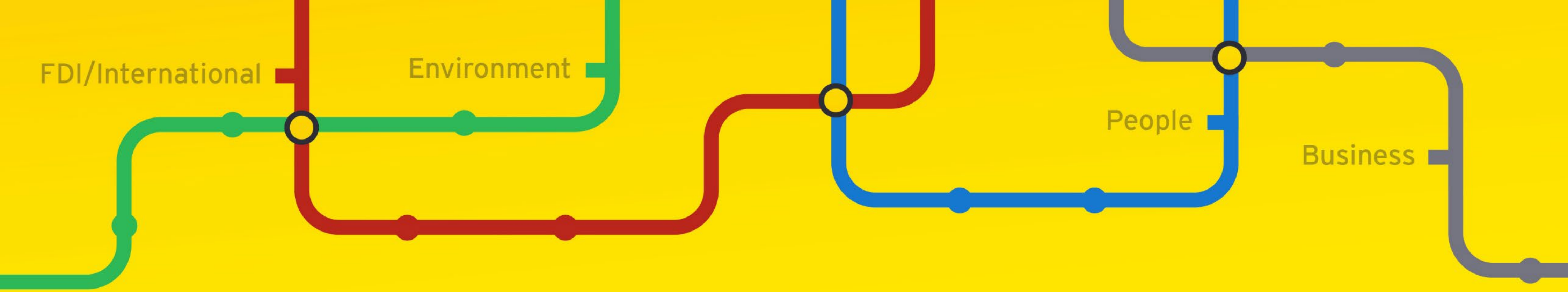
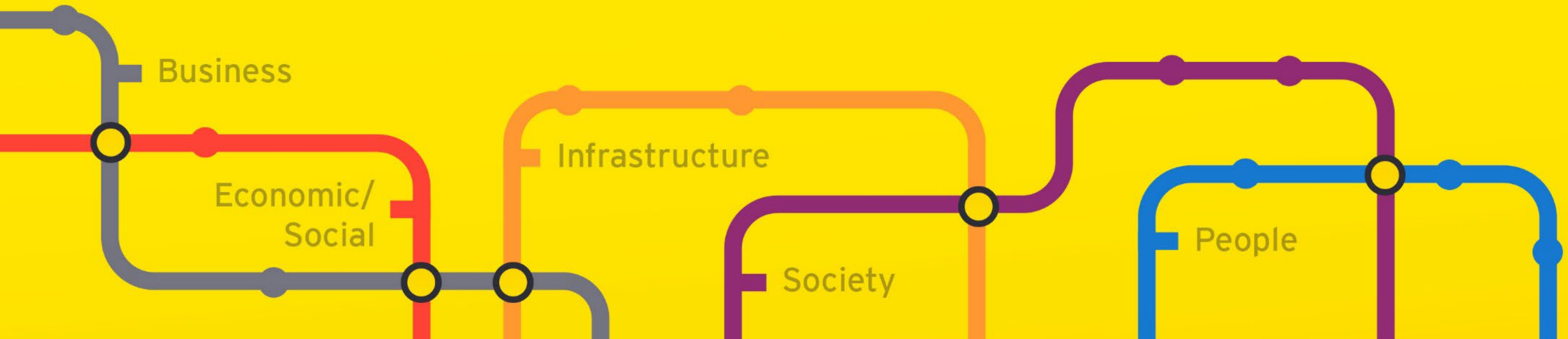


FINANCE BILL 2024

THE EY PERSPECTIVE

TAX ALERT



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FINANCE BILL 2024 PUBLISHED

On 10 October the Government published Finance Bill 2024 (as initiated). The Bill primarily seeks to implement the tax elements of Budget 2025 measures announced on 1 October.

It also introduces the necessary legislation to implement the eagerly anticipated participation exemption for foreign dividends. The Bill also contains previously unannounced measures, some of which are highlighted below.

INTRODUCTION OF PARTICIPATION EXEMPTION FOR FOREIGN DIVIDENDS

The Bill contains the legislation to give effect to a new participation exemption for foreign dividends. This a very welcome development which will offer multinationals the opportunity to simplify their businesses and achieve efficiencies in how they repatriate profits. There is a good deal of technical detail in the conditions so as to prevent abuse, but in essence a dividend will be exempt in the following circumstances:

1. An Irish parent holds at least 5% of the subsidiary throughout a 12-month period
2. The subsidiary pays a dividend on or after 1 January 2025 to the parent during that 12-month period
3. The subsidiary is tax resident in an EEA country or a country with which Ireland has a tax treaty
4. The dividend is paid out of the profits of the subsidiary which have been recognised in its profit and loss account
5. If condition 4 is not met, the dividend is paid out of the assets of the company, and a hypothetical sale of the shares of the company would qualify for the existing capital gains exemption for shares
6. A claim is made in the relevant tax return for the period in respect of all qualifying distributions

During the consultation process stakeholders advocated that the exemption should have a wider geographic scope to cater for important jurisdictions with which Ireland has no tax treaty (e.g., Brazil, Indonesia), but this has not materialized. We understand it is still under consideration and may be addressed next year, along with a possible foreign branch exemption. It appears that policymakers have been keen to close off the slightest risk that the exemption could be used to repatriate zero-taxed income to Ireland.

PILLAR TWO

The Bill updates the Irish tax legislation giving effect to the global minimum tax rate of 15% (also known as 'Pillar Two'). Here we find a collection of very detailed text, with a variety of purposes, including:

- Enacting into Irish legislation some rules required by Organisation for Economic Co-operation and Development (OECD) guidance that has been released since last year’s Finance Act (on topics such as anti-abuse rules for the transitional safe harbours, special rules for certain securitization vehicles, special rules for certain hybrid entities)
- Clarification of how some existing rules are to operate (e.g., LIFO for a loss related deferred tax asset, treatment of standalone investment undertakings, and the mechanics of Irish QDTT calculations)
- Adjustments to the existing rules to ensure that they operate as intended

PILLAR ONE AMOUNT B

The OECD has published a series of documents on Pillar One Amount B, which are intended to simplify and streamline the application of the arm's-length principle to baseline marketing and distribution activities, with a particular focus on the needs of low-capacity countries (Amount B approach). Certain jurisdictions can choose to apply the Amount B approach for in-scope transactions of tested parties in their jurisdictions for fiscal years starting on or after 1 January 2025. The Report sets out which distributors and sales agents are in scope and how to price their in-scope intercompany transactions. Distribution of non-tangible goods and services and marketing, trading, or distribution of commodities are excluded from the scope of Amount B. The Finance Bill provides that where a number of conditions are met, the arm’s length consideration in respect of a qualifying arrangement may be determined in accordance with the Amount B approach. To apply the Amount B approach the following conditions are required:

- The distribution arrangement must relate to tangible goods
- A one-sided method is considered appropriate to test the return to the distributor, sales agent or commissionaire
- Annual operating expenses of the distributor, sales agent or commissionaire should not be less than 3 percent or more than 30 percent of its annual net revenue
- The approach is applied in the relevant covered jurisdiction and there is a bilateral tax treaty in effect. The list of covered jurisdictions was published by the OECD and includes 66 low- and middle- income jurisdictions

The Bill provides for additional documentation requirements and an anti-avoidance provision.

R&D CHANGES

As expected, the increase in first year payment threshold – the amount of a Research and Development corporation tax claim that can be paid in the first year rather than in instalments over three years – from €50k to €75k, is contained in the Bill.

UNSCRIPTED PRODUCTION CORPORATION TAX CREDIT

The Bill introduces, subject to European Commission state aid approval, a new 20% corporation tax credit for unscripted audio-visual productions for television or transmission on the internet. It aims to support the growth of Ireland's audio-visual sector alongside the more established film and animation sectors. The relief will be available to producer companies in respect of certain production expenditure up to a maximum of €15m per project. The relief will be subject to a cultural test and conditions apply. The Revenue Commissioners will specify in regulations the kind of unscripted programming which is eligible for certification.

FILM CREDIT – ENHANCED CREDIT FOR LOWER BUDGET FILMS

The Bill also contains further details on the 8% uplift announced in Budget 2025 for certain feature film and animated film productions. This will provide for an overall 40% tax credit for projects with a maximum qualifying expenditure of €20m if they meet certain qualifying criteria relating to employment in key creative roles. The relief is subject to a commencement order as receipt of state aid approval from the European Commission is required.

REDUCTION IN EMISSIONS THRESHOLDS FOR VEHICLE CAPITAL ALLOWANCES

With effect for vehicles acquired on or after 1 January 2027, capital allowances will not be available for cars with CO_2 emissions above 140 g/km (currently 155g/km). A maximum allowance of €12,000 (currently €24,000) will apply for cars with CO_2 emissions of 121-140 g/km while the maximum allowance of €24,000 will be retained only for cars emitting up to and including 120g/km (currently 140g/km). If a contract for the hire of a car is entered into, and the first contract hire payments is made, prior to 1 January 2027, the existing provisions will apply.

RELIEF FOR LISTING EXPENSES

The Bill introduces a new tax relief for expenses wholly and exclusively incurred on an initial listing on a regulated market or multilateral trading facility in Ireland or in the wider EU/EEA. The relief will be available to trading companies as a trading deduction or as an expense of management of investment companies as applicable for the accounting period during which the shares of the company are admitted to trading. The relief is capped at €1m. Expenses incurred in the accounting period and the previous three years will be allowable subject to the cap. The relief is available to companies whose shares are admitted to trading on or after 1 January 2025 and on or before 31 December 2029.

AMENDMENTS TO RELIEFS FOR INVESTMENTS IN CORPORATE TRADES

Finance (No.2) Act 2023 amended the Employment Investment Incentive (EII) Scheme to take account of the new General Block Exemption Regulation (GBER) and different effective rates of relief apply to different types of investments. The Bill provides that for shares issued since 1 January 2024 the effective rate of relief for a follow-on risk finance investment will be 35% where each member of the Relief for Investment in Corporate Trade (RICT) Group has been operating in any market within the 7 or 10-year eligibility periods that apply. It will be 20% for other follow-on risk finance investments.

The Bill confirms the Budget announcement of a doubling of the limit that an investor can claim EII relief to €1m from 1 January 2025. For Start-up Relief for Entrepreneurs (SURE) investments, the relief available will increase to a maximum of €140,000 (previously €100,000) per annum. A number of other technical and administrative amendments are made. As announced in Budget 2025, the Bill extends relief under the EII, SURE and Start-up Capital Incentive by two years to 31 December 2026.

CONTROLLED FOREIGN COMPANIES AND NON-COOPERATIVE JURISDICTIONS

Finance Act 2020 introduced certain 'defensive' measures against an EU-agreed list of non-cooperative jurisdictions, namely the non-availability of certain controlled foreign company exemptions and subsequently the potential denial of withholding tax reliefs for certain payments to these jurisdictions. The measure will be updated for the revisions of 20 February 2024 which removed Bahamas, Belize, Seychelles and the Turks and Caicos Islands but does not yet reflect the list agreed on 8 October at ECOFIN. The revision will apply for accounting periods beginning on or after 1 January 2025. It is expected the more recently updated list will be incorporated by way of amendment to the Bill. If so, it would remove Antigua and Barbuda.

EMPLOYER TAXES

SMALL BENEFIT EXEMPTION

Further to the announcement by Minister Chambers on the Small Benefit Exemption in his Budget 2025 speech, the Bill provides for an increase in the aggregate annual limit provided for in the exemption from €1,000 to €1,500 and an increase in the number of non-cash benefits permitted under the exemption from two to five. As stated by Minister Chambers, this change will allow greater flexibility to employers in giving non-taxable rewards to their employees. The change will apply to non-cash benefits provided on or after 1 January 2025. The Bill provides that the exemption will expire on 31 December 2029, which was not referenced in Minister Chambers' speech. This is the first time that a time limit on the exemption has been proposed since the Small Benefit Exemption was placed on a statutory footing in 2015. Prior to 2015, the Small Benefits Exemption operated on a Revenue concessional basis.

From 1 January 2024, under the Enhanced Reporting Requirements (ERR) regime, employers are required to return in real-time details of any qualifying incentives provided to employees where the Small Benefit Exemption applies. This obligation under ERR will continue for 2025 and future tax years.

EMPLOYER CONTRIBUTIONS TO PRSAS AND PEPPS

Prior to the Bill, employer PRSA contributions were not subject to a BIK charge and there was no limit in respect of same. Individuals are still subject to the Standard Fund Threshold. The Bill now provides for a limit on such BIK-free employer PRSA contributions. This 'employer limit' is defined in the Bill as 100% of the employee's salary. It is intended that the employer can only take a deduction for employer contributions within the 'employer limit'. The Bill has been updated such that transfers of PRSAs to vested PRSAs will now be a benefit crystallisation event.

SHARE BASED REMUNERATION

On 1 October, Indecon's report on share-based remuneration was published. It contained a number of key taxation recommendations including the removal of barriers to entry to the KEEP, the alignment of the taxation treatment of restricted stock units for internationally mobile employees with international best practice, reducing the administration burden including reporting requirements, the reduction in BIK rates for employer provided loans to fund participation in share-based schemes and the reform of employee ownership trusts. None of these proposals have yet been reflected in this year's Finance Bill.

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FINANCE BILL 2024
THE EY PERSPECTIVE

PERSONAL TAXES

MORTGAGE INTEREST RELIEF

The Bill confirms the one-year extension to the temporary mortgage interest relief announced in Budget 2025, to include the excess of interest paid in the tax year 2024 over that paid in 2022. The relief must be claimed by the borrower and is capped at €1,250 per property. The qualifying conditions remain unchanged.

PENSION CHANGES

A recent independent review of the Standard Fund Threshold (SFT) had recommended that the SFT be updated. The SFT sets a lifetime maximum of tax relieved pension contributions across all pension products. It had been set at €2m since 2014. The Bill increases the level of the SFT in increments of €200,000 beginning from 2026 through 2029 so that the SFT will increase to €2.8m by 2029. Provision is made for further increases in 2030 and subsequent years by reference to the Earnings, Hours and Employments Costs Survey.

As flagged in the Government's response to the review, the Bill amends the threshold for the application of the higher rate of tax to pension lump sums to break the link with the SFT. It will remain at €500,000 even as the SFT rises. The Bill also provides that transfers from Personal Retirement Savings Accounts (PRSAs) to vested PRSAs will be considered a benefit crystallisation event which means a chargeable excess tax liability may arise if the pension entitlements exceed the SFT at that time.

The taxation measures applicable to the Automatic Enrolment Retirement Savings Scheme (AE) are included in the Bill. They are intended to align as much as possible with the treatment of Personal Retirement Savings Accounts (PRSAs). As the State contributes directly to the AE fund on behalf of employees there is no provision in the Bill for tax relief for employee contributions. Employer contributions are tax deductible and the growth in the AE funds will be exempt from tax until draw down.

SPLIT YEAR RESIDENCE

Split Year Residence, commonly referred to as Split Year Relief (SYR) limits the Irish tax on employment income from the point of arrival and up to the date of departure, subject to certain conditions. The existing legislation continues to apply where an individual arrives in or departs from Ireland during the year 2024. The Bill inserts new legislation which will apply to individuals arriving in, or departing from, Ireland on or after 1 January 2025, and removes the purported requirement for the taxpayer to make a submission to Revenue in the year of arrival or departure to claim the relief.

RENTAL TAX CREDIT (PRINCIPAL PRIVATE RESIDENCE)

The Bill legislates for the increase in the rental tax credit announced in the Budget from €750 to €1,000 per year (€2,000 per jointly assessed couple) for the years of assessment 2024 and 2025.

FINANCIAL SERVICES

BANK LEVY

The Bill includes details of the extended bank levy announced in the Budget. The key features are:

- The levy continues to be confined to the banks that benefitted from State assistance following the financial crisis: AIB (including EBS), Bank of Ireland and Permanent TSB
- It will remain based on the amount of customer deposits, which are in scope of the Deposit Guarantee Scheme, maintained by the liable banks at 31 December 2022
- The rate of stamp duty on the assessable amount is 0.112%, which is expected to generate the targeted yield of €200m for 2025

LEASING SECTOR

The Bill includes some technical changes to the tax treatment of lessors. These build on the amendments made in Finance (No.2) Act 2023. It also updates definitions relevant to finance leases for the purposes of Interest Limitation Rules to take into account changes in last year’s Finance Act to the classification of leases.

STAMP DUTY ON ELECTRONIC CARDS

The Bill extends the charge to stamp duty on debit and combined cards (currently at a maximum rate of €5) and credit and charge cards (currently at €30) to electronic cards. As drafted the commencement date of this change is the passing of the Finance Act which could potentially impact for the current chargeable period.

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FINANCE BILL 2024
THE EY PERSPECTIVE

VAT

Certain juice and drinkable products

An amendment to exclude juice and drinkable products derived from plants, grains, seeds, or pulses from the zero rate of VAT is being introduced. Such items shall be subject to the standard rate of VAT from 1 January 2025.

Interest rate on warehoused debt

The Bill includes an amendment giving effect to the Minister for Finance's announcement in February 2024 reducing the interest rate applicable to warehoused debts from 3% to 0%. The reduction applies where taxpayers:

- Continue to comply with their ongoing VAT obligations
- Engaged with the Collector-General before 1 May 2024 to make arrangement (and entered an agreement) for payment of warehoused debts

The amendment also outlines how the amount subject to interest will be calculated, the date from which interest will be sought, and the applicable rate (c. 10% per annum) for taxpayers that fail to comply with their obligations.

Clarification of specific VAT recovery rules

The Bill proposes amendments to clarify specific VAT recovery rules. It includes a confirmation that VAT recovery for expenses on food, drink, accommodation (excluding qualifying accommodation), or personal services is limited to taxpayers who themselves make taxable supplies of these items. Additionally, the Bill seeks to clarify that in insolvency situations, VAT on costs can only be recovered, subject to normal VAT recovery rules, by the insolvency practitioner through VAT returns submitted by them, rather than by the insolvent party. These clarifications aim to officially embed rules that we understand are already current Revenue practice.

Penalties for non-compliance with CESOP information reporting requirements

Fixed charge penalties will be introduced for non-compliance with the CESOP information reporting requirements, introduced by last year's Finance Act. Payment Service Providers (PSP's), who are involved in making/receiving cross-border payments, must report to Revenue on a calendar quarterly frequency, details of payments and payees they facilitated (subject to various criteria). It also introduces a penalty of €4,000 for each calendar quarter of non-compliance with the CESOP record keeping or reporting requirements. Additionally, a fixed charge penalty of €4,000 applies for failure to retain the relevant payment records for a period of 3 years from the end of the year in which the payments occurred.

VAT exemption for management services provided to AIFs

The Bill provides for a welcome amendment to the VAT exemption for management services provided to Alternative Investment Funds (AIFs). It removes an anomaly in the legislation that management services provided by Irish AIFMs to some Irish AIFs, such as 1907 Limited Partnerships, could potentially have been subject to Irish VAT (while the same management services provided by an AIFM authorised in another Member State would have been VAT exempt). The amendment confirms that exemption applies to AIFs managed by an a AIFM that is authorised or registered in any EU Member State.

EXCISE

E-liquid products tax

The Bill provides further detail on the new domestic excise on e-liquid products, which will be introduced next year. The tax will apply when an e-liquid is first supplied in Ireland, at a rate of €500 per litre (50c per ml of e-liquid). Any suppliers of e-liquid in Ireland are required to register with Revenue and will be required to submit returns with details of their supplies and payment of the tax. E-liquid products in scope of the new domestic excise are e-liquid inhalation products, regardless of their nicotine content, such as e-cigarettes, cartridges containing e-liquid, or devices which enable e-liquid vapour to be inhaled. Products which are exclusively for nicotine replacement therapy are excluded (provided they are licenced or authorised for such therapy).

BETTING DUTY

A number of amendments to Betting Duty are set out in the Bill. These include widening the charge to Betting Duty in Ireland and introducing a new Remote Betting Duty. The charge to Betting Duty is widened by an amendment to remove the requirement for betting to occur at a registered premises. All bets placed by a person in the State with a licensed bookmaker, other than by remote means, are subject to Betting Duty. 'Remote Betting Duty' will be introduced and chargeable on all bets placed by a person in the State with a licensed bookmaker where the bet is placed by remote means, which includes via the internet, telephone, money or asset transfer or telegraphy.

Amendments were also made to the Betting Duty provisions to account for the Gambling Regulation Bill, 2024 and excise licence rates are updated.

CAPITAL GAINS TAX RELIEF FOR ANGEL INVESTORS

The Bill extends the maximum relief available under the Angel Investor Relief from €3m to €10m and replaces the legislative provisions for ‘angel investors’. The revised text mainly concerns the scope of companies that may qualify for the relief and the ability for Enterprise Ireland to consult with other parties before forming a recommendation.

However, a further change brought about in this year’s Bill is with respect to the inclusion of a reporting requirement for qualifying company in receipt of a qualifying investment. Such qualifying companies will be required to report certain details of the investment to Revenue. Further to requirements in the General Block Exemption Regulation, Revenue will publish those details. The overall principles of the relief contained in last year’s Finance Act remain the same.

It is important to note that the relief is still pending a commencement order by the Minister of Finance.

RETIREMENT RELIEF

Finance (No.2) Act 2023 provided that with effect from 1 January 2025, a €10m cap on retirement relief would apply to transfers to a child where the disponer is under age 70 at the time of disposal. Currently no cap applies unless the disponer is at least 66 years of age. The Bill retains the €10m cap but introduces a deferral mechanism for the CGT arising on amounts exceeding €10m. Where the assets are disposed of within 12 years of the transfer the deferred CGT will crystallise and be charged on the child in that year. If ownership is retained for 12 years following the transfer, the child may claim that the deferred CGT should no longer be due and payable.

The deferral must be claimed in the child’s return for the year of assessment in which the relevant disposal is made. It is important to note that if the assets are held for the duration of the 12-year retention period, a claim for abatement of the deferred CGT needs to be made in the child’s tax return for the year of assessment in which that retention period expires.

The Bill also provides that any claims for retirement relief, including claims for deferral and abatement of deferred CGT, must be made for bona fide commercial reasons and should not form part of any scheme or arrangement the main purpose, or one of the main purposes of which is the avoidance of tax.

AGRICULTURAL RELIEF

With respect to gift or inheritance of agricultural property on or after 1 January 2025, a new agricultural relief provision will apply with some differences over its predecessor being as follows:

- A beneficiary can satisfy the 'active farmer' by using part of the agricultural property for the purposes of farming themselves and leasing the remaining part of the agricultural property to a person who uses the agricultural property for the purposes of farming. The revision aims to facilitate more flexible use of the land and to ensure that the entirety of the agricultural property is used for the purposes of farming.
- A disponer must have owned the agricultural property and used it for farming purposes or leased it for farming purposes for at least 6 years prior to the gift/inheritance. However, transitional rules will apply from 1 January to 31 December 2030 which applies this condition only from the period 1 January 2025 to the date of the gift/inheritance.
- In addition, and in contrast to current agricultural relief provision, there is no provision for a beneficiary to qualify for agricultural relief on non-agricultural property where a gift or inheritance is made subject to the condition that it is invested in agricultural property within a 2-year period.

REPORTING INTEREST FREE LOANS

The Bill has increased the scope of loans that are required to be reported by beneficiaries for CAT purposes. Under the updated provision applicable from 1 January 2025, the reporting requirement will apply with respect to all low-interest loans (even if interest is paid).

RESIDENTIAL ZONED LAND TAX (RZLT)

The Bill places on a statutory footing the Minister's announcement on Budget Day that landowners whose lands appear on the revised map to be published on 31 January 2025 will be provided with a further opportunity to request the rezoning of that land. Where a landowner requests a rezoning then an exemption from the 2025 RZLT liability should be available. However, the exemption may not apply if the rezoning request relates to land that is the subject of a current planning application which proposes, or an extant planning permission which allows, residential development of the land.

Under current law a deferral of RZLT may apply where a person cannot commence development because planning permission granted in respect of the relevant site is the subject of certain appeal or judicial review proceedings by an unconnected third-party. The Bill amends the deferral to instead operate as an exemption from RZLT. The exemption will apply from the grant of the planning permission which is the subject of the proceedings and for the duration of those proceedings, irrespective of the eventual outcome.

The Bill also provides for a deferral of RZLT from the date of the grant of planning permission, for a period of 12 months or, where the site (or part thereof) is sold at an earlier stage, other than by way of transfer between group companies, to the date of sale. Where a commencement notice is lodged prior to the expiration of the 12-month period, which relates, in whole or in part, to residential development, the deferred RZLT under this new section is treated from that point as coming within the provisions of containing the original deferral rules which apply where residential development commences pursuant to a commencement notice within the timeframe set out in the grant of planning permission. Where the development relates to non-residential development, the deferred RZLT under the new section shall no longer be due and payable.

The original deferral provisions are amended to allow for a continuation of the RZLT deferral where a site is transferred between group companies both within the charge to corporation tax (under existing law the deferral ceases where the site is sold prior to the residential development reaching practical completion).

Other technical amendments introduced include a provision to determine the portion of the deferred tax that becomes payable where part of a site is sold prior to the development reaching practical completion and also to ascertain the percentage of completion of the development on the expiration of the applicable planning permission to determine the amount of deferred RZLT to be paid at that point.

LANDLORD TAX RELIEF

Finance (No.2) Act 2023 provided for a measure of income tax relief for individual landlords of rented residential property. The Bill amends the relief to ensure that the credit cannot exceed 20% of the landlords overall Irish rental income (after capital allowances and relief for rental losses). This ensures that no relief is available where a landlord has an overall rental loss. The clawback provisions are also amended to ensure there is no clawback where a landlord dies and also to adjust the manner of the clawback to ensure that where applicable, it only recoups the amount of relief claimed.

6% RATE OF STAMP DUTY

The Bill clarifies the position regarding the application of the 6% rate of stamp duty to apartments which was the source of much discussion after Budget 2025. Essentially where three or more apartments in an apartment block are acquired together, the maximum duty applicable is 2%, meaning transactions involving the acquisition of Private Rented Sector (PRS)/Purpose Built Student Accommodation (PBSA) apartments blocks should not be impacted by the new stamp duty rate. The 6% rate could in theory apply where only two apartments are acquired together for a total consideration of over €1.5m (on the excess consideration over €1.5m).

As set out in the Budget, the 6% rate will apply to houses or duplexes on that portion of consideration over €1.5m. However, as drafted, the Bill would also apply a 6% rate to a purchase of up to 9 houses (or other residential units which are not apartments in an apartment block) together after which a penal 15% rate applies (where the houses are acquired within a 12-month period).

The changes will apply to transfers or leases executed on or after 2 October 2024. Transitional measures will apply in respect of binding contracts entered into prior to 2 October 2024 where a conveyance is taken prior to 1 January 2025.

MISCELLANEOUS AND TAX ADMINISTRATION

SPORTS BODIES AND CHARITIES

To address the accumulation of funds in charities, the Revenue Commissioners currently require a charity to seek advance approval if the charity intends to accumulate funds for a period in excess of two years. The Bill seeks to put this condition on a statutory footing while providing more time. A tax exemption will only be available to the extent that a charity applies the relevant income for charitable purposes by the end of the fifth year after the year in which the income is received. An extension may be obtained from the Revenue Commissioners if the charity can satisfy the Revenue Commissioners that it is in the process of applying the funds for charitable purposes.

A tax exemption for income of certain approved National Governing Bodies (NGBs) is to be introduced to the extent such income is applied to a qualifying project before the end of the 10th year of assessment after the year of assessment in which the income was received. These qualifying projects include capital projects, the purchase of certain sporting equipment, the support of elite athletes in competitive support and to support participation in sport by women and people with disabilities. If the NGB has accumulated income in excess of €100m no exemption will be available for income in excess of that amount. Additional conditions apply. The Bill also provides for a scheme of tax relief for donations to certain NGBs where the donations are used to fund certain projects.

As announced in the Budget both PAYE and self-assessed donors will be able to choose whether the income tax relief on donations goes to the sports body or themselves.

DOUBLE TAXATION AGREEMENTS

Once enacted, the Finance Act ratifies the new double taxation agreement with the Sultanate of Oman. The Bill also completes the ratification of a protocol to update the agreement with Jersey.

EXTENSION OF AGRICULTURAL RELIEFS

As announced in the Budget, the Bill extends young-trained farmer relief and relief for leases of farmland to circumstances where the land is farmed via a company subject to certain conditions being met. This includes a requirement that the individual hold at least 20%, and be a director of, the company and that the individual spends at least 50% of normal working time farming the land for 5 years after the transfer.

PAYE ASSESSMENTS

Finance (No.2) Act 2023 introduced a four-year time limit for Revenue to make or amend assessments on employers in respect of PAYE liabilities. Currently this period starts at the end of the year of assessment in which the relevant income tax month falls. The amended provision will commence this period from the end of the year of assessment in which the return for the income tax month is made. This potentially extends the period within which Revenue may raise or amend assessments where returns are filed late and in respect of December income tax months.

RETURNS OF CERTAIN INFORMATION BY REPORTING PLATFORM OPERATORS

Provision is made in the Bill to align the platform operating reporting rules with the OECD model rules for reporting. These are already applicable to Platform Operators subject to Directive EU 2021/514. They provide for the revocation of Platform Operator IDs where a platform operator does not comply with its obligations and outline the consequences where a reportable seller does not provide relevant information to a Platform Operator.

DOUBLE TAXATION RELIEF FOR CEASED COMPANIES

As regards repayments of tax arising from correlative relief determinations made by Revenue or mutual agreements reached on or after the date of passing of Finance Act 2024, provision is made to facilitate the repayment of tax to 90% group companies where the company that would have been entitled to the repayment has ceased to exist.

WHAT'S NEXT?

The next stage of the process at which amendments may be tabled is the select committee stage, which is expected to commence on 5 November next.

Tax Alerts on selected measures may issue over the coming weeks as Finance Bill 2024 progresses towards enactment. It is expected that this Finance Bill will be enacted by the end of 2024.

RATES AT A GLANCE 2025

Income tax rates	
Standard	20%
Marginal	40%

Standard rate bands	
Single (2024: €42,000)	€44,000
Married/civil partnership (two income) (2024: €84,000)	€88,000
Married/civil partnership (one income) (2024: €51,000)	€53,000
Single parent (2024: €46,000)	€48,000

Income tax credits	
Single (2024: €1,875)	€2,000
Married (2024: €3,750)	€4,000
Single person child carer tax credit (primary carer only) (2024: €1,750)	€1,900
PAYE (2024: €1,875)	€2,000
Earned income credit (2024: €1,875)	€2,000
Age credit - single (married x2)	€245
Medical insurance relief max premium - adult/child	€1,000/ €500
Home carer credit (2024: €1,800)	€1,950
Dependent tax credit (2024: €245)	€305
Incapacitated Child Tax credit (2024: €3,500)	€3,800
Rent credit single/married (2024: increased to €1,000/€2,000)	€1,000/ €2,000

Income tax age exemption	
Single and widowed	€18,000
Married (either spouse aged 65 or over)	€36,000

Housing	
Rent-a-room relief	€14,000
Landlord rental income relief - amount taxed @20%	€3,000
Help to Buy scheme: Extended to 31/12/2029	
Vacant Homes Tax: Increased to 7 times the LPT charge	

Preferential loan specified rates - benefit-in-kind	
Qualifying home loans	4%
All other loans	13.5%

Electric vehicles: Benefit in kind	
Electric vehicles: Benefit in kind (exemption capped at €35,000 of OMV to 31/12/25, applies on tapered basis to 2027). New BIK exemption on home charging installation.	0%
Extension of BIK relief of €10,000 on OMV to 31/12/25	

Small benefit exemption	
Non-cash vouchers - 5 benefits (2024: €1,000, First 2 benefits only)	€1,500

Universal Social Charge	
Earnings	
0 to €12,012*	0.5%
€12,013 to €27,382 (2024: €12,013 to €25,760)	2%
€27,383 to €70,044** (2024: €25,761 to €70,044) (2024: 4%)	3%
€70,045 to €100,000	8%
PAYE income > €100,000	8%
Self-employed income > €100,000	11%
Exempt if income < €13,000	
***Reduced rate 2% for persons holding medical card and/or aged 70, where income < €60,000*	

PRSI rates	
Employer	
Standard rate increasing w.e.f. 1/10/25 (11.15% to 30/9/2025)	11.25%
Lower rate increasing w.e.f. 1/10/25 (8.9% to 30/9/2025)	9.0%
Weekly lower limit increasing w.e.f. from 1/10/2024 (€441 to 30/9/2024)	€496
Employee	
PRSI increasing w.e.f. 1/10/25 (4.1% to 30/9/2025)	4.2%
Weekly PRSI threshold (tapering relief available)	€352
Self-employed	
PRSI increasing w.e.f. 1/10/25 (4.1% to 30/9/2025)	4.2%
Minimum contribution	€500

Pensions	
Annual earnings cap	€115,000
Marginal rate deduction	40%
Tax free lump sum limit	€200,000
Standard fund threshold	€2,000,000

Capital gains tax	
Standard rate	33%
Withholding tax rate	15%
Annual exemption	€1,270
Entrepreneur relief (up to €1m chargeable gains)	10%

Capital acquisitions tax	
Standard rate	33%
Thresholds	
Group A (2024: €335,000)	€400,000
Group B (2024: €32,500)	€40,000
Group C (2024: €16,250)	€20,000

Stamp duty	
Residential property	
First €1m	1%
Next €500,000	2%
Excess over €1.5m (w.e.f. 2/10/2024)	6%
Bulk/cumulative purchases of 10 or more residential units in a 12-month period w.e.f. 2/10/2024 (pre 2/10/2024: 10%)	15%
Non-residential property	7.5%

Local Property Tax (residential property only)	
Band 1: 0-200,000	€90
Band 2: 200,001-262,500	€225
Band 3: 262,501-350,000	€315
Band 4-19 350,001-1,750,000	Range from €405-€2,721
Value >€1,750,000 (calculated on valuation of property)	
First €1,050,000	0.1029%
Next €700,000	0.25%
Balance	0.30%
** Local Authorities can adjust annually +/- 15% basic LPT rate*	

DIRT	
Deposit accounts	33%
Investment funds	41%

Corporation tax rates	
Standard rate	12.5%
Qualified Domestic Top-up Tax rate (companies within scope of BEPS Pillar 2 rules only)	15%
Higher rate on passive income	25%
Knowledge Development Box rate	10%
R&D Tax credit	30%
Exit tax*	12.5%
**Applies to unrealised capital gains where companies migrate/transfer assets offshore such that they leave the scope of Irish tax*	

Dividend Withholding Tax (DWT)	
Dividend Withholding Tax (DWT)	25%

VAT rates and limits	
Standard rate	23%
Reduced rate	13.5%
Reduced rate (supply of gas and electricity to 30/4/2025)	9%
Farmer's flat rate (2024: 4.8%)	5.1%
Distance selling limit	€35,000
Registration limit - taxable goods (2024: €80,000)	€85,000
Registration limit - taxable services (2024: €40,000)	€42,500
Cash receipts basis limit	€2,000,000

Carbon taxes	
Per tonne/CO2 (2024: €56) To be increased incrementally each year to €100 per tonne/CO2 by 2030	€63.50

CONTACTS

Graham Reid
Head of Tax and Law
+353 1 221 1449
graham.reid@ie.ey.com

DUBLIN

Peadar Andrews
Business Tax Services
+353 1 221 2833
peadar.andrews@ie.ey.com

Dave Barry
International Tax and Transaction Services
+353 1 221 2015
dave.barry@ie.ey.com

Joe Bollard
International Tax and Transaction Services
+353 1 221 2457
joe.bollard@ie.ey.com

James Burrows
Global Compliance & Reporting
+353 1 221 1249
james.burrows@ie.ey.com

Marie Caulfield
People Advisory Services
+353 1 221 1416
marie.caulfield@ie.ey.com

Ian Collins
Business Tax Services
+353 1 221 2638
ian.collins@ie.ey.com

Sinead Colreavy
Financial Services, International Tax and Transaction Services
+353 1 221 2930
sinead.colreavy@ie.ey.com

Sarah Connellan
People Advisory Services
+353 1 221 1514
sarah.connellan@ie.ey.com

Sandra Brennan
Business Tax Services
+353 1 221 2242
sandra.brennan@ie.ey.com

Sandra Dawson
International Tax Services
+353 1 221 2454
sandra.dawson@ie.ey.com

Rachel Dillon
People Advisory Services
+353 1 221 2554
rachel.dillon@ie.ey.com

Aideen Farrell
Indirect Tax
+353 61 449 896
aideen.farrell@ie.ey.com

David Fennell
Business Tax Advisory
+353 1 221 2448
david.fennell@ie.ey.com

John Hannigan
Financial Services, International Tax and Transaction Services
+353 1 221 2219
john.hannigan@ie.ey.com

Robert Henson
Business Tax Advisory
+353 1 479 3494
robert.henson@ie.ey.com

Deirdre Hogan
Indirect Tax Services
+353 1 221 2433
deirdre.hogan@ie.ey.com

Enda Jordan
Business Tax Services
+353 1 221 2449
enda.jordan@ie.ey.com

Brian Kelly
International Tax and Transaction Services
+353 1 221 2773
brian.kelly@ie.ey.com

Rory MacIver
International Tax and Transaction Services
+353 1 221 1609
rory.maciver@ie.ey.com

Aidan Meagher
Business Tax Services
+353 1 221 1139
aidan.meagher@ie.ey.com

Eamonn McCallion
Financial Services, Indirect Tax
+353 1 221 4648
eamonn.mccallion@ie.ey.com

Alison McHugh
Private Client Tax Services
+353 1 221 2180
alison.mchugh@ie.ey.com

Dan McSwiney
Transfer Pricing Services
+353 1 221 2094
dan.mcswiney@ie.ey.com

Marie Melody
International Tax and Transaction Services
+353 1 221 2127
marie.melody@ie.ey.com

Michael Moroney
Financial Services, International Tax and Transaction Services
+353 1 221 2363
michael.moroney@ie.ey.com

Amanda (Stone) Murphy
Financial Services, Business Tax Advisory
+353 1 221 1160
amanda.murphy@ie.ey.com

Aoife Murray
Transfer Pricing Services
+353 1 479 2186
aoife.murray1@ie.ey.com

Ray O'Connor
Financial Services, International Tax and Transaction Services
+353 1 221 2802
ray.oconnor@ie.ey.com

Cian O'Donovan
International Tax and Transaction Services
+353 1 479 4084
cian.odonovan@ie.ey.com

Michael Rooney
People Advisory Services
+353 1 221 2857
michael.rooney@ie.ey.com

David Smyth
International Tax and Transaction Services
+353 1 221 2439
david.smyth@ie.ey.com

Petrina Smyth
Financial Services, International Tax and Transaction Services
+353 1 221 2488
petrina.smyth@ie.ey.com

Aidan Walsh
Financial Services, International Tax and Transaction Services
+353 1 221 2578
aidan.walsh@ie.ey.com

CORK

Frank O'Neill
Business Tax Services
+353 21 480 5718
frank.oneill@ie.ey.com

Aileen Daly
International Tax and Transaction Services
+353 21 493 7622
aileen.daly@ie.ey.com

Seamus Downey
Business Tax Services
+353 21 480 5700
seamus.downey@ie.ey.com

John Kennelly
Business Tax Services
+353 21 493 7674
john.kennelly@ie.ey.com

WATERFORD

Paul Fleming
Business Tax Services
+353 51 872 094
paul.fleming@ie.ey.com

GALWAY

Paraic Waters
Business Tax Services
+353 1 479 3460
paraic.waters@ie.ey.com

Enda Kelly
Business Tax Services
+353 91 864 965
enda.kelly@ie.ey.com

Muireann McGarry
International Tax and Transaction Services
+353 91 864 921
muireann.mcgarry@ie.ey.com

IRISH TAX DESKS

New York

Simone Craven
International Tax and Transaction Services
+1 212 773 3126,
simone.craven1@ey.com

Robert Dunne
International Tax and Transaction Services
+1 212 773 3219,
robert.dunne@ey.com

Adrian Grew
Financial Services, International Tax and Transaction Services
+1 212 773 5632,
adrian.grew1@ey.com

Sarah Murray
International Tax and Transaction Services
+1 212 773 1746,
sarah.murray4@ey.com

San Jose

Karl Doyle
International Tax and Transaction Services
+1 408 947 4977
karl.doyle@ey.com

LIMERICK

Leanne Storan
Business Tax Services
+353 61 449 905
leanne.storan@ie.ey.com

Billy McMahon
International Tax and Transaction Services
+353 61 449 919
billy.mcmahon@ie.ey.com

EY LAW

Alan Murphy
Head of Law
+353 1 479 2291
alan.murphy1@ie.ey.com

Peter Bolger
Technology & Commercial
+353 1 221 2460
peter.bolger@ie.ey.com

Aidan Lawlor
Corporate M&A and Structuring
+353 1 221 1095
aidan.lawlor@ie.ey.com

Conor O'Dwyer
Corporate M&A and Structuring
+353 1 221 1556
conor.j.odwyer@ie.ey.com

Adam Synnott
Corporate M&A and Structuring
+353 1 221 2178
adam.d.synnott@ie.ey.com

Robert Haniver
Technology & Commercial
+353 1 221 1149
robert.haniver@ie.ey.com

Deirdre Malone
Employment Law
+353 21 480 5729
deirdre.malone@ie.ey.com

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Ernst & Young, Harcourt Centre, Harcourt Street, Dublin 2, Ireland.

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