7th OCTOBER 2026

Budget 2027

Hennelly Finance
Solving Financial Matters

The key changes for you and your clients, at a glance

€7.1bn
Extra public spending
Plus, a €1.65bn tax package

35%
Exit tax on funds and life policies
Down from 38%

€30,300
New USC 2% band ceiling
Up from €28,700

31%
CGT Rate
Down from 33%, from 7 October 2026

€50,000
Tax-free limit on new Investment Account
1% flat tax applies

+€10
Weekly social welfare increase
Including the State Pension

What has changed

- **Income tax and USC:** Personal, employee and earned income tax credits up €125 to €2,125, and the Home Carer Credit up €100 to €2,050. Standard rate band up €2,500 to €46,500 (€55,500 for a couple with one income). USC 2% band widened to €30,300.
- **Investments:** Exit tax on Irish funds, life policies and equivalent offshore funds, including ETFs, cut from 38% to 35%. New Investment Account from 1 July 2027.
- **Capital taxes:** CGT cut from 33% to 31%. CAT Group A threshold up €20,000 to €420,000; Group B €44,000; Group C €22,000.
- **Housing:** Rent Tax Credit up to €1,150 single and €2,300 for a couple. Help to Buy up €5,000 to €35,000. Rent-a-Room limit up to €16,000.
- **Energy and motoring:** Carbon tax on home heating oil and gas cut to €48.50 per tonne. Restoration of fuel excise postponed. VRT relief for EVs extended to end 2028.
- **Social welfare and family:** €10 a week on core payments, including the State Pension. A €500 lump sum in 2027 for people on long-term disability payments. Childcare fees cap cut to €550 a month.

What stays the same

- Income tax rates.
- DIRT at 33%
- CAT rate at 33%.
- Bank levy retained for another year.

Still to come

- Finance (No. 2) Bill 2026, due mid-October
- Possible measures not announced on Budget Day
- More detail on measures announced in Budget.

Three client conversations this Budget starts

- **Investment products:** the cut to 35% applies to Irish funds, life policies and equivalent EU/EEA/OECD funds, including ETFs. Your client comparisons will need updating.
- **Pension contributions:** despite the wider bands and higher credits, pension contributions remain a valuable planning lever.
- **Investment Account:** the new account will create business opportunities, and perhaps challenges for existing product lines.

The economic backdrop

Budget 2027 was framed as a budget to help workers and address cost-of-living pressures in the midst of elevated inflation and energy costs.

€7.1bn
Extra public spending

€1.65bn
Tax package
Up from €1.5bn in the SES to account for energy changes

+6%
Current spending growth
Capital €20.3bn, up €1.1bn

The picture going in

- Intense global geopolitical uncertainty, including conflict in the Middle East.
- A solid domestic economy and a surprisingly resilient global economy.
- Inflation above 2% in most jurisdictions, with interest rates trending upwards.
- Cost-of-living pressures after more than five years of elevated inflation, and high energy costs heading into winter.
- The cost of childcare, the cost of disability and the ongoing housing challenge.
- A commitment to reduce the tax burden on workers, as tax bands and credits were not widened in Budget 2026.
- Public sector pay pressures and the need to increase social welfare payments.

What shaped the decisions

- Easing cost-of-living pressures and securing energy supply as winter approaches, with energy prices still elevated.
- Housing, childcare and support for people with disability.
- Making work pay: tax credits and allowances were not adjusted for inflation in Budget 2026, and the Government committed to improving take-home pay this year.
- Global geopolitical uncertainty, volatile energy markets and rising global bond yields.

The bottom line

The Minister for Finance confirmed ahead of Budget Day that the budget would be focused on improving take-home pay for workers and helping households deal with high energy costs. Much of the further detail will follow in the Finance Bill.

01 SECTION

Personal tax and USC

Income tax rates unchanged, but credits and standard threshold increased. There is a wider USC 2% band and extensions to the rent credits.

Measure	Before	After	When
Standard rate band (single)	€44,000	**€46,500**	1 January 2027
Personal, employee, and earned income tax credits	€2,000	**€2,125**	1 January 2027
Home Carer Credit	€1,950	**€2,050**	1 January 2027
USC 2% band ceiling Keeps full-time minimum wage earners out of the 3% rate	€28,700	**€30,300**	1 January 2027
PRSI Class A Previously announced. Further rises of 0.15 points on 1 October 2027 and 0.2 points on 1 October 2028.	4.2%	**4.35%**	1 October 2026
Rent Tax Credit Increase of €150 single, and €300 for jointly assessed couple	€1,000 Single €2,000 Couple	€1,150 Single €2,300 Couple	2027 & 2028

WORKED EXAMPLE

Employee on €50,000

Income tax: -€750

USC: -€16

PRSI: 0.15 percentage point increase costs €75 a year at this salary

€691 a year
Tax Savings

WORKED EXAMPLE

Married couple, one income, Schedule D (self-employed) on €100,000, claiming the Home Carer Credit

Income tax: -€975 (includes the €100 Home Carer Credit increase)

USC: -€16

PRSI: 0.15 percentage point increase costs €150 a year at this salary.

€841 a year
Tax Savings

What this means for your clients

- More income can now be earned at standard tax rate of 20%. Review pension contribution headroom for clients near the new band ceiling.
- Renters who have not claimed the Rent Tax Credit can still claim for earlier years.

02 SECTION

Pensions and investments

A new Investment Account, a lower exit tax rate and revised pension valuation factors.

New Investment Account

A new Investment Account opens on 1 July 2027 for Irish-resident individuals aged 18 and over with a PPSN. Contributions are capped at €12,000 a year, and one account is allowed per person at launch.

A flat 1% tax applies each year to the value above €50,000, based on the average of daily values. Existing retail investment tax rules, including deemed disposal, do not apply inside the account.

Eligible providers are MiFID-authorised firms, regulated fund managers and insurance companies. At launch, the account can hold shares, bonds, investment funds and insurance-based investment products. The provider handles all tax reporting and payment, so the investor has nothing to calculate or return. Further detail will follow in Finance (No. 2) Bill 2026.

Investment tax rates cut to 35%

Measure	Before	After	When
Investment Undertaking Tax (IUT) Irish ICAVs, authorised investment companies and unit trusts	38%	**35%**	1 January 2027
Life Assurance Exit Tax (LAET) Policies with Irish life companies since 2001	38%	**35%**	1 January 2027
Equivalent offshore funds EU, EEA and OECD treaty funds, including ETFs taxed under this regime	38%	**35%**	1 January 2027
Foreign life assurance policies Policies from EU, EEA or OECD treaty-country providers after 2001	38%	**35%**	1 January 2027

The cut does not apply to companies, personal portfolio investment undertakings (PPIUs) or personal portfolio life assurance policies.

Finance (No. 2) Bill 2026 will also bring Irish-domiciled funds held in a recognised clearing system, including Irish ETFs, into line with other Irish funds at the 35% rate.

Deemed disposal: the eight-year deemed disposal rule continues to apply to existing funds and life policies. The Minister said he intends to use the next 12 months to look at moving beyond it.

WORKED EXAMPLE

Investor with a €10,000 gain

Irish-domiciled fund or unit-linked life policy

Gain realised after the new rate applies

€300 saving

Tax falls from €3,800 to €3,500

Pensions

From 1 January 2027, revised age-related factors will apply when valuing Defined Benefit pension entitlements against the Standard Fund Threshold, which rises to €2.4m in 2027 under Finance Act 2024. The new factors will be legislated for in Finance (No. 2) Bill 2026.

What this means for your clients

- Update product comparisons and illustrations for the 35% rate. The gap with CGT (cut from 33% to 31%) narrows to four points.
- Clients with personal portfolio products will not benefit from the lower rate.
- Investment Account: expect client questions on how it compares with existing funds and policies. As announced, credit unions are not among the eligible providers.
- Clients with Defined Benefit pensions close to the Standard Fund Threshold should be reviewed once the revised valuation factors are published.

03 SECTION

Business and enterprise

The main enterprise measure is a stronger R&D tax credit, with higher subcontracting limits, a larger first-year payment and a new uplift for R&D wage costs.

R&D Tax Credits

The R&D tax credit is 35% of qualifying expenditure. Budget 2027 makes five changes:

- Subcontracting limits for work outsourced to third-level institutions and unconnected third parties rise from 15% to 20% of in-house R&D spend, and from €100,000 to €200,000.
- The first-year payment threshold rises from €87,500 to €105,000, so the first €105,000 of a claim is paid in year one rather than over three years.
- Recognition of the credit for preliminary corporation tax is improved, giving a cash-flow benefit where the credit is offset against tax.

- A new uplift lets companies add 5% of qualifying R&D wage costs to their cost base, subject to a sufficient level of spend.
- A regulated clinical trial can be used to satisfy the science test. This will be added at Committee Stage of the Finance Bill.

Charities: the VAT Compensation Scheme for Charities fund rises from €10 million to €15 million for 2027.

Also: the bank levy is retained.

Motoring, energy and climate

Measure	Before	After	When
Carbon tax: kerosene	€63.50 per tonne	**€48.50 per tonne**	Until 2030
Carbon tax: auto fuel	€71 per tonne	**€71 per tonne**	Deferred to 1 May 2027
Auto fuel: the increase to €78.50 per tonne is deferred to 1 May 2027, with a further increase on 13 October 2027. Still on track for €100 by 2030.			
Carbon tax: marked gas oil	–	**–**	Deferred to 1 May 2027
Marked gas oil: the increase due on 1 May 2026 is deferred to 1 May 2027, and the 1 May 2027 increase to 13 October 2027, returning to the €100 trajectory.			
Excise on petrol and diesel	Reduced rates to 28 February 2027	**Restored in four phases**	1 March to 30 June 2027
VRT relief for EVs	Due to end 31 December 2026	**Extended to 31 December 2028**	Budget Day
VRT on Category A vehicles, bands 3 to 20	–	**Increase of 1%**	1 January 2027
BIK: OMV reduction Top mileage band now starts at 48,001km	€10,000	**€10,000 (2026), €5,000 (2027), €2,500 (2028)**	Budget 2026
Micro-generation exemption	€400	**€600**	2027

What this means for your clients

- Business-owner clients with R&D claims: the higher first-year threshold and subcontracting limits improve cash flow, particularly on smaller claims.
- EV buyers: VRT relief now runs to 31 December 2028, giving more time to plan a switch.

04 SECTION

Housing and property

The Rent Tax Credit rises by €150 to €1,150 for a single claimant and by €300 to €2,300 for a jointly assessed couple, for the 2027 and 2028 tax years.

The Rent-a-Room limit rises from €14,000 to €16,000 from 1 January 2027. The relief also extends to certain detached auxiliary dwellings installed after 27 July 2026 under the 2026 planning exemptions (S.I. 340 of 2026). A single €16,000 limit applies per taxpayer unit.

The maximum Help to Buy relief rises by €5,000 to €35,000 from 7 October 2026. The other limits are unchanged: relief cannot exceed 10% of the purchase price or the Income Tax and DIRT paid in the previous four years.

RZLT: Finance (No. 2) Bill 2026 will give landowners a further chance to seek a change in zoning of land on the revised 2027 map and, in certain cases, an exemption for 2027.

Derelict Property Tax: a new tax at 7% of market value will be introduced in Finance (No. 2) Bill 2026.

What this means for your clients

- Clients holding zoned land should check the revised 2027 RZLT map and the new submission window.

05 SECTION

Social welfare

A social protection package of €30.9bn, up €2bn on 2026, with a €10 increase to weekly payments.

Measure	Before	After	When
Weekly social welfare payments Includes the State Pension	Current rates	**+€10 a week; State Pension (Contributory) €309.30**	January 2027
Cost of disability payment Lump sum for people on long-term disability payments		**€500 lump sum**	2027
Weekly Fuel Allowance	€38 per week	**€43 per week**	2027
Living alone allowance	€22 per week	**€25 per week**	2027
Christmas bonus Long-term recipients	Varies by year	**100% of weekly payment**	December 2026
Child support: under 12	€58 a week	**€64 per week**	2027
Child support: 12 and over	€78 a week	**€84 a week**	2027
Working Family Payment	Current thresholds	**Income limits up €30 per week**	2027
Carer's Allowance income disregard	€1,000 single; €2,000 couple	**€1,150 single; €2,300 couple**	July 2027

Fuel Allowance: the income threshold for single pensioners rises from €534 to €641 a week.

Childcare: maximum fees paid by parents fall from €735 to €550 a month for children up to senior infants.

What this means for your clients

- Retired clients on the contributory State Pension will see the €10 weekly increase. Check the effect on any means-tested entitlements.

06 SECTION

What happens next

Budget Day sets the direction. The Finance Bill makes it law and can add or change measures along the way.

When	What	What to watch
7 October 2026	CGT cut to 31% and new CAT thresholds take effect	Timing of disposals, gifts and inheritances
Mid-October 2026	Finance (No. 2) Bill 2026 published	Details of all measures in Budget 2027 & any additions/amendments
Oct to Dec 2026	Bill passes through the Dáil and Seanad	Amendments, including measures not announced on Budget Day
1 January 2027	Most tax changes take effect	New tax credits, bands and USC in payroll
1 July 2027	Investment Account opens	Provider readiness and client demand
1 October 2027	Next PRSI increase	Net pay for employees and the self-employed

07 REFERENCE

Rates and bands 2027

Your quick reference for client work.

Income tax

Standard rate band	2026	2027
Single, widowed or surviving civil partner	€44,000	€46,500
Married or civil partners, one earner	€53,000	€55,500
Married or civil partners, two earners	€53,000 + up to €35,000	€55,500 + up to €37,500

Standard rate 20%, higher rate 40%.

Tax credits and exemption limits	2027
Personal tax credit: single / married or civil partners	€2,125 / €4,250
Employee tax credit (max)	€2,125
Earned income tax credit (max)	€2,125
Home Carer Credit (max)	€2,050

Universal Social Charge

Income band	2026	2027	Rate
First €12,012	€0 to €12,012	€0 to €12,012	0.5%
Next band	€12,013 to €28,700	€12,013 to €30,300	2%
Next band	€28,701 to €70,044	€30,301 to €70,044	3%
Balance	Over €70,044	Over €70,044	8%
Self-employed	Over €100,000	Over €100,000	3% Surcharge

Income under €13,000 is exempt. Medical card holders with income of €60,000 or less pay 0.5% and 2% only, to 31 December 2027.

PRSI from 1 October 2026

Class	A1	S1	B1
Employee	4.35%	4.35%	1.25%*
Employer (over €552 a week; €600 from 2027)	11.40%	Nil	2.36%

**B1 employee rate rises to 4.35% on income over €1,443 a week.*

Pensions

Age during year	Relief limit (% of net relevant earnings, max €115,000)
Under 30	15%
30 to 39	20%
40 to 49	25%
50 to 54	30%*
55 to 59	35%
60 and over	40%

**The 30% limit also applies to certain professional sportspeople under 50 on income from their sport.*

Lump sums received since 7 December 2005	Tax
Up to €200,000	Tax free
Next €300,000	Standard rate income tax
Balance	Marginal rate income tax and USC

Chargeable excess tax	Tax
Retirement benefits up to the threshold	Nil
Excess over the Standard Fund Threshold (€2.4m in 2027) or Personal Fund Threshold	40%*

**Reduced by a credit for standard rate tax deducted from lump sums taken since 1 January 2011, not already offset.*

Redundancy: tax-free limits

Payment	Limit
Statutory	2 weeks per year of service plus 1 week; max weekly pay €600
Ex gratia: basic	€10,160 + €765 per complete year of service
Ex gratia: increased	Basic + up to €10,000, if no pension lump sum or ex gratia payment in last 10 years
SCSB	N/15 × average annual pay over last 36 months, less the tax-free pension lump sum
Lifetime limit	€200,000 on all tax-free ex gratia payments

Capital taxes and savings

Tax	Rate 2027
Capital Gains Tax (disposals from 7 October 2026)	31%
Capital Acquisitions Tax (above threshold)	33%
DIRT	33%
Exit tax: funds and life policies (post-2001)	35%

CAT group threshold (gifts and inheritances from 7 October 2026)	Threshold
Group A: child, or minor child of a deceased child	€420,000
Group B: sibling, niece, nephew, or other lineal relative	€44,000
Group C: all others	€22,000

Inheritance (Group A, full threshold available)	Tax due
€420,000	€0
€500,000	€26,400
€600,000	€59,400
€800,000	€125,400
€1,000,000	€191,400

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Important information

This update is based on announcements made on Budget Day, 6 October 2026. Many measures are subject to the Finance (No. 2) Bill 2026 and may change as it passes through the Oireachtas. It is a summary for general information only and is not tax, legal or financial advice. Please take specialist advice before acting on any of the information in this update.

Sources: Department of Finance and Department of Social Protection Budget 2027 documentation, and Summer Economic Statement 2026.

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