

Tax

Finance (No. 2) Bill 2026 Highlights

October 2026



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Personal tax

Finance (No. 2) Bill 2026 includes provisions to legislate for the Budget 2027 personal income tax package announced by the Tánaiste on Budget Day. The estimated cost of the proposed Income Tax and USC changes are €1.3 billion in 2027 and €1.5 billion in a full year.

Income Tax

The key elements of the personal income tax package will see the standard rate cut-off point for a single person increased by €2,500 to €46,500, with commensurate increases in the bands applying to married persons and persons in civil partnerships. It will also see the main personal tax credits (Personal, Employee/PAYE and Earned Income) increased by €125 each to €2,125. In addition, it will see the Home Carer Tax Credit increased by €100, to €2,050.

USC Changes

For USC, the 2% rate band ceiling will be increased by €1,600 to €30,300 to take account of the National Minimum Wage increase which will apply from 1 January 2027.

Childcare Services Relief

The Childcare Services Tax Relief will provide a tax exemption for individuals providing childcare services in their own home.

The Bill provides that a childminder providing childminding, in their own home, can earn up to €20,000 exempt from Income Tax and USC, increased by €5,000 from €15,000.

The maximum of three children which can be minded under the scheme will be removed. Childminders availing of the relief will continue to be subject to the current childminding regulatory requirements.



Investment Account

Following commitments provided for in Budget 2026, a Roadmap entitled, 'Taxation of Retail Investment - A New Path Forward for Ireland' was published on 31 August 2026 which included an overview of the key parameters for the new investment account, further details on which were announced on Budget Day. The investment account, which will be available from 1 July 2027, is a new approach to the taxation of investments in Ireland, applying to all forms of investments held within a qualifying account.

The primary purpose of the investment account is to make investing simpler, clearer and more accessible. The account is designed to reduce some of the barriers that may discourage individuals from investing and to provide a straightforward, tax-efficient framework.

The account will be available to Irish resident individuals, aged 18 and over, who hold a PPSN. The account will include a flat rate 1% tax applied to the value of the account above the €50,000 tax free threshold, with an annual contribution limit of €12,000. The value of the account will be calculated daily, with the average of the daily values being used for the purpose of calculating the tax due, if any.

On launch, only one account will be allowed per person, with consideration being given in future years to whether provision can be made for multiple accounts. The account provider will be responsible for calculating whether tax is due or not, and for paying any tax due to Revenue on behalf of the investor. Existing taxation regimes in place for retail investments, including the deemed disposal rule, will not apply to the account.



Changes to the Taxation of Investments

As part of Budget 2027, the rates of taxation that apply to investments in Irish domiciled investment funds and Irish life assurance policies will be reduced, other than those applying to companies and to personal portfolio investments in these types of investment products. The rate reduction will also apply to equivalent offshore investment funds and certain foreign life assurance policies.

The rate of Investment Undertaking Tax and Life Assurance Exit Tax will be reduced from 38% to 35% as will the rate of tax that applies to equivalent offshore investment funds and to certain foreign life assurance policies.

The Bill will also clarify and consolidate some of the legislation underpinning this area of taxation, by introducing new provisions specifically dealing with the taxation of investors in Irish domiciled investment funds whose units are held in a recognised clearing system (including Irish domiciled exchange-traded funds (ETFs)). These new provisions will align with the existing rules which apply to other Irish domiciled investment funds and the 35% rate of tax will apply.

Micro-generation of Electricity

The exemption from Income Tax, USC and PRSI for certain profits arising to a qualifying individual who generates energy from renewable, sustainable or alternative energy sources for their own consumption and sell the surplus electricity back to the grid, will be increased from €400 to €600 per annum.

Donation of Heritage Items

Tax relief is available in respect of donations of heritage items to Irish national collections.

The maximum aggregate market value of items that can be donated under the scheme will be increased from €8 million to €12 million a year from 2027 onwards.

Income Tax Relief on Third Level Fees

Income tax relief is available for individuals on qualifying tuition fees for approved third-level courses in approved colleges. Each claim is subject to a single disregard amount, which is being aligned with the Student Contribution Fee rate.

From the 2026 year of assessment onwards, the disregard amount will be reduced by €650, from €3,000 to €2,350 for full-time students and by €325, from €1,500 to €1,175 for part-time students.

Nurturing Skills Learner Fund

The Bill provides for an exemption from Income Tax, USC and PRSI for rebates paid for qualifying students under the Nurturing Skills Learner Fund who remain in childcare employment for a continuous six months after they complete a relevant third level course.



Capital Taxes

Capital Gains Tax

The standard rate of Capital Gains Tax (CGT) in Section 28 (3) of Taxes Consolidation Act 1997 (TCA) has been reduced from 33% to 31% effective from 7 October 2026.

This rate change is part of measures designed to help increase and expand domestic investment activity. Lowering the CGT rate will also contribute to Ireland's competitive position for attracting international investment.

Capital Acquisitions Tax Thresholds

As set out in the Budget, the CAT tax free thresholds have been increased as follows:

- CAT Group A from €400,000 to €420,000;
- CAT Group B from €40,000 to €44,000;
- CAT Group C from €20,000 to €22,000.

These new thresholds apply to gifts and inheritances taken on or after 7 October 2026 (the day after Budget day).

CAT Business Relief

A technical amendment has also been included in the replacement property provisions in section 101 CATCA 2003 to clarify the position where relevant business property is transferred from one company to another on foot of a merger or division. The wording has been amended from "sold" to "disposed of", aligning it with terminology used in previous technical amendments to the section.



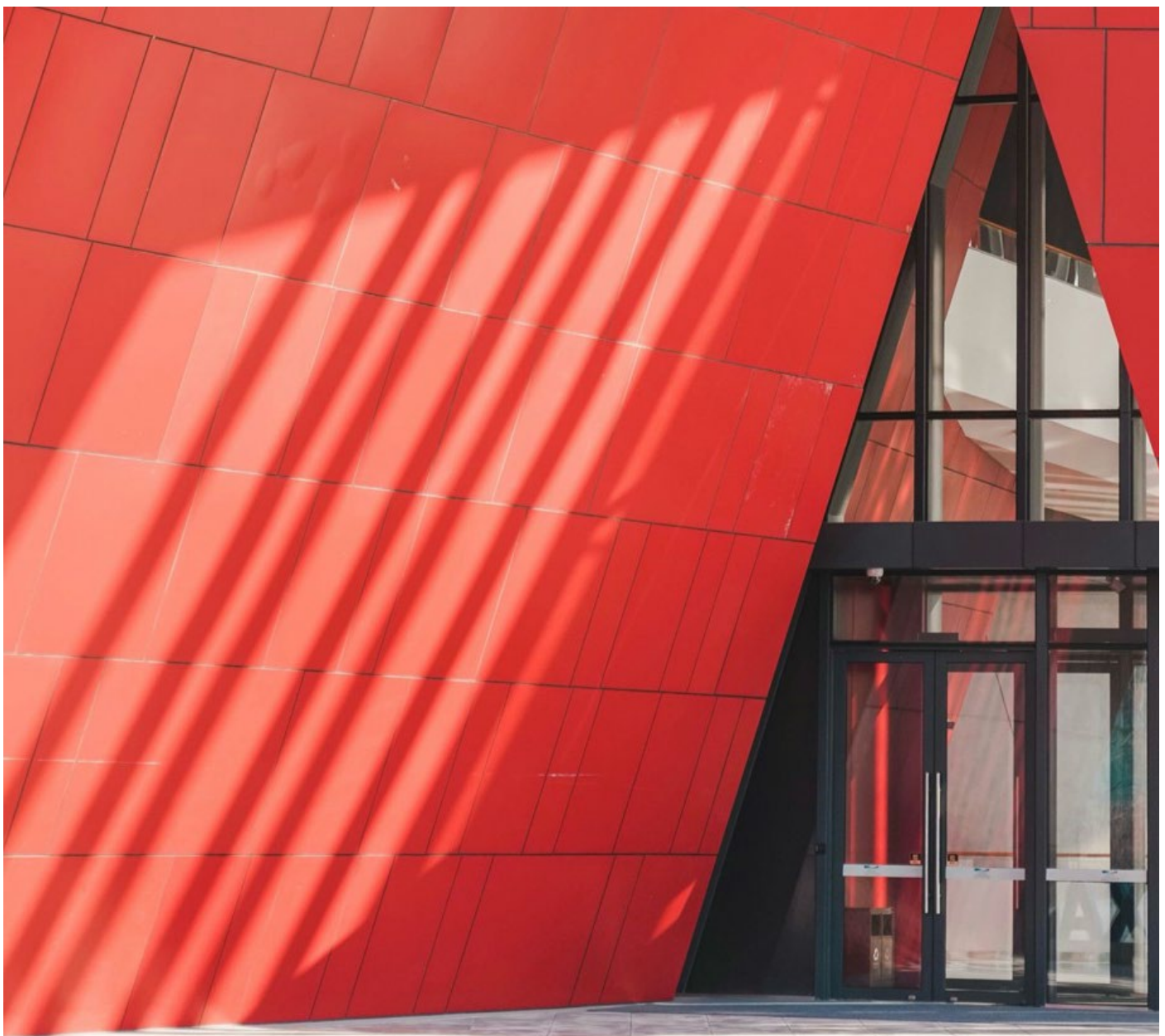
Support and Maintenance Exemption

Finance (No. 2) Bill proposes to amend the support, maintenance and education exemption contained in section 82 of the Capital Acquisitions Tax Consolidation Act ("CATCA") 2003.

The principal change is that the exemption may now apply where qualifying support, maintenance or education is provided following the death of one parent, notwithstanding that the surviving parent remains alive.

If enacted, the amendment will broaden the scope of the exemption and remove a restriction which could prevent relief from applying in circumstances where support is provided for a qualifying child following the death of a parent.

While the amendment extends the availability of the exemption, its practical impact may be relatively limited. In practice, the support, maintenance and education exemption is more commonly relied upon during a parent's lifetime.



Business Tax

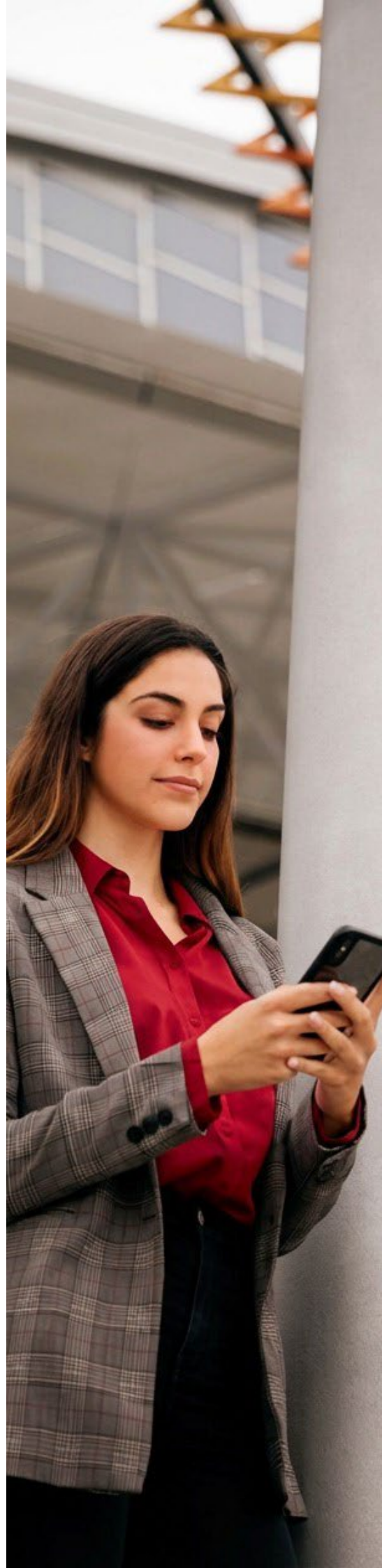
Research & Development (R&D) Tax Credit

The Research and Development (R&D) tax credit is a broad measure, providing a 35% tax credit for qualifying expenditure incurred in the carrying on of R&D activities undertaken to resolve a scientific or technological uncertainty.

Following the review of the R&D Tax Credit, undertaken last year, and continuing work undertaken in line with plans set out in the Research & Development Tax Credit and Innovation Compass, Finance (No. 2) Bill 2026 provides for a number of enhancements to the R&D tax credit as follows:

- The existing limits on qualifying costs that may be subcontracted to third level institutions and to third parties is being increased. The limits in each category will be revised to the greater of 20% (currently 15%) of in-house R&D expenditure and €200,000 (currently €100,000).
- The first-year payment threshold is being increased from €87,500 to €105,000.
- A change will be introduced to improve the recognition of the R&D tax credit for the purposes of preliminary Corporation Tax.
- A new provision will be introduced to allow claimant companies to increase their qualifying cost base by 5% of qualifying R&D wage costs.

In addition, technical work is ongoing on the development of relevant legislation to provide that, if 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. The amendment to introduce this legislation will be proposed at Committee Stage.



Knowledge Development Box

The Knowledge Development Box (KDB) is an OECD-compliant intellectual property (IP) regime which incentivises companies generating income arising from the IP created as a result of R&D activities. Companies must elect for KDB treatment to apply in respect of a qualifying asset and must retain the asset within the regime until the asset ceases to be used or is disposed of.

The Bill will extend the KDB to apply to accounting periods commencing on or before 1 January 2032 and will provide a time-limited option for existing claimant companies to opt out of the KDB regime in respect of all currently qualifying assets.

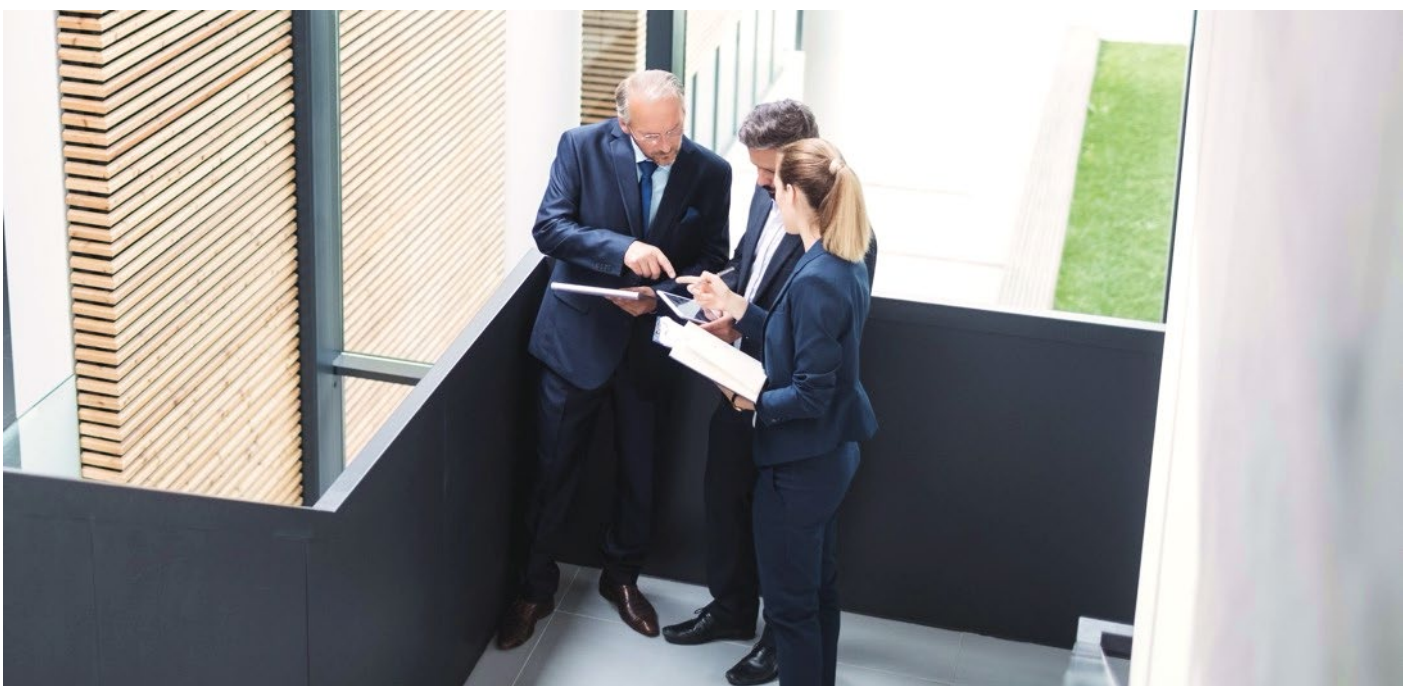
Tax Relief for Start-up Companies

The Tax Relief for Start-Up Companies provides relief from Corporation Tax on trading income (and certain capital gains) of new start-up companies in respect of their first five years of trading. The relief is designed to support the survival of new businesses, recognising that small businesses are significant drivers of employment across the country. The Bill extends to the relief to companies commencing to trade between 1 January 2027 and 31 December 2030.

Changes to Preliminary Corporation Tax Requirements

Preliminary Corporation Tax is an advance payment of a company's expected tax liability for the current accounting period, payable during that accounting period. Two different payment systems apply, depending on whether a company is considered to be a large company or a small company for the purposes of preliminary tax.

Finance (No. 2) Bill 2026 will provide for a number of administrative changes to preliminary Corporation Tax requirements, to reduce uncertainty and improve flexibility for companies. There will be no net impact on the quantum of the Corporation Tax receipts; albeit the timing of Corporation Tax receipts may alter slightly in some cases.



Pillar Two

Amendments will be made to Pillar Two legislation to reflect the agreement of the OECD Side-by-Side Package in January of this year. Ireland is required to implement the agreement within specific timeframes in order to pass the OECD peer review process. The agreement provides for the following safe harbours:

- the Simplified Effective Tax Rate Safe Harbour,
- the Substance-based Tax Incentive Safe Harbour,
- the Ultimate Parent Entity Safe Harbour,
- the Side-by-Side Safe Harbour, and
- the extension of the existing Transitional Country-by-Country Reporting Safe Harbour.

Amendments will also be made to reflect further agreed Administrative Guidance published by the OECD in May and September this year. The Pillar Two rules in relation to penalty and filing provisions are also being updated.

Extension of the Bank Levy

The Bank Levy will continue to apply in 2027 to those banks that received financial assistance from the State during the banking crisis, and which are still operating in the State (AIB, EBS, Bank of Ireland and PTSB). As in 2026, it will be apportioned based on the level of deposits held by each liable institution at the end of 2024, and the target revenue remains at €200 million.



Taxation of Interest

A number of targeted amendments to interest legislation will be advanced in the Bill to simplify the existing provisions governing the taxation of interest. The amendments provide for simplifications to the existing provisions governing interest relief on borrowings taken out for certain lending and investment activities. The amendments have been informed by extensive stakeholder engagement and are designed to simplify and enhance the operation of our tax code in this area whilst maintaining important Exchequer safeguards.

The amendments will be delivered as a first set of amendments within the ongoing review of Ireland's taxation regime for interest.

Introduction of a Pool Betting Charge

As announced in the Budget speech last year, the Bill introduces a new betting charge for totalisator or pool betting activities, which will commence on 1 January 2027. The basis for and rate of excise duty will be the same as for betting intermediaries, pool bets will be subject to a 25% duty on commissions earned. There will be an exemption for on course pool bets.

Enhanced Reporting Requirements

The Enhanced Reporting Requirements (ERR) will be amended to provide an option whereby employers may choose to continue to report 'on or before' certain tax-free payments are made, or alternatively, they may report the information by the 14th of the month following the Income Tax month in which the reportable benefit is provided to the employee. This amendment will provide greater flexibility to employers, in particular, SMEs, who have had difficulties with the current requirement to report these benefits 'on or before' they are made.

This follows stakeholder feedback and a recommendation of a recent report of The Cost of Business Advisory Forum.



Farming measures

Farmer's Flat Rate compensation

The farmer's flat rate payment for farmers who elect not to register for VAT will be increased to 4.8% from 1 January 2027.

The scheme is designed to compensate farmers for any VAT liability incurred on their agricultural inputs while removing the administrative burden of registering for VAT in order to reclaim it. The percentage refund is calculated using macroeconomic data, provided by the CSO to Revenue, averaged over three full financial years based on agricultural inputs and outputs and is reviewed every year.

Accelerated Capital Allowances for Farm Safety Equipment

The Accelerated Capital Allowances (ACA) scheme for farm safety equipment (which includes adaptive equipment for disabled farmers) will be extended by three years to end 2029.

Having last been updated in Finance Act 2024, this Bill provides for the addition of twelve further items to the range of equipment covered by this ACA, bringing the total to 31.



Succession Farm Partnerships

The tax credit for succession farm partnerships is an Income Tax incentive designed to encourage farmers to transfer the farm business to their identified farming successor(s) in a planned and timely manner. The tax credit for registered farm partnerships that are registered on the succession farm partnership register on or after 1 January 2027 will be increased from €5,000 to €10,000 per annum (available for up to 5 years).

In furtherance of a recommendation made in the report of the Commission on Generational Renewal in Farming, the minimum three-year holding period before which assets can be transferred under the scheme's rules will be removed for applications made to enter a Succession Farm Partnership on or after 1 January 2027.

VAT on Non-Oral Respiratory Vaccines for Livestock

Ireland currently avails of applying the zero-rate of VAT to medicines consumed by livestock orally while a 23% rate applies to non-oral medicines for livestock. The VAT rate for non-oral respiratory vaccines will be reduced to 9% from 1 January 2027.



Sport Measures

Finance (No. 2) Bill proposes a number of welcome measures aimed at simplifying the tax treatment of sports bodies and facilitating their incorporation and fundraising activities

Donations to ‘Approved Fundraising Bodies’

The existing tax reliefs for donations to approved sports bodies and National Governing Bodies (NGBs) are being amended to allow an NGB to establish an approved fundraising body, structured as a company limited by guarantee, through which qualifying donations and the associated tax relief can be received.

Amounts received by a fundraising body must generally be transferred to the relevant NGB within 12 months.

The Bill also introduces a new €1 million annual limit on tax-relieved donations made by an individual to sports bodies. A more restrictive limit will apply where the donor is associated with the relevant sports body, in which case tax relief will be limited to donations of up to 10% of the donor’s total income for the year.

It appears these restrictions will not apply to donations from companies.

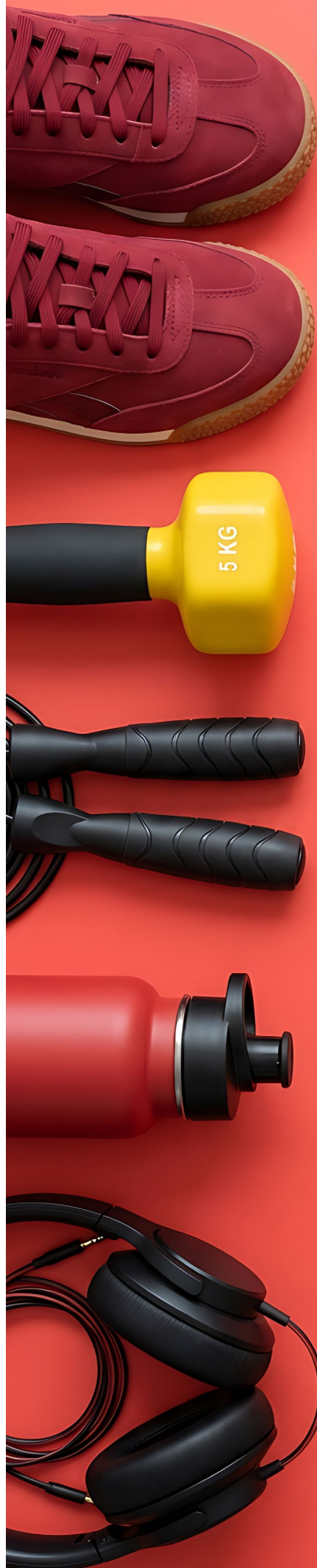
The measures provide NGBs with greater flexibility in structuring their fundraising activities.

Restructuring

The Bill also addresses a longstanding practical issue for unincorporated sports bodies wishing to incorporate.

New reliefs will allow an unincorporated sports body to transfer its activities and assets to a company limited by guarantee without triggering an immediate Capital Gains Tax, Stamp Duty or Capital Acquisitions Tax charge, subject to certain conditions. Broadly, the reliefs require the entire undertaking to transfer to the new entity, with continuity of the sporting purpose and restrictions on the distribution of assets or profits.

These changes should remove a potentially significant tax obstacle for clubs and other sports bodies seeking the greater governance and legal protections associated with incorporation.



Property related measures

Rent Tax Credit

The maximum Rent Tax Credit is proposed to increase from €1,000 to €1,150 for single persons, and from €2,000 to €2,300 for jointly assessed couples, for the 2027 and 2028 tax years.

Rent-A-Room

The Bill proposes to extend Rent-a-Room Relief to qualifying rental income arising from an auxiliary dwelling situated within the grounds of an individual's sole or main residence for the period from 27 July 2026 to 31 December 2030.

The annual income threshold for the relief is also proposed to increase from €14,000 to €16,000 from 1 January 2027.

In addition, the Bill provides that the receipt of qualifying Rent-a-Room income will not impact the availability of Principal Private Residence Relief under section 604 TCA 1997 or Mortgage Interest Tax Relief under section 473C TCA 1997

In addition, the Bill provides that CGT Principal Private Residence relief and Mortgage Interest Relief, will not extend to 'auxilliary dwellings' qualifying for the rent-a-room relief. This may create some complexity on a future sale.



Derelict Property Tax

Ending dereliction is a key goal within Delivering Homes, Building Communities. As part of the actions under this plan, a new Derelict Property Tax will be introduced to encourage urban regeneration and will be legislated for in the Bill. This tax will be administered by the Revenue Commissioners and will be based on registers compiled by local authorities.

From January 2027, local authorities will be responsible for identifying derelict properties in towns with a population of 4,000 and above, who will transmit the details of these properties to Revenue. Property owners will be required to pay the tax of 7% of the value of the property by June 2028, unless they take action to remediate the property.

Help to Buy

The maximum relief available under the Help to Buy scheme has increased from €30,000 to €35,000 for qualifying contracts entered into, or first mortgage drawdowns for self-builds made, between 7 October 2026 and 31 December 2029. The relief continues to be capped at the lesser of:

- €35,000, or
- 10% of the purchase price of the new home or of the completion value of the property in the case of self builds, or
- The amount of Income Tax and DIRT in the previous four years.

Residential Zoned Land Tax

The Bill provides a further opportunity for landowners whose land appears on the revised map for 2027, to be published on 31 January 2027, to request the relevant local authority to change the zoning of the land, and where certain conditions are met, to claim an exemption from the 2027 Residential Zoned Land Tax liability in respect of their land on foot of making such a request.



Vehicle taxation

Extension of Vehicle Registration Tax Relief on Electric Vehicles

The Vehicle Registration Tax (VRT) relief for electric vehicles (EVs), which was due to end on 31 December 2026, will be extended for two years to end-2028. EVs with an Open Market Selling Price (OMSP) of up to €40,000 will continue to be granted VRT relief of up to €5,000, while EVs with an OMSP of greater than €40,000 but less than €50,000 receive a reduced level of relief.

Increase of 1% on Category A Vehicle Registration Tax Bands 3-20

From 1 January 2027, the Category A VRT percentage rates applicable to bands 3 to 20 inclusive (cars with CO₂ emissions of more than 80g/km and upwards) will be increased by 1%. The rates applicable to bands 1 and 2 will remain unchanged.



VAT

E-Invoicing & Digital Reporting

In October 2025, Revenue announced that it would begin a phased roll-out of domestic E-Invoicing for business to business (B2B) transactions from November 2028 as part of its preparation for the implementation of the EU's VAT in the Digital Age (ViDA) requirements from 1 July 2030, an initiative to modernise EU VAT systems to better support how businesses trade, while bolstering the fight against VAT fraud. Finance Bill (No. 2) 2026 now contains the proposed legislative framework for the implementation of this important initiative.

The Proposed legislation introduces:

- A requirement to use structured E-Invoices for relevant domestic transactions
- Electronic submission of prescribed transaction-level data to Revenue
- Requirements for identifying customers, retaining structured invoices, maintaining business controls and ensuring reliable audit trails
- Specific provisions covering self-billing, credit and debit notes, and certain domestic reverse-charge transactions.

Modernising the administration of VAT will have a significant impact on Irish businesses, who need to start familiarising themselves with the measures so they can assess the impact on their business. Such changes will involve numerous parts of a business, including tax, finance, IT, procurement, etc.

Affected businesses should begin to act now to prepare by reviewing their ERP systems and/or invoicing software to determine the extent to which existing systems will be able to cope with the potential new digital requirements or whether additional tools/add-ons are required. We are here to help, so please get in touch with us to discuss the implications of this in more detail.



IOSS Intermediary - Tax Clearance Certificate

A requirement has been introduced for intermediaries registered for the import one stop shop or IOSS in the State to hold a tax clearance certificate for the duration of their registration and to notify Revenue where they no longer fulfil this requirement. The Import One Stop Shop (IOSS) enables businesses to account for VAT on eligible low-value goods imported into the EU through a single registration and monthly VAT return in one EU Member State.

Legislative Updates to the VAT Act

The Bill provides for some other minor updates to the VAT Act to provide that the VAT treatment of certain financial services in domestic legislation aligns with the EU VAT Directive. There will be no change in practice as the Revenue Commissioners already apply the appropriate rules set out in the Directive.



Fuel Reliefs

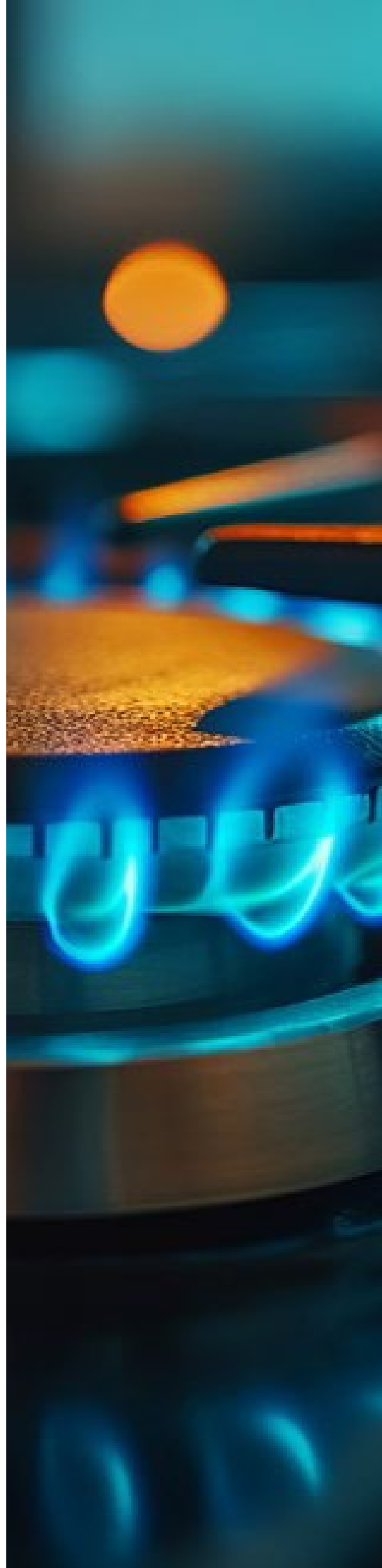
Carbon Tax - Mineral Oil Tax (MOT) Carbon Component (CC), Natural Gas and Solid Fuel

Carbon taxes on auto fuels which were due to increase on 14 October 2026, to €78.50 per tonne of CO₂ emitted, have been deferred to 1 May 2027. A further increase will take place on 13 October 2027 whereby these fuels will be back on the trajectory to €100 per tonne of CO₂ as set out in Finance Act 2020.

The carbon tax applied to kerosene (home heating oil) and Natural Gas Carbon Tax have been reduced to €48.50 t/CO₂ and paused at this rate. This is the same rate that applied in 2023.

The scheduled increase of carbon tax on Marked Gas Oil (MGO, also known as green diesel) originally for 1 May 2026 has been deferred to 1 May 2027. The scheduled increase for 1 May 2027 has been deferred until 13 October 2027. At that point, MGO will be back on the trajectory to €100 per tonne of CO₂, as set out in Finance Act 2020.

For other fuels (including solid fuels), where those fuels' carbon tax increases were first deferred on 1 May 2026, there will be a double increase in the rate on 1 May 2027 such that the rate increases from €63.50 per tonne of CO₂ to €78.50 per tonne of CO₂. Where those fuels' carbon tax increases were scheduled to take place on 14 October 2026, this increase has been deferred until 1 May 2027, with a further increase scheduled for 13 October 2027. At that point, these fuels will be back on the trajectory to €100 per tonne of CO₂, as set out in Finance Act 2020.



MOT Non-Carbon Component (NCC) Reduction Extension

Budget 2027 deferred the phased restoration of the MOT NCC rates for petrol, auto diesel, and MGO of 25 cents, 30 cents and 5.4 cents per litre respectively, with the first increase due on 28 February 2027. The full restoration of MOT Non-Carbon Component Rates for MGO - 5.4 cent per litre on a VAT inclusive basis - will occur on 28 February 2027.

There will be further increases to petrol and diesel MOT Non-Carbon Component rates on 8 April 2027 and 1 May 2027 (that will include the Carbon Tax increase on petrol, diesel and MGO), with the final increase to take place on 30 June 2027 when there will be full restoration, inclusive of the 2.1 cent and 2.5 cent carbon tax increase, for petrol and diesel, respectively. A further Carbon Tax increase scheduled for 13 October 2027 will bring the MOT Non-Carbon Component rates for petrol, diesel and MGO to 29.2 cents, 35 cents and 10 cents per litre, respectively.



Excise

Tobacco Excise

The excise duty on tobacco products was increased with effect from midnight on Budget night. The increase amounts to €1, inclusive of VAT, on a pack of 20 cigarettes in the most popular price category together with pro-rata increases for other tobacco products.

E-Liquid Products Tax

The excise duty on all e-liquid products will be increased with effect from 1 January 2027. This increase amounts to 20 cents per millilitre, exclusive of VAT. The increase will bring the total excise on e-liquid products to €700 per litre or 70 cents per millilitre.

The rationale for increasing this tax is based on public health considerations, as the use of e-cigarettes has increased significantly in recent years, particularly among younger age groups.



FOR MORE INFORMATION:

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