

BUDGET 2026 & Finance Bill 2025 UPDATE

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Budget 2026 details were announced in the Dail by the Minister for Finance on 7th October 2026, followed by the publication of Finance Bill 2025 on 16th October 2025.

The key points are:

- **Income Tax 2026:**

- No increase in the standard rate band; this will pitch more taxpayers into higher rate as the year progresses
- No increase in personal tax credits.

- **USC in 2026:**

- There will be a small increase in the 2% band from €27,382 to €28,700, with a corresponding reduction in the 3% band.

- **Capital Acquisitions Tax:**

- The Thresholds were not increased and so will remain at their present levels; Class A €400,000, Class B €40,000., Class C €20,000.

- **Private Pensions:**

- The current €2m Standard Fund Threshold will increase in stages from 2026 to reach €2.8m by 2029; this was provided for in last year's Finance Act 2024.

2025	€2,000,000
2026	€2,200,000
2027	€2,400,000
2028	€2,600,000
2029	€2,800,000

- No changes in pension tax relief announced.
- New requirement from 2027 for QFMs to electronically submit details of each individual ARF holder, distributions from their ARF and what their ARF invests in, to Revenue, on an annual basis.
 - The first Return will be required to be made by 31st March 2027 in respect of 2026
 - The return will require details of the investment profile of the ARF including:
 - “details and value of the assets held in the approved retirement fund, including:*
 - (i) asset type and location;*
 - (ii) details of any income, profits or chargeable gains derived from those assets during the year of assessment concerned;*
 - (iii) details of any assets acquired and or disposed of during the year of assessment concerned;”*
- At this stage, it is not clear if a similar reporting requirement will be introduced for PRSA holders in respect of vested PRSAs.

- **Auto Enrolment Schemes tax on contributions and benefits**

Finance Bill 2025 makes the tax treatment of AE contributions and benefits similar to that of other pension products. The main points are:

- Employer and State top up contributions to an employee's AE fund will not be a BIK for the employee.
- Employer AE contributions will be deductible for employer tax in the accounting period in which they are paid.
- There is no income tax relief for employee AE contributions as the State pays a top up direct to the employee's AE fund. Employee contributions, initially 1.5%, will be based on gross earnings but taken from net after tax earnings.
- The AE member's fund paid on death before it is drawn on will be paid tax free. (Finance Act 2024 originally provided that this death benefit would be taxed under PAYE; this has now been withdrawn).
- Up to 25% of the AE fund can be taken at retirement age 66 as a lump sum. The 25% lump sum will be a pension lump sum for the purposes of the €200,000 tax free lump sum limit and the €300,000 taxed at 20% limits.
- Where the AE member takes the balance of their AE fund at retirement, age the balance will be subject to PAYE. There is no ARF option, at least at the outset.
- Where the AE member takes their 25% lump sum but dies before taking the balance, the balance will broadly be taxed as if it were an ARF or vested PRSA. However, the legislation seems to apply a 30% tax charge where the balance is paid to the spouse, (rather than PAYE or gross transfer to spouse's ARF as applies for ARFs)? This may be changed later as the Finance Bill goes through the Dail?
- AE benefits when taken will come within the Standard Fund Threshold limit.

- **Savings & investments:**

- The life assurance exit tax rate, and the rate applying to realised gains on domestic and foreign collective investment funds, will be reduced from 41% to 38% with effect from 1st January 2026. Any realised gains or 8 yearly deemed disposal which occur before 1st January 2026 will continue to be taxed at 41%.
- The exit tax rate on company owned policies and funds will continue to be 25%. There is no reduction in this exit tax rate.
- The Minister indicated that he will publish a *“roadmap early next year [2026], setting out my intended approach to simplify and adapt the tax framework to encourage retail investment. It will take into account the European Commission's recommendation on Savings and Investment Accounts.”*
- The current 1% Stamp Duty rate applied to purchase of listed shares in Irish registered companies will **not** apply where the market capitalisation of the company is less than €1bn, with effect from 1st January 2026; this will apply to end of 2030.
- No change announced in 1% life assurance premium levy.

- **Social Welfare benefits:**

- A €10 pw increase in the maximum rate of State Pension and other Social Welfare benefits were announced for 2026, with proportionate increases for qualified adults and those on reduced rates of payment and increases in the qualified child increases.

- There will be a double Christmas payment, including the State Pension, in early December 2025.

- **Property related reliefs:**

The extension of a number of existing property related reliefs and introduction of new ones was announced in the Budget speech:

- The Rent Tax Credit for income tax is extended for 3 years to end of 2028. It is a maximum of €1,000 per single individual and €2,000 per jointly assessed couple.
- The Mortgage Interest Tax Relief for income tax is extended to end of 2027, but with a reduced relief applying in 2027. Homeowners with an outstanding mortgage balance between €80,000 and €500,000 as of 31 December 2022 will be eligible for this relief.

The current level of relief will be maintained for 2026 of the increase in interest paid in the tax year 2025 over 2022, with a maximum tax credit of €1,250 per property available.

A reduced level of relief will be available in 2027 for the increase in interest paid in the tax year 2026 over 2022, with a maximum tax credit of €625 per property applicable.

- The Help to Buy scheme for first time buyers continues to 31 December 2029

- **Derelict Property Tax**

- It is planned to introduce possibly in 2027 or 2028 a new Derelict Property Tax (DPT) to replace the current Derelict Sites Levy, at a rate no less than 7% of the land market value. The DPT will be collected by the Revenue Commissioners. In the meantime the Derelict Property Tax continues.

- **Further changes?**

It is possible that further changes not outlined above could be introduced by Government in Finance Bill 2025 as the Bill progress through the Dail and Seanad.

It is also possible that other measures could be introduced in the Social Welfare & Pensions Bill 2025, when it is published.

Income Tax rates and bands

	2026	2025
Standard rate	20%	20%
Higher rate	40%	40%
Single person standard rate band	€44,000	€44,000
Married couple/civil partnership, one income standard rate band	€53,000	€53,000
Married couple/civil partnership, two incomes standard rate band	€53,000 plus increase for other spouse of lower of their income and €35,000	€53,000 plus increase for other spouse of lower of their income and €35,000

Income Tax Credits

	2026	2025
Single	€2,000	€2,000
Married/civil partner	€4,000	€4,000
Widowed person or surviving civil partner (without qualifying child)	€2,540	€2,540
Single person Child Carer Tax Credit	€1,900	€1,900
Employee tax credit	€2,000	€2,000
Earned income tax credit	€2,000	€2,000
Home carer tax credit	€1,950	€1,950

USC rates 2026

	2026
Up to €12,012	0.5%¹
From €12,012 to €28,700	2%
From €28,700 to €70,044	3%
Above €70,044	8%

- USC does not apply to State Pensions, but does apply to private pensions and ARF/vested PRSA withdrawals
- Exemption from USC applies where total income (excluding the State Pension) in 2026 is less than €13,000.
- The self-employed additional 3% USC surcharge on non-PAYE incomes over €100,000 continues to apply for 2026.
- A 2% USC rate for those over 70 and medical card holders for total income (excluding the State Pension) in excess of €12,012 and under €60,000 continues to apply for 2026.

Social Welfare Benefits 2026

Benefit	Maximum weekly rate 2026	Maximum weekly rate 2025
State Pension Contributory – under 80	€299.30	€289.30
State Pension (Non-contributory) – under 80²	€288.00	€278.00
Invalidity Pension	€259.50	€249.50
Bereaved Partner/Widows/Widowers Contributory Pension – under 66	€259.50	€249.50
Increase for a qualified child – under 12	€58.00 (full rate)	€50.00 (full rate)
Increase for a qualified child – Age 12+	€78.00 (full rate)	€62.00(full rate)
Illness Benefit	€254.00	€244.00

There will be a double weekly payment of the State Pension in early December 2025.

PRSI rates

Class	From 1st October 2025	From 1st October 2026
Employee Class A	4.2%	4.35%
Self Employed (Class S)	4.2%	4.35%
Employer Class A	11.25%	11.4%

¹ Exemption from USC where income is less than €13,000.

² Means tested

