

BUDGET 2025 – ECONOMIC & FISCAL ASPECTS

The financial position for Government in framing the budget was exceptionally strong. A surplus of €25 billion is projected for 2024. At its disposal the Government had €14.1 billion from the Apple Tax ruling; €3.1 billion from the sale of AIB shares; and a €1.5 billion surplus in the National Training Fund.

In framing Budget 2025, some key priorities were evident:

- Impact of elevated inflation and higher interest rates on the cost of living.
- The need to relieve pressure on squeezed middle income earners.
- The increased cost of doing business for small businesses.
- The ongoing pressures on the housing market for both house purchasers and renters.
- The longer-term imperative of investment in infrastructure.
- A general election that must be held before 22nd March 2025.

As stated in the Summer Economic Statement, the core package in Budget 2025 is €8.3 billion, comprising €1.4 billion in taxation measures (personal income tax measures €1.6 billion) and core expenditure of just under €6.9 billion. A cost-of-living package of €2.2 billion is in addition to this, giving a total budget package of €10.5 billion.

The Government has laid out a longer-term strategy for investment expenditure. €3 billion is being made available for infrastructure spending, in water infrastructure (€1 bln), housing (€1.25 bln), and electricity grid infrastructure (€750 mln). This money will be dispersed through the Land Development Agency (LDA); Eirgrid and ESB; and Uisce Eireann.

In September, €4.3 billion was transferred into the Future Ireland Fund and €2 billion into the Infrastructure, Climate and Nature Fund. A further €4.1 billion will be transferred into the Future Ireland Fund next year and almost €2 billion to the Infrastructure, Climate and Nature Fund. By the end of 2025, more than €16 billion will have been transferred into both funds.

Budget 2025 is an expansionary package with a significant injection of fiscal stimulus into the economy.

The overall package will support economic activity in 2024, particularly consumer spending.

Budget 2025 Update – The Main Points

Pensions

- The auto-enrolment pension scheme will begin on 30th September 2025. This scheme will mean that around 800,000 workers will automatically be enrolled into a private pension scheme, in addition to their state pension. People who do not have a pension scheme; are aged between 23 and 60; and who earn more than €20,000 will be automatically enrolled. People outside of this range will not be automatically enrolled but will be able to opt in. Under the scheme, employees will contribute 1.5% of their gross salary during the first three years of paying in. This will rise to 3% from the third year on, 4.5% from year six on, topping out at 6% from year 10 on. The state will contribute €1 for every €3 contributed by the participant, and for every €3 that an employee contributes, the employer will have to contribute €3.
- Finance Bill 2024 will provide for the taxation of the Automatic Enrolment Retirement Savings Scheme (referred to as AE). The tax treatment aligns as much as possible with that of Personal Retirement Savings Accounts (PRSAs), other than for employee contributions. Employer contributions are tax relieved, the growth in the AE funds is exempt from tax and the AE funds are taxed on draw down, other than a 25% lump sum. The lump sum can be taken tax free up to €200,000, is taxed at 20% between €200,000 and €500,000 and is taxed at 40% above €500,000. As the State is making a direct contribution for employees within the AE scheme, there is no tax relief being provided for employee contributions to AE.
- The standard fund threshold was last changed in 2014, when it was reduced from €2.3 million to €2 million. This will be increased to €2.8 million in four equal phases between 2026 and 2029.

Taxation:

- The capital acquisition tax tax-free threshold in the Group A category for children inheriting from their parents is being increased from €335,000 to €400,000. Group B has been increased from €32,500 to €40,000, and Group C from €16,250 to €20,000.
- There is a reduction of 1% in the 4% USC rate that will now apply to incomes between €27,382 and €70,044. The 2% rate band ceiling has been lifted by €1,622. Incomes of less than €13,000 are exempt from USC.
- The standard rate threshold for income taxpayers has been increased from €42,000 to €44,000.
- An increase of €125 in the personal tax credit; the employee tax credit; the earned income credit, €150 in the home carer tax credit; the single person child carer tax credit; and an increase of €300 in the incapacitated child tax credit; the blind person's tax credit; and €60 in the dependent relative tax credit.
- The small benefit exemption allowing an employer to provide limited non-cash benefits or rewards to their employees without a tax liability has been increased from €1,000 to €1,500.
- In relation to BIK relief for company cars, the temporary universal relief is being extended for a further year; and the EV specific relief of €35,000 will be extended for a further year.
- Excise duties on 20 cigarettes increased by €1.
- The carbon tax for petrol and diesel increased from €56 to €63.50 from 9th October.
- The VAT on installation of heat pumps reduced from 23% to 9%.

Business Measures

- An increase in the first-year payment threshold in the R&D tax credit, 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.
- The Employment Investment Incentive, the Start-Up Relief for Entrepreneurs and the Start-Up Capital Incentive schemes are all being extended for a further two years, to the end of 2026. The amount an investor can claim relief on under the Employment Investment Incentive is being increased from €500,000 to €1 million, and the relief available under the Start-Up Relief for Entrepreneurs is being increased from €700,000 to €980,000.
- The Capital Gains Tax relief targeted at investors in innovative start-ups to provide for an increased lifetime limit on gains to which the relief applies is being increased from €3 million to €10 million. This relief, which was announced last year, will commence shortly.
- The section 486C small company start-up relief from corporation tax is being amended through the introduction of a new method for companies to qualify for the relief by reference to Class S PRSI, thereby extending the scope of the relief to small owner-managed start-up companies.
- For businesses scaling-up, a new relief is being introduced for expenses incurred in connection with a first listing on an Irish or European stock exchange, subject to a cap of €1 million. To further support Irish business to grow and scale, subject to State Aid considerations, the government will introduce a Stamp Duty exemption. This measure would enable Irish SMEs to access equity via financial trading platforms designed to support their funding needs.
- The VAT registration thresholds that apply for the supply of goods and services, which are currently €80,000 and €40,000 respectively, are being increased to €85,000 and €42,500 respectively.
- Retirement Relief supports the intergenerational transfer of businesses and farms and works to ensure their smooth transition so that they continue to play their important role in the Irish economy. Two changes will come into effect from 1st January 2025. The extension of the upper age limit for the relief from 65 until the age of 70 to reflect current work practices; and 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. Therefore, where the child or children retains the assets for more than 12 years, the CGT will be fully abated. This is intended to support the growth and scaling of family-owned businesses.

The Cost-of-Living Package

- Electricity credit of €250 will be paid in two instalments, one before the end of the year and the other in the new year.
- A €300 fuel allowance payment will be made in November.
- Bonus double payment for recipients of long-term social protection in October.
- Two double child-benefit payments will be paid before Christmas.
- €200 to recipients of the living alone allowance; and a €400 payment to those who receive the carer's support grant; disability allowance; blind pension; invalidity pension; and domiciliary care allowance in November.
- Student fees to be reduced by €1,000 to €1,500 in this academic year.
- Wider eligibility for student grants.
- The 9% VAT reduction for gas and electricity, which was due to expire at the end of October has been extended to the end of April 2025.
- €12 increase in main social welfare rate for working age recipients and pensioners.

Social Welfare in 2025

- An increase of almost €2 billion in social welfare expenditure in 2025.
- €12 increase in main social welfare rate for working age recipients and pensioners.

Housing

- The rent credit for private renters, which was introduced in Budget 2023, has been increased from €750 to €1,000 for an individual and from €1,500 to €2,000 for a couple. Renters will be able to claim this higher relief in 2024.
- A one-year Mortgage Interest Tax Relief was introduced in Budget 2024 for homeowners with an outstanding mortgage balance on their primary dwelling house of between €80,000 and €500,000 as of 31st December 2022. This is being extended for another year. The added relief will be available on increased interest paid on mortgages in 2024 over 2022 at the standard rate of 20% income tax. The value of the relief will be the lesser of 20% of the excess interest figure or €1,250.
- The Help-to-Buy scheme will be extended until 2029. This scheme allows first-time buyers of a new home to claim up to €30,000 back from Revenue in income tax they have paid over the past four years so that it can be used as part of a deposit. It is inequitable that the scheme does not apply to first-time buyers of previously owned homes.
- The relief for pre-letting expenses for landlords has been extended to the end of 2027.
- An extra 5% in stamp duty will be charged on the purchase of 10 or more houses by investment funds taking the rate from 10% to 15%.
- The Residential Zoned Land Tax will go ahead as planned in 2025, but an opportunity is being provided to landowners to have their land rezoned to reflect the economic activity they carry out on their land.
- The Vacant Homes Tax rate increased from 5 to 7 times the property's LPT charge.

Other Measures

- The Motor Insurers Insolvency Compensation Levy will be reduced from 1% to 0%.
- The minimum wage will be increased by 80 cent or 6.3% from €12.70 per hour to €13.50 from 1st January 2025.
- The bank levy is being extended and is expected to raise €200 million.
- Enhanced energy grants for business.
- Free public transport for children under 9. It was previously limited to children under 5.
- An extra 24% in funding for childcare.
- The free schoolbook scheme is being extended to second-level schools.
- A new tax on vapes and e-cigarettes is being introduced.
- Parents of newborn children to receive a once-off triple child benefit payment.
- Junior Cert and Leaving Cert fees to be waived.
- All welfare payments, including pensions, to be increased by €12 per week.

Increase in income tax standard rate bands and tax credits

Standard rate bands have been increased for 2025 by €2,000 for a single person, with corresponding increases for married couples, and a €125 increase in the main tax credits:

Income tax standard rate bands and main tax credits

	2024	2025
Single person standard rate band	€42,000	€44,000
Married couple, one income standard rate band	€51,000	€53,000
Married couple, two incomes standard rate band	€51,000 plus max of €33,000	€53,000 plus max of €35,000
Personal tax credit	€1,875	€2,000
Employee tax credit	€1,875	€2,000
Earned income tax credit	€1,875	€2,000

Increase in USC bands

The current €10,908 band of income taxed at 2.0% USC will be increased in 2025 to €13,747 with a corresponding reduction in the 4.0% band:

USC Rates and bands

2024		2025	
First €12,012	0.5%	€0 - €12,012	0.5%
Next €10,908	2.0%	€12,013-€27,382	2.0%
Next €47,124	4.0%	€27,383-€70,044	3.0%
Balance	8.0%	Balance	8.0%
			Self-Employed income over €100,000 3% Surcharge

No change in DIRT, Exit tax, Capital Gains Tax Capital Acquisition Tax rates.

Capital Acquisition bands changed but rate left unchanged.

No change in the 1% levy on life assurance policy premiums

The Budget speech did not make any change to the current 1% levy on life assurance policy premiums.

PRSI rates

All PRSI rates will be increased by 0.1% from 1 October 2024.

Finance Bill 2024

The Finance Bill 2023 implementing Budget 2024 will be published towards the end of October.

It is possible that other taxation and pension changes not announced in the Budget could be introduced in the Bill, either at publication of the Bill or as it goes through the Dail and Senate.

Income Tax

Tax Rates

	Tax Rate
Standard rate band	20%
Higher rate band	40%

Standard Rate Band

	Bands 2025
Single / Widowed or surviving civil partner	€44,000
Married / Civil Partners, one earner	€53,000
Married / Civil Partners, two earners	€53,000 + increase max €35,000*

* The increase is the lower of €35,000 and the amount of income of the spouse / civil partner with the lower income. The increase is not transferable between spouses / civil partners.

Income Tax Exemption Limits

	Limit 2025
Single (65 and over)	€18,000
Married / Civil Partners (at least one aged 65 or over)	€36,000
Additional allowance per Child	€575
Additional allowance per Child (3 rd and more)	€830

Main income tax credits

	Tax Credit 2025
Single Person	€2,000
Married / Civil Partners	€4,000
Employee tax credit	€2,000 (max)
Earned Income tax credit	€2,000 (max)

Universal Social Charge (USC)

Total income subject to USC	USC Rate 2022
The first €12,012	0.5%
Next €15,369	2.0%
Next €42,661	3.0%
Balance	8%*

However:

- Individuals whose total income subject to USC for the year is less than €13,000 are exempt from USC.
- The USC concession for medical card holders is being extended for a further 2 years to 31st December 2025, Reduced rates of USC apply to individuals who have a full medical card and whose income is €60,000 or less per annum. The reduced rates of USC are 0.5% on the first €12,012 and 2% on the balance.

*A 3% additional USC rate (i.e. on top of the 8% rate) applies to non-PAYE income of the self-employed in excess of €100,000.

PRSI Contribution Rates

PRSI	A1	S1	B1
Employee	4.0%	4.0%	0.9%*
Employer (earning more than €410 pw)	11.05%	Nil	2.01%

* B1 employee rate increases to 4% for income > €1,443 per week.

Social Insurance Benefits 2025

Benefit	Maximum weekly rate of benefit
State Pension (Contributory) Max personal Rate (Under 80)	€289.30
Widow's / Widower's / Surviving Civil Partner's Contributory Pension (Under 66) Max personal rate	€249.50
Invalidity Pension Max personal Rate (Under 66)	€249.50
Illness / Jobseekers Benefit Personal Rate	€244.00

Pensions

Income Tax Relief on Personal Contributions

Age attained during year	% of Net Relevant Earnings (max €115,000)
Less than 30	15%
30 – 39	20%
40 – 49	25%
50 – 54	30%*
55 – 59	35%
60 and over	40%

* The 30% limit above also applies to certain professional sportspeople (e.g. professional golfers) under 50 in relation to their income from their sports occupation.

Taxation of Pension Lump Sums

Total lump sums received since 7 th December 2005	Tax
Up to €200,000	Tax free
Next €300,000	Standard rate income tax
Balance	Marginal rate income tax and USC

Chargeable Excess Tax

Total retirement benefits taken since 7 th December 2005	Tax
Less than Threshold*	Nil
Excess over Threshold (€2m)	40%**

* Threshold is the Standard Fund Threshold (€2m) or Personal Fund Threshold, if greater.

** Tax reduced by a credit for any standard rate tax deducted from pension lump sums taken since 1st January 2011 and not previously offset against a chargeable excess tax charge.

Redundancy Payments

Tax Free Limits

	Band
Statutory	2 weeks for each year of service (including parts of a year) plus 1 week; maximum reckonable weekly pay of €600
Ex gratia	
Basic	€10,160 + €765 for each complete year of service
Increased	Basic + a maximum of €10,000; provided no entitlement to a pension lump sum and no ex gratia termination payment within last 10 years
Standard Capital Superannuation Benefit (SCSB)	N / 15 x Average Annual Remuneration over last 36 months less present value of tax-free pension lump sum, where: <ul style="list-style-type: none"> • N = number of complete years of service • Present value of tax-free pension lump sum is nil, if individual signs an irrevocable waiver to receive such a sum
Lifetime limit of €200,000 on all tax-free ex gratia termination payments.	

Capital Acquisitions Tax

Tax Rate

Total Gifts & Inheritances received since 05/12/1991	Tax Rate
Threshold	Nil
Balance	33%

Exit Tax Rate

	Rate
Life assurance policies effected on or after 1 st January 2001	41%

Thresholds – with effect from 9th October 2019

Relationship to donor / testator	Threshold
Cat. A: Child or minor child of deceased child or parent (absolute inheritance on death)	€400,000
Cat. B: Brother, sister, child of brother or sister, or another lineal ancestor or descendant	€40,000
Cat. C: Others	€20,000

DIRT Rates

2020	2021	2022	2023	2024
33%	33%	33%	33%	33%

Inheritance Tax – child inheriting from parent following changes in Budget 2025

Inheritance	Inheritance Tax*
€300,000	€0
€400,000	€0
€500,000	€33,000
€600,000	€66,000
€700,000	€99,000
€800,000	€132,000
€900,000	€165,000
€1,000,000	€198,000

* assuming full Class A Threshold of €400,000 is available.