



**PKF**  
Brenson Lawlor

# Quarterly Tax Update

April 2026

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# Tax Credits in Ireland 2026

## What you need to know

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As we move into Q2 of 2026 tax year, it's important to understand the range of personal tax credits available in Ireland and how they may apply to your individual circumstances. Tax credits directly reduce the amount of income tax you pay, making them a valuable part of your overall financial planning.

Revenue have made some changes in how tax credits are applied to an individual's record, and these changes are important to note to ensure that all relevant tax credits are applied to your employment.

Standard tax credits such as the **PAYE tax credit (€2,000)**, **single/widowed person tax credit (€2,000)**, and **married couple tax credit (€4,000)** are automatically assigned by Revenue. These credits appear on your Revenue Payroll Notification (RPN) and are applied during payroll processing, based on your circumstances and previous claims.

Other credits and reliefs – such as **Flat Rate Expense (FRE) allowances**, the **Incapacitated Child Tax Credit** (which requires Form ICC 2), **medical insurance relief**, **health expenses relief**, **rent tax credit**, and certain new or specialised credits – must be claimed or updated manually. You do this by filing or amending your income tax return via Revenue's myAccount service or by contacting your local tax office.

It's best practice to review your tax credits annually and claim any additional credits not automatically granted to ensure you receive your full entitlement. Refunds for previous years can be claimed up to four years back.

### Flat rate expenses

Flat rate expenses (FREs) are standard annual allowances set by Revenue for employees in specific occupations to cover work-related costs such as uniforms, tools, statutory registration fees, and other necessary job

expenses. Rather than submitting individual claims, employees receive a fixed allowance agreed between Revenue and trade unions or employee groups.

This allowance increases your Standard Rate Cut-Off Point (SRCOP) and your tax credits by 20% of the allowance, providing tax relief at your marginal rate.

You can claim flat rate expenses through the PAYE system, and if the standard allowance does not cover your actual costs, you may apply for a higher amount by filing or amending your income tax return with Revenue. Occupations eligible for FREs include nurses, teachers, social workers, and various trades, with the allowance amount varying depending on the job and whether you supply and launder your own uniforms or pay statutory fees

A full list of the allowances available can be found [here](#).



# Tax Credits in Ireland 2026

## What you need to know

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### Medical Insurance relief

If your employer pays your medical insurance premium, it is treated as a taxable benefit in kind (BIK). The employer pays the net premium to the insurer and remits the TRS amount to Revenue. You, as the employee, are entitled to a tax credit equal to the TRS paid by your employer, which appears on your Tax Credit Certificate and Revenue Payroll Notification (RPN). You can claim this credit during or after the tax year via myAccount or by filing an income tax return. Up to 2025, this credit was applied to your RPN automatically if claimed in prior years but as of 2026 the credit must be claimed each year.



### Mortgage interest tax credit

This tax credit is for taxpayers who have made payments in respect of a qualifying loan for a principal private residence.

For 2026, the value of the credit is calculated based on 50% of the increase in interest paid in 2026 over interest paid in 2022. The amount qualifying for relief at the standard rate of tax (20%) is capped at €3,125 per property. This is equivalent to a maximum tax credit of €625.

The credit is available to homeowners with an outstanding mortgage balance between €80,000 and €500,000 as of 31 December 2022.

### Rent tax credit

This provides private sector renters who do not receive State housing supports with a credit equal to 20% of rent paid, capped at €1,000 for single individuals and €2,000 for jointly assessed couples.

The rental property must be in Ireland and can include your main home, a property used for work or college, or a property rented for a qualifying child attending an approved course. You claim the credit either in real time (updating your Revenue Payroll Notification) or at year-end via your income tax return. Special rules apply if rent is paid to relatives, including tenancy registration requirements. The credit must be applied for annually through myAccount or by filing an income tax return.



# Business Asset Relief

Business Asset Relief also known as Business Relief is a valuable capital acquisitions tax (ie gift or inheritance tax) relief that reduces the taxable value of a qualifying gift or inheritance by 90%. Business relief applies to the relevant business property, in the main relates to the following:

- a) Property consisting of a business or interest in a business
- b) Unquoted shares in or securities of a company which give more than 25% control of the company
- c) Unquoted shares in or securities of a company controlled by the donee or successor
- d) Unquoted shares in or securities of a company which give at least 10% control of the company, and the individual has been a full-time working officer or employee of the company for at least the 5 years ending on the date of the gift or inheritance
- e) Any land or building, machinery or plant which, immediately before the gift or inheritance, was used wholly or mainly for the purposes of a business carried on by a company or partnership of the disponer

“Full-time working officer or employee”, in relation to one or more companies, means any officer or employee who devotes substantially the whole of such officer’s or employee’s time to the service of that company, or those companies taken together, in a managerial or technical capacity.

The following conditions must be satisfied in order for relief to apply:

- Business must be an active trading company or part of an active trading group.
- Property must be relevant business property.
- Property must have been owned by the disponer for a minimum period of 5 years prior to disposal (In the case of inheritance taken on death, this period of ownership is reduced to 2 out of the 5 years prior to date of inheritance).

Revenue guidance provides for certain assets to be left out in determining the value that qualifies for business relief, including any non-business (i.e. investment assets), assets not used wholly or mainly for the purposes of the business if acquired within the two-year period prior to the gift or inheritance, and any new business or interest in a business acquired by a company within 2 years prior to inheritance or 5 year in all other cases.



# Business Asset Relief

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Finally, clawback provisions apply where the assets in relation to which business relief was claimed cease to be a relevant business property for the purpose of this relief within a 6-year period from the date of gift or inheritance. Therefore, where the business asset is disposed of and the full proceeds are not used to acquire other relevant business property within a year or the business ceases to trade within the 6-year period from the acquisition date, the Revenue Commissioners require that an additional capital acquisitions tax return is filed and any outstanding tax is paid.

2025 Finance Bill brought certain changes to the business relief as we know it. These changes have been effective from 1<sup>st</sup> January 2026 and they concerned the following provisions of the relief:

## Excepted Assets

Certain assets, known as 'excepted assets', are not included in the 90% reduction when calculating the taxable value.

An asset is an excepted asset unless:

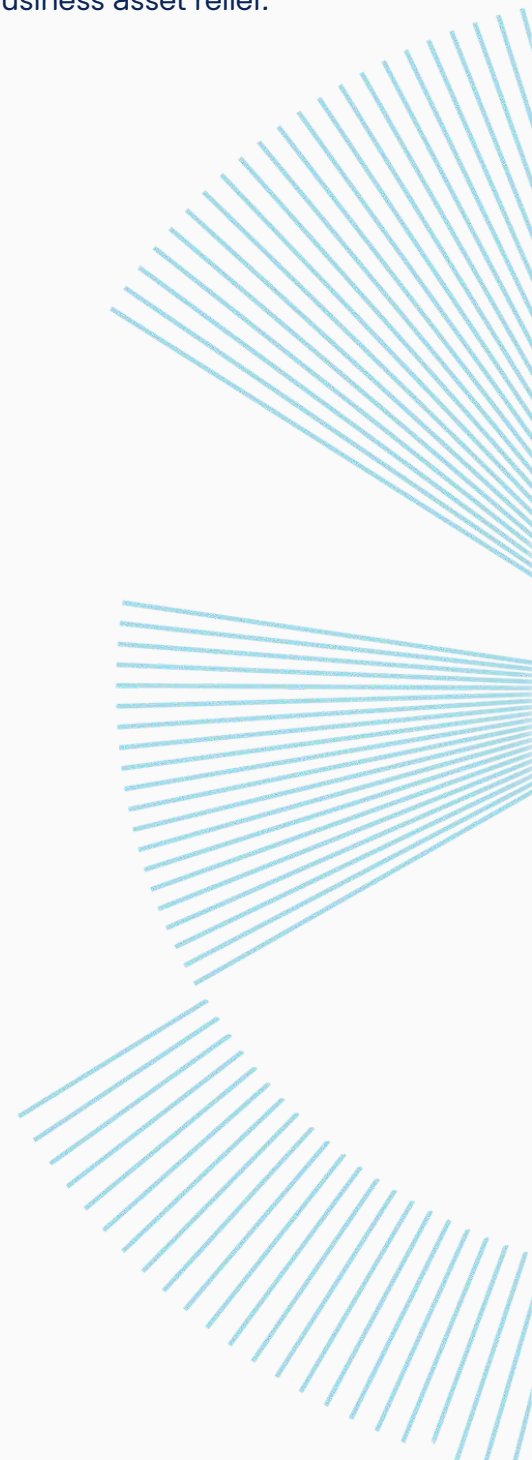
- It was used wholly or mainly for the purposes of the business for at least two years before the gift or inheritance. 'Wholly or mainly' means more than 50%.

or

- At the time of the gift or inheritance, it was required to be used for a specific business purpose within the next 6 years. The asset must actually be used for its stated business purpose within that six-year period or the relief will be withdrawn.

The Finance Act 2025 brought in the second amendment outlined above, that is an asset will not be an excepted asset, if at the date of gift or inheritance, there was a requirement to use an asset for a specific purpose of the business within the following six years. Where asset fails to be used for that purpose within six years, the asset will be treated as an excepted asset.

This amendment is a welcome change as allows for certain assets such as excess cash to be used for the purposes of future specific business investment within 6 years and still qualify for the business asset relief.



# Capital Gains Tax – What is the date of disposal

The timing of a sale or disposal for capital gains tax has a number of important tax implications. The timing of the disposal determines what capital gains tax rates applies, what reliefs apply to the transaction and the timing of the capital gains tax payment.

This issue was recently considered by the Supreme Court in the case of *Flaherty v. Revenue Commissioners* [2026] IESC 4 (“Flaherty case”). In this case, the taxpayer argued that the timing of the disposal of a fishing vessel was not the date of signing the contract but only when a fishing licence was granted and a certificate of registration was issued. The contract was signed in late 2015 but the licence and certificate only issued in January 2016.

A new capital gains tax relief, known as Entrepreneur Relief, was introduced for disposals on or after 1<sup>st</sup> January 2016. This relief reduced the capital gains tax rate to 10% on the first €1 million of qualifying disposals (this threshold has been increased to €1.5 million for disposals on or after 1<sup>st</sup> January 2026).

In the *Flaherty* case, the taxpayer argued as all conditions of the contract were not met until January 2016, they should be able to claim Entrepreneur Relief on this disposal. The Supreme Court held against the taxpayer on the basis the contract entered into in late 2015 was not contingent on the granting of a fishing licence or issue of a certificate of registration. Therefore, the taxpayer was not entitled to claim Entrepreneur Relief on the disposal as it was deemed to take place prior to the 1<sup>st</sup> January 2016.

## Contingent Contracts

Contingent contracts are common in the acquisition of land where the purchase is subject to obtaining planning permission. Where the contract is conditional on this future event, no disposal takes place until this condition is satisfied.

In the *Flaherty* case the Supreme Court held the contract was not contingent on the issue of the fishing licence or certificate of registration for the following six reasons:

1. The agreement did not refer specifically to the grant of a fishing licence or registration of vessel. Instead, it referred to “fishing entitlements”. This use of a general phrase was insufficient to make the contract contingent on the grant of a fishing licence or the registration of the fishing vessel.
2. Agreement referred to assignment of “capacity”. The contract did not make clear this was contingent on third party approval.
3. The licence and registration could only be completed after the purchaser became owner of the boat so the contract could not be contingent on conditions which are only possible to complete following the sale.



# Capital Gains Tax - What is the date of disposal

4. There is no general principle or statutory interpretation which deems a contract not to take place where there is a condition required to be satisfied post sale. Parties must be entitled to enter legal binding contracts on the assumption that an uncertain event outside their control will occur.
5. Doctrine of Frustration can apply where there is no specific provision included in contract making the contract contingent on future event.
6. Terms cannot be implied into a contract by the Courts unless it is strictly necessary to give the contract effect. A term cannot be implied merely because it seems reasonable or, with the benefit of hindsight, sensible to have included in the contract.

## Summary

While the drafting of contracts is mainly a legal issue, the Flaherty case highlights the need to carry out a tax review of legal contracts for the purchase or sale of assets to determine the tax treatment of these contracts.

# Relevant Contracts Tax

## Build & Sale contracts

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Relevant Contracts Tax (“RCT”) is a withholding tax which applies to the following activities when carried out for a Principal Contractor:

- Construction activities
- Meat Processing activities
- Forestry operations

### Construction activities

The most common of the above is RCT related to construction activities. Only construction activities carried out for a principal contractor fall within the RCT system. The definition of “principal contractor” includes a local authority and a public utility society such as an approved housing association.

It is common for a local authority or housing association to enter a contract with a developer for the purchase of a house following completion of construction of the house. There was some uncertainty as to whether these contracts were for the purchase of a completed property (which would not be within the scope of RCT) or a contract which included the construction of the house (which would be within the scope of RCT).

Revenue have updated their guidance on RCT to confirm that:



“where the contract is for the acquisition of a completed property and the contract contains no provision regarding the construction of the property then there is no relevant contract between the parties and RCT does not apply. If, however, the contract does include an undertaking by a contractor to carry out construction operations, then the payments for the construction operations come within the scope of RCT.”



Revenue have given examples of the wording which would indicate a contract includes the construction of the home. This would include wording such as:

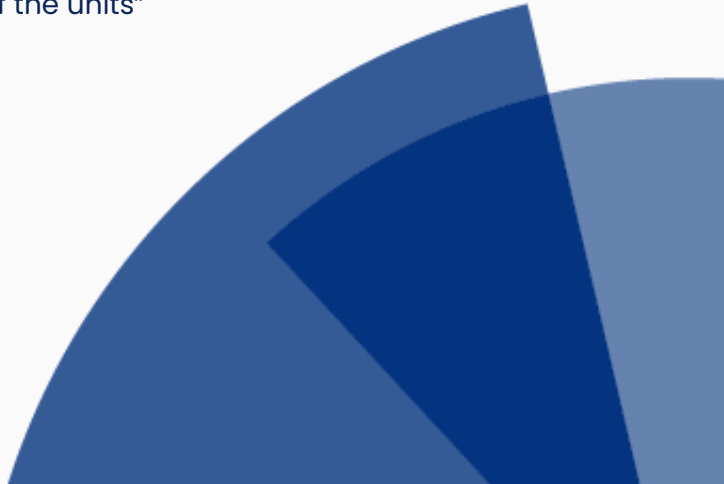
•The Employer is desirous of constructing housing units on the site in accordance with the plans (where the principal / Approved Housing Body / Local Authority is defined as the Employer in the contract).

•The Contractor has agreed to carry out the works in accordance with the plans for the contract price

•The Contractor will for the contract price build and completely finish in a good, substantial and workmanlike manner to the Employer the works on the site in accordance with the Plans.

•The “works” are defined as “the construction of the units pursuant to the planning permission and specified in the plans together with such ancillary works and services as required for such use and/or enjoyment of the units and as may be necessary to render the units habitable when completed, including such works necessary to ensure all associated common areas, roads, footpaths, access routes, infrastructural works and services, benefitting the Site are completed to a standard acceptable for taking charge by the local authority”

•“Contract Price” is defined as “the sum of €xxx being the price of the works and the assurance of the units”



# Relevant Contracts Tax

## Build & Sale contracts

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While the above provides general guidance as to the type of wording which indicates RCT should apply, Revenue note that each contract should be reviewed on a case by case basis.

It is also important to note that RCT only applies to the construction operations and not the value of the land. Where RCT applies to construction operations, VAT is charged under the “reverse charge” basis for VAT which means the Principal Contract self accounts for VAT on the construction operations. However, the developer must account for VAT on the value of the land being sold. Where the contract has a single consideration figure covering both the acquisition of the land and the construction operations, the consideration need to be apportioned between the amount for land (which RCT does not apply) and the value of the construction operations (which RCT applies).

### Conclusion

There can be significant tax and cashflow implications depending on whether or not RCT applies to a contract. It is important that the implications are understood from the outset. If you are entering any contracts for the development or sale of property, please contact us and we can assist with navigating the various tax implications of the contract.





# Our tax and payroll team

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**Michael O'Leary**  
Partner, head of  
Taxation Services

 +353 1 6689760  
 michael@pkfbl.ie





**Deborah Drought**  
Partner,  
Taxation Services

 +353 1 6689760  
 deborah@pkfbl.ie





**Barry McCarthy**  
Director,  
Taxation Services

 +353 1 6689760  
 barry@pkfbl.ie





**Ciara Dillon**  
Director,  
Taxation Services

 +353 1 6689760  
 ciarad@pkfbl.ie





**Kevin Hendricken**  
Director,  
Taxation Services

 +353 1 6689760  
 kevin@pkfbl.ie



**Paula Sheanon**  
Head of Payroll  
Services

 +353 1 6689760  
 paula@pkfbl.ie

# Our tax and payroll services

We offer comprehensive tax compliance and advisory services to a range of clients, both in Ireland and globally, helping them find their way in the increasingly complex world of tax.

We find practical solutions that we use to our clients' advantage. Our team of experts supports individuals, and businesses ranging from start-ups and SMEs to large international groups, both listed and privately owned.

Where understanding of our clients' sector makes the difference, our experts invest their in-depth industry expertise to provide invaluable support and insights.

We also provide a first-class payroll service run by a fully IPASS trained team of professionals. Our experienced team offer comprehensive and cost-effective payroll service to businesses of all sizes.



## Corporate & business taxes

Our Business Tax Team work with our clients to ensure their business is structured in the most tax efficient manner and allows all available tax reliefs to be availed of by both the company and the shareholders.

We advise local & international based companies on Ireland's key tax incentives such as the competitive corporation tax rate of 12.5%. Ireland also has tax reliefs for holding company structures and tax incentives for R&D activities. Our services include corporate tax structuring & group tax matters, capital allowances, intangible asset relief, R&D credits/refunds, transfer pricing, compliance matters



## Personal tax & payroll taxes

Our team provide a comprehensive personal tax planning service, so the client's future income is protected from unnecessary personal tax liabilities. The preparation and submission of tax returns supported by a tax advisor to correctly reflect the tax position of the taxpayer is very important.

Processing of payroll for employees has become increasingly complex and we provide comprehensive end to end processing of all payrolls including statutory submissions.



## VAT services

Our VAT tax team will support you in meeting your VAT compliance objectives and advise you on any VAT issues that your business faces.

We can ensure that your VAT risk is assessed and managed, and that your VAT recovery is optimised. We can also provide advice and compliance services on other indirect taxes,



## Transactional advisory

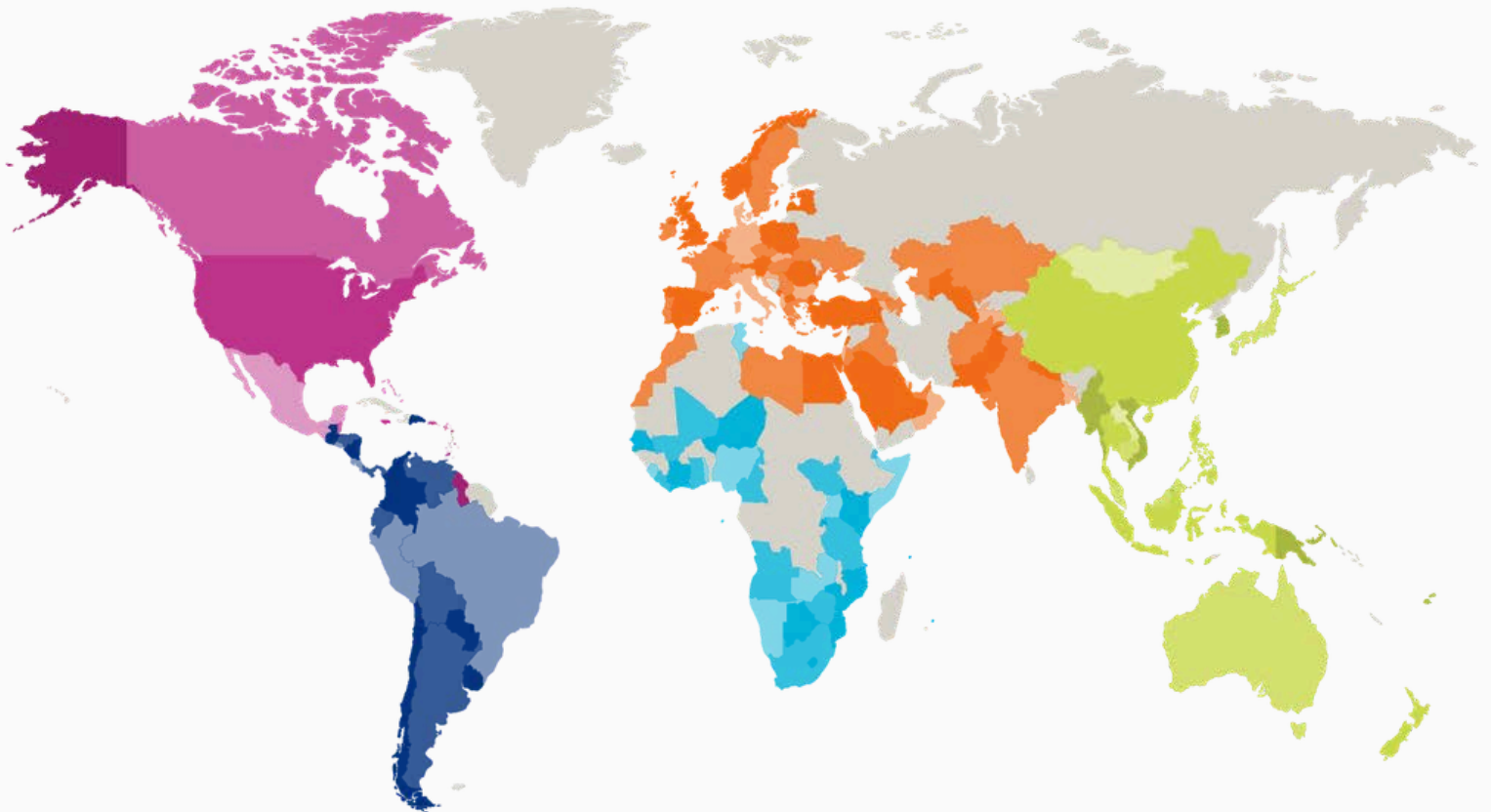
We have advised many domestic and international companies on all aspects of the sale and purchase of businesses. This includes general and specific due diligence assignments and vendor due diligence projects.

Our tax team work with our clients and their professional advisors to ensure that their property investment or development is structured in the most tax-efficient manner.

# About PKF

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## Proudly part of the PKF global family



**15th**

Largest International  
Accountancy Network

**€2 Bn**

Aggregate global  
revenue

**530+**

Offices worldwide

**21,000**

Partners and Staff

We operate from over 440 locations in 150 countries across the globe. We are ranked in the top 20 of global networks with more than 21,100 PKF partners and staff supporting private and listed businesses.

### International sharing of knowledge

We work closely with firms from the PKF Global network to deliver international engagements. Our approach is equally collaborative no matter who we're working with and our goal is to provide a streamlined and cohesive service across all of our clients' locations.

## **PKF Brenson Lawlor**

Alexandra House,  
3 Ballsbridge Park,  
Merrion Road, Dublin 4

T: 016689760  
[www.pkfbrensonlawlor.ie](http://www.pkfbrensonlawlor.ie)



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