

DUNDALK CHAMBER OF COMMERCE

Budget 2027

MINISTER SIMON HARRIS TD

DEPARTMENT OF FINANCE:

Summary of Speech

October 2026

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01 Global Uncertainty

Three Global Pressures

Three major global issues informed the budget's construction:

- **Energy Market Volatility:** Ongoing conflict in Iran has increased world energy prices, directly impacting people's lives and prompting government intervention.
- **Geopolitical Uncertainty:** As a small, open economy, Ireland is exceptionally vulnerable to shifts in global trade terms and patterns.
- **Bond Market Pressures:** Major advanced economies are experiencing rising borrowing costs that inflate debt financing expenses and restrict policy flexibility—headwinds Ireland must mindfully navigate.

02 Economic Resilience and Public Finances

Economic Performance

Ireland boasts robust macroeconomic indicators: over 2.8 million people working (the highest level on record), 42 years of continuous full employment, and wages rising by an average of 4½% annually over the last four years.

Growth Forecasts

Modified Domestic Demand (MDD) the most accurate measure of the domestic economy is forecast to grow by 3% next year, bringing post-pandemic MDD growth to 20% by the end of next year.

Fiscal Surpluses & Buffers

The government anticipates running fiscal surpluses of €6.7 billion this year and €9.5 billion in 2027. Surpluses are maintained to avoid funding day-to-day spending with volatile revenues, build financial shock-absorbers, and fund future infrastructure and an ageing population.

Future Ireland Fund & Infrastructure

The government commits to investing over a quarter of a trillion euros in infrastructure over the next decade and is reinforcing the Future Ireland Fund by injecting an extra €1 billion next year on top of the planned €4.8 billion transfer.

03 Making Hard Work Pay & Personal Taxation

Progressive Tax System

Ireland's tax system remains one of the most progressive in the developed world, ensuring those who earn more pay more while a third of taxpayers pay no income tax at all.

Personal Income Tax Package

A €1.3 billion income tax package is introduced to ease the squeeze on middle-income earners:

- **Standard Rate Cut-Off Point:** Increased by €2,500 to €46,500, with proportional increases for married couples and civil partners.
- **Tax Credits:** Main tax credits (Personal, Employee, and Earned Income) increase by €125, and the Home Carer Tax Credit increases by €100.
- **Example Impact:** A person earning €50,000 saves over €700 in income tax and USC, while a two-income couple earning €100,000 saves €1,500.

USC and Employer PRSI

The entry threshold for the USC 3% band increases by €1,600 (from €28,700 to €30,300) to account for minimum wage adjustments. Employer PRSI threshold increases from €552 to €600 per week, saving businesses €650–€700 per employee annually.

Labour Market Inclusion

Addressing the participation gap for the 346,000 people with disabilities in Ireland to remove employment barriers.

Capital Acquisitions Tax (CAT)

Thresholds for gifts and inheritances are increased: Group A rises from €400,000 to €420,000, Group B from €40,000 to €44,000, and Group C from €20,000 to €22,000.

Standard Fund Threshold

Age-related valuation factors for pensions taxation are revised, taking effect on 1 January 2027.

04 Making Money Work Hard (New Irish Investment Account)

Democratising Investing

To address low investment participation and make investing accessible beyond the wealthy, a new Irish Investment Account launches on 1 July 2027.

Account Parameters

- **Tax-Free Threshold:** €50,000.
- **Flat Tax Rate:** 1% on the account value exceeding the €50,000 threshold.
- **Contribution Limits:** Maximum contribution limit of €12,000 per annum with no minimum contribution.
- **Exemptions:** Completely outside the scope of Capital Gains Tax, Dividend Withholding Tax, Investment Undertaking Tax, and Life Assurance Exit Tax; the deemed disposal rule does not apply.
- **Administration:** Fully administered by providers (banks, investment firms, insurers) with no requirement for individuals to engage directly with Revenue. Eligible assets include shares, bonds, ETFs, and other funds.

Retail Fund Tax Reform

Rates of tax on Irish and equivalent offshore funds (Investment Undertaking Tax and Life Assurance Exit Tax) are reduced from 38% to 35% starting 1 January 2027.

05 Cost of Living, Energy, and Carbon Tax

Home Heating Relief

Carbon tax rates on kerosene and natural gas are drastically reduced from a scheduled €78.50 per tonne down to €48.50 per tonne, with rates frozen at this lower level for the lifetime of the government. No tax increases will occur on home heating or pump fuels during the winter.

Fuel Excise Measures

Temporary reduced fuel excise rates are extended until 28 February 2027, followed by a gradual four-phase restoration concluding on 30 June 2027. The reduced NORA levy and enhanced Diesel Rebate Scheme are also extended through December 2026.

06 Energy Transition & Sustainability

Electric Vehicles (EVs)

VRT relief for electric vehicles is extended for two years until 31 December 2028, while VRT rates increase by 1% on highly polluting cars (bands 3 to 20).

Commuter & Travel Schemes

Reviews of the Cycle to Work scheme and the TaxSaver commuter scheme will be initiated in 2027 to adapt to modern working patterns.

Sustainable Aviation Fuel (SAF)

A public consultation will be launched to investigate barriers to SAF production and explore potential support mechanisms to position Ireland as an aviation decarbonisation hub.

Microgeneration

The income tax disregard for household microgeneration income from selling electricity back to the grid increases by €200 to €600.

07 Structural Changes: Housing, Childcare, & Public Services

Childcare

The Childcare Services Relief tax exemption increases by €5,000 to €20,000, and the limit on the number of children minded under the relief is removed.

Education

Income tax relief for third-level fees is aligned with the Student Contribution rate to lower costs for parents.

Housing Measures

- **Rent-a-Room Scheme:** Tax-free threshold increases from €14,000 to €16,000 and is extended to newly installed detached auxiliary dwellings (32–45 sqm) retroactively from 27 July.
- **Rent Tax Credit:** Increases by €150, reaching €1,150 for single claimants and €2,300 for couples.
- **Help to Buy:** Maximum refund for first-time buyers increases by €5,000 to €35,000 with immediate effect.
- **Residential Zoned Land Tax:** Landowners are offered another opportunity for a 2027 exemption if they seek land rezoning to reflect genuine economic activity.
- **Local Authority Autonomy:** Local authorities are permitted to spend or borrow an additional €200 million per annum to invest in capital projects.
- **Derelict Property Tax:** A new 7% Derelict Property Tax will be legislated in the Finance Bill, with preliminary registers published on 1 September 2027.

Culture, Charities, & Rural Pubs

- Theater production costs and night-time economy supports are reviewed; heritage donation tax relief thresholds increase from €8 million to €12 million.
- The charity VAT Compensation Scheme capped fund increases from €10 million to €15 million.
- €15 million is allocated to support rural publicans and keep local pubs open.

08 Supporting Business, Enterprise, and Agriculture

Capital Gains Tax (CGT)

The standard rate of CGT is reduced from 33% to 31% to reward risk-taking and encourage business scaling.

Cost of Business & ISIF

Enhanced Reporting Requirements are adjusted to give employers the option of monthly returns starting January. The Ireland Strategic Investment Fund (ISIF) launches a €1 billion investment programme over three years (to 2030) to scale large Irish companies.

Start-up & Corporate Reliefs

Subject to EU State aid rules, extensions are provided for the Employment Investment Incentive (EII), Start-Up Capital Incentive (SCI), Start-Up Relief for Entrepreneurs (SURE), Angel Investor Relief, and corporation tax small company start-up relief.

R&D Tax Credits

Subcontracting limits increase to 20% (and €200,000), the first-year payment threshold rises to €105,000, and a new enhancement for R&D wage costs is introduced alongside clinical trial simplifications. The Knowledge Development Box (KDB) is extended by five years.

International Tax & Withholding Tax

Legislation implementing the OECD Pillar Two Side-by-Side Package will be published in the Finance Bill. Professional Services Withholding Tax is reformed by introducing 'personalised deduction rates' instead of a flat 20%.

Agriculture & Fisheries

Succession Farm Partnerships will have their 3-year holding period removed for applications from 1 January 2027, and their tax credit doubles from €5,000 to €10,000. Accelerated Wear and Tear Allowances for farm safety equipment are extended to 2029 (adding 12 new items), livestock respiratory vaccine VAT drops from 23% to 9%, and the Farmers Flat Rate Addition increases to 4.8%. Fisheries recommendations will be progressed with the Minister for Agriculture.

09 Public Sector Delivery and Revenue Raisers

Public Sector Efficiency

Emphasises technology-driven efficiencies, productivity, and the upcoming National Life Sciences Strategy for sustainable healthcare and medicine access.

Tobacco Excise

Excise duty on a pack of 20 cigarettes increases by €1 (with pro-rata increases on other tobacco products), and e-liquid products face a 20 cent per millilitre duty increase.

Bank Levy

The Bank Levy is extended for another year with a target yield of €200 million.