Budget 2026 Analysis

Presented by:
Mike Scanlan, Tax Director, RBK

#RBKtax

> *"A plan to strengthen the resilience we have shown in the past, underpinned by a sensible budget that will safeguard our future."*
>
> ***Minister Paschal Donohoe***

Budget 2026 – Summary of Budgetary Package at a Glance

€9.4bn Budgetary Package

€1.3bn Net Tax Package

€8.1bn Expenditure Package

Overview

- Property & Housing
- Household Supports
- Supporting Business
- Pensions & Savings
- Climate & Other Measures
- Farming

Property and Housing

Housing - VAT

- **Reduction in VAT rate on sale of completed apartments**

    - Rate change from 13.5% to 9% from 8th October 2025 to 31st December 2030
    - Questions -
        - What is the definition of an "apartment"?
        - Will there be a limit on price/floor areas?
        - What's to compel vendor to pass on the 4.5% VAT rate reduction?

Enhanced Corporation Tax Deduction for Apartment Construction Costs

- Introduction of an enhanced Corporation Tax deduction for
  - Certain costs incurred on construction of apartment developments; AND
  - The conversion of non-residential buildings into apartments
- Enhanced 125% deduction for actual qualifying construction costs incurred, subject to a maximum additional deduction of €50,000 per apartment unit i.e. a maximum tax saving of €6,250 per apartment
- Available for projects comprising 10 or more apartments
- Available for both new-build developments and conversion projects, including change of use.
- Available where a Commencement Notice is submitted on or after 8 October 2025 and on or before 31 December 2030
- Deduction claimable upon completion, when Certificate of Compliance on Completion is signed

Residential Zoned Land Tax

- Introduced in Budget 2022 with effect 1 February 2025
- Designed to increase the stock of zoned and infrastructurally serviced land, ultimately to deliver housing across the country
- RZLT applies at a rate of 3% on the market value of the land
- Exemption opportunity in 2026 if seeking to have land rezoned to reflect the genuine economic activity being carried out
- Exemption will be considered by Local Authorities

Corporation Tax Exemption - Cost Rental Housing

- Cost Rental Scheme offers affordable long-term rented accommodation
- Rental profits from homes within the Cost Rental Scheme will be exempt from Corporation Tax
- Applies to developments designated as falling within the Cost Rental Scheme from on or after 8 October 2025
- Properties designated as Cost Rental accommodation are subject to strict criteria

Housing – Living City Initiative

- The initiative supports the enhancement of older housing and commercial stock in the designated Special Regeneration Areas (Cork, Dublin, Galway, Kilkenny, Limerick and Waterford)
- There are 3 types of relief available:
  - Owner occupier residential relief
  - Rented residential (landlord) relief
  - Commercial or retail relief
- Owner occupier residential relief – an individual who incurs qualifying expenditure (which must be at least €5,000) is entitled to tax relief by way of a deduction from their total income
- The rented residential and commercial elements of the scheme provide for the write-off of qualifying expenditure over a 7 year period by way of accelerated capital allowances

Living City Initiative

- **Significant changes to the scheme, including:**
  - Extended to 31 December 2030
  - Properties built before 1975 now may qualify (previously 1915)
  - Introduction of new category of tax relief for conversion of commercial property to residential properties – including “over the shop” premises
    - No building age restriction on these properties
  - Maximum amount of relief increased to €300,000 (previously €200,000) where works carried out by enterprises
  - Greater flexibility will be afforded in claiming the relief

Living City Initiative

- Five regional centres also to be added –
  - Athlone
  - Drogheda
  - Dundalk
  - Letterkenny
  - Sligo
- Qualifying regeneration areas in the regional centres above will be assigned in the near future

Housing – Derelict Property Tax

- The Derelict Sites Levy currently gives local authorities power to apply an annual 7% levy on derelict sites in urban areas.
- The new Derelict Property Tax (DPT) is intended to replace the Derelict Sites Levy.
- The DPT will be collected by the Revenue Commissioners.
  - Local authorities will begin identifying derelict properties in 2026.
  - A preliminary register of derelict properties will be published in 2027.
  - The new tax will come in to effect subsequent to the publishing of the register.
  - Rate of tax to be determined – not expected to be lower than 7%.

Housing – Residential Development Stamp Duty Refund Scheme

- This scheme provides for a partial repayment of the Stamp Duty paid on the acquisition of land and where the land is subsequently developed for residential purposes.
- The scheme was due to close to new commencements on 31 December 2025.
  - Now extended to 31 December 2030.
- Time limits from acquisition to commencement and from commencement to completion increased from 30 months to 36 months
- Full refund in respect of a multi phase development at commencement of first phase

Housing – Deduction for Retrofitting by Landlords

- This scheme provides a deduction for landlords:
  - against rental income for certain retrofitting expenses,
  - incurred on rented residential properties,
  - where the landlord has received an approved SEAI retrofitting grant.
- The scheme has been extended for a further three years to 31 December 2028.
- The number of properties for which landlords can claim the relief is being increased from two to three.

Household Supports

Income Tax Summary

Standard Marginal Tax Rates →	No Changes
Standard Rate Tax Band →	No Changes
USC →	Increase in second band @ 2% by €1,318

Tax Credits

- **Rent Tax Credit Relief**
  - Extended for further 3 years to end of 2028
  - Tax relief on rent paid for property used as main residence
  - Property used to facilitate attendance at work
  - Property used by child to attend approved course
  - Credit of €1,000 for a single individual or €2,000 for jointly assessed couple
  - Subject to certain conditions

Tax Credits

- **Mortgage Interest Tax Relief**
  - Applies to homeowners with an outstanding balance between €80,000 and €250,000 at 31 December 2022
  - Credit extended on a tapered basis
    - 2025 max credit per property €1,250
    - 2026 max credit per property €625

Income Tax Measures – USC / PRSI

- **New USC Rates**

2025	2026
€12,012 @ 0.5%	€12,012 @ 0.5%
€15,370 @ 2%	€16,688 @ 2%
€42,662 @ 3%	€41,344 @ 3%
Balance @ 8%	Balance @ 8%

- No change to 3% surcharge for self employed
- No change to reduced rate for medical card holders or those > 70 years for further 2 years to end of 2027

PRSI

- Increase from 1 October 2025 of 0.10%
- Further increase in October 2026 (0.15%), 2027 (0.15%) and 2028 (0.2%)

Income Tax Exemptions

- Manufacture, maintenance or repair uilleann pipes, early Irish Harps or Irish Level Harps can avail of an exemption on the first €20,000 of profits from Income Tax (not USC or PRSI)
- This exemption was due to end at the end of 2025 but has been extended by 3 years to 31 December 2028
- Microgeneration of electricity - €400 income disregard extended to 31 December 2028

VAT on Utilities

- **Continuation of 9% rate on gas and electricity to 31 Dec 2030**
  - Per financial resolution to be introduced 7th October
  - Continuation of measures already in place and due to expire on 1st November
  - Measures to continue to 2030
  - No “cost of living” assistance, e.g. €100 (VAT inclusive) credit previously provided

Key Personal Non-Tax Measures

- €10 per week increase for those receiving Social Protection
- Increase Carer's Allowance income disregard to €1,000 for single person and €2,000 for a couple
- Increase in Domiciliary Care Allowance by €20 per month to €380 per month
- Weekly increase in Child Support payments by €12 for children under 12 and €16 for children over 12
- Increase in working family payment income threshold by €60 per week for all families
- Extending back-to-school clothing allowance to two and three year olds
- Reduction of €500 in student contribution
- Increase fuel allowance by €5 and extending eligibility to all households in receipt of Working Family Payment

Supporting Businesses

Enterprise Tax Measures

Reduced VAT rate for hospitality sector and hairdressers

- The 9% VAT rate will apply for businesses in the food/catering and hairdressing sector for charges for those services.
- The current VAT rate is 13.5%.
- The reduced rate will take effect from 1 July 2026.
- The reduced rate is confined to those specific activities rather than other activities of the business.

Enterprise Tax Measures

R&D Tax Credit

- Increases the rate of credit from 30% to 35%
- 100% of R&D employees emoluments qualify where at least 95% of time spent on R&D
- Cash flow benefit
  - First €87,500 (was €75,000) now payable in first year
- Further targeted changes to be considered over coming weeks regarding:
  - Outsourcing
  - Qualifying expenditure definitions.

Enterprise Tax Measures

Territoriality / Participation Exemption

- Budget 2025 introduced Participation Exemption for foreign sourced dividends with effect from 1 January 2025
    - Alternative, simplified mechanism for double tax relief
- Budget 2026
    - Extends geographic scope to jurisdictions that apply a non-refundable dividend withholding tax
    - Reducing the period subsidiary must be resident in the qualifying jurisdcition from 5 years to 3 years, the period

Further details in Finance Bill

Enterprise Tax Measures

Ireland's Interest Regime

- Current rules complex and not aligned with international best practice
- Action plan for reform published following consultation
- Phased approach
- Feedback statement/further consultation in November

Enterprise Tax Measures

Tax Film Credit

- **Proposed:**
  - New 40% Film Tax Credit for productions with
    - Minimum of €1m spend on relevant visual effects work and
    - Maximum of €10m per production
  - Subject to State Aid approval

Enterprise Tax Measures

Digital Games Sector

- **Originally introduced in Budget 2022**
  - Refund for expenditure on design, production and testing of a game
  - Refundable Corporation Tax credit
  - Available at 32% rate
  - On eligible spend up to €25m per project
  - Minimum spend €100k
- **Budget 2026**
  - Extended for 6 years to 31 December 2031
  - Extended to post release content work where original game qualified
  - Further detail in Finance Bill
  - Subject to State Aid approval

Revised Entrepreneur Relief

- Increased lifetime limit to €1.5 million (from €1 million)
- Effective for disposals made from 1 January 2026
- 10% CGT rate on first €1.5 million qualifying gains
- Supports entrepreneurs looking to grow their business and take on new challenges

Key Employment Engagement Programme (KEEP)

- CGT not Income Tax payable on exercise of KEEP share options – detailed eligibility criteria
- Extended to 31 December 2028 (subject to European Commission approval)

Special Assignee Relief Programme (SARP)

- Relief for assignees coming to work in Ireland
- Extended to 31 December 2030
- Increased income limits (new entrants) to €125,000 (from €100,000)
- 30% of employment income in excess of €125,000 (up to €1,000,000) not taxable
- Simplification of administrative requirements; further details of which will be set out in the Finance Bill

Foreign Earnings Deduction (FED)

- Extended to 31 December 2030
- Relief for employment income where:
  - 30 qualifying days and
  - Over continuous 12 month period
  - In a relevant State
- Extended to include the Philippines and Turkey
- Maximum relief
  - Increased to €50,000 earnings, i.e. max €20,000 tax benefit
- Amendments will be made to administrative requirements – further details of which will be set out in the Finance Bill

VAT Modernisation

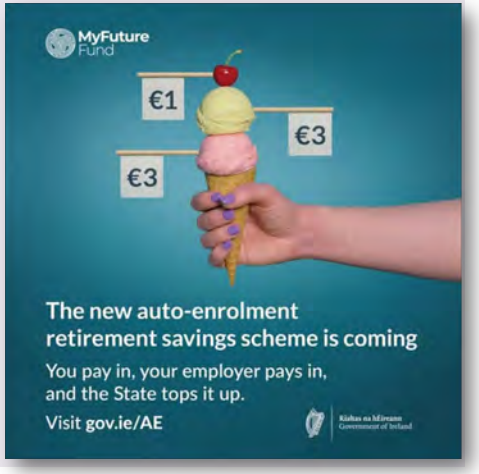
- **Domestic electronic invoicing arrangements**
  - Phased introduction in B2B context
  - Details to be published by the Revenue Commissioners on 8th October
  - Anti-VAT loss action and consistent with EU rule changes

Pensions & Savings

Auto Enrolment Retirement Savings Scheme

Amendments to tax treatment:

- Death Benefit:
  - Currently would be subject to income tax before being transferred to estate.
  - Changes to allow similar treatment to pensions.
- Investment Undertaking Tax – To ensure the funds can grow tax free.
- USC – To allow for exemption on EMPLOYER contributions.



Pension - Standard Fund Threshold (SFT)

Not Mentioned in Budget speech

- Minister announced changes last year.
- The SFT is due to increase by €200k a year from 2026 until 2029.
- From 2030 the SFT will be linked to increases in the average industrial wage.

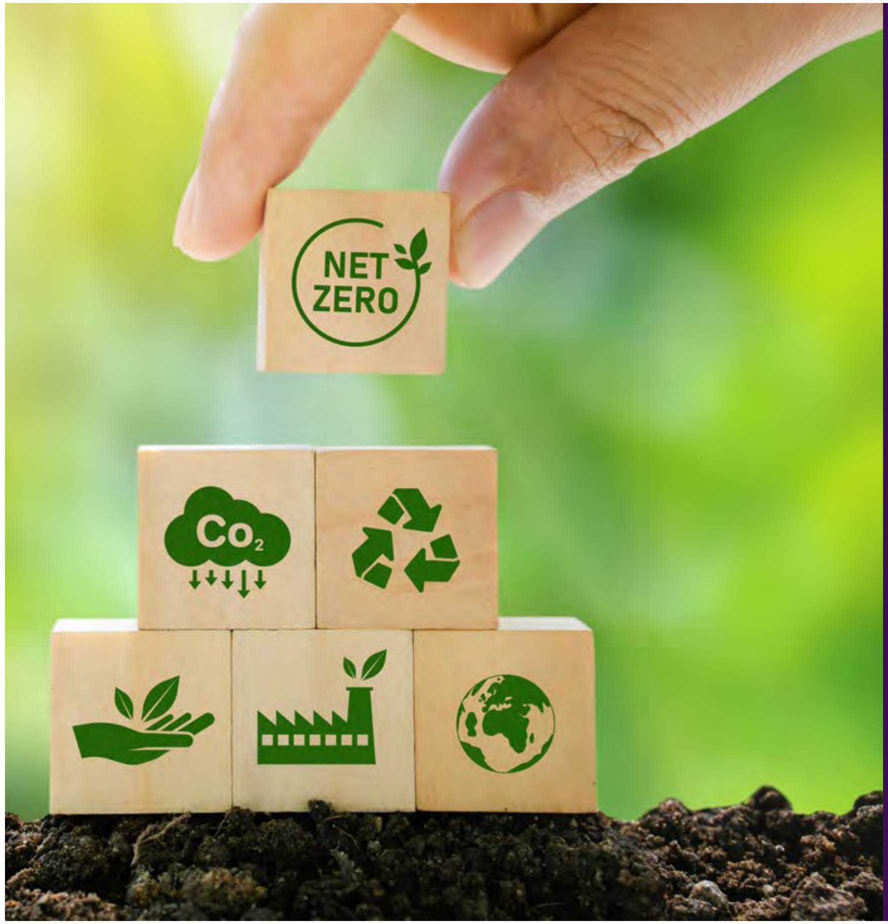
Year	Increase	Revised SFT
2025	No Increase	€2,000,000
2026	€200,000	€2,200,000
2027	€200,000	€2,400,000
2028	€200,000	€2,600,000
2029	€200,000	€2,800,000
2030	To increase in line with average industrial wage	

Tax on Investments

- Funds, including UCIT’s, EFT’s and Life Insurance based investments taxed under the Exit Tax regime on income and gains, making them very unattractive for investors to access.
- To encourage investment, rate applying to Irish and equivalent off-shore funds and foreign life assurance policies reduced from 41% to 38%.
- Does not include rates applying to companies, personal portfolio investment undertakings and personal portfolio life assurance policies.

Financial Services

- Funds Sector 2030 Report (published 22 October 2024)
  - Implementation Plan for report published today
  - Roadmap early next year for approach to simplify and adopt The Tax Framework to encourage retail investment
  - Public consultation on proposals to simplify the IREF regime (without limiting effectiveness)
- Stamp Duty Relief on share transfers for Irish SME's and start-ups trading on regulated markets
- Extension of Bank levy for 1 year



Climate and Other Measures

Adoption of Electric Vehicles

- €5,000 VRT relief extended by 1 year, to 31 December 2026
- New vehicle category – A1
  - Reduced rates of BIK for EV's (zero emission cars only)
  - 6% to 15% (depending on business mileage)

Accelerated Capital Allowances

- Extension of accelerated Capital Allowances Scheme for 5 years to 31 December 2030

  - Energy efficient equipment
  - Gas vehicles
  - Refuelling equipment

Climate and Environmental Issues

Carbon / Excise Tax

- Carbon tax increase €7.50 to €71 per tonne
- Revenue raised will fund:
  - Prevent fuel poverty (social welfare)
  - Warmer Homes Scheme – retrofit low income households
  - Encourage and support farmers in the green transition
- Fuel excise increases
  - With effect from 1 May 2026

Tobacco and Alcohol

- Increase in excise duty by €0.50 on pack of 20 (Now €18.55)

Farming

Farming

Accelerated Capital Allowances – Slurry Storage Facilities

- Extended to 31 December 2029
- Allows for capital allowances of 50% per annum

Reduction in flat rate addition from 5.1% to 4.5%

Farming

- Minister for Agriculture, Food and Marine published Report of the Commission of Generational Renewal in farming
- Number of recommendations made

Extension of Agricultural Tax Reliefs to 2029

- Farm Consolidation (Stamp Duty) Relief
- Farm Restructuring (CGT) Relief
- Young Trained Farmer (Stamp Duty) Relief

Farm Restructuring Relief

- Extended to include woodlands and forestry

What's Next?

What’s Next?

Further Reviews

- Interest deductibility rules
- R&D tax credit
- Review of taxation of funds sector

Conclusion

“We have to strike the right balance between increasing investment and moderating the growth in day to day spending. This is why our tax changes must be of a certain value and no more. Now is the time to steady ourselves on the path to the future.”

Thank you

@RBK
@RBKCA
@RBK
www.rbk.ie

We're by your side

Mike Scanlan
Tax Director
T: +353 9064 80600
E: mscanlan@rbk.ie