SQUIRE PATTON BOGGS

Briefing Note: Ireland

Key Tax Measures from Budget 2026

Main Takeaway

Budget 2026 maintains a fiscally prudent stance with no broad personal income tax rate cuts, while enhancing targeted supports for households, business investment incentives, housing supply and climate action.

The below provides a brief overview of the more relevant changes that may be of interest to corporate entities followed by a table providing a general overview of the more significant tax changes brought in by Budget 2026, across all taxes.

Corporate Tax, Research and Development (R&D) and Capital Markets

Measures aimed at the corporate sector strategically reinforce Ireland's reputation as an innovative base, providing enhanced incentives for research and supporting capital market participation for indigenous enterprises.

Impact on Corporate Taxpayers

A central component of the budget's innovation strategy is the substantial enhancement of the R&D tax credit. The rate is being increased from 30% to 35%. This enhancement provides significant encouragement for both multinational corporations (MNCs) and indigenous companies to base their high-value innovation activities in Ireland.

Furthermore, the measure includes vital liquidity and compliance improvements for smaller claimants. The first-year payment minimum threshold is being raised from €75,000 to €87,500. This adjustment directly enhances cash flow for Small and Medium Enterprises (SMEs) engaged in R&D, accelerating their access to state funding.

Implications for Investors and Investment Funds

In the financial services sector, stability and technical clarity are prioritised. The exit tax rate applied to payments made from Irish funds and equivalent offshore funds to Irish individual investors has been reduced from 41% to 38%. This adjustment aims to improve retail participation in investment funds, as it enhances net returns for non-resident and domestic investors.

Combined with the unchanged 9% value-added tax (VAT) on property-related services, Ireland's fund ecosystem retains competitive cost structures.

In support of capital markets, a new stamp duty market-cap exemption threshold of €1 billion is introduced for Irish SMEs and start-ups trading on regulated markets. For companies falling below this threshold, the standard 1% stamp duty charge paid on share transactions will no longer apply. The SME market-cap threshold stamp duty exemption is aimed at attracting increased equity financing for growth companies listed on regulated markets, bolstering liquidity and investor appetite.

Entrepreneurial Incentives and Capital Gains

To stimulate entrepreneurial activity and reward risk-takers, the Capital Gains Tax (CGT) Revised Entrepreneur Relief has been significantly strengthened. The overall lifetime limit on gains eligible for the reduced 10% CGT rate is increased from €1 million to €1.5 million. This 50% increase applies to qualifying disposals made on or after 1 January 2026. This policy signals a strong commitment to supporting successful founders and incentivises them to reinvest their capital within the Irish economy, thereby promoting further start-up creation and economic dynamism.

This measure along with the new stamp duty market-cap exemption is positioned as essential for enhancing the growth prospects of homegrown businesses, particularly those seeking to secure funding or scale internationally. The Key Employee Engagement Programme (KEEP) has also been extended until the end of 2028.

Conclusion

Although from a personal income tax perspective Budget 2026 has a much more targeted and measured approach to what we've seen in previous years, the enhancements to R&D incentives, fund taxation and SME reliefs should hopefully lower effective tax burdens for corporates and investors, foster greater deal activity in growth sectors and prop up Ireland's positioning as a tax-efficient hub for innovation finance.

The below table provides a brief summary of the pertinent tax changes brought in by Budget 2026. We now wait for the publication of Finance Bill 2026, to see exactly how these measures will be implemented.

Tax Area	Measure	Key Change/ Rate	Effective Date (or Period)	Potential Impact / Client Action
Corporate & SME Tax	R&D Tax Credit Rate	Increased tax credit rate	From 30% to 35%	Strong incentive for R&D activity; significantly enhances the net benefit of R&D expenditure.
	R&D First-Year Payment Threshold	Increased minimum threshold	€87,500 (from €75,000)	Improves cash flow for SMEs by accelerating the payment of smaller R&D claims.
	Revised Entrepreneur Relief (CGT)	Lifetime limit increased	€1.5 million (from €1 million, from 1 Jan 2026)	Sellers could consider delaying qualifying asset disposals until 2026 to utilise the higher lifetime relief limit.
Financial Services	Exit Tax (Investment Funds)	Reduced rate on fund payments to individuals	41% to 38%	Aims to encourage greater retail participation by Irish individuals in domestic investment funds.
	SME/Start-up Stamp Duty Exemption	New Market Cap Threshold in respect of shares traded on regulated markets.	Up to €1 billion (Exemption applies)	Supports capital market liquidity and growth for indigenous SMEs and start-ups.
Indirect Taxes (VAT & Excise)	VAT on Hospitality/Hairdressing	Reduced rate introduced	13.5% to 9% (from 1 July 2026)	Significant support for the services sector, aiding more than 150,000 jobs facing cost pressures.
	VAT on Gas and Electricity	Reduced rate extension	9% extended until 31 Dec 2030	Provides long-term certainty and relief on essential energy costs for households and businesses.
	Carbon Tax (Auto-Fuels)	Increased rate per tonne of CO_2	€63.50 to €71.00 (from 8 Oct 2025)	Immediate increase in the cost of petrol and diesel; future cost increases for home heating fuels (May 2026).
	Tobacco Excise Duty	Increase per packet of 20 cigarettes	+50 cent (from 7 Oct 2025)	Will push the cost of a popular packet of 20 cigarettes towards €19.
Housing Supply & Development	VAT on New Apartments	Reduced sales rate	13.5% to 9%	Direct reduction in construction costs, intended to lower the final price of new apartment units.
	Derelict Property Tax (DPT)	New tax to replace Derelict Sites Levy	Rate not < 7% of market value (Implementation Post-2027)	Allows Revenue to enforce a minimum 7% annual charge on the market value of vacant land.
Employment & Global Mobility	SARP Minimum Income Threshold	Increased threshold	€125,000 (from 2026)	Requires review of all current/planned expatriate assignments; employees below €125k will cease to qualify for the relief.
	Foreign Earnings Deduction (FED)	Increased maximum relief; Scope widened	€50,000 (from 2026) and now includes Philippines & Turkey	Improves competitiveness for deploying employees to/from expanded market list (Philippines, Turkey).
	Company Car BIK Relief (€10k OMV reduction)	Relief Tapering Schedule	€10,000 (2026); €5,000 (2027); €2,500 (2028); Abolished (2029)	Requires immediate review of corporate fleet policies due to rapid BIK relief withdrawal starting in 2027.
Personal Tax (Income & USC)	USC 2% Rate Band Ceiling	Increased by €1,318 (to €28,700)	1 January 2026	Provides marginal tax relief for middle-income earners; protects minimum wage earners from moving into the top USC rate band.
	Rent Tax Credit	Extended (Value remains €1,000 p.a.)	Extended to end of 2028	Confirms continued cost-of-living support for eligible tenants for three additional years.
	Mortgage Interest Relief	Extended (reduced value in final year)	Extended for 2 years (2025 and 2026)	Provides temporary support for homeowners but note the relief value diminishes in 2026.