OHT Guide Budget 2026

Budget 2026 introduces a range of updates across Ireland's tax system, with notable measures affecting housing, business, personal taxation, and VAT. This summary highlights the principal changes announced in the Budget, including new incentives for property development and urban renewal, adjustments to business and investment reliefs, updates to personal tax credits and thresholds, and amendments to VAT rates and administration. The following sections provide an overview of the main developments in each area.

Income Tax and CGT

In Budget 2026, the Minister advised that he is seeking to modernise the tax system. Key measures include increases to CGT and USC thresholds, reduced tax rates on investment funds, and extensions of reliefs with sunset clauses—provisions that would otherwise expire without renewal. The Government also plans consultations and reforms to simplify the regime and encourage further investment.

USC and Investment Funds

The ceiling for the 2% USC rate band is increased by €1,318 to €28,700 to ensure that full-time workers on the minimum wage remain outside the top rates of USC.

The tax rate on Irish and equivalent offshore funds and foreign life assurance products is being reduced from 41% to 38%.

Sunset Clauses Extensions

The following reliefs are being extended:

- The Rent Tax Credit is being extended for three years, expiring at the end of 2028.
- The Mortgage Interest Tax Relief is being extended for a further two years, with a reduced value in the final year.
- The USC Concession for medical card holders is being extended until the end of 2027.
- The income tax deduction for landlords retrofitting properties is extended for another three years.
- The income tax exemption for households which sell electricity from micro-generation back to the grid is extended for a further three years to the end of 2028.
- The €5,000 VRT Relief for electric vehicles is extended to the end of 2026.
- BIK Relief for company cars is to be extended and tapered, with the lowest rates for zero emission cars, until the end of 2029.

Consultation and Reforms

The following have been announced in an effort to simplify Ireland’s tax regime and incentivise further investment:

- A public consultation to modernise, digitalise and expand the scope of withholding taxes.
- An action plan to reform Ireland’s interest regime is to be published, with phased reforms to simplify the tax treatment and deductibility of interest.
- The Participation Exemption for Foreign Dividends is expanded to more jurisdictions where non-refundable withholding taxes apply.

Housing

Budget 2026 sets out a range of tax measures to support housing delivery, urban renewal, and the use of land zoned for housing that has not yet been developed. These changes aim to increase the supply of homes, make construction more viable, and encourage development in key areas. The following sections outline the main housing-related initiatives announced.

Residential Development Stamp Duty Refund Scheme

The Residential Development Stamp Duty Refund Scheme is designed to incentivise the development of residential property by allowing developers to reclaim a portion of stamp duty paid on land that is subsequently developed for housing. The scheme is subject to strict timeframes for the commencement and completion of development. In Budget 2026, the scheme has been extended to the end of 2030. The time limits for large- scale developments have been increased from 30 to 36 months, and a full refund can now be claimed at the start of the first phase of a multi-phase development.

Enhanced Corporation Tax Deduction for Construction

Budget 2026 introduces an enhanced deduction for costs incurred on the construction of apartment developments and the conversion of non- residential buildings into apartments. This measure applies to projects if a Commencement Notice is submitted on or after 08 October 2025 and on or before 31 December 2030 and is intended to improve the viability of apartment construction and conversion projects.

Derelict Property Tax

The Derelict Sites Levy has applied to properties deemed derelict by Local Authorities, with the aim of encouraging the development of vacant sites. Budget 2026 introduces a new Derelict Property Tax to replace the existing levy, with legislation to be introduced in 2026, and the new Derelict Property Tax to apply following the publication of preliminary registers in 2027. The new tax will be administered by Revenue and will be charged at a rate not lower than the current rate of 7%.

Residential Zoned Land Tax

The Residential Zoned Land Tax was introduced to increase the supply of zoned and serviced land for housing by taxing land that is suitable for residential development but not being developed. Budget 2026 provides for a new exemption process for landowners seeking to have land rezoned in 2026. Applications for exemption will be considered by Local Authorities based on guidelines issued by the Minister for Housing, Local Government and Heritage, with further operational enhancements to be brought forward in the forthcoming Finance Bill.

Living City Initiative Expansion

The Living City Initiative provides tax relief for the refurbishment and conversion of certain residential and commercial properties in designated Special Regeneration Areas, with the aim of encouraging urban renewal. Budget 2026 extends the scheme to the end of 2030 and broadens its scope to include properties built before 1975 (previously 1915). The maximum relief available for enterprises is increased from €200,000 to €300,000, and the scheme will be expanded to five regional centres under the National Planning Framework, subject to planning and preparation by Local Authorities.

“For first time buyers, for aspiring homeowners, and for those attempting to navigate the rental market – increasing supply is key.

Government is determined to use all policies at our disposal to increase supply and alleviate pressure, so that more people can access a home.”

“Dereliction is a blight on our towns and cities. We need to bring those properties currently lying empty back into use”

“So far, there have been almost 2,000 returns filed. Of these, 526 have requested the deferral of the tax because the land is being actively developed within planning timelines. This demonstrates that the objective of the tax is being met.”

– Minister Paschal Donohoe Budget 2026 Statement

Business

Budget 2026 includes a range of targeted extensions and enhancements to existing reliefs and incentive schemes. These measures aim to support employee retention, business growth, and sector-specific investment, while maintaining reliefs for farming, energy efficiency, and digital innovation.

Key Employee Engagement Programme (KEEP)

Income tax generally arises where a person makes a gain on the exercise of a share option received in his capacity as an employee or director. KEEP gives employers a tax-efficient means of rewarding key team members, by providing an exemption from income tax, USC and PRSI for gains on the exercise of qualifying KEEP options to acquire shares in the employer. The scheme was due to expire at the end of 2025 but has been extended to end 2028 subject to approval from the European Commission.

Special Assignee Relief Programme (SARP)

SARP provides income tax relief on 30% of the income between €100,000 and €1m earned by people who are assigned by their employer to work in Ireland from abroad. The minimum qualifying income level was increased from €100,000 to €125,000 and the relief has been extended by 5 years to 2030.

Foreign Earnings Deduction (FED)

The FED is an income tax relief for individuals who are resident in Ireland but carry out some of the duties of their employment in certain other countries. The pay is time apportioned and relief is available on the qualifying foreign days element, up to a set maximum.

The relief was due to end in 2025 but has been extended by five years. The Philippines and Tu?rkiye have been added to the list of qualifying States and the maximum relief has been increased to €50,000.

Stamp Duty Exemption for SMEs and Start-ups

A new stamp duty exemption has been introduced for Irish SMEs and start-ups trading on regulated markets. Where companies are below the capitalisation threshold of €1 billion, the 1% stamp duty that normally applies to share transactions will not arise.

Farm Consolidation, Farm Restructuring, and Young Trained Farmer Reliefs

Farm Consolidation Relief is a stamp duty relief that applies where parcels of land are exchanged or purchased to consolidate fragmented farms. Farm Restructuring Relief is a CGT relief applying if there is a sale, purchase or exchange of agricultural land for farm restructuring purposes and it has been extended to include woodland and forestry.

Young Trained Farmer Relief is a relief from stamp duty on the transfer of an interest in agricultural land to a farmer who is under 35 years of age and holds a relevant agricultural qualification. All of these reliefs were due to expire in 2025 and have been extended up to the end of 2029 subject to meeting the EU State Aid rules.

Accelerated Capital Allowance for Slurry Storage

Wear and tear allowances for plant and machinery are generally given over 8 years but capital allowances for slurry storage equipment are accelerated and can be claimed over a two year period if the equipment is in use for the farming trade at the end of the chargeable period. These allowances were due to expire at the end of 2025 but have been extended for four years up to the end of 2029.

Accelerated Capital Allowances for Energy Efficient Equipment and Gas Vehicles

A company or unincorporated business can claim an accelerated capital allowance of 100% for the cost of eligible energy-efficient equipment (listed by SEAI) which is bought for use in the trade. 100% allowances are also available for certain types of gas vehicles and refuelling equipment bought to be used for business purposes. These allowances have been extended and will now be available up to the end of 2030.

Digital Games Tax Credit

The digital games corporation tax credit is a relief that is available to digital games development companies in relation to the costs incurred in the development of digital games. It was due to expire in 2025 but has been extended until the end of 2031.

Bank Levy

The bank levy is a tax on financial institutions based on the amount of deposit interest retention tax (DIRT) paid by a bank in a specified base year. It was designed to give a set yield of €150m and it has been extended for one year with the target yield increased to €200m.

VAT

The Budget introduces several VAT changes aimed at stimulating housing development, supporting key sectors, and improving compliance. These include targeted rate reductions, extended reliefs, and steps toward digital invoicing.

VAT Rate on Apartments

The VAT rate on the sale of apartments is reduced from 13.5% to 9% with effect from 07 October 2025, applying until 31 December 2030. The aim of the Government is to encourage developers to bring forward new housing projects.

Reduced 9% VAT Rate

It is proposed that, with effect from 01 July 2026, the VAT rate applying to restaurants, bars, cafe?s and hairdressing services be reduced from 13.5% to 9%. The measure is expected to cost €232 million in 2026, rising to €681 million on a full-year basis.

VAT Modernisation and Electronic Invoicing

As part of the EU's VAT modernisation agenda, measures are proposed to tackle VAT loss across member states. It is planned that the Revenue Commissioners will commence a phased introduction of electronic invoicing for business-to-business transactions.

Extension of the 9% VAT Rate on Gas & Electricity

Households will also benefit from extended relief on their utility bills. A VAT reduction to 9% on gas and electricity will remain in place until the end of 2030.

"This reduction will help address the viability gap in apartment construction as part of a social policy to deliver more and higher density apartments."

"We have legislated for the biggest changes to the planning system for a generation. We are implementing the National Planning Framework so that homes are built where they are needed. And we have made significant changes to the design of homes to make them more affordable."

Any budget that attempts to achieve everything - in a single go - weakens our ability to be safe in a turbulent world. This is why we make the case for running budget surpluses and setting up funds for the future. Not for some abstract reasons, but because this approach gave us the ability to help in the toughest of moments in recent years. And it will do so again."

– Minister Paschal Donohoe Budget 2026 Statement

Conclusion

The approach taken in Budget 2026 is presented as a response to increased global uncertainty, economic volatility, and the need to build resilience against future challenges. The Minister for Finance has indicated that the Government seeks to balance investment, stability, and resilience in this changing environment.

Further details on these measures will be set out in the Finance Bill and subsequent Revenue guidance. For queries regarding the application of any of the changes outlined above, or for advice tailored to your circumstances, please contact O'Hanlon Tax.

Caveat: *These notes are intended as a general guide to Budget 2026. OHT has endeavoured to provide an accurate commentary but the notes cannot cover all circumstances and OHT strongly recommends that formal tax advice be obtained before any steps are taken that may have a tax effect.*