



Budget 2027: Analysis and Key Messages

1. Contents

1.	Contents	1
2.	Key Messages	2
3.	Budget 2027 at a Glance: Quick & Visual Insights	3
4.	The Economic Landscape.....	3
4.1	<i>A Weaker Surplus in 2026</i>	<i>4</i>
4.1.1	The 2027 surplus remains dependent on Corporation Tax	4
4.2	<i>Debt and Fiscal Buffers</i>	<i>7</i>
5.	Spending: Clarifying the Picture.....	8
5.1	<i>The Expenditure Path.....</i>	<i>10</i>
5.2	<i>Key Spending Decisions</i>	<i>12</i>
5.2.1	Public Sector Pay and Pensions	14
6.	Tax Choices in Budget 2027	15
6.1	<i>Revenue raising measures</i>	<i>16</i>
6.2	<i>Income Tax</i>	<i>17</i>
6.3	<i>Excise Duties on Fuel.....</i>	<i>18</i>
6.4	<i>Rent tax credit.....</i>	<i>20</i>
6.5	<i>Rent a room.....</i>	<i>22</i>
6.6	<i>EII</i>	<i>22</i>
6.7	<i>Relief from VRT for battery electric vehicles.....</i>	<i>23</i>
6.8	<i>Help to Buy.....</i>	<i>23</i>
6.9	<i>Economic evaluation of schemes</i>	<i>24</i>
6.10	<i>Capital Acquisition Tax.....</i>	<i>28</i>
6.11	<i>Research and Development Tax Credit</i>	<i>29</i>
6.12	<i>Capital Gains Tax (CGT)</i>	<i>29</i>

6.13	<i>Irish Investment Account</i>	30
------	---------------------------------------	----

2. Key Messages

- The fiscal position has weakened despite stronger economic activity. The projected 2026 surplus has been revised down from €9.2 billion to €6.7 billion, largely because higher expenditure has more than absorbed the improvement in revenue. Spending growth remains strong into 2027, with Ireland projected to have the highest growth in general government expenditure in the EU.
- Headline surpluses continue to mask a weaker underlying fiscal position. The €9.5 billion surplus forecast for 2027 remains heavily dependent on potentially transitory corporation tax receipts. Excluding these receipts, the public finances would record an underlying deficit of €13.4 billion. This exposure, alongside rising interest costs, means that apparently favourable headline debt and balance figures provide less fiscal protection than they initially suggest.
- Budget 2027 has continued the trend – started in 2018 – of having the largest budget allocation in the history of the state, in nominal terms. The 2026 spending allocation is almost €125.6 billion.
- Budget 2027’s increase is a 6.6% increase on 2026.
- The tax package for Budget 2027 is expected to cost €1.94 billion in the first year. This consists of €263.4 million in revenue raising measures which offset the €2.2 billion in revenue reducing measures, when taking into account the “temporary measures.”
- There is limited detail published to explain why certain tax decisions were made, or to understand expenditure increases. The PBO has called before for more detail on the Existing Level of Services, and for economic analysis to underpin extensions of tax incentives.

3. Budget 2027 at a Glance: Quick & Visual Insights

The PBO has published a [Budget 2027 interactive dashboard](#) to be read alongside this analysis. This dashboard is an interactive and visual tour of Budget 2027.

4. The Economic Landscape

The domestic economy has continued to grow despite a more difficult external environment. Modified domestic demand is forecast to increase by 3.7% in 2026, a substantial upward revision from the 2.1% forecast in the spring. The revision largely reflects stronger consumer spending and investment. Growth is expected to ease to 3.0% in 2027.

Consumer spending is forecast to grow by 2.9% this year and 2.4% next year and modified investment is expected to rise by 5.1% in 2026 and 4.4% in 2027, with some of this activity linked to investment in data centres and semiconductor equipment.

The labour market remains strong, although the latest data do not give an entirely consistent picture. Administrative payroll data indicate employment growth of around 2.4% in the first half of 2026, whereas the Labour Force Survey points to growth of only 0.4%. The Department's forecast is closer to the weaker survey measure, with employment growth of 0.8% in 2026, before picking up to 1.8% in 2027. The unemployment rate is expected to remain at around 5%.

The divergence between the employment measures is a source of uncertainty. Income tax receipts and consumer spending appear more consistent with the payroll data, but it is not yet clear whether the two employment series will converge or in which direction. This complicates the assessment of current momentum and of the amount of spare capacity in the economy.

Inflation has also proved more persistent than previously expected. HICP inflation is forecast at 3.3% in 2026 and 3.0% in 2027. The 2027 forecast has been revised up by 0.5 percentage points since the spring, mainly because of higher assumed energy prices. Core inflation is forecast at 2.9% next year.

The risks around the forecast are mainly on the downside. The central forecast assumes that the disruption to energy supplies begins to ease during 2027. Under the Department's severe scenario, inflation would rise to around 5% in 2027 and modified domestic demand growth would fall from 3.0% to 1.5%.

4.1 A Weaker Surplus in 2026

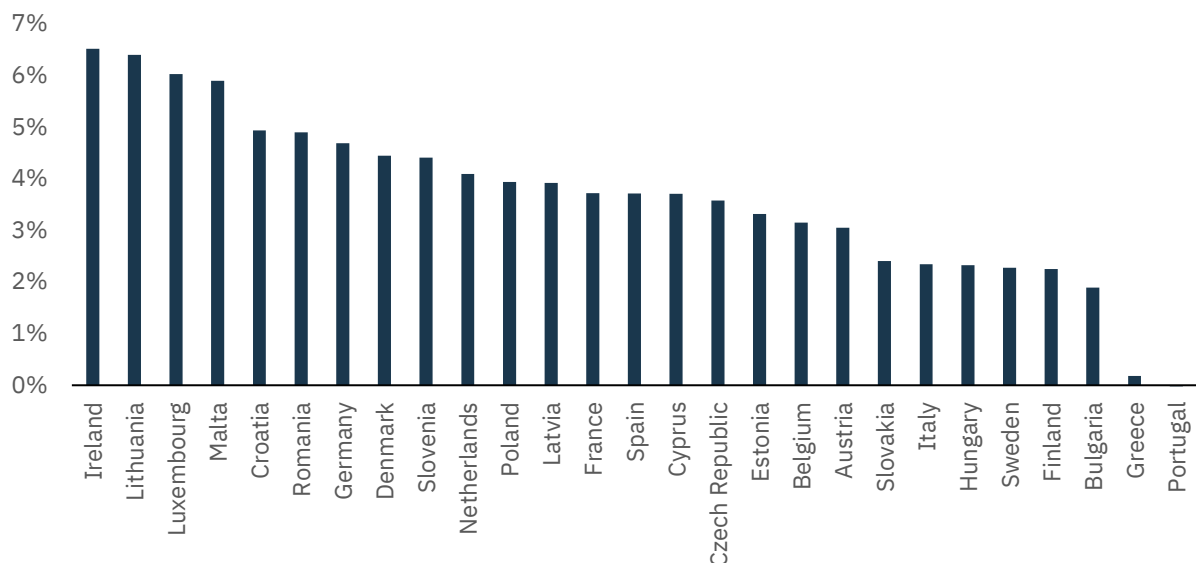
The general government surplus for 2026 is now forecast at €6.7 billion, or 1.9% of GNI*. This is €2.5 billion lower than the €9.2 billion forecast in the spring. It is also well below the €10.7 billion surplus recorded in 2025.

The downward revision is important because it has occurred despite stronger-than-expected domestic activity. General government revenue for 2026 has been revised up by €0.4 billion, but expenditure has been revised up by €2.9 billion. The Department attributes the weaker balance mainly to higher expenditure on social payments. This is not very informative, as it is not clear what has changed. Capital expenditure has also been revised upwards.

The change illustrates the extent to which spending pressures can absorb improvements in revenue. It also suggests that the starting position for Budget 2027 is less favourable than it appeared in the spring. Although the State remains in headline surplus, the margin available to absorb a revenue shock or further expenditure pressures has narrowed.

4.1.1 The 2027 surplus remains dependent on Corporation Tax

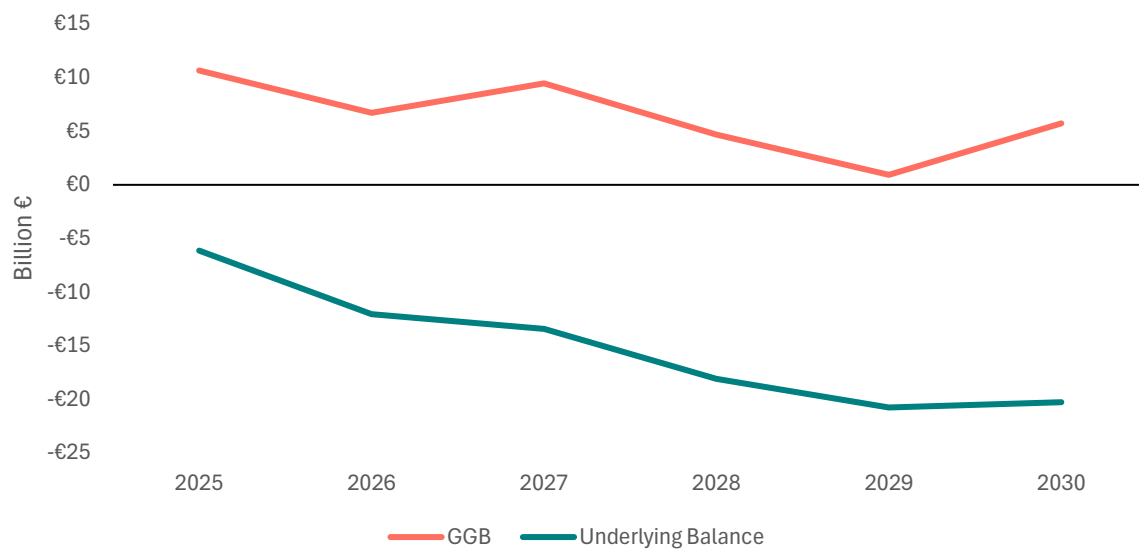
The general government surplus is forecast to increase to €9.5 billion, or 2.5% of GNI*, in 2027. This is €0.5 billion higher than forecast in the spring. The improvement is driven by a €4.5 billion upward revision to revenue, partly offset by a €4 billion upward revision to expenditure. The pace of expenditure growth is also notable in an EU context. Ireland is projected to have the highest growth in general government expenditure at 6.5% in the EU in 2027. This leaves less room to absorb an unexpected fall in revenue, particularly while the underlying balance remains in deficit.

Figure 1: Annual Growth in General Government Expenditure 2027

Source: Source: AMECO and Budget 2027 Economic and Fiscal Outlook

This leaves the fiscal outlook unusually dependent on a small number of firms. The Department reports that around half of corporation tax paid in 2025 came from just three large multinationals. A firm-specific or sectoral shock could therefore have a large effect on revenue without a corresponding deterioration in the wider domestic economy. The exposure is broader than corporation tax alone, as multinational activity also supports income tax, employment, VAT and investment.

The difference between the headline and underlying balances is consequently large. The Department estimates potentially transitory corporation tax receipts at €22.9 billion in 2027. Excluding these receipts, the €9.5 billion headline surplus becomes an underlying deficit of €13.4 billion, equivalent to 3.5% of GNI*.

Figure 2: General Government Balance vs Underlying Government Balance

Source: Department of Finance, [Budget 2027 Economic and Fiscal Outlook](#). The headline General Government Balance includes significant windfall corporation tax receipts. Excluding these receipts gives the underlying balance and provides a clearer picture of the underlying position of the public finances.

The increase in the headline surplus should therefore not be read as an equivalent improvement in the underlying public finances. The underlying deficit is forecast to widen between 2026 and 2027, even as the headline surplus rises. Permanent expenditure and tax commitments continue to be financed in part by receipts that may not persist. Referring to a budget surplus without acknowledging the role of excess corporation tax receipts risks obscuring the underlying fiscal position. On an adjusted basis, the public finances would be in deficit, indicating a greater reliance on potentially volatile revenues than the headline figures suggest.

4.2 Debt and Fiscal Buffers

Gross general government debt is forecast to fall slightly to €207.9 billion in 2026 before increasing to €214 billion in 2027. As a share of GNI*, debt is projected to decline from 58.5% to 56.4%. This reflects growth in nominal national income and the projected primary surplus rather than a fall in the cash value of the debt.

The debt ratio is expected to remain on a downward path, reaching 54.9% of GNI* by 2030. That projection is conditional on continued economic growth, delivery of the planned surpluses and no major correction in corporation tax. Given the scale of the underlying deficit, the debt outlook would look less favourable if volatile revenues were to fall.

Interest expenditure is forecast to rise from €3.2 billion in 2026 to €3.9 billion in 2027 and €6.4 billion by 2030. Ireland's long debt maturity and high share of fixed-rate borrowing limit the immediate effect of higher market yields. However, this protection is temporary. As low-coupon debt matures and is refinanced, the effective interest rate is forecast to rise from 1.5% in 2026 to 2.7% in 2030.

Transfers of €5.8 billion to the Future Ireland Fund and €2 billion to the Infrastructure, Climate and Nature Fund are planned for 2027. These transfers build the State's financial buffers, but should be considered alongside the underlying deficit. They increase the State's stock of assets ringfenced for future needs, but do not remove the underlying mismatch between stable revenue and recurring expenditure.

5. Spending: Clarifying the Picture

Budget 2027 has continued the trend – started in 2018 – of having the largest budget allocation in the history of the state, in nominal terms. The 2026 spending allocation is almost €125.6 billion, slightly larger than the budget package set out in the [Summer Economic Statement](#) (July 2026).¹ This comprises:

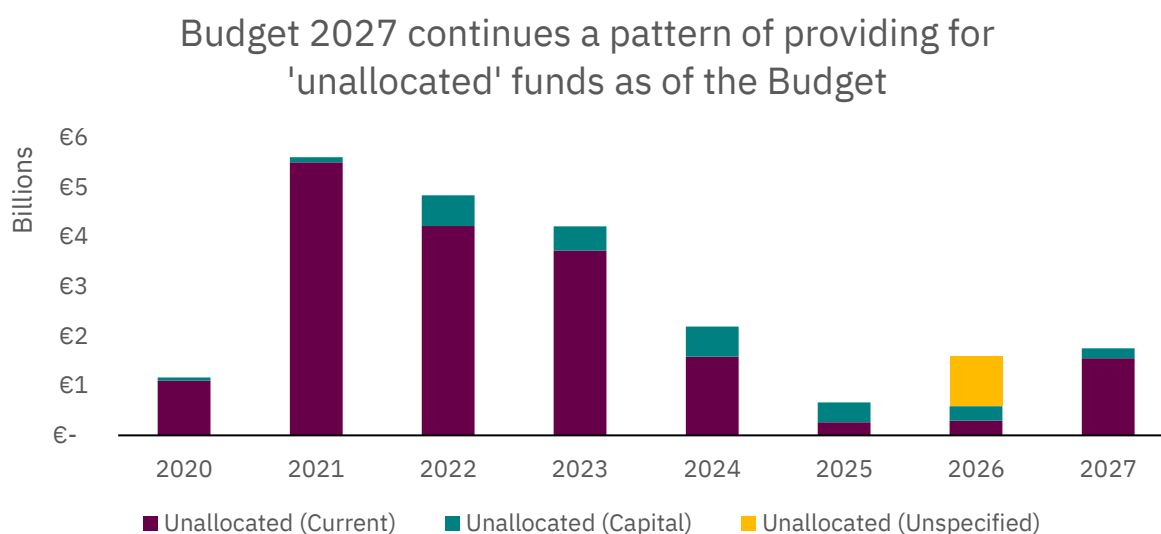
Table 1: Summary of Budget Expenditure Package

	Allocated	Unallocated	Total
Current	€103.772	€1.551	€105.323
Capital	€20.061	€0.201	€20.262
Total	123.833	€1.752	€125.585

Source: PBO based on [Estimates for Public Services 2027](#) (October 2026).

Table 1 and Figure 3 show that Budget 2027 continues a relatively recent practice of providing for ‘unallocated’ funds as of the October Budget.

Figure 3: Withholding Budget Funds



Reference: Expenditure Reports Budgets 2021 to 2027 ([here](#) and [here](#)).

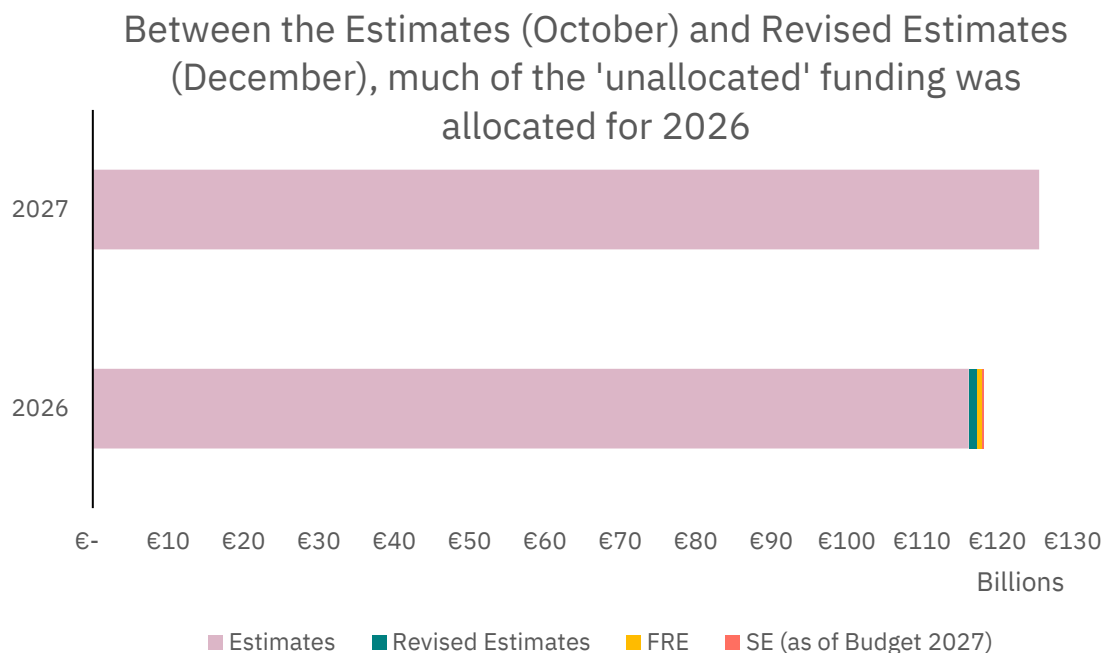
Figure 4 shows that Budget to Budget (Estimate to Estimate) there has been a significant increase in the gross levels of spending allocated to specific Votes i.e., the chart excludes the unallocated funds described in each Budget.

¹ The Summer Economic Statement set out a budget package of €125.5 billion.

Importantly, it also shows how the Estimate for 2026 has been modified to date, specifically through:

- The allocation of a significant portion of the 'unallocated' funds (€1,169.645 million) in the Revised Estimates (December 2025),
- Through a Further Revised Estimate (FRE) for Education & Youth (€646 million), and
- Supplementary Estimates (SEs) for Transport and Agriculture, Food and the Marine (€220.226 million).

Figure 4: Gross Funding Allocated to Votes



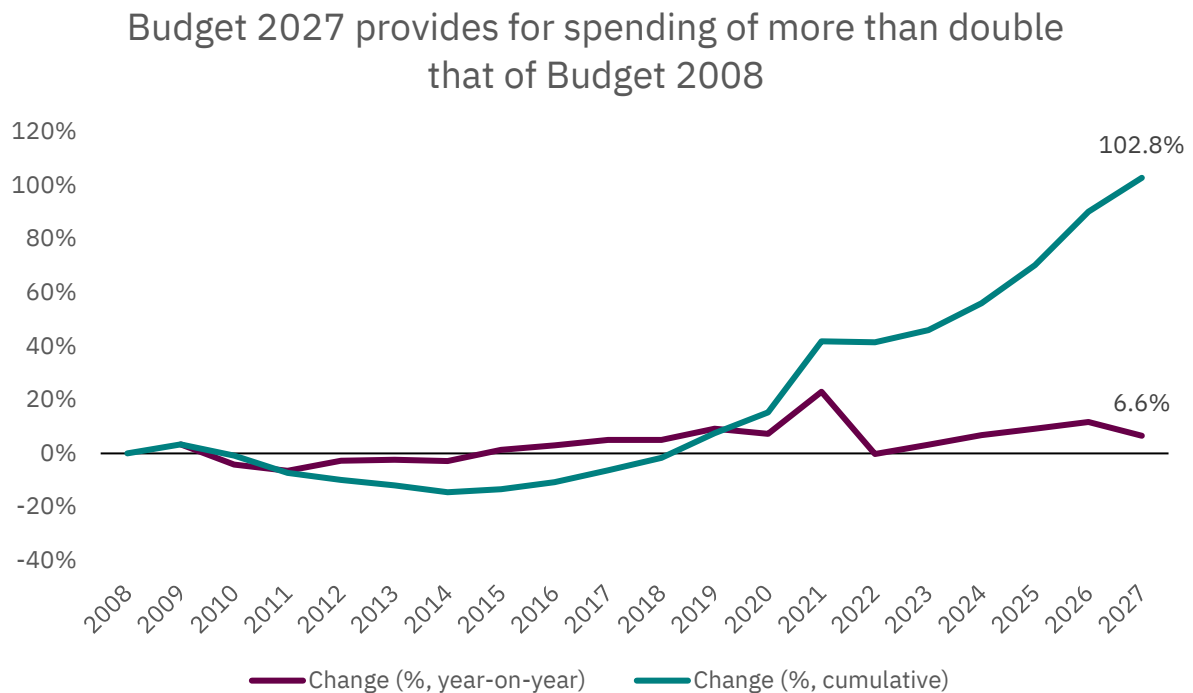
Source: PBO based on Estimates for Public Services 2026 and [2027, Further Revised Estimates](#) (2026), and [Supplementary Estimates](#) (May 2026).

5.1 The Expenditure Path

Figure 5 shows the long-term trend in Budget-to-Budget gross spending growth (or contraction).

Budget 2027's nominal gross allocation is more than double that of 2008, but is a more modest 6.6% increase on 2026.

Figure 5: Gross Expenditure Growth

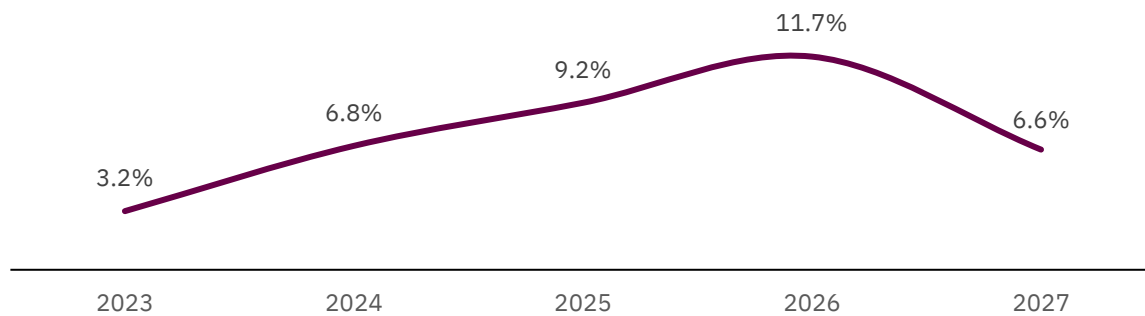


Source: PBO based on Expenditure Reports (Various).

Figure 6 shows the recent trend in year-on-year expenditure growth in recent Expenditure reports. These reflect the 'plan' in respect of each budget year, rather than the realised spend for each year.

Figure 6: Recent Trends in Gross Spending Growth

Gross spending in 2027 may moderate from earlier levels



Source: PBO based on Expenditure Reports (Various).

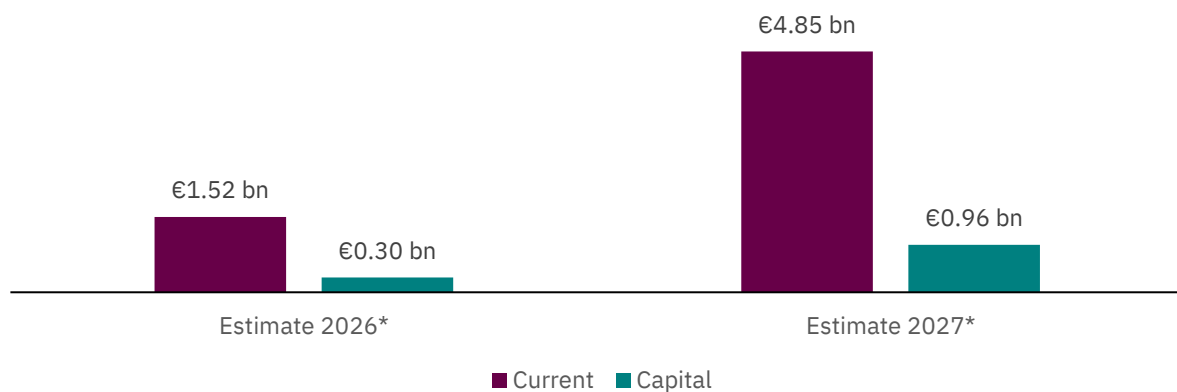
5.2 Key Spending Decisions

Tracking changes in spending requires a consistent approach to underpin comparison. In Budget 2026, gross spending of ~€116.2 billion was allocated to Votes. In Budget 2027, the 2026 figure was revised upwards to ~€118 billion.

For 2027, an additional €5.8 billion in spending is allocated to Votes on top of that ~€118 billion figure. Figure 7 reconciles the upward revision to the Estimate for 2026 and the proposed further increase for 2027.

Figure 7: Reconciliation of 'Estimate' Figures

Budget 2027 revises the 2026 'Estimate' upwards by
~€1.8 billion



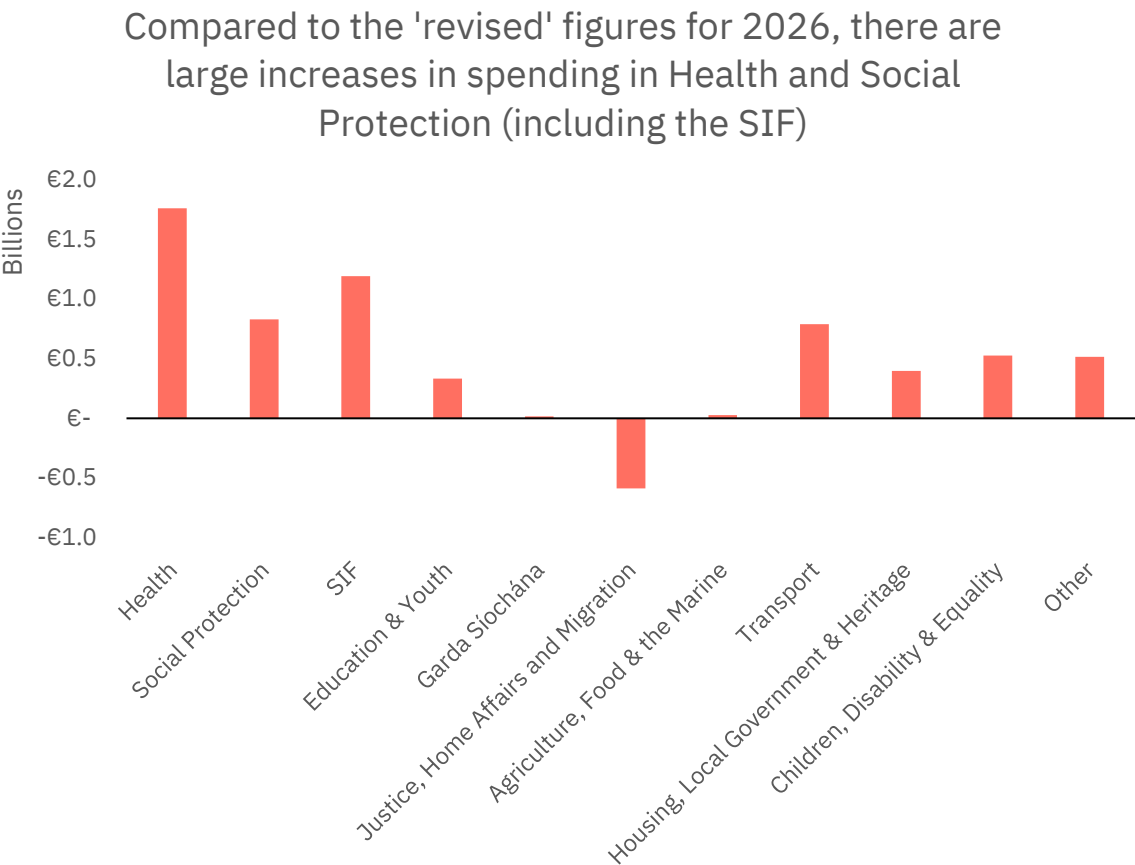
Source: PBO based on Table 2 and 3 of [Estimates for Public Services 2026](#) (2025), and [Estimates for Public Services 2027](#) (2026).

Figure 8 shows Votes that have a gross allocation of more than €2 billion for 2027. Specifically, it shows the change in their funding against the revised 2026 figure (as discussed in relation to Figure 7).

Spending increases are highly concentrated in:

- Health (+€1.8 billion),
- Social Protection (+€0.8 billion),
- Social Insurance Fund (SIF) (+€1.2 billion),
- Transport (+€0.8 billion), and
- Children, Disability & Equality (+€0.5 billion).

Figure 8: Votes receiving more than €2 billion (gross)



Source: PBO based on Table 2 and 3 of [Estimates for Public Services 2026](#) (2025), and [Estimates for Public Services 2027](#) (2026).

5.2.1 Public Sector Pay and Pensions

Budget 2027 provides €1.2 billion in respect of a public sector pay deal and associated impacts on public sector pensions. The Expenditure Report provides:²

€1.2 billion for the Public Service Pay Agreement to address all elements of both the expired Public Service Pay Agreement 2024 - 2026 and any successor pay agreement in 2027. This includes the cost of any associated pension impacts.

The PBO recently published two bodies of work which addressed the pay and pension costs of the public sector in 2027. While these papers had different scopes and methodologies, importantly they both projected that a new public sector pay deal would likely have costs in excess of €1 billion in 2027.

In summary:

- One paper looked exclusively at pay, and replicated the structure of the 2024-2026 Public Service Agreement. Factoring in increased public sector headcount, it projected a cost of ~€1.13 billion for 2027.³
- A second paper, using a different methodology which encompassed public service pensions, estimated costs of ~€1.08 billion for 2027.⁴

At present, there is not sufficient detail in published materials to further analyse the Government's €1.2 billion provision.

² [Budget 2027: Expenditure Report](#) (06 October 2026).

³ PBO, [The Cost of a New Public Sector Pay Deal](#) (11 September 2026).

⁴ PBO, [Estimated ELS Costs for Budget 2027](#) (30 September 2026).

6. Tax Choices in Budget 2027

The tax package for Budget 2027 is expected to cost €1.94 billion in the first year, more than the €1.5 billion package that had been initially announced in the Summer Economic Statement.⁵ This consists of €263.4 million in revenue raising measures which offset the €2.2 billion in revenue reducing measures. Of these, certain measures will take effect immediately on Budget Day, assuming the Financial Resolutions have passed. Others will be legislated for by the Finance Bill, which should be published later this month.

When the Department of Finance announces a "tax package", this is made up of revenue raising measures as well as revenue reducing measures. The Department of Finance has also provided costs for "temporary measures", namely fuel excise and carbon tax changes, which are not included in their tax package. However, the PBO has collated all of these changes in order to highlight the total cost of changes announced on Budget day.

It is important to calculate the full-year cost of these measures to assess their long-run fiscal consequences and the impact on the tax base. Some of the measures announced are considered "temporary" in nature by the Government, but it is important to note that temporary decisions may be hard to reverse. The PBO's summary of the full year cost of the tax package, based on the Tax Policy Changes document suggests these would cost €2.26 billion in a full year, not counting the Mineral Oil Tax Non-Carbon Component Reduction Extension. The full list of measures is available [here](#) and in Table 4.

⁵ [Summer Economic Statement 2026](#) (July 2026).

6.1 Revenue raising measures

The bank levy has been extended for a further year, raising €200 million in 2027. This levy was first introduced in 2014, but revised considerably following the Retail Banking Review and a 2023 public consultation. Its revenue target is apportioned based on the level of relevant customer deposits held by each liable institution, namely AIB, EBS, BOI and PTSB.

Additional yield from excise on cigarettes and other tobacco products is another revenue raising measure announced in Budget 2027, with effect from the passage of the Financial Resolutions. This is expected to yield €5.1 million in a first year, and €63.1 million in a full year. Two things should be noted in the context of any changes to tobacco - firstly, that the taxation of tobacco products is governed by EU rules through the Tobacco Taxation Directive 2011/64/EU²¹, which is currently being recast. The revised Directive shall apply from 2028, and aims to increase minimum tax rates to reduce disparity in rates applied by Member States, extending the scope of the directive to new products (e.g. e-cigarettes, heated tobacco and nicotine pouches), and better control measures concerning raw tobacco, which is subject to substantial fraud. All of these changes aim to raise excise on tobacco across the EU and contribute to behavioural change, while reducing fraud.

Alongside that, it should be noted that the Revenue Commissioners have highlighted increasing concern about the yields from tobacco excise. This was highlighted in the Tax Strategy Group paper over the summer⁶, when it was noted that the latest Illegal Tobacco Products Research Survey from 2025 indicates that over a third of cigarette packs consumed in the State are illegal or non-Irish duty paid. This high volume of products being consumed outside the scope of Irish excise duty raises concerns for Revenue that price increases may be creating greater incentives for illegal market activity.

Finally, in the context of tobacco excise yield, it is important to note that the European Commission put forward a proposal that the Multiannual Financial

⁶ [General Excise Tax Strategy Group – 26/08](#) (June 2026).

Framework funding should come from tobacco excise, along with other sources.⁷ This would impact the portion of any change to tobacco products that would benefit the Irish exchequer.

Another revenue raising measure is the e-Liquids Products Tax which adds an additional 20 cent per millilitre. This is estimated to yield €24 million in a full year.

6.2 Income Tax

Following no changes to Income Tax in Budget 2026, the Government has announced a package of Income Tax measures in Budget 2027, with a particular focus on middle-income earners.⁸ A total of €1.3 billion has been allocated to fund these changes.

The key measures introduced in Budget 2027 include:

Table 2: Changes in Income Taxation, introduced by Budget 2027

Measure	Increase	2026	2027
Increase standard rate cut off point (single individual)	€2,500	€40,000	€46,500
Personal Tax Credit	€125	€2,000	€2,125
Employee PAYE	€125	€2,000	€2,125
Earned Income	€125	€2,000	€2,125
Home Carer Tax Credit	€100	€1,950	€2,050
USC 2% band extended	€1,600	€28,700	€30,300

Source: Department of Finance (2026), '[Budget 2027 - Tax Policy Changes](#)'. Accessed 6 October 2026.

The PBO's Flash Impact Analysis, published alongside this document, contains information on how these changes will impact individuals across the distribution.

The increase in the standard rate tax bands is intended to keep pace with wage growth (indexation) and reduce the number of workers becoming liable for the higher rate of Income Tax. Increasing tax bands and credits in line with inflation

⁷ [EU budget 2028-2034](#).

⁸ Department of Finance (2026), '[Statement by Minister Harris on Budget 2027](#)'.

aims to preserve the value of taxpayers' net income and mitigate the effects of fiscal drag.^{9,10,11}

Following the Budget changes, approximately 29% of taxpayers pay the higher rate of Income Tax, while 64% pay the standard rate and 7% are exempt from Income Tax altogether.

Income Tax remains the largest source of tax revenue for the Exchequer. In 2027, it is projected that approximately 3.57 million individuals will have an income tax liability. The continued concentration of Income Tax receipts among higher earners highlights the Exchequer's reliance on a relatively small proportion of taxpayers to fund public services and Government expenditure.¹²

6.3 Excise Duties on Fuel

Two main changes around excise duties on fuel were announced in Budget 2027. Firstly, the reduced Mineral Oil Tax Non-Carbon Component (MOT NCC) rates that were introduced for petrol, auto diesel and marked gas oil (MGO) following the onset of the 2026 Iran War will be extended until 28 February 2027. From this date, excise rates will be fully restored for MGO, while rates for petrol and auto diesel will be restored in four phases, returning to their pre-war levels in June 2027. This extension carries a first-year cost of €450 million.

Secondly, the Carbon Tax component of excise on both home heating oil (specifically kerosene) and natural gas will be reduced from €63.50 to €48.50 per tonne of CO₂, or 2023 levels. This rate will remain at this level for the lifetime of the current Government, meaning that the Carbon Tax rate on kerosene and natural gas will be less than half of the €100 rate that was originally intended in 2030. Under the announced schedule, petrol, auto diesel, MGO and more "minor fuels" (including solid fuels) will return to their respective trajectories to ultimately be taxed on the basis of €100 per tonne of CO₂. Depending on the fuel type, two

⁹ Department of Finance/Tax Strategy Group (2026), '[Income Tax - 26/01](#)'.

¹⁰ Parliamentary Budget Office/PBO (2026), '[Labour Income Taxation in Ireland with European Comparison](#)'.

¹¹ Parliamentary Budget Office/PBO (2026), '[Tax Band Indexation and Income Tax Receipts Scenarios](#)'.

¹² PBO 2026, '[Labour Income Taxation in Ireland with European Comparison](#)'.

increases at once or two increases within 2027 will be required to restore these trajectories. However, no Carbon Tax increases are planned to occur until 1 May 2027. These changes carry a first-year cost of €25.3 million and a full-year cost of €177 million.¹³

To provide some context on the savings to consumers, a table outlining the impact of a €7.50 Carbon Tax increase on typical fuel bundles, inclusive of VAT, is presented below. This table was prepared by the Tax Strategy Group and is partially reproduced here.¹⁴

Table 3: Impact of a €7.50 increase on typical fuel bundles

Fuel Type	Typical Fuel Bundle	Impact of + €7.50
Petrol	60 litre fill	€1.28
Auto Diesel	60 litre fill	€1.48
Kerosene	500 litre tank	€10.78
Coal	40 kg bag	€0.90
Natural Gas	11,000 kWh ¹⁵	€16.31

Although it is appropriate to provide necessary financial support in the midst of acute price shocks, the untargeted nature of reductions in excise duties has previously been noted.¹⁶ Such measures are broad-based, providing undifferentiated support to households and businesses, regardless of their respective levels of need. Therefore, these policies tend to be more costly to public finances than is strictly necessary, in contrast with targeted supports such as the announced increase in the Fuel Allowance payment by €5 to €43 per week, for

¹³ The underlying trajectory of rate increases in Finance Act 2020 previously implied a charge of €100 per tonne of CO₂ emitted by May 2030.

¹⁴ It should be noted that the Department of Finance state that the MOT NCC reduction extension is a temporary measure and therefore has no full-year cost. Additionally, they state that €50 million of the full-year cost of the reduction and deferral of carbon taxes is temporary in nature.

¹⁵ "The Commission for Regulation of Utilities (CRU) estimates the average household usage of natural gas at 11,000 kWh per annum."

¹⁶ Such measures have been discussed in the context of the current crisis by the [OECD](#) and the [ESRI](#), with the latter speaking directly in relation to the Irish case.

example.¹⁷ It should nonetheless be noted that reductions in excise on fuel can be enacted at short notice and can play a role in moderating the inflationary impacts of fuel crises. However, the economic rationale for committing to such measures until 2030 is unclear. It is unknown whether the Russia-Ukraine war or the Iran war will continue through this period. Maintaining flexibility in case either or both of these conflicts resolve over the coming years could prevent unnecessary exchequer expenditure.

While households and businesses have been faced with notably elevated fuel prices in 2026, it must also be considered that Carbon Tax is an important tool in meeting legally binding emissions reduction targets and in investing in related climate measures. It is important that the Government remains committed to the existing Carbon Tax trajectory when considering the potential costs of failing to meet Ireland's various climate targets.¹⁸ Other drawbacks implied by deviation from the previous schedule of rate increases include significant foregone tax revenue and potentially reduced scope for investment in areas such as social welfare measures, agri-environmental schemes and retrofitting.¹⁹

6.4 Rent tax credit

Two changes to taxes have been announced in Budget 2027 which will affect renters. Firstly, the rent tax credit has been increased. The value of this credit was increased by €150 for a singly assessed individual, and €300 for a jointly assessed couple. This credit aims to provide financial support for residential rental market tenants who are not in receipt of other State funded housing support.

¹⁷ For further reading on targeting of fuel measures, please see [Distributional Analysis of Fuel Measures](#) (PBO, 2026).

¹⁸ The Irish Fiscal Advisory Council has previously estimated potential costs of up to €26 billion, given existing measures at time of publication, or up to €12 billion with additional measures. [A Colossal Missed Opportunity](#), Irish Fiscal Advisory Council, March 2025.

¹⁹ At the time of publication of this PBO note, the publication on the Use of Carbon Tax Funds was not available online. It is normally made available on Budget day.

In 2024, this tax credit cost €363 million, applying to 335,030 claimants. It is the 8th most expensive tax expenditure in the most recent report on these,²⁰ a rapid increase especially compared to the other schemes. The credit only has three years of data so far, and was introduced in 2022.

This credit was reviewed in October 2025, based on the first year's data. The review found that young adults between 21 and 40 years old, single persons, and taxpayer units with a gross income lower than €40,000 were the most represented cohorts claiming the credit in 2022. The distributional impact assessment illustrates the credit mostly benefits taxpayer units in working age cohorts without children, and, to a slightly lower extent, couples with children. The review also shows that further increases in the amount of the credit would benefit households with higher incomes to a greater extent than those taxpayers in the lower end of the income distribution.²¹

While this change will be very positive for those taxpayers who can claim it, it is an expensive mechanism for the State to use to meet increasing housing costs, and will have no impact on helping to improve supply for renters.

For this tax credit, claimants are not eligible if they are in receipt of HAP, rent supplement or RAS. It is useful to note that there are 46,102 currently active HAP tenancies,²² and there are 16,401 active RAS tenancies at end Q1 2026.²³ On top of the 400,000 estimated in Minister Harris' speech, this means the State provides support to a minimum of 460 thousand individuals in the rental market, with some of the claims/tenancies listed relating to more than one person (i.e. a rent tax credit claimant may support a child, a HAP or RAS tenancy may support more than one person). The Residential Tenancies Board has 247,258 private registered tenancies nationally at end Q2 2026.²⁴ Considering the numbers of tenancies/individuals supported by these measures, it is likely that a high percentage of those in the

²⁰ [Tax Expenditures in Ireland – 2026 Report](#).

²¹ [Tax and other Fiscal Housing Measures Tax Strategy Group – 26/06](#) (June 2026).

²² Correspondence with the HAP Shared Services Centre, 5th October 2026.

²³ Department of Housing, Local Government and Heritage, [RAS funding and delivery statistics, Q1 2026](#), accessed 5th October 2026

²⁴ [Private residential tenancies - data set - Residential Tenancies Board](#).

private rental market are receiving at least one form of assistance from the State to cover these costs. Such extensive State intervention in this area signals significant market failure and ongoing subsidisation may be unsustainable.

6.5 Rent a room

In contrast, the increase to the Rent a Room scheme aims to help incentivise home owners to rent out a room. It should be noted that renting in this way does not give renters the same tenancy rights as those who do not live in an owner-occupied house - i.e. they are licencees. Since 1 January 2017, the annual limit on exempt income for rent-a-room relief is €14,000, which has now been increased to €16,000.

The Government had previously indicated an extension to amend the rent-a-room scheme to include modular homes.²⁵ In Budget 2027, it has been announced that this income relief has retrospective effect, including Designated Auxiliary Dwellings installed after 27 July 2026 in line with planning regulations.

In 2023, there were 16,580 claimants, at a cost of €42.1 million, up from €35.4 million and 14,180 in 2022. It is unclear if this change will entice more rooms into the market, and have the unintended consequence that landlords who rent a room can increase the rent on existing rooms to €16,000 per annum tax-free.

6.6 EII

The Employment and Investment Incentive aims to encourage individuals to provide equity based finance to certain companies. Upfront relief of 40% is available on the investment in the company's shares, as long as the taxpayer holds these shares for at least four years. There is a different maximum threshold for how much relief can be claimed depending on how long you hold the shares.²⁶

The incentive cost €56.8 million in 2023, with 3,323 claimants. Both cost and takeup have increased over the last four years, especially since a number of changes to the scheme in 2019. This scheme has extended, alongside the Start-Up

²⁵ [Owners of back-garden modular homes face second local property tax charge, says Revenue – The Irish Times.](#)

²⁶ [Employment Investment Incentive \(EII\).](#)

Capital Incentive (SCI) and the Start-Up Relief for Entrepreneur (SURE) which are smaller but aligned measures.

6.7 Relief from VRT for battery electric vehicles

Certain passenger cars or commercial vehicles (VRT categories A and B) that are powered only by an electric motor and registered before 31 December 2028 are eligible for relief from VRT up to a maximum amount of €5,000. This is an extension of a further two years.

Vehicles with an Open Market Selling Price (OMSP) of up to €40,000 will be granted relief of up to €5,000. Vehicles with an OMSP of greater than €40,000, but less than €50,000, will receive a reduced level of relief. Reliefs have been removed for any electric vehicles above €50,000.

The most recent data from the CSO shows that there was a 57% rise in new private EVs licensed in the first eight months of 2026 when compared with the same period in 2025. More than a quarter of all new private cars licensed between January and August 2026 were electric.²⁷

The cost of this extension is €87 million in the first year, higher than 2025's cost of this relief which was €44.4 million. It is unclear whether the increase in this estimate is based on new forecasts of EV take-up, and it would have been useful if more information had been published alongside this budget on that cost.

6.8 Help to Buy

The Help to Buy scheme provides a subsidy for first time buyers, purchasing new homes, which cost less than €500,000. The maximum subsidy, based on the income tax or DIRT paid in the last four tax years, was €30,000 or 10%, and it has now been increased, to €35,000. The scheme will expire end December 2029.

It is unclear that there is any economic evidence to support this change. The most recent Revenue statistics²⁸ on the scheme show that 58.46% of claims were less than €30,000, meaning these people either bought houses below the relevant level

²⁷ CSO, [Vehicles Licensed for the first time August 2026](#).

²⁸ [Help to Buy \(HTB\) incentive monthly statistics](#) - including data until 31st August 2026.

or had not paid enough income tax/DIRT to receive a refund greater than this amount.

Due to the cap on the scheme, there is a limit to how much this can increase house prices. 18.7% of claims were for properties over €450,000. The majority of claims under the scheme are in Dublin, followed by Cork and Kildare.

Finally, it is important to note that this scheme is poorly targeted. Upon receiving Help to Buy, 25% of recipients had a Loan To Value ratio of less than 80%, and a further 35% had a Loan to Value ratio of between 80 and 90%. As such, all those recipients did not need Help to Buy to meet the 10% deposit requirement, and could instead use the scheme to create larger deposits. This increased the purchasing power of first time buyers, which will only fuel property inflation and means this is a deadweight loss, i.e., facilitating transactions that would have taken place even if the scheme wasn't in place.²⁹

In 2025, the scheme cost €252.9 million, with 9,575 claimants. It is the 11th most expensive tax expenditure in the most recent Tax Expenditure report 2026³⁰, and was last reviewed in 2022. That review, by Mazars, concluded that there are weaknesses in the Help to Buy scheme, and it cannot be concluded that it is sufficiently efficient to represent good value for money. They suggested that a tax expenditure was not the appropriate mechanism, and suggested phasing out the scheme while bringing forward a new, more targeted incentive. This advice was ignored and the scheme was simply extended.³¹

6.9 Economic evaluation of schemes

Government policy is based on the principle that tax expenditures should be used in limited circumstances where a demonstrable market failure exists and the measure is more efficient than a direct expenditure intervention. Under the Department of Finance's Tax Expenditure Guidelines, extensions of schemes should have accompanying reviews, providing details on whether these schemes are still

²⁹ Updated calculations from the [PBO's previous paper on Help to Buy](#).

³⁰ [Tax Expenditures in Ireland – 2026 Report](#) (August 2026).

³¹ Mazars (2022) [Help to Buy scheme review](#).

relevant, their efficiency, and the impact of these from an equality and environmental perspective. Schemes of above €20 million should have a review with a quantitative analysis or cost benefit analysis.³² No such analysis was published for the extension of EII/SCI/SURE or the VRT relief for EVs, both of which should have had this information. There were no other economic analyses of tax published on Budget day at the time of this paper.

³² [Tax Expenditures Evaluation – Updated Guidelines](#) (2024).

Table 4: Summary of Tax Measures in Budget 2027

Measure	First year Cost/Yield	Full year Cost/Yield
Income tax changes	-€1,290.0	-€1,480.0
Mineral Oil Tax Non-Carbon Component Reduction Extension	-€450.0	€0.0
Extend VRT Relief on Electric Vehicles to 1/12/2028	-€87.0	-€89.0
Enhance the Research and Development tax credit regime	-€58.6	-€118.3
Relief for Investment in Corporate Trades	-€58.0	-€58.0
Reduce the standard rate of Capital Gains Tax from 33% to 31%	-€46.5	-€186.0
Increase the Rent Tax Credit by €150 for individuals and €300 for jointly assessed taxpayer units	-€40.0	-€45.0
USC increase 2% rate ceiling by €1,600	-€28.0	-€32.0
Reduction and Deferral of Carbon Taxes	-€25.3	-€177.0
Raise the farmer's flat rate payment 4.8%	-€23.0	-€28.0
Decrease the rate of Life Assurance Exit Tax from 38% to 35%	-€12.9	-€12.9
Increase the Category A, B and C thresholds for gifts or inheritances	-€11.0	-€48.0
Tax Relief for Start-Up Companies (Section 486C start-up relief)	-€11.0	-€11.0
Increase Rent a Room Relief from €14,000 to €16,000 from 1 January 2027.	-€10.0	-€24.0
Extend the Knowledge Development Box regime	-€9.6	-€9.6
Introduce the Investment Account	-€5.5	-€11.5
VAT charity compensation scheme - increase the annual capped fund to €15 million	-€5.0	-€5.0
Standard Fund Threshold - revise current age-related valuation factors	-€5.0	-€5.0
Increase the Help to Buy maximum amount from €30,000 to €35,000 immediately	-€4.0	-€16.0
Decrease the threshold for tax relief for qualifying tuition fees	-€4.0	-€4.0
Decrease the rate of Investment Undertaking Tax from 38% to 35%	-€3.4	-€3.4
Reduce the VAT rate on respiratory vaccines for livestock	-€3.3	-€4.0

Increase the Donation of Heritage Items ceiling by €4 million	-€3.2	-€3.2
Decrease the rate of tax applying to equivalent offshore funds from 38% to 35%	-€2.6	-€2.6
Increase the Childcare Service Relief income ceiling by €5,000	-€2.0	-€2.0
Increase the exempted profits from domestic generation of electricity by €200	-€1.0	-€1.0
Double the tax credit for succession farm partnerships to €10,000	-€1.0	-€1.0
Extend the accelerated capital allowance for farm safety equipment 31/12/2019	-€1.0	-€1.0
Decrease the rate of tax applying to certain foreign life assurance policies from 38% to 35%	-€0.1	-€0.1
Capital Gains Tax Relief for Investment in Innovative Enterprises	€0.0	-€8.0
Introduce of a Pool Betting Charge	€0.1	€0.5
Increase €1 on a pack of 20 cigarettes	€5.1	€63.1
Increase e-Liquids Products Tax by 20c per millilitre	€21.2	€24.0
Increase Category A VRT Rates by 1%	€37.0	€37.0
Bank Levy extension to 2027	€200.0	€0.0
	-€1938.6	-€2262.0

6.10 Capital Acquisition Tax

Budget 2027 introduces the following changes to the tax-free thresholds for Capital Acquisitions Tax (CAT):

Table 5: Changes to CAT groups threshold

	2026	2027	Individual Benefit
Group A	€400,000	€420,000	€6,600
Group B	€40,000	€44,000	€1,320
Group C	€20,000	€22,000	€600

Source: Department of Finance (2026), 'Budget 2027 - Tax Policy Changes'. Accessed 6 October 2026.

The 33% CAT rate will remain unchanged in Budget 2027. It is expected that these increases in threshold will cost the government €48 million in a full year. In 2025, 15,200 individuals paid Inheritance Tax. Based on Revenue data, those individuals paid €968.4 million in 2025, or €63,710 each.³³

According to economist Dr Barra Roantree, despite significant increases in house prices in recent years, relatively few individuals currently pay Inheritance Tax. He estimates that less than 10% of the population will ever pay Inheritance Tax during their lifetime.³⁴

Irish household wealth has expanded rapidly in recent years, increasing by an average of 8.3% annually between 2014 and 2025. This upward trend continued in Q1 2026, when household net wealth reached €1,429.5 billion, up €55.3 billion on the previous quarter. Rising financial assets, which increased by €42.8 billion, were the main driver of growth, alongside a €14.1 billion increase in housing assets. However, the distribution of wealth remained highly concentrated, with the top 10% of households accounting for 47.2% (€693.1 billion) of total net wealth. By comparison, middle-wealth households held at 42.9% (€629.4 billion), while the lowest-wealth group accounted for 9.9% (€145.0 billion).³⁵

³³ Revenue Commissioners (2026), '[Geographic breakdown of CAT receipts](#)'.

³⁴ Newstalk (2026), '[Very few pay: Economist says inheritance tax benefits the rich](#)'.

³⁵ Parliamentary Budget Office/PBO (2026), '[Inheritance Tax in Ireland](#)'.

6.11 Research and Development Tax Credit

The R&D tax credit provides a 35% credit for qualifying expenditure on activities aimed at resolving scientific or technological uncertainties. Available to all companies undertaking eligible R&D activities in Ireland, the credit has been enhanced in Budget 2027 to support Ireland's competitiveness in attracting R&D investment and fostering innovation among domestic business.

Credits are primarily allocated for in-house R&D activities, but it can also be available for qualified subcontracted work carried out by third-level institutions within the EEA; and unconnected third parties worldwide. Eligible subcontracted expenditure is subject to a ceiling of the higher of an expenditure of €100,000 or 15% of total expenditure (provided that the expenditure is qualifying in-house R&D expenditure).³⁶

Budget 2027 introduces several enhancements to the Research and Development (R&D) Tax Credit, following the review undertaken in 2026 and commitments outlined in the Research & Development Tax Credit and Innovation Compass.³⁷

The enhancements to the R&D Tax Credit introduced in Budget 2027 are intended to strengthen Ireland's attractiveness as a location for innovation and research investment, while supporting indigenous enterprise growth. These measures are estimated to cost the Exchequer €58.6 million in the first year and €118.3 million on a full-year basis.

In 2024, the scheme cost €1,263 million with 2,165 claimants. It is the third most expensive tax expenditure. The majority of claimants are in manufacturing, followed by information and communication.³⁸

6.12 Capital Gains Tax (CGT)

Budget 2027 announced the reduction of the standard Capital Gains Tax (CGT) rate under Section 28(3) of the Taxes Consolidation Act (TCA) 1997 (gains from the disposal of any and all general assets) from 33% to 31%, applying to disposals

³⁶ Department of Finance (Budget 2026), '[Budget 2027 - Tax Policy changes](#)'.

³⁷ Department of Finance (2026), '[Research and Development Tax Credit and Innovation Compass](#)'.

³⁸ [Research and Development Tax Credit statistics](#).

made on or after 7 October 2026. The reduction is estimated to cost the Exchequer €46.5 million in the first year and €186 million in a full year.

However, the reform does not apply to all CGT liabilities. The 33% rate applicable to relevant disposals of development land under Section 649A of the Taxes Consolidation Act 1997 remains unchanged. This reflects a policy decision to continue applying a higher rate to gains arising from development land transactions.³⁹

CGT remains an important component of the Irish tax system, although receipts can fluctuate considerably from year to year due to changes in asset prices, business transactions, and wider economic conditions. As a result, CGT revenues tend to be more volatile than revenues generated through Income Tax or VAT.⁴⁰

The reduction in the standard CGT rate represents a departure from the broader trend of recent years, during which the rate remained unchanged at 33%. While proponents argue that lower CGT rates can stimulate investment and support entrepreneurship, the fiscal cost of the measure must be balanced against competing demands for public expenditure and the need to maintain a stable revenue base.

6.13 Irish Investment Account

Budget 2027 also saw the announcement of the Irish Investment Account which will become available from 1 July 2027. This policy has an estimated first-year cost of €5.5 million and an estimated full-year cost of €11.5 million. This account is meant to simplify and support retail investment in Ireland, removing barriers to investment in capital markets by individuals.

This policy relates to a 2025 recommendation from the European Commission on Savings and Investment Accounts. It has been noted on various occasions, including in this recommendation, that EU citizens have a very high rate of saving, however, various barriers prevent them from maximising their gains from these

³⁹ Department of Finance (Budget 2026), '[Budget 2027 - Tax Policy changes](#)'.

⁴⁰ Revenue Commissioners (2025), '[A Decade of Capital Taxes: 2015 to 2024](#)'.

savings.⁴¹ This also presents challenges for European businesses who wish to access funding. Savings and Investment accounts such as the one introduced in Budget 2027 may reduce barriers for individual investors while connecting high levels of savings with investment needs at relatively low cost to taxpayers.

The account will have a €50,000 tax-free threshold with values above this level being taxed at a flat rate of 1%. The annual contribution limit will be €12,000, suggesting that revenue may not be recoverable for a period following the introduction of the account. Existing regimes for taxation of retail investment will not apply to the new account.

⁴¹ [Commission Recommendation on Increasing the Availability of Savings and Investment Accounts with Simplified and Advantageous Tax Treatment](#), European Commission, 30 September 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 mórfhobal 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 ghealltanais 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 iontaobh 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 Séanadh seo agus ár bhFógra Séanta cuimsitheach, is ag an gceann deireanach a bheidh an forlámhas.

Disclaimer

This document has been prepared by the Parliamentary Budget Office (PBO) for use by the Members of the Houses of the Oireachtas to aid them in their parliamentary duties. It is not intended to be either comprehensive or definitive. The PBO may remove, vary or amend any information contained therein at any time without prior notice. The PBO accepts no responsibility for any references or links to or the content of any information maintained by third parties. Staff of the PBO are available to discuss the contents of these papers with Members and their staff but cannot enter into discussions with members of the general public or external organisations.

The Information is general in nature. Forward-looking statements involve uncertainties and matters may develop significantly from the Information. The Information does not provide a definitive statement in relation to any specific issue or personal circumstance. It does not constitute advice. You must satisfy yourself as to the suitability and any reliability of the Information that we, The Parliamentary Budget Office and Oireachtas Commission (including its servants, agents and contractors), provide. We accept no responsibility for, and give no guarantees, undertakings or warranties concerning, the accuracy or suitability or otherwise, of the Information; or that our webpages or the Information or other content will be error free, virus free, or infringement free. We accept no liability (including in respect of intellectual property claims) arising out of any third-party content or any third-party website to which we link or refer. To the fullest extent permitted by applicable law, no liability whatsoever is accepted (i) for any reliance placed on the Information or content on our webpages or (ii) for loss or damage arising out of or in connection with your use of these webpages. See our comprehensive [Disclaimer Notice here](#). In any conflict between this Disclaimer and our comprehensive Disclaimer Notice, the latter will prevail.