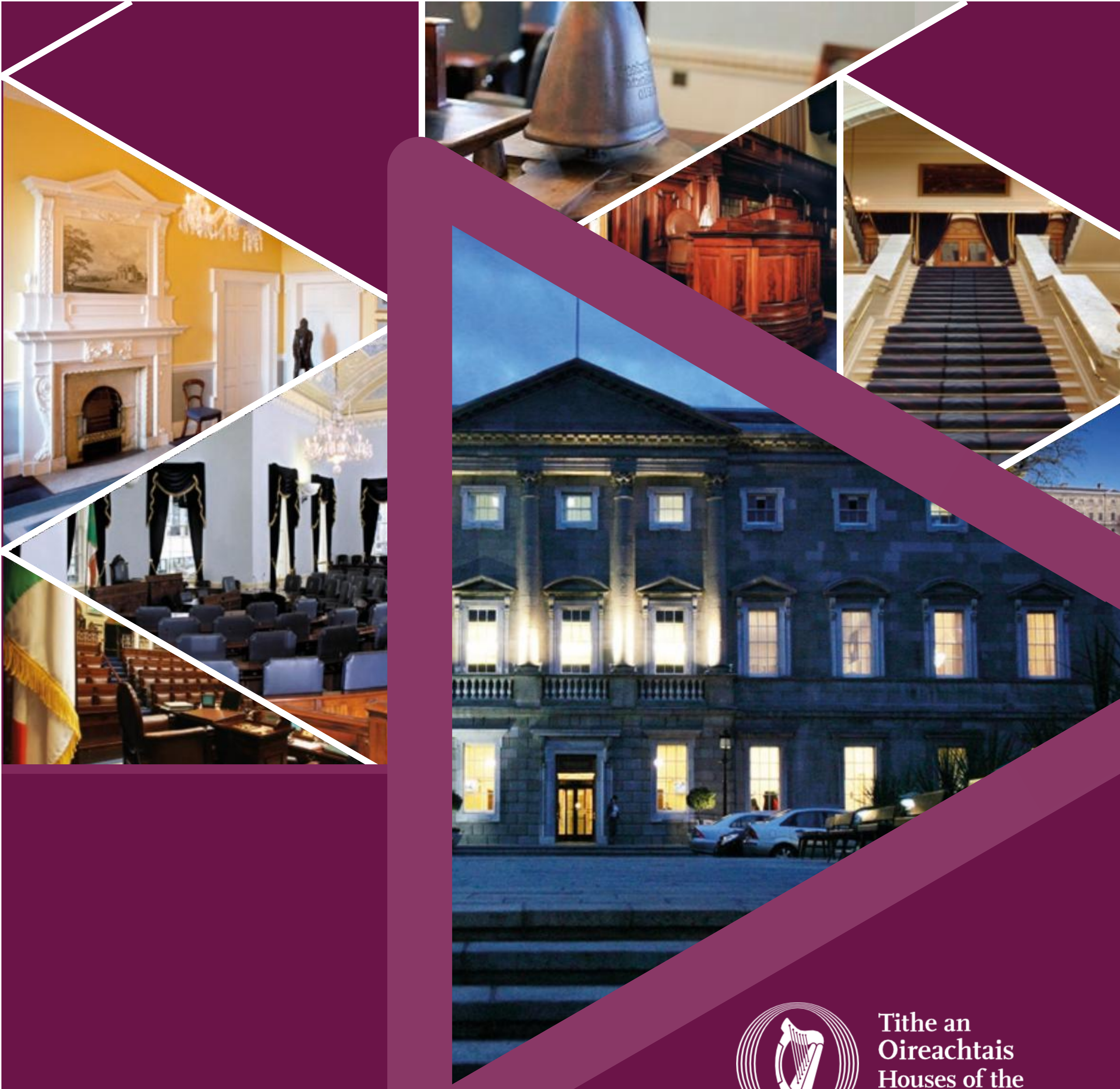

Tithe an Oireachtais
Houses of the Oireachtas

An Oifig Buiséid Pharlaiminteach

Parliamentary Budget Office

Finance Bill 2025: Budgetary Issues

Publication 30 of 2025

Séanadh

Is í an Oifig Buiséid Pharlaiminteach (OBP) a d'ullmhaigh an doiciméad seo mar áis do Chomhaltaí Thithe an Oireachtais ina gcuid dualgas parlaiminteach. Ní bheartaítear é a bheith uileghabhálach ná críochnúil. Féadfaidh an OBP aon fhaisnéis atá ann a bhaint as nó a leasú aon tráth gan fógra roimh ré. Níl an OBP freagrach as aon tagairtí d'aon fhaisnéis atá á cothabháil ag tríú páirtithe nó naisc chuig aon fhaisnéis den sórt sin ná as ábhar aon fhaisnéise den sórt sin. Tá baill foirne an OBP ar fáil chun ábhar na bpáipéar seo a phlé le Comhaltaí agus lena gcuid foirne ach ní féidir leo dul i mbun plé leis an mórphobal nó le heagraíochtaí seachtracha.

Is de chineál ginearálta í an Fhaisnéis. Baineann éiginnteacht le ráitis réamhbhreathnaitheacha agus d'fhéadfadh go dtiocfaidh nithe suntasacha chun cinn mar thoradh ar an bhFaisnéis. Ní sholáthraítear ráiteas cinntitheach leis an bhFaisnéis i ndáil le haon saincheist ar leith nó i ndáil le himthoisc phearsanta. Ní comhairle atá san Fhaisnéis. Ní mór a dheimhniú duit féin go bhfuil an Fhaisnéis a sholáthraímidne, an Oifig Buiséid Pharlaiminteach agus Coimisiún an Oireachtais (lena n-áirítear seirbhísigh, gníomhairí agus conraitheoirí na hOifige agus an Choimisiúin) oiriúnach agus iontaofa. Ní ghlacaimid aon fhreagracht as cruinneas ná oiriúnacht, ná eile, na Faisnéise agus ní thugaimid aon ráthaíocht ná aon ghealltanas ná aon bharánta i leith an chéanna; ná go mbeidh ár leathanaigh ghréasáin nó an Fhaisnéis nó ábhar eile saor ó earráidí, saor ó víris nó saor ó shárú. Ní ghlacaimid aon dliteanas (lena n-áirítear i leith éilimh maoine intleachtúla) a eascróidh as aon ábhar tríú páirtí nó aon suíomh gréasáin tríú páirtí a gcuirfimid nasc ar fáil chuige nó dá ndéanfaimid tagairt. Ní ghlactar le haon dliteanas ar bith, a mhéid is mó a cheadaítear faoin dlí is infheidhme nó (i) as aon iontaoibh a chuirfear san Fhaisnéis nó san ábhar ar ár leathanaigh ghréasáin nó (ii) as aon chaillteanas nó damáiste a eascróidh as an úsáid a bhainfidh tú as na leathanaigh ghréasáin sin nó i dtaca leis an úsáid sin. Féach ár bhFógra Séanta cuimsitheach anseo. I gcás aon easaontacht a bheith idir an Séanádh seo agus ár bhFógra Séanta cuimsitheach, is ag an gceann deireanach a bheidh an forlámhas.

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Contents

1. Introduction

The Finance Bill 2025, which amounts to 102 sections, gives effect to tax measures announced as part of Budget 2026. It also introduces several additional administrative and technical changes to the tax code. This paper provides a description of those measures contained in the Finance Bill 2025 which are likely to have budgetary implications. To aid Members in their scrutiny of Finance Bill 2025, it further includes information on the cost or yield, policy background, policy changes, and wider policy implications of these measures.

As this paper is intended to assist Members in their scrutiny of the measures contained in the Finance Bill 2025, it is structured in line with the format of the Finance Bill itself. This means the section headings included for each tax measure correspond to the section headings provided within the Finance Bill. The PBO has endeavoured to ensure all the information set out in this document is accurate and as comprehensive as possible. However, this document has been produced under a rapid timeframe to ensure its availability to members prior to Committee Stage of the Finance Bill.

In the following sections, measures are either described as a ‘Budget Measure’ or not. Measures that are not described as a ‘Budget Measure’ are those that were not announced as part of Budget 2026 and are instead either being introduced with Finance Bill 2025, or were possibly announced earlier this year (e.g., through previous announcements, public consultations, etc). However, it is important to note most of the measures in this document were announced as part of Budget 2025, with a small number of exceptions.

Table 1: Summary of Tax Revenue Measures (€ millions)

Measure	First Year Cost/Yield (-/+)	Full Year Cost/Yield (-/+)
Revenue Reducing Measures (Gross)	-1,695.2	-2,289.1
Revenue Raising Measures (Gross)	423.9	255.4
Total Cost (Net)	-1,271.3	-2,033.7

Source: Budget 2026 Taxation Measures - Policy Changes Department of Finance, PBO Calculations.

Note: These figures were revised since their initial publication on Budget Day, and the Department of Finance has included compliance, bank levy, and carbon tax in revenue raising measures.

Table 1 gives an overview of the revenue raising and revenue reducing measures, as set out by the Department of Finance, for the first and full year of the tax policy changes, and the net total. The Department of Finance suggest the estimated full year gross cost of these measures is €0.43 billion, while income (gross) raised to offset the increased costs accounts for just €1.7 billion. Giving a net cost of €1.3 billion. For fiscal sustainability, it is important there is an appropriate balance between the tax reductions and spending increases, to ensure tax reductions are affordable and sustainable.

Please note, the costs provided in this document, and by the Department of Finance, are the estimated cost of the policy change announced in Budget 2026. As a result, where a scheme is being amended or extended, the cost provided indicates the cost of the change/extension to the measure, not the cost of the measure as a whole. Where possible, the Parliamentary Budget Office (PBO) have endeavoured to provide information on the cost or yield of a measure or a policy change, as estimated by the Department of Finance in their Budget 2026 Taxation Measures - Policy Changes document. Where costings have been provided, there may be differences between the cost or yield from a Budget measure in 2026 and in a 'full year'. This usually arises due to the timing of tax payments, which can be after the year is completed.

In addition, some measures do not commence on 1 January 2026 (e.g. those subject to a commencement order). Certain measures are automatically applied to taxpayers (e.g., USC and income tax changes), while others require engagement with the taxpayer as part of an application process, which can take time and may reduce take-up.

The PBO welcomes that the Department of Finance's provision of costings for nearly all measures in the Tax Policy Changes document. Timely, accurate, and comprehensive costings remain essential. It would be even more beneficial if, alongside the Budget, a costing report explaining methodologies and changes in assumptions was released. Currently, this approach is already done in other countries, such as the UK. This would help explain the data underpinning certain measures, and whether behavioural assumptions were included. Without these, it is difficult to understand factors such as the estimated take-up of a scheme or expected behavioural response. Such information could assist in subsequent reviews of the impact of these policy changes.

The PBO also notes that, as of publication date of this document on 29th October, the Review of the R&D Tax Credit has not been published. This is unfortunate, as it was committed to prior to the Budget, and would help both to provide evidence for the changes being made in this Finance Bill, but also would provide a cost-benefit analysis of the impact of the most expensive tax expenditure at present. It has almost doubled in cost in the last three years (from €753 million in 2021 to €1,407 million in 2023, the most recent data.)[1]

The PBO welcomes the new Tax Expenditure Passports document, published in September.[2] This provides really helpful one-page summaries of each tax expenditure, including whether it has a sunset clause, the evolution of costs and take-up over the last five years, and details and a link to the most recent review. This research will be invaluable for those trying to understand this area of expenditure.

The PBO would highlight that certain information in the Tax Policy Changes document was revised online subsequent to Budget Day. The PBO have endeavoured to highlight these sections where relevant but would note that it is not best practice for information to be edited online subsequent to publication. While these clarifications are helpful, this is not clear for Members or other practitioners. This also should have been re-laid in the Oireachtas Library through the Docs Laid system in order to ensure the correct version of official documents is available for Members and to support legislative consideration.

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[1] Department of Finance, Tax Expenditure Passports 2025
[2] Department of Finance, Tax Expenditure Passports 2025

2. Section 2: Universal Social Charge Changes

Increase the 2% threshold by €1,318

This section provides for changes to the Universal Social Charge (USC) threshold (the rate which currently applies at 2%) will increase to €28,700 (from €27,382) from 1 January 2026. The increase in the 2% rate ensures workers who benefit from the Budget increase to the minimum wage will remain outside the higher rate of USC.

Table 2: Cost of increasing the USC 2% threshold

Heading	Details
Measure	Increase the USC rate ceiling.
Budget Measure	Yes
First Year Cost (-/+)	-€22 million
Full Year Cost (-/+)	-€26 million

Source: Budget 2026 – Tax Policy Changes

Changes

- Increases the Universal Social Charge (USC) 2 per cent ceiling by €1,318 from €27,382 to €28,700 for the 2026 year of assessment onwards.

Policy Background

The USC is an income tax which replaced the income and health levies in January 2011. It was introduced in response to the deterioration of the Irish public finances post the 2008 Financial Crisis as part of efforts to broaden the tax base and reduce the deficit.[3] The USC is payable on incomes above €13,000 (income at or below this limit are exempt).[4] Once income exceeds this amount, USC is paid on all income,

[3] PBO Finance Bill 2024
[4] Revenue, Universal Social Charge Payment Exempt from USC, 2024.

while the USC does not apply to social welfare or other similar payments. Currently, there are 5 rates and bands for the USC. Following the changes being proposed in Budget 2026, these are:

- 0.5% on income from €0 - €12,012
- 2.0% on income from €12,013 - €28,700
- 3.0% on income from €28,700 - €70,044
- 8.0% on income over €70,045
- 3.0% surcharge applies to self-employed income over €100,000.

Policy Impact

This is a progressive measure as the increase ensures a full-time worker in receipt of the increased minimum wage under Budget 2026 does not move to the 4% rate of USC when the minimum wage increases from €13.50 to €14.15 to per hour, from 1 January 2026.[5] This represents a 65 cents per hour increase in the national minimum wage.

[5] Budget 2026, Tax Policy Changes

3. Section 2 (continued): Extend the USC concession for medical card holders to 31 December 2027

This section provides for an extension of the existing concession of the USC for medical card holders until the end of 2027. This means that those with a full medical card and an income of €60,000 or less per year can continue to benefit from a reduced rate of USC.

Table 3: Cost of extending the USC concession for medical card holders

Heading	Details
Measure	Extension of the USC concession for medical card holders until 31 December 2027.
Budget Measure	Yes
First Year Cost (-/+)	-€50 million
Full Year Cost (-/+)	-€50 million

Source: Budget 2026 – Tax Policy Changes

Changes

- An extension of the existing reduced rate of 2% USC for all medical card holders on income less than €60,000 annually.

Policy background

The reduced rate of USC for medical card holders was first introduced in 2011. Originally it was a temporary measure but has been extended multiple times since, the most recent being until 31 December 2027 in Budget 2026.[6]

It reflects a targeted social protection measure aimed at supporting low-income and vulnerable groups in Ireland. Medical card holders under 70 years of age with

[6] Should medical card holders still get a break on tax? – The Irish Times

aggregate income below €60,000 qualify for a reduced USC rate of 2%, rather than the standard rates which can go up to 3% (or 8% for income above €70,045). This concession helps reduce the tax burden on those with limited financial means.

Policy Impact

This policy extension provides targeted tax relief to a defined group of lower and middle-income earners with medical vulnerabilities. Assuming no change in behaviour, those using the reduced USC rate would face higher tax bills without it. According to the Department of Finance review, in 2022, about 140,000 taxpayers benefited from the relief, saving an average of €314 each, at a total cost of €44 million. The cost of the relief has risen each year, reaching its highest level in 2022 (the most recent year available at the time of the review). In addition, some recipients also benefit from the medical card scheme, meaning they receive support from two government sources.[7]

Medical card holders earning less than €60,000 annually could save €326 per year compared to the standard USC rates, providing a slight increase to take-home pay for those in the eligible income range.[8] It is expected to cost the exchequer €50 million in the first year.[9]

[7] Department of Finance, 2025 Review of the Reduced Rate of USC for Medical Card Holders
[8] Should medical card holders still get a break on tax? – The Irish Times
[9] Budget 2026 – Tax Policy Changes

4. Section 3: Rent Tax Credit

This section provides for an extension of the rental tax credit until 31 December 2028. The Rent Tax Credit supports individuals paying rent for their principal private residence, accommodation required for work or college, or housing for a qualifying child attending college. In Budget 2024, the scope of the credit was broadened to include parents who cover rental costs for student children living in Rent a Room arrangements or "digs." This extension was applied retrospectively to the tax years 2022 and 2023.

In Budget 2026, the Rent Tax Credit has been extended for a further three years, until the end of 2028, providing continued support for renters. The credit remains at €1,000 annually for single individuals and €2,000 for jointly assessed couples, offering a direct reduction in income tax liability for eligible rental payments.

Table 4: Rent Tax Credit

Heading	Details
Measure	Extension of the rental tax credit
Budget Measure	Yes
First Year Cost (-/+)	-€350 million
Full Year Cost (-/+)	-€350 million

Source: Budget 2026 – Tax Policy Changes.

Changes

- Extension of the rental tax credit until 31 December 2028.

Policy Background

This measure was introduced against the backdrop of increasing pressures in the private rental market in Budget 2023. Since its introduction in 2022, the Rent Tax Credit has progressively increased to twice its original value, with the total estimated cost reaching €1.1 billion over the period from 2022 to 2025.[10] This means that the Rent Tax Credit is one of the top ten most costly tax expenditures.[11]

The shortage of rental properties across the State has caused the demand, and subsequently the price of rents, to rise. In August 2025, nationally, there were just under 2,300 properties available to rent, which is effectively unchanged from the same period in 2024.[12] According to the Q2 2025 Daft.ie Rental Report, rents have risen nationally by 6.9% since the same period last year.[13]

Policy Impact

Before the current Rent Tax Credit, Ireland had a similar tax relief for renters, the 'Rent Relief for Private Rented Accommodation' which was introduced in 1982. It was phased out between 2011 and 2017 after being withdrawn during the financial crisis in 2010. At its highest point in 2008, it cost the government €97 million and was used by 220,000 taxpayer units. The Commission on Taxation reviewed it in 2009 and concluded that the net effect of the rent relief was to increase the cost of private rented accommodation and, as a result, recommended that the rent relief should be discontinued.[14]

The current form of the RTC is intended to provide relief for renters who are not in receipt of other State housing supports. It should be noted this credit can only be claimed for registered tenancies to minimise black market activities (i.e. landlords not declaring rental income). Should landlords be required to register their tenancies, this would help to reduce the level of black-market activities in the rental sector.

A review of the rent tax credit by the Department of Finance uses the SWITCH model to look at who benefits from the new RTC. It finds that about 16% of all taxpayers would gain from it. The biggest winners are working-age people without

[10] Department of Finance, 2025 A Review of the Rent Tax Credit
[11] Note that the Rent Tax Credit was outside the top 10 in this report based on 2022 data only, which has increased in cost since – Department of Finance 2025, Tax Expenditures in Ireland
[12] The Daft.ie Rental Price Report – 2025 Q2
[13] The Daft.ie Rental Price Report – 2025 Q2
[14] Department of Finance, 2025 A Review of the Rent Tax Credit

children, who would see their income go up by about 2.4%, slightly more than working-age couples with children, who would see a 2.3% increase.[15]

Individuals on lower incomes will see only a limited benefit from the Rent Tax Credit. This credit is designed to reduce overall tax liabilities and is non-refundable. As a result, individuals whose tax liability is already reduced due to lower earnings will not gain the full benefit of the tax credit nor receive a payment in respect to the balance of the unused portion of the credit.[16]

The review concluded that "The Government's commitment to "progressively increase" the RTC would represent even higher costs for the Exchequer, unsupported by clear evidence of the policy instrument's effectiveness in addressing the underlying market failure. Indeed, the policy seems to address the symptoms but not the root causes of the rental market crisis (i.e., lack of housing supply), which poses questions about the opportunity to target Exchequer money towards alternative policy instruments to advance the supply of houses across the country."[17] Elsewhere, the report suggested that this exchequer money could be directed towards alternatives, such as directly building social and affordable housing, increasing expenditure on one of the existing affordability schemes, or addressing some of the structural barriers to supply – like inadequate infrastructure.

[15] Ibid, page 13.
[16] Ibid, page 3.
[17] Ibid, page 18 and 19.

5. Section 4: Mortgage Interest Tax Relief

The Mortgage Interest Tax Relief (MITR) is being extended on a tapered basis for two further years. Mortgage Interest Relief, also known as Mortgage Interest Deduction, was introduced in Budget 2024 as a tax deduction that allows homeowners to reduce their taxable income by the amount of interest paid on a mortgage. It pertains to the substantial rise in mortgage interest rates observed in 2024 compared to those paid in 2022. However, eligibility requires that the mortgage payments relate to the taxpayer's principal private residence in Ireland; properties such as second homes or investment properties are excluded.

Table 5: Mortgage Interest Tax Relief

Heading	Details
Measure	Extension of mortgage interest tax relief
Budget Measure	Yes
First Year Cost (-/+)	-€25 million
Full Year Cost (-/+)	-€13 million

Source: Budget 2026 – Tax Policy Changes.

Changes

A two-year extension to Mortgage Interest Tax Relief for homeowners with outstanding balance on primary dwelling of between €80,000 and €500,000, on a tapered basis.

- The current level of relief will be maintained for the increase in interest paid in the tax year 2025 with a maximum tax credit of €1,250 per property available.
- A reduced level of relief will be available for the increase in interest paid in the tax year 2026, with a maximum tax credit of €625 per property applicable.

Policy Background

Introduced as part of Budget 2024, the Government stated that high housing costs are making it difficult for people to afford homeownership. However, this measure was introduced to address mortgage interest costs, rather than construction costs.

By extending the mortgage interest tax relief (MITR) the government's aim is to support mortgage holders who have seen their repayment costs rise significantly since 2022 following a series of interest rate hikes by the ECB. For example, during this time interest rates rose by 4 percentage points between July 2022 and September 2023.[18] The relief is capped at €1,250 per property and will fall to €625 in 2026.

Policy Impact

The MITR benefits taxpayers who are mortgage holders by reducing the amount of income subject to taxation. As a result, homeowners can effectively lower their tax liability, resulting in potential tax savings to support them with their mortgage repayments.

The relief operates by way of a credit offset against the taxpayer's income tax liability. To claim for 2023 or 2024, taxpayers need to file a tax return for that year and upload mortgage interest certificates for 2022 and, if needed, for 2023 or 2024. They also need to provide proof of their mortgage balance as of 31 December 2022.[19] As the scheme is linked to the balance at end 2022, there is no penalty or disincentive for a taxpayer who pays down their mortgage - a positive design feature of this scheme. In 2023 there were a total of 52,320 taxpayer units who benefitted from MITR, and the cost for 2023 was an estimated €35.4 million.[20]

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[18] ECB, Key ECB interest rates
[19] Tax Reliefs: 2 Oct 2025: Written answers (KildareStreet.com)
[20] Tax Reliefs: 2 Oct 2025: Written answers (KildareStreet.com)

6. Section 11: Micro-Generation of Electricity

Section 11 of the Finance Bill extends the exemption from income tax, USC, and PRSI for certain profits arising from the micro-generation of electricity for an additional three years. An individual may be eligible for this relief if the micro-generation occurs at their sole or main residence for their own consumption. The value of the relief remains unchanged at up to €400 for each qualifying individual.

Table 6: Income Tax relief for income from the micro-generation of electricity

Heading	Details
Measure	Extension of the Income Tax relief for micro-generation of electricity
Budget Measure	Yes
First Year Cost (-/+)	-€10 million
Full Year Cost (-/+)	-€10 million

Source: Source: Budget 2026 – Tax Policy Changes.

Changes

- Extension of the Income Tax relief for income from the micro-generation of electricity for an additional three years.

Policy Background

The exemption of up to €400 from Income Tax for certain profits arising from the micro-generation of electricity is being extended for a further three years to 31 December 2028. The relief applies to a qualifying individual who generates energy from renewable, sustainable, or alternative energy sources for their own consumption, and who sells surplus electricity to the grid.[21]

[21] Budget 2026 - Tax Policy Changes

This exemption was first introduced in the Finance Act 2021 and was extended once in Finance Act 2023, with the exemption threshold being increased from €200 to €400 per year. This extension was due to expire on 31 December 2025 prior to the announcements in Budget 2026. If multiple individuals are named on the electricity bill of a given property, then each person may avail of the full €400 exemption.[22]

Policy Impact

The aim of this measure is to ensure that the majority of domestic renewables self-consumers will not have to pay tax on income from this source (based on the typical wattage produced). This alleviates a potential administrative barrier to accessing the Department of Climate, Energy and the Environment (DCEE) Micro-generation Support Scheme (MSS). This is consistent with the commitments outlined in the Programme for Government 2025 to have 80% of Ireland's electricity generation come from renewable sources by 2030 and to intensify the transition away from expensive imported fossil fuels and towards lower-cost renewables in electricity generation.

According to statistics compiled by the Tax Strategy Group, there were 28,424 new supported applications/installations in 2024. Using data for new supported installations (up to March 2025) and the latest DCEE information from ESB networks as of July 2025, it follows that over half of the micro-generators in operation have been built since 2022. Micro-generation is the general term used to refer to the generation of electricity from renewable technologies including solar photovoltaic (PV), micro-wind, micro-hydro and micro-renewable combined heat and power. In terms of composition, solar panels outnumbered heat pump installations in dwellings built before 2020 (considering Building Energy Rating (BER) rated households where the main space heating fuel can be identified),

[22] Tax Strategy Group - Income Tax

whereas newer builds are more likely to include heat pump installations. Between 2020 and 2025, 85% of newly built dwellings contained a heat pump.[23]

There is no data available on the uptake or cost-to-date of this measure however, as individuals who avail of this relief do not need to declare qualifying income to Revenue.[24] Four percent (or 2,292) of BER rated households built between 2015 and 2019 had neither a heat pump nor solar energy installation. It is notable that despite the introduction of this measure in Finance Act 2021, this figure climbed to 6% (or 6,753) for the period 2020-2025.[25] As part of Budget 2026, the Department of Finance estimates this extension to cost approximately €10 million in a full year.

[23] CSO - Domestic Building Energy Ratings Q3 2025
[24] Ibid
[25] CSO - Domestic Building Energy Ratings Q3 2025

7. Section 12: Manufacture of Uilleann Pipes and Irish Harps

Section 12 of the Finance Bill extends the Income Tax exemption of certain profits arising from production, maintenance, and repair of certain musical instruments by a further three years until 31 December 2028. The value of the exemption remains unchanged at up to €20,000 of a person's profits.

Table 7: Income Tax relief for the makers of uilleann pipes and Irish harps

Heading	Details
Measure	Extension of the Income Tax relief for the makers of uilleann pipes and Irish harps
Budget Measure	Yes
First Year Cost (-/+)	-€0.5 million
Full Year Cost (-/+)	-€0.5 million

Source: Budget 2026 – Tax Policy Changes.

Changes

- Extend Income Tax relief for the makers of uilleann pipes and Irish harps to 31 December 2028.

Policy Background

The Income Tax disregard on up to €20,000 of a person's profits from the manufacture, maintenance, and repair of sets of uilleann pipes, early Irish harps, and Irish lever harps, is being extended to 31 December 2028.[26] This measure was initially introduced in Finance Act 2022 for a term of three years and was due to expire on 31 December 2025. Under the existing measure, the relief per person is valued at €4,000 if qualifying income is taxed entirely within the 20% Income Tax

[26] Budget 2026 - Tax Policy Changes

rate band and €8,000 if the income falls within the 40% band.[27] Both uilleann piping and Irish harping are musical practices recognised by UNESCO as part of the intangible cultural heritage of humanity. Tax measures that remove barriers to the production of these instruments are therefore of cultural importance.

Policy Impact

Although official data is not yet available on the actual cost and uptake of this measure since its introduction, the Tax Strategy Group estimates a cost of up to €480,000 in a full year. This is based on upper estimates of the numbers of Irish harp makers and uilleann pipe makers in Ireland (15 and 45 manufacturers, respectively) each claiming the maximum total relief (€8,000 per person if a sufficient proportion of their income falls within the 40% rate band).[28]

[27] Tax Strategy Group - Income Tax
[28] Ibid.

8. Section 18: Key Employee Engagement Programme

Section 18 of the Finance Bill extends KEEP up to 31 December 2028 subject to a commencement order, as the measure is a notified State Aid and must be approved by the European Commission prior to commencement. This section also aligns the terminology in the relevant section of the Taxes Consolidation Act (1997) with that seen elsewhere in the Act by replacing the phrase "financial activities" with "financing activities".

Table 8: Key Employee Engagement Programme Extension

Heading	Details
Measure	Extend KEEP and align terminology in the TCA (1997)
Budget Measure	Yes
First Year Cost (-/+)	-€4 million
Full Year Cost (-/+)	-€4 million

Source: Budget 2026 – Tax Policy Changes.

Changes

- Extension of the Key Employee Engagement Programme (KEEP) to 31 December 2028.
- Alignment of certain terminology with that of Section 489 of the Taxes Consolidation Act (1997).

Policy Background

Larger enterprises can independently offer attractive compensation packages to employees as they have more available resources than micro, small and medium enterprises (SMEs). This acts to widen the productivity gap between SMEs and large enterprises.[29] KEEP helps SMEs to attract key employees by enabling the enterprise to offer employees share options with preferential tax treatment.[30] A share option entitles employees to purchase shares in their company at a fixed price at some future date. Making this purchase is referred to as "exercising" the options. This incentive can be used to attract and retain key employees as shares may be purchased at the reduced pre-agreed price on a given date and then sold at their market price - with tax exemptions - enabling larger profit margins than would otherwise be possible. However, as discussed in the section below, uptake of the scheme has been limited.

KEEP is a share option scheme that is subject to Capital Gains Tax, but exempt from Income Tax, USC, and PRSI. Employees do not pay any tax on the grant of KEEP options but may be liable to CGT upon the disposal of the shares purchased under the share option. This incentive was introduced for qualifying share options granted between 1 January 2018 and 31 December 2023. In Budget 2023, it was announced that the programme would be extended until 31 December 2025. In Budget 2026 it was announced that the programme would be extended until 31 December 2028 subject to State Aid approval by the European Commission. To qualify for KEEP, certain conditions must be met by the company, the employees, and the share options themselves. Basic conditions for KEEP can be found on the Revenue website, while more thorough details on qualifying conditions can be found here.

Policy Impact

The Irish Tax Institute published feedback on the operation of KEEP earlier this year, outlining why there has been low uptake of the scheme to date. The report urges the extension of KEEP, noting its potential to enable SMEs to compete with multinationals in attracting key talent and points to limitations with the operation of the scheme that have impacted its feasibility. Some of the limitations identified by

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29 Commission on Taxation and Welfare - Report 2022, p. 205
30 Revenue - National Enterprise Hub (Tax Relief for Employees of Small and Medium Enterprises)

the Irish Tax Institute are highlighted below.[31] However, as noted in the Explanatory Memorandum of Finance Bill 2025, the conditions of KEEP currently remain unchanged.

- Limited guidance on determining market value for the purposes of KEEP - The report notes that one of the most significant practical issues for SMEs is in achieving certainty regarding their share valuation so that the share option price is not less than the share market value on the date of the grant. In such cases, the options will not qualify for KEEP, resulting in no exemption from Income Tax, USC, and PRSI upon exercise. The lack of guidance on determining market value means that there is an inherent risk of undervaluation which would lead to disqualification from the scheme. The report suggests a possible amendment that would allow the options to qualify for KEEP but enable Revenue to collect Income Tax on the portion of the gain attributable to the undervalue. The report also acknowledges that the rationale for this requirement is due to State aid requirements, but notes that this requirement does not exist for similar share schemes in other Member States.
- Current definition of a "qualifying holding company" considers the holding company in isolation, rather than the group as a whole - The Irish Tax Institute notes that the current definition relates to State aid requirements but proposes an amendment they believe would align with regulations.
- Disproportionate penalty for late filing of the KEEP1 Form - If this form is filed past its deadline, it may result in full withdrawal of relief as the exemption from income tax, USC, and PRSI on the exercise of the KEEP share options no longer applies. This differs from share-based remunerations schemes such as APSS and SAYE which impose a fixed penalty for the employer in such cases.

As part of the 2022 Report of the Commission on Taxation and Welfare, it was recognised that share-based remuneration is an important aspect of supporting

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[31] Irish Tax Institute - Feedback on the Key Employee Engagement Programme

SMEs and indigenous enterprises. Such schemes assist in attracting and retaining talent and the Commission acknowledged a role for the tax system in this area. However, they concluded that KEEP did not achieve its objectives at the time of the report, noting insufficient uptake of the scheme and recommending that KEEP be reformed to broaden its use.[32]

KPMG noted in their Finance Bill insights that the extension of KEEP is a positive development. However, there are no changes to the qualifying requirements, which currently pose challenges for businesses in terms of understanding how to qualify for the scheme. KPMG notes that this complexity has resulted in low uptake of the scheme since its introduction and that further refinements may be necessary.[33]

[32] Commission on Taxation and Welfare - Report 2022, p. 206-208
[33] KPMG - Finance Bill 2025, Employment Tax

10. Section 21: Foreign Earnings Deduction

Section 21 of the Finance Bill provides for a five-year extension of the Foreign Earnings Deduction scheme to 31 December 2030. The maximum amount of income from an office or employment which is subject to relief is increased to €50,000. From 1 January 2026 the Philippines and Turkey are included as relevant states. Lastly, there is a change in the definition of a qualifying day - namely, the requirement for an individual to spend three consecutive days working in a relevant state will be removed. It also provides that the relief will not be available where an individual chooses to spend time working in a relevant state for personal reasons.

Table 9: Foreign Earnings Deduction Extension

Heading	Details
Measure	Extend FED relief, increase the limit on the relief, include two additional states, change the definition of a qualifying day
Budget Measure	Yes
First Year Cost (-/+)	-€5 million
Full Year Cost (-/+)	-€5 million

Source: Budget 2026 – Tax Policy Changes.

Changes

- Extension of the relief to 31 December 2030.
- Increase the limit on the relief from €35,000 to €50,000.
- Include the Philippines and Turkey as relevant states.
- Change the definition of a qualifying day so that an individual is no longer. required to spend three consecutive days in a relevant state and that the relief will not be available where an individual chooses to spend time working in a relevant state for personal reasons.

Policy Background

FED reduces an individual's income for Income Tax purposes but not for USC or PRSI.[34] The Foreign Earnings Deduction was first introduced in Finance Act 1994 but ceased to be available after 2003. It was reintroduced in Budget 2012 to further support Ireland's export sector by aiding companies seeking to expand into emerging markets. As Ireland is a small, open economy, the performance and continued growth of the export sector is a key consideration for Government. FED has been extended on several occasions - most recently in Finance Act 2022 - but this extension was due to expire in 2025.[35] Budget 2026 extends FED for a further five years until 31 December 2030, increases the limit on the relief, includes two additional countries, and amends the definition of a qualifying day.[36]

Policy Impact

The Department of Finance performed a review of FED in advance of Budget 2026, surveying a sample of stakeholders throughout Q2 2025 to gather insights on FED's usage and impact from the perspective of businesses and tax professionals. These stakeholders indicated that Irish businesses and professionals strongly favour retaining FED beyond 2025, citing its important role in incentivising exports to new markets and international expansion. It is also noted that diversification of export markets is a key focus due to increased geopolitical uncertainty. Industry stakeholders support extending the list of qualifying countries and the level of available relief.[37]

Organisations outside the commercial sector however have raised concerns regarding the equity of FED, as this measure largely benefits enterprises and high-income earners rather than individuals and lower-income earners. The review found that the FED is justifiable despite this fact due to its role in supporting the Irish economic model. The review also notes that a full cost-benefit analysis has not

[34] Revenue - Personal Tax Credits, Reliefs and Exemptions (FED)
[35] Tax Strategy Group - Income Tax
[36] Budget 2026 - Tax Policy Changes
[37] Review of the Foreign Earnings Deduction, Department of Finance

been conducted since one produced by Indecon in 2019, which suggested a positive cost return. Due to the absence of changes in the FED scheme since 2019 and the similarity between the figures used in this analysis with the most recent available data, the review posits that an updated analysis would likely return similar findings.[38]

The Department of Finance Review of the FED also provides uptake and cost statistics for each year from the introduction of the FED until 2023. They note that uptake of the FED still had not returned to pre-pandemic levels in 2023, with the number of claimants being 14% greater in 2019 than in 2023, for example. It is noted that post-COVID working arrangements and increased use of remote working solutions may have reduced the need for business trips in some cases. The rising uptake of the scheme in its earlier years can largely be attributed to the growing list of qualifying countries, expanding from 5 to 30 between 2012 and 2017.The relaxation of eligibility criteria over this period also explains the quick growth in uptake.

[38] Ibid

Figure 1: Usage and cost of the Foreign Earnings Deduction since introduction

Source: Review of the Foreign Earnings Deduction, Department of Finance

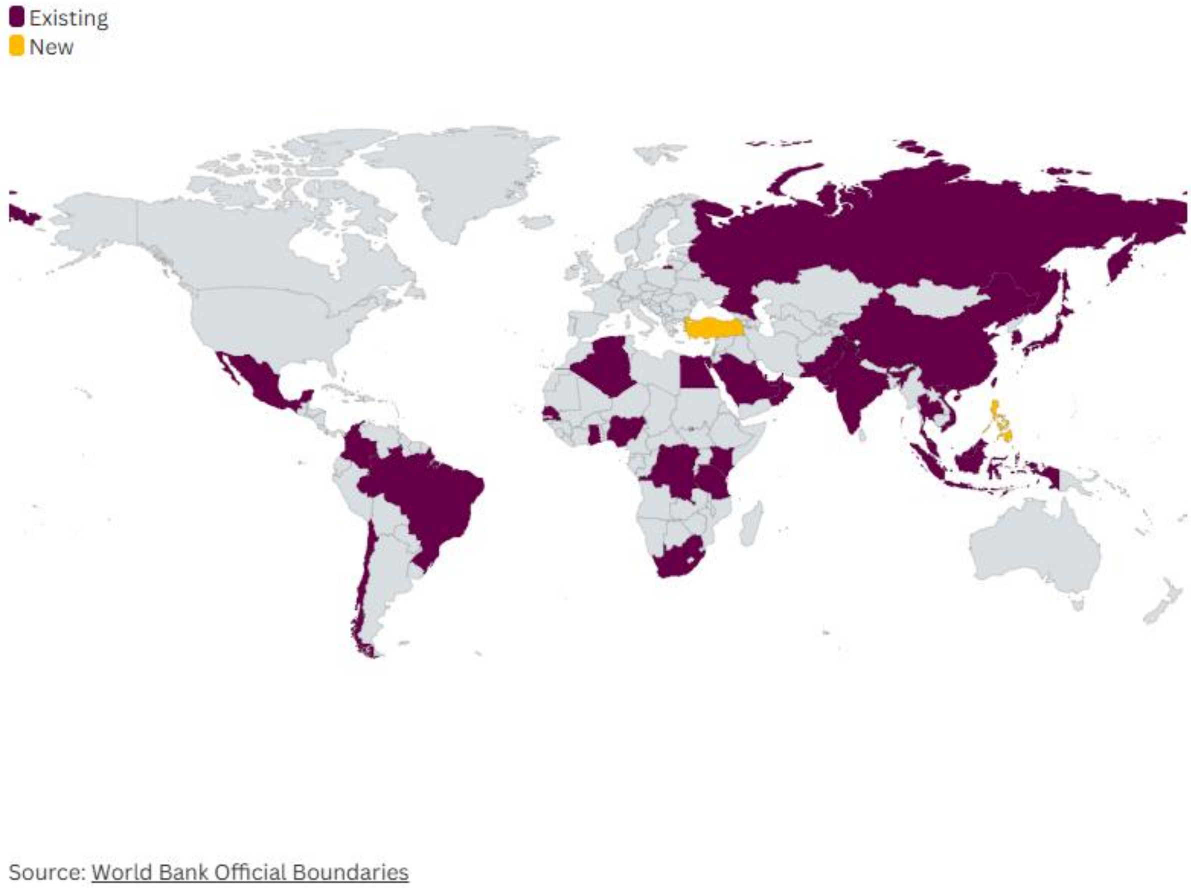
As part of the 2022 Report on Taxation and Welfare produced by the Commission on Taxation and Welfare, it was recommended that the qualifying criteria of FED be reviewed to ensure the measure is utilised by claimants in a manner consistent with its original policy objective. This was due to their finding that FED currently does not specify the type of work that must be carried out abroad, does not limit itself to particular sectors, and does not legally require that the employee claiming FED be engaged in export-related activities. It is therefore possible for a claimant to engage in activity from sectors that are not traded internationally or to carry out duties on FED assignment that could be completed in Ireland. Additionally, there is no requirement that the duties carried out abroad be linked to an Irish operation. Given these facts, FED does not currently specifically incentivise export-led activity.[39]

Since the publication of Finance Bill 2025 Deloitte has welcomed the latest extension of the FED, the increase in maximum relief, and the removal of the three consecutive days requirement. They note however that the provision that a day can

[39] Commission on Taxation and Welfare - Report 2022, p. 214 - 216

only be qualifying if the individual's presence is reasonably required may be problematic in the absence of clear guidance on this point.[40]

Figure 2: FED Qualifying Countries



Source: [Review of the Foreign Earnings Deduction, Department of Finance]

[40] Deloitte - Finance Bill, Global Mobility & Employment

11. Section 22: Special Assignee Relief Programme

Section 22 of the Finance Bill extends the Special Assignee Relief Programme (SARP) for a further five-year period until 31 December 2030. From 1 January 2026, the minimum employment income which is used in the calculation of the relief will be increased to €125,000 for employees who first arrive in the State on or after this date. There are also certain administrative amendments in this section. First, the employee will qualify for the relief where the employer certification is made after 90 days but within 180 days from the employee's date of arrival in the State. Secondly, the amendment also extends the filing date for the employer annual end of year return to 30 June in respect of the tax year 2025 and subsequent tax years. KPMG notes that this will allow more time for employers to collate the information that they are required to report to Revenue in respect of employees availing of SARP.[41]

Table 10: Special Assignee Relief Programme Extension

Heading	Details
Measure	Extend SARP relief, increase the minimum basic annual salary requirement, make certain administrative amendments
Budget Measure	Yes
First Year Cost (-/+)	-€60 million
Full Year Cost (-/+)	-€60 million

Source: Budget 2026 - Tax Policy Changes

Changes

- Extension of the relief to 31 December 2030.
- Increase of minimum basic annual salary requirement to €125,000.

[41] KPMG - Finance Bill 2025, Employment Tax

- Changes to employer certification timeline and related restrictions on the maximum amount of relief available.
- Extension of the filing date for the employer annual end of year return.

Policy Background

Section 14 of Finance Act 2012 introduced the Special Assignee Relief Programme. The section provided income tax relief for certain individuals assigned during any of the tax years 2012, 2013 and 2014 to work in the State. Since its inception, SARP has been extended five times - most recently in Budget 2026 when it was extended for a further five years to 31 December 2030.[42]

SARP provides Income Tax relief for certain people who are assigned to work in Ireland from abroad. It is currently given by disregarding 30% of all employment income between €100,000 and €1 million for Income Tax purposes,[43] but this minimum will change to €125,000. Employees must be assigned by a relevant employer to work in Ireland for that employer (or an associated company of their relevant employer).[44] The income which is disregarded for Income Tax purposes is not exempt from the charge to USC or PRSI.[45] SARP Relief currently applies to assignments during any of the tax years 2012 to 2025.[46]

The relief can be claimed for a maximum period of five consecutive years. Currently, SARP is unavailable for any year if the employer certification is not made within 90 days. Finance Bill 2025 will amend this requirement so that the employee will qualify for the relief where the employer certification is made after 90 days but within 180 days from the employee's date of arrival in the State, thereby relaxing the existing regulations. However, relief will be restricted to a maximum of four consecutive tax years in this case. This will commence in the tax year after which

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[42] Revenue Tax and Duty Manual (Special Assignee Relief Programme)
[43] Revenue - Special Assignee Relief Programme
[44] Revenue Personal Tax Credits, Reliefs and Exemptions (SARP)
[45] Department of Finance (2025) - Review of the Special Assignee Relief Programme
[46] This means that even without the extension provided for in the Finance Bill, an individual who first claims SARP in 2025 can continue to avail of SARP in respect of each year up to and including the 2029 tax year, provided all conditions of the relief continue to be met.

the relevant employee is first entitled to relief under the section. PwC explains that in essence, the first year of relief will be lost but that claims can be made in years two-to-five.[47]

It should be noted that a key principle of the original OECD Base Erosion & Profit Shifting (BEPS) (2013-2019) process was that MNCs should book profits in jurisdictions where they have substantive real operations and activities, rather than in low-tax or zero-tax jurisdictions where they maintain an office staffed by a minimal workforce.[48] The international consensus reached during the BEPS project is that profits should be taxed where the Development, Enhancement, Maintenance, Protection, and Exploitation 'DEMPE' functions occur.[49] Therefore, when an MNC is allocating or booking profit, and ultimately paying Corporation Tax, across its entities (or subsidiaries/branches etc.,) in various jurisdictions, there is a focus on where value-added activities and key decision-makers are located in support of their substantive operations.[50] SARP is part of a foreign direct investment policy which helps Ireland to be competitive and attract certain senior decision-makers here to particular companies.[51]

Policy Impact

As part of the 2022 Report on Taxation and Welfare produced by the Commission on Taxation and Welfare, it was recommended that SARP should be retained but further restricted and that its continuation should be regularly reviewed as part of the tax expenditure review process. This is partially due to the conflict between ongoing use of the relief with other policy objectives such as broadening the tax base and ensuring equity of treatment where possible.[52] Moreover, its application has been highly concentrated in previous years with at least €5.55 million of relief granted to just 50 employees in 2019. In 2023 there were 2,925 individuals

[47] PwC - What does Finance Bill 2025 mean or you and your business?
[48] PBO (2024) 'An analysis of corporation tax revenue growth' p4.
[49] Parliamentary Question - EU Issues - Tuesday, 11 Jun 2019.
[50] Irish Tax Institute (2019) ' Submission to Indecon re. SARP review' p2.
[51] Dáil debate - Finance Bill 2021: Report Stage - Wednesday, 1 December 2021.
[52] Commission on Taxation and Welfare - Report 2022,

recorded on SARP Employer Returns, submitted by 600 employers. 80 claimants had incomes between €1 million and €3 million, while 19 claimants had incomes exceeding €3 million.[53] The Commission also noted that many multinational groups already use tax equalisation measures to ensure that personal taxes are not a factor in the assignment decisions of employees. Consequently, the benefits of SARP are mainly passed on to corporate employers outside the State in these cases (however, the percentage of claimants with tax equalisation arrangements has decreased in recent years).[54] On the other hand, the report notes that Ireland's progressive personal tax system means that without SARP, many inbound assignment decisions may not have been made. This could have affected decisions relating to investment location and corporate substance in Ireland.[55]

In comparison with some similar initiatives in other countries (e.g., Denmark and the Netherlands), SARP has a comparatively low level of take-up and cost.[56]

More recently, the Department of Finance conducted a review of SARP in advance of Budget 2026. They surveyed a sample of stakeholders throughout Q2 2025 to obtain feedback on the scheme. Stakeholders believed that the absence of SARP would negatively impact Ireland's competitiveness in attracting talent and investment. Multiple stakeholders called for SARP relief to be enhanced through either extending it to USC and PRSI, increasing the percentage of income eligible for relief past 30%, or extending the eligibility period past five years. Stakeholders also noted that indigenous Irish businesses without foreign-based operations cannot currently benefit from SARP but recognised the need to ensure that changes to SARP do not displace the employments of Irish workers.[57]

The regressive nature of the tax has been noted by those outside the commercial sector. The Nevin Economic Research Institute has previously emphasised the need for balance between fairness and potential efficiency gains, while Social Justice

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[53] Revenue - Special Assignee Relief Programme Statistics for 2023
[54] Department of Finance (2025) Review of the Special Assignee Relief Programme p9.
[55] Commission on Taxation and Welfare - Report 2022, p. 212 - 214
[56] SEO Economisch Onderzoek (2024) 'Evaluaitie 30%-Regeling 2016-2022' p36.
[57] Department of Finance (2025) Review of the Special Assignee Relief Programme

Ireland proposed the abolition of SARP in their recommendations for Budget 2026. The Department of Finance's review of the scheme contains a Cost-Benefit Analysis evaluating the impact of SARP from a societal perspective and finds that the overall benefits of the scheme outweigh its costs. The review by the Department of Finance ultimately found that there is a strong policy rationale to extend SARP but recommended several changes. The recommendations are aimed at making administrative requirements more practical and ensuring that the measure continues to be appropriately targeted towards high-calibre talent. The recommendations were to extend SARP, amend the 90-day employer certification deadline, extend the Annual Employer Return deadline, and increase the minimum salary threshold from €100,000. All of these are suggestions are captured in the Finance Bill.[58]

Lastly, organisations such as PwC have noted that the administrative simplifications included in this section are welcome. PwC also notes that the extending measures announced will ensure the relief remains of significant benefit to employers in the relocation of key employees to Ireland.[59] However, Deloitte does not view the proposed amendment around employer certification to be a simplification. Rather, they have expressed disappointment that the challenges posed by the 90-day certification requirement have not been fully recognised and that a delay would result in the loss of a full year of SARP relief.[60] KPMG notes that there continue to be a number of aspects of the relief which limit its effectiveness and that they had hoped for more changes in Finance Bill 2025. One such limitation is that the relief is currently unavailable to new hires and is therefore largely unavailable to indigenous businesses.[61] Overall, SARP is a relevant factor in Ireland's FDI strategy and according to the Irish Tax Institute, has so far delivered on its objective to attract individuals with advanced skills and leadership experience.[62] The total estimated cost of SARP in 2023 was €56.3 million, of which €300,000 and €500,000 were in

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[58] Ibid.
[59] PWC - What does Finance Bill 2025 mean or you and your business?
[60] Deloitte - Finance Bill, Global Mobility & Employment
[61] KPMG - Finance Bill 2025, Employment Tax
[62] Irish Tax Institute - Response to the Department of Finance Questionnaire

relation to travel and school fees, respectively. The majority of individuals claiming SARP were in the Information and Communication Sector (895), with Financial and Insurance Activities (571) and Manufacturing (542) also accounting for a high number of claimants. The most common claimant nationality in 2023 was Indian (18%) while the most common country of previous residence prior to arrival in the State was the US (20%). It should also be noted that 14% of SARP claimants were Irish.[63] The Department of Finance estimates this measure to cost approximately €60 million in a full year.[64]

[63] Revenue - Special Assignee Relief Programme Statistics for 2023
[64] Budget 2026 - Tax Policy Changes

13. Section 23 and Section 24: Electric Vehicles - benefit of use of car and van

In Budget 2026, the government announced three targeted taxation measures to support the adaptation of electric vehicles. Section 63 details the VRT changes.

In Section 23 and 24, the Benefit-in-Kind (BIK) Original Market Value deduction for company-provided EVs remains at €10,000 for 2026, tapering to €5,000 in 2027 and €2,500 in 2028.

In addition, a new BIK rate band (Category A1) for zero-emission vehicles has been introduced.

Table 11: VRT Relief for Electric Vehicles

Heading	Details
Measure	Tax measures to support the adoption of electric vehicles through Benefit in Kind
Budget Measure	Yes
First Year Cost (-/+)	-
Full Year Cost (-/+)	-

Source: Budget 2026 – Tax Policy Changes.

Changes

- The temporary Benefit-in-Kind (BIK) relief of €10,000 applied to the Original Market Value (OMV) of company electric vehicles has been extended through 2026. This relief will decrease to €5,000 in 2027 and €2,500 in 2028.
- A new Category A1 has been introduced specifically for zero-emission vehicles, offering reduced BIK rates ranging from 6% to 15%, from the previous range of 9% to 22.5%.

- Additionally, the lower limit in the highest mileage band is being permanently reduced from 52,001km to 48,001km from 1 January 2026.

Policy Background

Ireland aims to reduce greenhouse gas emissions by 51% between 2021 and 2030, based on 2005 levels, and to reach net-zero emissions by 2050. In the 2025 programme for government, there is a commitment to introduce incentives to increase the uptake of EVs in Ireland,[65] and the Climate Action Plan 2021 outlines a national target of almost one million electric vehicles on Irish roads by 2030.[66]

In Budget 2025 the government announced a BIK exemption for installation of home chargers. This coupled with Budget 2026's measures are encouraging people and corporations to choose electric vehicles, over more harmful alternatives. Which would subsequently help the government in reaching other climate targets already set.

Policy Impact

The continuation of the Benefit-in-Kind (BIK) Original Market Value deduction are likely to reduce the overall cost of acquiring and using EVs, particularly for company car users. These provisions may support short-term growth in EV registrations and fleet conversions. The introduction of a new BIK rate category for zero-emission vehicles provides a more differentiated approach to taxation based on usage, which could improve cost efficiency for high-mileage users. As the reliefs are scheduled to taper and cease at end 2028, the long-term impact will depend on factors such as vehicle pricing, infrastructure availability, and consumer preferences.

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65 Programme for Government 2025 - Securing Ireland's Future

66 PBO 2022 An Overview of Ireland's Electric Vehicle Incentives and a Comparison with International Peers

14. Section 28: Accelerated Capital Allowances for Slurry Storage

Section 28 of the Finance Bill extends the Accelerated Capital Allowances (ACA) scheme for capital expenditure incurred on slurry storage which was first introduced in 2022 by an additional four years. The ACA scheme will be extended until 31 December 2029 and this extension will come into effect on a day to be appointed by the Minister for Finance. The conditions of the scheme remain the same. This section of the Finance Bill also provides for a technical amendment to update references to relevant EU Regulations.

Table 12: ACA Scheme for Slurry Storage

Heading	Details
Measure	Extension of the Accelerated Capital Allowances Scheme of Slurry Storage
Budget Measure	Yes
First Year Cost (-/+)	-€6 million
Full Year Cost (-/+)	-€6 million

Source: Budget 2026 – Tax Policy Changes.

Changes

- Extension of the Accelerated Capital Allowances (ACA) scheme for capital expenditure incurred on slurry storage to 31 December 2029.

Policy Background

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. This measure allows for the capital expenditure for slurry storage buildings and associated equipment to be written off at 50% per annum over two years as opposed to seven years for farm buildings and eight years for plant / machinery.[67]

This measure works as an incentive in that it allows farmers to claim the entire allowance for the construction of storage facilities in just two years. For other farm buildings, farmers are entitled to claim an allowance of 15% of the relevant capital expenditure for the first six years and 10% in the seventh year.[68] This means that the full tax relief for construction of slurry storage facilities can be claimed faster, reducing tax bills, and improving cash-flow in the short-term.

This relief was introduced to address a deficiency in slurry storage in Ireland which leads to an over-reliance on chemical fertilisers and reduced air and water quality. The purpose of the scheme is to support the agricultural sector in meeting its emissions targets[69] and incentivise farmers to construct slurry storage facilities, increasing the volume of slurry storage at an individual farm level. The scheme is available to any person carrying on a trade of farming, which may be a company, sole trader, or a partnership. The use of slurry as an organic fertiliser is a more environmentally friendly, lower carbon-emission substitute for imported chemical fertilisers. The ACA scheme is therefore consistent with Ireland's decarbonisation targets.[70]

Policy Impact

Revenue data is currently unavailable on the cost and uptake of this scheme up to this point. It is therefore difficult to directly assess whether this scheme is cost-efficient or effective in achieving its environmental aims. As noted by the Tax Strategy Group, the Environmental Protection Agency reported an improvement in nitrate levels in a representative sample of Irish rivers in 2024.[71,72] This would be consistent with a decline in the usage of chemical fertilisers, possibly suggesting

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[67] Budget 2026 - Tax Policy Changes p11.
[68] Revenue - Accelerated Capital Allowances for Slurry Storage Facilities
[69] Minister for Finance - Dáil Éireann Debate, 2025
[70] Tax Strategy Group - Income Tax
[71] Ibid
[72] Early insights indicator report Nitrogen concentrations in selected major rivers Jan-Dec 2024

increased slurry substitution. However, the latest data from the Environmental Protection Agency suggests an increase in nitrate levels in 2025 over those recorded in 2024. The EPA also notes that nitrogen concentrations can fluctuate due to factors other than agricultural land management, such as source loading and weather patterns.[73] In the absence of recent Revenue data, the PBO cannot draw strong conclusions as to the efficacy of the scheme. Lastly, it should be noted that the initial estimate for the full-year cost of the ACA scheme provided in Budget 2023 was €18 million.[74] Budget 2023 predicted that this cost would fall to €9 million in 2026, and this figure has been revised down to €6 million in Budget 2026. It is unclear at this point whether this revision is due to higher-than-expected uptake in early years of the scheme, or limited interest in the scheme among farmers.

[73] Early-insights-nitrogen-concentration-indicator-Jan-Jun-2025__F03-web-ready.pdf
[74] Budget 2023 - Tax Policy Changes

15. Section 29: Living City Initiative

The Living City Initiative supports the enhancement of older housing and commercial stock in the designated Special Regeneration Areas in Cork, Dublin, Galway, Kilkenny, Limerick and Waterford. The scheme is being expanded and extended considerably to include new five locations (Athlone, Drogheda, Dundalk, Letterkenny and Sligo), to amend the rules applying to the age of the property (i.e., it used to apply to properties built before 1915 but now it applies to those built before 1975), and to allow for the conversation of commercial property to residential properties.

Table 13: Living City Initiative

Heading	Details
Measure	Extend and expand the Living City Initiative to 31 December 2030
Budget Measure	Yes
First Year Cost (-/+)	-
Full Year Cost (-/+)	-€10 million

Source: Budget 2026 – Tax Policy Changes.

Changes

- The Living City Initiative is extended to 31 December 2030.
- The pre-1915 building age requirement that applied for owner occupier and rented residential relief is amended to provide that residential premises built before 1975 will be eligible for relief incurred on or after 1 January 2026.
- The commercial premises and rented residential elements of the LCI are amended so that relief can be used at 50 per cent per annum, unused relief can be carried forward for ten years, a change is made for how grants received for this work is applied, and the restriction on property developers or connected parties claiming relief in certain circumstances is removed.

- As part of the de minimis State Aid regulation which applies to this measure, the maximum aid is €300,000 per undertaking over a rolling 3-year period.
- The LCI is extended to the conversion or refurbishment of certain commercial or industrial properties into residential properties, including utilisation of "over the shop" premises for residential purposes. There will be no building age restriction on these properties. Accelerated industrial buildings allowances are available over two years at a rate of 50 per cent per annum for the part or full conversion or refurbishment of properties which are rateable premises within the meaning of Schedule 3 of the Valuation Act 2001, into residential premises. The period over which unused relief may be carried forward is ten years.
- Amendments were made to the rules on the termination of capital allowances and the High-Income Earner Restriction to include the LCI.
- The locations for the Living City Initiative will be laid out in Statutory Instrument after consultation with the relevant local authorities. The new locations are the five regional centres under the National Planning Framework which include Athlone, Drogheda, Dundalk, Letterkenny and Sligo.

Policy Background

The original Living City Initiative supports the enhancement of older housing and commercial stock in the designated Special Regeneration Areas in Cork, Dublin, Galway, Kilkenny, Limerick and Waterford, but had a complicated commencement. It was originally announced in Budget 2013 and then legislated for in Finance Act 2013 but was subject to a commencement order pending EU State Aid approval. Amendments were made in the next two Finance Acts, before it was commenced on 5 May 2015.

It was initially proposed that the Initiative would apply only to Georgian houses in the cities of Waterford and Limerick. However, after an ex-ante cost–benefit analysis was carried out by Indecon Economic Consultants, it was decided that all residential properties constructed up to the end of 1914 in certain designated areas of Cork, Dublin, Galway and Kilkenny, as well as Limerick and Waterford, would come within the scope of the Initiative. When initially launched, the Living City Initiative had a residential element and a commercial element. There were initially restrictions regarding the size of the property, and it was only available to owner-occupiers, which was subsequently expanded. The commercial element was related to the refurbishment or conversion of a property in a Special Regeneration Area that was in use for the purpose of retailing goods or providing services within the State and was not restricted to pre-1915 buildings. [75]

The Special Regeneration Areas for the Living City Initiative were designated by the Minister for Finance after consultation with the relevant city councils and an independent review by a third-party adviser.

Specific criteria were set down in respect of the areas that should be included in the remit of the Living City Initiative, which were required to be considered by each relevant city council in putting forward its Special Regeneration Area. In particular, it was stated that the Special Regeneration Areas should be primarily inner-city areas that largely comprise dwellings built before 1915, that have above-average unemployment and that demonstrate clear evidence of neglect, dereliction and under-use. It was specified that areas that are generally regarded as affluent, that have high occupancy rates and that do not require regeneration should not be included in the Special Regeneration Areas. The Living City Initiative was a very targeted, urban regeneration incentive.[76] These areas were set out in Statutory Instruments in 2015 and have not been amended since.[77]

The scheme has changed over time, and now there are three types of relief available: owner-occupier residential relief, rented residential relief and commercial relief. These all allow claims for money spent on refurbishing, or

[75] Irish Tax Review 2015, O'Connell and Belton 'Launch of the Living City Initiative' (retrieved from the Irish Tax Institute - TaxFind)
[76] Ibid.
[77] SIs No. 182-187/2015 e.g. S.I. No. 182/2015 - Taxes Consolidation Act 1997 (Living City Initiative) (Special Regeneration Area) (Cork) Order 2015.

converting, residential or commercial properties. There are different conditions for claiming relief, depending on whether you refurbish or convert a property for residential or commercial use. Rented Residential Relief only applies from 1 January 2017 for Rented Residential Relief. Both the Rented Residential Relief and Owner-Occupier Residential Relief can only be claimed after a Letter of Certification is granted by the relevant local authority.[78]

Take up of the Living City Initiative has never been considerable, with only 89 claimants in 2022 and a cost of €1.1 million which was the peak to date. Before that date, the cost never exceeded €0.5 million.[79] When the scheme was first launched and costed, it was estimated to cost €20 million per annum.[80]

The new scheme is estimated to cost an additional €10 million per annum - it is unclear if that is additional over the current costs, or the original estimate.

Policy Impact

The scheme has been considerably expanded and includes changes to the age of the building for the residential relief and a new element regarding the conversion of commercial buildings into residential buildings. The locations which will be included are subject to subsequent statutory instrument, and it is unclear if these areas will remain inner-city areas which require regeneration, such as areas with above-average unemployment and that demonstrate clear evidence of neglect, dereliction and under-use as was the case in the original scheme.

As a reminder - there were several previous tax incentive schemes focused on developing property across Ireland, which were either focused on particular geographic areas or on particular types of buildings e.g., hotels or nursing homes. While historically there have been some very successful tax incentive schemes for property which encouraged developments in areas that were not normally of interest to developers, some of these were very costly for the Exchequer without delivering the necessary policy aims. The most recent systematic economic reviews

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[78] Revenue - Living City Initiative (LCI)
[79] Revenue, Cost of tax expenditures
[80] Budget 2014 - Tax Policy Changes

of property tax incentives were in 2005, with most of these ceased subsequently.[81] Certain key points can be learned from these reviews, e.g. that some of these schemes had considerable deadweight meaning a significant proportion of the output would have occurred in any event. Goodbody suggested certain of these schemes had fundamentally adverse equity impacts.[82] Indecon suggested that the decision to introduce any new (property) tax incentives should be informed by a formal assessment of the likely costs and benefits and any tax incentive schemes which are introduced should have a defined lifespan of a maximum of three years and extensions should only be considered after evaluation of the results of a formal cost-benefit appraisal.[83] In some cases, economic analysis found schemes had remained in place longer than necessary, projects had contributed to oversupply and were a waste of scarce public resources. Certain schemes had benefits accrue to relatively few higher income individuals and resulted in inflation of property prices in the relevant areas. These schemes were relatively costly - for example, the Urban Renewal Scheme was estimated by Goodbody to have completed 426 developments up to end 2004, at a cost of €1,281 million.[84] While the qualifying period for the Urban Renewal Scheme was closed in July 2008, this scheme had a long subsequent Exchequer impact and cost €478 million between 2011 and 2023.[85]

When last reviewed by Goodbody, the "Living over the Shop" Scheme suffered from low levels of take up. Goodbody suggested that deterrents for this scheme include the disruption to retail activities and the loss of storage space for shopkeepers. Additionally, Goodbody suggested over the shop residences may not be very attractive to prospective tenants. This review drew on a previous KPMG study in 1996 which concluded that the scheme had not been successful for several reasons

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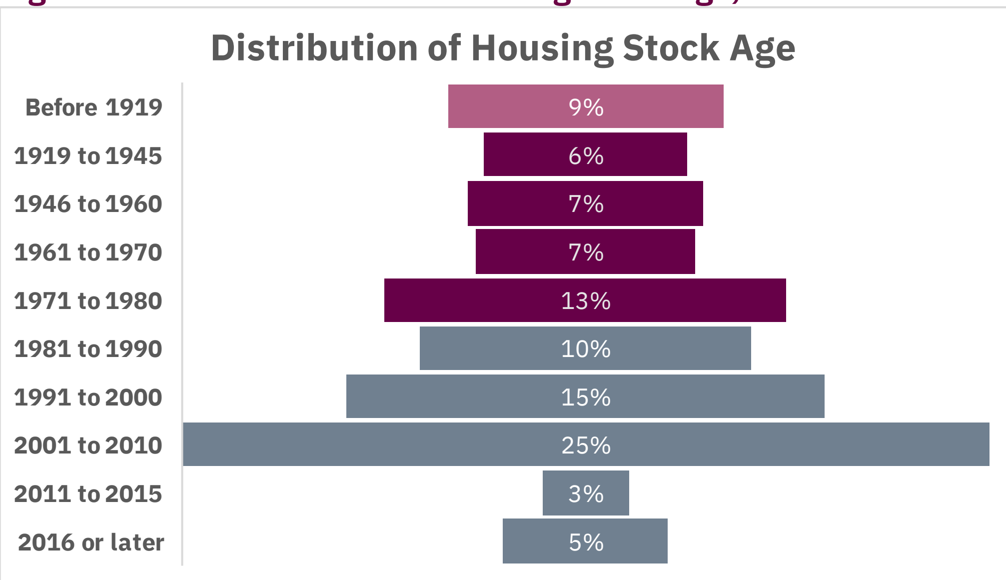
[81] Budget 2006: Review of Tax Schemes
[82] Budget 2006 - Review of Tax Schemes Volume II - Goodbody review of area-based tax incentive review schemes
[83] Budget 2006 - Review of Tax Schemes Volume I - Indecon Review of Property Based Tax Incentives
[84] Budget 2006 - Review of Tax Schemes Volume II - Goodbody review of area-based tax incentive review schemes
[85] PBO analysis of Revenue data from Cost of tax expenditures

such as security, legal issues, fire and building regulations and access problems. Part of that study found that the Living Over the Shop scheme had failed to make a significant impact because refurbishment of existing properties was not as attractive as new build, because of the costs involved. The Scheme was more successful in some urban areas than others. The key factor appeared to have been the application of resources to managing and marketing the Scheme.[86] It is important that much of these lessons are learned regarding the changes to the Living City Initiative.

As shown in Figure 3 below, a much larger proportion of the housing stock was built from 1919 to 1980 compared with pre-1919. Therefore, as homes built from 1915 to 1975 now qualify for LCI, this change will significantly increase the scope of the incentive.

Figure 3: Distribution of Irish Housing Stock Age, Census 2022



Source: See the CSO webpage. Note that homes with unknown ages have been excluded from the chart.

[86] Budget 2006 - Review of Tax Schemes Volume II - Goodbody review of area-based tax incentive review schemes

17. Section 30: Tax deduction for certain retrofitting expenditure incurred by landlords

Section 30 provides changes to tax relief for certain retrofitting costs incurred by landlords of rented residential properties.

Table 14: Tax deduction for certain retrofitting expenditure by landlords

Heading	Details
Measure	Income Tax relief for retrofitting by landlords
Budget Measure	Yes
First Year Cost (-/+)	-€0.5 million
Full Year Cost (-/+)	-€0.5 million

Source: Budget 2026 – Tax Policy Changes.

Changes

This amendment includes three key changes:

- An extension of the relief to end 2028.
- A change to when the deduction can be claimed so it can be claimed in the year of expenditure rather than the year afterward, from 2026 onwards.
- An increased property limit from 2 to 3, from 2026 onwards.

Policy Background

In November 2022, the Minister for Finance, announced a new tax incentive aimed at encouraging small-scale landlords to undertake retrofitting works while tenants were not required to vacate the property. This was introduced at the Committee Stage of the Finance Bill 2022. This measure was aimed at attracting and retaining small-scale landlords in the private rental market.

Only expenses for which the landlord has received a home energy grant from the Sustainable Energy Authority of Ireland (SEAI) qualify for the deduction. The tax relief is therefore in addition to the SEAI grant, but it is contingent on the landlord having successfully claimed an SEAI grant for the same retrofitting works.[87]

Policy Impact

This policy is a deduction on rental income for certain retrofitting costs incurred by landlords on residential properties. The tax deduction is conditional on the landlord having received a grant from the Sustainable Energy Authority of Ireland (SEAI) for the retrofitting works.[88] To calculate the deduction available to landlords, the value of the SEAI grand does not count as expenditure incurred by the landlord. The landlord must be tax compliant and registered with the Residential Tenancies Board (RTB).

This policy aims to improve the quality and comfort of homes in the private rental sector, and ultimately to benefit the individuals living in these homes. This will also aid the government in achieving their target to upgrade the BER rating of 500,000 homes to at least a B2 by 2030.[89]

[87] Minister Donohoe announces a new tax incentive to encourage small-scale landlords to undertake retrofitting works, 2022
[88] Part 04-08-20 - Deduction for Retrofitting
[89] Government launches the National Retrofitting Scheme, 2022

18. Section 32: Corporation Tax Exemption for Cost Rental Income

The Finance Bill proposes a corporation tax exemption in respect of rental profits or gains arising from Cost Rental Scheme properties.[90]

Table 15: Corporation Tax Exemption for Cost Rental Income

Heading	Details
Measure	Introduce an exemption from Corporation Tax on Cost Rental Income
Budget Measure	Yes
First Year Cost (-/+)	-€2 million
Full Year Cost (-/+)	-€20.4 million

Source: Budget 2026 – Tax Policy Changes

Changes

- The Bill provides for a Corporation Tax exemption in respect of the Cost Rental income arising from homes designated as Cost Rental homes under the Affordable Housing Act 2021.[91]

Policy Background

Cost Rental is a long-term rental model which targets moderate-income households who do not qualify for social housing but struggle to afford private rents. Rents are calculated to cover the cost of building, financing, managing, and maintaining homes over at least 40 years, making them stable and typically at least 25% below market rates.

[90] KPMG (2025) Property & construction - Finance Bill 2025
[91] Department of Finance press release Minister of Finance publishes Finance Bill 2025

Under the Government's Housing for All strategy, 18,000 Cost Rental homes are planned to get built by 2030, delivered initially by Approved Housing Bodies (AHBs), local authorities, and the Land Development Agency (LDA), with private providers now also participating.[92]

Policy Impact

Neither the LDA nor AHBs had a specific exemption from corporation tax on rental income, but if the AHB had the charitable tax exemption, this exempts rental income "vested in trustees for charitable purposes" to the extent that the income is applied solely for charitable purposes.[93] The proposed measure may help to accelerate the delivery of housing by making it more financially attractive.[94] Over 2,000 cost rental homes were built in 2024.[95]

[92] Department of Finance (2025) Budget 2026 - Tax Policy Changes p.15
[93] Parliamentary Question - Tax Code – Tuesday, 27 Feb 2024
[94] Parliamentary Question - Rental Sector – Tuesday, 1 Jul 2025
[95] See the Irish Council for Social Housing webpage.

19. Section 34: Research and Development Tax Credit

The Bill proposes changes to Ireland's R&D regime, with the headline credit rate rising from 30% to 35% for accounting and the first-year minimum payment threshold increasing from €75,000 to €87,500.[96]

Table 16: Research and Development Tax Credit

Heading	Details
Measure	Enhance R&D tax credit (including increase in rate from 30% to 35%)
Budget Measure	Yes
First Year Cost (-/+)	-€169.9 million
Full Year Cost (-/+)	-€305.9 million

Source: : Budget 2026 – Tax Policy Changes

Changes

The proposed changes include:[97,98]

- **Rate Increase:** An increase in the rate of the credit from 30% to 35%.
- **Increased first-year instalment threshold:** An increase in the first-year payment threshold from €75,000 to €87,500 to support smaller R&D projects.
- **Allocation of employee emoluments**: An administrative simplification measure 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.

[96] PwC (2025) What does Finance Bill 2025 mean for you and your business? p28.
[97] Department of Finance (2025) Budget 2026 - Tax Policy Changes p9.
[98] KPMG (2025) R&D tax credit and other incentives - Finance Bill 2025

- **Construction of laboratories:** Expenditure incurred by a company on the construction of a qualifying building shall include the construction of a laboratory for use in the carrying on of R&D activities.

Policy Background

The corporation tax (CT) system in Ireland is designed to have a low rate across a broad base, with limited incentives or reliefs.[99] The largest CT relief in Ireland is the Research & Development tax credit, which had a cost of €1.407 billion in 2023, arising in respect of 1,804 claimant companies.[100,101] Of those, SMEs claimed 20.6% of that cost, with 1,579 number of firms. Large firms (over 250 staff) get a greater proportion of the claims from the incentive, with 225 firms claiming €1.1 billion. Based on the number of claimants, the largest sector using the scheme in 2023 (the most recent data available) was Information and Communication (646 firms), followed by Manufacturing (461 firms) and Professional, Scientific & Technical Activities (334 firms).[102] Revenue statistics show that just 10% of the credit claimed in 2023 was attributable to companies with less than 50 employees, despite these firms making up more than 98% of Irish businesses.[103,104]

Money spent by a company on research and development activities may qualify for the R&D Tax Credit. The qualifying R&D activities must:

- Involve systemic, investigative or experimental activities in the field of science or technology.
- Involve one or more of these categories of R&D: basic research, applied research, experimental development.
- Seek to make scientific or technological advancement.
- Involve the resolution of scientific or technological uncertainty.

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[99] Department of Finance (2025) Ministerial Brief - January 2025 p86.
[100] Revenue (2025) R&D Tax Credit Statistics
[101] For further information see Revenue (2025) R&D Tax Credit Tax and Duty Manual.
[102] Research and Development Tax Credit statistics
[103] Revenue (2025) Research and Development Tax Credit Statistics, p12.
[104] DETE (2025) Public Consultation on the R&D Tax Credit and on Options to Support Innovation p3.

While a review was announced in 2025, and a public consultation followed, this has not yet been made public.[105]

Policy Impact

The proposed changes may encourage both multinational corporations (MNCs) and indigenous companies to undertake more R&D activity in Ireland.[106]

[105] PBO (2025) Budget 2026: Analysis and Key Messages, p21.
[106] KPMG (2025) R&D tax credit and other incentives - Finance Bill 2025

20. Section 40: Corporation tax deduction for apartment construction expenses

This section provides for a new enhanced corporation tax deduction for qualifying apartment construction expenses. The measure enables qualifying apartment developers and corporate investors to claim a 125% deduction on certain expenditure incurred in constructing apartments and for the conversion of non-residential buildings into a qualifying apartment block. There must be a minimum of ten apartments built and the deduction is capped at €50,000 per unit.

Table 17: Corporation tax deduction for apartment construction expenses

Heading	Details
Measure	Enhanced corporation tax deduction for certain apartment construction expenses
Budget Measure	Yes
First Year Cost (-/+)	-€20 million
Full Year Cost (-/+)	-€125 million

Source: Budget 2026 – Tax Policy Changes.

Changes

- New corporation tax deduction of 125% for certain apartment construction expenses. It will apply to projects started on or after 8 October 2025 and no later than 31 December 2030, with the relief claimable upon completion. It will only apply to developments with a minimum of ten units.

Policy Background

Ireland continues to face acute challenges in delivering affordable and sufficient housing, particularly apartments, to meet strong demand in urban centres. This is one of the measures as part of Budget 2026 that will impact the taxation of the real estate sector, a number of which are intended to address the viability gap between the cost of building an apartment, versus what a buyer is willing to pay.[107] The governments "Housing for All" plan alongside the National Development plan underpins the policy response, aiming to dramatically scale up housing supply, promote high density living and leverage fiscal measures to 'kick start' stalled developments.[108] This directly supports Ireland's revised goal to deliver 303,000 new homes by 2030 by incentivising apartment construction through targeted tax reliefs.[109]

In 2022 in a report titled 'Foundations for the Future' the Commission on Taxation and Welfare cautions that tax incentives for developers should be carefully designed to avoid unintended consequences, such as driving up land prices or benefiting projects that would have gone ahead anyway.[110]

Policy Impact

Section 40 aims to incentivise investment in apartment projects by improving the after-tax returns. This may accelerate the delivery of much needed housing units and help meet the government's target of 303,000 new homes by 2030.[111] This measure can also stimulate employment within the construction sector and similar industries, generating broader economic benefits for an economy. It also complements other housing supports such as the existing Residential Development Stamp Duty Refund Scheme, the introduction of the Cost Rental income exemptions, and the VAT reduction for apartments to 9%.

The deduction allowed for certain apartment construction costs will be enhanced to 125% of the actual cost incurred, subject to a cap of €50,000 enhanced deduction

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[107] PwC What does Finance Bill 2025 mean for you and your business?
[108] National Development Plan 2021 - 2030
[109] 303,000 by 2030: New six-year housing target - Housing Ireland Magazine
[110] Report of the Commission on Taxation and Welfare 2022
[111] Dáil Éireann Debate, Question 430, 4 March 2025.

per apartment. This will provide a net benefit of up to €6,250 per apartment (€50,000 enhanced deduction x 12.5% Corporation Tax).[112]

It should be noted that there is a considerable level of infrastructure funding and tax incentives targeting the construction market in the next few years, including through the review of the NDP earlier this year. This large amount of additional funding means it is likely that construction may see inflated costs as the limited number of skilled staff are sought for a number of different projects, never mind the competition from other countries seeking to address their infrastructure deficits.

However, it is a somewhat costly measure, and it will be difficult to isolate the impact of this specific incentive alongside the other tax incentives introduced. As such, any future examination of this measure may be difficult.

[112] Budget 2026, Tax Policy Changes

21. Section 43: Film Tax Credit – Visual Effects Enhancement

Section 43 provides for amendments to Section 481, the film tax credit. These changes provide for a new 40% rate for productions with a minimum of €1 million of eligible expenditure on relevant Visual Effects work. This rate will apply on eligible expenditure of up to a maximum of €10 million per production, subject to EU State Aid approval.[113]

Table 18: Film Tax Credit enhancement for Visual Effects

Heading	Details
Measure	Enhance the Film Tax Credit for Visual Effects works
Budget Measure	Yes
First Year Cost (-/+)	-€1 million
Full Year Cost (-/+)	-€5.2 million

Source: Budget 2026 – Tax Policy Changes.

Changes

- Amends section 481 of the TCA 1997, which provides for the film corporation tax credit, to introduce an enhanced tax credit of 40 per cent for qualifying visual effects projects.

Policy Background

Following initial exploratory work in 2024, it was announced in Budget 2025 that officials would continue development work with a view to the introduction of a specific Visual Effects (VFX) measure in Budget 2026. The current Film Tax Credit is a 32% credit on qualifying expenditure of up to €125 million on certain productions.

[113] Budget 2026 Tax Policy Changes

The new VFX credit will allow for a 40% rate for productions with at least €1 million eligible expenditure on relevant work, 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, once approved by the EU Commission.[114]

Policy Impact

The measure is being introduced to address concerns raised regarding the competitiveness of the Irish market when it comes to attracting VFX work. The Tax Strategy Group paper stated that according to VFX Ireland, the representative body for Irish VFX companies, the VFX sector in Ireland currently employs approximately 300 staff. This body has suggested that this figure has the potential to grow to 2,500 in ten years with an appropriate VFX incentive in place. The industry believes that such an incentive, building on the existing infrastructure, can create this additional full-time employment and thus grow the VFX industry to a value of more than €420 million. The Department of Finance have been told that there is significant industry concern related to the future competitiveness of the Irish market when it comes to attracting VFX work. The concern is primarily related to recent amendments to the UK's audio-visual tax incentive regarding VFX and to the incentivisation of VFX work through France's Tax Rebate for International Productions. The UK's incentive is believed, by the industry, to have resulted in the loss of several high-profile projects within the sector in Ireland.[115]

PwC stated that these updates reinforce Ireland's commitment to supporting the screen industry and maintaining its competitiveness as a global production hub.[116]

When commenced, it is expected that the measure will cost approximately €1 million in the first year and up to €5.2 million in a full year.[117]

[114] Ibid.
[115] Tax Strategy Group 2025, TSG Corporation Tax 25/03
[116] PwC: What does Finance Bill 2025 mean for you and your business?
[117] Budget 2026, Tax Policy Changes.

22. Section 44: Digital Games Tax Credit

The Digital Games Tax Credit has been extended to 31 December 2031. Its scope has been expanded to provide relief for expenditure on Post-Release Content, subject to European Commission State Aid approval.

Table 44: Digital Games Tax Credit

Heading	Details
Measure	Extend the Digital Games Tax Credit to 31 December 2031 and introduce relief for expenditure on Post-Release Content
Budget Measure	Yes
First Year Cost (-/+)	-€3.9 million
Full Year Cost (-/+)	-€7.8 million

Source: Budget 2026 - Tax Policy Changes

Changes

- Extension to 2031: An extension of the tax credit for a period of six years to 31 December 2031.
- Post-Release Content: Allow relief in respect of certain expenditure incurred on the development of post-release digital content.[118]

Policy Background

The Digital Games Tax Credit is a corporation tax incentive which commenced in November 2022. The rate of the Digital Games Tax Credit is set at 32%. It is available on eligible expenditure of up to €25 million per game (by way of comparison the UK's Video Games Expenditure Credit does not have a cap in

[118] KPMG (2025) R&D tax credit and other incentives - Finance Bill 2025

place).[119] There is a per project minimum expenditure requirement of €100,000. The credit has already been available on expenditure incurred in the design, production, and testing stages of the development of qualifying digital games, provided certain conditions are met such as a certificate granted by the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media[120] under the cultural test[121].

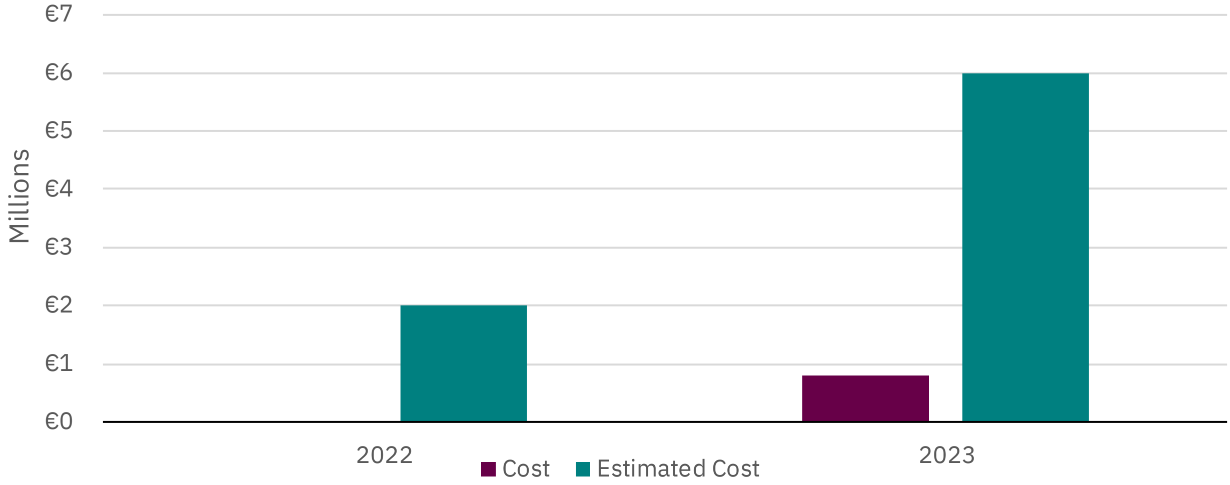
The aims of the Digital Games Tax Credit incentive are to:

- be a cultural policy tool addressing the lack of Irish or European influence in the videogames market,
- retain the operations of the main brands that have a presence in Ireland through the addition of development activities,
- support the scaling-up of indigenous developers, and
- attract new inward investment into the sector.[122]

Uptake of the tax credit has been lower than expected. Figure 4 shows the actual cost of the Digital Games Tax Credit, compared with the estimated cost. For 2022 and 2023, it was estimated that the cost of the tax credit would be €2 million and €6 million respectively.[123,124] Based on the data currently available, the actual cost of the tax credit was zero and €0.8 million for the years 2022 and 2023 respectively.

[119] See the HM Revenue & Customs Claiming Video Games Expenditure Credits for Corporation Tax webpage.
[120] Part 15-02-07 - Digital Games Relief
[121] Creative Arts - Digital Games
[122] Government of Ireland press release 21/11/2022 'Ministers Donohoe and Martin launch Tax Credit for Digital Games'.
[123] Government of Ireland (2021) 'Budget 2022 Tax Policy Changes' p4.
[124] The Digital Games Tax Credit was originally anticipated to cost a total of €20 million over the period 2022 to 2025. European Commission (2022) 'Commission approves €20 million Irish scheme to support development of cultural digital games'.

Figure 4: The Digital Games Tax Credit exchequer cost from 2022 to 2023 was lower than anticipated



Source: PBO based on Revenue Cost of Tax Expenditures p2 and Budget 2022: Tax Policy Changes p4.

According to the Tax Strategy Group paper[125], 18 applications have been received by the Department of Culture, Communications and Sport (DCCS) up to July 2025, which is spread across less than ten applications in 2023, 12 in 2024 and less than ten to date in 2025. It should be noted that a video game may take a number of years to develop, so these applications do not equate to finished projects. The Department of Finance note "The current number of applications for 2025 is the same at this point as in 2024, so 2025 may yet see a similar number of applications." This paper also notes "data which is not yet public, but which has been made available to the Department indicates that there has been an increase in employment, skills upskilling and training associated with the credit."

While the Quebec and UK videogame tax credits allow claims on post-launch work, few EU member states permit post-release work to be claimed.[126]

The extension of the credit to include Post-Release Content work will only be available where the original game has availed of the credit. The game must have been released to the public in advance of any claim for post-release content, and

[125] Tax Strategy Group, Corporation Tax 25/03, p40.
[126] European Audiovisual Observatory (2024) 'Legal challenges and market dynamics in the video games sector' p91.

the credit will be available in respect of qualifying expenditure for a maximum of three years post-release.[127]

22.1. Policy Impact

The changes to the Digital Games Tax Credit may help to support employment and the growth of the sector.[128,129]

[127] Budget 2026, Tax Policy Changes
[128] TSG_25-03_Corporation_Tax.pdf p40.
[129] IDA 'Game on: Ireland's digital games sector gets ready for growth' webpage.

23. Section 45: Participation Exemption for Foreign Dividends

A Participation Exemption for Foreign Dividends was introduced in Finance Act 2024. Finance Bill 2025 proposes some improvements to and technical amendments to it. The participation exemption for foreign-sourced dividends is a double tax relief measure, which operates by exempting qualifying foreign dividend income received from Irish Corporation Tax in the hands of the recipient.

Table 19: Participation Exemption for Foreign Dividends amendment

Heading	Details
Measure	Introduce enhancements to provide a simplified method of double tax relief.
Budget Measure	Yes
First Year Cost (-/+)	-
Full Year Cost (-/+)	-

Source: Budget 2026 – Tax Policy Changes

Changes

- **Territorial expansion:** Broadening the geographic scope of the measure to non- European Economic Area (EEA)/non-double tax treaty jurisdictions.
- **Shortening of the lookback period:** Reducing the period for which companies must have been resident in a jurisdiction within the geographic scope of the relief before paying a dividend from five years to three years.
- **Clarification that an ‘excluded acquisition’ does not include the acquisition of share capital:** The acquisition of a shareholding is not

considered to be an acquisition of business assets for the purposes of the participation exemption.[130,131]

Policy Background

The participation exemption for foreign dividends is a double tax relief measure, which operates by exempting qualifying foreign dividend income received from Irish Corporation Tax in the hands of the recipient. [132]

Ireland has a worldwide corporate tax regime, which considers all profits, both domestic and foreign, of an Irish resident entity to be within the scope of taxation, while allowing double taxation relief for foreign tax paid on foreign source profits, a method known as the ‘tax and credit’ approach. This differs from most EU and OECD member states, which have a territorial approach that exempts foreign dividends from domestic tax.

The Participation Exemption for Foreign Dividends was introduced in Finance Act 2024. It brings an element of territoriality into Ireland’s worldwide tax system. Before the introduction of the Participation Exemption for Foreign Dividends last year, some commentary suggested that Ireland’s worldwide corporate tax system was too complex and administratively burdensome in relation to its double tax relief provisions and was deterring potential multinational investment.

Policy Impact

Since the changes in Finance Bill 2024 were introduced, Irish-based entities, such as regional headquarters of foreign multinationals, have had a new option when collecting dividends from their subsidiaries in other jurisdictions. By claiming the new participation exemption, they can inform Revenue that the dividends coming from overseas profits have already been sufficiently taxed in the overseas subsidiary’s country, eliminating the need to re-examine their liability to corporation tax.

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[130] Department of Finance (2025) Budget 2026 - Tax Policy Changes p9.
[131] PwC (2025) What does Finance Bill 2025 mean for you and your business p20.
[132] Department of Finance (2025) Budget 2026 - Tax Policy Changes p9.

Finance Bill 2025 aims to resolve some of the more frequently occurring practical issues arising in connection with the measure introduced last year.[133]

24. Section 49: Revised Entrepreneur Relief

Section 49 of the Finance Bill increases the lifetime limit for Revised Entrepreneur Relief from €1 million to €1.5 million and amends the existing aggregation rules which apply to the relief considering the increased lifetime limit. This change will take effect from 1 January 2026.

Table 20: Summary of Revised Entrepreneur Relief Lifetime Limit Increase

Heading	Details
Measure	Increase the lifetime limit on gains qualifying for relief to €1.5 million
Budget Measure	Yes
First Year Cost (-/+)	-€31 million
Full Year Cost (-/+)	-€31 million

Source: Budget 2026 – Tax Policy Changes.

Changes

- Increase the lifetime limit on gains qualifying for relief to €1.5 million.
- Amend the existing aggregation rules which apply to the relief in light of the increased lifetime limit.

Policy Background

The Revised Entrepreneur Relief (RER) provides for a reduced rate of Capital Gains Tax of 10% on gains of up to €1 million, over a lifetime, arising from the disposal of qualifying business assets. This lifetime limit on which relief can be claimed is being

[133] PwC (2025) What does Finance Bill 2025 mean for you and your business? p21.

increased to €1.5 million from 1 January 2026.[134] Qualifying business assets are shares held by an individual in a trading company or assets held by a sole trader and used in their trade. RER was introduced in Finance Act 2015 with the aim of improving the environment for entrepreneurs and businesspeople setting up or carrying on productive business activities in the State.[135]

Entrepreneur Relief was originally introduced in Finance (No. 2) Act 2013. This relief was considered to be complex and burdensome to the claimant however and was withdrawn in respect of investments made from 2019 onwards. The RER was developed using stakeholder feedback.[136] In its 2022 Report of the Commission on Taxation and Welfare, the Commission recommended that Entrepreneur Relief be extended to angel investors, subject to appropriate limits and conditionality.[137] This recommendation was based on submissions to the Commission's public consultation, a review by the OECD on SME and Entrepreneurship Policy in Ireland,[138] and the National SME and Entrepreneurship Growth plan.[139] Angel investors are typically high-wealth individuals who invest capital in companies during their early stage of development. While the relief was not directly extended to angel investors, a complementary CGT relief scheme was subsequently established.

Policy Impact

The most recent available figures on the uptake and cost of the scheme are from 2023. The statistics for this year show a marginal increase in the number of claimants over 2022 but a slight decrease in the cost to the Exchequer. In the first year of the scheme, the estimated Exchequer cost and number of claimants were €20.4 million and 406 individuals, respectively. These figures have since risen to €156.7 million and 1364 individuals.[140] However, based on stakeholder

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134 Budget 2026 - Tax Policy Changes
135 Tax Strategy Group - Enterprise Tax Supports
136 Ibid.
137 Commission on Taxation and Welfare - Report 2022, p. 196-198
138 OECD - SME and Entrepreneurship Policy in Ireland
139 Department of Enterprise, Trade and Employment - SME and Entrepreneurship Growth Plan
140 Revenue - Revised Entrepreneur Relief Statistics

engagement the Tax Strategy Group notes that a lack of awareness of such supports combined with perceived complexity across the SME sector may be inhibiting uptake.[141]

The most recent targeted review of the RER was carried out in 2023 by the Department of Finance with the support of EI and the Department of Enterprise, Trade and Employment.[142] This review contained a Cost-Benefit Analysis (CBA) which estimated a net annual economic benefit arising from the relief and determined a relatively small positive benefit-to-cost ratio. Given this finding, the CBA report recommended carefully considering the potential Exchequer impact of any modifications to the eligibility criteria or scope of the relief. Since this review was published however, Revenue data for 2022 and 2023 has been made available, which shows a significant increase in Exchequer cost from €142.9 million to €156.7 million.[143,144]

Deloitte noted in their commentary on this year's Finance Bill that the increase in the lifetime limit for Entrepreneur Relief represents a positive step towards supporting entrepreneurship and innovation. However, they expressed disappointment that further measures to support Irish indigenous entrepreneurs and SMEs have not been included, highlighting the unchanged headline CGT rate of 33% in particular.[145]

[141] Tax Strategy Group - Enterprise Tax Supports
[142] Department of Finance - A Cost Benefit Analysis of the Revised Entrepreneur Relief
[143] Tax Strategy Group - Enterprise Tax Supports
[144] Revenue - Revised Entrepreneur Relief Statistics
[145] Deloitte - Finance Bill 2025 Commentary

26. Section 50: Farm Restructuring Relief

Section 50 of the Finance Bill extends the farm restructuring relief for a further four years to 31 December 2029 and broadens it to include land under commercial forestry as well as non-commercial woodland/forestry that is used for sustainability and biodiversity purposes.

Table 21: Farm Restructuring Relief for CGT

Heading	Details
Measure	Extend Farm Restructuring Relief for Capital Gains Tax and broaden coverage
Budget Measure	Yes
First Year Cost (-/+)	-€0.8 million
Full Year Cost (-/+)	-€0.8 million

Source: Budget 2026 – Tax Policy Changes.

Changes

- Extension of the Farm Restructuring Relief for Capital Gains Tax by four years and broadening of the relief to cover land under commercial forestry as well as non-commercial woodland/forestry that is used for sustainability and biodiversity purposes.
- The first transaction in the restructuring (i.e. sale, purchase or exchange of land) must take place before 31 December 2029.
- Both the amendments and the extension will come into effect by way of a commencement order to be made by the Minister for Finance.
- The value of the relief will remain the same.

Policy Background

Finance Bill 2025 will provide for an extension of the current Capital Gains Tax Farm Restructuring Relief to 31 December 2029. A broadening of the relief to cover land under commercial forestry as well as non-commercial woodland / forestry is also being introduced. These measures will be subject to separate commencement orders due to the need to notify the EU Commission appropriately.[146]

Under this measure relief from Capital Gains Tax may be claimed if farmland is disposed of for farm restructuring purposes. The purpose of farm restructuring is to make the farm more efficient (i.e., to improve the operation and viability of the farm). This can be achieved by selling and purchasing, or exchanging, farmland to bring the land closer together. Full CGT relief is provided when the purchase price (i.e., the price of land being bought) exceeds the sales price (i.e., the price of land being sold). Partial CGT relief is provided when the purchase price is lower than the sale price. If CGT is paid on sold farmland before new farmland is purchased, then a refund can be claimed once the purchase of new land takes place.[147]

Policy Impact

This scheme was first introduced in 2013 as part of a tax reform plan designed to assist small business. It was reviewed in 2019[148] and considered to be appropriate and effective.

This measure attracts a relatively low number of individual claimants each year, with 17 successful claims in 2023 which resulted in foregone revenue of €0.8 million. The Department of Agriculture, Food and the Marine view Farm Restructuring Relief as a way to improve efficiency and reduce farm fragmentation, contributing to economic and environmental sustainability.[149] As part of Budget

[146] Budget 2026 - Tax Policy Changes p11
[147] Revenue - Capital Gains Tax (CGT) Reliefs
[148] Budget 2020 Report on Tax Expenditures including outcomes of certain tax expenditure and tax related reviews completed since October 2018
[149] Tax Strategy Group - Capital Taxes

2025, the Department of Finance estimates this extension to cost approximately €0.8 million in a full year.

27. Section 53: Tobacco Products Tax

The Tobacco Products Tax increase amounts to €0.50 on a pack of 20 cigarettes (including VAT), with pro-rata increases on other tobacco related products.

Table 22: Tobacco Products Tax Increase

Heading	Details
Measure	Increase Excise Duty by €0.50 on pack of 20 cigarettes
Budget Measure	Yes
First Year Cost (-/+)	+€1.7 million
Full Year Cost (-/+)	+€36.9 million

Source: Budget 2026 – Tax Policy Changes

Changes

- An increase to price of cigarettes and tobacco related products by €0.50.

Policy Background

Excise Duty on tobacco products has increased consistently in the Budget over the past two decades. Ireland has some of the highest rates of duty on tobacco products in the EU, which reflects a long-standing policy of levying high rates of excise duty on tobacco products to meet public health targets. Tobacco products generated a yield of €976m for the Exchequer in 2024.[150]

The Healthy Ireland 2021 to 2025 action plan supports increasing the excise duty on tobacco to discourage smoking.[151] The HSE indicated in 2022 that smoking

[150] Department of Finance, Tax Strategy Group - General Excise 25/09
[151] Government of Ireland (2021) Healthy Ireland Strategic Action Plan 2021-2025 p20

remains the leading cause of preventable death in Ireland, accounting for over 4,500 deaths annually.[152]

Policy Impact

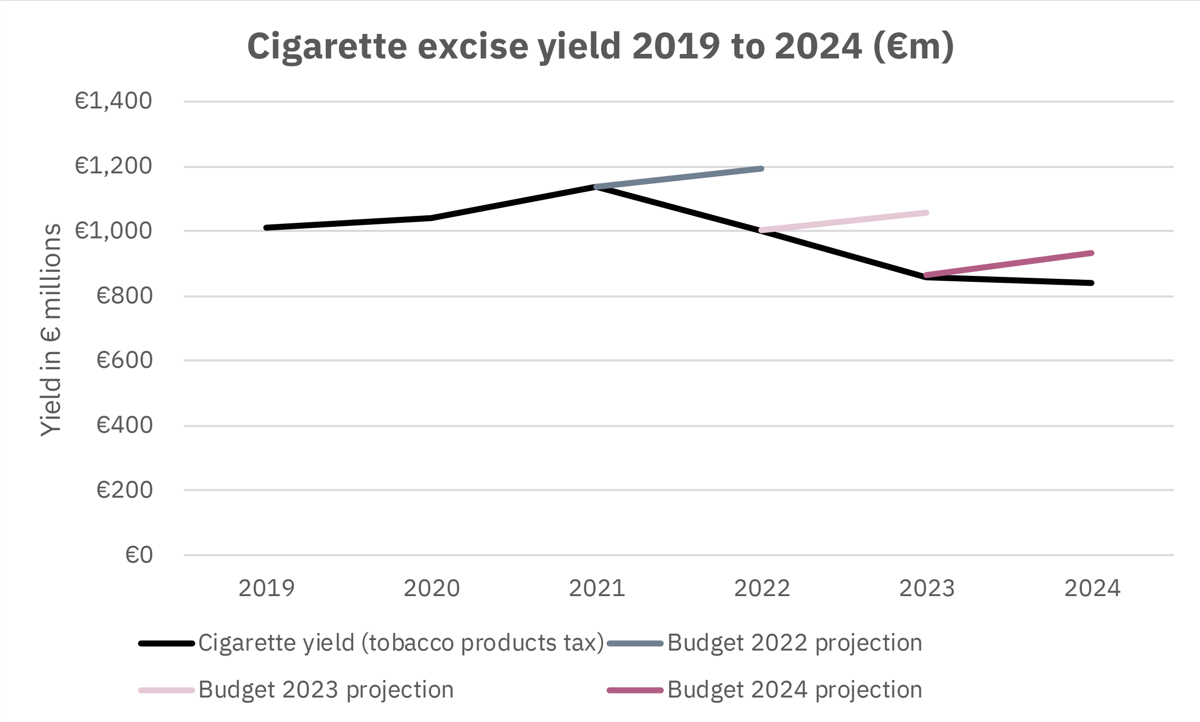
In addition to raising revenue, Excise Duty is generally applied to disincentivise an activity with negative personal or societal impacts ("externality" effects). This is achieved by increasing the cost of consumption for certain products, thereby encouraging a change in behaviour.

However, an increase in the cost of cigarettes may encourage 'black market' activities such as smuggling cigarettes into the country from other jurisdictions. It may also lead to greater use of substitute products, such as e-cigarettes or vapes. For these reasons, Revenue has expressed the view that increased excise duty may not necessarily lead to increased yields.[153,154] The Department of Finance noted in the TSG paper that the latest Illegal Tobacco Products Research Survey from 2024 indicates that up to 37% of cigarette packs consumed in the State are illicit or non-Irish duty paid. In recent years, the notable increases in the volume of products being consumed outside the scope of Irish excise duty raises concerns that price increases may be creating greater incentives for illegal market activity. In this regard, the Department also noted that in 2024 the yield for tobacco fell below €1 billion to €976m with three quarters of the yield collected prior to the Budget 2025 excise increase.[155]

As shown in Figure 5 below, recent increases in the excise duty on cigarettes have not led to increased levels of revenue.[156]

[152] HSE (2022) The State of Tobacco Control in Ireland p3
[153] Department of Finance (2024) Tax Strategy Group General Excise Paper TSG 24/08 p18.
[154] Department of Finance (2025) Tax Strategy Group General Excise Paper TSG 25/09 p20.
[155] Ibid.
[156] Department of Finance (2025) 'General Excise Tax Strategy Group - 25/09' p20.

Figure 5: Cigarette excise yield vs projections



Source: PBO analysis based on Department of Finance forecasts published in annual Budget Day documentation.

Finally, the TSG paper highlights that the industry representative body Retailers Against Smuggling (RAS) in their pre-budget submission 2026, propose a freeze on tobacco excise rates. They reference the fact that although TSG paper from 2022 to 2024 estimated a yield increase in line with proposed excise increases, the actual yield has declined in each of those years. They submit that the freeze on excise and improved detection and enforcement in the illicit trade may reduce further losses and a possible increase in revenue from the Tobacco Products Tax.[157]

[157] Ibid.

28. Section 63: VRT relief on Battery Electric Vehicles

Section 63 provides for an extension of vehicle registration tax (VRT) for battery electric vehicles to 31 December 2026.

Table 23: VRT Relief for Electric Vehicles

Heading	Details
Measure	Extension of VRT relief for battery electric vehicles to 31 December 2026.
Budget Measure	Yes
First Year Cost (-/+)	-€40 million
Full Year Cost (-/+)	-

Source: Budget 2026 – Tax Policy Changes.

Changes

- Extends the VRT relief of up to €5,000 for new BEVs is extended until the end of 2026.

Policy Background

BEVs with an Open Market Selling Price (OMSP) of up to €40,000 are granted VRT relief of up to €5,000. Vehicles with an OMSP of greater than €40,000 but less than €50,000 receive a reduced level of relief. There is no relief available for vehicles with an OMSP of over €50,000.[158]

The programme for government contains an array of commitments to accelerate the transition to electric and sustainable transport, ranging from promises to ensure the availability of EV charging points is ahead of demand, to making EV's more

[158] Revenue, Calculating VRT, 2025.

affordable overall.[159] The energy used by private cars in 2022 accounted for almost 40% of the total energy used by the transport sector in Ireland.[160] The Climate Action Plan 2024 sets a 2030 emissions reduction target of 51 percent based on 2018 levels, and the National Development Plan targets having 1 in 3 electric vehicles on the road by 2030.[161] The PBO published an analysis of the sustainability of the Vehicle Registration Tax and Motor Tax in 2019, which concluded that the adaptation of low rates of taxation for more sustainable cars has a negative impact on revenue collected.[162]

Policy Impact

The rationale for this policy is to incentivise people and businesses to purchase vehicles with lower carbon emissions, to help Ireland achieve its climate targets by addressing a large proportion of the existing emissions. However, it poses a risk to the revenue raised through VRT.[163]

[159] Programme for Government, Securing Ireland's Future, 2025
[160] Sustainable Energy Authority Ireland, Transport
[161] Climate Action Plan 2024
[162] Parliamentary Budget Office, An Analysis of the sustainability of Vehicle Registration and Motor Tax, 2019.
[163] Irish Fiscal Advisory Council, What Climate Change Means for Irelands Public Finances, 2023.

29. Section 66: VAT on Gas and Electricity

A continuation of the reduction of the VAT rate applying to the supply of gas and electricity.

Table 24: Continuation of the 9% VAT rate on gas and electricity

Heading	Details
Measure	Continue the reduction of the VAT rate on the supply of gas and electricity at 9% until 31 December 2030.
Budget Measure	Yes
First Year Cost (-/+)	-€254m
Full Year Cost (-/+)	-€254m

Source: Budget 2026 – Tax Policy Changes.

Changes

- Extends the 9 per cent rate of VAT on the supply of gas and electricity until 31 December 2030.

Policy Background

The reduced VAT rate of 9% on gas and electricity bills is due to expire on 1 November 2025. A financial resolution was introduced on Budget night to extend the measure until 31 December 2030.[164] The VAT rate on gas and electricity was first reduced from 13.5% to 9% in February 2022, initially for a six-month period. Prior to the announcements in Budget 2026, this reduction was extended in Budget 2023, Finance Act 2023, Budget 2024, Budget 2025, and most recently in a financial resolution passed in April 2025.[165,166]

[164] Budget 2026 - Tax Policy Changes
[165] Tax Strategy Group - Value-Added Tax
[166] Government approves further 6-month extension of 9% VAT on gas and electricity, Department of Finance 2025

This reduced rate is in the context of increased energy costs experienced by households and businesses in recent years. According to the EU VAT Directive, Member States must apply a standard VAT rate of at least 15% but can apply up to two reduced VAT rates as low as 5%. Annex III of this directive outlines which goods and services are eligible for reduced VAT rates and currently contains 33 items. Ireland applies two reduced VAT rates, as allowed under the directive. There is a reduced rate of 13.5% which represents approximately 32.5% of VAT receipts and another reduced rate of 9% which represents approximately 1.4% of VAT receipts.[167] The latter reduced rate is the one that applies to gas and electricity.

Policy Impact

Originally, this was targeted on the particularly high costs of energy following Russia's war in Ukraine, and European dependence on Russia as an energy source. The reduced rate was further extended due to the wider impact of inflation on the cost of living, which is now lessening. It is unclear that there is sufficient evidence to explain both this extension at this point, but also extend it for so many years. All previous extensions have been for short periods.

[167] Tax Strategy Group - Value-Added Tax

30. Section 67: VAT reduction for certain apartments

A reduction in VAT on the sale of certain apartments as part of a social policy, from 13.5% to 9%.

The Finance Bill's definition of 'apartment' is similar to that of the Sustainable and Compact Settlements Guidelines for Planning Authorities (e.g., 'own-door' duplexes are excluded).[168,169]

Table 25: VAT reduction for certain apartments

Heading	Details
Measure	Reduce the VAT rate on the sale of new apartments to 9% from 8 October 2025 to 31 December 2030.
Budget Measure	Yes
First Year Cost (-/+)	-€250m
Full Year Cost (-/+)	-€390m

Source: Budget 2026 – Tax Policy Changes

Policy Background

Housing supply is a serious concern for individuals but also for Ireland's competitiveness and attractiveness to investment. The Government has ambitious targets of 300,000 homes by 2030, or 50,000 to 60,000 homes a year, with industry sources indicating that 50% of these need to be apartments. With the complicated nature of apartment builds, they require a different capital and funding model, and current regulations, costs and timelines mean there are significant viability challenges with their development.[170]

[168] See the initiated Finance Bill 2025 text p55.
[169] Sustainable and Compact Settlements - Guidelines for Planning Authorities appendices p64.
[170] Property & construction insights – Finance Bill 2025 - KPMG in Ireland

Several different measures have been introduced in Budget 2026 to specifically target residential construction.

Policy Impact

The VAT rate applied to the construction of new apartments will be reduced from 13.5% to 9% until the end of 2030. In the Tax Strategy Group paper on VAT[171], the Department of Finance note that the VAT directive now allows a reduced rate of tax on housing as part of a social policy and to the repair and renovation of residential housing. In that paper, the Department considered that "a challenge in implementing a reduced rate of 9% would be to define "social policy" in such a way that enables this lower rate to be applied. Great care would be needed in designing such a policy to prevent inappropriate exploitation of such a measure by the construction sector. For instance, the question would have to be considered as to what extent would new housing builds fall into houses built for social policy purposes. Arguably a case can be made for all such new housing to come within social policy and thus subject to the lower VAT rate. In the alternative, a very narrow definition of social policy for housing purposes could also be put in place."[172]

The Finance Bill defines this as "[t]he supply of housing, as part of a social policy, being the supply of an apartment, used or to be used for residential purposes, in an apartment block within the meaning of section 31E of the Stamp Duties Consolidation Act 1999" (section 31E is the section on the Residential Development Stamp Duty Refund Scheme).

It has been noted that this means there would be different VAT rates applying to different parts of construction services, i.e. 9% for new apartments and 13.5% for other housing and for non-residential construction. It is not permitted for all construction services to be reduced to 9%.[173] Revenue had indicated that this

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[171] Tax Strategy Group 2025, [Tax Strategy Group - Value-Added Tax 25/08]
[172] Ibid, page 13.
[173] Ibid, page 13.

differentiated approach would be difficult to administer and could lead to accidental or fraudulent underpayments of VAT, where an underpayment of VAT may arise, for example, in the construction of an apartment block. The apartment block may, for instance, initially be purely residential in order to avail of a reduced rate of 9%, and then subsequently become a mixed-use block with a commercial/retail element on the ground floor. Revenue believe that administering and monitoring the measure would be difficult and could result in fraudulent behaviour.[174]

PwC, KPMG and Deloitte have raised concerns that the section as drafted would only apply to the sale of an apartment, and not the construction of an apartment. As such, it is argued that this does not cover the variety of legal and financing arrangements under which apartments are delivered in practice, including 'forward fund' and build to rent models. A 'forward-funding' structure consists of a site sale plus building agreement and would not qualify as the scheme is currently drafted. KPMG argued that from a policy perspective, they did not see a reason to differentiate between apartments which would be owner-occupied or those which serve the rental market, as all such apartments will be needed to achieve the Government's annual housing targets.[175,176,177]

It was also noted by the PBO on Budget Day that as this commences on 8th October 2025, apartments that have already been built but not sold will qualify for 9%, which will have an Exchequer cost but will have no effect on supply.[178] This differs from the Corporation Tax deduction for apartment construction costs, which is based on when a Commencement Notice is issued. It should be noted that VAT is a consumption tax levied at the point of sale, and also a harmonised EU tax, and thus operates slightly differently to other taxes.

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[174] Ibid, page 14.
[175] Property & construction insights – Finance Bill 2025 - KPMG in Ireland
[176] Finance Bill 2025: Real Estate and Housing | Deloitte Ireland
[177] PwC - What does Finance Bill 2025 mean for you and your business?
[178] PBO 2025, Budget 2026: Analysis and Key Messages

Minister Donohoe indicated during his initial speech at Second Stage that amendments would be proposed to clarify that the 9% rate applies to purpose-built student accommodation that falls within the definition of apartment blocks, in line with the policy intention. The Minister also stated that he has asked officials to consider the inclusion of site and construction services provided for qualifying new apartment developments.[179]

[179] Finance Bill 2025: Second Stage – Dáil Éireann (34th Dáil) – Tuesday, 21 Oct 2025 – Houses of the Oireachtas

31. Section 68: Reduced VAT rate for food, catering and hairdressing services

Section 68 reduces the VAT rate applying to the supply of hairdressing services, and food and drink supplied in the hospitality sector, excluding soft drinks and alcoholic beverages, but including hot tea and coffee from 13.5% to 9% from 1 July 2026.

Table 26: VAT reduction for food/catering and hairdressing

Heading	Details
Measure	Reduction of VAT applying to hospitality supplies of food, catering and hairdressing services
Budget Measure	Yes
First Year Cost (-/+)	-€232 million
Full Year Cost (-/+)	-€681 million

Source: Budget 2026 – Tax Policy Changes. *Note, the Department of Finance has subsequently updated the Tax Policy Changes document which was provided on Budget Day online. This explains the difference between the first-year cost and the full year cost. While the first relates to a six-month period, that cost reflects the bimonthly VAT periods of July/August and September/October only, as VAT for November/December will be filed and paid in 2027. The full year figure is the cost for a full year of VAT collection.

Changes

- From 1 July 2026, a reduction of the VAT rate from 13.5% to 9% to the supply of hairdressing services, and food and drink supplied in the hospitality sector, excluding soft drinks and alcoholic beverages, but including hot tea and coffee. It is important to note that there is no sunset clause for this measure.

Policy Background

The VAT rate applied to businesses in food and catering and hairdressing services is being reduced from 13.5% to 9%. This will commence from 1 July 2026.[180] As outlined elsewhere in this document under the section "VAT on Gas and Electricity", the EU VAT Directive mandates that Member States must apply a standard VAT rate of at least 15% but may apply up to two reduced VAT rates, each as low as 5%. Ireland currently applies two reduced rates. Firstly, there is a reduced rate of 13.5% which includes areas such as home heating oil, solid fuels, construction, housing, hotel and catering services, labour intensive services, and general repairs and maintenance. Ireland's second reduced rate of 9% currently includes periodicals, sporting facilities, and gas and electricity.[181] Food and catering and hairdressing services will move from the higher reduced rate to the lower reduced rate.

The 9% VAT rate was previously applied to hospitality (food and catering) and tourism sectors and was initially introduced on 1 November 2020 to compensate for the impact on this sector caused by public health restrictions related to COVID-19. The VAT rate reverted to the higher reduced rate of 13.5% on 31 August 2023.[182] It was estimated that this had cost over €1.3 billion.[183]

The reinstatement of the 9% VAT rate for hospitality follows a period of lobbying from the hospitality sector and the need for Government support for small and medium-sized enterprises being acknowledged in the Programme for Government.[184] The main argument advanced for this has been that economic uncertainty has created the need for additional supports for businesses in this sector arising from issues such as changes to sick pay, high inflation and pension auto-enrolment for employees.[185]

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180 Budget 2026 - Tax Policy Changes
181 Tax Strategy Group 2025, Tax Strategy Group - Value-Added Tax 25/08, page 3-4.
182 Ibid, page 11.
183 Ibid, page 11.
184 Programme for Government, p. 13 - 16 - Department of Finance 2025
185 PBO 2025, Budget 2026: Analysis and Key Messages

Policy Impact

As previously noted by the PBO on Budget night, there are risks for practical operational of this change, e.g. for hotels who would need to apportion accommodation and meals separately.[186] It has also been suggested that this might increase the risk of avoidance and manipulation of the VAT system.[187]

The Fiscal Council also noted that the most frequently changed VAT rate in recent years has been the rate applying to the hospitality and tourism industry. Four changes have occurred since 2011. As of 2023, this sector accounted for approximately 2.2% of national income and 6.7% of employment, and between 11% to 15% of household consumption.[188]

As also explained by the Fiscal Council, the extent to which a VAT rate increase affects consumer prices depends on the level of 'pass-through' i.e., the proportion of the tax change that is passed on rather than absorbed by businesses. Pass-through rates are typically larger for VAT rate increases than for VAT rate cuts.[189] Therefore, the recently announced reduction of the VAT rate on food, catering and hairdressing may primarily benefit businesses rather than significantly lowering consumer prices, depending on pass-through rates. In addition, the VAT rate reduction may contribute to businesses increasing prices less rapidly or allow businesses to remain financially viable which were previously struggling, therefore providing jobs.[190]

ICTU have criticized this measure and stated "Whatever claims to fiscal responsibility this Government may have had have been left in tatters after a €700m corporate handout to the low-paying hospitality sector. Delaying the introduction until July is fiscal gimmickry that fools no one. This is a major corporate tax handout based entirely on anecdotal special pleading and a lack of evidence,

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[186] PBO 2025, Budget 2026: Analysis and Key Messages
[187] Tax Strategy Group 2025, Tax Strategy Group - Value-Added Tax 25/08, page 11
[188] Carroll (2025) 'VAT rate changes and pass-through: Evidence from the Irish hospitality and tourism industry'. Irish Fiscal Advisory Council, p4.
[189] Carroll (2025) 'VAT rate changes and pass-through: Evidence from the Irish hospitality and tourism industry'. Irish Fiscal Advisory Council, p24.
[190] PBO 2025, Budget 2026: Analysis and Key Messages

and it will cost every taxpayer in this country €250 a year. The hospitality sector has done very well in recent years and workers struggling with the cost of living shouldn't be forced to give it a dig out."[191]

The Restaurant Association of Ireland welcomed the return of the 9% VAT, and stated it was "a welcome and long-fought victory for our industry. It will play a key role in safeguarding jobs, supporting SMEs, and maintaining Ireland's global reputation for hospitality and food tourism. This could be the difference between some businesses continuing to offer employment and importantly, a revenue stream to the exchequer." However, the RAI went on to say "July 2026 is too far away for many businesses already on the brink. The combined impact of a significant minimum wage increase and the rollout of pension auto-enrolment in January will place unbearable strain on food-led hospitality businesses, many of which are small, family-run enterprises operating on razor-thin margins."[192]

[191] Irish Congress of Trade Unions Budget 2026 response | ICTU
[192] Budget 2026: Restaurants Association of Ireland Welcomes Return of 9% VAT Rate in Budget 2026 - Restaurants Association of Ireland

32. Section 70: Farmer's Flat Rate Payment

This section amends the flat rate compensation for farmers from 1 January 2026 and decreases it from 5.1 per cent to 4.5 per cent. This is the amount paid to farmers in compensation for the VAT incurred on the costs that they can't recover as they are not VAT-registered.

Table 27: Farmer's Flat Rate Compensation Measure

Heading	Details
Measure	Decrease Flat Rate Compensation to Farmers
Budget Measure	Yes
First Year Cost (-/+)	+€51.2m*
Full Year Cost (-/+)	+€61.5m

Source: Budget 2026 – Tax Policy Changes
* Please note that the original document published on Budget Day had an error on this item, which said that the full and first year was the same. This has since been corrected online.

Changes

- Decrease the compensation for farms not registered for VAT to 4.5%.

Policy Background

Flat-rate farmers are not required to register for VAT because of the nature of their business (i.e. engaged solely in agricultural production activities). Generally, VAT is reclaimed when it is charged on inputs used in the productive process (e.g. business expenses). Flat-rate farmers are not entitled to recover VAT charged on their farming expenses (e.g. equipment and utilities) as they are not VAT-registered.

Instead, this long-standing measure ensures that these farmers are compensated by a flat-rate amount that is added to the price at which they sell their products to VAT-registered persons (e.g. to marts, meat factories, etc.). This flat-rate addition has changed multiple times over previous decades. It is calculated based on a methodology accounting for farming inputs, outputs, VAT rate structures and a provisional forecast of agriculture inputs and outputs. This reduction also aims to avoid overcompensation which would contravene the EU VAT Directive.

Policy Impact

This will decrease the amount added to the price at which flat-rate farmers sell their products to VAT registered persons. The Department of Finance estimates this to raise €61.5 million in a full year.

33. Section 76: Residential Development Stamp Duty Refund Scheme

Section 76 of the Finance Bill provides for several changes to this refund scheme which will apply once Finance Bill 2025 is enacted. First, the scheme is to be extended from 31 December 2025 to 31 December 2030. This represents the latest date by which construction operations must commence.

There are two-time limits underlying this scheme - one between acquisition and commencement, and another between commencement and completion - both of which are currently 30 months in duration. These limits will be extended to 36 months for large-scale residential developments (LRDs).

For multi-phase developments, a partial repayment can be claimed in respect of each phase of the development, or a full repayment can be claimed after the entire development has been completed. This section will allow for full repayment to be claimed once the first phase commences. Moreover, if a repayment is claimed in respect of the entire multi-phase residential development, then the last phase will need to be completed within 30 months of the date of the commencement notice related to that phase (36 months for LRDs).

Finally, under the new changes, repayment won't be given if the conditions to avoid clawback aren't met.

Table 28: Residential Development Stamp Duty Refund Scheme Extension and Amendments

Heading	Details
Measure	Extend the scheme, extend the two underlying time limits for LRDs, allow faster full Stamp Duty repayment for multi-phase developments provided that the last phase is completed within a certain timeframe, preclude repayment where conditions to avoid clawback are not met
Budget Measure	Yes
First Year Cost (-/+)	-€28.1 million
Full Year Cost (-/+)	-€28.1 million

Source: Budget 2026 – Tax Policy Changes

Changes

- Extends the Residential Development Stamp Duty Refund Scheme to 31 December 2030.
- Extends the two-time limits that apply (acquisition to commencement, and commencement to completion) from 30 months to 36 months for large-scale residential developments.
- Allow for a full repayment of Stamp Duty to be claimed in respect of a multi-phase development once the first phase commences.
- Provide that Revenue will be precluded from repaying Stamp Duty if any of the conditions to avoid a clawback of a repayment are not met.
- Provide that where a residential development is carried out in phases and a repayment is claimed in respect of the entire residential development, the last phase must be completed within 30 months of the date of the

commencement notice related to that phase to avoid a clawback (36 months in the case of LRDs).

Policy Background

Section 83D of the SDCA 1999 provides for a partial repayment of Stamp Duty paid on a conveyance or transfer of land where the land is subsequently developed for residential purposes. Where the conditions of the scheme are met, the amount to be repaid is the difference between Stamp Duty paid at the rate of 7.5 per cent on the acquisition of the land and the amount that would have been paid had the rate of 2 per cent applied.

Currently, construction operations on the land must commence within 30 months of the date of execution of the conveyance or transfer and on or before 31 December 2025. Where a development is carried out in phases, either a partial repayment can be claimed in respect of each phase of the development, or a full repayment can be claimed after the entire development has been completed. Certain conditions must be met to avoid a clawback of a repayment, including the requirement that the residential development specified in the commencement notice is completed within 30 months.

The amendments outlined in this section are intended to bring the scheme more in line with current planning and development practices, and to further enhance its support of the delivery of new housing in a timely and efficient manner.[193]

Policy Impact

This scheme was introduced to encourage residential property development and contains strict conditions to this end.[194] It was initially introduced in Finance Act 2017.[195] This measure has been viewed positively by stakeholders since its implementation, with Savills calling for the scheme's latest extension in 2022 for example, citing mitigation against "rising construction costs that risk hindering

[193] Budget 2026 - Tax Policy Changes p. 7
[194] Tax Strategy Group - Stamp Duty, Pensions and Property Taxes p. 14
[195] Finance Bill 2017, p. 65

much-needed residential development."[196] More recently, PwC has welcomed the amendments outlined in Finance Bill 2025 with the caveat that "the restriction of the extended time limits to “large-scale residential developments” is not ideal, and an extension of the time limits to 48 months for all multi-unit developments would have gone further to assist developers." PwC also notes that there are no planned changes to the 75% coverage test, which is difficult to satisfy for low-density developments and housing estate developments.[197] This coverage test dictates that following completion of the relevant residential development and to avoid clawback of a repayment in respect of land that was not acquired for the purpose of building a single dwelling unit, at least 75% of the total surface area of the land must be occupied by dwelling units or the gross floor space of dwelling units must amount to at least 75% of the total surface area of that land.[198] This sentiment was shared by KPMG who noted that it was unfortunate that no changes were made to the footprint and gross floor space tests, which can present significant challenges in claiming the refund in practice.[199]

The most recent data on this scheme (2024) found 1,467 claimants at a cost of €28.1 million. The cost had been approximately €21 million for 2021-2023.[200]

[196] Savills - Stamp duty refund scheme should be extended to foster residential development, 2022
[197] PwC - What does Finance Bill 2025 mean or you and your business? p. 55-56
[198] Tax Strategy Group - Stamp Duty, Pensions and Property Taxes p. 15
[199] KPMG - Finance Bill 2025, Property & Construction
[200] Revenue Cost of Tax Expenditures

34. Section 79: Stamp Duty on Acquisition of Shares

Section 79 of the Finance Bill provides for a new Stamp Duty exemption on a conveyance or transfer of stocks or marketable securities where the securities are admitted to trading in a "relevant market" and the closing market capitalisation of the company that issued the securities was below €1 billion on 1 December in the previous year. This section will also repeal the current Stamp Duty exemption for the Euronext Growth Market. The exemption and repeal will both take effect from 1 January 2026.

Table 29: New Stamp Duty Exemption for Acquisitions of Listed Shares

Heading	Details
Measure	New Stamp Duty exemption for acquisitions of listed shares in Irish companies with market capitalisation below €1 billion and the end of the existing exemption
Budget Measure	Yes
First Year Cost (-/+)	-€24 million
Full Year Cost (-/+)	-€24 million

Source: Budget 2026 – Tax Policy Changes

Changes

- Introduction of a Stamp Duty exemption for acquisitions of listed shares in Irish companies with a market capitalisation below €1 billion
- End of existing exemption for shares in Irish registered companies traded on the Euronext Growth Market.

Policy Background

Stamp duty of 1% is paid on instruments that transfer shares, stocks or marketable securities (shares), written options to buy or sell shares, written transfers of existing share options, written agreements to buy a beneficial interest in shares, and transfer orders transferring shares where no written instrument is executed.[201]

In Budget 2026 it was announced that a new exemption from the 1% Stamp Duty on acquisitions of shares in Irish registered companies will be introduced. This exemption will apply to the shares of companies that have a market capitalisation below €1 billion admitted for trading on a "relevant market." A “relevant market” means a regulated market or multilateral trading facility (within the meaning of Directive 2014/65/EU) or a market located outside the European Union which is equivalent to such markets. A sunset clause will apply, expiring on 31 December 2030 (i.e., the exemption will cease to be effective unless extended by this date).[202] It should be noted that while the exemption will be valid for five years, the €1 billion market capitalisation threshold is an annual test. Therefore, issuers that qualify for the exemption one year may not be eligible in another year.

Due to the introduction of the new exemption, the existing Stamp Duty exemption for shares in Irish registered companies traded on the Euronext Growth Market (formerly the Enterprise Securities Market) will be removed. The Euronext Growth Market is itself a multi-lateral trading facility which enables small to medium-sized firms to access the equity market. This exemption was first announced in Budget 2014[203] and came into effect on 5 June 2017.[204]

[201] Revenue - Stamp Duty and shares, stocks and marketable securities
[202] Budget 2026 - Tax Policy Changes
[203] Budget 2014
[204] Revenue - Stamp Duties Consolidation Act 1999

Policy Impact

PwC notes that this measure - which is aimed at supporting Irish capital markets and helping indigenous businesses to expand internationally - may be welcomed by many, the abolition of the existing Stamp Duty exemption for shares traded in Euronext Growth may have a negative impact on the trading of shares in companies with market capitalisations over €1 billion that are listed there.[205] KPMG notes that this relief will offer more flexibility for companies to list on stock exchanges where their centre of interests are more closely aligned and make investment in equities more attractive to Irish investors.[206] The Department of Finance estimates the cost of this measure will be approximately €24 million in a full year.

[205] PwC - What does Finance Bill 2025 mean or you and your business?
[206] KPMG - Finance Bill 2025, Domestic Business Tax

35. Section 80: Bank Levy

This section extends the Bank Levy until end 2026, with a target yield of €200 million. The revised bank levy applies to AIB, Bank of Ireland, EBS and PTSB.

Table 30: Bank Levy Measures

Heading	Details
Measure	Extend levy on certain financial institutions (Bank Levy)
Budget Measure	Yes
First Year Cost (-/+)	+€200m
Full Year Cost (-/+)	-

Source: Budget 2026 – Tax Policy Changes

Changes

- Extends the bank levy for a further year and retains the yield at €200 million.

Policy Background

The "Further Levy on certain financial institutions" was introduced in Budget 2014 as a revenue raising measure. It was intended to recoup a contribution from the financial sector following the Global Financial Crisis in 2008 and had a target yield of €150 million[207]. The Bank Levy was previously calculated as a percentage of Deposit Interest Retention Tax (DIRT) paid by liable institutions.

In 2022, a Retail Banking Review[208] took place, which included a consumer survey and public consultation. This considered the Bank Levy, and suggested "If the Levy is not amended, any new entrant to the Irish retail banking market would be exempt from it, placing the traditional banks, in particular, at a disadvantage to

[207] PBO 2023, Ireland's Bank Levy 2014-2023
[208] Department of Finance, November 2022 Retail Banking Review

those new retail banking providers. The … existence of the Levy could also act as disincentive for a new entrant into the Irish market … and it is also potentially an incentive to avoiding paying interest on customer accounts."

Due to the exit of a number of banks (Ulster Bank and KBC), the Bank Levy yielded just €86.7 million in 2022 and €87 million in 2023. Those banks still subject to it (i.e. primarily AIB, BOI and PTSB) were only expected to pay what they had paid in 2021.

In 2023, the Department of Finance undertook a public consultation process on the future of the Bank Levy, receiving a total of 18 responses from key stakeholders to help inform the future direction of the Bank Levy.[209]

The Levy was revised by the Department of Finance following this, and the revised levy continues to apply to those credit institutions that received financial assistance from the State during the financial crisis, and which are still operating in the State (AIB/EBS, Bank of Ireland and PTSB). It has a revenue target of circa €200 million, which is apportioned based on the level of relevant customer deposits held by each liable institution.[210]

The PBO previously noted that other countries introduced levies or taxes like the bank levy, but the base for calculating the amount of the levy/tax payable varies substantially between countries, as did the rates themselves. A small number of countries subsequently repealed these.[211]

Policy Impact

The Bank Levy will sustain the burden of payment on liable banks. As noted previously by the PBO, increased or additional levies on banks can disincentivise banks from attracting deposit funding from customers to reduce their liability. Since 2014, the Bank Levy has raised around €1.6 billion for the Exchequer[212].

[209] Department of Finance, January 2024 Responses to public consultation - Consultation on the future of the bank levy
[210] Ibid.
[211] PBO 2023, Ireland's Bank Levy 2014-2023
[212] Breakdown of Stamp Duty receipts

The Bank Levy is being extended so it will apply in 2026. It will be apportioned based on the level of deposits held by each of the four liable institutions at the end of 2024 (previously 2022), and the target revenue will be unchanged from 2024 and 2025 at €200 million.

For 2026, the levy will apply at the rate of 0.1025 per cent on the value of deposits held by each bank on 31 December 2024, to the extent that such deposits are “eligible deposits” within the meaning of the European Union (Deposit Guarantee Schemes) Regulations 2015 (S.I. 516 of 2015).

36. Section 82: Young Trained Farmer Relief

Section 82 of the Finance Bill extends the relief from Stamp Duty in respect of a conveyance or transfer of land to a young, trained farmer by four years. Pending a commencement order to be made by the Minister of Finance, the relief will apply to instruments executed on or before 31 December 2029. The value of the relief remains unchanged.

Table 31: Young Trained Farmer Relief for Stamp Duty

Heading	Details
Measure	Extension of the Young Trained Farmer Relief for Stamp Duty
Budget Measure	Yes
First Year Cost (-/+)	-€19.8 million
Full Year Cost (-/+)	-€19.8 million

Source: Budget 2026 – Tax Policy Changes

Changes

- Extension of the Young Trained Farmer Relief for Stamp Duty for an additional four years.

Policy Background

The Young Trained Farmer relief, which provides a full exemption from Stamp Duty on the transfer of farmland, subject to certain conditions being met, is being extended to 31 December 2029 and will be subject to a commencement order due to the need to notify the EU Commission.[213] The Commission must be notified as this relief is a form of EU State Aid.[214] This relief was due to expire at the end of 2025 prior to the announcements made in Budget 2026.

[213] Budget 2026 - Tax Policy Changes
[214] Revenue - Reliefs for Farmers

This relief aims to promote lifetime transfers of land and encourage more young people to pursue farming, with the current age profile of Irish farmers being a cause for concern. The mean age of farm holders in 2023 was 59.4 years with 37.8% being 65 and over and just 4.3% being younger than 35. The number of farm holders under the age of 35 fell by 29.5% between 2013 and 2023, while the number of those aged 65 and over increased by 33.6% over the same period.[215]

It should be noted that this relief is a form of State Aid permitted under the terms of the Agricultural Block Exemption Regulation (ABER) and there is therefore a lifetime limit of €100,000 on the aggregate amount of relief granted to an individual under this relief as well as the following two Agri-tax reliefs: the 100% stock relief for young, trained farmers under section 667B of the Taxes Consolidation Act 1997 (TCA) and the relief for partners in succession farm partnerships under section 667D TCA.[216]

Policy Impact

This relief is a long-standing measure that aims to encourage younger farmers to pursue post-secondary agricultural training and to subsequently enter the sector by reducing the financial burden of asset transfers. This tax relief has previously been welcomed by agricultural bodies including the Irish Farm Accounts Co-operative Society.[217] According to the Tax Strategy Group, uptake has steadily risen since 2018, with 1,357 successful claims being made in 2024.[218]

This measure has undergone several changes in areas such as qualifying conditions since being introduced, but the only planned change in this Finance Bill is to extend the relief. As part of Budget 2025, the Department of Finance estimates this extension to cost approximately €19.8 million in a full year.

[215] CSO - Farm Structure Survey 2023
[216] Tax Strategy Group - Stamp Duty, Pensions and Property Taxes
[217] Irish Farm Accounts Co-operative Society Limited - Stamp Duty Relief for Young Trained Farmers
[218] Tax Strategy Group - Stamp Duty, Pensions and Property Taxes

37. Section 83: Farm Consolidation Relief

Section 83 of the Finance Bill extends the farm consolidation relief from stamp duty until 31 December 2029. This section also extends to non-commercial woodland, as long as this is owned and used for conservation purposes for a further five years. The proposed changes will come into effect by way of a commencement order (or orders) to be made by the Minister for Finance, due to the need to notify the EU Commission appropriately.

Table 32: Farm Consolidation Relief for Stamp Duty

Heading	Details
Measure	Extend Farm Consolidation Stamp Duty Relief and broaden coverage
Budget Measure	Yes
First Year Cost (-/+)	-€1.5 million
Full Year Cost (-/+)	-€1.5 million

Source: Budget 2026 – Tax Policy Changes

Changes

- Extension of the Farm Consolidation Stamp Duty Relief by four years and the broadening of the relief to include non-commercial woodland to be used for conservation purposes.

Policy Background

Farm Consolidation Relief provides that a 1% rate of Stamp Duty (as opposed to the general rate on non-residential property of 7.5%) is charged on the net difference between the value of land sold and land acquired as part of a Teagasc certified farm consolidation, where this takes place within 24 months. The relief is being extended to 31 December 2029. Commercial forestry which is already within scope is being broadened to cover non-commercial woodland/forestry. Where the relief is claimed in respect of non-commercial woodland, it must be the intention of the person acquiring the land to retain ownership of it, and use it for conservation purposes, for five years. These measures will be subject to separate commencement orders due to the need to notify the EU Commission appropriately.[219]

This measure is closely associated with its CGT equivalent (Farm Restructuring Relief) and both measures were due to expire at the end of 2025 prior to the announcements in Budget 2026. The purpose of farm consolidation relief is to encourage the consolidation of farm holdings to reduce farm fragmentation and so improve the operation and viability of farms. As a condition of the relief, Teagasc, as the competent body, is required to certify that purchases, sales and transfers of land are being carried out for genuine consolidation purposes, by issuing a 'Farm Restructuring Certificate'. The relief also constitutes an EU State Aid and must therefore comply with State Aid rules.[220] Claimants of the relief must commit to retaining ownership of their interest in the qualifying land and use the land for farming for a period of five years from the date of first claiming the relief.[221]

The relief, in its current form, was reintroduced in Finance Act 2017. A similar relief had expired on 30 June 2009. The relief was restored to mitigate the impact of the increased rate of non-residential Stamp Duty from 2% to 6% that was introduced in Budget 2018 on the farming sector.[222]

Policy Impact

There were 102 successful claims for Farm Consolidation Stamp Duty Relief in 2024, resulting in foregone revenue of €1.5 million.[223] Similarly to Farm Restructuring Relief, this measure is intended to improve efficiency and reduce fragmentation of farms. As part of Budget 2026, the Department of Finance estimates this extension to cost approximately €1.5 million in a full year.

[219] Budget 2026 - Tax Policy Changes p11.
[220] Tax Strategy Group - Stamp Duty, Pensions and Property Taxes
[221] Teagasc - Budget 2025 Summary
[222] Tax Strategy Group - Stamp Duty, Pensions and Property Taxes
[223] Ibid

38. Section 99: Residential Zoned Land Tax

The RZLT became due and payable in 2025. It seeks to increase housing supply by encouraging the activation of development on lands which are suitably zoned and appropriately serviced. RZLT is an annual tax, calculated at 3 per cent of the market value of the land in scope.[224]

Section 99 of the Finance Bill introduces an opportunity for landowners liable for RZLT to request a change in zoning on the revised map for 2026. In certain circumstances, landowners may be exempted from RZLT for 2026 based on their submissions. An exemption will also be provided in cases where development cannot commence due to planning permission appeal proceedings brought by third-party.

A number of amendments proceeding from the Planning and Development Act of 2024 as well as certain technical amendments to ensure correct operation of the RZLT are also included in this section.

Table 33: Amendments to the Residential Zoned Land Tax

Heading	Details
Measure	Amend RZLT to provide a further opportunity for landowners to request a change in zoning of land, exemption concerning third-party appeal proceedings, various technical amendments
Budget Measure	Yes
First Year Cost (-/+)	-
Full Year Cost (-/+)	-

Source: Budget 2026 - Tax Policy Changes

[224] Budget 2026 - Tax Policy Changes

Changes

- Amendment of RZLT to provide a further opportunity for landowners to request a change in zoning of land.
- Introduction of an exemption (rather than a deferral) from RZLT where development on a site cannot commence due to appeal proceedings by an unconnected third-party.
- Amendment to declaration requirements following the commencement of non-residential development on a site (or part of a site).
- Amendment to deferral of RZLT arising within the first 12 months after planning permission is granted.
- Amendments to the provisions for the ongoing administration of RZLT where the liable person in respect of a relevant site has died.
- Inclusion of references to relevant provisions in the Planning and Development Act 2024 to ensure continued operation of the RZLT. This is necessary due to replacement of the Planning and Development Act 2000.
- Amendments to references to the planning appeals body (due to name change from An Bord Pleanála to An Coimisiún Pleanála).

Policy Background

RZLT is a self-assessed annual tax based on the valuation of a relevant site. It is calculated at 3% of the market value of the relevant site. The RZLT was introduced in Finance Act 2021 and taxes the market value of land that is both serviced (i.e., has access to necessary services such as water supply, roads, and lighting) and zoned for residential use. For land that becomes liable to RZLT, the tax begins to be charged in the third year. Therefore, land that was liable to RZLT in 2022 is being charged for the first time in 2025.[225] This measure was introduced as part of the Housing for All plan and is aimed at activating land to increase housing supply.

[225] Citizens Information - Residential Zoned Land Tax

Policy Impact

KMPG notes that it is unfortunate that there have been no changes to the provisions regarding sales or transfers of sites on which RZLT is currently being deferred where the transfer is to allow the development (for example, forward funding arrangements).[226] I.e., under current legislation deferred RZLT can become due and payable again following certain changes of ownership. This sentiment is shared by EY, who note added costs and misalignment with housing supply objectives.[227] The purpose of this measure is to change behaviour rather than to raise significant amounts of revenue.[228] As part of Budget 2024, it was decided to defer the initial liability date of the RZLT by one year, from February 2024 to February 2025. On 25 June 2025, RZLT collections were €40.2 million.[229] Given that the first revenues arising from the tax were only collected this year, it is difficult to directly determine the impact of this measure on the overall housing supply. The Department of Finance estimated these amendments to be cost-neutral in Budget 2026.[230]

[226] KPMG - Finance Bill 2025, Property Construction
[227] EY - Finance Bill 2025 Tax Alert
[228] Tax Strategy Group - Stamp Duty, Pensions and Property Taxes
[229] Ibid
[230] Budget 2026 - Tax Policy Changes

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Publication Date: 29 October 2025