Irish Tax Institute welcomes reform of R&D Tax Credit announced in Budget 2026

Enterprise tax changes announced will help to increase Irelands' attractiveness & competitiveness

7 October 2025: The Irish Tax Institute has welcomed the announcement made in Budget 2026 that the Research and Development (R&D) Tax Credit will increase from 30% to 35%, that the first-year payment threshold will increase to €87,500 and that further targeted changes will be considered in relation to outsourcing and the definition of qualifying expenditure.

The Institute believes the increase announced today will help in the battle for inward investment, made all the more urgent due to the current upheaval in global trade and the uncertainty surrounding international tax reforms.

The Institute also welcomed Minister Donohoe's announcement that the geographic scope of the participation exemption for foreign dividends will be expanded and his commitment to simplify the operation of the relief. We look forward to seeing greater details on this in the forthcoming Finance Bill.

Other vital enterprise tax changes announced today, which the Institute has consistently advocated for through its many formal submissions, meetings with key stakeholders and through participation on various Revenue forums, include:

- the increase in the lifetime limit of the CGT Revised Entrepreneur Relief from €1 million to €1.5 million for disposals made from 1 January 2026
- the extension of the Key Employee Engagement Programme (KEEP) to the end of 2028
- the extension of the Digital Games Tax Credit to the end of 2031. The Institute also welcomes the introduction of a new 40% visual effects relief for productions with a minimum of €1 million of eligible expenditure on relevant work

- the extension of Special Assignee Relief Programme (SARP) for a further five years
- the extension of Foreign Earnings Deduction for five more years, it's expansion to include the Philippines and Türkiye and the increase in the level of relief available to €50,000

While the Institute welcomes the commitment for further consultation on Ireland's tax regime for interest and will engage in such consultation, we believe the time for action is now, and that urgent changes are needed to ensure our tax code is attractive to investment.

Reacting to Budget 2026, Director of Policy and Representations, Anne Gunnell said, "*In our pre-budget submission and subsequent meeting with Minister Donohoe and his officials, we highlighted the urgent need for reform of the R&D Tax Credit which is key to Ireland's competitiveness. The announcement today that the rate will increase and there will be an increase to the first-year payment threshold and that further changes will be made is very welcome and demonstrates a commitment to increase Ireland's competitiveness*.

"*We are also pleased with many of the enterprise tax changes that have been announced today which we have long advocated for and will, we believe, increase Ireland's attractiveness as a location for Foreign Direct Investment (FDI) as well as strengthening the environment for our SMEs to grow. The Institute will engage with the various consultations announced by the Minister today and continue to play our part in advocating for an efficient and innovative tax system that promotes a successful economy and a fair society*," she concluded.