Tax

Finance Bill 2024 Highlights

October 2024

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Personal Tax

Finance Bill 2024 includes provisions to legislate for the 2025 personal income tax package announced by the Minister for Finance on Budget Day, which will cost an estimated €1.6 billion in 2025.

Income Tax

The key elements of the personal income tax package will see the main personal tax credits (Personal, Employee/PAYE and Earned Income) increased by €125 each to €2,000, and the standard rate income tax cut-off point for a single person increased by €2,000 to €44,000, with commensurate increases in the bands applying to married persons and persons in civil partnerships.

The Home Carer Tax Credit will be increased by €150 to €1,950, and the Single Person Child Carer Tax Credit will be increased by €150 to €1,900.

Additionally, the Incapacitated Child Tax Credit will be increased by €300 to €3,800, and the Dependant Relative Tax Credit will be increased by €60 from €245 to €305.

Finally, the Blind Person's Tax Credit will be increased by €300 to €1,950.

USC Changes

This Finance Bill also provides for an increase in the 2% rate band ceiling by €1,622 to €27,382 to take account of the increase in the National Minimum Wage hourly rate that will apply from 1 January 2025. The Bill also provides that the 4% rate of USC will be reduced to 3%, a reduction of 1%. This rate will be applicable to the income band between €27,382 and €70,044 per annum.

Small Benefit Exemption

The Small Benefit Exemption currently allows for an exemption from Income Tax, PRSI and USC where an employer provides up to two qualifying incentives, that is vouchers or other non-cash items, to a cumulative annual value of €1,000, to each of their employees in any given year.

Effective from 1 January 2025, the annual cumulative value per employee will be increased to €1,500 and the number of qualifying incentives that an employer can provide to each employee in a given year under the exemption will increase from the first two to the first five. A sunset clause of 31 December 2029 will also be introduced for the measure.

Taxation Provisions for the Automatic Enrolment Retirement Savings Scheme

The provisions for the tax treatment for the Automatic Enrolment Retirement Savings Scheme will be included in the Bill and will be commenced when the scheme begins operation. In line with the approach already agreed by Government, employer contributions and the State contribution will be tax relieved, the growth in the retirement savings will be exempt from tax, and drawdowns will be taxed, other than a 25% lump sum. As participants in the Automatic Enrolment Retirement Savings Scheme will receive a State top-up payment there will be no tax relief on their contributions.

Capital Taxes

Capital Gains Tax – Retirement Relief

Retirement relief is available for gains arising on the disposal of a business (including a farm) to a child and to others.

Two changes will take effect from 1 January 2025. Firstly, the upper age limit for the relief will increase from 65 until the age of 70 in order to reflect current work practices. Finance Bill 2024 will also introduce a clawback mechanism to apply in the case of disposals to children above €10 million such that where the child/children retains the assets for more than 12 years, the CGT will be fully abated.

Relief for investment in innovative enterprises (Angel Investor Relief)

Angel Investor Relief provides for a reduced rate of Capital Gains Tax to apply to gains made on qualifying investments in innovative start-ups and SMEs. The Bill provides for an increase to the lifetime limit on gains to which that reduced rate applies from €3 million to €10 million.

The Bill also provides for a number of technical amendments to the Relief to ensure that it will operate as intended. This measure is expected to be commenced soon.

Capital Acquisitions Tax – Thresholds

CAT is a tax which applies to both gifts and inheritances. For CAT purposes, the relationship between the person giving a gift or inheritance (i.e. the disponer) and the person who receives it (i.e. the beneficiary) determines the maximum amount, known as the "Group threshold", below which CAT does not arise.

There are three tax-free thresholds depending on the relationship between the disponer and the beneficiary, with CAT applying on the amount over the thresholds.

The CAT tax-free thresholds increased on 2 October 2024 as follows:
- Group A from €335,000 to €400,000;
- Group B from €32,500 to €40,000;
- Group C from €16,250 to €20,000.

Business Tax

Participation Exemption

A new Participation Exemption for Foreign Dividends is being introduced to simplify existing double taxation relief provisions. It provides an alternative method of double tax relief for dividends received from subsidiaries in EU/EEA and double tax treaty partner jurisdictions, subject to conditions.

Under the new rules a company will have the option to claim the Participation Exemption or to continue to use existing tax-and-credit relief under Schedule 24, by way of an election in the company's annual corporation tax return. Where a company elects to claim the Participation Exemption for a financial period, it must do so for all dividends potentially in scope of the exemption in that period.

The Participation Exemption will be available for relevant distributions received on or after 1 January 2025 from subsidiaries in EU/EEA and tax treaty partner source jurisdictions.

Research & Development Tax Credit

The Research & Development (R&D) Tax Credit provides for a 30% tax credit for all qualifying R&D expenditure. The Bill provides for an increase to the first year payment threshold from €50,000 to €75,000. This threshold is the amount up to which a claim can be paid in full in the first year, rather than paid in instalments over three years as is usually the case.

Section 486C Start Up Company Relief

Section 486C allows relief of up to €40,000 per year against Corporation Tax liabilities, which may be carried forward where not fully used in the five years. The relief is currently calculated by reference to Employers' PRSI paid of up to €5,000 per employee. This does not encompass Class S PRSI paid by owner-directors. The Bill extends the qualifying criteria to allow up to €1,000 of Class S PRSI per individual to count toward this cap.

Relief for listing expenses

The Bill provides for a new measure giving relief for expenses incurred on an initial stock market listing. The deduction will be for expenses incurred wholly and exclusively on a first listing (IPO) on a recognised stock exchange in Ireland or the EU/EEA area, subject to an overall cap of €1 million of expenses per listing.

The relief will be available to investment companies as an expense of management, or to trading companies as a trading deduction. It will be available in respect of listings occurring on or after 1 January 2025.

Relief for investment in Corporate Trade (Part 16 reliefs) – EII, SCI and SURE

The Bill extends the reliefs under Part 16 TCA 1997 (the EII, the Start-Up Capital Incentive (SCI) and the Start-Up Relief for Entrepreneurs (SURE)) for a further two years to 31 December 2026. The Bill also provides for amendments to Part 16 of the TCA 1997 to provide that the annual limit on the amount that an investor can claim relief on for EII investments will be increased to €1 million.

The Bill further provides a clarification that the rate of relief applicable for follow-on investments made under EII, within the seven- or ten-year eligibility period, is 35%.

With regard to SURE, the Bill provides for an increase in the maximum qualifying investment in respect of which an investor may claim relief on, over the seven-year period, to €980,000 (€140,000 per annum).

A number of technical amendments are also being introduced to ensure that the Part 16 legislation operates as intended and in compliance with the EU General Block Exemption Regulation.

Tax Credit for Unscripted Production

The Bill provides for a new Tax Credit for Unscripted Production. The measure will be introduced for a four-year period and will apply at a rate of 20% on expenditure of up to €15 million. Applications will be required to pass a Culture Test to ensure compliance with the necessary criteria of supporting Irish and European culture. State aid approval from the European Commission will be required before the credit can be commenced.

Section 481 Film Tax Credit – Scéal Uplift for Smaller Feature Films

Section 481 of the TCA 1997 provides relief in the form of a corporation tax credit related to the cost of production of certain audio visual productions. It is intended to act as a stimulus to the creation of an indigenous film industry in the State, creating quality employment opportunities and supporting the expression of the Irish and European culture.

The Bill provides for a new 8% uplift to the existing 32% credit (resulting in a total 40% credit) for feature films with a maximum qualifying expenditure of €20 million. The uplift is subject to European Commission approval.

Stamp Duty – Extension of Revised Bank Levy

The Bill provides for the revised form of the bank levy introduced for 2024 to be extended to 2025. The revised levy will continue to apply to AIB, EBS, Bank of Ireland and PTSB. It will continue to have a revenue target of €200 million, and will be apportioned based on a measure of deposits held by each liable institution.

Farming Measures

Stock Relief (General, Young Trained Farmer and Registered Farm Partnerships)

The Bill provides for the extension of three stock reliefs (General Stock Relief, Young Trained Farmer Stock Relief and Registered Farm Partnerships Stock Reliefs) to 31 December 2027.

Farmer's Flat Rate compensation

The Bill provides for an increase in the flat-rate scheme for unregistered farmers. This measure compensates such farmers on an overall basis for VAT incurred on their farming inputs. This rate will increase from the current rate of 4.8% to 5.1% from 1 January 2025.

Capital Acquisitions Tax – Agricultural Relief

Tax legislation provides for relief from Capital Acquisitions Tax (CAT) for gifts and inheritances of "agricultural property" where certain conditions are met. Where the relief applies, it operates by reducing for CAT purposes the market value of qualifying assets by 90%.

To qualify for the relief, a number of conditions must be met by the beneficiary. One condition is the active farmer test, which requires the beneficiary to farm the agricultural property or lease it to an individual who farms the agricultural property, for at least 6 years following the gift or inheritance.

The active farmer test will be extended to the disponer of a gift or inheritance, such that the disponer would be required to farm the agricultural property or lease it to an individual who farms the agricultural property, for at least 6 years prior to the date of the gift or inheritance.

The Bill contains transitional arrangements and other amendments designed to ensure that farmers can continue to access the relief.

Accelerated Capital Allowances on Farm Safety Equipment

Amendments to the Accelerated Capital Allowances for Farm Safety Equipment are included in the Bill, to allow for relief in respect of expenditure by farmers on certain Targeted Agriculture Modernisation Schemes (TAMS) eligible safety equipment which is not currently supported by this scheme.

The additional items are as follows:

- Fixed Sheep Handling Units;
- Fixed Cattle Crushes/Races;
- Calving Gates;
- Flood Lights for Farmyards;
- Livestock monitors; and
- Sliding doors or roller doors for agricultural buildings.

Property Related Measures

Rent Tax Credit

The Finance Bill provides for an increase to the amount of the Rent Tax Credit from €750 to €1,000, or, in the case of jointly assessed taxpayer units, from €1,500 to €2,000 for tax years 2024 and 2025.

If a person has already claimed the credit for 2024, they will still be able to get the benefit of this increase by submitting a claim in early 2025.

Help to Buy

The extension of the Help to Buy scheme to 31 December 2029 is provided for in the Finance Bill.

The Bill also amends the definition of "qualifying residence" in the section to ensure that a newly constructed property purchased by a Local Authority for onward sale to an affordable purchaser under the Local Authority Affordable Purchase Scheme is eligible for the scheme.

Mortgage Interest Tax relief

The Bill extends Mortgage Interest Tax Relief for one further year. The relief will be available to mortgage holders on the increase in interest paid on their mortgage in 2024 compared with interest paid in 2022, capped at a maximum of €1,250 per property. Homeowners will be eligible for relief if they had an outstanding mortgage balance on their principal private residence of between €80,000 and €500,000 on 31 December 2022.

Residential Zoned Land Tax

The RZLT was introduced in Finance Act 2021 and seeks to increase housing supply by encouraging the activation of development on lands which are suitably zoned and appropriately serviced. RZLT is an annual tax, to be calculated at 3% of the market value of the land in scope.

Amendments included in Finance Bill 2024 will provide for a further opportunity for RZLT landowners to seek a change in zoning in 2025 to a zoning which reflects the economic activity they undertake on the land.

Provisions of the Bill will allow for 12-month deferral of RZLT liability between the grant of planning and commencement of development, exemption during Judicial Review (JR) Proceedings brought by a third party as well as other technical amendments.

Vacant Homes Tax

The Bill provides for an increase to the rate at which the Vacant Homes Tax is charged, from five times to seven times a property's existing base Local Property Tax liability. The increase will take effect from the next chargeable period, commencing 1 November 2024.

Stamp Duty - Bulk Acquisition of Houses

The Bill provides for the higher Stamp Duty rate of 10% on bulk acquisitions to be increased to 15%. This measure applies where ten or more residential properties (excluding apartments) are acquired in any 12-month period.

Stamp Duty - Higher Value Residential Properties

The Bill also provides for the introduction of a new 6% rate on residential property, which will apply on balances over €1,500,000. The 6% rate will not apply to an acquisition involving three or more apartments.

The standard rates of Stamp Duty that apply on sale or long lease of residential property will remain in place. These are 1% on the amount or value of the first €1,000,000 of the consideration and 2% on the balance above €1,000,000.

These rates will continue to apply to binding contracts in place prior to 2 October 2024 provided the executed instrument contains a statement to this effect and is executed before 1 January 2025.

The revised rates of Stamp Duty will apply to instruments (i.e., conveyance/transfers/leases) executed on or after 2 October 2024.

Vehicle Taxation

BIK treatment of Battery Electric Vehicle (BEV) home chargers

The Bill provides for a BIK exemption in circumstances where an employer incurs an expense in connection with the provision of a facility for the electric charging of employer provided vehicles at the home of a director or employee.

Extension of Original Market Value Reduction for Certain Categories of Vehicles (BIK measure)

The Bill extends the temporary universal reduction of €10,000 applied to the Original Market Value of vehicles in Categories A-D (including vans) and the amendment to the lower limit of the highest mileage band (52,001km to 48,001km) to 31 December 2025.

Emissions-based VRT for category B vehicles

The Bill provides for an emissions based approach to VRT for category B vehicles. The provision will introduce a lower 8% rate for category B vehicles with CO_2 emissions of 120 grams per kilometre and under, with a view to incentivising uptake of lower emission vehicles.

Weight carriage ratio

The Bill provides for the weight carriage ratio for electric commercial vehicles to be changed to enable them to qualify for the category C VRT rate of €200. Currently, due to their battery weight, such vehicles are at a competitive disadvantage compared to their fossil-fuelled counterparts, and cannot qualify for this rate.

Tax Measures for Sports Bodies & Charities

Tax Measures for Sports Bodies

The Bill introduces provisions which will allow certain approved National Governing Bodies (NGBs) an exemption from tax for funds which it invests for a period of up to ten years. The exemption will apply so long as the income is ultimately applied for certain qualifying purposes, including capital projects, the promotion of participation in sports by women and by people with disabilities, the purchase of certain sports equipment, and supporting high-performance athletes. In addition, Deposit Interest Retention Tax (DIRT) will be refundable for any deposits held by the qualifying NGB, where DIRT has been paid in respect of those deposits under this measure.

Donations to certain NGBs may also attract tax relief where the donations to the relevant NGBs are ultimately applied to the promotion of participation in sports by women and by people with disabilities, the purchase of certain sports equipment, and supporting high-performance athletes.

Where a donation is made to a sporting body for certain capital projects and, in the case of an eligible NGB, for the additional purposes set out above, donors (both PAYE and self-assessed) may elect for the tax relief to apply to either the recipient sports body or to themselves.

Philanthropy

Currently, eligibility for tax relief on donations under the Charitable Donation Scheme is only available after the charity has been approved for tax exemptions by Revenue. The Bill will remove the two-year “waiting period”, for approved bodies to obtain tax relief for donations made under the scheme.

The Bill also allows charities five years to apply tax relieved funds to their charitable purpose, increased from two years.

VAT

VAT Registration Thresholds

As announced in the Budget, the Bill formally confirms the increase in the VAT registration thresholds from €40,000 for services and €80,000 for goods to €42,500 for services and €85,000 for goods with effect from 1 January 2025.

VAT Rate Changes

The Bill formally legislates for the VAT rate changes announced in the Budget including:

- Electricity & Gas

The temporary 9% VAT rate for the supply of electricity and gas has been extended for an additional six months, until 30 April 2025.

- Supply & Installation of Heat Pumps

The VAT rate on the supply and installation of low emissions Heat Pumps will reduce from 23% to 9% with effect from 1 January 2025 to incentivise homeowners to install such heat pumps.

Flat-Rate Addition

As outlined in the Budget, the Bill confirms that with effect from 1 January 2025, the flat-rate addition for farmers will increase from 4.8% to 5.1%. The Flat Rate Addition compensates farmers who are not VAT registered for VAT incurred on their purchases.

Management of EU Alternative Investment Funds

The Bill amends VAT legislation to confirm that the VAT exemption for the management of EU Alternative Investment Funds (“AIFs”) can apply to all EU AIFs including where the AIF manager is authorised by, or registered with, the competent authority of an EU Member State including Ireland. The change will in practice most likely impact the management of 1907 Limited Partnerships where they qualify as an AIF and which are managed by an Irish AIFM as well as potentially impacting the VAT recovery position of Irish AIFMs who provide management services to (non-Irish) EU AIFs.

Liquidators and Receivers

The Bill clarifies that the above-mentioned parties (and only such parties) can recover the VAT it directly incurs through the VAT registration established as a result of and under such a Power exercisable by them.

Payment Service Providers

The bill introduces a number of separate fixed penalties of €4,000 per instant where a Payment Service Provider does not comply with its obligations under the Payment Services Directive as outlined in Part 9A of the VATCA 2010.

VAT Rate Clarification

The bill clarifies that the standard rate of VAT (currently 23%) applies to juice extracted, or drinkable products derived, from fruit, vegetables, plants, grains, seeds or pulses.

Covid-19: Special Warehousing and Interest Provisions

The Bill confirms that certain interest provisions will apply to Covid-19 warehoused VAT debts where such a VAT registered person does not comply with its repayment agreement with Revenue re same or comply with its normal VAT obligations.

Legislative Updates to the VAT Act

The Bill provides for some other minor clarifications and updates to the VAT Act including the deletion of certain legislative references which it feels are no longer used or necessary.

Excise

Tobacco Excise

The Bill provides for the increase in excise duty on tobacco products which came into effect from midnight on Budget night through a Financial Resolution. The increase amounts to 1 euro, inclusive of VAT, on a pack of 20 cigarettes in the most popular price category together with pro rata increases for other tobacco products.

E-Cigarettes

The Bill provides for the introduction of excise duty on e-cigarettes. The tax will apply to all e-liquids. A rate of 50c per ml of e-liquid will be applied. To allow time for the operational and administrative preparations associated with this measure, it will commence in mid-2025.

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