IRISH STEEL
IRELAND'S ASSOCIATION FOR METAL FABRICATORS & MANUFACTURERS

SUMMARY OF BUDGET 2025 FOR IRISH STEEL

Jim Power
2 OCTOBER 2024

KEY FEATURES OF BUDGET 2025

Budget 2025 was a pre-election giveaway budget intended to garner as much popular support across Irish society as possible. The financial position for Government in framing the budget was exceptionally strong. A surplus of €25 billion is projected for 2024. At its disposal the Government had €14.1 billion from the Apple Tax ruling; €3.1 billion from the sale of AIB shares; and a €1.5 billion surplus in the National Training Fund.

In framing Budget 2025, some key priorities were evident:

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

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

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

In addition, the Government has committed to investing much of the proceeds of the Apple Tax and AIB share sales in the long-term to enhance Ireland's infrastructure. Energy infrastructure, including renewable energy; water infrastructure; and housing are likely to be the main beneficiaries of this investment, which is essential for the long-term growth potential and competitiveness of the Irish economy.

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

The following are some of the key measures contained in Budget 2025 that may relate directly or indirectly to the business environment for members of Irish Steel.

Budget 2025 was a pre-election giveaway budget intended to garner as much popular support across Irish society as possible. The financial position for Government in framing the budget was exceptionally strong. A surplus of €25 billion is projected for 2024. At its disposal the Government had €14.1 billion from the Apple Tax ruling; €3.1 billion from the sale of AIB shares; and a €1.5 billion surplus in the National Training Fund.

Taxation:

• The capital acquisition tax tax-free threshold in the Group A category for children inheriting from their parents is being increased from €335,000 to €400,000. Group B has been increased from €32,500 to €40,000, and Group C from €16,250 to €20,000.

• There is a reduction of 1 per cent in the 4 per cent USC rate that will now apply to incomes between €27,382 and €70,044. The 2 per cent rate band ceiling has been lifted by €1,622. Incomes of less than €13,000 are exempt from USC.

• The standard rate threshold for income taxpayers has been increased from €42,000 to €44,000.

• An increase of €125 in the personal tax credit; the employee tax credit; the earned income credit, €150 in the home carer tax credit; the single person child carer tax credit; and an increase of €300 in the incapacitated child tax credit; the blind person's tax credit; and €60n in the dependent relative tax credit.

• The small benefit exemption allowing an employer to provide limited non-cash benefits or rewards to their employees without a tax liability has been increased from €1,000 to €1,500.

• The VAT on installation of heat pumps reduced from 23 per cent to 9 per cent.

Housing:

- The rent credit for private renters, which was introduced in Budget 2023, has been increased from €750 to €1,000 for an individual and from €1,500 to €2,000 for a couple. Renters will be able to claim this higher relief in 2024.

- A one-year Mortgage Interest Tax Relief was introduced in Budget 2024 for homeowners with an outstanding mortgage balance on their primary dwelling house of between €80,000 and €500,000 as of 31st December 2022. This is being extended for another year The added relief will be available on increased interest paid on mortgages in 2024 over 2022 at the standard rate of 20 percent income tax. The value of the relief will be the lesser of 20 percent of the excess interest figure or €1,250.

- The Help-to-Buy scheme will be extended until 2029. This scheme allows first- time buyers of a new home to claim up to €30,000 back from Revenue in income tax they have paid over the past four years so that it can be used as part of a deposit. It is inequitable that the scheme does not apply to first-time buyers of previously owned homes.

- The relief for pre-letting expenses for landlords has been extended to the end of 2027.

- An extra 5 per cent in stamp duty will be charged on the purchase of 10 or more houses by investment funds taking the rate from 10 per cent to 15 per cent.

- The Residential Zoned Land Tax will go ahead as planned in 2025, but an opportunity is being provided to landowners to have their land rezoned to reflect the economic activity they carry out on their land.

- The Vacant Homes Tax rate increased from 5 to 7 times the property's LPT charge.

- A third rate of Stamp Duty on residential properties to apply where the value/acquisition price involved exceeds €1.5 million is being introduced. It will apply at a rate of 6 per cent to that element of the value above €1.5 million. The existing 1 percent Stamp Duty rate on residential property value up to and including €1 million, and 2 per cent on any value above €1 million and at or below €1.5 million will continue to apply.

Pensions:

- The auto-enrolment pension scheme will begin on 30th September 2025. This scheme will mean that around 800,000 workers will automatically be enrolled into a private pension scheme, in addition to their state pension. People who do not have a pension scheme; are aged between 23 and 60; and who earn more than €20,000 will be automatically enrolled.

- People outside of this range will not be automatically enrolled but will be able to opt in. Under the scheme, employees will contribute 1.5 percent of their gross salary during the first three years of paying in. This will rise to 3 percent from the third year on, 4.5 percent from year six on, topping out at 6 percent from year ten on. The state will contribute
- €1 for every €3 contributed by the participant, and for every €3 that an employee's contributes, the employer will have to contribute €3.

- Finance Bill 2024 will provide for the taxation of the Automatic Enrolment Retirement Savings Scheme (referred to as AE). The tax treatment aligns as much as possible with that of Personal Retirement Savings Accounts (PRSAs), other than for employee contributions. Employer contributions are tax relieved, the growth in the AE funds is exempt from tax and the AE funds are taxed on drawdown, other than a 25 percent lump sum. The lump sum can be taken tax-free up to €200,000, is taxed at 20per cent between €200,000 and €500,000, and is taxed at 40 percent above €500,000. As the State is making a direct contribution to employees within the AE scheme, there is no tax relief being provided for employee contributions to AE.

- The standard fund threshold was last changed in 2014, when it was reduced from €2.3 million to €2 million. This will be increased to €2.8 million in four equal phases between 2026 and 2029.

Business Measures:

- An increase in the first-year payment threshold in the R&D tax credit, from €50,000 to €75,000, to provide further cash-flow support to those companies undertaking smaller R&D projects or engaging with the credit for the first time.

- The Employment Investment Incentive, the Start-Up Relief for Entrepreneurs and the Start-Up Capital Incentive schemes are all being extended for a further two years, to the end of 2026. The amount an investor can claim relief on under the Employment Investment Incentive is being increased from €500,000 to €1 million, and the relief available under the Start-Up Relief for Entrepreneurs is being increased from €700,000 to €980,000.

- The Capital Gains Tax relief targeted at investors in innovative start-ups to provide for an increased lifetime limit on gains to which the relief applies is being increased from €3 million to €10 million. This relief, which was announced last year, will commence shortly.

- The section 486C small company start-up relief from corporation tax is being amended through the introduction of a new method for companies to qualify for the relief by reference to Class S PRSI, thereby extending the scope of the relief to small owner-managed start-up companies.

- For businesses scaling-up, a new relief is being introduced for expenses incurred in connection with a first listing on an Irish or European stock exchange, subject to a cap of €1 million. To further support Irish business to grow and scale, subject to State Aid considerations, the government will introduce a Stamp Duty exemption. This measure would enable Irish SMEs to access equity via financial trading platforms designed to support their funding needs.

- The VAT registration thresholds that apply for the supply of goods and services, which are currently €80,000 and €40,000 respectively, are being increased to €85,000 and €42,500 respectively.

- Retirement Relief supports the intergenerational transfer of businesses and farms, and works to ensure their smooth transition so that they continue to play their important role in the Irish economy. Two changes will come into effect from 1 January 2025. The extension of the upper age limit for the relief from 65 until the age of 70 to reflect current work practices; and where there are disposals by the child or children above €10 million within 12 years of receiving the assets, a clawback of the relief will apply. Therefore, where the child or children retains the assets for more than 12 years, the CGT will be fully abated. This is intended to support the growth and scaling of family-owned businesses.

- The minimum wage is being increased from €12.70 to €13.50 from January 1st 2025.

The Motor Industry:

IRISH STEEL
IRELAND'S ASSOCIATION FOR METAL FABRICATORS & MANUFACTURERS

- In relation to BIK relief for company cars, the temporary universal relief of €10,000 is being extended for a further year to the end of 2025; and the EV specific relief of €35,000 will be extended for a further year.

- The carbon tax for petrol and diesel increased from €56 to €63.50 from 9th October.

- An emissions-based approach to VRT for category B commercial vehicles is being introduced. This proposal will introduce a lower 8 per cent rate for category B vehicles with CO_2 emission of less than 120 grams per kilometre with a view to incentivising uptake of lower emissions vehicles.

- The weight carriage ratio for electric commercial vehicles is being changed to enable them to qualify for the VRT rate of €200.

- The Accelerated Capital Allowances scheme for gas and hydrogen-powered vehicles and refuelling equipment provides a tax incentive for companies and unincorporated businesses who invest in such vehicles and equipment for the purposes of their trade. It is proposed to extend the relief for a further year, to 31 December 2025, to allow the Department of Transport time to review the climate policy objectives underlying the scheme and to determine its future trajectory.

- A BIK exemption is being made in circumstances where an employer incurs an expense in connection with the provision of a facility for the electric charging of vehicles at the home of a director or employee.

- The CO_2 thresholds for claiming capital allowances on business cars are being adjusted downward in light of improved vehicle emissions standards. From 1st January 2027, an expenditure of €24,000 will be allowable for cars with CO_2 emissions of 0-120g/km. A reduced amount of €12,000 will be allowable for vehicles with CO_2 emissions of 121-140g/km. There will be no allowable expenditure for vehicles with emissions >141g/km.

BUDGET 2025 – THE CONCLUSION

Budget 2025 is primarily a balancing act between robust domestic economic growth, ongoing global geo-political and economic uncertainty, the need for social support in the face of significantly elevated living costs; the need for business support in the face of significantly elevated costs-of-doing business; and an impending general election. Overlaying all of this is the requirement to address long-term issues of vital economic and social importance such as housing, water, energy, and transport.

The Irish economy is still performing at a steady pace. The key strengths this year include a strong labour market, strong growth in tax revenues, a solid aggregate household balance sheet, and a strong rebound in exports after a setback in 2023. The consumer side of the economy and the SME sector generally, but hospitality and retail in particular, are under some pressure.

There is still considerable global uncertainty prevailing, but there is more visibility today than a year ago. The global outlook is not without risks, primarily geo-political in nature.

The key positives for the economy include:

- Solid economic momentum.
- Record levels of employment.
- Low unemployment.
- A strong FDI sector, although growth has slowed.
- A stable banking system, although it is overly concentrated.
- Strong public finances, helped by windfall corporation tax receipts and the ECJ Apple tax ruling.
- Falling interest rates.
- Record household deposits, lower levels of household debt and in general, a strong personal balance sheet.

The key threats and challenges to the wellbeing of the economy include:

• Global geo-politics. The wars in the Middle East and Ukraine are a source of extreme concern. The US election on November 5th could have significant consequences for Ireland. A Trump victory could mean 20 percent tariffs on all imports other than from China, where he prefers 60 percent tariffs.

This would not be good for global trade and investment, of which Ireland is an extreme beneficiary. Trump has spoken of a 15 percent corporation tax rate, while Harris has spoken of 28 percent rate (21 percent now) to fund middle-class tax cuts.

A 15 percent rate would be bad news for Ireland, while 28 percent would be unambiguously positive. A Harris victory would be somewhat better for the Irish economy, although both candidates have a strong whiff of economic nationalism.

• The still uncertain external economic environment.
• The escalation in the cost-of-living.
• The escalation in the cost-of-doing business.
• The housing market.
• Pillar 1 of the OECD tax deal is likely to eventually happen, but international agreement is proving very difficult to achieve.

Budget 2025 is a very stimulatory package and will provide strong support to the overall economy in 2025. The Irish economy should continue to perform reasonably strongly over the coming year.
For the steel industry the demand will remain strong over the coming years, provided government delivers on its commitment to invest heavily in infrastructure.

THIS PUBLICATION IS BASED ON DATA AVAILABLE UP TO AND INCLUDING 1st OCTOBER 2024.

The key threats and challenges to the wellbeing of the economy include:

- Global geo-politics. The wars in the Middle East and Ukraine are a source of extreme concern. The US election on November 5th could have significant consequences for Ireland. A Trump victory could mean 20 percent tariffs on all imports other than from China, where he prefers 60 percent tariffs.

This would not be good for global trade and investment, of which Ireland is an extreme beneficiary. Trump has spoken of a 15 percent corporation tax rate, while Harris has spoken of 28 percent rate (21 percent now) to fund middle-class tax cuts.

A 15 percent rate would be bad news for Ireland, while 28 percent would be unambiguously positive. A Harris victory would be somewhat better for the Irish economy, although both candidates have a strong whiff of economic nationalism.

- The still uncertain external economic environment.
- The escalation in the cost-of-living.
- The escalation in the cost-of-doing business.
- The housing market.
- Pillar 1 of the OECD tax deal is likely to eventually happen, but international agreement is proving very difficult to achieve.

Budget 2025 is a very stimulatory package and will provide strong support to the overall economy in 2025. The Irish economy should continue to perform reasonably strongly over the coming year.
For the steel industry the demand will remain strong over the coming years, provided government delivers on its commitment to invest heavily in infrastructure.

THIS PUBLICATION IS BASED ON DATA AVAILABLE UP TO AND INCLUDING 1st OCTOBER 2024.

IRISH STEEL
IRELAND'S ASSOCIATION FOR METAL FABRICATORS & MANUFACTURERS

SUMMARY OF BUDGET 2025 FOR IRISH STEEL