BUDGET 2026

Presented By:

CompanySetup.ie

Coliemore Hse, Coliemore Rd, Dalkey,

Co Dublin, A96 A8D5

Tel: 00353-1-2848911

Email: info@companysetup.ie

Company Setup

Company Registration and Annual Filing Specialists

Budget 2026: Key Measures

Budget 2026 comes at a time of economic uncertainty and shifting priorities. Our tax experts have examined how it could affect individuals and businesses, especially in areas like housing, personal tax, private enterprises, energy, and more. It includes enhancements to the Research and Development (R&D) tax credit and to various other reliefs including the Key Employee Engagement Programme (KEEP), the Special Assignee Relief Programme (SARP) and the Foreign Earnings Deduction (FED).

Private Businesses

The budget includes several supportive measures for privately owned firms to help them remain competitive in uncertain times.

Important reforms:

- A 9% VAT rate will apply to food and catering businesses, and hairdressing, beginning 1 July 2026.
- The lifetime limit for **Revised Entrepreneur Relief** increases from €1 million to €1.5 million for eligible disposals from 1 January 2026.
- **KEEP (Key Employee Engagement Programme)** is extended from end 2025 to end 2028. This extension is subject to approval by the European Commission.
- Extension of **Accelerated Capital Allowances** for energy efficient equipment until 31 December 2030.
- **Section 481 Film Tax Credit:** The Film Tax Credit is being enhanced to introduce a new 40 percent rate for productions with a minimum eligible expenditure of €1 million on relevant Visual Effects work. The rate will apply on qualifying expenditure up to a maximum of €10 million per production. The changes are subject to approval by the EU.
- **Exemption for Share Acquisitions:** A new exemption will apply to the 1% stamp duty charge on acquiring shares in Irish-incorporated companies that are traded on regulated markets or other recognized trading platforms, provided the company's market capitalization is below €1 billion. Transition and Timing: The exact timing for this exemption is still unclear, but it is expected to have a sunset clause, expiring on 31 December 2030.

Energy & Infrastructure

While some funding is allocated, the absence of broader tax measures for the energy transition was noted as a missed opportunity.

Highlights:

- The reduced 9% VAT rate on gas and electricity (expiring 1 November 2025) will be extended to 31 December 2030 via a financial resolution.
- The €5,000 **VRT relief** for electric vehicles continues through 31 December 2026.
- A total of €1.1 billion is directed to climate and infrastructure projects: €209 million toward climate leadership and €724 million toward energy transformation.

- Additional contributions to the **Future Ireland Fund and the Infrastructure, Climate and Nature Fund**, targeting a balance of €40 billion by the government's term end.
- Carbon tax increases from €63.50 to €71 per tonne of CO_2: applying to auto fuels from 8 October 2025, and other fuels from 1 May 2026.
- Households selling electricity back to the grid via micro generation won't pay income tax on the first €400 annually; this exemption now extends through 2028.

FDI & Financial Services

Budget 2026 includes some promising adjustments for foreign direct investment and the financial services sector, though more ambitious steps were expected.

Key points:

- Expansion of the **participation exemption**: more jurisdictions will be included (where non-refundable withholding taxes apply), along with technical amendments to improve usability.
- The government will publish an **action plan** to reform Ireland's interest taxation to improve competitiveness and align with best practices. A feedback statement is due in November 2025, with changes expected in the 2026 Finance Bill.
- Exit tax on payments from Irish funds (and equivalent offshore funds) to Irish individuals will fall from 41% to 38% The rate change will apply to Exchange Traded Funds (ETFs) including Irish domiciled ETFs.
- A roadmap will be published early next year to bolster **retail participation** in investment funds, in line with the EU's savings & investment union proposals.
- A joint public consultation by the Department of Finance and Revenue on withholding taxes is scheduled.

Housing

To reduce construction costs and increase housing supply (particularly apartments), the Government introduced several incentives. Though beneficial for construction, their success depends on resolving planning system challenges. In addition, it was clarified that Irish real estate funds (IREFs) will not face entity-level tax, helping to alleviate investor concerns. A public consultation will explore making the regime simpler while preserving its intent.

Key changes include:

- Corporation tax exemption on rental income from properties under the Cost Rental Scheme (effective from 8 October 2025).
- Enhanced corporation tax deduction for construction-related costs tied to new apartment developments or converting non-residential buildings into apartments.
- Reduction of VAT on completed apartments from 13.5% to 9%, from 8 October 2025.
- Adjustments to the **Living City Initiative** (tax relief on refurbishment in designated regeneration zones): extended duration and increased eligible expenditure.

- Replacing the current Derelict Site Levy with a new Derelict Property Tax (with a minimum rate of 7%).
- Extension of the income tax deduction for landlords' retrofitting costs until 31 December 2028.
- Landowners may secure an exemption from Residential Zoned Land Tax (RZLT) if they apply for rezoning based on genuine economic activity.
- Exemption from RZLT in certain **An Coimisiún Pleanála** (planning appeals) proceedings.
- The **Residential Development Refund Scheme** (refund of 11/15 of stamp duty paid on land that's later developed residentially) is extended through December 2030.

Personal Taxation

Rather than broad income tax amendments, Budget 2026 targets specific reliefs and extends important deductions.

Notable measures:

- The ceiling for the 2% USC rate is increased by €1,318, bringing it to €28,700.
- The USC concession for individuals with a full medical card (and under €60,000 income) is extended to 2027.
- **Rent Tax Credit** is extended until end 2028 (still valued at €1,000 per person).
- **Mortgage Interest Relief**: Mortgage interest relief has been extended on a tapered basis to 31 December 2026. The current level of relief will be maintained for the increase in interest paid in the tax year 2025 over 2022, with a maximum tax credit of €1,250 per property available, this relief can be claimed by taxpayers from 2026. A reduced level of relief will be available for the increase in interest paid in the tax year 2026 over 2022, with a maximum tax credit of €625 per property applicable, this relief can be claimed by taxpayers from 2027.
- The national minimum wage increases by €0.65/hour to €14.15/hour.
- **Special Assignee Relief Programme (SARP)** is extended for five years; the minimum income threshold rises to €125,000 from 2026. to 31 December 2030. From 1 January 2026, an annualised salary of €125,000 or above will be required to qualify for the relief. New entrants to the scheme from 2026 onwards may benefit from an income tax exemption on 30 percent of relevant annual employment income between €125,000 and €1 million. This change will not apply to existing claimants who continue to avail of SARP in 2026 and further years.
- **Foreign Earnings Deduction (FED)** The Foreign Earnings Deduction (FED) will be extended for a further five years, up to 31 December 2030. In addition, from 1 January 2026, the scheme will be enhanced by increasing the cap on qualifying employment income for Income Tax relief from €35,000 to €50,000.and expanded to include the Philippines and Turkey.
- **Company car benefit-in-kind (BIK)** relief of €10,000 is extended for one year (2026), then reduced in 2027 and 2028 before being phased out in 2029.
- A new category for **zero-emissions vehicles** will have BIK rates of 6–15% starting 2026.

- From 1 January 2026, the lower threshold for the highest mileage band for company car BIK is permanently reduced from 52,001 km to 48,001 km.

Research & Development and Innovation

Budget 2026 strengthens incentives for innovation, though further refinement will be needed to optimize the impact.

Key enhancements:

- Increase in R&D tax credit from 30% to 35%.
- The first-year minimum payment threshold rises from €75,000 to €87,500 to better support small claims.
- Administrative simplification: if an employee spends ≥95% of their time on qualifying R&D, 100% of their remuneration qualifies.
- A forthcoming “R&D compass” will explore changes (e.g., to outsourcing rules and qualifying expenditure) and set a path for further innovation support.
- Extension of the **Digital Gaming Tax Credit** by six years; eligibility expanded to include certain post release activities (subject to conditions).

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A full and comprehensive guide to all the applicable tax rates is on the following page

2026 Rates and Taxes Table

Income tax rates	
Standard	20%
Marginal	40%
Standard rate bands	
Single	€44,000
Married/civil partnership (two income)	€88.000
Married/civil partnership (one income)	€53,000
Single parent	€48.000
Income tax credits	
Single	€2.000
Married/civil partnership	€4,000
Single person child carer tax credit (primary carer only)	€1,900
Employee tax credit	€2,000
Earned income credit	€2,000
Age credit - single (married/civil partnership x2)	€245
Medical insurance relief max premium - adult/child	€1,000/ €500
Home carer credit	€1,950
Dependent relative tax credit	€305
Rent credit individual/couple jointly assessed	€1,000/ €2,000
Income tax age exemption	
Single and widowed	€18,000
Married (either spouse aged 65 or over)	€36,000
Housing	
Rent-a-room relief	€14,000
Mortgage interest tax relief (2025 minus 2022 interest @20%) (2026 minus 2022 interest @20%) 'subject to mortgage balance restrictions	Max €1,250 Max€625
Residential premises rental income relief (landlords) (max)	€1,000
Vacant homes tax	LPTx7
Preferential loan specified rates - benefit-In-kind	
Qualifying home loans	4%
All other loans	13.5%

Electric vehicles - benefit in kind	
BIK exemption capped at €20,000 of OMV for 2026	0%
BIK relief of €10,000 on OMV to 31/12/2026	
Small benefit exemption	
Non-cash vouchers (Annual limit: first 5 benefits)	€1,500
Universal Social Charge	
Earnings	
Oto €12,012*	0.5%
€12,013 to €28,700	2%
€28,701 to €70,044"	3%
€70,045 to €100,000	8%
PAYE income > €100,000	**8%**
Self-employed income > €100,000	11%

**Exempt if income < €13,000*
***Reduced rate 2% for persons bolding medical card and/or aged 70, where income < €60,000*

PRSI rates	
Employer	
Standard rate	11.25%
Lower rate	9%
Weekly lower rate limit	€527
Employee	
PRSI	4.2%
Weekly PRSI threshold (tapering relief available)	€352
Self-employed	
PRSI	4.2%
Minimum contribution	€650
Pensions	
Annual earnings cap	€115,000
Marginal rate deduction	40%
Tax free lump sum limit	€200,000
Standard fund threshold	€2,000,000

Capital gains tax	
Standard rate	33%
Withholding tax rate	15%
Entrepreneur relief (up to €1.5m chargeable gains)	10%
Angel investor relief	16%/18%
Annual exemption	€1,270
Capital acquisitions tax	
Standard rate	33%
Thresholds	
Group A	€400,000
Group B	€40,000
Group C	€20,000
Stamp duty	
Residential property	
First €1,000,000	1%
Next €500,000	2%
Excess over €1,500,000	6%
Bulk/cumulative purchases of 10 or more residential units in a 12-month period	15%
Non-residential property	**7.5%**
Local Property Tax (residential property only) 2026-2030	
Band 1: 0 - €240,000	€95
Band 2: €240,001 - €315,000	€235
Band 3: €315.001 - €420.000	€333
Band 4-19: €420,001 - €2,100,000	Range from €428-€3,110
Value > €2,100,000 (calculated on valuation of property)	
First €1,260,000	0.0906%
Next €840,000	0.25%
Balance	0.30%
- Local Authorities can adjust annually + 25%/ - 15% basic LPT rate	

DIRT	
Deposit accounts	33%
Investment funds	38%
Corporation tax rates	
Standard rate	12.5%
Qualified Domestic Top-up Tax rate (companies within scope of BEPS Pillar 2 rules only)	15%
Higher rate an passive Income	25%
Knowledge Development Box rate	10%
R&D tax credit rate	35%
Exit tax rate*	12.5%
**Applies to unrealised capital gains where companies migrate/transfer assets offshore such that they leave the scope of Irish tax*	
Dividend Withholding Tax	
Dividend Withholding Tax	25%
VAT rates and limits	
Standard rate	23%
Reduced rate	13.5%
Second reduced rate	9%
Farmer's flat rate	4.5%
Distance selling limit	€10,000
Registration limit - taxable goods	€85,000
Registration limit - taxable services	€42,500
Cash receipts basis limit	€2,000,000
Carbon taxes	
Per tonne/CO2 (2025: €63.50. To be increased incrementally each year to €100 per tonne/ CO2 by 2030)	€71
Excise duties	
Excise duty on a packet of 20 cigarettes (pro rata increase to other tobacco products)	+50C