

Finance Bill 2025 Highlights

October 2025



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Personal Tax

USC Changes

The Finance Bill provides for an increase in the 2 % rate band ceiling of €1,318 to €28,700 to take account of the increase in the National Minimum Wage hourly rate that will apply from 1 January 2026. This band increase will ensure that full-time workers on the minimum wage will remain outside the top rates of USC.

The Finance Bill also provides for the extension of the USC concession for full medical card holders for a further two years, so that full medical card holders whose income does not exceed €60,000 per annum will continue to pay a maximum USC rate of 2 % until 31 December 2027.

Automatic Enrolment Retirement Savings Scheme

The bulk of the provisions for the tax treatment of the Automatic Enrolment (AE) Retirement Savings Scheme were included in Finance Act 2024. These provide that the 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 AE Retirement Savings Scheme will receive a State top-up payment there will be no tax relief on their contributions.

Additional amendments to those legislated for in Finance Act 2024 are proposed to be included in this year's Bill. These additional amendments are intended to:

- Address the tax treatment of AE retirement savings on the death of the participant, with changes to income tax, investment undertaking tax and capital acquisitions tax,
- Ensure that the exemption in respect of AE extends to all relevant fund structures, and
- Ensure that employer AE contributions are exempt from USC.

The AE Savings Scheme is due to commence on 1 January 2026.



Mortgage Interest Tax Relief

The Finance Bill extends Mortgage Interest Tax Relief, on a tapered basis, for two further years, to 31 December 2026. Homeowners with an outstanding mortgage balance between €80,000 and €500,000 as of 31 December 2022 will be eligible. The relief will apply in respect of the increase in interest paid in 2025 over interest paid in 2022, as well as the increase in interest paid in 2026 over interest paid in 2022.

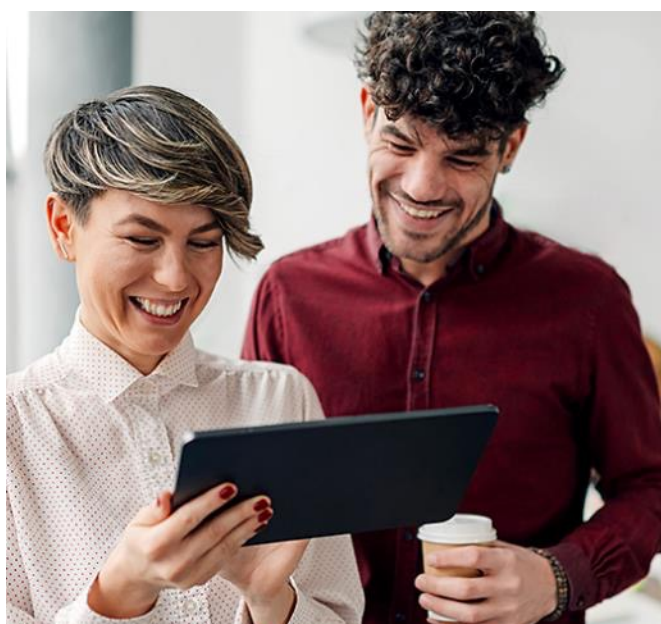
The current level of relief will be maintained for the increase in interest paid in 2025, with a maximum tax credit of €1,250 per property available to claim from 2026. A reduced level of relief will apply for the increase in interest paid in 2026, with a maximum tax credit of €625 per property available to claim from 2027.

Changes to the Taxation of Investments

The Bill reduces the rates of taxation that apply to investments in Irish domiciled funds and life assurance policies, other than those applying to companies, personal portfolio investment undertakings and personal portfolio life assurance policies. It also reduces the rates that apply to equivalent offshore funds and certain foreign life assurance policies. The rate applicable to the following taxes and forms of investment are being reduced from 41% to 38%: Investment Undertaking Tax; equivalent offshore investment funds (including Exchange Traded Funds (ETFs) that are subject to this regime); Life Assurance Exit Tax; certain foreign life assurance policies.

Micro-generation of Electricity

The Finance Bill provides for the extension of the Income Tax disregard of €400 for income received by households who sell electricity from micro-generation back to the grid for a further three years to 31 December 2028.



Uilleann Pipes and Irish Harps

The Finance Bill provides for the extension of the Income Tax relief for the makers of uilleann pipes and Irish harps for a further three years to 31 December 2028.

Estimate of Tax Due

In a measure not previously announced, the Bill introduces new provisions allowing Revenue to estimate tax liabilities where a taxpayer fails to file an income tax or corporation tax return. Under the proposed rules, Revenue may issue an assessment based on the average of the two most recent tax returns or €1,000—whichever is higher.

If the taxpayer submits a return within 30 days of receiving the notice, the estimated assessment can be displaced.

Charities and Sport

Sections 847A and 847AA TCA 1997 provide income tax relief on donations to “approved sports bodies” and “national governing bodies” for funding certain approved sports projects. The Bill includes some technical adjustments to the operation of these reliefs.

Capital taxes

Capital Gains Tax (CGT) - Revised Entrepreneur Relief

The Bill amends CGT Revised Entrepreneur Relief. The relief applies a reduced CGT rate to chargeable gains arising on the disposal of chargeable business assets made by an individual on or after 1 January 2016.

The current lifetime limit of €1 million on which relief applies is being increased in the Bill to €1.5 million in respect of disposals made on or after 1 January 2026.

Disposals of chargeable business assets made on or after 1 January 2016 but on or before 31 December 2025 up to a value of €1 million will be aggregated with disposals of such assets made on or after 1 January 2026 in applying the new lifetime limit.

CAT Business Relief

In a welcome measure, the provisions relating to CAT Business Relief and “excepted assets” (e.g., excess cash) have been somewhat relaxed. Previously, where an asset was not used wholly or mainly for the purposes of the business in the two years prior to the gift or inheritance, that asset did not qualify for CAT Business Relief.

This condition has been amended to now provide for a period of six years following the gift or inheritance, whereby it won’t be considered an “excepted asset” if it is required to be used for a specific purpose of the business. Where it is not used for such purpose within this timeframe, an effective clawback will apply. This change provides greater clarity and flexibility, particularly in relation to the treatment of excess cash in business transfers.

A technical amendment has also been included in the replacement property rules to clarify the position that the full proceeds from the sale of any relevant business property must be reinvested in other qualifying business property within a year. In addition, where the relevant business property is disposed of for less than market value, the ‘full proceeds’ will be deemed to equal market value.



Business Tax

Research & Development (R&D) Tax Credit

The R&D tax credit currently provides a 30 % tax credit for all qualifying R&D expenditure. Finance Bill 2025 provides for an increase in the rate of the R&D tax credit to 35 % and an increase to the first-year payment threshold from €75,000 to €87,500. The first-year payment 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.

In recognition of the need to simplify the R&D regime, a new deeming provision is being introduced in relation to the amount of time an employee spends dedicated to qualifying R&D activities. Where companies can evidence that at least 95 % of an R&D employee's time is spent on qualifying R&D activities, then those emoluments are deemed to have been incurred wholly and exclusively in the carrying on of R&D activities.

Section 481 Film Tax Credit - Visual Effects (VFX)

The Section 481 Film Tax Credit provides relief in the form of a corporation tax credit related to the cost of production of certain films. The credit is granted at a rate of 32 % on eligible expenditure of up to €125 million per production.

The Bill provides for an enhancement to the Section 481 Film Tax Credit to provide for a new 40 % rate for productions with a minimum of €1 million of eligible expenditure on relevant VFX work. This rate will be available on eligible expenditure up to a maximum of €10 million. It will provide valuable support for VFX companies facing increased international competition. This enhancement is subject to the approval of the European Commission.



Section 481A Digital Games Tax Credit - Credit Extension and Post-Release Content

The Digital Games Tax Credit, commenced in 2022, takes the form of a corporation tax credit related to the cost of development of certain digital games. The credit available per digital game is 32 % of up to €25 million.

The Bill provides for an extension to the Tax Credit for a period of six years to 31 December 2031. This extension will provide certainty regarding the availability of the credit and encourage the continued growth of the digital games sector in Ireland.

In addition, the Bill provides for an enhancement to the credit to allow for claims in respect of Post-Release Content work, subject to certain conditions.

Both amendments to the credit are subject to the approval of the European Commission.

Participation Exemption

A participation exemption for foreign dividends was introduced last year, and the rules are being dated to enhance and extend the scope of the participation exemption to ensure that it remains competitive. Key updates include extending the geographic scope beyond the current scope of EEA and treaty partner jurisdictions, reducing the existing 5-year look-back period to 3 years, and other technical amendments and clarifications to improve the operation of the rules.



New Exemption from the Stamp Duty on the Acquisition of Shares and Repeal of Existing Exemption

This section proposes to repeal section 86A of the Stamp Duties Consolidation Act 1999 (“SDCA 1999”). Section 86A currently provides for an exemption from Stamp Duty on a conveyance or transfer of stocks or marketable admitted to trading on the Euronext Growth market operated by the Irish Stock Exchange plc trading as Euronext Dublin. The repeal is to take effect on 1 January 2026.

The section also proposes the insertion of a new section 86B in the SDCA 1999. The new section provides for an exemption from Stamp Duty on a conveyance or transfer of stocks or marketable securities of Irish registered companies where the securities are admitted to trading on a “relevant market” and the closing market capitalisation of the company that issued the securities was below €1 billion on 1 December in the previous year.

The exemption will take effect from 1 January 2026.

Accelerated Capital Allowances Schemes for Energy Efficient Equipment and for Gas Vehicles and Refuelling Equipment

To support businesses making capital investments which will help to deliver a reduction in emissions, the accelerated capital allowances schemes for both energy efficient equipment and for gas vehicles and refuelling equipment are being extended, for a further five years until 31 December 2030.

Extension of the Bank Levy

Finance Bill 2025 provides for a further 12-month extension of the Bank Levy so that it will continue to apply in 2026.

The levy will be charged at a rate of 0.1025 % on an amount equal to the total value of relevant deposits held by the liable financial institutions on 31 December 2024. The term “relevant deposit” means a deposit which is held by a liable financial institution and is an eligible deposit, i.e. one that is not excluded from protection.

Dividend Withholding Tax Exemption for Investment Limited Partnerships

A Dividend Withholding Tax Exemption for Investment Limited Partnerships and equivalent EU/EEA partnerships is being introduced in Finance Bill 2025 to support opportunities for growth in the funds industry, specifically in the private assets space. This amendment is intended to increase the attractiveness of the Investment Limited Partnership as a fund structure and to help cement our position as a desirable location for regulated investment funds.

To avail of the exemption, an Investment Limited Partnership or equivalent EU/EEA partnership must be beneficially entitled to not less than 51 % of the ordinary share capital of the Irish company making the distribution.

The exemption is to apply in respect of distributions made on or after 1 January 2026.

Employment Taxes

Key Employee Engagement Programme

The Key Employee Engagement Programme, or KEEP, is a tax-efficient share option scheme designed for use by unquoted small and medium enterprises (SMEs). The tax relief afforded by KEEP provides an option for SMEs to attract, retain, and motivate key employees by offering them tax-advantaged share options as a form of remuneration. This supports smaller firms in competing with larger companies for talent and fosters long-term employee commitment and business growth.

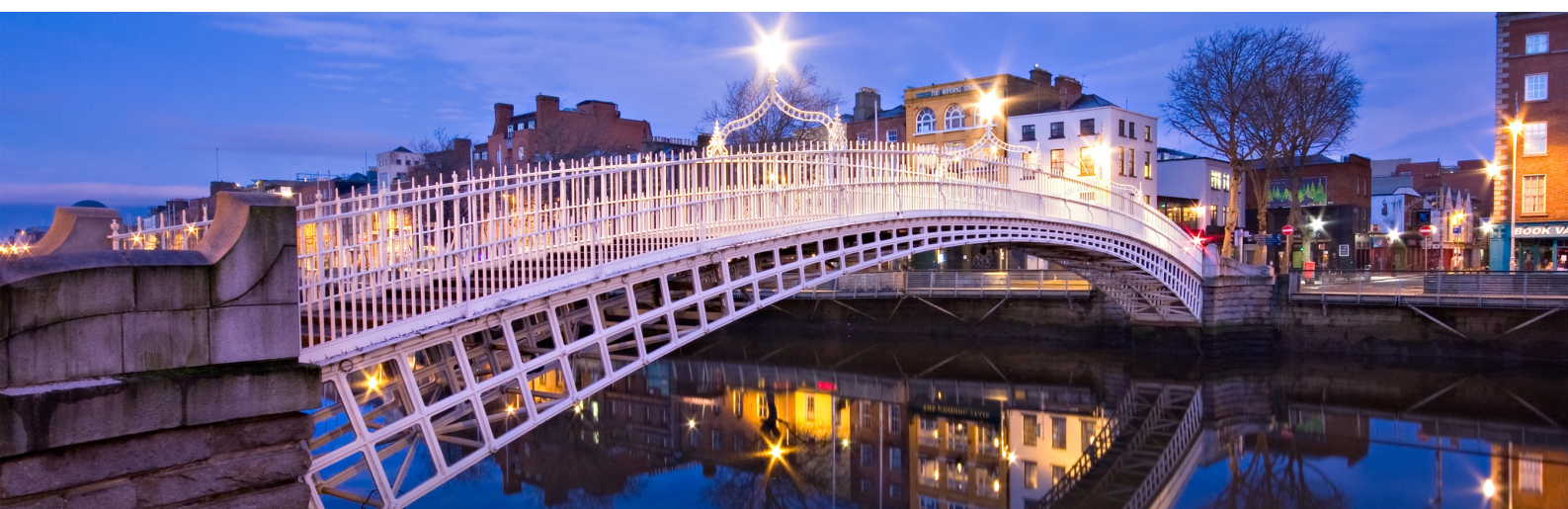
KEEP is currently due to expire on 31 December 2025. Following engagement with stakeholders in relation to the scheme, and subject to State Aid approval, it is intended to extend KEEP for a further three years, to 31 December 2028.

Special Assignee Relief Programme (SARP)

SARP provides for an Income Tax relief on a portion of income earned by certain employees assigned from abroad to work in the State by their relevant employer. The Finance Bill extends the scheme for a further five years to 31 December 2030, and it also provides for a number of other changes.

To qualify for the relief, an employee who first arrives in the State on or after 1 January 2026 will be required to have an annualised base salary of not less than €125,000 in the year of their arrival. The threshold of the annualised employment income, which is used in the calculation of the relief, will also increase to €125,000 from 1 January 2026. The employer certification requirement will also be amended, so that employees can qualify for the relief where the certification is made after 90 days but within 180 days from the employee's date of arrival in the State. However, in such cases, relief will be limited to a maximum of four consecutive tax years.

The filing date for the annual end-of-year employer return will be extended to 30 June in respect of the 2025 tax year and subsequent tax years.

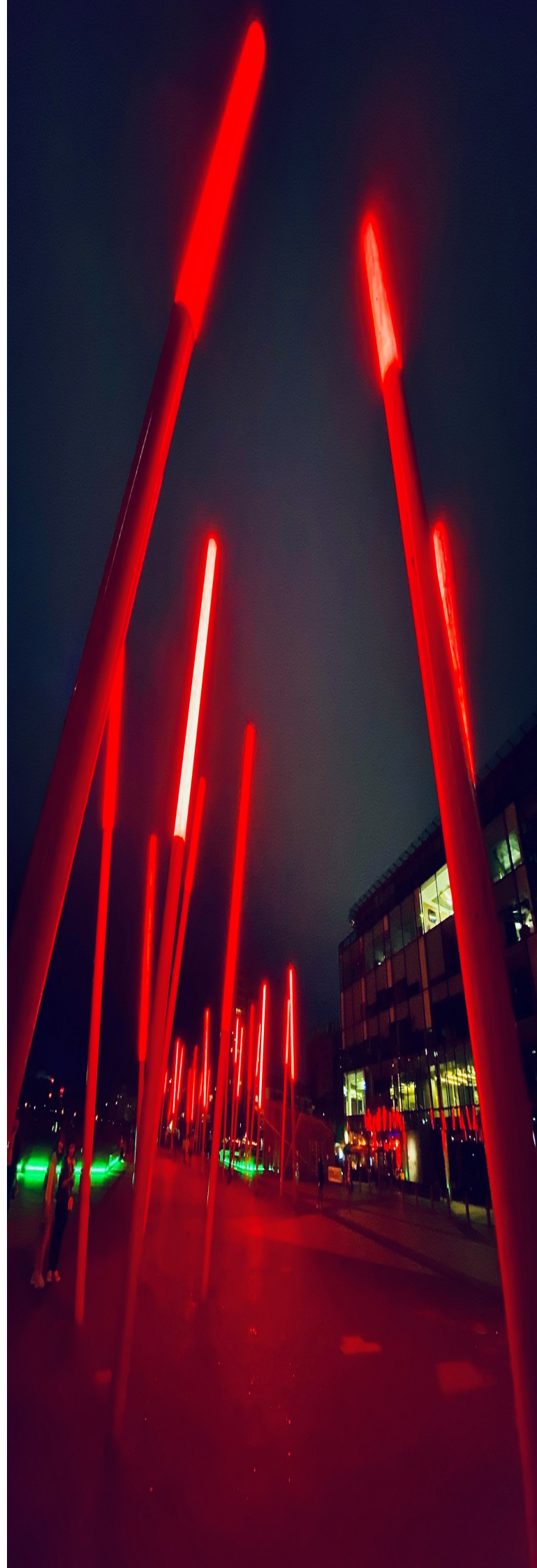


Foreign Earnings Deduction (FED)

FED is an Income Tax relief available to employees who are tax-resident in Ireland but who travel out of the State to temporarily carry out duties of their office or employment in certain qualifying countries. The Finance Bill extends FED for a further five years to 31 December 2030 and it also provides for additional amendments to the relief.

From 1 January 2026, the maximum amount of employment income that may qualify for Income Tax relief will be increased from €35,000 to €50,000. The relief will also be extended to apply in respect of qualifying time spent working in two additional countries - the Philippines and Türkiye.

The definition of a qualifying day will be amended to remove the requirement that three consecutive days must be spent working in a relevant country. It will also be provided that relief will only be available where the time working in a relevant country is reasonably required for the purposes of the performance of employment duties.



Farming Measures

Farmer's Flat Rate Compensation

The flat-rate VAT scheme for unregistered farmers will be adjusted from the current 5.1 % to 4.5 % on 1 January 2026, on the basis of macro-economic data received from the CSO and the Revenue Commissioners for the period 2023-2025.

Accelerated Capital Allowances for Slurry Storage

The Finance Bill provides for the extension of Accelerated Capital Allowance for Slurry Storage for four more years to 31 December 2029.

Extension of the Young Trained Farmer (Stamp Duty) Relief

Section 81AA of the Stamp Duties Consolidation Act 1999 currently provides for a relief from Stamp Duty in respect of a conveyance or transfer of land to a young trained farmer executed on or before 31 December 2025. This section provides for a four-year extension of the relief so that it will apply to instruments executed on or before 31 December 2029.

The extension of the relief is subject to a commencement order. This is to ensure that the State aid compliance of the extension can be confirmed with the European Commission before it comes into effect.



Extension and Amendment of the (Stamp Duty) Farm Consolidation Relief

Farm consolidation (Stamp Duty) relief provides for a relief from Stamp Duty where, within a 24-month period, land holdings are consolidated by way of linked disposals of qualifying land and acquisitions of qualifying land.

The relief currently applies to instruments executed on or before 31 December 2025. This section provides for a four-year extension of the relief so that it will apply to instruments executed on or before 31 December 2029.

The relief is currently available in respect of agricultural land, which, as defined in the section, includes commercial woodland. It is intended to extend the relief to include non-commercial woodland.

Both the extension and amendment of the relief will be subject to a commencement order. This is to ensure that the State aid compliance of both elements of this section can be confirmed with the European Commission before they come into effect.

Extension and Amendment of Farm Restructuring Capital Gain Tax (CGT) Relief

Farm Restructuring CGT relief is available when agricultural or farmland is sold, purchased or otherwise exchanged for the purpose of reducing the distance between holdings, and therefore making operations more efficient. This section provides for a four-year extension of the relief to 31 December 2029.

In addition, the relief is being extended to land used as commercial woodland, as well as non-commercial woodland which is used for conservation purposes. The extension of the duration of the relief, as well as the extension of the scope of the relief to include commercial and non-commercial woodland, are both subject to commencement to ensure State Aid compliance.



Property Related Measures

Income Tax Rates, Bands, Tax Credits and Exemption Limits

Rent Tax Credit

The Finance Bill provides for the extension of the credit in its current form for a further three years to 31 December 2028, at a maximum value of €1,000 for a single individual and €2,000 for a jointly assessed couple.

Deduction for Retrofitting

The Finance Bill provides for the extension of the Income Tax relief for retrofitting expenses by landlords for a further three years to 31 December 2028.

Further changes are also provided for to allow claims for retrofitting expenses in the year of expenditure (rather than in the following year) and the number of properties for which landlords can claim the deduction is increased, from two to three.

VAT on Sale of Apartments

The Bill confirms the reduced 9 % VAT rate on the sale of apartments, which was introduced with effect from midnight on Budget night by Financial Resolution. The measure supports wider policy goals to deliver more and higher density housing and will end on 31 December 2030.

Cost Rental Income

The Bill provides for a Corporation Tax exemption in respect of the Cost Rental income arising from homes designated as Cost Rental homes under the Affordable Housing Act 2021. This exemption is being introduced to encourage interest in the provision of Cost Rental lettings and in doing so will assist the Government in meeting its target of activating 18,000 Cost Rental units by 2030

Enhanced Corporation Tax Deduction for Apartment Construction Expenses

An enhanced corporation tax deduction of 125 % of certain apartment construction costs is being introduced to help address viability challenges in constructing apartments, and to incentivise their development. The enhanced deduction will be subject to a cap of €50,000 per apartment. This has the potential to deliver a cost saving of up to €6,250 per unit.

The enhanced deduction will apply to projects commenced on or after 8 October 2025 and no later than 31 December 2030, with the relief claimable upon completion.

Living City Initiative

The Living City Initiative (LCI) tax measure supports the enhancement of older housing and commercial stock in the designated Special Regeneration Areas in Cork, Dublin, Galway, Kilkenny, Limerick and Waterford. It currently applies to owner-occupiers, rented residential properties and commercial premises.

The following changes are set out in the Finance Bill:

- The extension of the LCI to the end of 2030.
- An increase in the building age date of 60 years for owner occupier and rented residential properties from those built before 1915 to those built before 1975.
- The introduction of a new category of tax relief for the utilisation of “over the shop” or the conversion of other commercial premises for residential purposes. There will be no building age restriction on these properties to qualify for relief for the cost of conversion and refurbishment works.
- Where the works are carried out by undertakings, the maximum amount of relief available to those undertakings will be increased from €200,000 to €300,000 in line with the latest EU State Aid De Minimis limits.
- The provision of greater flexibility to claimants on the time period over which the relief can be claimed.

In addition to the measures set out in the Finance Bill, in his Budget address, the Minister for Finance announced his intention, over the coming period, to extend the LCI to the five regional centres in the National Planning Framework. These are Athlone, Drogheda, Dundalk, Letterkenny and Sligo.

Residential Zoned Land Tax

The RZLT became due and payable in 2025. It 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, calculated at 3 % of the market value of the land in scope.

Amendments included in Finance Bill 2025 will provide for a further opportunity for RZLT landowners to seek a change in zoning in 2026 to a zoning which reflects the economic activity they undertake on the land.

Provisions of the Bill will allow for exemption during An Coimisiún Pleanála Proceedings brought by a third party as well as other technical and consequential amendments.

Extension and Amendment of the Residential Development Stamp Duty Refund Scheme

Finance Bill 2025 provides for the further extension of the residential development Stamp Duty refund scheme. The date by which projects wishing to avail of this scheme must commence construction is to be extended from 31 December 2025 to 31 December 2030. Introduced in 2017, the scheme provides for a refund of a portion of the Stamp Duty paid on the acquisition of non-residential land where that land is subsequently developed for residential purposes. The net minimum stamp duty payable after a refund is 2 %.

As well as being extended by five-years, a number of legislative changes are also being made to the scheme to enhance its effectiveness, and to bring it more into line with current planning and housing policy. These include:

Extending both time limits that apply to the scheme (acquisition to commencement, and commencement to completion) from 30-months to 36-months where an application for a Stamp Duty refund is made in respect of a Large-scale Residential Development.

Allowing for a full Stamp Duty refund to be claimed in respect of a multi-phase development at the commencement of the first phase.

Providing that where a repayment is claimed in respect of an entire phased development after it has been completed, that the last commencement notice will be used for assessing compliance with the relevant timing condition.



Vehicle Taxation

Vehicle Benefit in Kind (BIK) - Original Market Value

The temporary universal relief applied to the Original Market Value of cars in categories A-D and vans is being extended on a tapered basis for three further years of assessment, to end on 31 December 2028. The relief will remain at €10,000 for the 2026 year of assessment, reducing to €5,000 for 2027 and €2,500 for 2028. Tapering out the temporary relief will allow for continued support for employees, while incentivising the move to lower emission employer-provided cars in the medium term. The lower limit in the highest mileage band is being permanently reduced from 52,001km to 48,001km from 1 January 2026.

Vehicle BIK - New Vehicle Category for Electric Vehicles

The tables used to calculate BIK liability on employer-provided cars are being amended to incorporate a new category for zero emission cars commencing on 1 January 2026.

The new A1 vehicle category will apply significantly reduced BIK rates for electric vehicles, ranging from 6-15 %, depending on business mileage.

This change gives policy certainty to employers when it comes to planning long-term fleet investments and emphasises Government commitment to decarbonisation efforts.

Vehicle Registration Tax (VRT) - Extension of €5,000 Relief for Electric Vehicles

The VRT relief for electric vehicles (EVs) is being extended by one year to 31 December 2026. EVs with an Open Market Selling Price (OMSP) of up to €40,000 will continue to be granted VRT relief of up to €5,000, and EVs with an OMSP of greater than €40,000 but less than €50,000 will receive a reduced level of relief.

The transition to an electrified national fleet is central to Government climate action policy and the VRT relief is part of a wider suite of very generous measures to support the uptake of EVs.

VAT

VAT on Hospitality and Hairdressing Services

This measure provides for a reduced 9 % VAT rate for food and catering services and hairdressing services, effective from 1 July 2026. This measure is aimed at supporting businesses and employment in these sectors and is in line with commitments made in the Programme for Government.

Extension of the VAT reduction for Gas and Electricity

The Bill provides for the extension of the 9 % reduced VAT rate for gas and electricity, which was introduced with effect from midnight on Budget night by Financial Resolution. The measure seeks to alleviate energy cost pressures for households and will end on 31 December 2030.



Excise

Tobacco Excise

The Bill provides for the increase in excise duty on tobacco products, which was introduced with effect from midnight on Budget night by Financial Resolution. The increase amounts to 50 cent, inclusive of VAT, on a pack of 20 cigarettes in the most popular price category together with pro rata increases for other tobacco products.



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