

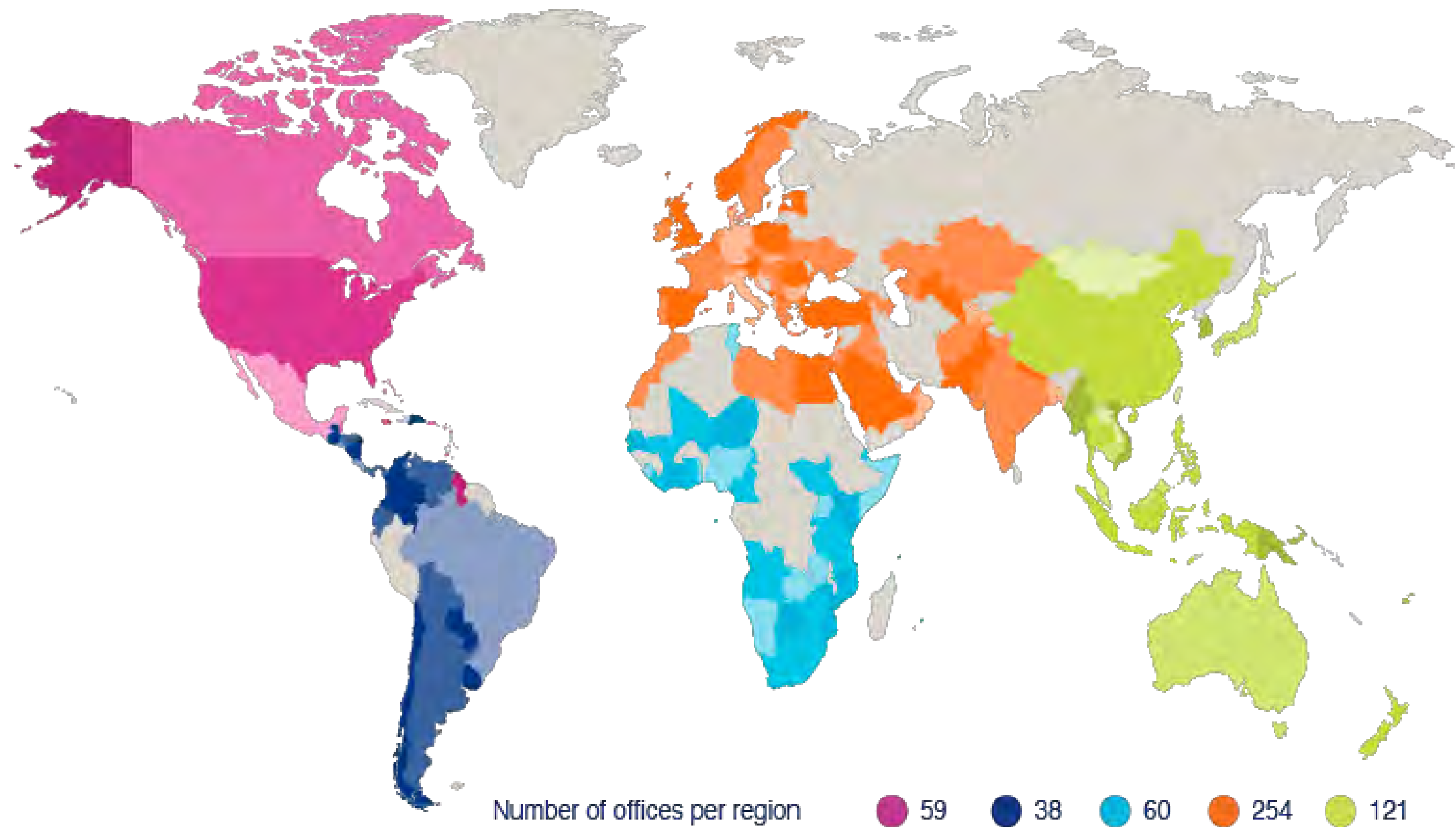
Budget 2026

7th October 2025



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A brief summary

Growth beyond boundaries

Budget 2026 was announced today with a background of continuing uncertainty in the world economy. The Minister for Finance set out the need for a Budget that builds on the resilience of the Irish economy and supports growth but in a fiscally responsible way. There have been a number of instances where the Government has been warned on the level of spending and the reliance on corporation tax receipts. As a result of this, it appears that the tax package of this Budget has been restricted to €1.3bn.

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There is a real focus on the property sector to increase the supply of and access to housing. This includes mainly targeting site owners by increasing tax on retaining land and reducing tax on the sale of apartments, in particular. A rate of 9% is to be applied to the sale of apartments and an increased corporation tax deduction for costs of development of apartments.

Deborah Drought
Partner, Tax Services

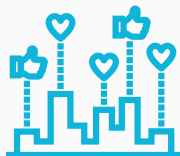
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For individuals in general, other than increases in social welfare payment, there were few measures to support cost of living increases.

For businesses in general, the Budget focuses on encouraging Irish business and to expand internationally. The announcement includes a 9% VAT rate for hospitality business from July 2026, an increase in the R&D Tax Credit to 35%, changes to specific tax treatments such as participation exemption for dividends, interest payments and receipts and the withholding tax regime. It should be noted there is a plan to introduce a domestic business-to-business digitalisation on the issue of VAT invoices.

Finally, in a welcome change to the capital gains tax regime and to encourage entrepreneurship, the lifetime limit applying to the 10% capital gains tax rate for certain disposals of business assets including shares in a trading company (Revised Entrepreneur Relief) is increased from €1m to €1.5m.

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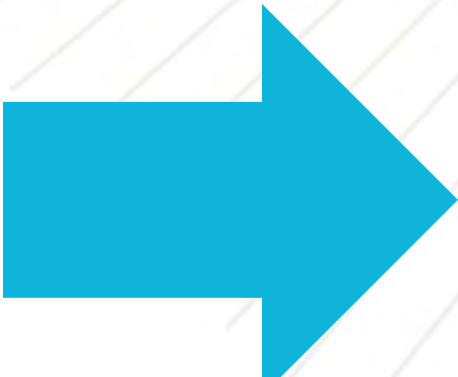
Personal Tax

Income Tax

There was no increase to the income tax standard rate band for all earners.

The 2026 tax rates & rate bands are as follows:

Personal Circumstances	2025	2026
Single / widowed or surviving civil partner without qualifying child	€44,000 @ 20% Balance @ 40%	€44,000 @ 20% Balance @ 40%
Single / widowed or surviving civil partner qualifying for a Single Person Child Carer Credit	€48,000 @ 20% Balance @ 40%	€48,000 @ 20% Balance @ 40%
Married or in a civil partnership (one spouse / civil partner with income)	€53,000 @ 20% Balance @ 40%	€53,000 @ 20% Balance @ 40%
Married or in a civil partnership (both spouses /civil partners with income)	€53,000 @ 20% (with an increase of €35,000 max) Balance @ 40%	€53,000 @ 20% (with an increase of €35,000 max) Balance @ 40%



Rates of tax remain consistent

Note: The increase in the rate band is capped at €35,000, or the amount of the income of the lower earner. The increase cannot be transferred between spouse / civil partner.

Personal Tax

Universal Social Charge

The Minister increased the 2% rate band in line with the increase in the national minimum wage and to ensure these taxpayers remain outside the scope of the higher USC rate.

The reduced rates of USC for medical card holders have been extended for a further two years to 2027. This will apply to individuals who have a full medical card and whose income is €60,000 or less per annum.



	Income	%
Employee	<u>Incomes of €13,000</u>	<u>Exempt</u>
	€0 to €12,012	0.5%
	€12,012 to €28,700	2%
	€28,700 to €70,044	3%
	> €70,044	8%

	Income	%
Self-Employed	<u>Incomes of €13,000</u>	<u>Exempt</u>
	€0 to €12,012	0.5%
	€12,012 to €28,700	2%
	€28,700 to €70,044	3%
	> €70,044	8%
	Non-PAYE income over €100,000 (surcharge)	3%

Rent Tax Credit

The rent tax credit is being extended for a further three years until 31 December 2028.

The value of the credit available will be capped at €1,000 per single individual and €2,000 per jointly assessed couple for the tax years 2026 and subsequent years.

Mortgage Interest Relief

This relief has been extended on a tapered basis for further two years until 2026. It is available where the outstanding mortgage was between €80,000 and €500,000 on 31st December 2022. The mortgage must be on the taxpayer's principal private residence. The taxpayer must also be compliant with Local Property Tax ('LPT') requirements.

The relief will be available on the increase in interest paid in in the tax year 2025 compared to 2022. The maximum value of the tax credit will remain at €1,250 per property for 2025.

For the tax year 2026 a reduced level of relief will be available for the increase in the interest paid in the tax year 2026 over 2022. The maximum value of tax credit will be €625 per property.

For more information call
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Capital Taxes

Issue	Commentary
Capital Gains Tax – Entrepreneur Relief	The revised entrepreneur relief lifetime limit to which the 10% capital gains tax rate applies has been increased from €1,000,000 to €1,500,000 from 1 January 2026.
Stamp Duty	The Residential Development Stamp Duty Refund which provides for a partial repayment of the stamp duty paid on the acquisition of land which is subsequently developed for residential purposes is extended to 31 December 2030.
Stamp Duty	A new exemption from the 1% Stamp Duty on acquisition of the shares in Irish registered companies admitted for trading on a regulated market, a multi-lateral funding facility, or an equivalent third country market, and which has a market capitalisation of below €1 billion is being introduced. It will expire on 31 December 2030.
Stamp Duty	The young trained farmer relief and farm consolidation relief are extended to 31 December 2029.

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Entrepreneur Relief limit increases to €1.5million



Value Added Tax

Issue	Commentary
Sale on new apartments	The VAT rate applicable to the sale of new apartments is reduced from 13.5% to 9% with effect from 8 October, this measure is due to continue until the end of 2030.
Electricity & Gas	The reduced 9% VAT rate applicable to electricity and gas bills was due to expire on 1 November 2025. This reduced rate is being extended until the end of 2030.
Food, Catering & Hairdressing	The VAT rate applicable to food and catering, as well as hairdressing services, will be reduced from 13.5% to 9% with effect from 1 July 2026.
Electronic Invoicing	To comply with changes in EU VAT law, the Revenue Commissioners will begin a phased roll-out of domestic electronic invoicing arrangements for business-to-business transactions. Further details of the roll-out will be published by Revenue shortly.

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Reduction in VAT rate to 9%



International Tax

Issue	Commentary
Research & Development Tax Credit	The R&D Tax Credits is being increased from 30% to 35%. There is also an increase in the first-year payment threshold from €75,000 to €87,500. Where an employee spends at least 95% of their time on qualifying R&D activities a claim can be made for 100% of that employee's emoluments.
Participation Exemption	A new participation exemption was introduced from 1st January 2025 to provide a tax exemption on qualifying foreign dividends from companies in EU/EEA and double tax treaty countries. This exemption is being extended to include qualifying dividends that apply a non-refundable dividend withholding tax. The time a company must be tax resident in a jurisdiction to qualify for this relief is being reduced from 5 years to 3 years.

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R&D



Holding Companies

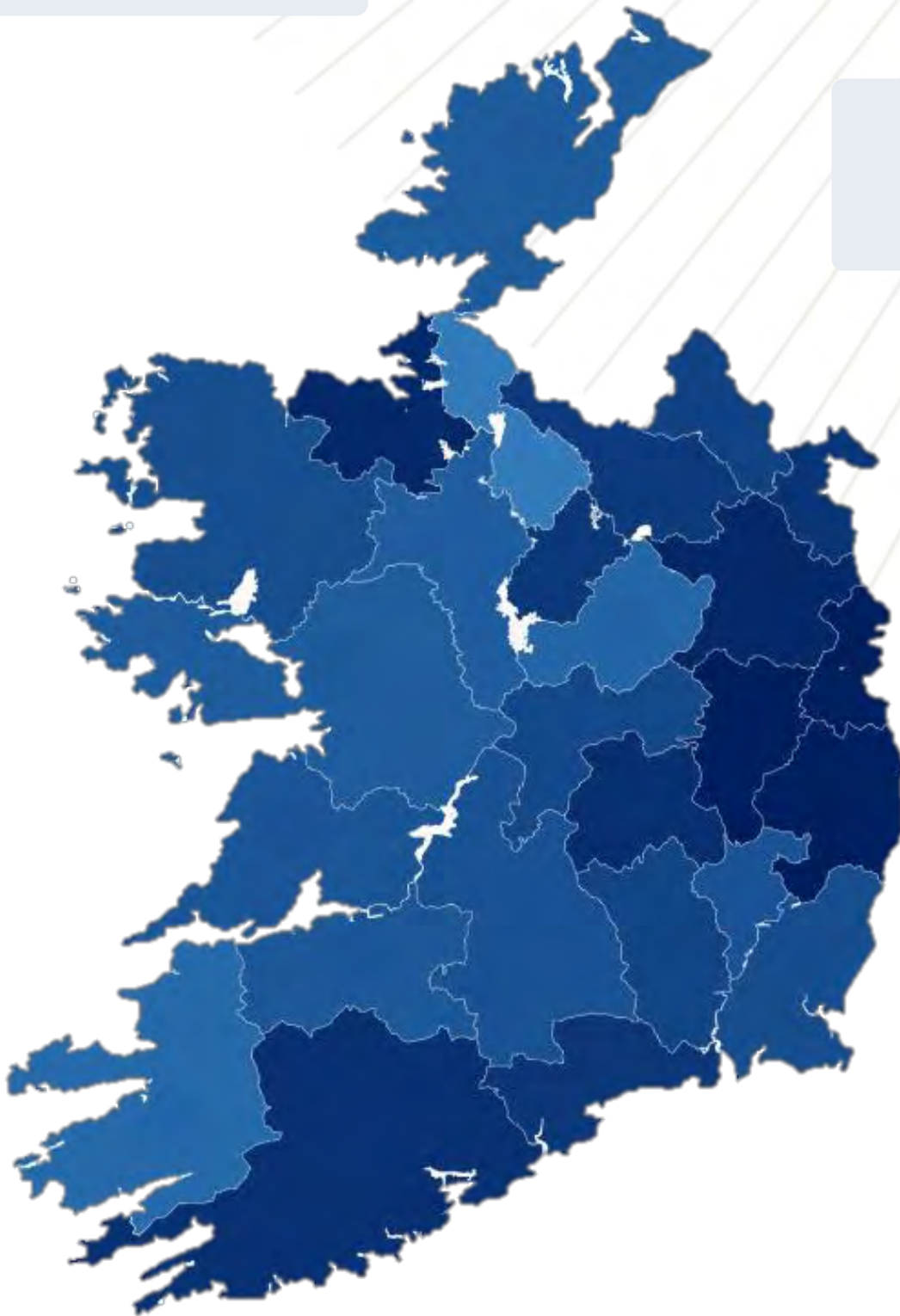
International Tax

Issue	Commentary
SARP relief	This relief applies to qualifying employees who move to Ireland and allows an exemption from income tax of 30% employment income between €100,000 and €1 million. This scheme is being extended to 31 December 2030. The lower threshold is also being increased from €100,000 to €125,000.
Foreign Earnings Deduction	The Foreign Earnings Deduction ("FED") is also being extended to 31st December 2030. The amount that can qualify for a deduction is also being increased from €35,000 to €50,000.
Stamp duty exemption on shares	A new stamp duty exemption is being introduced for shares trading on a regulated market, multi-lateral trading facility or an equivalent third country market, and the company has a market capitalisation of below €1 billion.

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FED

SARP Relief



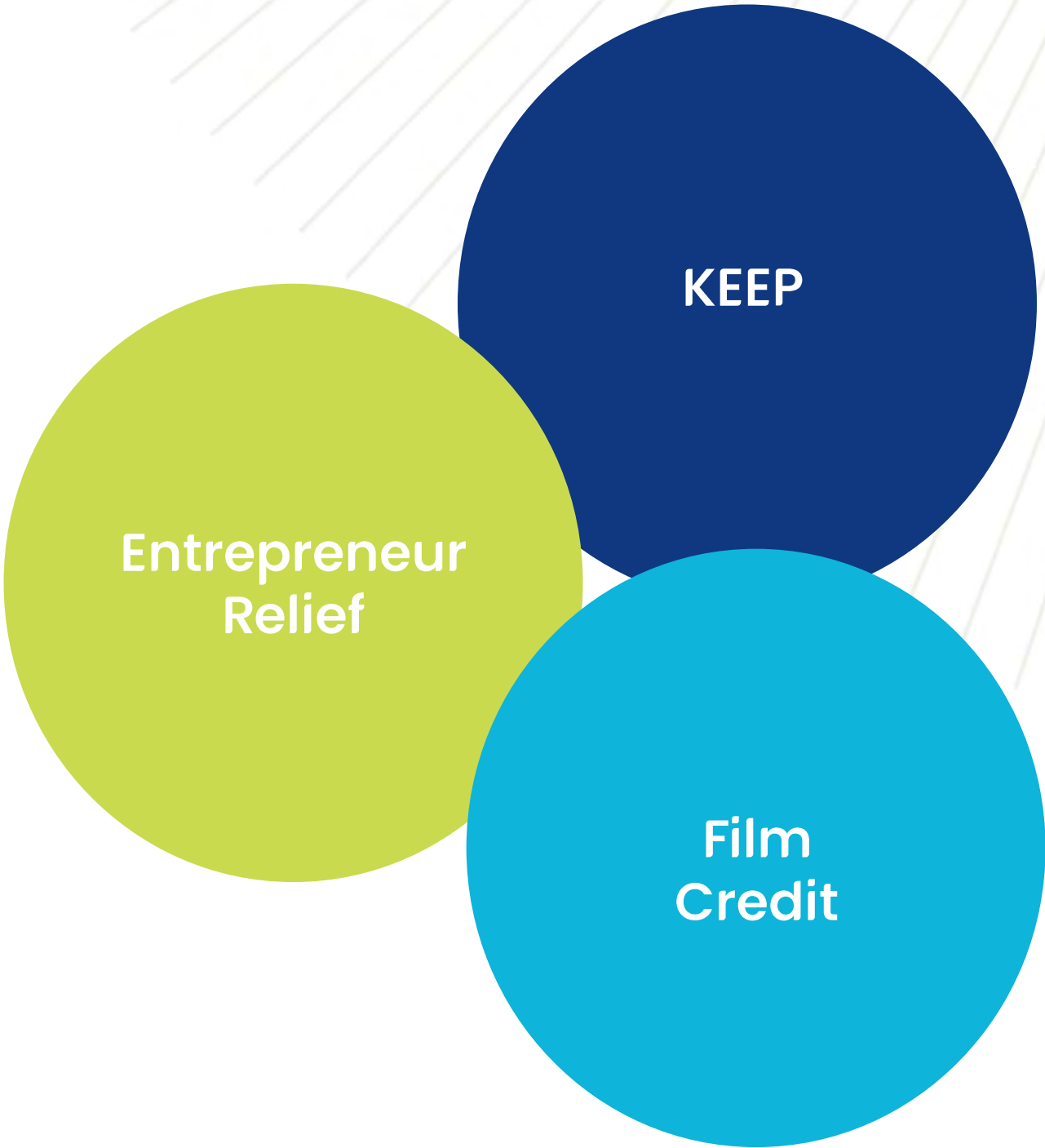
SME Sector

The Minister announced today a number measures to maintain jobs and support growth in the SME sector.

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Issue	Commentary
VAT	The VAT rate applied to businesses in food, catering and hairdressing services is being reduced from 13.5% to 9%. This will commence from 1 July 2026.
Revised Entrepreneur Relief	A reduced rate of capital gains tax of 10% applies to gains up to a lifetime limit of €1 million however this limit has now been increased to €1.5 million with effect from 1 January 2026.
Research & Development Tax Credit	This is an important tax relief for businesses that are involved in such areas, enabling Ireland to remain competitive in attracting quality employment and investment. To support this, the first-year payment threshold is increasing from €75,000 to €87,500. The rate of the credit has also increased from 30% to 35%
BIK on company cars	The deduction of €10,000 from the market value of motor vehicles for BIK purposes is being extended to 2026, reducing to €5,000 for 2027 and €2,500 for 2028. A new BIK category is to be introduced for vehicles with zero emissions with rates of between 6% to 15% depending on business mileage.

Issue	Commentary
Accelerated Capital Allowances	The accelerated capital allowances scheme for energy-efficient equipment, which allows a 100% tax deduction in Year 1, is being extended until the end of 2030.
KEEP	The Key Employee Engagement Programme "KEEP" is extended to 31 December 2028. This is subject to approval by EU Commission and commenced by ministerial order.
Film Credit	For the audiovisual sector – The film tax credit is enhanced to provide a new 40% rate for productions with a minimum of €1 million of eligible expenditure on visual effects work. This rate will apply on eligible expenditure up to a maximum of €10 million per production.
Digital Games Tax Credit	Extension of the 32% credit for a further period of 6 years. The credit is also enhanced to allow claims in respect of Post-Release Content work, subject to certain conditions.



Agri Sector

The Minister acknowledged that the success of our farming sector is key to our economic growth. He noted the work done by the Commission on Generational Renewal in Farming and agreed with the recommendation to extend some existing reliefs as outlined below.

Issue	Commentary
Accelerated Capital Allowances	Accelerated capital allowances for the construction of slurry storage facilities is being extended to 31 December 2029.
Stamp Duty	The young trained farmers relief which provides a full exemption from stamp duty on the transfer of farmland, subject to certain conditions being met, is extended to 31 December 2029.
Stamp Duty	Farm Consolidation Relief provides that a 1% rate of stamp duty is charged on the net difference between the value of land sold and land acquired as part of Teagasc certified farm consolidation. The relief is being extended to 31 December 2029 and now includes non-commercial woodland/forestry.
Capital Gains Tax	The Finance Bill will provide for an extension of the current capital gains tax farm restructuring relief to 31 December 2029. This relief is being broaden to include woodland and forestry.

For more information call us on 01 668 9760 or contact our Tax Director here – ciarad@pkfbl.ie



Issue	Commentary
VAT Flat Rate Compensation	The flat rate compensation paid to unregistered farmers is to be reduced from 5.1% to 4.5%. This provision compensates unregistered farmers who are not able to reclaim VAT.
Farm Supports	Additional funding was announced for the agricultural sector • €85 million to enable the roll out of Bovine TB Action Plan • €20 million additional funding for the ACRES scheme which will reach €280 million in 2026. • €20 million for the continuation of the National Sheep Welfare scheme • €7.4m increased funding is being provided to the fisheries sector to support and enable a sustainable Irish seafood sector.

Property Sector

Issue	Commentary
VAT on new apartments	The VAT rate applicable to the sale of new apartments is reduced from 13.5% to 9% with effect from 8 October, this measure is due to continue until the end of 2030.
Enhanced Corporation Tax Deduction for Apartment Construction Costs	An enhanced Corporation Tax deduction is being introduced for qualifying apartment construction costs. The measure will allow an enhanced deduction of 125% of qualifying costs, up to a maximum additional deduction of €50,000 per apartment unit. The enhanced deduction will be provided to a developer that is the beneficial owner of the property at the time it is completed and will be available for projects comprising of 10 or more apartments. It will be available for both for new-build developments and for conversion projects including a change of use, such as the conversion of offices or retail spaces into apartments.
Residential Development Stamp Duty Refund Scheme	This scheme provides for a partial repayment of stamp duty paid on the acquisition of land which is subsequently developed for residential purposes. The scheme is being extended by 5 years to the end of 2030. A number of changes to the scheme are proposed, including extending the time limits that apply – for 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.

Issue	Commentary
Residential Zoned Land Tax (RZLT)	Landowners are being provided with an opportunity to request a change in zoning of land appearing on the local authority map, and in certain circumstances, being exempted from RZLT for 2026 on foot of such submissions. Also, an exemption from RZLT is being provided in respect of cases where An Coimisiun Pleanala proceedings are brought by a third party in relation to a grant of planning in respect of a relevant site.
Living City Initiative	The Living City Initiative supports the enhancement of older housing and commercial properties in designated Special Regeneration Areas in Cork, Dublin, Galway, Kilkenny, Limerick and Waterford. It currently applies to owner-occupiers, rented residential properties and commercial premises. Changes are proposed to enhance the relief and to extend the scope of the relief to other properties. The key changes to the scheme include: - The extension of the scheme to the end of 2030, - Extending the relief for certain properties from those built before 1915 to those built before 1975, - A new category of tax relief for the conversion of commercial property into residential properties, including using “over the shop” premises for residential purposes. There will be no building age restriction on these properties, - The relief will be extended to properties located in five other regional centres.

Issue	Commentary
Corporation Tax Exemption for Cost Rental Income	To support the provision of cost rental accommodation, an exemption from corporation tax is being introduced in respect of profits associated with such activities. Properties designated as cost rental accommodation are subject to strict criteria. The rents for cost rental homes are set to cover the costs of delivering, financing, managing and maintaining the homes, using a financial model over at least 40 years. This means rents are not subject to market pressures and therefore, properties are expected to be offered to tenants at rents at least 25% below market level. There are rules governing eligibility of tenants and the operation of letting processes to ensure transparency and compliance with the cost rental scheme’s objectives.
Rental Tax Credit	The rental tax credit, introduced in Budget 2023 to support taxpayers who pay rent on their principal private residence or accommodation costs in ‘digs’ or ‘rent a room’ arrangements for children attending approved courses, is being extended by a further 3 years until the end of 2028. The value of the credit for 2026 and subsequent years will be a maximum of €1,000 for a single individual and €2,000 for a jointly assessed couple.

Issue	Commentary
Mortgage Interest Relief	This relief was introduced in 2023 to support homeowners impacted by interest rate increases. It is being extended for two years, with relief available in respect of the increase in interest paid in 2025 and 2026, when compared to 2022, subject to a cap of €1,250 per property in 2025 and €625 per property in 2026. To be eligible for relief, the mortgage balance must have been between €80,000 and €500,000 on 31 December 2022.
Deduction for Retrofitting by Landlords	The income tax relief for retrofitting expenses incurred by landlords is being extended by 3 years to the end of 2028. The relief will be allowed in the year in which the expenditure was incurred and the number of properties for which a landlord can claim such relief is increased from two to three.
Derelict Property Tax	This is a new tax that will be administered by the Revenue Commissioners and will replace the existing Derelict Sites Levy. For the tax to be effective, it must apply in a consistent manner to all residential properties that are derelict. A lead-in time will be required for local authorities to identify all the relevant derelict properties in their area for inclusion on a register. The rate of the tax, to be introduced in 2027 or later, will be no less than the current 7% levy rate.

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Healthcare Sector

Issue	Commentary
Allocation of €27.4 billion to the Department of Health	Proposed additional services: • An increase in acute hospital capacity of at least 220 beds and the expansion of diagnostic services. • At least 280 community beds, continued investment in the community nursing units refurbishment programme and reductions in community waiting lists. • An additional 1.7 million Home Support Hours. • 500 more nursing home places. • Increased staffing and expansion of mental health services including suicide prevention, increased access to CAMHS services and Traveller mental health initiatives. • Enhanced community and primary care services including the roll out of the new pharmacy contract

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As always, we are at your disposal to advise you, and we greatly appreciate your continued support. If you require assistance on any issue arising from Budget 2026 or any other matter, please contact us:

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