IRISH STEEL
IRELAND'S ASSOCIATION FOR METAL FABRICATORS & MANUFACTURERS

SUMMARY OF BUDGET 2026 FOR IRISH STEEL

In association with Jim Power
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Jim Power economics

BUDGET 2026 – THE BACKGROUND

Budget 2026 was prepared and presented against a background of intense global economic and geo-political uncertainty, particularly relating to US trade policy.

Domestically, ahead of the budget, the two ministers received stringent warnings from bodies such as the Irish Fiscal Advisory Council (IFAC), the Central Bank, and the ESRI that the €9.4 billion budget-day package is too large. These warnings are predicated on two main issues. On the one hand, there are fears that such a package is too pro-cyclical and would risk over-heating the economy. The other warning is based on the potential fragility of the tax base.

In relation to the over-heating argument, the housing market is really the only element of the economy showing strong over-heating tendencies. However, this reflects a lack of supply, strong population growth, Government demand-side housing supports, strong-pent up demand, and a high level of personal wealth.

In relation to the fragility of the tax base and failure to control spending, the warnings have solid validity. Government spending has been growing very strongly for some time and this year almost all spending heads are likely to come in ahead of budget.

The problem is that this spending is being driven by a tax base that is fragile, with the Department of Finance justifiably concerned that a significant portion of the corporation tax take, could be transitory. Much could depend on the trade policies of President Trump.

Ireland's experience in the run up to 2008, when current spending was allowed spiral out of control on the back of buoyant construction and property-related taxes should provide a salutary tale. When that bubble burst, we were left with a high level of expenditure, and a lot less tax to fund it.

Today, the main challenge arises from the Trump-related uncertainty that is hovering like a dark shadow over the global economy. For Ireland the stakes are dangerously high, given how overly dependent the economy and tax revenues are on US multi-national investment, and particularly the targeted pharmaceutical sector.

In framing Budget 2026, the key issues were:

- Official warnings about the inappropriate stance of fiscal policy.
- The threat posed to Ireland's economic model by US trade and corporate tax policies.
- The ongoing cost-of living pressures. Although the headline inflation rate has come down to 2 per cent in August, the average cost of living today is almost 24 per cent higher than 5 years ago, with spiralling food prices now the key focus.
- The promises made on the 9 per cent VAT rate for the food element of the hospitality sector.
- The climate agenda and Ireland's environmental goals. Ireland will be subject to significant financial fines if the environmental targets are not achieved.
- The housing crisis.
- Support for the SME sector in general, but especially retail and hospitality.

BUDGET 2026 – THE MAIN MEASURES

For the steel and fabrication industry, the most important aspect of Budget 2026 is the impact it could have on the overall economy, and sectors of the economy that demand the goods and services of the industry.

Ahead of the budget the Minister for Finance made it clear that there would be no changes to personal taxation, as the objective of the budget is to prioritise jobs and investment in the future of the economy. The budget was in theory framed as an enterprise budget, and not one designed to help workers.

As outlined in the Summer Economic Statement, the budget package is worth €9.4 billion. However, the composition changed. The tax package was reduced by €150 million to €1.3 billion, and the expenditure package is increased to €8.1 billion.

There were a lot of tax measures included in the budget. The selected initiatives outlined here are thought to be those that could have implications for business, business owners, and their employees.

Pension auto-enrolment will be introduced on 1st January 2026. All businesses in all sectors need to be aware of the implications of this development. Time is running out, so for affected businesses, professional help will be required to put the requisite systems in place.

In relation to the **Tax Treatment of Pensions,** Finance Bill 2025 will provide for additional amendments to the tax treatment for the Auto Enrolment (AE) Retirement Savings Scheme. These amendments will address the tax treatment of AE retirement savings on the death of the participant. Further amendments are also required to exempt AE provider schemes from investment undertaking tax and to provide an exemption from USC for employer contributions to AE.

The **reduced VAT rate of 9 per cent on gas and electricity** bills is due to expire on 1 November 2025. A financial resolution will be introduced on Budget night to extend the measure until 31 December 2030.

The **PRSI Class A** rate increased by 0.1 per cent on 1st October 2025, as previously signalled. It will increase by another 0.1 per cent on 1st October 2026.

The **Carbon Tax** will increase by €7.50 per tonne of carbon dioxide to €71. This will apply to auto fuels immediately, and to all other fuels on 1st May 2026. The Programme for Government 2020 committed to increase the carbon tax on fossil fuels from €26 euro per tonne of carbon dioxide to €100 per tonne by 2030. The Finance Act 2020 legislated for annual increases to the carbon tax of €7.50 per tonne up until 2029, and €6.50 in 2030.

The **2 per cent USC band** will be increased by €1,318 to €28,700 to ensure that minimum wage earners do not fall into the higher rate of tax. The USC concession for medical card holders is being extended by a further 2 years to 31st December 2027. Reduced rates of USC apply to individuals who have a full medical card and whose income is €60,000 or less per annum. The reduced rates of USC are 0.5 per cent on the first €12,012 and 2 per cent on the balance.

The **VAT rate** for businesses in food and catering and hairdressing services is being reduced from 13.5 per cent to 9 per cent. This will commence from 1 July 2026.

In relation to the **Research and Development (R&D) Tax Credit** there will be an increase in the rate of the credit from 30 per cent to 35 per cent; An increase in the first-year payment threshold from €75,000 to €87,500, to support smaller R&D projects; An administrative simplification measure to allow 100 per cent of an R&D employee's emoluments as qualifying costs where at least 95 per cent of their time is spent on qualifying R&D activities. An R&D Compass will be published in the coming weeks to set out the future direction of travel for developments in R&D and innovation supports.

The participation exemption for **foreign-sourced dividends** is a double tax relief measure, which operates by exempting qualifying foreign dividend income received from Irish Corporation Tax in the hands of the recipient. There are a few changes to the exemption, which will be provided for in Finance Bill 2025. These include: broadening the geographic scope beyond dividends paid from subsidiaries in the EU / EEA and double tax treaty partners to include qualifying dividends received from jurisdictions that apply a non-refundable dividend withholding tax; reducing the period for which companies must have been resident in a jurisdiction within the geographic scope of the relief before paying a dividend from five years to three years; clarifying that the acquisition of a shareholding is not considered to be an acquisition of business assets for the purposes of the participation exemption.

In relation to the **Capital Gains Tax Revised Entrepreneur Relief** which provides for a reduced rate of Capital Gains Tax of 10 per cent on gains of up to €1 million, over a lifetime, arising from the disposal of qualifying business assets. This lifetime limit on which relief can be claimed is being increased to €1.5 million from 1 January 2026.

A new exemption from the **1 per cent Stamp Duty on acquisitions of shares** in Irish registered companies is being introduced. It will apply to the shares of companies admitted for trading on a regulated market, a multi-lateral trading facility, or an equivalent third country market, and which has a market capitalisation of below €1 billion. A sunset clause will apply, expiring on 31 December 2030. Due to the introduction of the new exemption, the existing Stamp Duty exemption for shares in Irish registered companies traded on the Euronext Growth Market (formerly the Enterprise Securities Market) will be removed.

Finance Bill 2025 will provide for an extension of the **Key Employee Engagement Programme** (KEEP) to 31 December 2028. This extension is subject to approval from the European Commission and will be commenced by Ministerial Order on receipt of such approval.

The **Special Assignee Relief Programme** (SARP) is being extended for five years, to 31 December 2030. The scheme is being amended so that from 1 January 2026, to qualify for the relief, an annualised salary of €125,000 or above will be required. New entrants to the scheme from 2026 onwards may then benefit from an Income Tax exemption on 30 per cent of relevant annual employment income between €125,000 and €1 million. Existing claimants who continue to avail of SARP in 2026 or further years will not be impacted by this change. Amendments will be introduced to make some of the administrative requirements more practical. Further details will be set out in Finance Bill 2025.

The **Foreign Earnings Deduction (FED)** is being extended for five years, to 31 December 2030. The scheme is being amended so that from 1 January 2026 the maximum amount of relevant employment income that may qualify for Income Tax relief will increase from €35,000 to €50,000. In addition, the relief will be extended to apply in respect of qualifying time spent working in two additional countries: the Philippines and Türkiye. The VRT relief for electric vehicles, which was due to end on the 31 December 2025, is being extended by one year to 31 December 2026.

In relation to Benefit-in-Kind (BIK), the temporary universal reduction to the Original Market Value (OMV) of cars in categories A-D and to all vans, which reduces the amount of BIK payable, is being extended on a tapered basis for three further years of assessment, to end on 31 December 2028. The relief will remain at €10,000 for the 2026 year of assessment, reducing thereafter to €5,000 for 2027 and €2,500 for 2028.

Additionally, the lower limit in the highest mileage band is being permanently reduced from 52,001km to 48,001km from 1 January 2026. In relation to BIK **Rate for Electric Vehicles** the tables used to calculate BIK liability on employer-provided cars are being amended to incorporate a new category for vehicles with zero emissions. The new A1 category introduces reduced BIK rates for electric vehicles, with rates of 6 to 15 per cent, depending on business mileage.

The **Accelerated Capital Allowances Scheme for Energy Efficient Equipment** is designed to improve energy efficiency among companies and unincorporated businesses. It provides for an accelerated deduction of 100 per cent of the asset cost in year one where the business chooses highly energy-efficient options when investing in business assets. The scheme is being extended to 31 December 2030.

The exemption of up to €400 from Income Tax for certain profits arising from the **micro-generation of electricity** is being extended for a further three years to 31 December 2028. The relief applies to a qualifying individual who generates energy from renewable, sustainable or alternative energy sources for their own consumption, and who sells surplus electricity to the grid.

HOUSING MEASURES

In relation to VAT on New Apartments, from 8 October 2025, the VAT rate applied to the construction of new apartments will be reduced from 13.5 per cent to 9 per cent. The measure is due to last until 31 December 2030.

A Corporation Tax exemption is being introduced in respect of profits associated with Cost Rental income. Properties designated as Cost Rental accommodation by the Minister for Housing, Local Government and Heritage are subject to strict criteria.

An enhanced Corporation Tax deduction is being introduced for qualifying apartment construction costs. The measure will allow an increase of 125 per cent in the qualifying costs, up to a maximum additional deduction of €50,000 per apartment unit.

The Living City Initiative supports the enhancement of older housing and commercial stock in the designated Special Regeneration Areas in Cork, Dublin, Galway, Kilkenny, Limerick and Waterford. The scheme is being expanded and extended.

The Residential Development Stamp Duty Refund Scheme provides for a partial repayment of the Stamp Duty paid on the acquisition of land where the land is subsequently developed for residential purposes subject to a few conditions.

This scheme, which is due to close to new commencements on 31 December 2025, is being extended to 31 December 2030. A few amendments to the scheme to bring it more into line with current planning and development practices, and to further enhance its support of the delivery of new housing in a timely and efficient manner are also being made.

The Income Tax relief for retrofitting by landlords, which provides a deduction for landlords against rental income for certain retrofitting expenses on rented residential properties, is being extended for a further three years to 31 December 2028.

The relief will also now be allowed to be claimed in respect of the year in which the expenditure occurred and the number of properties for which landlords can claim the relief in respect of is being increased from two to three.

A new Derelict Property Tax (DPT) has been announced. This new tax will be collected by the Revenue Commissioners and will replace the existing Derelict Sites Levy.

A further opportunity is being provided for Residential Zoned Land Tax (RZLT) landowners to make a submission requesting a change in zoning of land appearing on the revised map for 2026, and, in certain circumstances, being exempted from RZLT for 2026 on foot of such submissions.

In addition, an exemption is being provided from RZLT during An Coimisiún Pleanála proceedings brought by a third party in relation to a grant of planning permission in respect of a relevant site.

Consequential amendments required on foot of the Planning and Development Act of 2024 and technical legislative amendments to ensure that the RZLT legislation operates as intended are also being included in Finance Bill 2025.

EXPENDITURE

The budget contained significant increases in expenditure, spread widely across many departments.

- Gross voted current expenditure is projected to increase by €6.1 billion to €97.7 billion, an increase of 6.7 per cent.
- Gross voted capital expenditure is projected to increase by €2 billion to €19.1 billion, an increase of 11.7 per cent.
- An additional €2.0 billion in current expenditure is being provided to the Department of Social Protection.
- An additional €1.5 billion in current expenditure is being provided to the Department of Health.
- An allocation of €0.7 billion is being provided for public sector pay agreement costs, outside of Health and Social Protection.
- As agreed in the NDP, Budget 2026 will provide an additional €2 billion in capital expenditure to total of €19.1 billion.
- An additional €1.9 billion in current expenditure is being made available for other key expenditure sectors, which include Housing, Disability, Children, and Justice.

Key Measures

- The National Minimum Wage will increase by 4.8 per cent from €13.50 per hour to €14.15 effective from January 1st, 2026, for workers over 20. This is up from €9.80 in 2019. The Low Pay Commission had recommended this increase.
- There is a permanent reduction in college fees to €500.
- The State pension and Social Protection rates will be increased by €10 per week.

BUDGET 2026 – THE CONCLUSION

The big story of the budget is the size of the spending package, with current spending budgeted to increase by 6.7 per cent, and capital spending by 11.7 per cent. The expenditure was spread generously across all departments.

Budget 2026, despite the overall size of the package, is unlikely to have a significant impact on economic activity in 2026. The social welfare increases will be soaked up by the various cost-of-living pressures that are still feeding through the system. Workers will not gain from a reduced tax burden. Irish households are now facing into higher property tax charges, higher energy prices, higher health insurance costs, and higher food prices. The measures to help the SME sector are limited, and the hospitality sector will have to endure a 13.5 per cent VAT rate for the first half of the year. In addition, My Future Fund pension scheme, or in other words auto-enrolment, is due to commence on 1st January 2026. Hopefully housing will get some boost from the various measures introduced, but housing in 2026 will remain the most significant challenge facing Ireland.

The economic outlook for Ireland in 2026 still looks reasonably positive and continues to be supported by some solid fundamentals such as the health of the household balance sheet; the record level of employment; continued strong growth in tax revenues; and a politically stable backdrop. The main risks will emanate from the outside, with the uncertain global economic outlook, and the unpredictable policy approach of the US administration key areas of concern.

It is likely that Irish growth will decelerate modestly in 2026, with growth of around 2.5 per cent in modified domestic demand looking realistic based on what we know now.

For the steel and fabrication industry, the increased focus on housing delivery, and particularly apartments, is a positive. Ireland's FDI model is strong but is under some pressure from domestic and external sources. Some of the measures included in the budget are targeted at improving the operating environment for the multi-national sector. This is important. At a more general level, the Government has given a commitment to engage in significant capital expenditure over the coming years in all areas of activity. Budget 2026 did not contain much about climate change, but outside of the budgetary process, the renewable energy agenda will be crucial over the coming years.

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