

Budget 2026

Our analysis of Budget 2026



Budget Overview

Finance Minister Paschal Donohoe has unveiled the details of Budget 2026, including a surprise change to how derelict properties are taxed, a cut to the hospitality VAT rate, and an extension of the rent tax credit for another three years.

Unlike recent years, the €9.4 billion package is without once-offs like double child benefit payments and electricity credits. But there are extensions to reliefs for mortgage holders and renters as well as a cut in student fees. This year’s package doesn’t feature a ‘cost of living’ package nor is there a broad-strokes personal tax package.

The tax package has been pared back by €200 million to allow for more targeted spending in supports for the most vulnerable – meaning that €1.3 billion, not €1.5 billion, in taxation measures in this budget.

A contingency fund of €1 billion is being set up to respond to spending pressures, and to cover the costs of hosting the EU presidency next year.

Brian’s Analysis

Budget 2026 marks a shift in policy towards supporting business and enterprise, moving away from the cost-of-living measures that defined previous budgets. This shift comes as Irish SMEs face not only domestic challenges but also heightened international tax risks, particularly the introduction of new US tariffs on EU goods. These external pressures add uncertainty for exporters and supply chain-dependent businesses, making the government’s business-focused approach especially timely.

A notable area in this year’s budget is the introduction of mandatory e-invoicing for business-to-business transactions. This aligns Ireland with EU digitalisation initiatives and aims to reduce administrative burdens, improve payment times, and enhance transparency for SMEs. E-invoicing is expected to modernise business processes and make it easier for SMEs to engage with the public sector. More details to be announced shortly.

The construction sector is a major beneficiary, with the VAT rate on new apartments reduced to 9% until 2030 and an enhanced corporation tax deduction for apartment construction costs. These measures should improve project viability for SME builders and developers, while the extension of the Living City Initiative and the Residential Development Stamp Duty Refund Scheme further supports urban regeneration. However, these benefits are narrowly targeted, and SMEs in other construction areas may feel overlooked, especially as planning and regulatory challenges persist.

Beyond construction, the reduction of the VAT rate on food, catering, and hairdressing to 9% from July 2026 will benefit hospitality and personal services SMEs. The extension of the 9% VAT rate on gas and electricity until 2030, and an enhanced R&D tax credit, are further positives. The review of the interest deduction regime could be a game-changer for SME financing, but its impact will depend on the detail.

Despite these positives, some omissions—such as the lack of broad-based cost relief and measures to address wage, insurance, and regulatory burdens—will be seen as a missed opportunity. SMEs will be hoping for further action to support competitiveness and sustainability in the years ahead.

Brian Kelly
TAX PARTNER

Welfare

- ▶ A €10 across-the-board increase to core weekly welfare payments including the old-age pension
- ▶ A Christmas bonus will be retained
- ▶ Child support payments will increase by €8 for kids under 12 and €16 for those aged 12 and over
- ▶ Eligibility for fuel allowance will be extended to those receiving working family payments
- ▶ Income thresholds for the working family payment will go up by €60
- ▶ The income disregard for carers’ allowance to increase to €1,000 for a single person and €2,000 for a couple

Childcare, Children and Disabilities

- ▶ Increase in spending on disabilities of at least €500 million, but potentially more than €600 million
- ▶ There will be money for “thousands” more childcare places and wage increases for those working in the sector
- ▶ The back-to-school clothing and footwear allowance will be extended to two and three year olds

Tax Credits for year 2026

Personal Tax Credits	2026	2025
Single	€2,000	€2,000
Married	€4,000	€4,000
Widowed Person	€2,315	€2,315
Single Child Carer	€1,900	€1,900
Home Carer Credit	€1,950	€1,950
Earned Income Credit	€2,000	€2,000
PAYE	€2,000	€2,000
Widowed Parent Bereavement	2026	2025
In Year of Assessment	€3,600	€3,600
Incapacitated Child	€3,800	€3,800
Dependent Relative	€305	€305
Blind Person	2026	2025
Single / Married	€1,950	€1,950
Both Blind	€3,900	€3,900
Age Credit	2026	2025
Single / Married	€245	€245
Married	€490	€490

Income Tax Rates for year 2026

Single	Married (Dual Income)
20% of 1st €44,000	20% of 1st €88,000**
40% Balance	40% Balance **Transferable between spouse up to a max of €35,000 for any one spouse
Single Parents	Married (One Income)
20% of 1st €48,000	20% of 1st €53,000
40% Balance	40% Balance

Income Exemption Limits

Single / Widowed	2026	2025
65 Years and over	€18,000	€18,000
Married Couples	2026	2025
65 Years and over	€36,000	€36,000

Universal Social Charge

EMPLOYEE & SELF-EMPLOYED

2026	2025
0% on total earnings <€13,000 per annum	0% on total earnings <€13,000 per annum
0.5% on €0 to €12,012 per annum	0.5% on €0 to €12,012 per annum
2% on €12,013 to €28,700 per annum	2% on €12,013 to €27,382 per annum
3% on €28,701 to €70,044	3% on €27,382 to €70,044
8% on €70,045 to €100,000	8% on €70,045 to €100,000
PAYE INCOME 8% on excess over €100,000	PAYE INCOME 8% on excess over €100,000
SELF EMPLOYED IN-COME 11% on excess over €100,000	SELF EMPLOYED IN-COME 11% on excess over €100,000

Education

- ▶ A new DEIS+ scheme for schools with the highest levels of education disadvantage
- ▶ 860 new special education teachers
- ▶ 1,700 new SNAs
- ▶ New Education Therapy Service to roll out therapy supports directly into special schools
- ▶ Increase in school funding across primary and post-primary schools

Housing, Mortgage Holders, Renters

- ▶ Help to Buy to be extended
- ▶ Renters tax credit extended for three years at its current level of €1,000 for an individual or €2,000 for a couple
- ▶ VAT on the sale of new apartments to be reduced from 13.5% to 9%
- ▶ Exemptions / reductions in corporation tax on profits from the sale of some apartments, including Cost Rental Schemes
- ▶ Mortgage interest tax relief extended for two years, but reduced for the final year, €1,250 for 2025, and €625 for 2026

PRSI

Employer CONTRIBUTION FOR CLASS A	2026	2025
PRSI	10.25%	10.25%
Training Levy	1%	1%
Total for Employers	11.25%***	11.25%***

Employee	2026	2025
PRSI	4.1%**	4%*

Self Employed / Directors Contribution	2026	2025
PRSI	4.1%**	4%**

* NOT APPLICABLE IF EARNINGS LESS THAN €18,300 P.A. (€352 P.W.)

**4.1% SUBJECT TO A MINIMUM PAYMENT OF €500

*** €410 EARNINGS PER WEEK

*** 0.1% APPLIES FROM OCTOBER EACH YEAR

Third Level

- ▶ Students fees will reduce by €500 to €2,500
- ▶ Income thresholds for SUSI grants will rise by €5,000 to €120,000 per household

Energy, Climate, Bills

- ▶ Increase of over 2c per litre at the fuel pumps
- ▶ Lower VAT of 9% on utility bills will be extended for three years to the end of 2028
- ▶ €588 million for SEAI residential and community energy upgrade schemes, an €89 million increase on last year
- ▶ Increase in the rate per tonne of carbon dioxide emitted for all propellant fuels from €63.50 to €71

Transport

- ▶ Reduced public transport fares will be maintained for next year
- ▶ €5,000 VRT relief for EVs extended to end 2026
- ▶ BIK for company cars extended on a tapered basis – worth €10,000 next year, €5,000 in 2027, and €2,500 in 2028. It will be abolished in 2029.



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Enterprise

- ▶ VAT on food businesses, catering and hairdressing will reduce from 13.5% to 9% from July 2026. This will cost €232 million next year and €681 million in a full year
- ▶ Minimum wage increased by 65c to €14.15 per hour
- ▶ Research and Development tax credits will be overhauled
- ▶ The R&D credit rate will rise from 30% to 35%, the first year payment threshold rises to €87,500 to support smaller projects
- ▶ CGT revisions with entrepreneurial relief reformed with the lifetime limit raised from €1 million to €1.5 million
- ▶ The Special Assignee Relief Programme has been extended for five years and increased minimum qualifying income raised to €125,000 p.a.
- ▶ Banking levy extended by another year with a target yield of €200 million

The Arts, Sports, Education

- ▶ Basic Income for Artists scheme to be retained on a permanent basis, rather than as a pilot scheme
- ▶ Section 481 film tax credit will see a new 40% rate of relief for productions with €1 million, up to a maximum of €10 million per production
- ▶ The Digital Games tax credit will be extended for six years until the end of 2031
- ▶ €10 million more for sports, including €3 million for the FAI's academy system
- ▶ €15 million for An Post
- ▶ €33 million for the National Broadband Plan

Agriculture

- ▶ Increased budget including more funding for the new TB action plan

Old Reliables

- ▶ Excise duty increase of 50 cent on a box of cigarettes with pro rata increase on other tobacco product

Health

- ▶ The final allocation for health will be €27.3 billion, an increase of €1.5 billion on 2025
- ▶ 300 more staff for mental health services
- ▶ 100 more clinicians for mental health crisis, incl. specialist teams to be placed in model 4 emergency departments out of hours
- ▶ New crisis resolution teams, incl. drop-in crisis cafes to be established next year

Justice

- ▶ Up to 1,000 additional gardaí in 2026
- ▶ More money for body cameras, victim support, youth diversion and domestic violence programmes
- ▶ More spending on resources to speed up immigration processing

Fitzgerald Power is a leading financial advisor to the Irish SME sector.

We provide accountancy, corporate finance and taxation advice to businesses across the country.

If you need any support on implementing any of these changes or you have any questions regarding Budget 2025 please get in touch.

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