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Accountancy Audit Advisory

BUDGET 2026 SUMMARY

Our Experts' Insights on the 2026 Irish Budget

Contents.

INTRODUCTION	2 - 4
PERSONAL TAXES	5 - 7
BUSINESS TAXES	8 - 11
FARMING	12 - 13
HOUSING	14 - 17
SOCIAL WELFARE CHANGES	18
SUSTAINABILITY	19 - 20
MISCELLANEOUS	21 - 22
NOTES	23

Introduction.

Minister Donohoe's initial comments that the overall Tax package for Budget 2026 would reduce by €200m to €1.3bn, to ensure more supports are available to the most vulnerable, set the scene that, from a tax perspective, this was far from a giveaway budget. There was however a bit in this Budget from a business perspective to make things interesting.

The government will be judged on Budget 2026 based on the number of new residential units built – the focus in this budget was definitely housing, and rightly so. The jury is out as to whether they have done enough, though I would be sceptical but, that's not to say they haven't tried to bridge the viability gap for developers when it comes to building new apartments.

The VAT rate reduction from 13.5% to 9% on the sale of new apartments is definitely welcome, although to note it is 0% in the UK. Property buyers will not see this in a price reduction, as the decrease is to help make the building of apartments more profitable. On a €400k apartment, the saving would be €18k. An additional CT deduction for the building of apartments is also worthwhile – looks like a saving of up to €6,250 per apartment in taxation for that particular policy. So all in all a €24k reduction in the cost of building an apartment. Certainly not immaterial but the government had previously suggested the viability gap was closer to €144k per apartment so they are still some way off that.

The Living City Initiative has thankfully removed the condition that the building must have been built pre 1915 – that's now 1975. This will help with people using the relief. Interestingly enterprises will now qualify for a €300k tax credit as opposed to €200k. Not entirely sure what enterprises means – does it mean businesses? Does this mean developers could now qualify? We may need to wait until the Finance Act to determine whether these changes will be worthwhile. Also extending the relief to an additional 5 towns in Ireland is good progress – let's push to have this available to all towns in Ireland.

A new exemption for Corporate Tax on Cost/Rental Housing Scheme profits is definitely one to keep an eye on in the Finance Act. No Corporation Tax (or I presume the close company surcharge) will apply to income from housing that qualifies as cost/rental. These are long term tenancies and usually run by governmental housing bodies. Will this positive change make the scheme viable to private owners? It might, once they can get over the funding issues for these projects.

A new Derelict Property Tax is to be established which will be run by the Revenue Commissioners. Which at least means it will work properly – looks like it will run much like the Residential Zoned Land Tax.

Businesses.

The hospitality sector has got what it has campaigned tirelessly for – the reduced VAT rate from 13.5% to 9% for those in the food business and hairdressers. Though it is not coming until 1 July 2026 so not too much of an economic cost in 2026. Seems a little unfair to delay the implementation – even if they said from March 2026 onwards to catch the full tourist season - might have been fairer. Accommodation providers are, I assume, worried at this point. Certainly the VAT rate reduction doesn't apply to rooms – but does it apply to a pub who does food and has 4 bedrooms above the premises used for short term letting? This is unclear as of now.

The R&D tax credit has improved again and will be reviewed over the next few months to see how it can be brought in line with other countries. This is a positive for those in the innovation space. The credit has increased by 5%.



Businesses. (cont.)

The funds industry must have a big say in government – a lot more than small businesses that's for sure – improvements in exit tax rates for funds from 41% to 38% have been announced plus a review of the accounting for funds is to be done and implemented next year. So tax advisors have another 12 months dealing with the mess that is accounting for onshore/offshore funds.

A review is also being done on how we tax interest – an action plan will be published today with more details on that.

Good news on Revised Entrepreneurial Relief which has increased from €1m to €1.5m where someone is disposing of their business. So 10% tax on the sales proceeds of a business up to €1.5m. This is a welcome increase and helps incentivise people to open and run businesses. These are the people who generate employment in our country and is well deserved.

A minimum wage increase of 65 cents per hour is a difficult one to swallow for small businesses – with no corresponding assistance for those businesses whatsoever. Will be a difficult winter for a lot of businesses in towns and cities in Ireland.

Summary.

There are many other small amendments and a variety of extensions, most of which are detailed in the following pages. I hope you find it a useful overview of Budget 2026. There was little or no changes to personal taxation but there are some positives here – it's the first attempt in years that the government is meaningfully using taxation to solve the housing crisis – hopefully they have done enough but time will tell.

Dave O'Brien

**Partner – Head of Tax Advisory
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Personal Taxes.

As flagged prior to the Budget, the number of personal tax changes is limited.

Universal Social Charge ("USC").

From 1 of January 2026, the national minimum wage will increase by €0.65 per hour to €14.15 per hour.

From 1 January 2026, the ceiling for the 2% USC rate rises by €1,318 (to €28,700) so that full-time workers on the minimum wage remain outside higher USC rates.

The USC concession that applies to those who have a full medical card and earn less than €60,000 per year is being extended so that the reduced rate of USC continues to apply for a further two years until the end of 2027.

Rent Tax Credit .

Originally introduced in Budget 2023, the Rent Tax Credit provides for maximum tax credit in 2025 of €2,000 per year for jointly assessed couples and €1,000 per year for single persons.

This credit was due to expire at the end of 2025, but it will now be extended to the end of 2028.





Mortgage Interest Tax Credit.

Mortgage Interest Tax Relief, which was introduced in Finance Act 2023, was due to expire on 31 December 2024. However, the relief is being extended for a further two years to 31 December 2026 with reduced relief applying in the final year (2026).

Homeowners with an outstanding mortgage balance between €80,000 and €500,000 as at 31 December 2022 are eligible for the relief. The current level of relief will apply for 2025 with a maximum tax credit of €1,250 available per property. The relief will be reduced to a maximum tax credit of €625 per property for tax year 2026. The credit is available in respect of the increase in interest paid in 2025 and 2026 over interest paid in 2022.

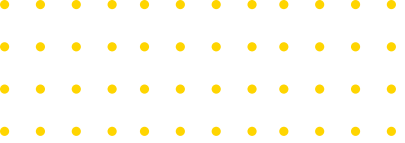
Special Assignee Relief Programme (SARP).

SARP is a tax relief aimed at attracting highly skilled mobile workers to Ireland. Where an employee qualifies for SARP 30% of their income between €100,000 and €1M is exempt from Irish income tax (but not USC or Pay Related Social Insurance “PRSI”). It also provides for other tax-free benefits including payment by the employer of school fees and home trips.

SARP was scheduled to expire on 31 December 2025. However, today’s Budget announced its extension for 5 years to 31 December 2030.

The Minister also announced the increase of the minimum base salary for eligibility from €100,000 to €125,000 – this will apply to new entrants from 1 January 2026.





It is expected in the Finance Bill that further measures will be announced to make some of the administration requirements more practical. At present, there is a very tight 90-day time limit for employers to file a SARP 1A (failure to file the form within the 90-day time limit results in the employee being ineligible to claim SARP). It remains to be seen whether the Finance Bill will provide any flexibility to this deadline.

Foreign Earnings Deduction (FED).

FED is an Irish tax relief for employees who spend at least 30 qualifying days in a tax year working in specific approved countries. It currently allows a maximum deduction of €35,000 from taxable employment income.

Budget 2026 provided for the extension of FED for 5 further years to 2030. The relief is being extended to the Philippines and Türkiye and the maximum income tax relief is being increased to €50,000.



Business Taxes.

Revised Entrepreneur Relief.

The lifetime limit on gains qualifying for Revised Entrepreneur Relief has been increased from €1m to €1.5m. This relief provides for a reduced CGT rate of 10% (as opposed to the normal rate of 33%) on gains on the disposal of qualifying business assets within this lifetime limit.

Key Employee Engagement Programme (KEEP).

KEEP is a tax efficient share option scheme available to small and medium enterprises ("SME's).

Subject to certain conditions, any gain realised by employees on the exercise of a KEEP option is exempt from Income Tax, USC and PRSI. CGT will generally arise on a subsequent disposal of the shares, at which time the sales proceeds will be available to discharge the tax due.

The options cannot be exercisable within 12 months, or more than ten years, after the date of grant and the option price must not be less than the market value of the same class of shares at the date of grant.

KEEP was due to expire on 31 December 2025 but has been extended to 31 December 2028. This change is subject to approval from the European Commission and therefore will come into effect under Ministerial Order on receipt of such approval.

Research and Development (R&D) Credits.

A tax credit is available for certain qualifying expenditure on R&D activities, plant and machinery and buildings. The existing 30% credit for qualifying expenditure has been increased to 35%.

Following on from last year's increase in the first-year payment threshold from €50,000 to €75,000, this year's budget further increases this payment to €87,500. The change is intended to further support smaller R&D projects.

An administrative simplification has also been included to allow 100% of the employee's emoluments as qualifying costs, where at least 95% of their qualifying time is spent on qualifying R&D activities. Prior to this the amount of the employee's emoluments that could be considered to be qualifying expenditure was directly linked to proportion of time that the employee spent in carrying on the qualifying activity. This amendment is intended to recognise cases where some limited incidental activities may also be carried out by an employee.

The Minister also promised an "R&D Compass" would be published in the coming weeks setting out future plans around R&D.



VAT.

Reduced 9% VAT rate will apply to food businesses, catering and hairdressing services effective from 1 July 2026.

The reduced 9% VAT rate for gas and electricity is extended until 31 December 2030.

As mentioned already the VAT rate applicable to the construction of new apartments is reduced to 9% from 13.5% effective from 8 October 2025 until 31 December 2030.

In preparation for the implementation of VAT in the Digital Age (ViDA) it was confirmed that Revenue will begin a phased roll-out of domestic electronic invoicing arrangements for business-to-business transactions. Further information is expected to issue over the coming days. Ireland is lagging behind our European counterparts on this one.



Participation Exemption.

From 1 January 2025, a participation exemption for foreign dividends was introduced to simplify double tax relief and enhance Ireland's competitiveness for multi-national businesses. In summary, it sought to exempt foreign dividend income from Irish Corporation Tax.

This was a welcome change for Irish headquartered businesses with foreign subsidiaries. To further enhance the relief, it is now intended that:

- The geographic scope of the exemption will be expanded to include jurisdictions where non-refundable withholding taxes apply, and
- Some technical amendments will be introduced to improve the operation of the relief, including reducing from 5 years to 3 years the period for which the subsidiary must have been tax resident in the qualifying jurisdiction before paying the dividend.

Further details to follow in the Finance Bill.



If you have any questions around Budget 2026 and how our expert team can help, please get in touch at info@xeinadin.ie





Ireland's Interest Regime.

The Government want our tax code to be attractive to investment and aligned with international best practice. Following an extensive consultation on the tax treatment of interest in Ireland, the Government have today published an Action Plan to reform Ireland's tax regime for interest. It appears that the primary focus of the phased approach plan is to:

- Fundamentally reform the underlying framework for the taxation and deductibility of interest,
- Simplify the regime,
- Support competitiveness and
- Protect the tax base.

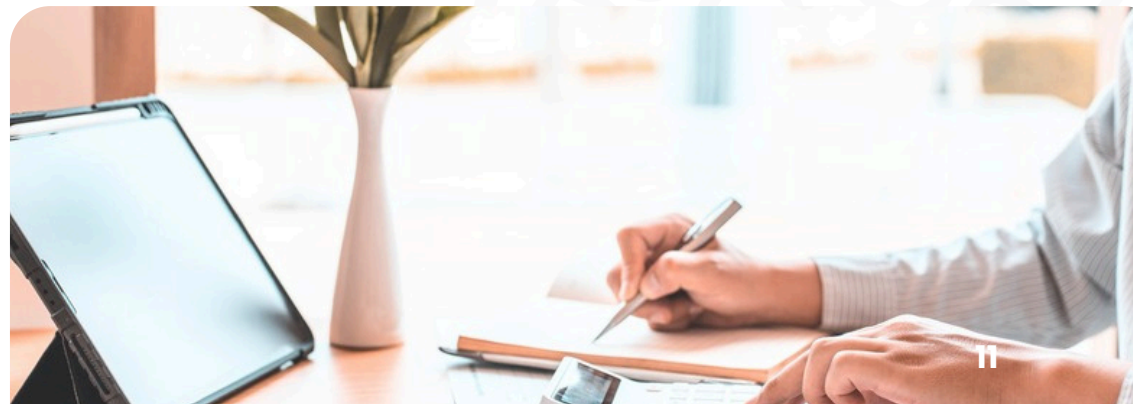
The next stage will see the publication of a feedback statement in November for further consultation. It may therefore be a further 12 months before there are any changes to the interest regime.



Taxation of Investment Funds.

Despite extensive lobbying earlier this year, the only change announced on Budget Day is the tax rate on payments made from Irish funds and life assurance policies to Irish individual investors (i.e. exit tax) will be lowered from 41% to 38%. The rate reduction will also apply to equivalent offshore funds and certain foreign life assurance policies. More details to follow in the Finance Bill.

The Minister is expected to publish a roadmap in early 2026 setting out an intended approach to improve retail participation in investment funds, taking into account the European Commission's savings and investments union proposal last week, for the introduction of tax-efficient investment accounts.



Farming.

Accelerated Capital Allowances for Slurry Storage.

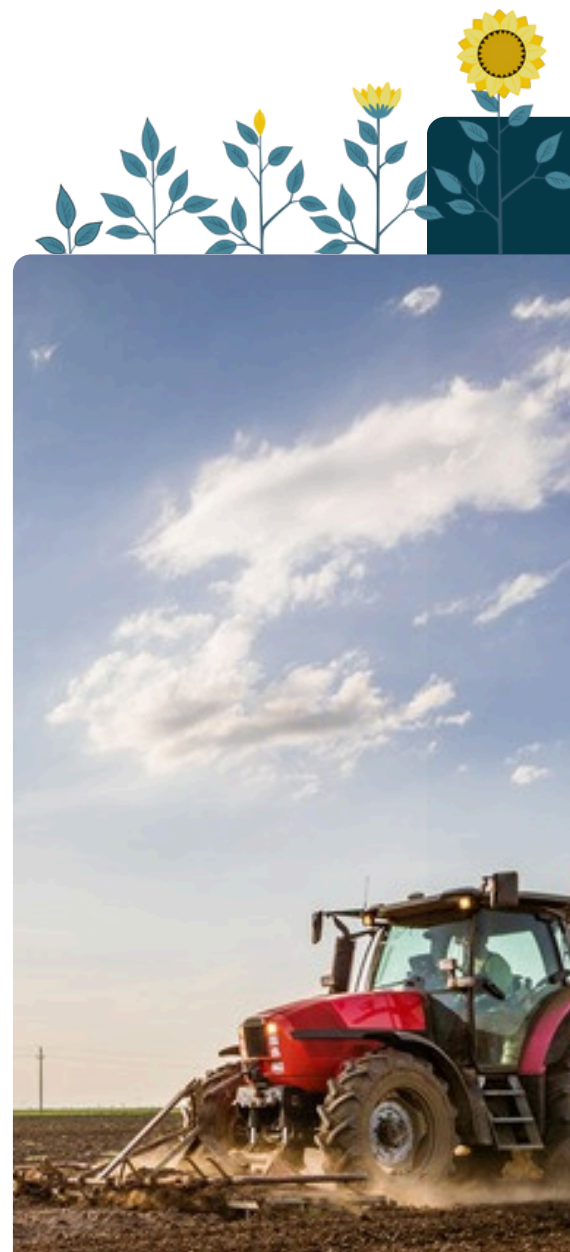
This provision enables capital expenditure on slurry storage buildings and related equipment to be written off at a rate of 50% per year over 2 years, instead of the standard 7 years for farm buildings and 8 years for plant or machinery.

The Accelerated Capital Allowances Scheme for the construction of slurry storage facilities by farmers is being extended for a further four years to 31 December 2029.

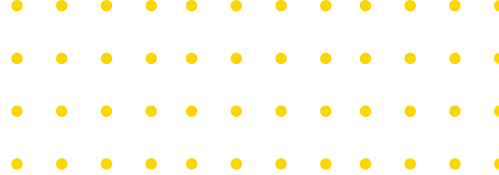
Farm Restructuring Relief.

You may claim relief from CGT if you dispose of farmland for farm restructuring purposes. The purpose of farm restructuring is to make your farm more efficient (improve the operation and viability of the farm). You can do this by selling and purchasing, or exchanging, farmland to bring the land closer together.

The Finance Bill 2025 will extend the existing Capital Gains Tax Farm Restructuring Relief until 31 December 2029. The scope of the relief will also be expanded to include land used for commercial forestry, in addition to non-commercial woodland and forestry. Implementation of these measures will require separate commencement orders to allow for appropriate notification to the EU Commission.



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Farm Consolidation Relief.

Farm Consolidation Relief applies a 1% rate of Stamp Duty on the net difference between the value of land sold and the value of land acquired as part of a Teagasc-certified farm consolidation. This relief is being extended until 31 December 2029. The existing scope, which currently includes commercial forestry, is being expanded to also cover non-commercial woodland or forestry. These measures will take effect following separate commencement orders, as notification to the EU Commission is required.

Young Trained Farmer.

The Young Trained Farmer Relief grants a full exemption from Stamp Duty on the transfer of farmland, provided specific conditions are satisfied. This relief is being extended until 31 December 2029. Its implementation will, however, require a commencement order due to the need for notification to the EU Commission.

Farmer's Flat Rate Payment.

The Farmer's Flat Rate Payment compensates farmers who choose not to register for VAT on their purchases. This rate is reviewed annually in the Budget and is calculated using an average of VAT costs derived from macroeconomic data provided by the CSO and Revenue over the previous three years. The rate for 2026 is set at 4.5%, down from 5.1% in 2025.



Housing.

Corporation Tax Exemption for Cost Rental Income.

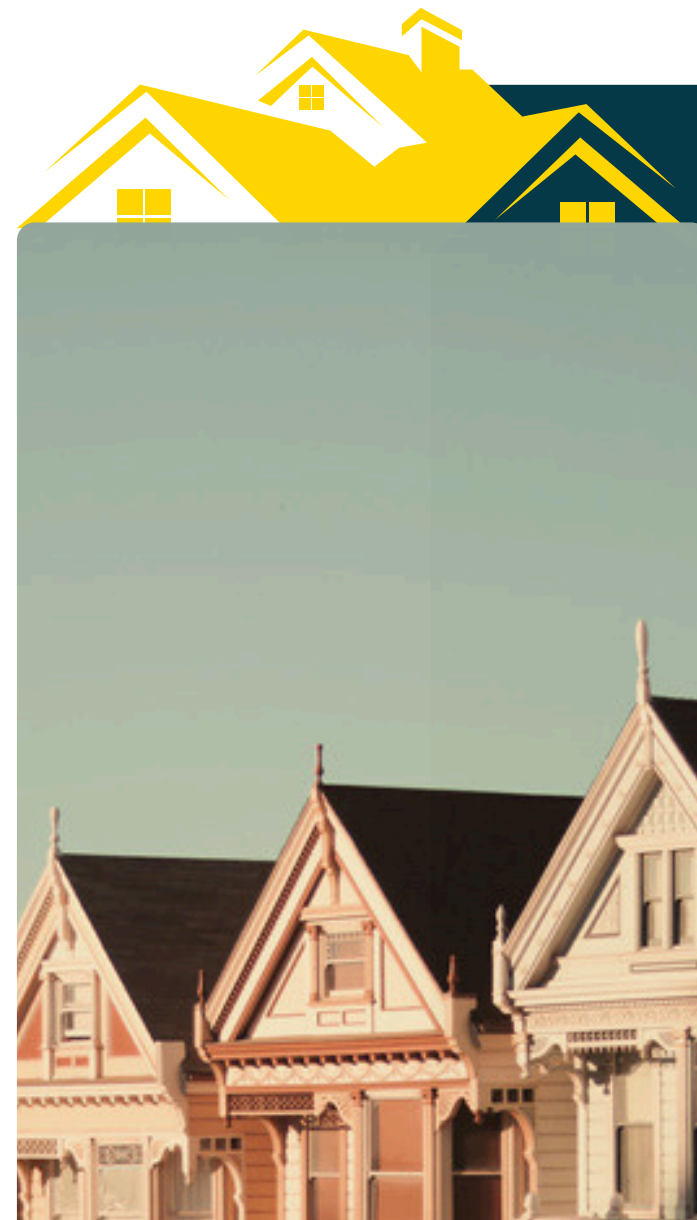
A new Corporation Tax exemption has been introduced for profits arising from homes designated as Cost Rental properties by the Minister for Housing, Local Government and Heritage.

Cost Rental is a form of long-term rental tenure. It is designed for moderate-income households whose earnings are above the thresholds for social housing but who experience affordability pressures in the private rental sector.

Under the Cost Rental model, rents are calculated to cover only the actual costs of providing, financing, managing and maintaining the homes over a minimum 40-year period. This ensures rents remain significantly below market levels, typically at least 25% lower than comparable private rents, and are insulated from market fluctuations.

Tenants must meet income eligibility criteria set by the Minister for Housing and reviewed periodically. Those admitted to the scheme benefit from long-term security of tenure, with rent increases limited to verified cost changes rather than market trends.

Delivery to date has primarily been through Approved Housing Bodies (AHBs), Local Authorities, and the Land Development Agency (LDA), but private sector participation is now being actively encouraged through new investment and tax incentives such as this exemption. We will wait to see the effectiveness.



If you have any concerns about your tax affairs, Xeinadin staff have considerable experience in dealing with Revenue - contact us for further advice.



Enhanced Corporation Tax Deduction for Apartment Construction Costs.

An enhanced Corporation Tax deduction of 125% of qualifying apartment construction costs (capped at an additional €50,000 per apartment) will be introduced to help address the viability gap in apartment development.

The measure applies to projects of 10 or more apartments, including new builds and conversions (e.g. office-to-residential).

Developers will benefit from a net tax saving of up to €6,250 per apartment, where they remain the beneficial owner on completion. The enhanced deduction will apply to projects for which a Commencement Notice is filed between 8 October 2025 and 31 December 2030.

VAT on New Apartments.

Starting 8 October 2025, the VAT rate on the construction of new apartments will be reduced from 13.5% to 9%. This temporary measure will remain in effect until 31 December 2030.





Living City Initiative.

The Living City Initiative, supporting the regeneration of older housing and commercial stock in designated city areas, will be extended to 31 December 2030 and expanded to include additional regional centres.

Key enhancements include:

- Extending eligibility to properties built before 1975 (previously 1915).
- Introducing tax relief for conversions of commercial properties, including “over-the-shop” premises, into residential use (with no building age limit).
- Increasing the maximum relief for enterprises from €200,000 to €300,000.
- Extending the scheme to Athlone, Drogheda, Dundalk, Letterkenny, and Sligo, in addition to the existing 6 cities.

Derelict Property Tax.

A new Derelict Property Tax (DPT) will replace the existing Derelict Sites Levy which shifts collection to the Revenue Commissioners. The aim is to encourage owners to bring vacant and derelict properties back into use.

Local authorities will begin identifying properties in 2026, with a preliminary register due in 2027 and the tax to follow thereafter.

While the final rate is still to be confirmed, it is expected to be no lower than 7% of market value, consistent with the current levy.





Deduction for Retrofitting by Landlords.

The Income Tax relief for retrofitting works on rented residential properties is extended to 31 December 2028. Landlords can now claim the relief in the year the expenditure occurs, and the limit is increased from 2 to 3 properties. The measure continues to support energy efficiency upgrades and help retain rental stock in the market.

Residential Development Stamp Duty Refund Scheme.

The Residential Development Stamp Duty Refund Scheme — which allows a partial refund of Stamp Duty on land developed for residential purposes — is being extended to 31 December 2030.

The scheme, originally due to close at the end of 2025, provides relief where construction commences within specified time limits and development conditions are met.

A provision is to be made available for a Stamp Duty refund to be claimed in respect of a multi-phase development at the commencement of the first phase of that development.

Amendments will also be made to align the scheme with current planning and development practices and to support more timely housing delivery.



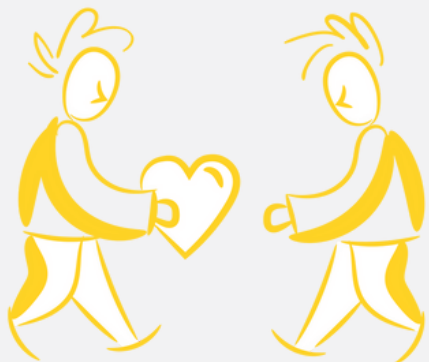
Residential Zoned Land Tax (“RZLT”).

The RZLT is intended to encourage the development of zoned and serviced residential land, thereby increasing the availability of housing. It is part of the government's broader housing strategy. The tax is calculated at 3% of the market value of the land and is assessed on a self-assessment basis.

In budget 2025, there was an opportunity for landowners to make a submission requesting a change in zoning of land appearing on the residential zoned land tax map for 2025 and in certain circumstances, the lands are exempt on foot of such submissions.

In budget 2026, a further opportunity is being provided to make a submission requesting change in zoning of the land. In addition, an exemption is being provided from RZLT during an An Coimisiún Pleanála proceeding brought by a third party in relation to a grant of planning permission in respect of a relevant site.





Social Welfare Changes.

There is an increase of €10 per week on all social welfare payments. Christmas bonus was also maintained but not for child benefit. Also, an increase in the fuel allowances by €5 a week. Carers support have been increased also with the Domiciliary Allowances increasing by €20 a month and the disregarded income for the purposes of the Carers Allowance has increased by €1,000.



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Sustainability – Supporting Climate Action.

There were further measures to support and enhance sustainability and climate action reform.

Carbon Tax was increased by €7.50, from €63.50 per tonne of CO₂ to €71.

The tax measures adopted in 2023 to support the adoption of Electric Vehicles were also retained:

- VRT relief for electric vehicles has been extended to 31 December 2026.
- The Original Market Value (OMV) deduction for certain categories of vehicles has been retained, with the introduction of a tapered basis from 2027. The relief will remain at €10,000 for the 2026 year of assessment, reducing thereafter to €5,000 for 2027 and €2,500 for 2028.
- A new 'A1' category will also be introduced, which will include a reduced BIK rate (between 6 to 15%) for electric vehicles with zero emissions, depending on business mileage.



Accelerated Capital Allowances.

Accelerated capital allowances are a tax incentive that allow a deduction for the full cost of qualifying expenditure to be taken in the year of purchase, rather than over the usual 8-year period.

The following schemes have been extended to 31 December 2030:

- The Accelerated Capital Allowances Scheme, which allows for a deduction of 100% of the asset cost of Energy Efficient Equipment (designed to improve energy efficiency among companies and unincorporated businesses) in the year of purchase.
- The Accelerated Capital Allowances Scheme, which provides a tax incentive for companies and unincorporated businesses that invest in vehicles which run on compressed natural gas, liquefied natural gas, biogas or hydrogen, and in related refuelling equipment.



Micro-Generation of Electricity.

The initiative which offers an income tax exemption of up to €400 for certain profits arising from the micro generation of electricity, has been extended until 31 December 2028.

The relief applies to individuals who generate energy from renewable, alternative energy sources for their own consumption and who sell surplus electricity to the grid.



If you have any questions about VRT relief or the Accelerated Capital Allowances Scheme, get in touch with our friendly team at info@xeinadin.ie



Miscellaneous.

Manufacture of Uilleann Pipes and Irish Harps.

The Income Tax exemption on profits of up to €20,000 earned from the manufacture, maintenance, or repair of uilleann pipes, early Irish harps, and Irish lever harps has been extended until 31 December 2028. Who knew?

Audio-visual Sector.

Budget 2026 includes planned amendments to both the Section 481 Film Tax Credit and the Digital Games Tax Credit.

Film Tax Credit

The Section 481 Film Tax Credit, provides for a tax credit of 32% on qualifying expenditure of up to €125 million on certain productions.

A new enhanced rate of 40% will be introduced for productions that incur a minimum of €1 million in eligible expenditure on qualifying Visual Effects work. This enhanced rate will apply to eligible expenditure up to a maximum of €10 million per production.

As this enhancement will form part of the existing Section 481 Film Tax Credit, it will also be subject to the existing sunset clause of 31 December 2028.

Digital Games Tax Credit

The Digital Games Corporation Tax (CT) credit is a relief for the digital gaming sector. It can be claimed on certain costs incurred in the development of digital games. It is available to digital games development companies. The credit per digital game is 32% of the lowest of:

- Eligible expenditure,
- 80% of total qualifying expenditure or
- €25 million.

The Digital Games Tax Credit will be extended by 6 years, until 31 December 2031, and will also be expanded to include claims for Post-Release Content work, subject to specified conditions.

Both sets of amendments are subject to approval by the European Commission.



Tobacco.

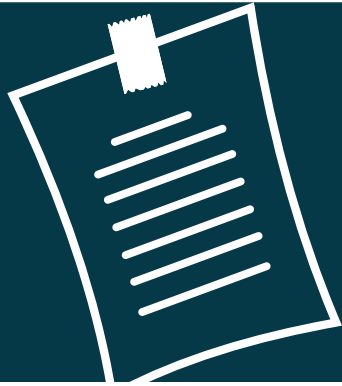
The excise duty on tobacco products will rise by 50 cents (including VAT) for a pack of 20 cigarettes in the most popular price category, with proportional increases applied to other tobacco products.

Bank Levy.

The Bank Levy will be extended to cover the year 2026. It will be allocated according to the amounts of deposits held by each of the four liable institutions at the end of 2024 (previously 2022). The target revenue will remain unchanged from 2024 and 2025, at €200 million.



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