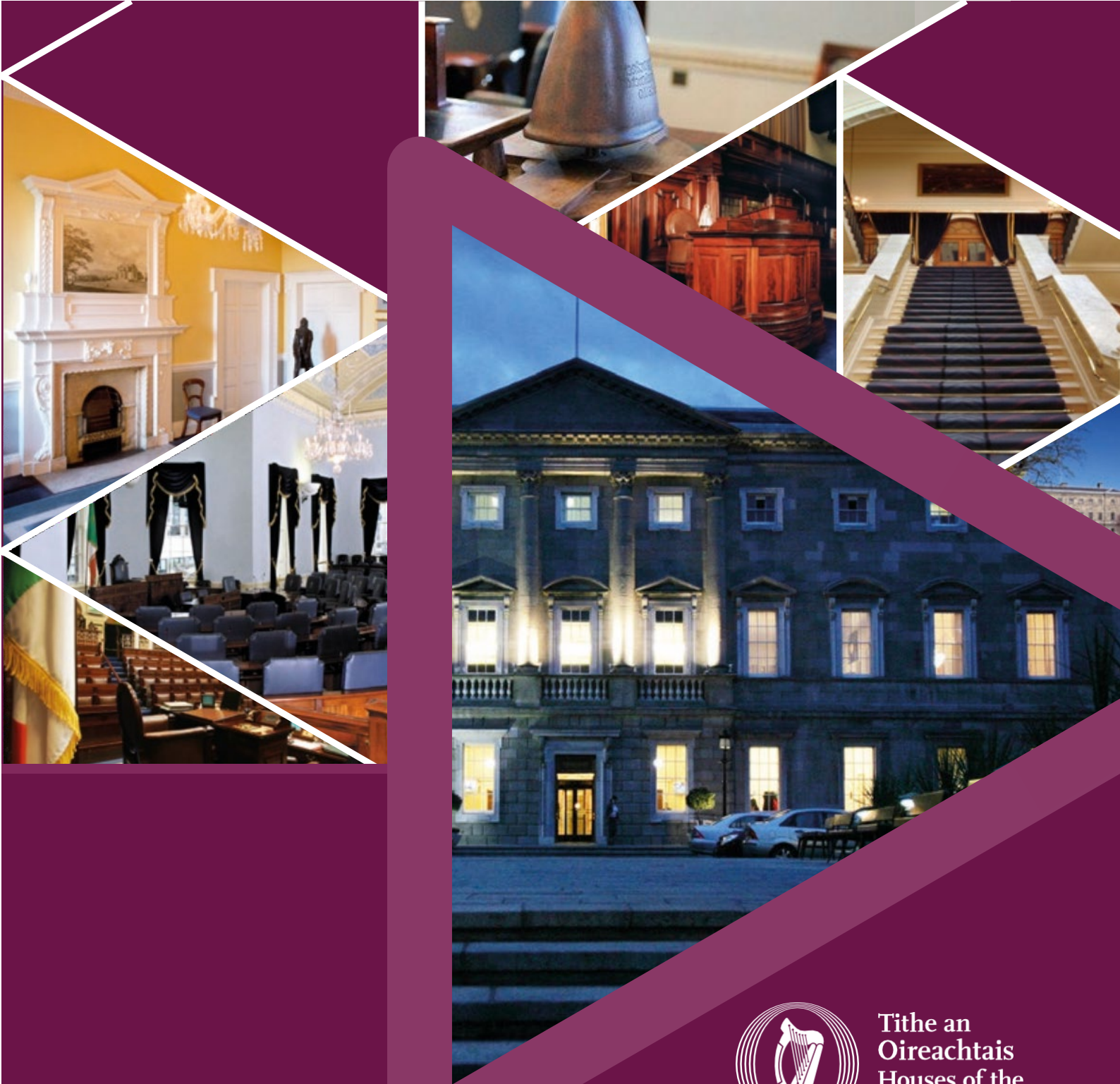




Tithe an  
Oireachtais  
Houses of the  
Oireachtas

An Oifig Buiséid Pharlaiminteach  
Parliamentary Budget Office  
**Finance (No. 2) Bill 2026**

Publication 24 of 2026

## 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 sholáthraimidne, 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 chailteanas 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.

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# 1. Introduction

Please note that the PBO would like to highlight a difference in this year's paper.

- Due to industrial action and the direction from unions in the public sector to work to rule, the Finance (No. 2) Bill 2026 was published on Monday 19th October 2026, later than usual.
- The Finance (No. 2) Bill was discussed at Second Stage on Tuesday 20th October 2026, and will commence Committee Stage on Wednesday 4th November 2026.
- This document is prepared primarily to support Members at Committee Stage and afterwards, specifically the in-depth scrutiny which takes place during these stages of the legislative process.
- This shortened time period means that the PBO has produced a shorter document than in previous years, and did not consider as many sections.

The Finance (No. 2) Bill 2026, which amounts to 79 sections, gives effect to tax measures announced as part of Budget 2027. 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 (No. 2) Bill 2026 which are likely to have budgetary implications. To aid Members in their scrutiny of Finance (No. 2) Bill 2026, it further includes information on the cost or yield, policy background, policy changes, and wider policy implications of these measures. The sections are numbered as per the Bill when it was published, and to aid readers, the section title provides context.

As this paper is intended to assist Members in their scrutiny of the measures contained in the Finance (No. 2) Bill 2026, it is structured in line with the format of the Bill itself. This means the section headings included for each tax measure correspond to the section headings provided within the Finance (No. 2) Bill.

**Table 1: Summary of Tax Revenue Measures**

| <b>Measure</b>                           | <b>First Year Cost/Yield (-/+)</b> | <b>Full Year Cost/Yield (-/+)</b>             |
|------------------------------------------|------------------------------------|-----------------------------------------------|
| <b>Revenue Raising Measures (Gross)</b>  | €363.4 million                     | €124.6 million                                |
| <b>Revenue Reducing Measures (Gross)</b> | €2.22 billion                      | €2.4 billion                                  |
| <b>Total Cost (Net)</b>                  | €1.85 billion                      | €2.27 billion, excluding "temporary" measures |

Source: [Budget 2027 Taxation Measures - Policy Changes](#) as amended, Department of Finance, 2026 and PBO Calculations.

Table 1 gives an overview of the revenue raising and revenue reducing measures, as set out by the Department of Finance on Budget day, for the first and full year of the tax policy changes, and the net total calculated by the PBO. The Department of Finance did not give a total estimated cost of the measures, either for the first year or the full year.

It should be noted that the material as published on Budget day and circulated to Members was subsequently updated on Budget day with further information, namely the cost of two additional measures. These are "compliance" which is expected to raise €100 million,<sup>1</sup> and "measure for rural pubs" which will cost €15 million in both the first year and full year. This is set out on page 37 of the "Tax Policy Changes" document, namely "corrections since publication." This transparency is appreciated, but does mean that any analysis by the PBO or other bodies must be seen as reflective of the information available at the time.

It is important to note that full year estimates are complicated by the designation of certain of these as temporary. For example, the bank levy, compliance and the fuel excise measure did not have full year costs listed, meaning any full year impact

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<sup>1</sup> "Compliance" is an item that has been included in previous Budgets, and the Revenue Commissioners publish details of the specific compliance projects and the revenue raised at the following link - [Evaluation of Budget compliance measures](#)

does not consider these. Please see section 2.2 "When is a tax measure "temporary"?" below for further on this.

## 2. Additional contextual material

### 2.1 The importance of considering the whole tax base

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. Simply put, stable revenue streams fund stable public spending without the government having to borrow and take on debt. There have been concerns about the sustainability of particular taxes for the last few years, namely Corporation Tax and Income Tax. In each case, this relates to the reliance of the tax system on a small number of corporations. The Irish Fiscal Advisory Council have previously highlighted that three firms account for almost half of Ireland's corporation tax revenues.<sup>2</sup> It is also worth noting that if one large multinational left Ireland, there would be an impact on Corporation tax and also Income Tax, as these companies can have high income individuals who pay considerable income tax.<sup>3</sup> The Fiscal Council estimated that foreign-owned multinationals in three key sectors account for almost one-fifth of total payroll taxes and VAT.<sup>4</sup>

There are also long-term changes to the Exchequer tax base, for example, falling revenues from motor taxation and changes to revenue from excises as drivers shift to electric vehicles. Work in that area is discussed later in the paper. Such shifts are why it is important to consider long-term impacts when making annual budget changes, and not to undermine the sustainability of the tax base or narrow it unduly. There were minimal changes in this budget to widen the tax base, or base-broadening, and instead the budget contained significant revenue reducing measures.

Figure 1 below shows the receipts from different taxes since 2019, and the projected receipts over 2026-2030. This helps to show the expected growth of

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<sup>2</sup> Irish Fiscal Advisory Council (February 2026), [More concentration, more risk: three firms account for almost half of Ireland's corporation tax revenues - Irish Fiscal Advisory Council](#)

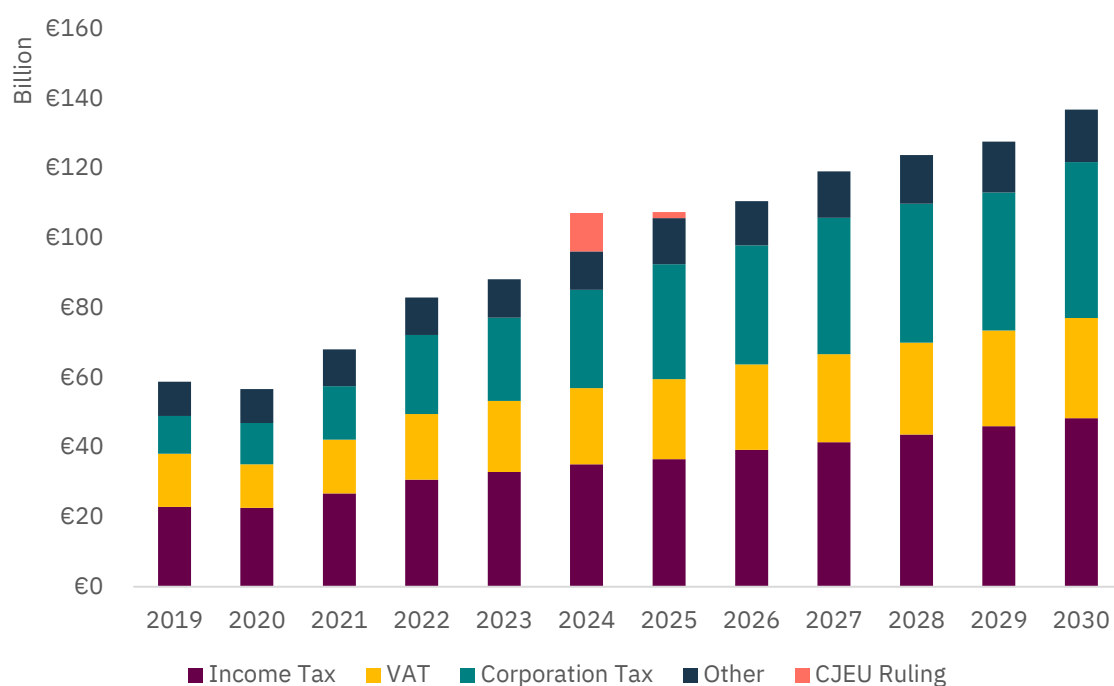
<sup>3</sup> This was highlighted by the PBO as far back as the [pre-Budget commentary in 2019](#).

<sup>4</sup> Irish Fiscal Advisory Council (June 2026), [More than corporation tax: Ireland's growing reliance on foreign-owned multinationals - Irish Fiscal Advisory Council](#)

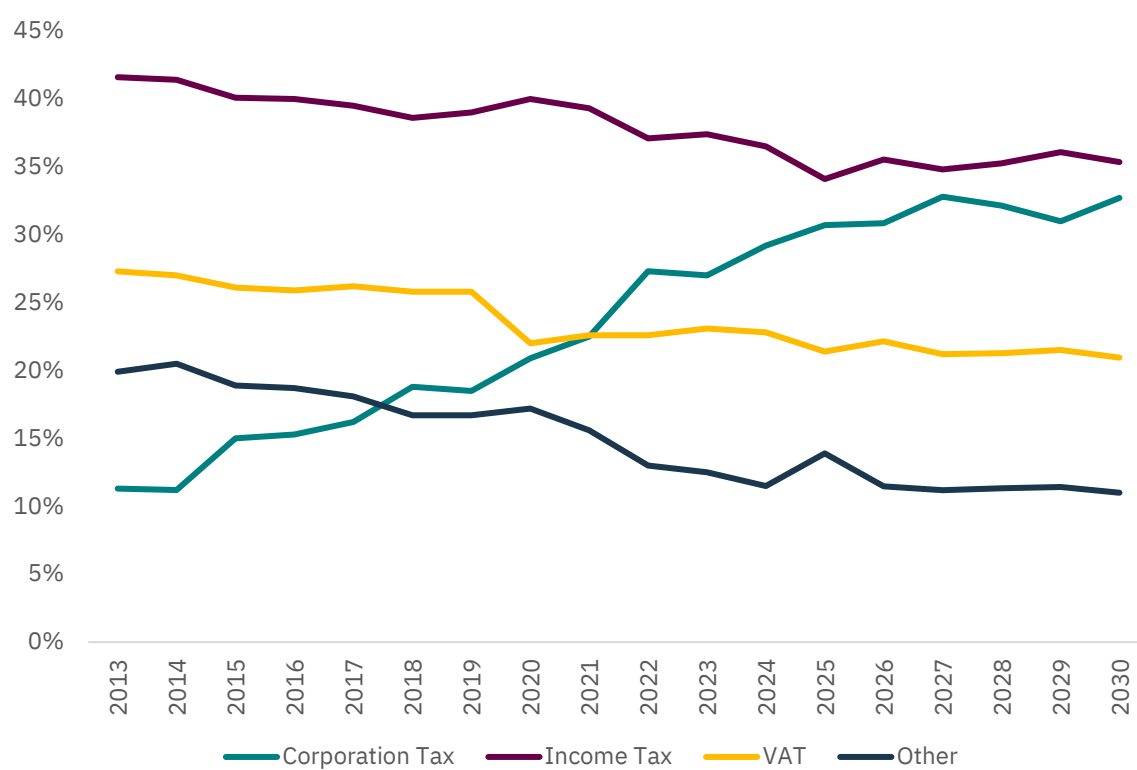
each tax area. Figure 2 is especially worth examining, as it shows how the structure of the tax base has evolved over time. That chart shows each type of tax as a share of the overall tax take. This illustrates that corporation tax has grown as a share of tax revenue from 11% in 2013 to almost 31% in 2025 and further expected to grow to almost 33% in 2030. This showcases how VAT is no longer the second biggest source of tax revenue (falling from 27% to 21% in 2025). Income tax is a lower share of the overall tax revenue amount, falling from 41% in 2013 to 34% in 2025. By 2030, the gap between corporation tax and income tax is forecast to narrow further.

It is important to be aware of the overall tax picture when considering tax cuts or the extension of tax measures.

**Figure 1: Tax Receipts 2019-2025 & Estimated Revenues 2026-2030 (€ Billion)**



Source: Revenue Commissioners, [Revenue receipts by taxhead](#) (data for 2013-2024), [Budget 2027 Economic and Fiscal Outlook \(2026\)](#), pg. 22.

**Figure 2: Significance of Corporation Tax as a share of tax revenues**

Source: Revenue Commissioners, [Revenue receipts by taxhead](#) (data for 2013-2024), [Budget 2027 Economic and Fiscal Outlook](#) (2026), pg. 22.

## 2.2 When is a tax measure "temporary"?

Regarding the reduced fuel excise rates, these are described as "temporary". For example, footnotes in the [Budget 2027: Tax Policy Changes](#) document refer to the carbon tax reductions and reduced fuel excise rates with the caveat that "This is a temporary measure and does not form part of the Budget tax package for 2027." It is contained within the table under a heading of "Temporary Measure." In the Bill, the legislation for these measures is time-limited, with a phased reintroduction of the costs.

However, the question arises as to whether data should be provided in this way to Members on a "temporary" measure? And whether this will be temporary?

Throughout 2026, a number of changes and reductions to fuel excise and carbon tax have taken place, which were generally described as short-term or "[d]eferring the increase on a temporary basis".<sup>5</sup> Due to the fact that these are "temporary" changes, full year estimates of the cost of these changes have not been provided at the point of announcing these extensions.

It is important that comprehensive information is always given to Members, even if a measure is expected to be temporary.

As noted by the ESRI in a recent research note, it has previously proven to be politically difficult to undo temporary reductions in indirect taxes. Examples of this are the temporarily reduced VAT rate on electricity, natural gas and liquefied hydrocarbons (introduced in 2022), or the reduced VAT rate for the hospitality sector (introduced in 2021, ceased in 2023, returned in 2025). These reduced rates are both currently in effect, with the initial shocks that precipitated their introduction having long since passed.<sup>6</sup>

Previously, certain measures have been introduced which were intended to be temporary. In general, this would mean that there would be less data available

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<sup>5</sup> [Financial Resolution No. 1: Mineral Oil Tax – Dáil Éireann \(34th Dáil\) – Tuesday, 14 Apr 2026 – Houses of the Oireachtas](#)

<sup>6</sup> ESRI (12 June 2026) [The distributional impact of energy price increases in Ireland and the policy response](#), p.18

upfront about the economic impact of such a measure and its potential full year cost.

It is important for individuals and businesses to have clarity on a measure, especially when calculating the potential impact or benefit from a scheme over a multi-year period. Lack of clarity about a scheme's duration can have a distorting effect on a sector, as it may lead to unintended consequences or negative behaviours rather than the positive behaviours intended.

For example, the Help to Buy scheme affects the decisions of both developers and first-time buyers. When it was introduced, there were caveats noting that "Government fiscal intervention can have very distortionary impacts. Fiscal supports should only play a supporting and time-bound role in addressing the current problems in the housing sector. Well-designed fiscal incentives can be of assistance but they are not a substitute for addressing the structural factors that are impeding the housing sector."

On introduction, Help to Buy was intended to be a short term "time-bound" measure to expire end 2019 and the Government stated "it is also important that policy intervention in the housing market is viewed as being definitive so as to avoid creating uncertainty amongst market participants and volatility. Accordingly, the measures announced in Budget 2017 should be seen as final and the Government will not be considering further tax based housing market incentives over the period of the Action Plan for Housing [which was up to 2021]."<sup>7</sup>

Another example of a "temporary" measure was the 9% VAT rate on hospitality and tourism, which was introduced as "a new temporary second reduced rate of VAT at 9%", and only intended to last until end 2013.<sup>8</sup> It subsequently remained in place until end 2018, was reintroduced during the pandemic, removed in 2023<sup>9</sup> and reintroduced in July 2026.<sup>10</sup> The Fiscal Council highlighted that these rate cuts

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<sup>7</sup> Department of Finance (October 2016), [Budget 2017 - Financial and fiscal measures to support the housing market](#)

<sup>8</sup> Department of Finance (May 2011) "[Jobs Initiative](#)"

<sup>9</sup> PBO (2023), [Hospitality and Tourism - Analysing the rationale for reduced VAT](#)

<sup>10</sup> Revenue Commissioners, [Budget 2026 Summary](#)

show limited pass-through to customers in terms of reduced prices.<sup>11</sup> These regularly changing rates can create administrative complexity for a business, complicate calculations of business viability and business planning, and encourage lobbying and rent-seeking.

"Fiscal illusion" is a theory which suggests that taxpayers misperceive the tax burden when government revenues are unobserved or only partially observed. When there is unclear information, democratic decisions on fiscal issues may be distorted and government is less efficient than it would be with fully informed voters. This means that transparency of public finances is very important, and examples can include taxpayers perceiving their tax burden as higher than it is, or underestimating a tax cut compared to a spending increase. When considering a tax expenditure, which is spending on a sector through the tax system, the combination of a lack of transparency with benefits for a small sector who lobby strongly can render certain tax measures persistent beyond their useful life.<sup>12</sup>

The most well-known examples in Ireland of schemes being extended for too long include schemes to support property tax incentives. As summarised by the ESRI, while a number of the schemes led to positive developments initially, research found that many of the schemes were no longer needed at the time of review, and that their continuation could have negative consequences. This view is best captured by the following quote: "In many cases while the schemes have had a benefit our analysis suggests they have served their purpose and there is absolutely no case for future government incentives. Continuing to approve new projects would contribute to oversupply and represent a clear waste of scarce public resources".<sup>13</sup>

As the ESRI further highlight, the impact of property-related tax reliefs on property prices was taken up by Regling and Watson in 2010. They argued that these tax

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<sup>11</sup> Irish Fiscal Advisory Council (October 2025), [VAT rate changes and pass-through](#)

<sup>12</sup> This paragraph drawing on the Department of Finance (October 2024) [Tax Expenditure Evaluation - Updated Guidelines](#) with additional context on the concept from Wildowicz, Anna & Kargol-Wasiluk, Aneta. (2020). [The Phenomenon of Fiscal Illusion from Theoretical and Empirical Perspective: The Case of Euro Area Countries](#). European Research Studies Journal.

<sup>13</sup> Indecon (2005) quoted in ESRI (2015) [Tax breaks and the residential property market](#)

reliefs contributed to the property bubble of the 2000s. They also argued that extension of tax reliefs (property-related and others) added to the erosion of the tax base which was so problematic when the crash of 2008 occurred. These points were echoed again by the Department of Finance in 2011 in another review of property reliefs. The following quote sums up the points made: “While the various property relief schemes contributed to significant economic regeneration and employment, in general they outlived their usefulness and contributed to excess supply in certain sectors, namely residential housing and hotels. In the future, tax relief schemes should not be extended again and again without a thorough ex ante cost benefit analysis on each occasion.”<sup>14</sup>

This is why clear and predictable tax systems, aligned with regular structured economic evaluations, are necessary for the best allocation of resources.

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<sup>14</sup> ESRI (2015) [Tax breaks and the residential property market](#) pg 3.

## 2.3 Economic evaluations - why do they matter?

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. Tax expenditures – e.g. reliefs, credits, deductions, deferrals, etc. that reduce the amount of tax paid – are an integral part of the Irish taxation system. These are designed to incentivise behavioural change. Tax expenditures are often costly, and may not have the desired economic, societal or environmental effects. In these circumstances, it is important that these policy instruments are reviewed on a regular basis.<sup>15</sup>

Under the Department of Finance's Tax Expenditure Guidelines, extensions of schemes should have accompanying reviews, providing details on whether these schemes are still 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 when being extended. 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.<sup>16</sup>

Regarding EII/SCI/SURE, in April 2026 the Minister had confirmed that a review was expected, stating “The EII relief has a sunset clause of 31 December 2026, and review of this relief is required before any decision to renew the relief can be made.”<sup>17</sup> In the Tax Strategy Group paper, the Department notes that a review of EII, SURE and SCI was completed in 2024 in line with the Tax Expenditure Guidelines and published alongside Budget 2025. This review included a Cost Benefit Analysis (CBA) and examination of Ireland’s comparative position.<sup>18</sup> That

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<sup>15</sup> Department of Finance (October 2024) [Tax Expenditure Evaluation - Updated Guidelines](#)

<sup>16</sup> Tax Strategy Group (June 2026), [TSG 26-03 Corporation Tax and Enterprise Tax Supports](#)

<sup>17</sup> [Tax Code – Tuesday, 14 Apr 2026 – Parliamentary Questions \(34th Dáil\) – Houses of the Oireachtas](#)

<sup>18</sup> Department of Finance (2024), [Review of the Employment Investment Incentive \(EII\) 2024](#)

review did not take into account the changes in 2023 to revise the GBER<sup>19</sup> and subsequent changes in the 2023 Finance Act to the relief as the tax data available was prior to those changes. The Department have indicated they believe that the timeline for an ex-post evaluation of a Level 2 scheme is five years from the last review, therefore a full review of the Part 16 reliefs is required in 2029.<sup>20</sup> Members may wish to consider if they think this is an appropriate timeline.

The tax expenditure guidelines acknowledge that more expensive measures, i.e. those costing more than €100 million per annum, should have greater scrutiny. Ideally, this analysis should involve a thorough quantitative analysis or comprehensive cost benefit analysis beforehand. The extension of the reduced rates on fuel is an example of such an expensive measure which did not have any evaluation in advance of introduction or extension.

An example of the absence of clear economic evidence underpinning a decision is the reduction in carbon tax on home heating oil and natural gas out to 2030, as discussed later in this paper. There is no economic rationale to explain the long time horizon of this measure – it is impossible to know the cost of natural gas or home heating oil in 2029 for example, and to explain why support for this measure can be justified for such a long period as opposed to other areas where fiscal resources could be allocated. This suggests other factors are taking precedence.

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<sup>19</sup> “GBER” stands for the General Block Exemption Regulation, and is an exemption which permits certain State Aid measures to be launched without waiting for European Commission approval. This regulation is currently being reviewed. [GBER review - Competition Policy - European Commission](#)

<sup>20</sup> Tax Strategy Group (June 2026), [TSG 26-03 Corporation Tax and Enterprise Tax Supports](#)

### 3. PBO Material on sections of Finance (No. 2) Bill

## Section 2: Universal Social Charge

### Description of change

This section provides for changes to the Universal Social Charge (USC) threshold (the rate which currently applies at 2%) which will increase by €1,600 (from €28,700 to €30,300) from 1 January 2027. The changes in the 2% rate ensure workers who benefit from the Budget increase to the minimum wage will remain outside the higher rates of USC.

**Table 2: Cost of increasing the USC 2% threshold**

| Heading                      | Details                             |
|------------------------------|-------------------------------------|
| <b>Measure</b>               | Increase the 2% USC rate threshold. |
| <b>Budget Measure</b>        | Yes                                 |
| <b>First Year Cost (-/+)</b> | -€28 million                        |
| <b>Full Year Cost (-/+)</b>  | -€32 million                        |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### 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.<sup>21</sup> The USC is payable on incomes above €13,000 (income at or below this limit are exempt).<sup>22</sup> Once income exceeds this amount, USC is paid on all income, while the USC does not apply to social welfare or other similar payments.

<sup>21</sup> PBO (2025), '[Finance Bill 2025: Budgetary Issues](#)'.

<sup>22</sup> Revenue Commissioners (2026), '[Universal Social Charge \(USC\)](#)'.

Currently, there are 5 rates and bands for the USC. Following the changes proposed in Budget 2027, these are:<sup>23</sup>

- 0.5% on income from €0 to €12,012.
- 2% on income from €12,013 to €30,300.
- 3% on income from €30,301 to €70,044.
- 8% on income over €70,045.
- 3% 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 2027 does not move to the 3% rate of USC when the minimum wage increases from €14.15 to €14.94 per hour. This change will apply from 1 January 2027 alongside the increase of the national minimum wage by €0.79 per hour.<sup>24</sup>

ESRI research, funded by the Low Pay Commission, examined whether increases in the minimum wage affect the prices consumers pay for goods and services in industries with large numbers of minimum wage workers. Higher prices may arise if businesses choose to pass some of the resulting increase in labour costs on to consumers. The research finds that, for most minimum wage increases implemented since 2016, there was no detectable impact on prices. However, the largest minimum wage increase to date, which was implemented in 2024, led to modest price increases in a small number of minimum wage intensive price categories.<sup>25</sup>

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<sup>23</sup> Department of Finance (2026), ['Budget 2027 - Tax Policy Changes'](#)

<sup>24</sup> Ibid.

<sup>25</sup> ESRI (September 2026), [The impact of a minimum wage increase on prices | ESRI](#)

## Section 3: Income Tax

### Description of change

Budget 2027 introduces changes to income tax measures including changes to the standard rate cut-off point for individuals and increases to some income tax credits.

**Table 3: Summary of Income Tax Changes**

| Heading                      | Details                                                                        |
|------------------------------|--------------------------------------------------------------------------------|
| <b>Measure</b>               | Increase to the income tax standard rate cut-off point and certain tax credits |
| <b>Budget Measure</b>        | Yes                                                                            |
| <b>First Year Cost (-/+)</b> | -€1,290 million                                                                |
| <b>Full Year Cost (-/+)</b>  | -€1,480 million                                                                |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Changes

- Increase to the standard rate cut off point by €2,500 (see Table 4)
- Increase in the rate of a range of tax credits available (as per Table 5).

**Table 4: Summary of Income Tax threshold changes**

| Personal Circumstances                                                                                   | 20% Income Tax Threshold | 40% Income Tax Threshold       |
|----------------------------------------------------------------------------------------------------------|--------------------------|--------------------------------|
| Single/Widowed/Surviving Civil Partner individuals                                                       | €46,500                  | Income above this level at 40% |
| Single/Widowed/Surviving Civil Partner individuals (qualifying for the Single Person Child Carer Credit) | €50,500                  | Income above this level at 40% |
| Married/Civil Partners with one income                                                                   | €55,500                  | Income above this level at 40% |
| Married/Civil Partners with Two incomes                                                                  | €55,500 <sup>26</sup>    | Income above this level at 40% |

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

**Table 5: Summary of Income Tax Credit changes**

| Tax Credit           | Increase | Rate Change      |
|----------------------|----------|------------------|
| Personal Tax Credit  | €125     | €2,000 to €2,125 |
| Employee Tax Credit  | €125     | €2,000 to €2,125 |
| Earned Income Credit | €125     | €2,000 to €2,125 |
| Home Carer Credit    | €100     | €1,950 to €2,050 |

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

## Policy Background

Labour taxation remains an important element of Ireland's tax structure and a major source of public revenue. Currently, Ireland operates a strongly progressive system of income taxation. Although Ireland does not have the highest marginal tax rates in Europe, it applies its top income tax rate at a comparatively low income level.<sup>27</sup>

<sup>26</sup> For couples who are jointly assessed and both have an income, one person has a maximum threshold of €55,500, and the second has a maximum of €37,500 or the income of the lower earner.

<sup>27</sup> PBO (2026), ['Labour Income Taxation in Ireland with European Comparison'](#).

To balance the overall tax burden across the population, the government establishes tax rates and bands and provides tax credits, allowances, and deductions that reduce the amount of tax an individual must pay, depending on their personal circumstances.<sup>28</sup>

Following the changes, the Department of Finance estimate that 64% of income earners will be paying tax at the standard rate (an increase of 3% over the expected 2027 situation before the Budget 2027 tax changes). Of these, 29% of income earners will have their income tax liability fully covered by tax credits, increased by 2%. Meanwhile, the proportion of income earners paying tax at the higher rate is expected to fall to 29%, a decrease of 3%.<sup>29</sup>

## Policy Impact

This change will have a large impact on the public finances as it equates to an estimated €1.3 billion in costs in the first year, with a cost of €1.5 billion in a full year when the measure will be implemented.<sup>30</sup> The measures may improve incentives to work due to the increase in take home pay and reduce the effects of a bracket creep.<sup>31</sup> The changes to income tax thresholds and tax credits help reduce fiscal drag by offsetting the impact of inflation and rising living costs on taxpayers.<sup>32</sup>

On Budget day, the PBO's Flash Impact Analysis analysed the effect of key measures for households in isolation, and without the effect of indexation. From a tax perspective, the increase in the standard rate tax cut-off points by €2,500 was a major component of Budget 2027. This increase benefits middle- and high-income households, with the largest gains arising for households in the eighth income decile. Households in the lower income deciles experience little or no gains, as they

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<sup>28</sup> PBO (2026), ['Labour Income Taxation in Ireland with European Comparison'](#).

<sup>29</sup> Department of Finance (October 2026), [Tax Policy Changes](#), p.26 "Distribution of Income Earners."

<sup>30</sup> Department of Finance (2026), ['Budget 2027 - Tax Policy Changes'](#).

<sup>31</sup> PBO (2026), ['Labour Income Taxation in Ireland with European Comparison'](#).

<sup>32</sup> PBO (2026), ['Labour Income Taxation in Ireland with European Comparison'](#).

have insufficient taxable income to benefit from the increase in standard rate cut-off point. Similarly, the tax credit increases announced in the Budget particularly benefit middle-income households.<sup>33</sup>

The PBO published several papers prior to Budget 2027 which may be of use as background reading, specifically on indexation<sup>34</sup> and on Ireland's income tax system, including a European comparison.<sup>35</sup>

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<sup>33</sup> PBO (2026), ['Budget 2027 Flash Impact Analysis'](#), pg. 10.

<sup>34</sup> PBO (2026), ['Tax Band Indexation and Income Tax Receipts Scenarios'](#).

<sup>35</sup> PBO (2026), ['Labour Income Taxation in Ireland with European Comparison'](#).

## Section 4: Rent tax credit

### Description of change

This section increases the rent tax credit by €150 for individuals and €300 for jointly assessed units. It had been €1,000 for an individual and €2,000 for jointly assessed people.

**Table 6: Summary of rent tax credit changes**

| Heading               | Details                         |
|-----------------------|---------------------------------|
| Measure               | Increase of the rent tax credit |
| Budget Measure        | Yes                             |
| First Year Cost (-/+) | -€40 million                    |
| Full Year Cost (-/+)  | -€45 million                    |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Policy Background

The Rent Tax Credit is available for the tax years 2022 to 2028. Only those who have sufficient income tax paid will benefit from the rent tax credit increase.

For 2024 to 2026, the maximum value of the rent tax credit was €2,000 per year for married couples or civil partners, and €1,000 for a single person. This is increasing to €2,300 for married people/civil partners and €1,150 for a single person for 2027 and 2028. These maximum values apply even if a person lives in more than one property during the year.<sup>36</sup> The rent tax credit is due to expire at end December 2028.

### Policy Impact

The rent tax credit has been increased by €150 for a singly assessed individual, and €300 for a jointly assessed couple. This credit aims to provide financial support for

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<sup>36</sup> Revenue Commissioners, [Rent Tax Credit](#)

residential rental market tenants who are not in receipt of other State funded housing support. 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,<sup>37</sup> 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 that 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.<sup>38</sup>

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.

By way of context, claimants are not eligible if they are in receipt of the Housing Assistance Payment, rent supplement or Rental Accommodation Scheme. It is useful to note that there are 46,102 currently active HAP tenancies,<sup>39</sup> and there are 16,401 active RAS tenancies at end Q1 2026.<sup>40</sup> The Residential Tenancies Board has 247,258 private registered tenancies nationally at end Q2 2026.<sup>41</sup> The HAP tenancies and RAS tenancies could be considered alongside the 335,030 claimants of the tax credit to consider how many individuals are supported by State funding, with some of the claims/tenancies listed relating to more than one person (i.e. a

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<sup>37</sup> Department of Finance (August 2026) [2026 Tax Expenditures Report](#)

<sup>38</sup> Tax Strategy Group (July 2026) [TSG 26-06 Tax and Other Fiscal Housing Measures](#)

<sup>39</sup> HAP Shared Services Centre, email correspondence on 5th October 2026

<sup>40</sup> Department of Housing, Local Government and Heritage, [Overall Social and Affordable Housing Provision - gov.ie](#), accessed 21st October 2026

<sup>41</sup> Residential Tenancies Board, [Private residential tenancies - data set - Residential Tenancies Board](#) Data at end Q2 2026

rent tax credit claimant may support a child, a HAP or RAS tenancy may support more than one person). Considering the numbers of tenancies/individuals supported by these measures, it is likely that a high percentage of those in the 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.

## Section 6: Tax Relief for Qualifying Tuition Fees

### Description of change

This section amends the tax relief for qualifying tuition fees and reduces the disregard by €650 for a full-time course and €325 for a part-time course.<sup>42</sup> The maximum amount you can claim is €7,000 per course, per person, per academic year. This means that the disregard amount will be €2,350 for full-time students or €1,175 for part-time students each tax year. This section should be considered alongside the reduction of the Student Contribution Fee by €150 to €2,350.<sup>43</sup>

**Table 7: Summary of Tax Relief for Qualifying Tuition Fees changes**

| Heading                      | Details                                                                                                                                    |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Measure</b>               | Decrease the threshold for tax relief qualifying tuition fees for approved third level courses to align with the Student Contribution Fee. |
| <b>Budget Measure</b>        | Yes                                                                                                                                        |
| <b>First Year Cost (-/+)</b> | -€4 million                                                                                                                                |
| <b>Full Year Cost (-/+)</b>  | -€4 million                                                                                                                                |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Policy Background:

The Tax Relief for Qualifying Tuition Fees is a tax relief in respect of third-level education that allows eligible individuals (either the student or a person who paid the fees on the student's behalf), to claim tax relief at a rate of 20% on qualifying

<sup>42</sup> Citizen's Information (2026), [Tax relief on third-level fees and student accommodation](#)

<sup>43</sup> Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation (October 2026) [Your guide to Budget 2027](#)

tuition fees.<sup>44</sup> The relief has been originally introduced by Finance Act 1995,<sup>45</sup> and now allows individuals to claim tax relief on up to €7,000 of qualifying fees per academic year for each course. This relief helps reduce the net cost of higher education on courses of the following categories:<sup>46</sup>

- Undergraduate courses.
- Postgraduate courses.
- Information technology (IT) courses.
- Foreign language courses.

If a person is paying for more than one course in a year, for example if they have two children in college, the disregard must only be applied once. The effect of this is that claimants get full tax relief on qualifying fees and payments for subsequent students.<sup>47</sup>

In 2024, tax relief for qualifying tuition fees cost the Exchequer €24.9 million in foregone revenue and supported approximately 47,600 claims.<sup>48</sup>

## Policy Impact

Budget 2027 aligns tax relief for third-level fees with the Student Contribution Fee by lowering the portion of fees that is ineligible for relief, thereby increasing the value of relief available to eligible claimants.

The reduction in the disregarded amount increases the value of tax relief available on qualifying tuition fees, thereby reducing the net cost of third-level education for eligible students and their families. The measure is intended to provide additional support with education costs by allowing a greater proportion of tuition fees and student contributions to qualify for relief. As a result, it may improve the

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<sup>44</sup> Revenue Commissioners [Tuition fees paid for third level education](#). Note that examination and administration fees are not eligible for relief under the scheme. In addition, relief cannot be claimed on any portion of tuition fees that is funded through a grant, scholarship, or employer contribution.

<sup>45</sup> Irish Statute Book (1995), '[Finance Act 1995, Section 6](#)'.

<sup>46</sup> Citizens Information (2026), '[Tax relief on third-level fees and student accommodation](#)'.

<sup>47</sup> Revenue Commissioners [Tuition fees paid for third level education](#).

<sup>48</sup> Revenue Commissioners (2026), [Cost of Tax Expenditures](#).

affordability of third-level education, particularly for households facing significant out of pocket education expenses. The change also increases the cost of the relief to the Exchequer through higher foregone tax revenue.

While tax relief for qualifying tuition fees operates alongside third-level education supports provided by the Department of Education, including the Free Fees initiative and SUSI grants, direct overlap is limited. Relief is only available on eligible fees paid by the claimant and cannot be claimed in respect of fees funded through grants, scholarships, employers or other sources. As a result, the relief primarily supports students and families who incur qualifying education costs that are not otherwise publicly funded.<sup>49,50</sup>

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<sup>49</sup> Revenue Commissioners [Restrictions - Tax Reliefs - Tuition Fees paid for Third Level Education](#)

<sup>50</sup> Citizens Information (2026) [Third-level student fees and charges](#)

## Section 7: Childcare Services Relief

### Description of change

This section increases the ceiling for the Childcare Services Relief Income Tax exemption from €15,000 to €20,000 (for qualifying childminders caring for children in the childminder's home). Additionally, from 1 January 2027 qualifying childminders will no longer be subject to a limit on the number of children they can care for when claiming the relief (previously, care could be provided to max 3 children),<sup>51</sup> provided they comply with the relevant regulatory requirements.

**Table 8: Summary of childcare services relief changes**

| Heading                      | Details                                   |
|------------------------------|-------------------------------------------|
| <b>Measure</b>               | Increase in the childcare services relief |
| <b>Budget Measure</b>        | Yes                                       |
| <b>First Year Cost (-/+)</b> | -€2 million                               |
| <b>Full Year Cost (-/+)</b>  | -€2 million                               |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Policy Background

Introduced in 2006, the Childcare Services Relief provides a tax exemption for qualifying income<sup>52</sup> earned by self-employed childminders providing childcare services in their own homes. The relief was initially available on annual income of up to €10,000, rising to €15,000 from 2007, and remaining unchanged until being raised to €20,000 with Budget 2027.

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<sup>51</sup> Department of Finance (2026), '[Finance \(No.2\) Bill 2026 - Explanatory Memorandum](#)'.

<sup>52</sup> Individuals who qualify for the Childcare Services Relief do not have to pay USC on the income that is exempt under the relief but will still be liable to PRSI on incomes that exceed PRSI's exemption threshold.

Eligibility is subject to meeting specific qualifying conditions:<sup>53</sup>

- The individual must provide childminding services in their own home within the State.
- The individual must be registered with Revenue as a self-employed person.
- The individual must notify their local City or County Childcare Committee (CCC) that they are providing childcare services.
- The individual's gross income from childminding must not exceed the qualifying income threshold.
- The relief must be claimed through the individual's annual tax return.

2024 data from the Revenue Commissioners shows a cost of €1.3 million, with 480 claimants, meaning an average claim amounting to approximately €2,708.<sup>54</sup>

## Policy Impact

The 2022 Census included a question about childcare. Almost one-third (331,783) of children under the age of 15 in the State were in some form of childcare. 16% of those (representing approximately 52,775 children) were cared for in a childminder's home. Farmers and Lower Professional groups were more likely to avail of a childminder (in the childminder's home) than all other groups.<sup>55</sup> While not all childminders currently avail of the relief, the proposed changes may encourage greater participation by addressing some of the obstacles that have prevented eligible individuals from qualifying for or claiming the relief. It is important to note that if the receipts from childminding exceed that limit, the entire amount is taxable.<sup>56</sup>

Increasing the Childcare Services Relief threshold by €5,000 aims to encourage the provision of childcare services and removing the cap on the number of children that

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<sup>53</sup> Revenue Commissioners (2026), '[Childcare Services Relief](#)'.

<sup>54</sup> PBO calculations based on Revenue Commissioners (2026), '[Cost of Tax Expenditures](#)'.

<sup>55</sup> Central Statistics Office/CSO (2023), '[Census of Population 2022 Profile 3 - Households, Families and Childcare](#)'.

<sup>56</sup> Revenue Commissioners (2026), '[Childcare Services Relief](#)'.

can be minded under the relief aims to help increase supply and provide greater flexibility to childminders in supporting the needs of parents and families.<sup>57</sup>

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<sup>57</sup> RTÉ (2026), ['Childcare fees to be capped at €550 for most providers'](#).

## Section 16: Rent-a-Room Relief

### Description of change

This section makes three changes to the Rent-a-Room relief. First, it allows an individual to claim for income from renting a room or rooms in an "auxiliary dwelling" within the grounds of their sole or main residence from 27 July 2026 - 31 December 2030, as long as planning regulations are met. Secondly, it increases the annual limit from €14,000 to €16,000, which applies to the total amount received from renting a room or rooms in the main residence or auxiliary dwelling, from 1 January 2027. Thirdly, an amendment so that the principal private residence relief from CGT and the mortgage interest tax relief are not affected by this income.

**Table 9: Summary of Rent-a-Room relief changes**

| Heading                      | Details                                                                                           |
|------------------------------|---------------------------------------------------------------------------------------------------|
| <b>Measure</b>               | Changes to the rent-a-room relief, including changing the allowable ceiling for income to €16,000 |
| <b>Budget Measure</b>        | Yes                                                                                               |
| <b>First Year Cost (-/+)</b> | -€10 million                                                                                      |
| <b>Full Year Cost (-/+)</b>  | -€24 million                                                                                      |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Policy Background

The Rent-a-Room relief aims to increase the supply of rental accommodation and encourage the better use of spare space in a home. It was clarified from 1 January 2019 to make it clear that it applies where a person is renting for over 28 consecutive days with certain limited exemptions. These scenarios include lettings for respite care for incapacitated individuals, accommodation for full or part time students, including language students, and four day a week 'digs'. Revenue guidance states clearly that the relief does not apply to short term tourist

accommodation based on home sharing, including where it is provided through online booking sites.<sup>58</sup>

"Auxiliary dwellings" have been encouraged to create additional private accommodation within an area for family members, such as young adults seeking privacy or an older person seeking a smaller property alongside their family. There is debate about encouraging the practice of increasing rental supply using "auxiliary dwellings", primarily focussing on the quality of accommodation and the need for planning enforcement.<sup>59</sup>

Members may wish to ask about the amendment affecting mortgage interest tax relief (section 473C). This section is due to expire at end 2026, and thus it is not entirely clear the rationale to include it in this amendment.

## Policy Impact

The Rent-a-Room relief was introduced in Finance Act 2001 by Minister McCreevy to help ease housing pressures by allowing a homeowner to rent a room and ensuring that this income would no longer be taxable.<sup>60</sup> Take-up was initially modest, with 2004 data showing 2,300 claimants.<sup>61</sup>

The annual limit on exempt income has been €14,000 since 1 January 2017. In 2015 and 2016 the annual limit was €12,000 and from 2008 to 2014 the annual limit was €10,000.<sup>62</sup> Note that if income exceeds the limit, it is all taxable.

As rent-a-room landlords are not required to register with the RTB, there is no register of applicable data. A comparator may be available by looking at private sector data on the average price for a room in a house, as gathered by Daft.ie. According to Daft.ie Rental Report, in the second quarter of 2026, the average monthly rent nationwide for a double room in a house was €812. Room rents are

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<sup>58</sup> Revenue Commissioners, [Part 07-01-32 - Rent-A-Room Relief](#)

<sup>59</sup> Irish Times (April 2026) [‘Beds in sheds’: Will looser planning rules on garden homes lead to shoddier housing? – The Irish Times](#)

<sup>60</sup> Minister McCreevy (February 2001) [Finance Bill Second Stage speech](#)

<sup>61</sup> Revenue Commissioners, [Cost of Tax Expenditures](#).

<sup>62</sup> Revenue Commissioners, [Part 07-01-32 - Rent-A-Room Relief](#)

now on average 39% higher than the pre-covid level and 83% above their Celtic Tiger peak. That report stated that the number of rooms listed for rent in the 12 months to July was just over 36,300, unchanged year-on-year and 31% below the 2015-2019 average.<sup>63</sup> This data reflects changes in tenancies so would not capture rooms rented without advertising, or long-term tenancies. However, it may be illustrative of the market price and context for a full-time tenant in a rent-a-room situation.

It is important to note that renters in a "rent-a-room" context are licensees, and not tenants. A rent-a-room landlord is not required to register with the Residential Tenancies Board<sup>64</sup> and is not limited by the Rent Pressure Zone rules.<sup>65</sup> As such, any existing person in a rent-a-room situation may face an immediate rental increase of up to €166 per month (€2,000 / 12).

The costs of this relief have increased over time, and data for 2024 (the most recent year) shows a cost of €47.3 million. This is especially relevant in the context of the cost of this change, which is €24 million in a full year, over a 50% increase in the cost of the relief. Members may wish to ask for further clarity on the cost estimate, to understand how much of it relates to assuming new landlords enter the market, and how much relates to existing claimants claiming an extra €2,000.

**Table 10: Rent a Room Costs, 2020 - 2024**

|                            | 2024   | 2023   | 2022   | 2021   | 2020  |
|----------------------------|--------|--------|--------|--------|-------|
| <b>Cost (€m)</b>           | 47.3   | 42.1   | 35.4   | 26.8   | 20.7  |
| <b>Number of claimants</b> | 18,180 | 16,580 | 14,180 | 10,730 | 9,310 |

Source: Revenue Commissioners, [Cost of Tax Expenditures](#).

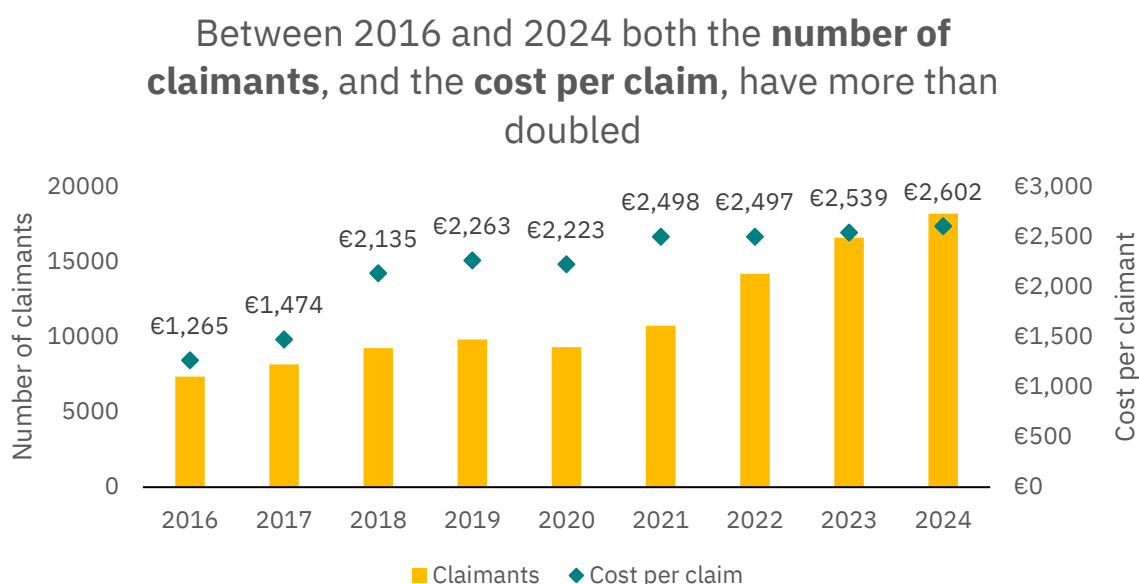
<sup>63</sup> Daft.ie (August 2026), [2026 Q2 Daft.ie Rental Report](#)

<sup>64</sup> Residential Tenancies Board, [Who should register - Residential Tenancies Board](#)

<sup>65</sup> Irish Times (January 2025), [Is a room rented under rent-a-room scheme restricted by RPZ rules? – The Irish Times](#)

Members may also be interested in looking at historical data on the scheme, especially the last time the limit increased, which was 2017. The Revenue Commissioners do not collect data on the amount charged or the number of tenants/rooms – instead, all that is entered in a tax return is the annual amount claimed under the scheme. However, a simple calculation of the cost of the scheme divided by the number of claimants shows that the amount claimed per claimant jumped significantly between 2017 and 2018, going from €1,474 to €2,135 (please see Figure 3: Historical Rent-a-Room Relief below).

**Figure 3: Historical Rent-a-Room Relief data**



Source: PBO calculations based on data from Revenue Commissioners, [Cost of Tax Expenditures](#).

## Section 17: Help to Buy scheme

### Description of change

This section increases the maximum amount of relief a first-time buyer is eligible for from €30,000 to €35,000. This can be applied towards the purchase of a new build or towards a self-build, as long as other conditions are met.

**Table 11: Summary of Help to Buy changes**

| Heading                      | Details                                                        |
|------------------------------|----------------------------------------------------------------|
| <b>Measure</b>               | Increase the maximum amount of relief from €30,000 to €35,000. |
| <b>Budget Measure</b>        | Yes                                                            |
| <b>First Year Cost (-/+)</b> | -€4 million                                                    |
| <b>Full Year Cost (-/+)</b>  | -€16 million                                                   |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Policy Background

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 was introduced in 2016 and has been extended and the maximum eligible amount increased over the years.<sup>66</sup>

The scheme 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

<sup>66</sup> The PBO has written on the scheme previously, at [An Overview of the Help to Buy scheme from 2016 - 2021](#) and in previous Finance Bill papers.

scheme while bringing forward a new, more targeted incentive. This advice was not taken and the scheme was simply extended.<sup>67</sup>

## Policy Impact

In 2025, the scheme cost €252.9 million, with 9,575 claimants. Since introduction in 2016, it has cost €1,607.1 million which relates to 70,015 claims. To date, the average property value of approved claims is €369,400.<sup>68</sup> It is the 11th most expensive tax expenditure in the most recent Tax Expenditure report 2026.<sup>69</sup>

It is unclear that there is economic evidence to support this change. The most recent Revenue statistics<sup>70</sup> on the scheme show that 58.14% of claims were less than €30,000, meaning these people either bought houses below the relevant level 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. 19.13% of claims were for properties over €450,000. The majority of claims under the scheme are in Dublin (13,615), followed by Cork (9,887) and Kildare (7,836).

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 helps 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.<sup>71</sup>

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<sup>67</sup> Mazars (2022), [Help to Buy scheme review - final report](#).

<sup>68</sup> Revenue Commissioners [Help to Buy \(HTB\) incentive monthly statistics](#) including data up to 30 September 2026.

<sup>69</sup> Department of Finance, (August 2026) [Tax Expenditures in Ireland - 2026 Report](#).

<sup>70</sup> Revenue Commissioners [Help to Buy \(HTB\) incentive monthly statistics](#) - including data until 30 September 2026.

<sup>71</sup> PBO (2022) [An Overview of the Help to Buy scheme from 2016 - 2021](#).

The Central Bank examined at loan-level data to look at the characteristics of Help to Buy scheme participants compared to other first-time buyers (FTBs) in 2024.<sup>72</sup> This note did not consider any causal role the scheme may have played in house prices dynamics or borrowers close to being credit constrained.

The Central Bank analysis found that Help to Buy (HTB) users purchase more expensive homes than other FTBs, which is explained by a larger average home size rather than a higher unit house price (€/sq. m). On average, HTB and non-HTB users purchase properties with similar unit values, with the absolute price differentials likely driven mechanically by the nature of HTB properties, which are larger, newly built and typically in suburban locations. Central Bank data suggests that HTB recipients are typically higher earners than other non-HTB FTBs. It also shows that the HTB group is on average one year younger. Within Dublin and its nearby commuter counties, HTB users typically use smaller deposits as compared to other FTBs. This suggests that, while HTB recipients are on average higher earners than other FTBs, the scheme might have allowed relatively younger prospective buyers to access the housing market, especially in Dublin and surrounding counties. However, the lower deposit typically posted by HTB users might also be driven by one of the scheme qualification criteria, namely the total deposit not exceeding 30 per cent of the house price.<sup>73</sup>

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<sup>72</sup> Central Bank (2024) [Financial Stability Notes - Vol. 2024 No.6 Who uses the Help to Buy scheme? Stylised facts and trends \(Bandoni and Pratap Singh\)](#)

<sup>73</sup> Ibid.

## Section 21: Microgeneration of electricity

### Description of change

Section 21 of the Finance Bill increases the value of the available exemption by €200. This raises the exemption from income tax, USC and PRSI for certain profits arising from the micro-generation of electricity that is supplied to the grid from €400 to €600. This relief applies to profits arising to an individual from micro-generation at their sole or main residence for personal consumption.

**Table 12: Summary of Microgeneration of Electricity changes**

| Heading                      | Details                                               |
|------------------------------|-------------------------------------------------------|
| <b>Measure</b>               | Increase the value of the available exemption by €200 |
| <b>Budget Measure</b>        | Yes                                                   |
| <b>First Year Cost (-/+)</b> | -€1 million                                           |
| <b>Full Year Cost (-/+)</b>  | -€1 million                                           |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Policy Background

The exemption from Income Tax for certain profits arising from the micro-generation of electricity is being increased from €400 to €600. This relief applies to qualifying individuals who generate energy from renewable, sustainable, or alternative energy sources for their own consumption, and who sell surplus electricity to the grid. Examples of such energy sources are solar photovoltaic (PV), micro-wind, micro-hydro and micro-renewable combined heat and power (CHP).

This relief was first introduced in Finance Act 2021 and was extended in Finance Act 2023, with its threshold rising from €200 to €400 per year. This extension was due to expire at end 2025 before being extended again in Budget 2026. It is currently due to expire on 31 December 2028. It should be noted that in

households where more than one individual is named on the electricity bill of a given property, each qualifying person may avail of the full €600 exemption.

## 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). Additionally, it is not required that micro-generators declare qualifying income to Revenue.<sup>74</sup> This alleviates a potential administrative barrier to accessing the Department of Climate, Energy and the Environment (DCEE) Micro-generation Support Scheme (MSS). However, it is therefore difficult to accurately assess the uptake and cost to date of this scheme. The Department of Finance estimated a full year cost of €10 million when extending the scheme in last year's Budget and estimates a full year cost of €1 million for this year's increase in the value of the available exemption.

This incentive 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. This measure signals ongoing support in this area, but its actual impact will depend on each household's level of qualifying income. It was noted by the Tax Strategy Group in 2025 that over 130,000 micro-generators were connected to the grid.<sup>75</sup> According to the latest publicly available data from ESB Networks, the total number of micro-generation connections exceeds 198,000.<sup>76</sup>

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<sup>74</sup> Tax Strategy Group (July 2025), [Income Tax](#), p. 65

<sup>75</sup> Tax Strategy Group (July 2025), [Income Tax](#), p. 64

<sup>76</sup> ESB Networks(1 July 2026), [Renewable Distribution Connected Generation - Summary Report](#)

## Section 25: Research and Development Tax Credit

### Description of change

As part of efforts to strengthen Ireland's competitiveness and encourage investment in research and innovation, the Government introduced a series of changes to the Research and Development (R&D) Tax Credit regime.<sup>77</sup> Such changes are a result from the analysis of the [Research and Development Tax Credit 2025 Review](#) and the [Research and Development Tax Credit and Innovation Compass](#).

**Table 13: Amendments to the R&D Tax Credit**

| Heading                      | Details                          |
|------------------------------|----------------------------------|
| <b>Measure</b>               | Amendments to the R&D tax credit |
| <b>Budget Measure</b>        | Yes                              |
| <b>First Year Cost (-/+)</b> | -€58.6 million                   |
| <b>Full Year Cost (-/+)</b>  | -€118.3 million                  |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Changes

- Increase in the qualifying in-house R&D expenditure subcontracting limit to the greater of €200,000 or 20%.
- Increase in the first-year payment threshold from €87,500 to €105,000. This means the first €105,000 of a claim will be payable in full in year one, rather than over three annual instalments.
- Recognition of R&D tax credit for preliminary corporation tax purposes.
- Introduction of a new provision allowing companies to claim an amount equal to 105% of their qualifying R&D expenditure, provided certain conditions are met.

<sup>77</sup> Department of Finance (2026), ['Budget 2027 - Tax Policy Changes'](#).

- Simplification of the rules relating to regulated clinical trials.<sup>78</sup>

## Policy Background

The Research and Development (R&D) tax credit is available under the Corporation Tax (CT) system, and supports innovation by providing relief for qualifying (R&D) expenditure, where the relevant activities involve the resolution of scientific or technological uncertainties and satisfy the statutory eligibility criteria:<sup>79</sup>

- Be within the charge to CT in Ireland.
- Conduct qualifying R&D activities in Ireland, the European Economic Area (EEA), or the United Kingdom (UK), provided that the related expenditure does not qualify for a tax deduction in another country.
- Undertake systematic, investigative, or experimental activities.
- Operate within the fields of science or technology.
- Constitute basic research, applied research or experimental development.
- Aim to achieve scientific or technological advancement.

The R&D Tax credit provides a 35% tax credit (increased from the 30% prior to 1 January 2026), for qualifying R&D activities undertaken by companies. In 2024, it was the third most expensive tax expenditure in the Department of Finance's Tax Expenditure Report,<sup>80</sup> with claims totalling €1,263 million from 2,165 claimants. The relief was primarily claimed by companies operating in the manufacturing sector, followed by information and communication, and then professional, scientific & technical activities sector.<sup>81</sup>

Between 2019 and 2023, the R&D tax credit increased in cost from €626 million to €976 million, with a spike in 2022 of €1,158 million in Exchequer cost. Most of those years had approximately 1,601-1,631 companies claiming, with 1,804

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<sup>78</sup> As mentioned in the '[Budget 2027 - Tax Policy changes document](#)' from the Department of Finance, this measure will be provided for at the Committee Stage of the Bill, as technical work is ongoing on development of the relevant legislation.

<sup>79</sup> Revenue Commissioners (2025), '[Research and Development \(R&D\) Corporation Tax credit](#)'.

<sup>80</sup> Department of Finance (August 2026), '[2026 Tax Expenditures Report](#)', pg. 6.

<sup>81</sup> Revenue Commissioners (2026), '[Research and Development \(R&D\) Tax Credit Statistics](#)'.

companies in 2023.<sup>82</sup> (Note while the overall cost of the relief is available for 2024, detailed data is not available.)

According to Revenue Commissioners data, of the €976 million Exchequer cost in 2023, €764 million of that was for companies with over 250 employees, which were 225 companies. 1,579 companies with less than 250 employees had an Exchequer cost of €213 million in 2023. This shows clearly that the credit may affect 1,804 companies, but the majority of the cost relates to large companies with over 250 employees.<sup>83</sup>

It may be illustrative to consider how much relief per sector has been given over the last 12 years through this relief, according to Revenue's data. Between 2012 and 2023, Manufacturing accounted for the largest share of support, generating €4.7 billion in Exchequer cost over the period, followed by the Information and Communication sector, which accounted for €1,031 million cumulatively. The Professional, Scientific & Technical Activities sector cost €685 million over that period. The total cost of the relief between 2012 and 2023 is €7.6 billion.<sup>84</sup>

As one of the most expensive tax expenditures, the R&D Tax Credit is regularly reviewed by the Department of Finance, with the most recent review taking place in 2025 and published in January 2026. Prior to that, it was reviewed in 2022.<sup>85</sup>

As part of the recent review, a public consultation on the R&D Tax Credit and on Options to Support Innovation was conducted in May 2025. Twenty-six responses to the consultation were received from a range of respondents, including companies engaged in R&D activities, advisory firms, representative bodies and government departments. Officials from the Department of Finance engaged with stakeholders throughout the year through meetings, roundtable discussions and

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<sup>82</sup> Revenue Commissioners (2026), '[Research and Development \(R&D\) Tax Credit Statistics](#)'.

<sup>83</sup> Revenue Commissioners (2026), '[Research and Development \(R&D\) Tax Credit Statistics](#)'.

<sup>84</sup> PBO calculations based on Revenue Commissioners (2026), '[Research and Development \(R&D\) Tax Credit Statistics](#)'.

<sup>85</sup> Department of Finance (2022), '[Budget 2023: Report on Tax Expenditures 2022](#)'

prebudget submission meetings.<sup>86</sup> Changes were introduced in Finance Act 2025 following this engagement.

As set out in the review, R&D activities are a key driver for economic growth, creating high value employment and contributing to higher innovation and productivity. The TSG notes that anecdotal evidence highlights the spillover benefits to the broader economy, in particular to the education sector. Some of the key findings from the review included:

- Businesses in Ireland spent €7 billion on R&D in 2023, an increase of 80% on 2022 and 195% on 2012. In 2023 the amount of allowable expenditure within scope of the R&D Tax Credit incurred by businesses was €5.16 billion.
- The R&D Tax Credit is linked to the attraction and retention of foreign direct investment in Ireland and fosters higher levels of productivity and innovation.
- Companies claiming the R&D Tax Credit contributed over €10.5 billion to CT revenues and accounted for almost 253,000 employments in 2023.<sup>87</sup>

## Policy Impact

The increase in the subcontracting expenditure limit is expected to encourage greater collaboration between businesses and third-level institutions. In addition, the increase in the first-year payment threshold to €105,000 will provide a cash-flow benefit, particularly for smaller R&D projects, by allowing a larger portion of the credit to be paid in the first year.

The 5% uplift in qualifying R&D wage costs is intended to provide support for expenditure that does not qualify directly for the R&D tax credit. Together with the simplification of the rules for regulated clinical trials, these changes are expected to reduce the administrative burden on companies and enhance the overall attractiveness of the R&D tax credit regime.<sup>88</sup>

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<sup>86</sup> Tax Strategy Group (June 2026), [TSG 26-03 - Corporation Tax and Enterprise Tax Supports](#)

<sup>87</sup> Tax Strategy Group (June 2026), [TSG 26-03 - Corporation Tax and Enterprise Tax Supports](#)

<sup>88</sup> Department of Finance (2026), ['Budget 2027 - Tax Policy Changes'](#).

## Sections 26 & 27: Individual Investment Account

### Description of change

Section 26 of the Finance (No. 2) Bill legislates for the establishment and operation of the individual investment account. Section 27 of the Finance (No. 2) Bill provides for several consequential amendments to ensure that the individual investment account operates as intended and to disapply certain ancillary taxes. The key objective of this account is to simplify the taxation of retail investment and to encourage participation by Irish households in investment products and capital markets.<sup>89</sup> The Finance (No. 2) Bill specifies, inter alia, who will be eligible to open an individual investment account, who will be able to provide an account, and how the account will operate once the relevant commencement order has been issued.

**Table 14: Summary of Individual Investment Account details**

| Heading                      | Details                                                                                                                                                       |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Measure</b>               | Introduce the individual investment account and make consequential amendments to ensure that it operates as intended and to disapply certain ancillary taxes. |
| <b>Budget Measure</b>        | Yes                                                                                                                                                           |
| <b>First Year Cost (-/+)</b> | -€5.5 million                                                                                                                                                 |
| <b>Full Year Cost (-/+)</b>  | -€11.5 million                                                                                                                                                |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Changes<sup>90</sup>

- Introduce the individual investment account and provide for amendments to ensure that it operates as intended.

<sup>89</sup> Department of Finance (19 October 2026), [Finance \(No. 2\) Bill 2026 - Explanatory Memorandum](#), p.6

<sup>90</sup> From Department of Finance or Revenue information unless stated otherwise

- Only qualifying account providers can offer an individual investment account. The Revenue Commissioners will establish and maintain a register of qualifying account providers and this list will be available on the Revenue website. All tax reporting, tax administration and the payment of tax to Revenue will be dealt with by the qualifying account provider.
- Qualifying individuals are Irish tax residents, aged 18 or over, who have a personal public service number (PPSN). Each qualifying individual can only hold one individual investment account at any time. Qualifying individuals face a contribution limit of €12,000 per annum. Eligible investments include certain equities, bonds, insurance-based investment products and investments in Undertakings for Collective Investment in Transferable Securities (UCITS) such as exchange traded funds (ETFs).<sup>91</sup>
- There is no minimum holding period or withdrawal tax.<sup>92</sup>
- The individual investment account is subject to a tax-free threshold of €50,000. A flat rate tax of 1% is applied annually on eligible values exceeding this amount. This tax is called the investment account tax (IAT) and is a final liability tax. Section 27 provides for further exemptions from taxation.
- Provisions for the administration and operation of the individual investment account, including:
  - Registration with the Revenue Commissioners as a qualifying account provider;
  - Declarations required when opening an individual investment account;
  - The obligation to maintain appropriate books and records; and
  - Various other provisions
- The changes in Section 26 will be subject to a commencement order. The Government has however indicated an intended launch date of 1 July 2027.

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<sup>91</sup> ETFs are funds that typically hold a collection of investments and can be traded on an exchange like an individual share. There are many types of ETF, providing exposure to a wide variety of assets including baskets of individual stocks, particular economic sectors, commodities, or specific currency pairs.

<sup>92</sup> KPMG (October 2026), [Ireland's new Individual Investment Account in Finance \(No.2\) Bill 2026](#)

## Policy Background

The intention of the individual investment account is to make investing simpler, clearer and more accessible for ordinary investors. The decision to introduce this account aligns with the objectives of the European Union's Savings and Investments Union (SIU). The SIU aims to improve the effectiveness of the EU's financial system considering the significant levels of investment that are required to boost competitiveness. This has been deemed necessary given various deficiencies in the EU financial system which mean that household savings are not being channelled efficiently into productive investments.<sup>93</sup> The Draghi Report on EU Competitiveness notes the gap in productive investment between the EU and the US, despite EU household savings exceeding US household savings by nearly two-thirds.<sup>94</sup> The Draghi Report further notes that EU households "have considerably lower wealth than their US counterparts, largely because of the lower returns they receive from financial markets on their asset holdings."<sup>95</sup>

In 2025 the European Commission recommended the establishment of savings and investment account frameworks as well as the introduction of tax incentives to encourage the uptake of these accounts.<sup>96</sup> In this recommendation, the Commission also noted the need to raise awareness of the benefits and risks of investing and the prospect of broader financial literacy initiatives. Indeed, the Commission has previously identified low levels of financial literacy in the EU and has outlined a comprehensive financial literacy strategy.<sup>97</sup> The impact of the individual investment account will likely depend on the extent to which saving households understand the risks and rewards of investing. It will also depend on how successful the Government is in raising awareness of this new option.

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<sup>93</sup> Gross fixed capital formation minus residential investment.

<sup>94</sup> Based on data from 2022.

<sup>95</sup> European Commission (September 2024), [The Draghi report: A competitiveness strategy for Europe \(Part A\)](#), p.63

<sup>96</sup> European Commission (30 September 2025), [Commission Recommendation on increasing the Availability of Savings and Investment Accounts with Simplified and Advantageous Tax Treatment](#)

<sup>97</sup> European Commission (30 September 2025), [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on a Financial Literacy Strategy for the EU](#)

## Policy Impact

As per the Consumer Sentiment Banking Survey September 2026, 77% of Irish consumers have savings accounts, compared with just 3% who invest.<sup>98</sup>

In the PBO's Flash Impact Analysis for Budget 2027, the PBO has analysed the stock of selected financial assets that could be partially reallocated to individual investment accounts, before accounting for the fact that households will likely wish to retain a portion of their assets in deposit accounts. The PBO noted that despite concentration of financial assets in the highest income decile, households across the income distribution hold financial assets that could potentially be reallocated, with €2.8 billion held in deposit accounts by those in the lowest income decile.<sup>99</sup>

Across the income distribution, the estimated value of household deposits was €63.7 billion and the estimated value of other financial assets was €37.7 billion. It should be emphasised that only a certain portion of these assets are actually available for investment, as households will need to retain some deposits for transactions, emergencies and other liquidity requirements.

Based on analysis using the EVE model and microdata from the Household Budget Survey 2022/2023, the PBO found that although many households may be in a position to regularly contribute to the scheme, participation will be tilted towards higher income households. Despite the fact that those at the upper end of the income distribution have more assets that could be reallocated to the scheme, the potential participant base is not strictly confined to these households. Taking the national average, 69.7% of households are savers, and although the savings rate is negative for the two lowest income deciles, 24.4% of households in the lowest income decile could be classified as savers. For further in-depth analysis, please see the Flash Impact Analysis.<sup>100</sup>

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<sup>98</sup> Department of Finance (October 2026), [Tánaiste Simon Harris publishes 2026 Consumer Sentiment Banking Survey](#)

<sup>99</sup> Based on data from the Household Finance and Consumption Survey (HFCS) Research Microdata File (RMF) 2023.

<sup>100</sup> PBO (October 2026), [Budget 2027 Flash Impact Analysis](#), p.13-17

A 2025 staff working document from the European Commission provides a series of examples of existing savings and investment accounts in the EU and elsewhere, highlighting their key features and uptake.<sup>101</sup> This document also conducts an economic impact analysis on the potential impact of introducing savings and investment accounts, improving financial literacy, and fostering a risk culture in the allocation of household savings in the EU. Under the authors' "moderate" scenario and given varying economic assumptions, they find that EU households are estimated to earn a total additional income ranging between €21 billion and €250 billion over a ten-year period, depending on the assumptions applied. It should be emphasised that this is an EU-wide scenario analysis rather than a forecast of the impact of Ireland's Individual Investment Account in particular. This document also notes the possibility of a broader tax base, depending on the specific design of savings and investment schemes. This could result from taxation of the accounts themselves or the generation of future taxable income owing to the stimulation of investment. The Commission analysis notes that it does not consider some potentially positive impacts such as trickle-down effects of higher income from investment on household consumption, as well as the impact of larger EU capital markets with lower funding costs for EU companies.

The industry response to these measures has been generally positive, with many commentators noting that Ireland has a strong saving culture but also has a preference for holding these savings in deposit accounts, which may result in lower long-term returns than other investments. The reduced complexity in taxation is also regarded by many to be a positive development that could encourage household participation in retail investment. However, it has been noted that the actual impact of the individual investment account will ultimately depend on a variety of factors, such as the complexity of the account, the ease with which customers will be able to manage their accounts, and the benefits of having an account.

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<sup>101</sup> European Commission (30 September 2025), [Commission Staff Working Document Accompanying the Commission Recommendation on Increasing the Availability of Savings and Investment Accounts with Simplified and Advantageous Tax Treatment](#)

PwC have called the measures in the Finance Bill "transformational for retail investment in Ireland, with the potential to change our investment culture." They have also noted that analysis has shown Irish household wealth to have grown more slowly in comparison with other countries, such as the US, where households participate more in capital markets.<sup>102</sup> KPMG have noted that the success of the individual investment account will depend, inter alia, on the attractiveness of the €50,000 threshold and €12,000 annual cap, the prices set by providers, and the available investment options. They have also noted the importance of clear guidance from Revenue and consistent provider communications to build confidence in the new account.<sup>103</sup>

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<sup>102</sup> PwC (19 October 2026), [What does Finance \(No.2\) Bill 2026's new Investment Account mean for individuals?](#)

<sup>103</sup> KPMG (20 October 2026), [Ireland's new Individual Investment Account](#)

## Section 30: Extension of tax relief for start-up companies (section 486C)

### Description of change

This section extends the tax relief for start-up companies under section 486C to start-up companies which commence a new trade for four years between 1 January 2027 and 31 December 2030.

(This should not be confused with the Start-up Refunds for Entrepreneurs or the Start-Up Capital Incentive which are being extended alongside the Employment Investment Incentive. Those amendments are due to be published at Committee Stage.)

**Table 15: Extension of tax relief for start-up companies (section 486C)**

| Heading                      | Details                                                           |
|------------------------------|-------------------------------------------------------------------|
| <b>Measure</b>               | Extension of the tax relief for start-up companies (section 486C) |
| <b>Budget Measure</b>        | Yes                                                               |
| <b>First Year Cost (-/+)</b> | -€11 million                                                      |
| <b>Full Year Cost (-/+)</b>  | -€11 million                                                      |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Policy Background

The Section 486C Start Up Relief currently provides a Corporation Tax (CT) relief for new small companies in the first five years of trading with an annual CT liability of less than €40,000. Marginal relief is available to companies with a CT liability of between €40,000 and €60,000 to ensure companies with a liability just over €40,000 do not lose the full value of the relief. Section 486C allows relief of up to €40,000 per year against CT liabilities, which may be carried forward where not fully used in the five years.

The relief is calculated by reference to employer PRSI paid of up to €5,000 per employee or director. From 2025, relief is also calculated by reference to Class S PRSI contributions remitted on behalf of a director. Relief is limited to a maximum of €1,000 Class S PRSI per individual. There is an overall limit of €40,000 qualifying PRSI in an accounting period.<sup>104</sup> This cap is aimed to ensure a link to the generation of employment.<sup>105</sup>

## Policy Impact

In 2024, this relief cost €9.3 million with 1,629 claimants.<sup>106</sup> This extension was welcomed, but some comments were raised. KPMG said that the extension provides continuity and greater certainty that the relief will remain available as companies move through their initial loss-making and low-profit years. However, they noted that the extension does not introduce any enhancements aimed at challenges such as scaling, globalisation or access to talent. For SMEs and high-potential start-ups, continuity is positive, but future Budgets may need to consider whether the regime meets the needs of businesses as they scale. KPMG stated that corporation tax is one element of the wider cost of building a business, and further measures to address such costs, including payroll, technology, financing and compliance, would be welcome.<sup>107</sup>

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<sup>104</sup> Revenue Commissioners (2026) [Tax relief for new start-up companies](#)

<sup>105</sup> Department of Finance (October 2026), [Budget 2027 Taxation Measures](#), pg. 7

<sup>106</sup> Revenue Commissioners (2026) [Cost of Tax Expenditures](#)

<sup>107</sup> KPMG (October 2026), [Practical changes for business - Finance \(No.2\) Bill 2026](#)

## Section 32: Knowledge Development Box

### Description of change

This section extends the knowledge development box regime to 1 January 2032 and provides a time limited option to opt out of the regime.

**Table 16: Summary of Knowledge Development Box changes**

| Heading                      | Details                                                                                   |
|------------------------------|-------------------------------------------------------------------------------------------|
| <b>Measure</b>               | Extend the knowledge development box for 5 years and technical amendments for opting out. |
| <b>Budget Measure</b>        | Yes                                                                                       |
| <b>First Year Cost (-/+)</b> | -€9.6 million                                                                             |
| <b>Full Year Cost (-/+)</b>  | -€9.6 million                                                                             |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Policy Background

The Knowledge Development Box is an Organisation for Economic Cooperation and Development (OECD) compliant intellectual property regime which provides Corporation Tax relief on income from qualifying assets. From 1 October 2023, a company which qualifies for the KDB regime may be entitled to a deduction equal to 20% of its qualifying profits. This means its qualifying profits may be taxed at an effective rate of 10%. To qualify, a company's accounting period must begin on, or after, 1 January 2016, the company must earn income from a usable qualifying asset and the company must have created the usable qualifying asset from qualifying Research and Development activities. A qualifying asset is one that is created from qualifying R and D activities such as:

- a computer programme;
- an invention protected by a qualifying patent; or

- IP for small companies which is certified by the [Controller of Patents](#) as patentable, but not patented.<sup>108</sup>

This section provides for the Knowledge Development Box relief to be extended to 1 January 2032 with an option for existing claimant companies to elect out of the regime. The option to opt out of the regime will be available for a limited time subject to specific conditions being met.<sup>109</sup>

The time-limited option to opt-out of the KDB in respect of existing qualifying intellectual property (IP) assets that were elected into the KDB can only be made in respect of a specified accounting period that commences on or after 1 January 2027 and before 1 January 2028. The election must be made in writing and within 24 months of the end of the specified period. PwC stated that this amendment is very welcome as currently once a company elects into claiming the relief on a qualifying KDB IP asset, it must continue to claim the relief regardless of whether the IP is generating profits.<sup>110</sup>

## Policy Impact

The Knowledge Development Box applies to a very small number of companies (generally 20 or less per annum), but had a relatively high cost for most of the last 5 years. Table 21 below shows the last five years of tax data, but also the cost per claimant which was calculated by the PBO. In some years, this ranges between €543k to €1.8 million per claimant.

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<sup>108</sup> Revenue Commissioners, [Knowledge Development Box \(KDB\)](#)

<sup>109</sup> Department of Finance (2026) [Budget 2027 Taxation Measures](#)

<sup>110</sup> PwC (October 2026), [What does Finance Bill 2026 mean for you and your business?](#)

**Table 17: Knowledge Development Box Statistics**

|                            | 2020     | 2021     | 2022       | 2023       | 2024     |
|----------------------------|----------|----------|------------|------------|----------|
| <b>Cost of Claims €m</b>   | 16.4     | 17.3     | 24.9       | 38.6       | 8.7      |
| <b>Number of Claimants</b> | 19       | 18       | 19         | 21         | 16       |
| <b>Cost per Claimant</b>   | €863,157 | €961,111 | €1,310,526 | €1,838,095 | €543,750 |

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Source: PBO based on Revenue Commissioners [Cost of Tax Expenditures](#).

## Section 36: Capital Gains Tax rate

### Description of change

This section reduces the standard Capital Gains Tax (CGT) rate from 33% to 31% for gains arising on the disposal of general assets. The reduced rate applies to disposals made on or after 7 October 2026.

While the standard CGT rate has been reduced, the measure does not apply to all CGT liabilities. In particular, disposals of development land continue to be subject to the provisions of Section 649A of the Taxes Consolidation Act 1997.<sup>111</sup>

**Table 18: Summary of Capital Acquisitions Tax Rate reductions**

| Heading                      | Details                                         |
|------------------------------|-------------------------------------------------|
| <b>Measure</b>               | Reduce the standard rate of CGT from 33% to 31% |
| <b>Budget Measure</b>        | Yes                                             |
| <b>First Year Cost (-/+)</b> | -€46.5 million                                  |
| <b>Full Year Cost (-/+)</b>  | -€186 million                                   |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Policy Background

Capital Gains Tax (CGT), is charged on the gain arising from the disposal of an asset, including disposals by way of sale, gift or exchange. The tax is levied on the increase in value realised on disposal, rather than on the total proceeds received, and is payable by the individual or entity disposing of the asset.

The rate of CGT is 31% for most gains. There are other rates for specific types of gains. These rates are:

<sup>111</sup> Department of Finance (2026), '[Budget 2027 - Tax Policy Changes](#)'.

- 40% for gains from foreign life policies and foreign investment products.
- 15% for gains from venture capital funds for individuals and partnerships.
- 12.5% for gains from venture capital funds for companies. Venture capital is money that is invested in a start-up company or a small business.
- 33% for gains from development land.<sup>112</sup>

## Policy Impact

Recent revenue from CGT was €2,140 million in 2025, and forecast to be €2,215 million in 2026.<sup>113</sup> The reduction of rate is expected to cost the Exchequer €46.5 million in the first year and €186 million in a full year, and represents a notable shift from recent policy, under which the rate had remained at 33% for several years. Although lower CGT rates are often viewed as a means of promoting investment and supporting entrepreneurial activity, the resulting reduction in tax receipts must be considered in the context of other demands on public finances and the importance of maintaining stable revenues.

The most recent Tax Strategy Group paper on Capital Taxes, Stamp Duty and Pensions provided some background detail for this change. The rate at which CGT is charged has varied both upwards and downwards since its introduction in 1975. The current standard rate of 33% which applies to most gains has been in place since 2012. The Department notes that in general, a narrower base of a tax regime with significant exemptions often requires a higher rate to generate an appropriate yield. The Department stated that the existence of a 33% standard rate of CGT can help maintain a balance between the rate of taxation of capital assets and the higher rate of income tax and to prevent tax planning behaviour.<sup>114</sup>

Regarding the potential behavioural change from a rate reduction, the Department of Finance highlighted that some argue that when the CGT rate was reduced from 40% to 20% in 1998, CGT receipts increased. However, the Department stated that

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<sup>112</sup> Revenue Commissioners (October 2026), [How to calculate CGT](#)

<sup>113</sup> Department of Finance (October 2026), [Budget 2027 - Economic and Fiscal Outlook](#), pg. 22

<sup>114</sup> Tax Strategy Group (June 2026), [TSG 26-05 - Capital Taxes, Stamp Duty and Pensions](#) pg. 30

some context is required. Receipts from CGT had been increasing significantly in relative terms for some years prior to the 1998 rate change, albeit from a low base. Of note, the indication was that the significant rate reduction happened at a time when asset values, in particular residential house prices, had been rising over a period, and so large gains were available to be realised. The Department states that while a drop in the standard CGT rate may stimulate activity in the short term, much of the effect may come from bringing forward disposals that would have occurred anyway but at a later date.<sup>115</sup>

Finally, on EU comparisons, the Department's paper notes that most EU Member States impose a tax on the chargeable gains from the disposal of assets while also providing for a diverse range of reliefs and exemptions. A direct comparison with Ireland is difficult as the Capital Gains Tax regimes vary from country to country. For instance, Ireland has a significant level of reliefs which will reduce the level of CGT actually paid by many individuals. It is notable that the rate of capital gains tax in other countries is often aligned to the national corporate tax rate for corporate capital gains and to the personal income tax regime for individual capital gains. Headline CGT rates on corporate capital gains are generally lower than the Irish CGT rate across the EU, however they are aligned with headline corporate tax rates that are generally higher than the headline corporate rate in Ireland. In summary, it is very difficult to establish whether on an overall basis, countries with a lower CGT rate than Ireland have a significant competitive advantage when considered in a broader context.<sup>116</sup>

PwC noted that the rate reduction "represents a notable development in Ireland's capital taxation framework."<sup>117</sup> KPMG stated that the reduction is welcome for business owners and investors considering disposals but noted the headline rate remains high and the reduction does not apply to disposals of development land.

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<sup>115</sup> Tax Strategy Group (June 2026), [TSG 26-05 - Capital Taxes, Stamp Duty and Pensions](#) pg. 30-31

<sup>116</sup> Tax Strategy Group (June 2026), [TSG 26-05 - Capital Taxes, Stamp Duty and Pensions](#) pg. 31

<sup>117</sup> PwC (October 2026), [What does Finance Bill 2026 mean for you and your business?](#)

KPMG stated that the reduction is a positive step to encourage transaction activity and the recycling of capital. More broadly, there remains a case for examining how capital gains tax interacts with reliefs for entrepreneurs, long-term investment and employee share participation.<sup>118</sup>

Deloitte had called for a significant cut in the rate of CGT, to 20%. They stated that the 33% rate of CGT is “internationally uncompetitive and creates a ‘lock-in effect’ that discourages asset sales, delays business succession and restricts capital mobility.” Deloitte also stated that given CGT receipts represent only around 2% of the overall tax yield, a reduction in the headline rate would have a minimal impact on fiscal sustainability while promoting economic efficiency. On fostering innovation and entrepreneurship, Deloitte argued that a high CGT rate creates a barrier to achieving these goals, discouraging business exits, succession planning and capital redeployment while limiting the flow of investment into new ventures and scaling businesses.<sup>119,120</sup>

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<sup>118</sup> KPMG (October 2026), [Practical changes for business - Finance \(No.2\) Bill 2026](#)

<sup>119</sup> Deloitte (March 2026), [Deloitte's Pre-Budget Submission 2027 | Deloitte Ireland](#)

<sup>120</sup> Business Post (September 2026), [Deloitte: Ireland's capital gains tax rate is holding back domestic investment | Business Post](#)

## Sections 38, 39 & 40: Carbon Tax Changes

### Description of change

Section 38 of the Finance (No. 2) Bill confirms amendments to Mineral Oil Tax (MOT) rates introduced by a Financial Resolution passed on 28 August 2026 as well as amendments to MOT rates introduced by a Financial Resolution passed on Budget Day.<sup>121, 122</sup> It should be highlighted that Section 38 contains changes related to MOT as well as the Carbon Tax component of MOT for various fuels. Only the changes which are related to Carbon Tax are discussed here.

Section 38 postpones Carbon Tax increases that were due to occur on 14 October 2026 until 1 May 2027. The Carbon Tax rate on non-propellant kerosene (home heating oil) is being reduced to €48.50 per tonne of CO<sub>2</sub> until 2030. The Carbon Tax increase on MGO that was due to occur on 1 May 2027 is being deferred to 13 October 2027.

Sections 39 and 40 of the Finance (No. 2) Bill confirm amendments to the rates of Natural Gas Carbon Tax and Solid Fuel Carbon Tax, respectively, which were introduced by Financial Resolutions passed on Budget Day.<sup>123, 124</sup>

For natural gas, Section 67 of Finance Act 2010 is being amended to reduce the rate of Natural Gas Carbon Tax from 14 October 2026 onwards, from which date the rate applicable is based on charging €48.50 per tonne of CO<sub>2</sub> emitted until 2030.

For solid fuels (including coal, peat briquettes, milled peat, and other peat), Schedule 1 of Finance Act 2010 is being amended to postpone rate increases that

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<sup>121</sup> [Mineral Oil Tax: Financial Resolution – Dáil Éireann \(34th Dáil\) – Friday, 28 Aug 2026 – Houses of the Oireachtas](#)

<sup>122</sup> [Financial Resolution No. 5 - Excise - Mineral Oil Tax – Dáil Éireann \(34th Dáil\) – Tuesday, 6 Oct 2026 – Houses of the Oireachtas](#)

<sup>123</sup> [Financial Resolution No 6: Excise \(Natural Gas Carbon Tax\) – Dáil Éireann \(34th Dáil\) – Tuesday, 6 Oct 2026 – Houses of the Oireachtas](#)

<sup>124</sup> [Financial Resolution No 7: Excise \(Solid Fuel Carbon Tax\) – Dáil Éireann \(34th Dáil\) – Tuesday, 6 Oct 2026 – Houses of the Oireachtas](#)

were scheduled for 14 October 2026 until 1 May 2027. Current rates will continue to apply until the deferred date.

**Table 19: Costs of Reducing and Deferring Carbon Taxes<sup>125</sup>**

| Heading                      | Details                                                                                                                                                                                                                                                         |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Measure</b>               | Deferral of Carbon Tax increases (for auto fuels), reduction in MOT rate (for non-propellant kerosene), deferral of Carbon Tax rate increase (for MGO), reduction of Carbon Tax rate (for natural gas), deferral of Carbon Tax rate increases (for solid fuels) |
| <b>Budget Measure</b>        | Yes <sup>126</sup>                                                                                                                                                                                                                                              |
| <b>First Year Cost (-/+)</b> | -€25.3 million                                                                                                                                                                                                                                                  |
| <b>Full Year Cost (-/+)</b>  | -€177 million                                                                                                                                                                                                                                                   |

Source: PBO based on [Budget 2027 Taxation Measures](#).

## Changes

- Deferral of Carbon Tax increases on auto fuels that were scheduled for 14 October 2026. These increases will now occur on 1 May 2027. A further increase will occur on 13 October 2027, meaning that auto fuels will undergo two separate Carbon Tax increases in 2027.
- Reduction in the rate of Mineral Oil Tax on non-propellant kerosene<sup>127</sup> from 14 October 2026 onwards. There is no non-Carbon Tax component on MOT

<sup>125</sup> The costs presented in this table relate specifically to the costs of the reduction and deferral of Carbon Taxes rather than the combined costs of all policies enumerated in Sections 38, 39, and 40 of the Finance Bill. Some of the policies outlined in Section 38 relate to the extension of the reduced MOT Non-Carbon Component. These policies are discussed separately under "Section 38: Mineral Oil Tax Non-Carbon Component Changes" where a separate cost is provided.

<sup>126</sup> It is noted by the Department of Finance in the Budget 2027 Tax Policy Changes Summary that €50 million of the full year cost relates to temporary measures and does not form part of the Budget tax package for 2027.

<sup>127</sup> Home heating oil.

on non-propellant kerosene. Therefore, this is equivalent to a reduction in the rate of Carbon Tax on non-propellant kerosene. The MOT/Carbon Tax on non-propellant kerosene will remain at €122.83 per thousand litres, which is equal to the rate that was applicable between 1 May 2023 and 30 April 2024.

- Deferral of the MGO Carbon Tax increase from 1 May 2027 until 13 October 2027. For clarity, this means that the Carbon Tax on MGO will still increase on 1 May 2027, it will be the increase that was deferred from 14 October 2026 (and originally deferred from 1 May 2026). The Carbon Tax on MGO will subsequently increase again on 13 October 2027, and this is the increase that was originally intended to occur on 1 May 2027.
- Reduction in the rate of Natural Gas Carbon Tax from 14 October 2026 onwards. From this date, the rate applicable is based on charging €48.50 per tonne of CO<sub>2</sub> emitted. This is equivalent to €8.77 per megawatt hour (MWh) at gross calorific value and is equal to the rate applicable between 1 May 2023 and 30 April 2024.
- Deferral of Solid Fuel Carbon Tax rate increases that were scheduled for 14 October 2026. These rate increases were originally scheduled for 1 May 2026 but had been postponed until 14 October 2026. In effect, the schedule of rate increases now moves directly from the rates introduced on 1 May 2025 to the rates to be introduced on 1 May 2027 without the rates based on charging €71 per tonne of CO<sub>2</sub> emitted ever applying. Consequently, there will be a "double increase" on 1 May 2027, where the rates will move from being based on charging €63.50 per tonne of CO<sub>2</sub> emitted to €78.50 per tonne of CO<sub>2</sub>. This change relates to solid fuels including coal, peat briquettes, milled peat, and other peat.

## Policy Background

Fuel prices have risen significantly in 2026 because of the war in Iran. Consequently, many governments in Europe and elsewhere have decided to implement related support measures. When deciding upon appropriate fuel measures, policymakers have been tasked with balancing the competing objectives

of reducing the financial burden of geopolitical instability on Irish citizens and meeting Ireland's climate objectives. Carbon Tax is a central tool in disincentivising the consumption of non-renewable energy, meeting Ireland's binding climate targets and investing in related climate measures. The Irish Fiscal Advisory Council has previously estimated potential compliance costs of up to €26 billion, given existing measures at time of publication, or up to €12 billion with additional measures.<sup>128</sup>

Ireland's Carbon Tax was first introduced in 2009 at a rate of €15 per tonne of CO<sub>2</sub> emitted, which is far lower than current rates. Finance Act 2020 introduced a trajectory of rate increases that would have resulted in a Carbon Tax rate based on charging €100 per tonne of CO<sub>2</sub> emitted for all fuels by May 2030.<sup>129</sup> Between 2020 and 2026, the rate of Carbon Tax has been incremented accordingly, with additional revenues being allocated to various programmes including those supporting decarbonisation. Given the measures detailed in these sections of the Finance Bill, there will be no increase in the allocation of Carbon Tax revenue in the coming year. There will be a total of €1,114 million allocated to climate measures and to ensure the most vulnerable are protected from unintended impacts of the tax.<sup>130</sup>

## Policy Impact

This policy can be evaluated in terms of its overall cost and its cost-effectiveness. The full year cost of reducing and deferring Carbon Taxes as outlined in the Tax Policy Changes document is expected to be €177 million. This is a considerable cost relative to most other tax policy changes announced as part of Budget 2027. These measures may alleviate cost pressures for households and businesses, but they are generally untargeted, with tax reductions applying equally regardless of a household's or business' level of need. In a research note published in June 2026, the ESRI found that higher income households were benefiting almost twice as

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<sup>128</sup> Irish Fiscal Advisory Council (March 2025), [A Colossal Missed Opportunity](#).

<sup>129</sup> PBO (February 2024), [Carbon Tax Series Part 1 of 3: What is the Carbon Tax?](#)

<sup>130</sup> Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation, (8 October 2026), [Budget 2027: The use of carbon tax funds](#)

much as lower income households in absolute terms.<sup>131</sup> This raises concerns around value for money from a public spending perspective. However, it should be noted that this note and a similar note from the PBO both concluded that the excise reductions at time of analysis were progressive in relative terms.<sup>132</sup>

The expected beneficiaries vary significantly across the individual components of these policies. PBO analysis indicates that over 94% of kerosene is consumed by the household sector. Consequently, much of the cost of the reduction in Carbon Tax on kerosene will likely benefit households, depending on how well this reduction passes through to consumers. In contrast, approximately 27% of natural gas is consumed by households, highlighting the variation between fuels in their usage. Overall, the PBO finds the reduction in Carbon Tax on these two fuels to be progressive in distributional terms.<sup>133</sup>

Deloitte notes that cost relief measures are understandable where households and businesses cannot readily switch fuels, while maintaining that such measures should not replace making alternative fuels practical and affordable, citing the policy changes around micro-generation of electricity, electric-vehicle VRT relief, and Category A VRT rate increases in this regard.<sup>134</sup>

Except for natural gas and home heating oil (non-propellant kerosene), Carbon Taxes on all fuels are planned to return to their previous trajectories, resulting in a rate based on charging €100 per tonne of CO<sub>2</sub> emitted by 2030. This means that Ireland's Carbon Tax trajectory should therefore be expected to continue to increase.

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<sup>131</sup> ESRI (June 2026), [The distributional impact of energy price increases in Ireland and the policy response](#), p.18

<sup>132</sup> PBO (July 2026), [Distributional Analysis of Fuel Measures](#), p.10

<sup>133</sup> PBO (October 2026), [Budget 2027 Flash Impact Analysis](#), p. 12

<sup>134</sup> Deloitte Ireland (October 2026), [Finance \(No. 2\) Bill 2026: Sustainability](#)

# Section 38: Mineral Oil Tax Non-Carbon Component Changes

Section 38 of the Finance (No. 2) Bill confirms amendments to Mineral Oil Tax (MOT) rates introduced by a Financial Resolution passed on 28 August 2026 as well as amendments to MOT rates introduced by a Financial Resolution passed on Budget Day.<sup>135, 136</sup> The changes which are related to Carbon Tax are discussed under "Section 38, 39 & 40: Carbon Tax Changes."

This section discusses elements of Section 38 that do not specifically relate to Carbon Tax and instead extend existing reductions to MOT and postpone the start of the phased restoration of rates until 28 February 2027.

**Table 20: Costs of extending the Reduction on the Mineral Oil Tax Non-Carbon Component**

| Heading                      | Details                                                                                                                                                                             |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Measure</b>               | Extending the reduction in the non-Carbon component of the MOT for petrol, auto diesel and MGO until February 2027 and outlining the phased restoration of MOT rates from this date |
| <b>Budget Measure</b>        | No                                                                                                                                                                                  |
| <b>First Year Cost (-/+)</b> | -€450 million <sup>137</sup>                                                                                                                                                        |
| <b>Full Year Cost (-/+)</b>  | -                                                                                                                                                                                   |

Source: PBO based on [Budget 2027 - Tax Policy Changes](#)

<sup>135</sup> [Mineral Oil Tax: Financial Resolution – Dáil Éireann \(34th Dáil\) – Friday, 28 Aug 2026 – Houses of the Oireachtas](#)

<sup>136</sup> [Financial Resolution No. 5 - Excise - Mineral Oil Tax – Dáil Éireann \(34th Dáil\) – Tuesday, 6 Oct 2026 – Houses of the Oireachtas](#)

<sup>137</sup> It is stated by the Department of Finance in the Budget 2027 Tax Policy Changes Summary that this is a temporary measure and does not form part of the Budget tax package for 2027.

## Changes

- Extension of existing reductions in Mineral Oil Tax (MOT) and the postponement of the start of the phased restoration of rates until 28 February 2027. The phased restoration that was previously planned to begin on 1 November 2026 and conclude on 28 February 2027 will now begin on 28 February 2027 and conclude on 30 June 2027. It will still occur in four phases.
- As outlined in the Budget 2027 Tax Policy Changes document, the four-phase restoration will not apply to Marked Gas Oil (MGO), which will be fully restored on 28 February 2027. Auto fuels will however be restored incrementally, seeing increases on 28 February, 8 April, 1 May, and 30 June 2027.

## Policy Background

Fuel prices have risen significantly in 2026 because of the war in Iran. Consequently, many governments in Europe and elsewhere have decided to implement related support measures. It has also been decided in certain cases to extend the duration of supports owing to the persistence of the conflict and the related disruption in energy supply.

In March, the Irish Government introduced temporary reductions to the rates of Mineral Oil Tax on various fuels, including petrol, auto diesel, and MGO.<sup>138</sup> The reductions were then increased in April following nationwide fuel protests, with these rates planned to continue until 31 July 2026. It was subsequently decided to further extend the duration of the reductions until 31 August and to restore excise duty to pre-reduction levels in a phased manner from 1 September 2026. By late-August, it was decided to maintain the full reductions on petrol, auto diesel and MGO until 31 October 2026, with the phased increase beginning from 1 November

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<sup>138</sup> MGO is included in the "other heavy oil" category in the Finance Bill and in Revenue documentation on this subject.

2026 and concluding at the end of February 2027. Section 38 of the Finance Bill (No. 2) 2026 amends this phased schedule.

## Policy Impact

The Tax Policy Changes document estimates a first-year cost of €450 million for extending these reduced MOT rates. This is a very high-cost policy when compared with other tax policy changes announced as part of Budget 2027. As with the Carbon Tax measures discussed elsewhere, while acknowledging that these temporary MOT reductions alleviate cost pressures for households and businesses, it is worth asking if they do so in a cost-effective manner. As discussed in the Carbon Tax measures, these untargeted measures carry a considerable cost, a significant share of which is likely accruing to those on higher incomes. This highlights the fact that much of the overall cost of untargeted relief measures is often unnecessary, even in cases where the measures are progressive in relative terms. Blanket relief measures are often attractive and/or warranted in response to acute economic crises due to the speed at which they can be implemented. However, over longer time frames they are generally not cost effective and more sustainable, evidence-backed solutions may be required.

As noted by the ESRI in a research note on this topic, it has previously proven to be politically difficult to undo temporary reductions in indirect taxes. Examples of this are the temporarily reduced VAT rate on electricity, natural gas and liquefied hydrocarbons (introduced in 2022), or the reduced VAT rate for the hospitality sector (introduced in 2021, ceased in 2023, returned in 2025). These reduced rates are both currently in effect, with the initial shocks that precipitated their introduction having long since passed.<sup>139</sup>

Deloitte has praised these measures from a cost certainty and cost-of-living standpoint but has noted that they may be difficult to phase out and that doing so would depend on global developments.<sup>140</sup> PwC has welcomed the focus on shorter-

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<sup>139</sup> ESRI (12 June 2026) [The distributional impact of energy price increases in Ireland and the policy response](#), p.18

<sup>140</sup> Deloitte Ireland (19 October 2026), [Finance \(No. 2\) Bill 2026: Indirect Taxes](#)

term measures but also criticised the absence of strategic measures aimed at accelerating investment in renewable energy sources as well as wider decarbonisation.<sup>141</sup>

It is worth noting that the 2026 Iran War is the second major energy shock in Europe in recent years, with the Russian invasion of Ukraine and subsequent energy disruptions occurring only four years prior. Both crises have served to highlight the dependence of Ireland and Europe on non-renewable energies sourced from abroad, with the accompanying energy price surges placing high demands on Irish public finances. Therefore, there is a need to build resilience against volatility in energy prices by ensuring that alternative, reliable energy sources exist. Failure to diversify away from fossil fuels that arrive in Ireland via vulnerable supply chains could expose the Exchequer to unnecessary future costs. Sustained or repeated high costs associated with implementing temporary measures in response to such fuel shocks could reduce Ireland's ability to invest in climate measures over time.

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<sup>141</sup> PwC (October 2026), [What does Finance \(No. 2\) Bill 2026 mean for you and your business?](#)

# Section 41: Tobacco Products Tax

## Description of change

The Tobacco Products Tax rate increase amounts to €1.00 on a pack of 20 cigarettes in the most popular price category (including VAT) with pro-rata increases on other tobacco products.

**Table 21: Summary of Tobacco Products Tax changes**

| Heading               | Details                                                |
|-----------------------|--------------------------------------------------------|
| Measure               | Increase Excise Duty by €1 on a pack of 20 cigarettes. |
| Budget Measure        | Yes                                                    |
| First Year Cost (-/+) | +€5.1 million                                          |
| Full Year Cost (-/+)  | +€63.1 million                                         |

Source: PBO based on [Budget 2027 Taxation Measures](#).

## Policy Background

Successive increases in tobacco excise duties have formed a consistent feature of Irish fiscal policy over the last two decades. Ireland's tobacco taxes remain among the highest in the EU, reflecting the State's continued use of excise taxation as a public health policy tool aimed at reducing tobacco consumption. Despite these policy objectives, tobacco products generated €976 million in Exchequer revenue in 2024<sup>142</sup> and €1,009 million in 2025.<sup>143</sup>

## Policy Impact

While Excise Duty does raise revenue for the Exchequer, it also serves a policy objective by discouraging the consumption of products associated with negative

<sup>142</sup> Department of Finance (July 2025), [General Excise Tax Strategy Group - 25/09](#).

<sup>143</sup> Department of Finance (June 2026), [General Excise Tax Strategy Group - 26/08](#).

externalities. This is achieved through higher prices, which can incentivise consumers to modify their behaviour.

In 2025, one in eight (11.9%) people reported being daily smokers. Males were more likely to report being daily smokers of tobacco than females. Almost a quarter (24.0%) of males aged 35 to 44 years were daily smokers of tobacco, the highest rate of any age group and twice the rate for females of the same age (12.5%). For all those over 15 in Ireland, 24.9% of males and 20.9% of females smoke or vape daily or occasionally. The HSE regions Dublin and Midlands and Midwest had the highest percentage of those who smoke or vape daily or occasionally, at over 25%.<sup>144</sup>

While increases in cigarette excise duties can reduce tobacco consumption, they may also have unintended consequences. These include an increased risk of illicit trade, such as cross-border purchases and smuggling, as well as a shift towards substitute products, including e-cigarettes and vapes. The Department of Finance noted in the TSG paper that the latest Illegal Tobacco Products Research Survey found that 38% of cigarette packs surveyed did not have Irish duty paid on them. The survey indicates that 28%, or 45.9 million cigarette packs consumed in Ireland in 2025 were illegal, based on the estimated total cigarette consumption for 2025.<sup>145</sup> The survey also found that 45% of roll-your-own (RYO) packs surveyed were not subject to Irish duty either.<sup>146</sup>

The TSG also highlights how current forecasts are highly sensitive to changes in demand (demand elasticity). Increases to cigarette prices in Ireland may incentivise consumers to purchase non-Irish duty-paid tobacco products through cross-border shopping or illicit markets. They may also contribute to a shift towards substitute products, like vaping products.<sup>147</sup>

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<sup>144</sup> CSO (May 2026), [Key Findings Irish Health Survey - Main Results 2025 - Central Statistics Office](#)

<sup>145</sup> Department of Finance (June 2026), [General Excise Tax Strategy Group - 26/08](#).

<sup>146</sup> Ibid.

<sup>147</sup> Ibid.

In July 2025, the European Commission published proposals to revise the Tobacco Taxation Directive. Part of this proposal is to increase the minimum tax rates to reduce disparity in rates applied by Member States. In practice, the EU minimum rate would be adjusted according to the economic situation in each individual Member State, based on general price levels.<sup>148</sup> This may reduce smuggling as the price difference between Irish prices and neighbouring states narrows, but it should be noted that tobacco prices in Ireland were the most expensive of the 36 countries surveyed by Eurostat in 2025, at 162% higher than the EU27 average.<sup>149</sup>

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<sup>148</sup> European Commission (July 2025), [Revision of the Tobacco Taxation Directive \(proposal\)](#).

<sup>149</sup> Eurostat (June 2026), [Comparative price levels for food, beverages and tobacco](#)

## Section 42: E-Liquid Products Tax

### Description of change

The e-Liquid Products Tax will increase and will apply at a rate of €700 per litre.

This increase is 20c per millilitre.

**Table 22: Summary of e-Liquid Products Tax changes**

| Heading                      | Details                                                    |
|------------------------------|------------------------------------------------------------|
| <b>Measure</b>               | e-Liquid Products Tax will increase by 20c per millilitre. |
| <b>Budget Measure</b>        | Yes                                                        |
| <b>First Year Cost (-/+)</b> | +€21.2 million                                             |
| <b>Full Year Cost (-/+)</b>  | +€24.0 million                                             |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Policy Background

The E-Liquid Products Tax was first legislated for in Finance Act 2024, as announced as part of Budget 2025. It came into effect on 1 November 2025.<sup>150</sup> The tax applies to first supplies of all e-liquid products such as e-cigarettes and vapes. The tax applies to both nicotine-containing and non-nicotine-containing e-liquid products. Provisional receipts for the period 1 November 2025 to 31 December 2025 are €5.64 million, and for 1 January 2026 to 28 February 2026 are €6.96 million.<sup>151</sup>

<sup>150</sup> Department of Finance (2024), [Finance Bill 2024 Explanatory Memorandum](#)

<sup>151</sup> Department of Finance (June 2026), [General Excise Tax Strategy Group - 26/08](#).

## Policy Impact

In 2025, in terms of vaping, 6.9% of people reported being daily vapers. Daily vaping was more common among younger adults. Females aged 25 to 34 years were the most likely to be vaping daily at 12.8%.<sup>152</sup>

An increase of 20 cent per millilitre as announced in Budget 2027 means this tax would apply to all e-liquids at a rate of 70 cent per millilitre, resulting in an increase to the price of disposable vapes and e-cigarettes.<sup>153</sup> The operation of the e-Liquids Tax must comply with EU Single Market rules. As noted by the TSG, e-liquid products are not currently subject to harmonised EU excise arrangements, their movement between Member States cannot be monitored through the same cross-border control systems that apply to tobacco, alcohol and mineral oils. This may reduce the effectiveness of the tax and limit the ability of Member States to curb consumption through domestic taxation policy.

In July 2025, the European Commission published proposals to revise the Tobacco Taxation Directive.<sup>154</sup> The proposed Directive seeks to introduce a harmonised framework for the taxation of e-liquid products and bring them within the scope of the Excise Movement and Control System (EMCS). This would treat the movement of e-liquid products, both into and within the European Union the same as cigarettes and other tobacco products, strengthening tax compliance and enforcement.<sup>155</sup>

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<sup>152</sup> CSO (May 2026), [Key Findings Irish Health Survey - Main Results 2025 - Central Statistics Office](#)

<sup>153</sup> Department of Finance (October 2026), [Budget 2027 – Tax Policy Changes](#).

<sup>154</sup> European Commission (July 2025), [Revision of the Tobacco Taxation Directive \(proposal\)](#).

<sup>155</sup> Department of Finance (June 2026), [General Excise Tax Strategy Group - 26/08](#).

## Section 48: Changes to VRT

### Description of change

This section increases the rate of Vehicle Registration Tax (VRT) for Category A (passenger and light duty) vehicles across bands 3-20 by 1% point.

**Table 23: Summary of Vehicle Registration Tax changes**

| Heading                      | Details                                                |
|------------------------------|--------------------------------------------------------|
| <b>Measure</b>               | Increase Category A VRT Rates by 1% for bands 3 to 20. |
| <b>Budget Measure</b>        | Yes                                                    |
| <b>First Year Cost (-/+)</b> | +€37 million                                           |
| <b>Full Year Cost (-/+)</b>  | +€37 million                                           |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Policy Background

Vehicle Registration Tax (VRT) applies when a vehicle is registered in the State for the first time, with the rate of tax dependent on the vehicle category. VRT on category A vehicles is assessed based on the value of the vehicle (€) and its emissions levels for carbon dioxide (CO<sub>2</sub>) and nitrogen oxide (NO<sub>x</sub>). The CO<sub>2</sub> element of the VRT cost is a percentage of the vehicle's Open Market Selling Price (OMSP), ranging from 7% for a vehicle with zero CO<sub>2</sub> emissions, up to 41% of the OMSP for vehicles with the highest emission levels. The NO<sub>x</sub> component of VRT is calculated using a relative scale, going from €5 up to €25 per mg/km of the vehicle's NO<sub>x</sub> emissions level.<sup>156</sup> The progressive design of the tax ensures that vehicles with higher emissions are subject to higher tax rates, reflecting the greater environmental costs associated with air pollution.

<sup>156</sup> Tax Strategy Group (July 2026), [TSG 26-09 Energy Environmental and Vehicle Tax](#)

The transport sector is responsible for approximately 25% of the EU's total greenhouse gas emissions, and road transport accounts for 70% of emissions within that sector. There is a high level of car dependency in Ireland, and consequently the large-scale transition to EVs is crucial to Ireland meeting its national and EU 2030 emissions reductions targets.<sup>157</sup>

## Policy Impact

The increase may generate additional revenue for the Exchequer in the short term, but the overall yield will depend on consumer behavioural responses. Fiscal incentives for EVs are playing an important role in delivering emissions reduction targets. It will be an incentive for consumers to purchase less harmful vehicles, however, it's possible that it may be a cost absorbed by some lower income households, or households without easy access to charging facilities for EVs.

The motor industry had cautioned against any further VRT changes in the short-term.<sup>158</sup> The latest CSO data (to end September 2026) shows that of the 119,709 new private cars licensed for the first time in 2026, almost 32% were petrol or diesel, and 68% were electric, hybrid or plug-in hybrid vehicles.<sup>159</sup>

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<sup>157</sup> Tax Strategy Group (July 2026), [TSG 26-09 Energy Environmental and Vehicle Tax](#)

<sup>158</sup> Tax Strategy Group (July 2026), [TSG 26-09 Energy Environmental and Vehicle Tax](#)

<sup>159</sup> CSO (October 2026), [Background Notes Vehicles Licensed for the first time September 2026 - Central Statistics Office](#)

## Section 49: Extension of the VRT relief for Battery Electric Vehicles

### Description of change

This section extends the existing VRT Relief of up to €5,000 on Electric Vehicles for a further two years to 1 January 2028.

**Table 24: Cost of extension of Battery Electric Vehicle relief**

| Heading                      | Details                                                                             |
|------------------------------|-------------------------------------------------------------------------------------|
| <b>Measure</b>               | The electric vehicles relief (of up to €5,000) is extended for a further two years. |
| <b>Budget Measure</b>        | Yes                                                                                 |
| <b>First Year Cost (-/+)</b> | -€87 million                                                                        |
| <b>Full Year Cost (-/+)</b>  | -€89 million                                                                        |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Policy Background

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. 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. Reliefs from VRT for electric vehicles aim to incentivise the shift away from carbon-emitting vehicles.

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.

## 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.

From an environmental perspective, the strengthening of the VRT system is a positive development as it encourages the uptake of lower-emission vehicles. However, the growing concentration of vehicles in the lowest-emission band, combined with the continuation of VRT relief of up to €5,000 for electric vehicles until 2026, limits the scope for raising revenue through the taxation of higher-emission vehicles. Revenue vehicle registration data indicates that the number of fully electric vehicles registered from 1 January to 31 March 2026 was up 52% on the same period in 2025. The growth in EV sales will inevitably see a reduction in motor tax, fuel excise and VRT receipts in the years ahead.<sup>160</sup> This was flagged by the PBO previously in 2019<sup>161</sup> and 2021.<sup>162</sup> There has been considerable research by the Department of Finance on this, as the electrification of the national fleet will entail significant revenue risk, affecting Exchequer receipts from motor tax, VRT, VAT and fuel excise, if the current tax structures remain unchanged. It is estimated that revenues raised through taxes on fossil fuels use and taxes on fossil fuel modes of transportation will fall over the medium term by around €1 billion, from around €5.3 billion in 2022 to around €4.3 billion in 2030.<sup>163</sup>

The TSG paper puts forward the idea of a ‘Vehicle Weight-Based Tax’, as it did in 2024 and 2025. They note that ‘A weight-based vehicle tax would be most effective in encouraging behavioural change if applied at the point of vehicle registration, as

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<sup>160</sup> Tax Strategy Group (June 2026), [Energy, Environmental and Vehicle Tax - Tax Strategy Group – 26/09](#).

<sup>161</sup> PBO (2019), [Parliamentary Budget Office – An Analysis of the Sustainability of Vehicle Registration and Motor Tax – Publication 50 of 2019](#)

<sup>162</sup> PBO (2021), [Parliamentary Budget Office – An Overview of Electric Vehicles and Their Impact on The Tax Base](#)

<sup>163</sup> Department of Finance (2023), [Potential fiscal impacts of the transition to a lower carbon economy in Ireland](#)

is the case in France and Norway.’ The paper also notes an interdepartmental working group comprising the Departments of Finance and Transport which is working on identifying “a pathway for the development of a cohesive, equitable and future-proofed taxation approach on transport based on a ‘user and polluter pays’ principle”. Both short-term fiscal measures and longer-term analysis are needed to achieve positive climate action outcomes. An option could be road user charging or congestion charges.<sup>164</sup>

The Department of Finance’s Tax Expenditure Evaluation Guidelines provide details on the evaluation requirements for a tax expenditure, and state “Priority in the first [instance] is given to tax expenditures with an approaching sunset clause due to the legal imperative for a review to be undertaken by the end of the sunset period.”<sup>165</sup> As the annual cost of this relief is between €20 and €100 million, it should be subject to a “level 2” evaluation. Under the guidelines, this would include a quantitative analysis or cost-benefit analysis to look at issues such as deadweight and opportunity costs. No such publication was published alongside the Budget.

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<sup>164</sup> Tax Strategy Group (June 2026), [Energy, Environmental and Vehicle Tax - Tax Strategy Group – 26/09](#), page 48-49.

<sup>165</sup> Department of Finance (October 2024), [Tax Expenditure Evaluation Updated Guidelines](#)

## Section 52: Farmer's Flat Rate Payment

### Description of change

This section amends the flat rate compensation for farmers from 1 January 2027 and increases it from 4.5% to 4.8%. 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 25: Summary of Farmer's Flat Rate Compensation Measure changes**

| Heading                      | Details                                    |
|------------------------------|--------------------------------------------|
| <b>Measure</b>               | Increase Flat Rate Compensation to Farmers |
| <b>Budget Measure</b>        | Yes                                        |
| <b>First Year Cost (-/+)</b> | -€23 million                               |
| <b>Full Year Cost (-/+)</b>  | -€28 million                               |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### 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.<sup>166</sup>

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

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<sup>166</sup> Revenue Commissioners, [Farmers and the Flat-rate Scheme](#)

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 affect the price at which flat-rate farmers sell their products to VAT registered persons.

## Section 61: Bank Levy

### Description of change

This section extends the Bank Levy until end 2027, with a target yield of €200 million. The revised bank levy applies to AIB, Bank of Ireland, EBS and PTSB.

**Table 26: Summary of Bank Levy extension**

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

Source: PBO based on [Budget 2027 Taxation Measures](#).

### 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.<sup>167</sup> The Bank Levy was previously calculated as a percentage of Deposit Interest Retention Tax (DIRT) paid by liable institutions.

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 2022, a Retail Banking Review<sup>168</sup> took place, which included a consumer survey and public consultation. This considered the Bank Levy, and suggested “If the Levy

<sup>167</sup> PBO (2023), [Ireland's Bank Levy 2014-2023](#)

<sup>168</sup> Department of Finance (November 2022) [Retail Banking Review](#)

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 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.”

In 2023, the Department of Finance undertook a public consultation process on the future of the Bank Levy.<sup>169</sup> 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.

## 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.

For 2027, 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).

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<sup>169</sup> Department of Finance (January 2024), [Responses to public consultation - Consultation on the future of the bank levy](#)

## Section 66: CAT Tax-Free Thresholds

### Description of change

This section examines the increases in the Capital Acquisitions Tax (CAT) thresholds for inheritances or gifts effective from 7 October 2026. Prior to this, the last adjustment to the thresholds was made with Budget 2025 announcement, taking place on 2 October 2024.<sup>170</sup>

**Table 27: Summary of Capital Acquisitions Tax threshold changes**

| Heading                      | Details                                |
|------------------------------|----------------------------------------|
| <b>Measure</b>               | Increase to inheritance tax thresholds |
| <b>Budget Measure</b>        | Yes                                    |
| <b>First Year Cost (-/+)</b> | -€11 million                           |
| <b>Full Year Cost (-/+)</b>  | -€48 million                           |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Changes

The increases proposed are on Table 28:

**Table 28: Changes in CAT threshold from 7 October 2026**

| CAT Group      | Before 7 October 2026 | After October 2026 |
|----------------|-----------------------|--------------------|
| <b>Group A</b> | €400,000              | €420,000           |
| <b>Group B</b> | €40,000               | €44,000            |
| <b>Group C</b> | €20,000               | €22,000            |

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

<sup>170</sup> Revenue Commissioners (2026), '[Capital Acquisitions Tax \(CAT\) thresholds, rates and aggregation rules](#)'.

## Policy Background

Capital Acquisitions Tax (CAT) net receipts amounted to €1.1 billion in 2025, comprising €968.4 million in Inheritance Tax and €146.6 million in Gift Tax, representing an average of €63,710 per CAT taxpayer.<sup>171</sup> These receipts accounted for 1% of total net Exchequer tax receipts and were 31.2% higher than in 2024 and 187% higher than in 2007.<sup>172</sup>

In 2025 Group B (other relatives), was the largest contributor to CAT receipts, generating €449 million. Group A (direct descendants) contributed a further €399 million. Dublin recorded €572 million in CAT receipts and accounts for 55% of taxpayers liable for the tax, exceeding the combined total of all other counties, which generated €396.2 million.<sup>173</sup> Prior to Budget 2027, the most recent increase in CAT thresholds took place in Budget 2025 and was estimated to cost the Exchequer €88 million in a full year.<sup>174</sup>

The charge is affecting an increasing number of taxpayers. The number of individuals liable rose from 11,376 in 2020 to 15,200 in 2025, representing an increase of almost 34%. This steady growth suggests that more individuals are exceeding the relevant threshold and becoming subject to the charge.<sup>175</sup>

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

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<sup>171</sup> PBO calculations based on Revenue Commissioners (2026), ['Breakdown of Capital Acquisitions Tax receipts'](#).

<sup>172</sup> PBO (2026), ['Inheritance Tax in Ireland'](#).

<sup>173</sup> PBO (2026), ['Inheritance Tax in Ireland'](#).

<sup>174</sup> Department of Finance (2024), ['Budget 2025 - Tax Policy Changes'](#).

<sup>175</sup> Irish Times (2026), [Inheritance taxes: what your family needs to know about recent changes](#) based on Revenue data [Geographical breakdown of CAT receipts](#).

10% of households accounting for 47.2% (€693.1 billion) of total net wealth. By comparison, middle-wealth households was 42.9% (€629.4 billion), while the lowest-wealth group accounted for 9.9% (€145.0 billion).<sup>176</sup>

Although Irish household wealth has risen substantially since 2013 and wealth inequality has fallen as household recovered from the effects of the financial crisis, wealth remains unevenly distributed and continues to grow more rapidly than household incomes.<sup>177</sup>

Concerns around the concentration of wealth, together with pressures on public finances and the limitations of tax systems that rely predominantly on income flows, have contributed to renewed international interest in net wealth taxation in recent years. The ESRI and Department of Finance published analysis where firstly they documented the level and composition of Irish household wealth and how these have changed over the past decade. Second, they examined the potential implications that an annual net wealth tax could have if it were applied to the current distribution and composition of household wealth. Specifically, they simulated a range of hypothetical scenarios to illustrate the effects of including and exempting particular assets and adjusting the thresholds (euro value of net wealth) at which liability begins.<sup>178</sup>

The PBO produced some tables showing the average inheritance tax by taxpayer in different counties in Ireland in 2025. Wicklow had the highest average inheritance in 2025, and Cavan/Monaghan the lowest.<sup>179</sup> It should be noted that this is a snapshot of data and does not necessarily mean this is a longer trend.

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<sup>176</sup> Central Bank (August 2026) [Household Wealth | Central Bank of Ireland](#)

<sup>177</sup> ESRI (2026), ['Assessing the impact of a tax on household wealth in Ireland'](#).

<sup>178</sup> ESRI (2026), ['Assessing the impact of a tax on household wealth in Ireland'](#).

<sup>179</sup> PBO (2026), ['Inheritance Tax in Ireland'](#), Table 2, pg. 10.

## Policy Impact

Budget 2027 leaves the CAT rate unchanged at 33% but increases the tax-free thresholds across all beneficiary groups. As a result, an individual from Group A can inherit an additional €20,000 tax-free, reducing their potential CAT liability by up to €6,600. The corresponding reductions are €1,320 for Group B beneficiaries and €660 for Group C beneficiaries. While these changes increase the amount of wealth that can be transferred tax-free, they are relatively modest compared with the threshold increases introduced in Budget 2025. Under Budget 2027, thresholds rose by 5% for Group A and 10% for Groups B and C, compared with increases of 19% and 23%, respectively, in Budget 2025.<sup>180</sup> Consequently, the latest measures provide limited additional relief for recipients of inheritances and gifts while maintaining the existing structure of the CAT system. The increase in the parent-to-child threshold means that families can now transfer more wealth tax-free. For example, a family with three children can pass on an additional €60,000 tax-free. This reduces the tax that would otherwise arise where beneficiaries exceed their available thresholds.<sup>181</sup>

Rising property valuations are often cited as a factor that could bring more households within the scope of CAT over time. However, Dr. Barra Roantree has noted that at present, relatively few people pay inheritance tax. While continued growth in asset values could increase CAT liabilities in the future, this is unlikely to result in a substantial increase in the number of taxpayers in the short term.<sup>182</sup>

The increase in the CAT threshold is particularly valuable for families transferring qualifying business or agricultural assets. Where Business Relief or Agricultural Relief applies, the taxable value of the asset is reduced by 90%, significantly increasing the value of assets that can be transferred before a CAT liability arises.

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<sup>180</sup> PBO calculations based on Revenue Commissioners (2026), '[Capital Acquisitions Tax \(CAT\) thresholds, rates and aggregation rules](#)'.

<sup>181</sup> Irish Times (2026), '[Inheritance taxes: what your family needs to know about recent changes](#)'.

<sup>182</sup> Newstalk (2026), '[Very few pay: Economist says inheritance tax cut benefits rich](#)'.

For example, a qualifying asset worth €4.2 million would have a taxable value of €420,000. Consequently, the additional €20,000 threshold may facilitate the tax-free transfer of up to €200,000 additionally in qualifying assets, magnifying the benefit of the measure for eligible families.<sup>183</sup>

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<sup>183</sup> Irish Times (2026), [Inheritance taxes: what your family needs to know about recent changes](#).

## Section 69: Donation of Heritage Items

### Description of change

Section 69 of the Finance Bill increases the maximum aggregate value of items that can be donated under the scheme in a given year by €4 million. This raises the ceiling from €8 million to €12 million. This scheme entitles taxpayers who donate heritage items to Irish national collections to a tax credit equal to 80 percent of the value of the donated item(s). This tax credit can be set against the taxpayer's liability for certain taxes.

**Table 29: Summary of Donation of Heritage Items changes**

| Heading                      | Details                                                                                          |
|------------------------------|--------------------------------------------------------------------------------------------------|
| <b>Measure</b>               | Increase the maximum aggregate value of items that can be donated under the scheme by €4 million |
| <b>Budget Measure</b>        | Yes                                                                                              |
| <b>First Year Cost (-/+)</b> | -€3.2 million                                                                                    |
| <b>Full Year Cost (-/+)</b>  | -€3.2 million                                                                                    |

Source: PBO based on [Budget 2027 Taxation Measures](#).

### Changes

- Increase of maximum aggregate value of items that can be donated under the scheme in a given year by €4 million.
- This raises the ceiling beneath which an 80% tax credit can be claimed from €8 million to €12 million.

### Policy Background

This tax relief applies to heritage items, which include archaeological items, archive, book, estate record, manuscript or painting, or collections of items

considered appropriate for donation to national collections.<sup>184</sup> Revenue lists several such approved bodies and notes that the Minister for Culture, Communications and Sport, given the consent of the Minister for Finance, may approve additional bodies for this relief.<sup>185</sup>

To qualify for this tax credit a heritage item must meet the following criteria:<sup>186</sup>

- It must be an outstanding example of the type of item involved and be pre-eminent in its class.
- To export it from the State would diminish the country's cultural heritage.
- To import it into the State would significantly enhance the country's cultural heritage.

It is also worth noting that the market value of an item/collection must be at least €150,000, with at least one item in the collection having a minimum value of €50,000, with some limited exceptions.<sup>187</sup> Finance (No. 2) Act 2023 previously raised the ceiling from €6 million to €8 million.<sup>188</sup>

## Policy Impact

The most recent year for which Revenue provides data on the cost of the scheme is 2023. The associated cost was €4.3 million with fewer than 10 claimants.

Donations availing of this relief are catalogued in a document which outlines the names and values of the donations in a given year and the institutions that received them.<sup>189</sup> Recent examples of items donated under the relief include the Rory Gallagher collection, paintings by Yeats and Le Brocqy, and collections of Irish silver.

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<sup>184</sup> Department of Culture, Communications and Sport, [Tax Relief for Heritage Donations](#)

<sup>185</sup> Revenue, [Donation of heritage items](#)

<sup>186</sup> Ibid.

<sup>187</sup> Revenue, [Tax relief for donations of heritage items - Guidelines on completing the application form](#)

<sup>188</sup> [Departmental Schemes – Tuesday, 28 Jul 2026 – Parliamentary Questions \(34th Dáil\) – Houses of the Oireachtas](#)

<sup>189</sup> Department of Culture, Communications and Sport, [Section 1003 Donations 1995 to 2025](#)

In 2023 the combined value of items donated under the scheme was over €5.3 million. Given that the scheme allows for a tax credit of 80% of the value of donated items, the total value received by eligible bodies will always exceed the cost of this policy by design. It is difficult to fully assess value for money in the context of this policy, as the cultural value of donations must also be considered. Additionally, it is not possible to know whether certain donations would have occurred in the absence of this policy.

In 2025 the combined value of donations was €8 million, therefore reaching the existing ceiling.<sup>190</sup> The Department of Finance estimated a full year cost of €3.2 million for this measure (80% of €4 million).

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<sup>190</sup> Department of Culture, Communications and Sport, [Tax Relief for Heritage Donations](#)

## Section 75: Residential Zoned Land Tax (RZLT)

### Description of change

Section 75 of the Finance Bill makes several amendments to the Residential Zoned Land Tax (RZLT). These include technical amendments to support efficient administration of the tax.

This section provides a further opportunity for landowners whose land will appear on a revised map to be published by 31 January 2027 to request the rezoning of this land by the local authority in whose functional area the land is situated. If the landowner avails of the opportunity to request rezoning, this section also provides for an exemption from the 2027 RZLT liability in respect of land that will appear on this revised map. This exemption may not apply if the rezoning request relates to land for which there is currently a planning application or planning permission for residential development. The technical amendments allow for data sharing between Tailte Éireann and the Revenue Commissioners in respect of RZLT if required for administration purposes.

**Table 30: Summary of Residential Zoned Land Tax changes**

| Heading                      | Details                                                                                                                                         |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Measure</b>               | Amendments to RZLT, including a further opportunity to request rezoning and technical amendments to support efficient administration of the tax |
| <b>Budget Measure</b>        | Yes                                                                                                                                             |
| <b>First Year Cost (-/+)</b> | -                                                                                                                                               |
| <b>Full Year Cost (-/+)</b>  | -                                                                                                                                               |

Source: PBO based on [Budget 2027 Taxation Measures](#).

## Changes

- Amendment of RZLT to provide a further opportunity for landowners to request a change in zoning of land. The deadline for submitting such a request is 1 April 2027. Local authorities are required to acknowledge requests by 30 April 2027 and to provide their decisions on requests by 30 June 2027.
- Where the landowner has availed of this opportunity, the Finance Bill provides for an exemption from the 2027 RZLT liability in respect of land which will appear on a revised map to be published by 31 January 2027. This exemption may not apply if the rezoning request relates to land for which there is currently a planning application or planning permission for residential development.
- Technical amendments to support efficient administration of the tax. These amendments allow for data sharing between Tailte Éireann and the Revenue Commissioners in respect of RZLT if required for administration purposes. Information provided may include the address and/or Eircode of land, the name(s) of the registered owner(s), and the unique identifier(s) allocated to the land under the Registration of Title Act 1964.

## 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. The tax became due and payable in 2025, despite having been announced in Budget 2022. This is because for land that becomes liable to RZLT, this tax only begins to be charged in the third year after the year it is zoned and serviced.<sup>191</sup> The intention to implement this tax was signalled in the "Housing

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<sup>191</sup> Citizens Information, [Residential Zoned Land Tax \(RZLT\)](#)

for All" plan prior to its formal introduction.<sup>192</sup> The rationale for the RZLT is to activate land with the objective of increasing housing supply. It replaced the Vacant Site Levy, which as noted previously, encountered difficulties in implementation and raised limited revenue.<sup>193</sup> Unlike the Vacant Site Levy, there is no minimum site exclusion, however there are certain exemptions. Various amendments were recently made to the RZLT in Budget 2026.<sup>194</sup>

## Policy Impact

The intention of the RZLT is to change landowners' behaviour rather than to significantly raise tax revenue. As noted by the Tax Strategy Group, liability and deferrals as of 5 March 2026 suggest that the primary objective of the RZLT, activating land for residential development, is currently being achieved. This is based on declared liability of €123.2 million, of which €72 million has been deferred due to activation of land, suggesting that approximately 58% of the declared liability represents land which had been activated for building purposes. The Tax Strategy Group also notes however that regular review of the RZLT is required to ensure it continues to meet its objective.<sup>195</sup>

It has again been highlighted this year that the RZLT can introduce additional barriers to land activation, specifically in terms of RZLT clawbacks that may arise if residential development occurs under a forward-funding structure.<sup>196,197</sup> These transactions involve a developer selling land to a purchaser, while simultaneously agreeing with the purchaser to develop the land.<sup>198</sup> If certain RZLT deferrals have been claimed, the transfer of ownership before the residential development is completed may trigger a clawback of the deferred taxes as well as interest. This

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<sup>192</sup> Department of Housing, Local Government and Heritage (September 2021), [Housing for All: A new Housing Plan for Ireland](#)

<sup>193</sup> PBO (2020) [Challenges in implementing and administering the Vacant Site Levy](#)

<sup>194</sup> PBO (2025) [Finance Bill 2025: Budgetary Issues](#), p.101-103

<sup>195</sup> Tax Strategy Group (July 2026), [Tax and Other Fiscal Housing Measures](#), p. 30

<sup>196</sup> KPMG (20 October 2026), [Property and construction in Finance \(No.2\) Bill 2026](#)

<sup>197</sup> PwC (19 October 2026), [What does Finance \(No.2\) Bill 2026 mean for you and your business?](#), p. 45

<sup>198</sup> Accountancy Ireland (17 October 2025), [Residential Zoned Land Tax - insights from practice](#)

presents an additional cost in certain scenarios where land is being developed for housing.

It is worth noting that the measures included in Finance (No. 2) Bill 2026 are not targeted at increasing land activation or stimulating residential development.

Rather, the focus is on allowing landowners who do not intend to develop their land to remove it from residential zoning, with additional measures supporting effective administration of the tax. The Department of Finance estimated the further opportunity to request rezoning to be cost-neutral in Budget 2027. Receipts provisionally totalled €49.2 million in 2025.<sup>199</sup>

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<sup>199</sup> Tax Strategy Group (July 2026) [Tax and Other Fiscal Housing Measures](#), p. 28

# Section 76: Derelict Property Tax

## Description of change

Section 76 introduces a new Part 22C in the TCA 1997 to legislate for a Derelict Property Tax (DPT). The aim of this tax is to encourage property owners to restore and reuse derelict residential and commercial buildings, helping to increase available property and support urban renewal.

The tax will be charged annually at 7% of the property’s market value, including the land attached to it. It will apply to certain derelict properties located in designated areas that are not being used, or are no longer suitable for use, as homes, business premises, or certain types of infrastructure. Some properties, such as national monuments, historic monuments, buildings under construction, and properties affected by defective concrete blocks, will be exempt from the tax.

When deciding whether a property is unsuitable for use, local authorities will consider factors such as boarded-up windows or doors, significant roof damage, deteriorating plasterwork, or unsafe brickwork.<sup>200</sup>

**Table 31: Summary of Derelict Property Tax changes**

| Heading                      | Details                                 |
|------------------------------|-----------------------------------------|
| <b>Measure</b>               | Introduction of a Derelict Property Tax |
| <b>Budget Measure</b>        | Announced in Budget 2026                |
| <b>First Year Cost (-/+)</b> | -                                       |
| <b>Full Year Cost (-/+)</b>  | -                                       |

Source: PBO based on [Budget 2027 Taxation Measures](#).

<sup>200</sup> Department of Finance (October 2026), [Finance \(No. 2\) Bill 2026 - Explanatory Memorandum](#)

## Policy Background

The Derelict Properties Tax is replacing the Derelict Site Levy of 7%. Councils were to maintain a register of derelict properties and could charge property owners a levy of 7% of the value of the property each year until the property was fixed. At the end of 2024, there were 2,140 sites on these registers, which is an underestimate of the level of dereliction.<sup>201</sup> This levy was not considered very successful, with very limited numbers of sites acquired, 2,611 sites on the registers at end 2025, and it was estimated that over €35 million in fines was owed at end 2025.<sup>202</sup>

The Derelict Property Tax will be introduced gradually. In the first year, it will apply to towns with a population of 4,000 people or more. From the second year onward, it will also apply to towns with a population of 2,000 or more.<sup>203</sup> A total of 107 towns will be in scope in the first year, increasing to 171 in year two.<sup>204</sup>

Each local authority will carry out annual inspections and publish a preliminary register of properties that may be subject to the tax. Before the register is published, members of the public and other interested parties can make submissions about whether a property should be considered derelict. The first preliminary register will be published on 1 September 2027.

Property owners will be able to appeal if their property is included on the preliminary register. If they carry out repair or remediation work, they can apply to the local authority for confirmation that the work has been completed. The register will be updated accordingly, and a final register will be published each year.

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<sup>201</sup> Department of Housing, Local Government and Heritage [Derelict property tax](#)

<sup>202</sup> Irish Independent (October 2026), [Just six of Ireland's thousands of derelict sites acquired by agreement with owners – with the rest left to rot | Irish Independent](#)

<sup>203</sup> Department of Finance (2026), [‘Finance \(No. 2\) Bill 2026 – Explanatory Memorandum’](#).

<sup>204</sup> Department of Finance (October 2026), [Budget 2027 - Tax Policy Changes Book](#), pg. 14

The tax will apply to properties listed on the final register, the first of which will be published on 28 February 2028. Owners of properties on this register must submit a tax return (electronically) and pay any tax due to Revenue by 23 June 2028.<sup>205</sup>

The legislation also allows local authorities to share information with the Revenue Commissioners so that the tax can be properly administered. In some situations, payment of the tax can be postponed, including:

- When the property has recently changed ownership.
- While repair or remediation works are being carried out.
- When an appeal or other legal process related to the property is ongoing.

Where a property is being repaired, any tax that has been deferred may not have to be paid if the work is completed within the required timeframe and all conditions are met.<sup>206</sup>

If the owner of a derelict property cannot be identified, and the amount of unpaid tax and interest exceeds the value of the property, the State may be able to take ownership of the property, subject to certain conditions. Property owners must keep proper records and documentation about their property. Penalties may apply if adequate records are not maintained.

The Derelict Property Tax will operate on a self-assessment basis, meaning that property owners will be responsible for calculating the tax due, filing the required return, and paying the tax to Revenue from 2028 onwards.<sup>207</sup>

## Policy Impact

The Derelict Property Tax is intended to encourage the remediation and reuse of derelict properties by imposing a financial cost on prolonged vacancy and disrepair. The measure has the potential to increase a financial cost on prolonged vacancy and disrepair. It also can potentially increase the supply of usable residential and

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<sup>205</sup> Ibid.

<sup>206</sup> Ibid.

<sup>207</sup> Department of Finance (2026), [Finance \(No. 2\) Bill 2026 - Explanatory Memorandum](#)

commercial property, support urban regeneration, and promote more efficient use of existing building stock. However, its effectiveness will depend on property owners' capacity to undertake remediation works and the ability of local authorities administer and enforce the regime effectively.<sup>208</sup>

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<sup>208</sup> [Derelict Sites – Wednesday, 15 Jul 2026 – Parliamentary Questions \(34th Dáil\) – Houses of the Oireachtas](#)

## 4. Forthcoming Government Committee Stage Amendments

A number of amendments to the Bill have been flagged. Some of these relate to new sections which will be introduced, others as amendments to existing sections in the Bill. The Department of Finance provided detail of these, as follows:<sup>209</sup>

### New sections

- Measures relating to the reform and modernisation of Professional Services Withholding Tax, arising from the joint public consultation on the proposed reform and expansion of withholding taxes, earlier this year.
- The extension of the Employment Investment Incentive; the Start-Up Capital Incentive; the Start-Up Relief for Entrepreneurs; and the Relief for Investment in Innovative Enterprises, also known as Angel Investor Relief to align with the General Block Exemption Regulation.
- VAT treatment of pool betting provisions
- Standard Fund Threshold – Age related valuation factors

### Amendments

- Section 25 - R&D tax credit. Introduction of a new measure to provide that, where a clinical trial is regulated, this fact may be used to satisfy the ‘science test’, to recognise R&D work undertaken by Irish companies as part of global trials and to reduce administrative burden.
- Section 33 – measures concerning the simplification of interest relief rules for borrowings used in certain lending and investment activities.
- Section 76 – amendment to definition of heritage/national monuments for the purpose of excluding them from being exposed to the tax.

There may be further Government amendments throughout the Bill.

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<sup>209</sup> Department of Finance briefing, 22 October 2026

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Publication Date: 28 October 2026