DBASS
Accountancy & Tax Advisory



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BUDGET 2027 HIGHLIGHTS



Budget 2027 contains a significant personal income tax package together with a number of measures aimed at encouraging investment, supporting housing supply and reducing the cost of doing business.

For business owners and investors, the reduction in the standard rate of capital gains tax from 33% to 31% is a welcome development. The further reduction in the tax rate applying to Irish and equivalent offshore funds and life assurance products from 38% to 35% continues the move towards a more competitive investment tax regime.

A new Investment Account will be available from 1 July 2027. The account will operate outside the existing capital gains tax, investment undertaking tax and deemed disposal regimes, with a 1% annual tax applying to the value above a €50,000 threshold. While innovative, careful consideration will be required as to whether the annual valuation charge is attractive for longer-term investors.

Budget 2027 also includes further enhancements to the Research & Development tax credit, administrative changes to preliminary corporation tax and Enhanced Reporting Requirements, and extensions to a number of reliefs for start-ups and investors.

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Snapshot of Budget

Personal Tax	• Standard rate band increased by €2,500 • Main tax credits increased by €125 • 2% USC ceiling increased to €30,300 • Funds and life assurance rate reduced to 35% • New Investment Account from 1 July 2027 • CAT thresholds increased • Standard CGT rate reduced to 31%
Business Tax	• Further R&D tax credit enhancements • Start-up and investment reliefs extended • Preliminary corporation tax rules simplified • ERR monthly reporting option • Personalised PSWT deduction rates planned
Other Taxes	• Rent credit increased to €1,150 • Rent-a-Room threshold increased to €16,000 • Help to Buy maximum increased to €35,000 • 7% Derelict Property Tax • EV VRT relief extended • Tobacco and e-liquid excise increases

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PERSONAL TAXATION

Personal income tax bands and credits

The standard rate cut-off point will increase by €2,500 for 2027. The principal personal, employee and earned income tax credits will each increase by €125. The home carer tax credit will increase by €100.

For jointly assessed couples with two incomes, the €55,500 band may be increased by the lower of €37,500 or the income of the lower earner. This gives a maximum combined standard rate band of €93,000.

Universal Social Charge (USC)

The ceiling of the 2% USC band will increase by €1,600 to €30,300. This is intended to ensure that a full-time worker benefiting from the increase in the national minimum wage to €14.94 per hour remains outside the higher USC bands. The USC exemption for income not exceeding €13,000 remains unchanged.

Income	USC
From €1 – €12,012	0.5%
From €12,013 – €30,300	2%
From €30,301 – €70,044	3%
Over €70,044	8%
Self-employed income over €100,000	Additional 3% surcharge

PRSI

A previously legislated increase of 0.15% in employee, employer and self-employed PRSI rates took effect from 1 October 2026. For Class A employees, the main employee rate increased from 4.2% to 4.35%, while the main employer rate increased from 11.25% to 11.4%. A further 0.15% increase is scheduled for 1 October 2027, followed by an additional 0.2% from 1 October 2028.

To ease the employer PRSI cost arising from the increase in the national minimum wage, the weekly earnings threshold for the lower employer PRSI rate will increase from €552 to €600 for 2027.

Taxation of funds and life assurance products

The tax rate applying to Irish and equivalent offshore funds and Irish and certain foreign life assurance products will reduce from 38% to 35% from 1 January 2027. The rate change will also apply to equivalent offshore ETFs and to Irish domiciled ETFs held through recognised clearing systems under new legislation.

Personal tax credits and bands	2027	2026
Personal tax credits		
Single	€2,125	€2,000
Married	€4,250	€4,000
PAYE	€2,125	€2,000
Earned income tax credit for self-employed	€2,125	€2,000
Rent tax credit	€1,150	€1,000
Home carer credit	€2,050	€1,950
Age exemption limits (aged 65 and over)		
Single	€18,000	€18,000
Married	€36,000	€36,000
20% standard rate tax bands		
Single	€46,500	€44,000
Married one income	€55,500	€53,000
Married two incomes	€93,000	€88,000

The reduction is welcome and represents a further step towards narrowing the gap with the standard capital gains tax rate, which is being reduced to 31%. The wider review of the investment tax regime, including deemed disposal and administrative requirements, is continuing.

Investment Account

A new Investment Account will be available from 1 July 2027 to Irish-resident individuals aged 18 or over who hold a PPS number. Annual contributions will be limited to €12,000 and, initially, only one account will be permitted per person.

- A tax-free value threshold of €50,000.
- A 1% annual tax on the average value of the account above €50,000.
- Eligible investments to include shares, bonds, investment funds and insurance-based investment products.
- No CGT, dividend withholding tax, investment undertaking tax, life assurance exit tax or deemed disposal within the account.
- The provider will calculate, report and pay the tax, with no normal return obligation for the investor.

The account should simplify investment and reduce compliance obligations.

Capital Acquisitions Tax

The tax-free thresholds applying to gifts and inheritances will increase for benefits taken on or after 7 October 2026. The CAT rate remains 33%.

Group	Relationship	2027	2026
A	Child from parent	€420,000	€400,000
B	Close relatives, including siblings, nieces and nephews	€44,000	€40,000
C	All other persons	€22,000	€20,000

Other personal tax measures

- The Rent Tax Credit will increase to €1,150 for a single claimant and €2,300 for a jointly assessed couple for 2027 and 2028.
- The Rent-a-Room Relief threshold will increase from €14,000 to €16,000 from 1 January 2027. The relief will also extend to certain qualifying detached auxiliary dwellings installed after 27 July 2026.
- The income tax disregard for qualifying household microgeneration income will increase from €400 to €600.
- The Childcare Services Relief ceiling will increase from €15,000 to €20,000 and the statutory cap on the number of children cared for will be removed, subject to regulatory requirements.
- The tax treatment of third-level fees will be aligned with the Student Contribution Fee by reducing the disregarded amount.
- Rebates under the Nurturing Skills Learner Fund will be exempt from income tax, USC and PRSI.
- Age-related valuation factors for defined benefit pension rights under the Standard Fund Threshold regime will be revised from 1 January 2027.

BUSINESS TAXATION

Capital Gains Tax

The standard rate of CGT will reduce from 33% to 31% for disposals made on or after 7 October 2026. This is a welcome measure for business owners and investors and should improve the environment for disposals, succession planning and reinvestment.

The 33% rate applying to disposals of development land will remain unchanged. The 10% rate under Revised Entrepreneur Relief also remains unchanged, with the lifetime limit having increased to €1.5 million from 1 January 2026.

Research & Development tax credit

The R&D tax credit remains at 35% of qualifying expenditure. Budget 2027 introduces a further package of enhancements aimed at supporting collaboration, cash flow and administrative simplification:

- The limits for subcontracted R&D to third-level institutions and unconnected third parties will increase from 15% to 20%, and the alternative monetary limit will increase from €100,000 to €200,000.
- The first-year payment threshold will increase from €87,500 to €105,000. This is the amount of a claim that can be paid in full in year one rather than over three instalments.
- A new provision will allow the qualifying cost base to be increased by 5% of qualifying R&D wage costs, subject to sufficient expenditure being incurred.
- Recognition of the credit for preliminary corporation tax purposes will be improved.
- For regulated clinical trials, the fact of regulation may be used to satisfy the science test. The detailed provision is expected at committee stage.

The enhancements are positive, particularly for smaller claimants and companies that rely on external expertise. As always, contemporaneous technical and financial documentation remains essential in supporting a claim.

Knowledge Development Box (KDB)

The KDB regime will be extended to 1 January 2032. A limited option will also be introduced for existing claimant companies to elect out of the regime in respect of all qualifying assets, subject to conditions.

Start-ups and investment reliefs

Corporation tax relief for certain start-up companies will be extended to 31 December 2030. The relief can apply for the first five years of trading and is linked to the level of employer PRSI paid by the company.

Subject to adoption of the revised EU General Block Exemption Regulation, the Employment Investment Incentive, Start-Up Capital Incentive, Start-Up Relief for Entrepreneurs and Angel Investor Relief will also be extended in their current form.

Preliminary corporation tax

A number of administrative changes will be introduced to reduce uncertainty and improve flexibility:

- The small company threshold, based on the prior-year corporation tax liability, will increase from €200,000 to €350,000.
- The limited top-up mechanism will be extended so that the requirements may be satisfied where at least 80% of the current-year liability is paid by the final preliminary tax instalment date and the balance is paid within four months of the accounting period end.
- The 45% deeming provision affecting the first instalment will be removed in specified circumstances.

Interest deductibility and Pillar Two

Targeted amendments will be included in the Finance Bill to simplify the provisions governing interest relief on borrowings for certain lending and investment activities. Separately, Ireland's Pillar Two legislation will be updated to implement the OECD Side-by-Side Package and related safe harbours and administrative guidance.

Enhanced Reporting Requirements

From 1 January 2027, employers subject to Enhanced Reporting Requirements will be able to continue real-time reporting or instead report relevant tax-free payments by the 14th day of the following month. This additional flexibility is welcome, although employers will still need robust systems to capture reportable benefits accurately and on time.

Withholding tax

Professional Services Withholding Tax is to be modernised by replacing the flat 20% withholding rate with personalised deduction rates. The measure will be subject to a commencement order to allow for stakeholder engagement. Self-employed taxpayers will also be able to opt in to a real-time exchange of information with Revenue.

PROPERTY-RELATED TAX MEASURES

Help to Buy

The maximum Help to Buy refund will increase from €30,000 to €35,000 for claims from 7 October 2026. The relief will continue to be limited to the lower of the maximum amount, 10% of the purchase price and the income tax and DIRT paid in the previous four years.

Residential Zoned Land Tax

A further opportunity will be provided for owners of land on the revised 2027 map to request a change in zoning. In certain circumstances, a successful submission may support an exemption from RZLT for 2027.

Derelict Property Tax

The new Derelict Property Tax will be legislated for in Finance (No. 2) Bill 2026. It will replace the existing approach to dereliction with a Revenue-collected annual tax based on registers maintained by local authorities.

- The rate will be 7% of the self-assessed market value of the property.
- The tax will apply to residential and non-residential property regarded as not in use and unsuitable for use.
- In the first year it will apply in towns and cities with a population of at least 4,000, expanding to towns with at least 2,000 people in year two.
- Preliminary registers will be published on 1 September 2027, final registers on 1 March 2028, and the first pay and file deadline will be 23 June 2028.
- Owners will have review rights. Limited deferral or abatement provisions are expected where remediation is undertaken within a reasonable timeframe.

The 7% rate is substantial, and owners of vacant or dilapidated property should review the condition and use of their property well in advance of the publication of the preliminary registers.

OTHER MEASURES

Energy and carbon tax

In response to elevated energy costs, carbon tax on kerosene and natural gas will reduce to €48.50 per tonne of CO_2 and remain at that level until 2030. Scheduled carbon tax increases on auto fuels and marked gas oil will be deferred, with later increases intended to restore the legislated trajectory.

The temporary reductions in the non-carbon component of mineral oil tax will remain fully in place until 28 February 2027. Restoration will then take place in stages, with full restoration for petrol and diesel by 30 June 2027.

Vehicles

The €5,000 VRT relief for qualifying electric vehicles will be extended to 31 December 2028. From 1 January 2027, VRT rates for Category A vehicles in emissions bands 3 to 20 will increase by one percentage point. Bands 1 and 2 will be unchanged.

Excise duties

Excise duty on a packet of 20 cigarettes will increase by €1, inclusive of VAT, with proportionate increases for other tobacco products.

Excise on e-liquid products will increase by 20 cent per millilitre, bringing the total to 70 cent per millilitre excluding VAT from 1 January 2027.

A 25% pool betting charge on commissions will generally apply from 1 January 2027, with an exemption for on-course pool bets.

Other measures

- The VAT Compensation Scheme for Charities annual fund will increase from €10 million to €15 million.
- The annual ceiling for tax relief on donations of heritage items will increase from €8 million to €12 million.
- The Bank Levy will be extended for 2027 with a target yield of €200 million.
- The Government will review the Cycle to Work scheme, the TaxSaver commuter scheme and the tax treatment of theatre production costs during 2027.

About DBASS

For over 35 years, we have worked alongside ambitious business owners, helping them make informed decisions, navigate challenges, and seize opportunities with confidence. We take the time to understand our clients, their businesses, and what matters most to them.

Our approach is built on strong relationships, trusted advice, and practical solutions. We believe in keeping things simple and offer clear, straightforward guidance without the jargon.

Whether you need support with audit, tax, accountancy, strategic planning, or business advisory services, our experienced team is here to help. We combine technical expertise with genuine commitment to delivering exceptional service and supporting your long-term success.

At DBASS, you'll always have a trusted partner by your side, providing the clarity, insight and support you need to grow your business with confidence. If you'd like to learn more about how we can help, we'd love to hear from you.

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