



WALSH O'BRIEN HARNETT

Budget 2026 Highlights

7 October 2025

Budget 2026 sets out a number of tax measures focused on small- and medium-sized businesses and their owners. The increase to the lifetime limit to €1.5m for entrepreneur relief and the increase in the tax credit available for expenditure on research and development are welcome developments.

There have been significant changes to encourage the supply of housing. As speculated, the Minister announced the reduction of VAT from 13.5% to 9% on the sale of completed apartments.

A welcome reduction from 41% to 38% for income and gains generated from Irish and offshore funds has been announced and hopefully this will begin a phased reduction to 33%, which is the current rate for gains on other capital assets.

Details of a major change for the roll-out of domestic electronic invoicing for business-to-business transactions will be announced by Revenue tomorrow.

Following a public consultation in relation to the deductibility of interest, a feedback statement will be published in November and an action plan has been published detailing reforms to the taxation and deductibility of interest.

Should you have any taxation or business questions, our experienced team will be happy to share their insights with you.

Snapshot of Budget

Personal Tax

- Increase in the 2% USC ceiling by €1,318 to €28,700
- Rent tax credit extended to 31 December 2028
- Extension of limited Mortgage Interest Relief
- Reduction in tax rate of funds and life assurance products from 41% to 38%

Business Tax

- Improvements to the Research & Development tax credit
- Improvements to CGT entrepreneur relief
- Expanding scope of exemption for companies who receive foreign dividends
- Action plan being published to reform tax regime for interest
- KEEP extended to 31 December 2028
- SARP extended for further five years
- FED extended for five years with increased level of relief up to €50,000
- Extension of BIK relief on electric vehicles
- Enhanced corporation tax deduction on costs incurred in construction of apartment developments

Other Taxes

- VAT rate reduction to 9% for food & catering and hairdressing services
- Reduced 9% VAT rate on gas & electricity extended to 2030
- Excise duty to increase by 50c on a packet of 20 cigarettes with a pro rata increase on other tobacco products
- VAT on sale of completed apartments reduced to 9%
- Potential RZLT exemption available for landowners
- Extension of Living City Initiative
- New Derelict Property Tax replacing Derelict Sites Levy
- Stamp duty refund scheme extended with improvements
- Bank levy extended by one year
- Extension to farming relief schemes

PERSONAL TAXATION

Personal income tax bands and credits

In a significant change from the last four budgets, the Minister has confirmed tax bands will remain unchanged in 2026.

Universal Social Charge (USC)

The 2% USC rate band ceiling will increase from €27,382 to €28,700. The 3% rate of USC remains unchanged, alongside the exemption for income less than €13,000.

This will ensure that a full-time worker on the minimum wage who benefits from the increase in the hourly minimum wage rate from €13.50 to €14.15 will remain outside of the highest rates of USC.

There will also be an extension of the USC concession for medical card holders to 31 December 2027.

Income	USC
From €1 – €12,012	0.5%
From €12,013 – €28,700	2%
From €28,701 – €70,044	3%
Over €70,044	8%

Personal tax credits and bands	2026	2025
Personal tax credits		
Single	€2,000	€2,000
Married	€4,000	€4,000
PAYE	€2,000	€2,000
Earned income tax credit for self-employed	€2,000	€2,000
Rent tax credit	€1,000	€1,000
Home carer credit	€1,950	€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	€44,000	€44,000
Married one income	€53,000	€53,000
Married two incomes	€88,000	€88,000

PRSI

Increases to both employer and employee PRSI rates of 0.1% already took effect from 1 October 2025, ahead of Budget 2026. This brought Class A PRSI rates to 4.2% for employees and 11.25% for employers.

Legislation for larger increases are already provided for, with a 0.15% increase from 1 October 2026, another 0.15% on 1 October 2027 and an additional 0.2% on 1 October 2028.

Help to Buy Scheme

The Help to Buy Scheme will remain at the current rates until the end of 2029.

Rent tax credit

The rent tax credit remains unchanged, with an extension provided up to 31 December 2028. This will result in €1,000 per year or €2,000 for jointly assessed.

Automatic Enrolment Retirement Savings Scheme – “My Future Fund”

Under the auto enrolment (AE) scheme, the employee, employer, and the Government will pay into an employee's pension fund.

From 1 January 2026, employee, employer and Government contributions will be a set rate of 1.5% of gross earnings. This will remain in place for a period of three years with gradual increases over the course of the following six years.

Finance Bill 2025 will provide for additional amendments to the tax treatment for the scheme. These will address the tax treatment of AE retirement savings on the death of the participant. Further amendments are also required to exempt AE provider schemes from investment undertaking tax and to provide an exemption from USC for employer contributions to AE.

Mortgage interest tax relief

The mortgage interest tax relief is to be extended, on a tapered basis, for two years to 31 December 2026. The relief available for 2025 will be maintained at the current level, with the tax credit limited to €1,250 per property. The final year relief limit will be reduced, with the credit limited to €625 per applicable property.

Funds and life assurance products

The tax rate applied to Irish and equivalent offshore funds will be reduced from 41% to 38%. The rate change will also apply to Exchange Traded Funds (ETFs) that are subject to tax under this regime, including Irish domiciled ETFs.

Deduction for retrofitting by landlords

This income tax relief is being extended to 31 December 2028. The relief is being amended by allowing it to be claimed in respect of the year the expenditure is incurred. Additionally, the number of properties for which landlords can claim the relief will increase from two to three.

BUSINESS TAXATION

Revised Entrepreneur Relief

The Revised Entrepreneur Relief provides for a reduced 10% rate of capital gains tax on gains derived from disposing of certain business assets. The lifetime limit of €1 million of gains to which the reduced rate may apply will be increased to €1.5 million from 1 January 2026.

Research & Development tax credit

The R&D tax credit will increase to 35% for all qualifying R&D expenditure. The first-year payment threshold will increase from €75,000 to €87,500. This is the amount up to which a claim can be paid in full in the first year, rather than being paid in instalments over three years. The increase will provide valuable cash flow support to companies undertaking smaller R&D projects or engaging with the credit for the first time.

An administrative simplification measure will be introduced to allow 100% of an R&D employee's emoluments as qualifying costs where at least 95% of their time is spent on qualifying R&D activities.

An R&D Compass will be published in the coming weeks to set out the future direction of travel for developments in R&D and innovation support.

Capital allowances for energy-efficient equipment and IP

The accelerated capital allowance scheme for energy-efficient equipment provides investors with an upfront 100% wear and tear credit in the year of purchase. The scheme is unchanged in its nature but has been extended to 31 December 2030. The same extension has been applied to the relief for capital allowances on gas vehicles and refuelling equipment.

Participation exemption for dividends

Following the introduction of the participation exemption in 2025, Budget 2026 introduces a number of changes that will be provided for in Finance Bill 2025, including expanding geographic scope.

Interest deductibility

The Minister has advised that a new paper will be published looking at the tax reform of interest deductibility. This is to align Irish and international rules in respect of same. The goal is to simplify the regime.

Audiovisual (film and games credit)

The film tax credit is being enhanced to provide for a 40% rate for productions with a minimum €1 million eligible spend on relevant VFX work, up from 32% last year. There is also an increase on the maximum eligible expenditure to €10 million. These increases are subject to European Commission approval.

The digital games tax credit has been extended for a further six years to the end of 31 December 2031. The credit is also to be enhanced to allow claims regarding post-release content work where the original release had availed of the credit. There is a three-year timeframe from time of original release for expenditure qualifying for the post-release credit.

BIK on vehicles

Category A-D vehicles and vans have been subject to a universal €10,000 reduction of OMV when calculating taxable amounts for BIK. This reduction has been extended for a further three years on a tapered basis as follows:

2026: €10,000
2027: €5,000
2028: €2,500

The lower limit on the highest mileage-based limit for BIK calculation is being permanently reduced to 48,001km from 52,001km, effective 1 January 2026.

A new A1 category is being introduced for calculating BIK on zero-emission employer-provided vehicles with rates to vary from 6% to 15% of the vehicle's OMV with respect to business mileage in each case.

Stamp duty on acquisition of shares

An exemption from stamp duty has been announced on acquisition of shares in Irish registered companies. The standard 1% rate due on the acquisition of shares will no longer apply where the company is admitted for trading on a regulated market, a multilateral trading facility, or an equivalent third-country market where market capitalisation is below €1 billion. The exemption replaces the previous Enterprise Securities Market exemption.

PROPERTY-RELATED TAX MEASURES

Residential Zoned Land Tax

There is a potential exemption for RZLT landowners who make a submission requesting a change in zoning of land appearing on the revised map for 2026.

In addition, an exemption is being provided from RZLT during An Coimisiún Pleanála proceedings brought by a third party in relation to a grant of planning permission in respect of a relevant site.

Derelict Property Tax

A new Derelict Property Tax (DPT) has been announced. This new tax will be collected by the Revenue Commissioners and will replace the existing Derelict Sites Levy. It is intended that the tax rate will not be less than 7%. Preliminary registers of dereliction will be published in 2027, and the tax will be implemented as soon as possible after this date.

Residential Development Stamp Duty Refund Scheme

This will be extended to the end of 2030. There will be an extension of the two time limits that apply (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. A full stamp duty refund can be claimed in respect of a multi-phase development at the commencement of the first phase of that development.

Living City Initiative

This scheme is being extended to 31 December 2030. Heretofore, qualifying buildings for this scheme must have been built before 1915. The scheme will now apply to houses built before 1975.

Additionally, a new category of tax relief is being introduced under this scheme and will apply to commercial properties converted into residential properties. It will also apply to "over the shop" premises converted for residential purposes. The building age restriction will not apply to these properties. Further details will be set out in Finance Bill 2025.

Corporation tax exemption for cost rental income

A new corporation tax exemption for rental profits arising from cost rental properties has been announced. This will relate to properties deemed cost rental from 8 October 2025.

Enhanced corporation tax deduction for apartment construction costs

Subject to certain conditions, a new enhanced corporation tax deduction is being introduced for qualifying apartment construction costs. It will be available to developers and will apply to both construction costs in respect of new build apartments and costs incurred converting other properties into apartments. The deduction will only be available in respect of projects comprising 10 or more apartments.

The enhanced deduction will be 12.5% of actual costs incurred, up to a maximum of €50,000 per apartment, equalling a tax saving for the developer of €6,250 per apartment.

Reduced rate of VAT on apartments

The 13.5% VAT rate is to be reduced to 9% on sale of completed apartments with immediate effect from 8 October 2025 to 31 December 2030.

OTHER MEASURES

VAT

The temporary reduction in the VAT rate for electricity and gas to 9% has been extended to 31 December 2030.

The 13.5% VAT rate is also to be reduced to 9% for the following:

- Food & catering businesses, with effect from 1 July 2026
- Hairdressing services, with effect from 1 July 2026

The Minister confirmed that the Revenue Commissioners will begin a phased roll-out arrangement for electronic invoicing for domestic business-to-business transactions in light of recent changes to modernise EU VAT law.

Excise

Excise duty on tobacco products is being increased by 50c inclusive of VAT on a pack of 20 cigarettes in the most popular price category, together with pro rata increases for other tobacco products.

VRT

The €5,000 VRT relief for electric vehicles will be extended for one year to 31 December 2026.

Farming

Farm Consolidation (Stamp Duty) Relief, Farm Restructuring (CGT) Relief and the Young Trained Farmer (Stamp Duty) Relief have been extended to the end of 2029. The scope of Farm Restructuring Relief now includes woodlands and forestry. There will be an extension of the Accelerated Capital Allowance Scheme for slurry storage facilities for four more years.

Carbon tax

This is being increased from €63.50 to €71 per tonne of CO₂ emitted for all propellant fuels from 8 October 2025, and for all other fuels from 1 May 2026.

Pool betting duty

Pool betting duty will be legislated in Budget 2027 for a separate pool betting duty charge.

Bank levy

The bank levy will be extended until 2026.

About Us

Walsh O'Brien Harnett is a professional advisory firm – one of Ireland's top 20 accountancy practices – comprising chartered accountants, registered auditors and chartered tax advisors. Led by a young and dynamic team of six partners, we are a modern practice built on the foundations of almost 70 years' experience. We are a full-service firm offering a wide range of accounting, audit, tax, advisory and corporate services; though we like to think we are much more than a list of services. Our goal is to be the trusted advisor of choice to our clients, acting as their partners whenever they need advice and expertise, or even just a sounding board for ideas.



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