

Budget 2027

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Welcome

The Forvis Mazars tax team is pleased to present our summary of the measures announced in Budget 2027.

With nine tax partners and more than 100 professionals across five offices in Ireland, we combine breadth of expertise with practical insight to support clients in an evolving and dynamic business environment.

Businesses are operating against a backdrop of rising costs, global uncertainty and shifting policy priorities. In this context, tailored support and clear guidance are more valuable than ever.

Our team works with organisations of every size – from entrepreneurial start-ups to multinationals operating across multiple jurisdictions – to navigate complexity, manage risk and plan for sustainable growth.

Whether you are planning for transition, reviewing your structures or exploring opportunities for innovation and investment, our specialists are on hand to provide efficient, focused advice.

In a year where government policy balances prudence with targeted investment, many businesses will be seeking clarity, simplification and long-term certainty. We remain closely engaged with these developments and are committed to helping our clients make informed decisions, adapt with confidence and take advantage of opportunities as they emerge.

Backdrop

Budget 2027 comprises of a €8.65bn package. The package for 2027 is made up of €7bn in expenditure and €1.65bn in taxation cuts, of which €1.3bn comprises personal taxation measures. A significant element of the expenditure has been allocated to capital spending.

The emphasis in Minister Harris' first Budget address was on the cost of living, partly driven by the fuel crisis and on global and geopolitical uncertainty. Among the positives highlighted were the 2.8 million workforce, 4.5 years of full employment with only 4.5% unemployed, forecast 3% growth in modified domestic demand and 20% growth achieved in total since the pandemic. A €6.7bn surplus is expected for 2026 with a €9.5bn surplus forecast for 2027.



Business tax

- The Research and Development (R&D) regime is to be enhanced. The year-one repayment threshold is to be increased from €87,500 to €105,000. Existing caps of 15% of in-house R&D expenditure or €100,000 for subcontracting to both universities and third parties is to be increased to 20% and €200,000 in each case. There is to be an improvement in the recognition of the R&D tax credit for preliminary tax purposes which will provide a cashflow benefit to companies. Claimant companies will be able to increase their qualifying wages cost base by 5%.
- The provisions in relation to advance payments of corporation tax are to be amended from 2027, one of the most significant of which is the increase in the small company threshold from €200,000 to €350,000 so that companies with a corporation tax liability for the prior year of €350,000 or less will only be required to make one annual payment of corporation tax in advance of the year end and for the balance to be paid on the corporation tax return filing deadline.
- Tax relief for new start-up companies is being extended by four years to 31 December 2030.
- Relief for investment in Corporate Trades, comprising the Employment Investment Incentive (EII), the Start-Up Capital Incentive (SCI) and the Start-Up Relief for Entrepreneurs (SURE) are to be extended.
- Enhanced Reporting Requirements (ERR). Following recommendations from the Cost of Doing Business Advisory Forum, the time period for returning information under ERR is being amended to provide an option whereby taxpayers may choose to continue to report 'on or before' certain tax-free payments are made, or alternatively they may report the information by the 14th of the month following the income tax month in which the reportable benefit is provided to the employee.
- Professional Services Withholding Tax (PSWT) is being modernised via the introduction of Personalised Deduction Rates (PDRs) to replace the current flat rate of 20%. Legislative changes will be made to allow self-employed taxpayers to opt-in for the real-time exchange of information with Revenue to ease their administrative burden.

Gerry Vahey
Head of Tax



Personal tax

- Increase in the standard rate cut-off point by €2,500 to €46,500.
- Increases to main tax credits – personal, Employee PAYE and earned income by €125, from €2,000 to €2,125 in each case.
- Increase in the home carer credit by €100 from €1,950 to €2,050.
- Increase the 2% USC ceiling by €1,600 from €28,700 to €30,300 (in line with an increase in the national minimum wage by €0.79 from €14.15 to €14.94 per hour).
- Increase in rent tax credit by €150 to €1,150 for an individual and by €300 to €2,300 for a jointly assessed couple for both the 2027 and 2028 tax years.
- Increase in the rent-a-room rental income ceiling from €14,000 to €16,000 from 1 January 2027 and extension of the relief to cover Designated Auxiliary Dwellings installed after 27 July 2026.
- €5,000 increase in the maximum relief available under the Help-to-Buy scheme from €30,000 to €35,000.
- The exemption from Income Tax, USC and PRSI for the micro-generation of electricity is being increased from €400 to €600 for certain profits arising to a qualifying individual who generates energy from renewable, sustainable or alternative energy sources for their own consumption. The exempted profits are those arising from the domestic generation of electricity which is supplied to the grid.
- Reduction in rate of tax applying to investment funds and life assurance products including regulated offshore funds, equivalent offshore exchange traded funds and foreign life policies from 38% to 35%.
- Introduction of the Investment Account from 1 July 2027. The account creates a new simplified framework for retail investors investing in capital markets. Investments made through the account will be subject to a flat rate tax of 1% on the value of the account above a tax-free threshold of €50,000. An annual contribution limit of €12,000 will apply.
- Reduction in standard rate of Capital Gains Tax from 33% to 31%.
- Increase in the Capital Acquisitions Tax Thresholds, as follows:
 - Group A** €400,000 to €420,000
 - Group B** €40,000 to €44,000
 - Group C** €20,000 to €22,000



International

- Amendments are being made to Ireland's Pillar Two legislation following the agreement of the OECD Side-by-Side Package in January 2026. These include simplification measures and substance-based exclusions related to payroll and tangible assets and should give multinational groups, particularly US and large scale MNEs operating in Ireland, predictability on how top-up taxes are assessed and allocated. Amendments are also being made to reflect further agreed Administrative Guidance published by the OECD in May and September this year and to update Pillar Two rules in relation to penalty and filing provisions.



VAT

- There is to be a reduced 9% VAT rate applying to respiratory vaccines for livestock.
- The flat rate payment to compensate farmers who opt not to register for VAT incurred on their purchases is to be increased from 4.5% to 4.8%.
- 9% VAT rate on energy bills to be extended for a further two years. This was due to end this month and revert to the 13.5% rate.



Excise taxes

- The €5,000 VRT relief for electric vehicles is to be extended until 31 December 2028.
- From 1 January 2027, Category A VRT rates are being increased. The rates applicable to bands 3 to 20 inclusive (cars with CO2 emissions of more than 80g/km and upwards) are being increased by 1%. The rates applicable to bands 1 and 2 will remain unchanged.
- The duty on a pack of 20 cigarettes will be increased by €1, together with pro rata increases for other tobacco products.
- Excise duty on all e-liquid products is being increased by 20c per millilitre, exclusive of VAT with effect from 1 January 2027. The increase will bring the total excise on e-liquid products to 70c per millilitre, VAT exclusive.
- A new betting charge for totalisator or pool betting is being introduced, generally commencing on 1 January 2027. The rate of excise duty will be 25% on commissions earned. There will be an exemption for on course pool bets.



Agriculture

- The value of the tax credit for Succession Farm Partnerships (SFPs) is being increased from €5,000 to €10,000. The increased tax credit will be available for SFPs registered from and including 1 January 2027. The existing three-year holding period before the succession can take place is being removed with effect for all SFP applications made from 1 January 2027.
- As part of promoting farm safety, the Accelerated Capital Allowance regime for farm safety equipment is being extended by three years until 31 December 2029 and twelve additional items are being added to the list of eligible equipment.
- There is to be a reduced 9% VAT rate applying to respiratory vaccines for livestock.
- The flat rate payment to compensate farmers who opt not to register for VAT incurred on their purchases is to be increased from 4.5% to 4.8%.



Carbon taxes

- Carbon taxes on auto fuels, due to increase to €78.50 per tonne of CO₂ emitted from 14 October 2026, will be deferred to 1 May 2027. A further increase will take place on 13 October 2027 whereby these fuels will be back on the trajectory to €100 per tonne of CO₂ as set out in Finance Act 2020.
- Carbon taxes on kerosene and on natural gas will be reduced to €48.50 t/CO₂ emitted until 2030.
- The scheduled increase of carbon tax on Marked Gas Oil (MGO) originally for 1 May 2026 will be deferred to 1 May 2027. The scheduled increase for 1 May 2027 will be deferred until 13 October 2027. At this point MGO will be back on the trajectory to €100 per tonne of CO₂ as set out in Finance Act 2020.
- For the more minor fuels (including solid fuels), where those fuels' carbon tax increases were first deferred on 1 May 2026, there will be a double increase in the rate on 1 May 2027 such that the rate increases from €63.50 per tonne of CO₂ to €78.50 per tonne of CO₂; where those fuels' carbon tax increases were scheduled to take place on 14 October 2026, this increase will be deferred until 1 May 2027, with a further increase scheduled for 13 October 2027. At that point these fuels will be back on the trajectory to €100 per tonne of CO₂ as set out in Finance Act 2020.



Property and housing

- Residential Zoned Land Tax (RZLT). Landowners who would otherwise come within the scope of RZLT in 2027 can make a submission requesting a change of zoning of land in connection with the carrying on of economic activity and to be exempt from RZLT for 2027 where certain circumstances apply.
- Derelict Property Tax (DPT). Finance (No. 2) Bill 2026 will introduce a new Derelict Property Tax to support housing supply and regeneration. The rate of tax will be 7% on the self-assessed value of the property and will apply



to residential and non-residential property. In his speech, Minister Harris outlined that the rationale for its introduction is to encourage the redevelopment and use of property or where funds to redevelop property are not available, to encourage the sale of derelict property to a buyer who then redevelops it. Limited deferral criteria will apply so that owners who address the dereliction within a reasonable timeframe will be subject to abatement of the tax.

- €9.4bn allocated for housing, including:
 - €2.2bn to support social housing needs of 110,000 households and investment in emergency supports for those facing homelessness.
 - €3bn to fund social housing delivery including 11,250 new build social homes
 - €225m allocated to the Housing Infrastructure Investment Fund.



Financial services

- The Investment Undertaking Tax rate applicable to Irish funds, offshore funds and equivalent offshore exchange traded funds is being reduced from 38% to 35%. This follows the Fund Sector 2030 review and is aimed at encouraging more Irish retail investors to invest in Irish Funds.
- The bank levy will be extended for 2027, targeting a yield of €200 million.
- The liable institutions will continue to be AIB, EBS, BOI and PTSB and as in 2026 it will be apportioned based on the level of eligible deposits held by each liable institution at the end of 2024.





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