



Changes likely to affect business

Brendan McGann
(AMQ - Shannon Office)

PRSI Increases

BUDGET 2025 brings several important changes that will impact businesses and individuals alike. As widely discussed, this budget introduces measures aimed at addressing the rising cost of living and inflation. Below, we highlight the key changes most likely to affect our clients at AMQ.

EFFECTIVE from 1 October 2024, PRSI (Pay Related Social Insurance) contributions for both employees and employers increased by 0.1%, with the government planning to introduce further incremental increases over the next five years. The goal is to raise contributions by 0.7% in total, with 0.1% already implemented this year. Businesses must factor these increases into their payroll budgeting and understand that similar costs will likely be passed on by their suppliers.



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Minimum Wage Increase

FROM January, the national minimum wage will rise from €12.70 to €13.50 per hour, marking a 6.3% increase. This increase is part of the government's ongoing efforts to improve living standards. While this is a positive change for workers, employers will need to prepare for increased payroll expenses. Additionally, this rise will likely cause pressure on businesses to increase wages for non-minimum wage staff to maintain parity.

Small Gift Exemption

FROM January 2025, businesses will benefit from an increase in the Small Gift Exemption. Employers can now provide up to five tax-exempt vouchers or benefits per year to employees, with the total exemption limit rising from €1,000 to €1,500. This allows businesses more flexibility in rewarding employees in a tax-efficient manner.

retirement savings, employers will need to contribute to these pensions, adding to their payroll costs. Businesses should prepare for these obligations, as opting out will only be possible after six months.

Actions for Owners

EACH of these changes will contribute to rising business operating costs. Employers need to plan accordingly, as these changes will also affect suppliers, leading to potential price increases across supply chains. The one advantage is that these changes affect all businesses equally, levelling the playing field when competing in the marketplace.

Business Relief

SEVERAL business relief changes were introduced in Budget 2025 to support enterprise growth. Employment Investment Incentive (EII) and Start-Up Relief for Entrepreneurs (SURE) have both been extended until 2026.

These schemes offer enhanced reliefs, particularly with the EII cap being raised from €500,000 to €1 million, making it more attractive for investors to support businesses. The R&D Tax Credit has been increased, with the first-year refundable tax credit threshold rising from €50,000 to €75,000, providing a greater incentive for businesses involved in research and development.

Capital Gains Tax

BUDGET 2025 brought in two important changes regarding Capital Gains Tax (CGT) Retirement Relief:

Retirement Age Extension: The age for availing retirement relief has been extended from 65 to 70 years. This gives business owners more time to plan for the disposal of their business or farm.
€10 million Cap Rollback: The previously announced €10 million cap on disposals has been rolled back for most cases. However, where a disposal is made by a child within 12 years of receiving the business, a full clawback

of the relief will apply. Additionally, Agricultural Relief in Budget 2025 includes a new provision introducing a six-year active farmer test for the disposer (the person transferring the land). This ensures that relief is applied only when the individual transferring the farm has actively farmed the land, reinforcing the objective of supporting genuine farmers.

Acquisitions Tax

IN Budget 2025, the Capital Acquisitions Tax (CAT) thresholds were increased to provide more scope for tax-free inheritances and gifts. The Group A threshold, which applies to inheritances or gifts received from a parent to a child, was increased from €335,000 to €400,000. The Group B threshold, covering gifts or inheritances from siblings, nieces, nephews, or grandparents, was raised from €32,500 to €40,000. Lastly, the Group C threshold, for all other individuals, increased from €16,250 to €20,000.

Budget highlights by Carey Corbett Financial Services

We have selected some of the key personal finance announcements in Budget 2025 and how they affect you:

- Education**
 - Free schoolbooks initiative extended to transition and senior cycle pupils
 - Once-off reduction of 33% in contribution fee for apprentices in higher education
 - Post-graduate tuition fee contribution increase of €1,000 for student grant recipients
 - The USC will be cut from 4% to 3% on incomes of €25,000 to €70,000, the second consecutive reduction
 - The national minimum wage will increase by 80 cent to €13.50 per hour from 1 January 2025
 - Entry threshold to 3% rate increased by €1,622 to €27,382
 - The main tax credits - the Personal, Employee and Earned Income Credits - will increase by €125
 - The Standard Rate Cut Off Point will increase by €2,000 to €44,000, with proportionate increases for married couples and civil partners
 - Inheritance tax will increase for all thresholds - Group A up from €335,000 to €400,000, Group B up to €40,000 and Group C up to €20,000
- Social Welfare**
 - Double payments for some social welfare recipients in October
 - €12 increase for those receiving the weekly Social Protection payment
 - Carer's allowance means test disregard to increase to €625 for a single person and €1,250 for a couple
 - Domiciliary care allowance to increase by €20 and carer's support grant to rise by €150 to €2,000
- Cost of living**
 - Energy credit of €250 for all households to be paid in two equal payments
 - Proposal for the 9% reduced VAT rate for gas and electricity to be extended for another six months to 30 April 2025
 - Further €300 lump sum payment to fuel allowance recipients in November
 - Additional €200 for recipients of the living alone allowance
- Children**
 - Double payments of child benefit
 - Double payment of the foster care allowance
 - €400 lump sum payment for working family payment recipients
 - €100 lump sum payment per child to recipients of qualified child increase payments
 - New 'baby boost' one-off payment of €420 for each newborn child from 1 January
- Housing and renters**
 - The Help to Buy scheme will be extended until 2029
 - The rent tax credit offered to tenants will rise from €750 to €1,000, and to €2,000 for a jointly assessed couple
 - Help to Buy scheme will be extended until the end of 2029
 - Relief for pre-letting expenses for landlords extended for three years until the end of 2027 to help vacant property owners bring accommodation into the rental system
- Carers**
 - Home carer tax credit and single person child carer credit to increase by €150
 - Incapacitated child tax credit to increase by €300
 - Dependent relative tax credit to rise by €60
 - Blind tax credit up €300

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Chambers presents a 'plan to deliver and transform'



Jane Hughes and Ann Hogan of McKeogh Gallagher Ryan

IN HIS Budget 2025 statement our youngest ever Minister for Finance Jack Chambers noted that his "first budget is unique in the opportunity it presents to plan, transform and deliver for the future".

He went on to note that: "Progressivity, fairness and catalysing real opportunity for the future have been at the core of this government's budgets and these principles have been central to how Budget 2025 has been designed".

The aim of the Budget, which was drafted in a year which projected a record surplus, was to tackle the cost-of-living crisis, enhance living standards, protect Ireland's economic model and protect the infrastructure which attracts foreign investment.

With a surplus of €23.7 billion, boosted by the windfall from Apple, the final budget was a €10.5 billion package which aimed to provide a little something for everyone as opposed to providing any one large or specific tax break or incentive. The package was broken down into three core categories:

- €6.9 billion of additional public spending.
 - €1.4 billion in taxation measure.
 - €2.2 billion once off cost-of-living measures.
- Given the looming election Budget 2025 was, as expected, relatively fair to the individual taxpayer with the following changes to Income Tax and USC:
- A modest increase of €2,000 to the 20% tax band, the entry point to the 40% rate will be €44,000 for single individuals and €53,000 for married couples (with one earner).
 - An increase to the ceiling of

net effect of these changes for an employee on a salary of €50,000 per annum will be an increase of €859 in their pocket at the end of the year (€17 per week). Given the ever-increasing cost of living it is likely that this increase may unfortunately be eroded in real terms.

To help counteract this several once-off taxation and temporary measures were very welcome, including:

- An Energy Credit of €250 per household (€125 paid before the year end and another €125 after the year end).
- Double Child Benefit payments in November and December 2024.
- The extension of the Help to Buy Scheme until the end of 2029.
- An increase in the Rent Tax Credit from €750 to €1,000 (€2,000 for a jointly assessed couple) for 2024 and 2025.
- Extension of the reduced 9% VAT rate on electricity and gas up to 30 April 2025. This VAT rate has also been extended to heat pump installations.

The €10,000 company car BIK reduction has been extended by one year, with confirmation that the provision of home car chargers by employers is exempt from BIK. Further welcome news is the increase in the annual Small Benefit Exemption from €1,000 to €1,500 which now allows an employer to provide up to five non-cash benefits per year. This measure should provide clarity and comfort to employers who were concerned that the provision of small non-cash benefits, such as flowers and easter eggs, were fully utilising the Small Benefit Exemption before the employee received a larger non-

cash benefit, such as a voucher, which would then be taxable as a third non-cash benefit under the previous rules.

On the whole the Minister seems to have achieved his aim of being fair in his budget allocation but as to whether the budget was a catalyst for real opportunity remains to be seen.

Contact Anne Hogan, Tax Director, McKeoghGallagherRyan.ahogan@mgraccountants.ie or Jane Hughes, Senior Manager, McKeoghGallagherRyan.jhughes@mgraccountants.ie with any tax queries on the Budget.

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