmer clause for the beneficiary from the valuation date of the gift or inheritance

Households and workers

We welcome the positive changes to personal taxation:

- Increase of €2,000 in the income tax standard rate cut-off point
- Increase of €125 in the Personal Tax Credit, Employee Tax Credit and Earned Income Credit
- Increase of €150 in the Home Carer Tax Credit and the Single Person Child Carer Tax Credit
- Increase of €300 in the Incapacitated Child Tax Credit and Blind Person's Tax Credit
- Increase of €60 in the Dependent Relative Tax Credit
- Increase the 2% USC rate ceiling by €1,622
- Reduce the 4% USC rate to 3%

Employers

- National minimum wage will increase by €0.80 per hour to €13.50 per hour
- Increase small benefit exemption limit to €1,500 and increase the number of benefits in a year that an employer can give, from two to five per year

This area has seen employers and advisors find difficulty in tracking the previous 2 benefits provided and the new rules should be welcomed as they provide companies with more flexibility in how and when they use the small benefit exemption

Research & Development Tax Credit (R&D)

- Increase to first Year payment threshold in the R&D Tax Credit, for accounting periods commencing on or after 01 January 2024, from €50,000 to €75,000, to provide further cash-flow support to those companies undertaking smaller R&D projects or engaging with the credit for the first time

Enterprise investment

- Extending Employment Investment Incentive (EII), Start-Up Relief for Entrepreneurs (SURE) and Start-up Capital Incentive (SCI) to 30 December 2026
- Increase the EII investment limit to from €500k to €1 million
- Angel Investor Capital Gains Tax Relief increase lifetime limit on gains to from €3m to €10m

Housing

We welcome the positive changes to housing measures:

- Extend the Help to Buy Scheme to 31 December 2029
- Increase of €250 in the Rent Tax Credit for single individuals and €500 for jointly assessed taxpayer units
- Extend tax relief for pre-letting expenses to 31 December 2027

We note the following changes to create more housing stock:

- Vacant Homes Tax - Increase from five to seven times the property's Local Property Tax charge
- Residential Land Zone Tax (RZLT) - Landowners who carry out a genuine economic activity on their land may avail of an exemption if they have their land rezoned
- Increase rate of Stamp Duty on bulk acquisition of houses (10 or more in any 12-month period) from 10% to 15% (with immediate effect)

Stamp Duty

- New residential stamp duty rate on high value property - 1% up to €1m, 2% up to €1.5m and a new rate of 6% above €1.5m (with immediate effect)

VAT

- Raise the VAT registration threshold will be raised to €85,000 for goods and €42,500 for services

Kind regards,
CSG Tax Department

