



**CONSTRUCTION
INDUSTRY
FEDERATION**

BUDGET 2027 SUBMISSION

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BUDGET SUBMISSION 2027

Presented by the Taxation, Investment, Finance/Funding and Public Spending Policy Committee | Construction Industry Federation

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PRESIDENT'S FOREWORD

Ireland's Opportunity to Deliver

The Construction Industry Federation represents an industry that employs over 200,000 people across every county, and one that quite literally builds the foundations of our economy and society.

At this critical moment, pressures faced in housing, infrastructure, and national competitiveness are immediate, visible, and deeply felt across the country.

These challenges are unfolding against a volatile global backdrop. Inflationary pressures, supply chain disruption and geopolitical instability continue to affect costs and delivery across the construction sector. While these factors create uncertainty, they also highlight the importance of a stable policy environment and a clear framework for investment here at home.

Yet alongside these challenges lies a genuine opportunity. The momentum created by Delivering Homes, Building Communities and Accelerating Infrastructure provides a platform to move beyond ambition and achieve real progress. The construction industry stands ready to play its part.

Skills and Workforce Development

The capacity of our sector ultimately depends on our people.

Encouragingly, we are seeing growth with over 20,000 new workers joining the sector between late 2025 and early 2026. Apprenticeships are increasing and training pathways are improving.

But we must go further and faster - strengthening access to STEM and technical education, promoting construction as a career of choice, and ensuring the National Training Fund is targeted towards high-demand sectors like ours.

We also need continued support for apprenticeships, particularly for SMEs, alongside a strong focus on upskilling in digitalisation, modern methods of construction, and climate.

At the same time, capacity across public bodies must match ambition, so that we avoid bottlenecks in delivery.

Infrastructure Delivery

Our members are ready to deliver an infrastructure step-change. But certainty is key.

Too many construction firms are facing an inconsistent pipeline, with almost half reporting no public works activity, while at the same time, many are increasing their activity abroad.

These are companies we need building at home.

There is real capacity and ambition within the industry to grow the workforce and deliver on Ireland's infrastructure and housing needs. But to do that, firms need confidence. That means a clear pipeline of projects, visible progression from planning to construction, and realistic opportunities to tender.

Time has become one of our biggest risks. A project postponed by a year can face substantial increases in materials, labour and financing expenses. If delays continue over several years, the overall cost escalation can become extremely difficult to manage. The longer projects remain delayed, the greater the financial strain on delivery.

But when projects move with certainty, the industry can respond, and the benefits will be felt across the economy, regionally and nationally. And we recognise that Government is listening and acting on these challenges.

Unlocking Housing

Housing remains the defining challenge of our time.

There is a clear determination across the industry to do more - to increase supply, to respond to demand, and to restore the opportunity of home ownership for the next generation.

Progress is being made.

In 2025, over 36,000 new homes were delivered, the highest level in more than a decade, reflecting a sustained effort across Government, local authorities, Approved Housing Bodies, and the private sector.

But we must fully confront the pressures affecting delivery.

STEPHEN MCCARTHY

CIF President



Viability is a growing concern. The cost of construction continues to rise, driven by recent escalation in building material costs, alongside a regulatory environment that can be costly and complex. These factors directly affect the ability to bring forward projects and sustain delivery at scale, with clear consequences for affordability and access to housing.

There are also long-standing structural challenges, particularly in planning, land activation nationally and locally, and infrastructure, which continue to impact certainty and timelines.

It is important to recognise that the Government is implementing reforms and that genuine efforts are being made to address these constraints. The direction is positive, but the urgency of the challenge means we must accelerate that progress.

The role of the Land Development Agency is increasingly important. Its work in unlocking land and enabling large-scale delivery shows how the State is acting as a strong catalyst for housing delivery.

But we must also ensure balance in the system. Social housing is a vital pillar, providing security and stability for those who need it most, and the expansion in delivery in recent years is very welcome. But social provision alone cannot meet the full scale of demand.

A functioning housing system also depends on a strong and viable private market, one that delivers homes at scale and enables individuals and families to access home ownership.

At present, that balance is not where it needs to be.

While much of our housing output is delivered by the private sector, too little is reaching the open market for buyers, limiting access and putting pressure on affordability.

Ultimately, we need both - strong social delivery and a healthy, sustainable private market, working together with the shared objective to ensure more people and families can access a home of their own.

Green and Digital Transition

The construction sector is central to Ireland's climate ambitions and is committed to that transition. But it must be practical.

Construction operates in a world of mobile workforces, temporary locations, and heavy machinery. The transition must reflect this reality.

We need stable policy, realistic pathways, and targeted investment recognising the role of solutions such as HVO fuel, hybrid technologies, and circular construction practices, such as soil hubs, to help drive this transition.

Competitiveness and Productivity

Improving the competitiveness of the construction sector is essential if Ireland is to meet its housing and infrastructure ambitions. This is particularly important for SMEs, which need the confidence to invest, innovate and grow. Higher productivity will not come from any single measure; it depends on progress across planning, utilities, skills, regulatory certainty and long-term public investment.

From Ambition to Delivery

The construction industry is ready to help meet Ireland's housing and infrastructure needs. Across the country, firms are investing in people, adopting new technologies and building the capacity required for future demand.

What matters now is delivery. Delays increase costs, reduce confidence and slow progress on projects that communities need. When projects move forward, the benefits are immediate and lasting: more homes for families, better infrastructure, stronger regional development and a more competitive economy.

Budget 2027 should reflect that reality. The decisions taken now will shape Ireland for decades to come. By providing greater certainty around investment, project pipelines and delivery, Government can unlock the full potential of the construction sector and accelerate the progress that Ireland needs.

A handwritten signature in blue ink that reads "Stephen McCarthy".

Stephen McCarthy
CIF President

EXECUTIVE SUMMARY

The Taxation, Investment, Finance/Funding and Public Spending Policy Committee presents this Budget Submission 2027 on behalf of the Construction Industry Federation (CIF). This submission sets out the industry's priorities across five strategic pillars: skills and workforce development, strategic infrastructure delivery; housing supply; the green and digital transition; and competitiveness and productivity.

Ireland's capacity to meet its housing, infrastructure, and climate objectives over the next decade depends fundamentally on the strength, productivity, and resilience of its construction sector. At the same time, the State faces a narrowing fiscal window: demographic pressures emerging from the mid-2030s will place increasing strain on public finances, underscoring the urgency of accelerating delivery today.

The construction sector has demonstrated strong performance, with construction GVA rising by 9.7% in 2025 and housing completions reaching 36,300 units, a 20% annual increase. However, persistent structural constraints – skills shortages, planning delays, viability pressures, and infrastructural bottlenecks – continue to limit output and threaten Ireland's ability to deliver on national priorities. The IMF finds that Ireland faces a 32% gap in physical infrastructure and a 27% gap in quality relative to best-performing

peers¹, indicating significant shortfalls across core sectors. The physical gap covers roads, electricity, water, education and health infrastructure, while the quality gap reflects service performance and perceived infrastructure quality.

Construction is a foundational enabling sector, delivering the infrastructure and built environment that underpin productivity and growth across the wider economy. Evidence from the World Bank, drawing on several decades of international research, shows that investment in transport, energy, and digital infrastructure significantly improves firm productivity, reduces costs, enhances market access, and supports economic growth. These economy-wide benefits, combined with strong multiplier effects, mean that construction activity not only meets immediate housing and infrastructure needs but also enables all other sectors to operate more efficiently and competitively.²

1 IMF (2025), *Benchmarking Public Spending Efficiency in Education, Health, and Infrastructure in Ireland*, SIP/2025/090 (Country Report No. 25/129)

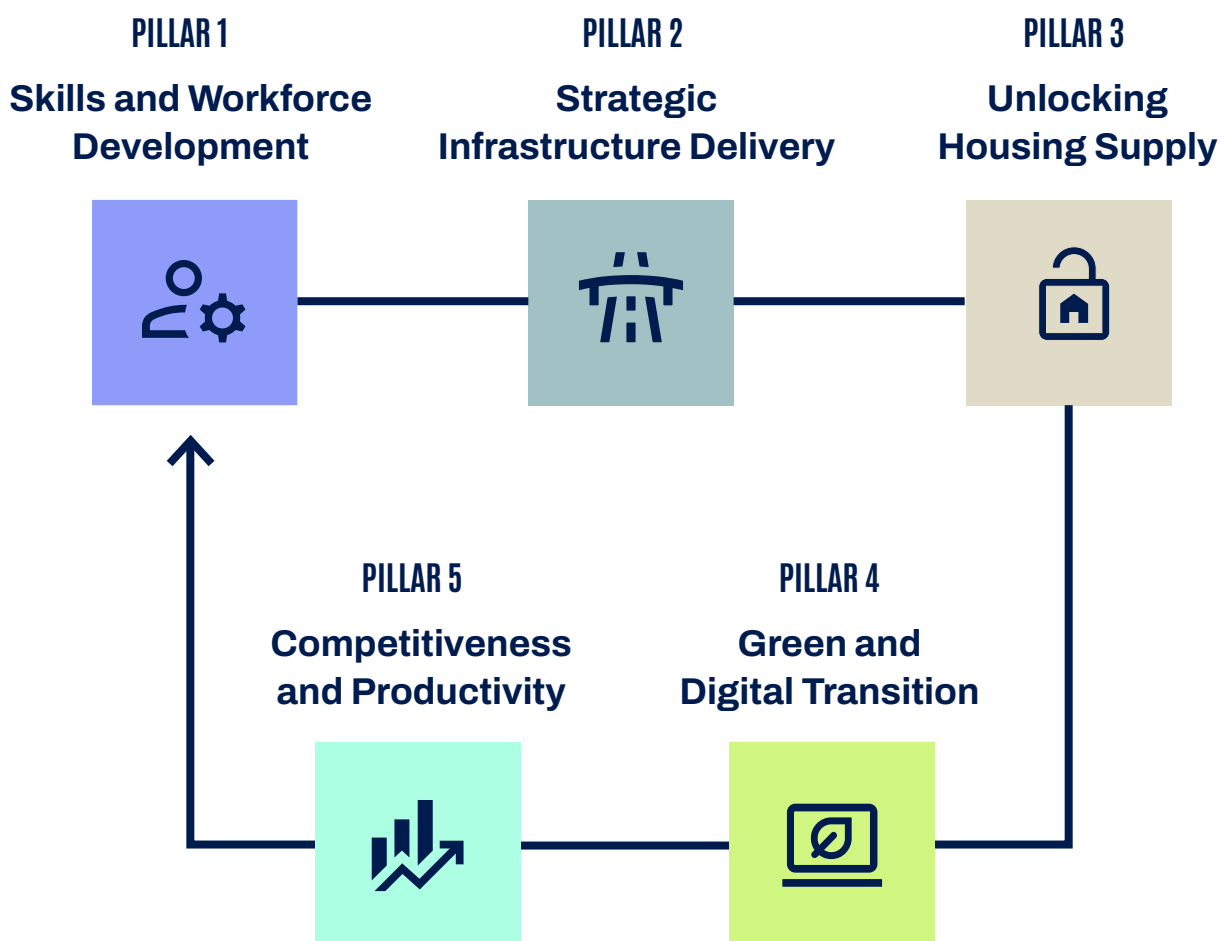
2 Foster, V., Gorgulu, N., Jain, D., Straub, S., & Vagliasindi, M. (2023). *The Impact of Infrastructure on Development Outcomes: A Qualitative Review of Four Decades of Literature*. World Bank Policy Research Working Paper.

Summary Recommendations

This submission sets out a targeted suite of recommendations across five strategic pillars:

THE CONSTRUCTION ECOSYSTEM

Each pillar reinforces the others in a continuous loop: a strong workforce (skills) enables effective project delivery, which increases housing and infrastructure output; this, in turn, supports the green and digital transition, improving productivity and competitiveness, which feeds back into investment in people, systems, and delivery capacity.



BUDGET 2027 KEY RECOMMENDATIONS

This submission sets out a targeted suite of recommendations across five strategic pillars:



Skills and Workforce Development

The recommendations focus on addressing Ireland’s evolving construction workforce needs through coordinated, sustained investment across the skills pipeline, apprenticeship system, and industry capability. Key priorities include expanding early access to technical education and STEM programmes, strengthening funding and governance of the National Training Fund, and promoting construction careers to boost workforce entry, alongside streamlining work permits to address immediate shortages. Apprenticeship reform is central, with calls to maintain full State support for off-the-job training, ensure funding parity across models, provide targeted employer incentives (particularly for SMEs), and reduce upfront costs to encourage participation. In parallel, the proposals emphasise the need to upskill the existing workforce through investment in digital technologies, modern construction methods, and specialised training (e.g. timber construction), while ensuring sufficient resourcing of regulatory and public sector bodies to avoid bottlenecks in delivery. Overall, the recommendations aim to balance short-term labour supply pressures with long-term structural reforms to build a resilient, productive, and low-carbon construction sector.

Strategic Infrastructure Delivery

The recommendations aim to accelerate strategic infrastructure delivery by improving certainty, efficiency, and capacity across the construction system. Central to this is the publication of a rolling, multi-annual public capital pipeline to support long-term planning and investment, alongside targeted procurement reform to enhance productivity, collaboration, and risk allocation. Addressing critical enabling constraints, particularly the need for a clear and credible roadmap for electricity infrastructure, is essential to sustaining economic growth and attracting FDI. The submission also proposes measures to stabilise costs and delivery, including temporary VAT reductions on key inputs and multi-annual budgeting to support the scaling of Modern Methods of Construction (MMC). Further priorities include strengthening regional development through off-site manufacturing, investing in MMC through dedicated funding and financial incentives, and supporting innovation via a national construction testing facility. Finally, adequate resourcing of key institutions, including the NSAI and Office of Government Procurement, is identified as critical to removing bottlenecks, enabling new delivery models, and ensuring the effective implementation of infrastructure investment at scale.



PILLAR 3

Unlocking Housing Supply

Restoring viability in residential delivery requires targeted, time-limited measures, including adjustments to carbon-related costs, reinstatement of the development contribution waiver and water connection refund, application of the reduced VAT rate to all apartment and duplex units, reform of the RZLT with clear and proportionate statutory exemptions provided where infrastructure, legal, or planning constraints prevent timely development, and the strengthening and permanent establishment of the Help to Buy Scheme. The submission emphasises that carbon-related costs are currently operating primarily as a direct increase in input prices, rather than serving as an effective behavioural incentive in housing delivery. The recommendations in this section are targeted, evidence-based, and designed to support both near-term output and longer-term confidence in the housing delivery pipeline.



PILLAR 4

Green and Digital Transition

The construction sector is central to Ireland's climate objectives but faces significant constraints, including limited availability of low-carbon alternatives, grid capacity limitations, and high transition costs. Recommended measures include extending and refining EV supports; prioritising HVO for hard-to-abate applications through targeted, time-bound supports; and establishing a Green Plant and Electrification Scheme incorporating grants, tax incentives, and rental supports. Further actions include investing in circular materials infrastructure; establishing a national testing laboratory and product safety authority to support innovation and compliance; introducing an SME Sustainability Fund to enable reporting, decarbonisation, and technology uptake; addressing energy system constraints through a technology-neutral, long-term capacity strategy; and promoting low-carbon construction methods, including timber frame and off-site solutions.



PILLAR 5

Competitiveness and Productivity

Improving productivity and cost competitiveness is critical to meeting housing and infrastructure targets. The sector requires targeted reforms that reflect its diverse sub-sectors and mobile, project-based nature. Key priorities include taxation and workforce supports, including cashflow-neutral and SME-friendly reform of Relevant Contracts Tax (RCT); enhanced data collection and productivity benchmarking across sub-sectors and project phases; measures to reduce regulatory and insurance costs; increased investment in R&D, digital tools, and the standardisation of Modern Methods of Construction (MMC); and support for Next Generation Sites to enable FDI and balanced regional development.

OVERALL

Taken together, these recommendations form a coherent, evidence based strategy to expand capacity, stabilise delivery, and ensure that Ireland can fully utilise the critical decade ahead. Failure to act risks entrenching structural shortages, undermining competitiveness, and delaying essential national infrastructure. Decisive investment aligned with workforce needs, modern construction technologies, and a predictable capital pipeline will secure longterm economic resilience and support Ireland's social and climate commitments.

BUDGET 2027 RECOMMENDATIONS



Skills and Workforce Development

Strategic Context

Ireland's ability to meet its housing and infrastructure targets through to 2030 and beyond is fundamentally dependent on the availability of a skilled construction workforce. The National Framework for Meeting Priority Construction Workforce Needs has identified a material shortfall in workforce capacity and recommends careful prioritisation and sequencing of investment to manage this constraint.

The construction sector faces a dual challenge: attracting new entrants to the industry at sufficient scale while simultaneously upskilling the existing workforce to meet the demands of a more technologically complex, digitally enabled, and low-carbon sector. Apprenticeship, third-level training, and digital capability development are all critical levers, and each requires sustained, structured State investment to be effective.

Adequate staffing in the public, planning, and procurement sectors also remains a significant constraint on infrastructure delivery and must be addressed in parallel with workforce development within industry. The recommendations in this section are designed to address both immediate supply constraints and the longer-term structural requirements of a sector that will be central to Ireland's social and economic development over the coming decade.

Early Education, Skills Pipeline and Workforce Access

RECOMMENDATION 1.1

Provide Permanent Funding for Safe Pass for Schools

Safe Pass for Schools should be placed on a multi-annual, ring-fenced funding basis to meet demonstrated demand nationwide.

RECOMMENDATION 1.2

Fund Implementation of the Construction Safety Licensing Bill

Adequate Exchequer funding must be provided to support SOLAS in implementing the Construction Safety Licensing Bill and associated system changes.

RECOMMENDATION 1.3

Fund the availability of technical subjects to all schools at second level

Funding should be put in place to ensure all students have the opportunity to complete technical subjects as failure to do so acts as a barrier for a substantial percentage of the population entering STEM related careers. Diversity in the workforce across all sectors provides substantial gains to both employees and employers and should not be hindered due to availability of education in certain subjects at second level.

RECOMMENDATION 1.4

Provide multi-annual funding for STEM passport for inclusion

The next stage of the STEM passport for inclusion requires multi-annual funding to expand the reach of the programme on a wider scale. Currently the programme is confined to single sex Deis girls' schools. This should be expanded to include all second level schools regardless of gender.

RECOMMENDATION 1.5

Strategic Use of the National Training Fund

The National Training Fund (NTF) should be more strategically targeted towards addressing the skills needs of employers, particularly in sectors such as construction where skills demands are high. Employer contributions have grown over the last number of years with income outpacing expenditure, generating a significant surplus year on year. The NTF is funded by employer contributions and as such industry should have formal input into how the fund is dispersed and its priorities. This would support future proofing of the fund and ensure the labour force is agile, prepared to respond to change and capitalise on opportunities in an increasingly fast paced, globalised environment.

Greater flexibility in the use of the NTF is required to support pipeline development, shared apprenticeships, and collaborative training models. Two major impediments to employer engagement with education and training are cost and time. Further supports and incentives are needed for in-company training with a particular focus on SMEs. NTF funding should support a targeted dual system with financial supports for employers to cover cost of releasing staff and employee supports for travel and other participation related costs.

In addition, improved data sharing, monitoring, and evaluation of NTF-funded programmes is needed to ensure funding is delivering outcomes in line with its legislative purpose and maximising returns on employer contributions.

Finally, NTF resources should remain focused on skills and training provision. They should not be diverted to capital projects, such as building upgrades, which fall outside the core purpose of the fund and should be supported through alternative Exchequer funding streams.

RECOMMENDATION 1.6

Provide funding to support a joint industry/DFHERIS targeted Careers in Construction Campaign

CIF welcomes the Careers in Construction Campaign launched by DFHERIS and requests that the campaign be further funded and developed due to the expanding labour expectations on the construction industry. Failure to support the development of the necessary skills will have a detrimental impact on the future growth and development of the country which will in turn impact the daily lives of citizens. The Careers in Construction Campaign if further funded can help turn the dial and illustrate the rewards that are associated with working in the construction industry and attract the necessary talent that the industry requires.

RECOMMENDATION 1.7

Introduce Fast-Track Training and Upskilling Schemes

Enhanced funding should be provided to support the development of targeted, employer-led in-house training programmes that address firm-specific skills gaps. Their tailored nature ensures a strong return on investment, enabling the rapid delivery of critical skills required to meet evolving construction demands. Expanding such flexible training supports will be key to addressing skills shortages and sustaining growth in Ireland's construction sector.

RECOMMENDATION 1.8

Streamline visa/work permit process for skilled construction workers

Reports from members have been that the processing of visa and work permits is taking a considerable amount of time. It is requested that the service is sufficiently resourced to allow for it to run effectively and clear the current backlog.

RECOMMENDATION 1.9

Introduction of a Cap of the Redundancy Entitlements

Currently an employer is responsible for the payment of redundancy entitlements, at two weeks per year of an employee's employment plus an additional week's pay to the value of €600 per week with no limit to the number of years of service on which payment should be made. It is asked that a limit be put in place as currently this payment can be a substantial cost to a business that is in the process of ceasing either all or certain operations.

Apprenticeships

RECOMMENDATION 1.10

Sustain Core Apprenticeship Funding

CIF strongly recommends the continued full State funding of off-the-job apprenticeship training through the National Training Fund (NTF). Any reform of the apprenticeship system should be cost-neutral for employers.

RECOMMENDATION 1.11

Funding for Off-the-Job Training and Parity Across Apprenticeship Models

Under the Action Plan for Apprenticeship 2026 – 2030, government continues with its plan to integrate both the traditional craft apprenticeship, and the consortium led apprenticeship models. Two primary concerns raised by the CIF has been firstly in relation to funding and secondly in relation to the day-to-day operation of the apprenticeships. While concerns surrounding the operation of the apprenticeship system has been addressed in theory; concerns surrounding funding remain; particularly in relation to funding for off-the-job training for consortium led apprenticeships.

It is imperative that the funding model for the craft apprenticeship remains unchanged. As outlined in "The plan for the New Single Integrated Apprenticeship System", the following key component should be implemented - "additional funding is recommended in order to address the difference in the annual contribution to training costs which the State makes to craft and non-craft apprenticeship employers". Parity in payments for the craft and consortium led apprenticeships is vital in attracting the necessary talent to grow the apprenticeship population.

RECOMMENDATION 1.12

Sufficiently resource the transition to a Single Integrated System for Apprenticeship

The transfer to the new Single Integrated System must be sufficiently resourced to ensure a seamless integration. Uncertainty in relation to changes will act as a significant deterrent to employers when taking on new apprentices. Also change in process, as well as roles and responsibilities, come at a substantial costs and burden to companies.

Further to this, functions within the current system should not be transferred to alternative bodies without serious consideration of the implications with all risks being adequately assessed. The new system must be workable, streamlined and funded sufficiently to allow this to take place.

RECOMMENDATION 1.13

Introduce Targeted Employer Incentives

CIF recommends the reinstatement of the Apprenticeship Incentivisation Scheme, and targeted financial incentives for SME employers, wet trades, and high-cost

apprenticeships experiencing structural skills shortages. The Apprenticeship Incentivisation Scheme, which was removed in 2021, provided direct financial support to employers taking on apprentices.

Taking on an apprentice represents a substantial investment of both time and resources for employers. Reinstating and targeting this incentive would help alleviate employer cost pressures, support SMEs and assist with the continued growth in the number of people undertaking apprenticeships.

RECOMMENDATION 1.14

Reduce Early-Stage Apprentice Costs

Government should reduce non-wage costs at the early stage of apprenticeship through reliefs on registration fees, exam fees, and mandatory certifications.

RECOMMENDATION 1.15

Introduce enhanced employer grants/tax credits to firms hiring apprentices

The taking on of apprentices for a 4-year period is a substantial commitment particularly for SMEs. By putting in place grants / tax incentives it would serve to entice employers to take on additional apprentices by means of alleviating the possible financial pressures that often remain uncertain at the onset of a project.

RECOMMENDATION 1.16

Removal of Contribution Fee for Apprentices in phases 2 and 4

While the 33% reduction in the contribute fee for apprentices in higher education due to the costs of living has been welcomed; consideration should be given to total removal of the contribution fee for apprentices in phases 2 and 4.

Specialist Industry Training

RECOMMENDATION 1.17

Establish 3rd Level Training in the use of Timber as a Structural Element

Ireland grows enough softwood timber to be self-sufficient making it a valuable resource with a low carbon footprint. Building technologies such as cross laminated timber and other engineered wood products are being increasingly adopted as building methods because of their low carbon benefits.

Although Ireland has the potential to be a world leader in this area, third-level training in the use of timber as a structural material remains severely lacking within both engineering and architectural programmes. While it is acknowledged that efforts are underway to increase

the incorporation of Modern Methods of Construction (MMC) into third-level curricula, it is essential that timber – given its status as a natural and sustainable resource – is established as a core component of Ireland's education system.

RECOMMENDATION 1.18

Fund supports to implement digital technologies that enhance the productivity of the sector

The BIM Mandate was introduced to the Capital Works Management Framework on 1st January 2024 and has continued to cascade down through the industry predominately at 6-month intervals. From January 2027, the BIM mandate will start to impact projects over €5 million on the contractor side. As projects that fall within the scope of the mandate continue to rise, the impact on both the industry and contracting authorities continues to widen. Support for companies, particularly SMEs, is essential to ensure they are adequately resourced to develop the necessary skills capacity. Findings from the CIF Outlook Survey for Q2 2026 indicate that 67% of respondents reported low or no involvement in public works contracts in Q1 2026, continuing a trend observed across recent surveys. Should firms be excluded from tendering due to an inability to meet new requirements, this would reduce the pool of eligible bidders, ultimately impacting competition and value for money in public procurement.

On the client side, sustained commitments to training are equally critical to ensure appropriate upskilling, particularly in relation to specifying proportionate and relevant requirements at the outset. Failure to do so risks imposing unnecessary or excessive requirements that add limited value to project delivery or end users, thereby increasing costs for the taxpayer.



Apprentice of the Year 2026
Petra O'Flaherty, O'Flaherty Stone



Strategic Infrastructure Delivery

Strategic Context

Ireland faces a significant infrastructure deficit, with the IMF estimating a 32% gap in physical infrastructure and a 27% gap in quality, while transport capacity remains particularly constrained at 41% below high-income European peers. At the same time, the construction sector is performing strongly, supported by resilient Modified Domestic Demand and sustained investment flows despite global uncertainty.

Public expenditure has increased by approximately 50% since the pandemic, largely funded by strong tax receipts. However, demographic pressures are expected to intensify from the mid-2030s, creating a limited window over the next decade to accelerate strategic infrastructure investment. While the National Development Plan allocates €102.4 billion for 2026–2030, delivery rather than funding is increasingly the binding constraint.

New Critical Infrastructure legislation coming into effect from mid-2026 will require public bodies to cooperate, coordinate, prioritise and sequence their duties with other agencies, and to allocate the resources necessary, to ensure the rapid approval of major projects and programmes. Fast-tracking strategically important projects across energy, utilities, transport and water sectors is deemed essential, including renewable energy infrastructure like offshore/onshore wind and solar power generation projects.

Construction output continues to expand, with GVA growing by 9.7% in 2025 and forecast to increase by an average of 4.8% annually to 2029. Early progress is being made in addressing delivery bottlenecks through initiatives such as the Accelerating Infrastructure Taskforce. However, persistent constraints in public sector capacity, planning, and procurement systems continue to limit project throughput.

Although housing delivery has improved, with 36,300 completions in 2025, sustaining growth will depend on the timely delivery of enabling infrastructure and broader system reforms. This underscores the need for clear prioritisation and sequencing of investment across sectors.

Strengthening sectoral investment planning, accelerating infrastructure delivery, and crowding in private capital will be critical to enhancing economic resilience. Targeted budgetary measures are now required to remove delivery constraints, maximise the impact of planned capital expenditure, and ensure Ireland can close its infrastructure gap within this critical investment window.

RECOMMENDATION 2.1

Publish a Rolling Multi-Annual Public Capital Pipeline

Government should publish a rolling multi-annual public capital pipeline with clear sequencing to support long-term industry planning. This should include:

- ▶ A project pipeline tracker containing project names, values, types, and likely tender, award, and construction commencement dates
- ▶ Measures to reduce volatility in public capital expenditure to encourage sustained sectoral investment in skills and technology
- ▶ Use of pipeline certainty to drive long-term capacity investment: equipment, Modern Methods of Construction (MMC), staff training, and organisational scale

RECOMMENDATION 2.2

Procurement Reform for Productivity

Reform of the Capital Works Management Framework (CWMF) is required across the following areas:

- ▶ Quality in Award criteria
- ▶ Risk Management
- ▶ Design and Liability
- ▶ Collaboration

Reform of the Public Works Contract (PWC) should proceed in accordance with the CIF's strategy for improved delivery of public infrastructure, including removing the fitness for purpose requirement for contractor design, addressing background information obligations, clarifying ground risk allocation, and resolving the treatment of utilities. The introduction of proposed new Alternative Dispute Resolution (ADR) mechanisms and early contractor involvement should be implemented without delay.

RECOMMENDATION 2.3

Electrical Infrastructure and Foreign Direct Investment

Ireland's ability to attract and retain Foreign Direct Investment – particularly in the semiconductor and advanced manufacturing sectors – is increasingly dependent on the availability of reliable, affordable, and scalable electrical power. The cost of electricity is a material concern for major investors operating in or considering Ireland as a location. Offshore wind generation capacity is unlikely to deliver meaningful output before 2032, and in the interim, a clear and credible plan for the buildout of electrical power generation through diversified sources is required. Government should publish a roadmap for electrical infrastructure investment that provides certainty to existing and prospective investors and removes energy supply as a barrier to continued FDI growth.

RECOMMENDATION 2.4

Introduce Temporary VAT Reductions on Key Construction Inputs

Significant inflationary pressure on construction inputs – including plastics, steel, insulation, and fuel – is being driven by ongoing geopolitical instability. A temporary reduction in VAT on key construction commodities should be introduced to moderate cost pressures on the sector and support continued delivery of housing and infrastructure.

Many companies operating within the construction sector rely on fixed-price contracts that are agreed several months in advance of project commencement. While this is an inherent commercial risk borne by the industry, the scale and pace of cost increases in the current climate have been unprecedented.

In light of these exceptional circumstances, it is requested that targeted supports be introduced, such as grants or subsidies. These supports are particularly necessary for the SME sector, which represents 96% of all firms operating within the industry.

RECOMMENDATION 2.5

Introduce Multi-Annual Budgets to Support Modern Methods of Construction

The stop-start nature of public procurement is a structural impediment to the growth of the MMC sector, particularly 3D manufacturing. Multi-annual budgets, in areas where capital outlay is certain, would provide baseline pipeline certainty enabling manufacturers to plan investment, grow their workforce, and commit to research and development. This approach would also deliver better value for money for the taxpayer, as consistent throughput in manufacturing facilities generates economies of scale, lower unit costs and increased productivity across the construction sector.

RECOMMENDATION 2.6

Develop Dedicated Frameworks for the 3D Volumetric Sector

Education and Health

The 3D volumetric sector continues to face significant challenges due to a limited project pipeline, with the industry currently heavily reliant on a single framework – *Provision of MMC Pre-Manufactured Modular 3D Volumetric Educational Accommodation* – which is not sustainable. As a result, members of the Smart Offsite Association (SOsA) are operating at approximately 50% capacity, representing a substantial underutilisation of resources that could otherwise enhance overall sector productivity.

It is recommended that, in addition to the Department of Education and Youth, the Department of Health be specifically targeted to support the development of this sector. The 3D volumetric approach is particularly well suited to healthcare projects for two key reasons: speed of delivery and reduced on-site disruption.

In terms of speed, groundworks can be undertaken concurrently with the off-site manufacture of modules, significantly reducing the overall time required to bring facilities into operation. With respect to disruption, healthcare projects are often delivered on live, congested sites. Volumetric construction can minimise noise, traffic congestion, and general disturbance, while helping to maintain a safe and calm environment for patients and staff, including those who are immunocompromised.

Furthermore, it is recommended that formal communication channels be established between the relevant departments to facilitate a more balanced and consistent pipeline of projects throughout the year. This would help to mitigate seasonal fluctuations and provide the steady throughput required to sustain efficient factory-based production.

Housing and Accommodation

In the context of housing, under the Government's *Delivering Homes, Building Communities 2025–2030* strategy, a commitment has been made to the 3D volumetric sector through the provision of Modular Pathfinder Projects. Members of the Smart Offsite Association (SOsA) recommend that these pathfinder projects be supported by a sustained pipeline of work, enabling economies of scale and providing the industry with the opportunity to demonstrate the full value it can deliver.

The sector has already demonstrated its capability in delivering permanent buildings within educational settings. In particular, 3D modular construction is well suited to student accommodation, where the repeatability of layouts allows for accelerated delivery and reduced on-site disruption. Another area with strong potential is accommodation for the Defence Forces, as evidenced by successful projects delivered in the UK.

It is therefore recommended that a comprehensive review of all State-delivered accommodation projects be undertaken to identify sectors where 3D volumetric construction can deliver enhanced value for the taxpayer.

Without a sufficient project pipeline, Ireland will struggle to grow its indigenous 3D volumetric construction sector at a time when investment is most critical. In the absence of consistent domestic opportunities, companies are increasingly reallocating resources to the UK market, where established frameworks provide a steady flow of work, leading to a reduction in available capacity within Ireland. At a point when the State requires significant investment in housing and infrastructure, this sector has the potential to deliver additional capacity through manufacturing-led construction.

RECOMMENDATION 2.7

Regional Development and Off-Site Construction

The Programme for Government commits to leveraging State capital investment to promote MMC and set binding targets for MMC use in at least 25% of all State-backed housing. The CIF requests that:

- ▶ Such targets are extended to all State-backed projects across housing and infrastructure
- ▶ A sufficient percentage of Pre-Manufacture Value (PMV) is included in tender criteria

Many off-site manufacturing facilities are located outside urban centres, typically close to the regional motorway network. Incentivising off-site manufacturing will support the further development of regional manufacturing facilities, create employment outside of high-pressure urban areas, and alleviate strain on the rental market in locations such as Dublin. This approach directly supports the regional employment objectives of the National Development Plan.



Murphy Ireland - Airton Road upgrade and extension project

RECOMMENDATION 2.8

Establish a National Testing Facility for Construction

To avoid constraining innovation in the construction sector, it is important that Ireland develops its own testing facilities capable of providing durability, acoustic, thermal, structural, fire, and moisture performance assessments. At present, manufacturers must rely on facilities in jurisdictions such as Northern Ireland, the UK, Germany, and Slovenia, adding cost and complexity to the process.

The sector is undergoing continuous change driven by evolving European and national regulations, including updates to the Eurocodes, the Construction Products Regulation, carbon emissions requirements, and Building Control regulations. These changes are increasing the demand for testing, particularly for off-site manufacturing systems.

Given the growing and sustained need for testing – alongside Government policy support for innovation – it is recommended that a national construction testing service, similar to the former IIRS (later Eolas), be established.

It is further recommended that a feasibility study be undertaken to identify the optimal model and location for such a facility, with the Department of Enterprise, Tourism and Employment identified as a potential lead authority.

RECOMMENDATION 2.9

Capital and Financial Incentives to Support the MMC Industry

The Growth and Sustainability Loan Scheme (GSLs) and the Ukraine Credit Guarantee Scheme (UCGS), while valuable, are not of sufficient scale to facilitate the level of capital investment required to develop off-site manufacturing facilities. The Programme for Government 2025 commits to establishing an MMC Innovation Fund via the Ireland Strategic Investment Fund (ISIF) to directly fund new housing factories and expand existing ones. The CIF requests that this commitment is actioned and that adequate resources are assigned to the ISIF for this purpose.

RECOMMENDATION 2.10

Support the NSAI Agrément Service

Increasingly, contracting authorities are requiring NSAI Agrément certification as part of tender evaluation criteria, leading to a significant rise in applications. To address the resulting backlog, it is critical that the NSAI Agrément service is adequately resourced in the short term, with staffing levels increased substantially – potentially up to threefold.

It is understood that over 90 applications are currently within the Agrément process, each requiring individual assessment, making the process resource-intensive for both the NSAI and manufacturers. In addition, general enquiries have increased by approximately 150%, placing further strain on available resources.

Despite ongoing industry collaboration with the NSAI, the primary constraint remains insufficient resourcing within the Agrément service. As a result, delays in certification are likely to limit companies' ability to compete for public sector projects in the medium to long term, despite having the capacity to deliver.

RECOMMENDATION 2.11

Introduce an NSAI Timber Frame Erector Approval Scheme

2D panellised timber frame systems account for approximately 57% of scheme housing in Ireland. NSAI operates a manufacturer approval scheme involving annual factory audits of registered manufacturers. A similar approval programme should be introduced for timber frame erecting companies, requiring additional NSAI resources, to maintain and strengthen quality standards in timber frame construction.

RECOMMENDATION 2.12

Resource the OGP to Enable Greater Facilitation of Modern Methods of Construction

Modern Methods of Construction require contractual changes to facilitate new ways of working, particularly in relation to risk allocation for off-site manufacturers around payment. The Office of Government Procurement (OGP) should be adequately resourced to introduce these changes in a timely manner, ensuring that risk is appropriately allocated to the party best placed to manage and bear it.



PILLAR 3

Unlocking Housing Supply

Strategic Context

Housebuilding viability remains one of the most significant structural challenges facing the Irish construction sector. While Government has introduced a range of measures to address this, housing output has not yet reached the levels required to meet national demand. Housing completions of 36,300 units in 2025 represent meaningful progress, but the surge in commencements in 2024 has introduced uncertainty into the forecast, and further evidence of a sustained increase in output is needed.

Cost pressures – including carbon taxation, development contributions, material inflation, and regulatory compliance costs – continue to undermine project viability across the sector. The recommendations in this section are targeted, evidence-based, and designed to support both near-term output and longer-term confidence in the housing delivery pipeline.

RECOMMENDATION 3.1

Address the Impact of Carbon Taxation on Residential Construction

The CIF recognises that that decarbonisation of the built environment is a critical national and European objective, and that carbon pricing can play an important role in driving long-term behavioural change and investment in lower-emissions technologies. The residential construction sector must, and will, play a central role in achieving Ireland's climate targets.

However, it is equally important to recognise that the pathway to decarbonisation in construction differs materially from other sectors. Housing delivery remains highly reliant on a narrow range of energy-intensive materials and processes, including cement, steel, insulation, and transport, for which there are currently limited scalable and commercially viable low-carbon alternatives. Core construction materials such as cement and steel are widely recognised as hard-to-abate sectors, where decarbonisation requires new technologies, substantial capital investment, and long development timelines.

These challenges are especially pronounced because a significant portion of emissions in sectors such as cement and steel arise from industrial processes rather than energy use, meaning they cannot be easily addressed through fuel substitution alone and limit the effectiveness of price-based interventions.³ The scale of the economic challenge is also clear. The International Energy Agency (IEA) has highlighted that emerging near-zero emissions cement technologies can involve production costs of 75-150% higher than conventional methods, demonstrating the substantial barriers to material substitution in the short term.⁴

This dynamic is well established in international research. The OECD, in *Brick by Brick: Building Better Housing Policies* (2021), notes that “some housing market policies can have negative impacts on affordability insofar as they raise housing costs without yielding substantial additional social value. Thus, in many cases, governments should re-evaluate the stringency of some housing policies in light of the secondary negative effects they may create” (p.138).⁵ The OECD's subsequent 2023 analysis further highlights that direct carbon pricing has a limited short-term impact on emissions in the housing sector, due to the high marginal abatement costs associated with building and construction.⁶

Similarly, the IEA has highlighted that the transition to near-zero emissions materials faces significant cost and technology barriers, on both the supply- and demand-side. Early movers require substantial investment and policy support to develop viable alternatives. The IEA acknowledges that economy-wide demand-side measures such as carbon pricing can be useful but are more effective when coupled with targeted measures such as grants, tax credits, or other financing that can support technology.⁷

As a result, in the context of residential development, carbon-related costs function primarily as a direct input price increase, rather than an effective behavioural signal. This places immediate and substantial pressure on project viability, particularly for schemes already operating on tight margins, and risks delaying or preventing delivery.

The distributive impacts of carbon taxation must also be considered. Research by the ESRI highlights that carbon taxation is inherently regressive, with lower-income households paying a greater proportion of their income in carbon-related costs than higher-income households.^{8,9} While revenues from carbon taxation are used to fund important climate initiatives, including retrofitting programmes, access to these schemes is often

constrained by the significant upfront investment required. For example, AIB's Home Retrofit Report (December 2024) indicates that even a basic retrofit can cost between €5,000 and €15,000, while deep retrofits can exceed €30,000-€100,000.

Taken together, these factors point to a clear timing and sequencing challenge. Costs are being imposed on housing construction in the present, while the sector's ability to respond through material substitution or technological change will only ever emerge over the medium to long term. Internationally, this challenge has been met with a more sequenced approach, whereby carbon pricing is maintained as a long-term policy tool but is complemented by target, time-limited interventions to avoid constraining housing supply during periods of elevated cost pressure.

Recommendation: Immediate action is required to ensure that carbon taxation does not continue to undermine housing delivery during a period of acute supply shortage. The CIF recommends that the planned increase in the carbon tax not proceed as scheduled, and that the Government introduces targeted, time-limited measures to moderate the impact of carbon-related costs on residential construction. Such measures would maintain the overall trajectory of climate policy while recognising the limited short-term capacity of the construction sector to respond to price signals, ensuring that climate ambition and housing delivery objectives remain aligned rather than in conflict.

RECOMMENDATION 3.2

Extend the Development Contribution Waiver; Reintroduce the Water Connection Charge Refund and Pause Indexation of Development Contributions

The temporary waiver of local authority development contributions and the Uisce Éireann connection charges refund was introduced as part of a coordinated package of measures under *Housing for All* to address acute housing viability challenges. Development contributions represent a significant upfront planning cost, while water and wastewater connection charges place additional financial strain on developers. Global uncertainty has led to market conditions not dissimilar to those seen when these schemes were introduced, and the level of these material cost increases and recent increases in Development charges are a significant concern. Evidence from the period following the introduction of these measures indicated a strong uplift in housing commencements, with Government and industry repeatedly highlighting the positive role played by the schemes in restoring near-term viability and confidence in the sector.

Recommendation: Consideration should be given to the re-introduction of both measures as a targeted and time-limited package, aimed at supporting commencements and instilling confidence in the sector.



Castlethorn –
Luttrellstown Gate Development

- 3 European Commission - Joint Research Centre, The role of carbon capture across hard-to-abate industries in the EU: a review of projections for 2030 and 2050 (2024) available at: [JRC Publications - The role of carbon capture across hard-to-abate industries in the EU: a review of projections for 2030 and 2050](#)
- 4 IEA, The Breakthrough Agenda Report (2025) available at: <https://www.iea.org/reports/breakthrough-agenda-report-2025/cement-and-concrete>
- 5 OECD, Brick by Brick (2021) available at: [Brick by Brick \(EN\)](#)
- 6 OECD, Brick by Brick II (2023) available at: [Brick by Brick \(Volume 2\) \(EN\)](#)
- 7 IEA, Demand and Supply Measures for the Steel and Cement Transition (2025) available at: <https://www.iea.org/reports/demand-and-supply-measures-for-the-steel-and-cement-transition>
- 8 O'Donoghue, Cathal, The Distributional Impact of Carbon Pricing and Energy Related Taxation in Ireland (2024) available at: [The distributional impact of carbon pricing and energy related taxation in Ireland](#)
- 9 Tovar Reanos, Miguel, and Lynch, Muireann, The Heterogenous Effects of Carbon Taxation in Ireland (2022) available at: [The heterogeneous effects of carbon taxation in Ireland](#)

The CIF acknowledges that such supports should be appropriately targeted and could reasonably be subject to a maximum floor area threshold, ensuring that measures are focused on supporting mainstream housing delivery for those who need support rather than larger, high-value developments.

There is also considerable concern in the housebuilding sector that the wet winter significantly impacted on production and that many housing schemes scheduled for completion by the end of the Waiver deadline, the 31st December 2026 may not complete and that consideration must at the very least to extending the deadline for schemes under construction by at least 3 months.

A temporary pause in the indexation of development contributions should also be considered. This would prevent further upward pressure on upfront costs while broader construction cost inflation remains elevated. We are aware that some Local Authorities have increased the price in their Development Contribution Scheme Charges.

Such measures would provide a clear and immediate signal to the market, maintaining confidence and activity levels across the residential construction sector.

RECOMMENDATION 3.3

Apply the reduced VAT rate to all apartment and duplex units to unlock viable, affordable high-density housing delivery nationwide

The reduction in the VAT rate applicable to apartment construction is most welcome and represents a meaningful intervention to support apartment viability and housing delivery. This measure will provide significant assistance in addressing the well-documented viability challenges associated with higher-density residential development in urban and regional town settings.

However, there remains an element of uncertainty and inconsistency in relation to the scope of the reduced rate, specifically regarding how it applies to apartment developments that do not include a “common entrance”, as currently set out in Revenue guidance.¹⁰ This issue is particularly relevant for:

- ▶ Duplex units, which are explicitly recognised and designed in accordance with apartment standards and building regulations but may not incorporate a common entrance. The most common design of Duplex Apartments is for two duplex units constructed above two apartments with a common entrance for two of the apartments (stairs). Under the Revenue Guidelines there must be common access to at least 3 apartments. A minor change in wording would ensure an equitable tax treatment for all apartments.
- ▶ Smaller apartment schemes, including own-door apartments or low-rise developments, where each unit has individual access.

Under the current interpretation of the guidance, these developments may be excluded from the reduced VAT rate despite meeting apartment design standards and contributing to higher-density delivery. This creates unnecessary uncertainty, and undermines project viability, actively discouraging precisely the type of compact, efficient housing that national and regional planning policy seeks to promote.

Extending the application of the reduced VAT rate of 9% to all apartment units and duplexes, irrespective of the presence of a common entrance, would provide much needed clarity and fairness.

Recommendation: The reduced VAT rate should be explicitly confirmed and applied to all apartment and duplex units, including own-door and non-common-entrance forms, to support viable high-density development and to encourage a broader mix of delivery models for apartment housing. This would also significantly assist the construction of more affordable high-density units for sale in suburban and regional locations.

RECOMMENDATION 3.4

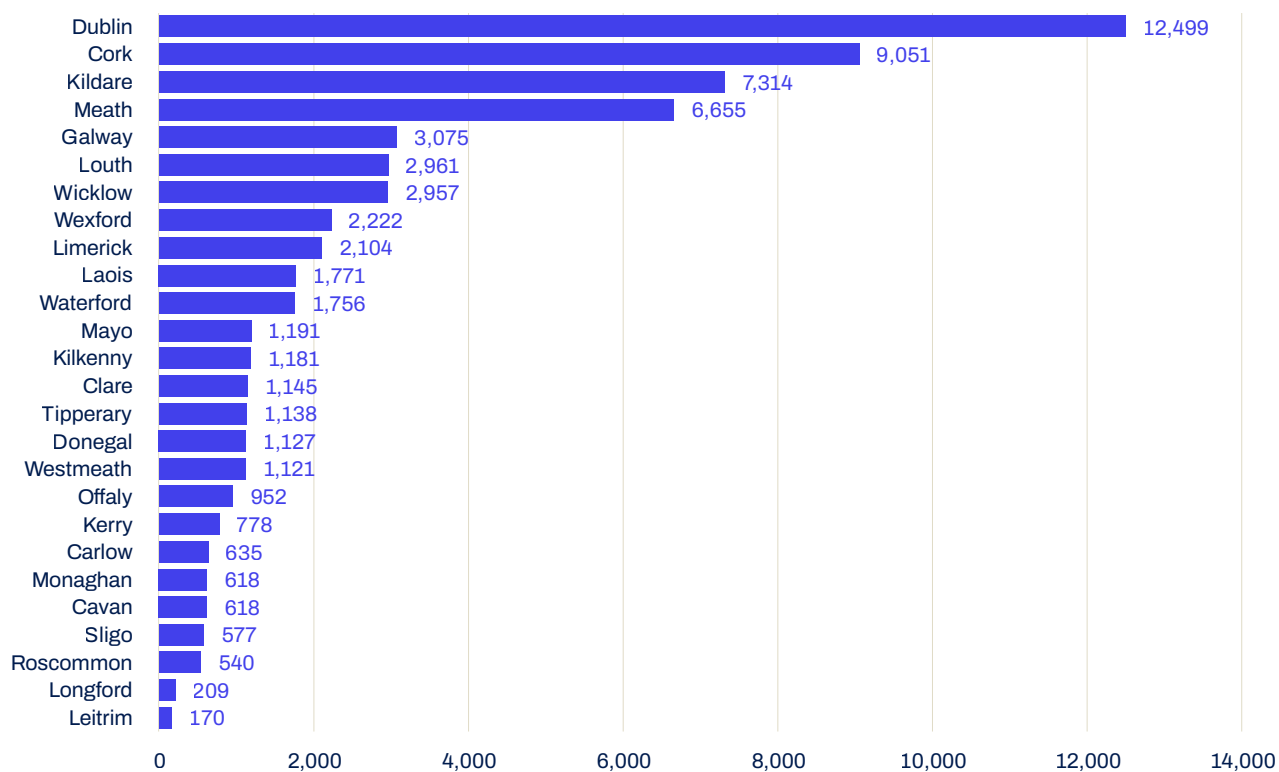
Strengthen and Permanently Establish the Help to Buy Scheme

Since the Help to Buy (HTB) scheme was introduced, it has helped over 115,000 applicants access home ownership across almost 65,000 applications. Most of these applications have been made in counties where housebuilding is most concentrated: Dublin, Cork, Kildare, Meath, and Galway.

10 [Supply and Construction of Qualifying Apartments and Apartment Blocks - \[Supply and Construction of Qualifying Apartments and Apartment Blocks\]](#)



FIGURE 1: GEOGRAPHICAL BREAKDOWN OF HTB CLAIMS (AS OF 31 MARCH 2026)



Source: Revenue

Every generation has benefited from some form of tax relief or other support to help them buy a new home – however, this generation of young people face more acute affordability challenges than any generation that have come before them in the post-war period. From the State's perspective, home ownership is the most efficient means of housing people – unlike social housing or other types of public housing, there are no ongoing maintenance costs. The HTB scheme functions as a tax back scheme which allows the State to positively promote home ownership.

Given its proven effectiveness, the HTB scheme should be placed on a permanent footing, rather than being subject to periodic extensions. Certainty in the continuation of the scheme is essential for both first-time buyers planning their purchase, and for housing supply, where affordability supports are factored into development viability and financing.

Additionally, the current property price threshold has remained largely static since the introduction of the HTB scheme in 2017 and no longer reflects affordability conditions in many parts of the country. Take Dublin, for example, where more houses are built than in any other county and where affordability is a major issue:

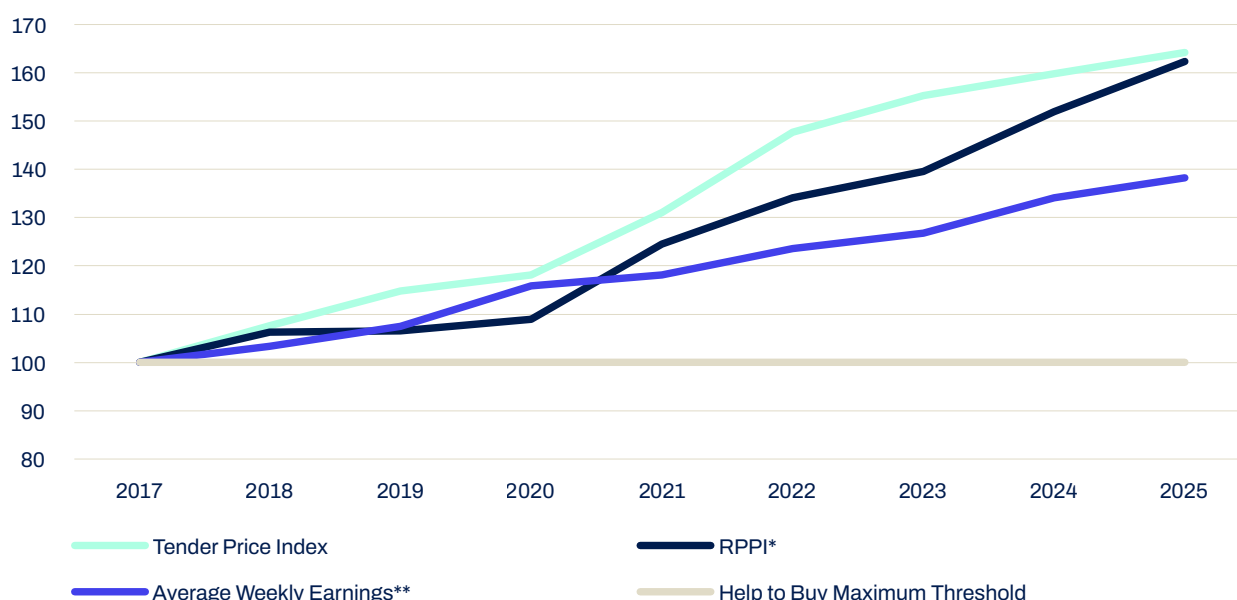
TABLE 1. HELP TO BUY CLAIMS V NEW HOME COMPLETIONS 2017-2025

	2017-2025	
	HTB Claims	Completions
Dublin	12,499	79,056
State	64,365	222,534
Dublin % of State	19.4%	35.5%

While Dublin makes up c.30-40% of housing completions each year since 2017, it represents under 20% of all HTB claims over the same period. This divergence partially reflects that the current HTB thresholds increasingly fail to operate effectively at higher-cost markets, excluding many prospective first-time buyers despite strong delivery levels.

A further effect of the current €500,000 threshold is constraining access to new-build housing in higher-cost urban areas, effectively pushing first-time buyers towards more distant locations where prices fall within the threshold. In addition to increasing commuting distances, this pattern places greater pressure on transport infrastructure and runs counter to broader planning and climate objectives aimed at compact growth and sustainable urban development.

FIGURE 2: SCSi TENDER PRICE INDEX, RESIDENTIAL PROPERTY PRICE INDEX (RPPI), AVERAGE WEEKLY EARNINGS, AND THE HTB THRESHOLD, 2017-2025, 2017=100



Sources: CSO, RPPI, SCSi, Revenue

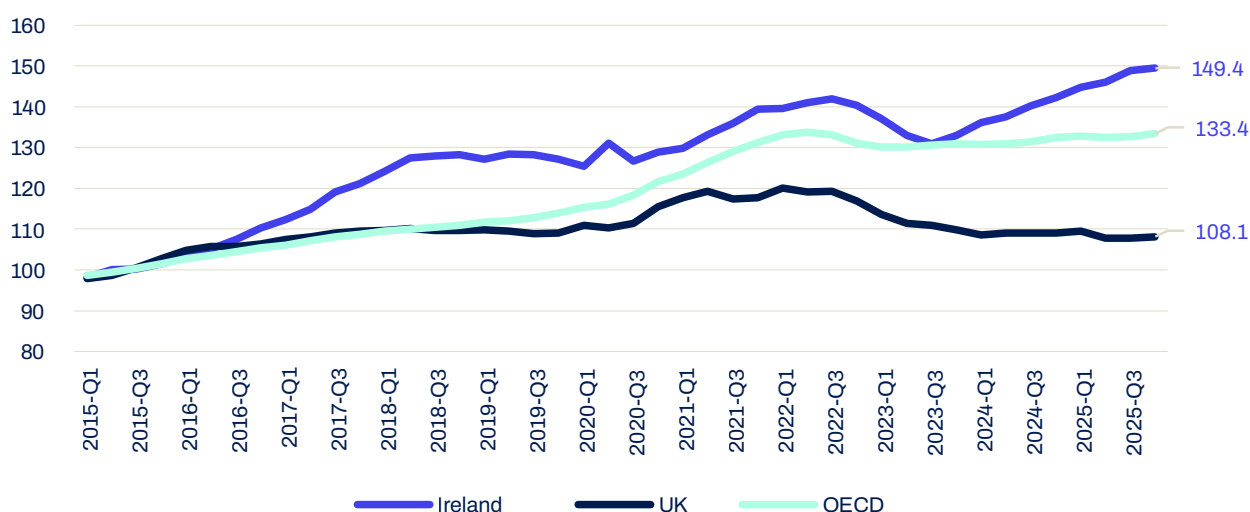
* RPPI taken on December of each year, nationally, for all house types

** Average weekly earnings, in Q4 of each year across all sectors

The chart above highlights how Tender Price Inflation, as measured by the SCSl, has grown by approximately **64.2%** between 2017 and 2025, and the Residential Property Price Index has grown by **62.3%** over the same period. Meanwhile, average weekly earnings have grown by just **38.3%**, and the Help to Buy threshold **hasn't changed from €500,000** since it was first introduced. Market conditions have changed considerably since 2017, and the real value of HTB support has therefore declined over time.

It has been suggested that measures like RPPI fail to account for general inflation, raising the question of whether house prices are increasing in real terms, or simply reflecting broader price growth. To address this, the OECD produces a real house price index, which is an inflation-adjusted trend for house prices. While the real increase in house prices is less pronounced than the nominal increase, Ireland has still experienced a higher increase in house prices over the last ten years than the OECD average, and a significantly higher increase than its nearest neighbour in the UK. This further illustrates the need for additional affordability supports in Ireland.

FIGURE 3: REAL HOUSE PRICE INDEX, OECD, Q1 2015 - Q4 2025, 2015=100



To avoid repeated ad hoc adjustments in future, the scheme should also be indexed the consumer price index or similar. Linking the HTB thresholds to CPI would ensure that the value of the support remains stable in real terms over time, preventing the erosion of the scheme due to inflation and providing a predictable, rules-based mechanism for annual adjustment.

Recommendation: The HTB scheme should be maintained on a permanent basis, with:

- ▶ Targeted increases to property price thresholds in areas of demonstrated affordability pressure, and
- ▶ Future thresholds indexed to the Consumer Price Index or similar to ensure continued effectiveness.

RECOMMENDATION 3.5

Reform the Residential Zoned Land Tax

The Residential Zoned Land Tax (RZLT) requires reassessment to ensure that it supports, rather than undermines, the delivery of housing. While the objective of activating underutilised, zoned land is supported in principle, the current structure of the RZLT does not adequately distinguish between speculative landholding and lands actively progressing through the development pipeline, which may be delayed for a variety of reasons. As currently designed, the tax risks penalising housebuilders and developers who are seeking to deliver housing, but who face delays arising from factors outside of their control.

There are a number of circumstances in which zoned and serviceable land may be unable to deliver housing within RZLT timelines, including:

- ▶ Phased housing developments, where commencement does not equate to full-site activation, particularly for large landholdings
- ▶ Delays in the provision of infrastructure
- ▶ Planning or legal delays
- ▶ Viability challenges stemming from external factors, such as sharp increases in material costs
- ▶ Ambiguity around the definition of serviced or serviceable land – e.g., where infrastructure is in place near a site, but where there is no spare capacity.

Evidence from Industry: Member engagement and survey responses indicates that the RZLT is, in some cases, being applied to land that is actively being brought forward for development, rather than targeting genuinely inactive landholding.

In particular:

- ▶ Developers delivering sites on a phased basis are incurring RZLT liabilities on lands that form part of a structured delivery programme
- ▶ Landowners are subject to the tax while sites are progressing through the planning process, appeals, or legal challenges outside of their control
- ▶ Larger sites requiring phased development are disproportionately affected where not all lands can reasonably be activated simultaneously
- ▶ A lack of clarity and consistency in the operation of the tax is creating additional risk for development and land transactions

Alignment with Planning Policy: These issues must also be considered in the context of broader planning reform. Local authorities are moving towards longer-term, planned frameworks, including 10-year development plans, which emphasise coordinated infrastructure delivery and the structured phasing of land over time. In this context, a taxation measure applying uniform short-term activation pressure to all zoned land risks being misaligned with a system that requires sequenced, long-term delivery of land to support sustainable housing development.



Impact on Housing Delivery: In these circumstances, the application of the RZLT does not facilitate faster housing delivery. Instead, it introduces additional financial pressure at early stages of the development process, undermining viability. Ultimately, these costs are either absorbed through delays or cancellation of schemes, or passed on through higher house prices, directly conflicting with affordability objectives.

Recommendation: Reform of the RZLT is required to avoid unintended consequences and to ensure that housebuilders attempting to deliver housing are not subject to tax for issues outside of their control. The IHBA believes that the following measures would contribute to improving the application of the RZLT:

- ▶ Lands in active development, including those subject to phased delivery or constrained by infrastructure deficits, should not be subject to the RZLT
- ▶ The existing planning permission relief should be extended or made more flexible, to reflect the multi-year nature of housing delivery
- ▶ Clear and proportionate statutory exemptions should be provided where infrastructure, legal, or planning constraints prevent timely development
- ▶ The RZLT should remain firmly targeted at inactive and speculative landholding, without undermining those actively contributing to housing supply.

RECOMMENDATION 3.6

Expand the Accelerated Delivery Programme for Housing

The Accelerated Delivery Programme, which is supporting the development of approximately 1,800 homes, has been particularly beneficial for companies operating in off-site construction, particularly 2D manufacturing. This programme should be maintained and expanded to support the continued development of the off-site construction sector and increase overall housing output.

RECOMMENDATION 3.7

Modular garden homes with planning exemptions must comply with Building Regulations and equivalent certification requirements.

In relation to the proposed planning exemption for modular garden homes, it is recommended that all such buildings comply fully with current Building Regulations.

The existing Building Control (Amendment) Regulations (BCAR) framework provides critical protection for end users by ensuring that buildings meet all applicable regulatory standards. This includes requirements relating to design, structural integrity, fire safety, accessibility, mechanical and electrical systems, and compliance with Part L. These elements are supported by third-party ancillary certification from registered architects or engineers, who are also required to hold appropriate professional indemnity insurance.

While the off-site manufacturing industry welcomes the proposed exemption, concerns remain regarding how compliance with Building Regulations will be monitored and enforced. In the absence of robust certification and oversight, there is a significant risk to public safety, particularly in relation to construction quality and fire safety.

It is therefore recommended that the provider of every modular unit must, at a minimum, supply the following documentation:

1. A certificate signed by the builder confirming that the building has been constructed and installed in compliance with all current building regulations.
2. A certificate signed by a third-party consultant engineer or architect confirming compliance with all current building regulations.
3. A BER certificate for each building.
4. RECI Cert to ensure the electrical installation meets regulatory standards
5. Fire rating certification for the building, including relevant fire test certificates.
6. An operations and maintenance (O&M) manual to support proper upkeep in line with manufacturer guidelines.
7. A 12-month defects liability period.
8. A minimum 5-year structural warranty.



PILLAR 4

Enabling the Green and Digital Transition

Strategic Context

The construction sector is central to the delivery of Ireland's climate objectives and national infrastructure priorities, acting both as a major energy user and as a key delivery partner for low-carbon infrastructure. Significant challenges remain in hard-to-abate construction activities, particularly in relation to construction plant, site operations, materials use, and lifecycle carbon.

This submission builds on the CIF's 2026 recommendations with a stronger emphasis on implementation, cost competitiveness, and SME transition capacity, as well as the emerging impact of the Energy Performance of Buildings Directive (EPBD). Decarbonisation pathways must be technically feasible, economically viable, and aligned with delivery requirements across housing and infrastructure.

Members have consistently identified energy system constraints – particularly grid capacity and access to reliable, scalable electricity – as a material barrier to electrification, industrial development, and project delivery. A coordinated and pragmatic policy response is required to ensure that climate ambition is supported by practical transition mechanisms.

RECOMMENDATION 4.1

Support Sustainable Transport Through Targeted Fiscal Incentives

CIF supports the continuation and refinement of fiscal measures to accelerate the transition to more sustainable transport solutions, while recognising the operational realities of the construction workforce.

Construction is characterised by highly mobile workforces, remote and temporary work locations, and limited or uncertain access to charging infrastructure. Policy must therefore balance decarbonisation ambition with practical delivery constraints, ensuring that measures are workable across a diverse range of project types and locations.

The CIF recommends:

- ▶ Extension of the **€10,000 reduction in Original Market Value (OMV)** beyond 2025 to provide continued support for lower-emission vehicles
- ▶ Retention of **favourable Benefit-in-Kind (BIK) treatment** for electric vehicles at current levels, providing long-term certainty and avoiding disincentivising uptake
- ▶ Introduction of a **Revenue-approved salary sacrifice scheme** for electric vehicles, aligned with established UK models, to broaden access across income groups and reduce emissions
- ▶ Introduction of **VAT deductibility for petrol used in plug-in hybrid electric company vehicles (PHEVs) and hybrid company vehicles**, recognising their role as a practical transition solution for staff given a highly mobile workforce and remote sites with limited charging infrastructure.
- ▶ Recognition of **transitional vehicle technologies**, including PHEVs and petrol hybrids, as part of a phased and realistic decarbonisation pathway for the sector and given the current higher risk of diesel fuel supply issues.
- ▶ Reform of the **Vehicle Registration Tax (VRT) treatment for crewcab vehicles**, to address the current disproportionate tax burden. The existing VRT structure significantly increases costs relative to standard vans and is acting as a disincentive to the use of shared transport. Enabling more favourable treatment for crewcab vehicles would:
 - reduce the number of individual vehicles travelling to site;
 - lower overall emissions and congestion;
 - improve operational efficiency, particularly on large or remote infrastructure projects

These measures should be complemented by targeted investment in **charging infrastructure**, particularly in areas supporting large-scale construction activity, and consideration of broader transport planning solutions to improve access to major project sites.



Dornan Group – Lilly Project, Kinsale

RECOMMENDATION 4.2

Treat Construction as a Special Case for HVO Prioritisation

Hydrotreated Vegetable Oil (HVO) remains an important transitional fuel for the construction sector, particularly for non-road mobile machinery (NRMM), heavy plant and certain temporary site power applications where electrification is not yet technically or commercially viable at scale. However, HVO should not be treated as a general-purpose substitute for fossil diesel. Its use should be strategically prioritised for hard-to-abate applications where it can deliver immediate emissions reductions and where no practical lower-carbon alternative is currently available.

Recent market developments reinforce the need for a carefully designed policy approach. HVO continues to carry a structural price premium relative to marked gas oil (MGO), driven by constrained feedstock supply, competing demand from other sectors, and compliance value under renewable fuel obligations. Recent commentary on “biofuel price parity” generally relates to biodiesel/FAME blends already incorporated into standard diesel and should not be conflated with HVO, which is a chemically distinct, refinery-grade drop-in fuel used in construction plant and generators.

CIF recommends that Government introduce a targeted HVO transition support mechanism for construction, limited to verified NRMM and site generator use where electrification is not viable. This should not be an open-ended fuel subsidy, but a time-bound measure linked to a clear hierarchy of use, sustainability verification and wider investment in electrification, BESS and alternative site power.

CIF recommends:

- ▶ Formalise a **national HVO hierarchy of use**, prioritising construction NRMM and other hard-to-electrify sectors.
- ▶ Introduce a **targeted HVO transition credit or rebate** for verified construction plant and site generator use.
- ▶ Ensure **fuel subsidy supports do not widen the gap between MGO and HVO**, including consideration of equivalent support where lower-carbon HVO is used in eligible construction activity.
- ▶ Extend or clarify **RTFO treatment for construction NRMM and site generators**, ensuring HVO used in construction can receive appropriate renewable fuel recognition.
- ▶ Review the **VAT and cashflow treatment of HVO**, recognising that while VAT is reclaimable for many contractors, the 23% headline rate and higher upfront price can discourage SME uptake and affect tender pricing.

- ▶ Commission a review of **HVO supply chain resilience, pricing transparency and feedstock sustainability**, particularly given competing demand from aviation and other sectors.
- ▶ Continue to prioritise **electrification and BESS** for stationary site uses, reserving HVO for applications where alternatives are least available.

By implementing these strategic and complementary policy measures, Ireland can significantly reduce the cost differential of HVO, accelerate its adoption in the construction sector, and ensure that this vital transitional fuel contributes effectively and sustainably to the nation's ambitious decarbonisation goals.

RECOMMENDATION 4.3

Establish a Green Construction Plant and Site Electrification Scheme

The decarbonisation of construction activity is essential to achieving Ireland's climate targets. However, unlike passenger transport or building heating, **construction plant and non-road mobile machinery (NRMM)** represent a **hard-to-abate segment**, where viable zero-emission alternatives are not yet widely available or commercially viable across many applications.

As a result, current policy instruments – particularly carbon taxation – are, in this context, **functioning primarily as cost drivers rather than behavioural incentives**. Where no viable alternative exists, fuel use is structural rather than discretionary. A more targeted approach is therefore required to support a **managed, realistic transition**, particularly for SMEs.

CIF recognises that carbon pricing is an essential long-term policy instrument. However, in hard-to-abate construction activities – particularly non-road mobile machinery – there are currently limited viable low-carbon alternatives. In these cases, carbon tax functions primarily as a cost burden rather than a behavioural incentive.

Scale of the Challenge

Ireland does not currently publish disaggregated data on diesel use in construction. However, applying robust international analysis provides a credible estimate.

- ▶ A detailed New Zealand study found construction accounts for **5.21% of national diesel consumption**
- ▶ Applying this to Irish CSO data (2023):
 - Total diesel consumption: **4.69 billion litres**
 - Estimated construction share: **~244 million litres annually**

- ▶ This demand is associated with:
 - heavy plant (excavators, dumpers, cranes);
 - generators and temporary site power;
 - ancillary site activities.

Key implication:

This is a **significant and largely unavoidable energy demand**, which cannot be reduced through pricing signals alone in the absence of viable alternatives.

International Best Practice

European peers have recognised that construction plant requires **dedicated policy intervention**, combining capital supports, infrastructure investment and market structuring.

Norway (Enova Programme)

- ▶ Comprehensive additional-cost subsidy model (up to ~60% for heavy vehicles and ~40% for construction machinery), combined with early-stage infrastructure support and phased withdrawal of supports (e.g. mobile BESS) as market adoption matures – demonstrating a full lifecycle approach from subsidy to market scaling.

Netherlands (SSEB Scheme)

- ▶ Integrated grant scheme covering purchase, retrofit and rental-sector participation in zero-emission construction equipment, with enhanced SME supports and strong alignment with public procurement to drive market uptake.

Key Policy Insight

Effective schemes consistently combine:

- ▶ **additional-cost capital grants**
- ▶ **rental sector enablement**
- ▶ **site electrification / BESS support**
- ▶ **clear long-term policy direction**

Policy Gap in Ireland

Ireland currently lacks a dedicated construction-focused decarbonisation scheme covering non-road mobile machinery (NRMM), site electrification and temporary power systems. This gap is leading to delayed adoption of viable technologies, increasing cost pressures from carbon taxation without corresponding supports, and growing competitiveness risks for contractors.

Recommendations for Budget 2027

CIF recommends the establishment of a **Green Construction Plant and Site Electrification Scheme**, supported by the following measures:

1. Targeted Capital Support

Introduce 30–50% additional-cost capital grants for electric and hybrid NRMM, Battery Energy Storage Systems (BESS), and site electrification infrastructure to accelerate early deployment and close the cost gap with diesel technologies.

2. Rental Sector Incentives

Provide targeted incentives for the equipment rental sector to support investment in electric plant and mobile energy solutions, ensuring SMEs can access low-emission technologies without significant upfront capital expenditure.

3. Fiscal Measures

Implement accelerated capital allowances for low- and zero-emission construction plant, BESS and charging infrastructure to improve investment viability and cash flow.

4. Carbon Tax Recycling

Ringfence a portion of carbon tax revenues into a Construction Decarbonisation Fund to support plant transition, pilot projects and innovation, ensuring carbon pricing acts as a transition enabler rather than solely a cost burden.

5. Transitional Supports

Introduce targeted, time-bound supports for transitional solutions, including HVO and hybrid plant, applying a clear hierarchy of use where full electrification is not yet viable

6. Data and Measurement

Support the development of site-level fuel tracking and emissions measurement systems, aligned with EPBD lifecycle carbon requirements, to address current data gaps and enable compliance.

Conclusion

Construction plant and site operations represent one of the most challenging areas of decarbonisation in Ireland.

- ▶ Approximately **244 million litres of diesel** are used annually in Construction NRMM
- ▶ Viable alternatives remain limited in many applications
- ▶ Carbon pricing alone cannot deliver a transition in this segment

A targeted, well-designed intervention is therefore required.

CIF Recommendation:

Government should establish a Green Construction Plant and Site Electrification Scheme to support the transition of non-road mobile machinery, site power and construction operations. This should combine capital grants, fiscal incentives, rental-sector supports, and carbon tax revenue recycling to enable a practical, cost-effective, and scalable transition pathway for the construction sector, while maintaining the delivery of critical housing and infrastructure.

RECOMMENDATION 4.4

Introduce a Circular Construction Materials Infrastructure Measure

Strategic Context

Ireland's construction sector generates millions of tonnes of soil, stone and construction and demolition (C&D) materials annually, representing the largest waste stream in the State. Despite national circular economy policy objectives, the majority of this material continues to be disposed of or used in low-value applications, while reliance on virgin aggregates remains high.

At the same time, Ireland faces increasing constraints in **inert landfill and soil recovery capacity**, which is emerging as a material risk to the delivery of housing and infrastructure.

Recent industry developments demonstrate that this challenge can be addressed. Advanced soil washing, screening and aggregate recovery facilities are now capable of transforming brownfield soil and C&D materials into **certified, high-quality construction products**, significantly reducing emissions, transport movements and reliance on primary extraction.

Ireland now needs to move from **pilot circularity concepts to a functioning national system of circular construction materials infrastructure**.

Integrated Circular Materials System

CIF recommends that policy moves beyond the concept of standalone Soil Hubs to support a fully integrated system comprising:

- ▶ Soil Hubs (storage, logistics and material matching)
- ▶ Soil screening, washing and stabilisation technologies
- ▶ Aggregate recovery and certification systems
- ▶ Digital material exchange platforms

These elements are interdependent and must be supported as a **single infrastructure ecosystem**, rather than isolated initiatives.

Key Constraints

Current barriers to delivery include:

- ▶ Planning permissions that treat recovery facilities as **landfill operations**, limiting throughput regardless of recovery performance
- ▶ Insufficient infrastructure capacity in key regions
- ▶ Lack of financial support for **capital-intensive processing technologies**
- ▶ Weak demand signals for recycled materials
- ▶ Limited systems for tracking material reuse and circularity outcomes

Recommendations for Budget 2027

CIF recommends the introduction of a **Circular Construction Materials Infrastructure Measure**, comprising the following:

1. Planning and Regulatory Reform

Introduce national planning guidance and streamlined processes to treat soil-washing and aggregate recovery facilities as strategic circular economy infrastructure, separating recovery throughput from landfill limits and enabling expansion of high-performing facilities.

2. Development of Soil Hubs and Regional Infrastructure

Establish pilot Soil Hubs integrated with processing and recovery facilities, supported by a national materials exchange platform and scaled to a regional network of circular materials centres.

3. Support for Processing Capacity and Technology

Provide targeted support and streamlined permitting to expand inert waste, soil washing, screening and stabilisation capacity, prioritising regions with infrastructure deficits, especially on the western seaboard.

4. Capital Investment and Fiscal Supports

Introduce grants and accelerated capital allowances to support investment in soil processing technologies, water treatment systems, testing and certification infrastructure, and digital material tracking systems.

5. Market Development and Demand-Side Measures

Drive demand for recycled construction materials through green public procurement, minimum recycled content targets, and strengthened certification and standards.

6. Data, Traceability and Performance-Based Incentives

Develop systems to track material flows, verify End-of-Waste compliance, and measure carbon and circularity outcomes, with financial incentives linked to measurable reuse and landfill diversion performance.

Conclusion

Ireland is at a critical juncture in the transition to a circular construction economy, where soil, stone and mineral waste dominate the waste stream, recycled aggregate use remains low, and infrastructure delivery is increasingly constrained by landfill capacity. At the same time, proven technologies now exist to convert this material into high-value construction products, significantly reduce emissions, and improve resource efficiency.

CIF Recommendation:

Government should introduce a dedicated Circular Construction Materials Infrastructure Measure in Budget 2027 to unlock investment in soil hubs, soil processing technologies and aggregate recovery systems, reform planning constraints, and develop a functioning market for recycled construction materials.

This will support infrastructure delivery, reduce pressure on landfill capacity, lower embodied carbon in construction, and advance Ireland's circular economy objectives.

RECOMMENDATION 4.5

Establish a National Construction Materials Testing Laboratory and Product Safety Authority

Robust testing infrastructure and regulatory oversight are essential to ensuring the safety, durability and performance of construction materials and systems, while supporting innovation and maintaining public confidence in the built environment. Recent issues with defective construction products in Ireland, combined with feedback from the Part D consultation, highlight the need for a more coordinated and strengthened approach to construction product assurance and market surveillance.

Ireland currently relies on a fragmented mix of private testing providers, with no dedicated national facility for construction materials. This creates gaps in capacity, consistency and independent verification, particularly as the sector transitions towards **low-carbon materials, circular economy practices and Modern Methods of Construction (MMC)**. Industry feedback confirms that MMC systems are **integrated assemblies**, where compliance depends on the combined performance of materials, components and interfaces, rather than individual products alone. However, there is currently limited national guidance and testing capacity to assess this system-level performance, leading to reliance on international certification bodies and creating delays, cost burdens and uncertainty for innovative systems.

CIF recommends that Government establish a **dedicated Construction Product Safety Authority** and a **National Construction Materials Testing Laboratory** as part of Budget 2027.

The proposed Authority should:

- ▶ provide centralised market surveillance and enforcement;
- ▶ support compliance with the revised EU Construction Products Regulation (CPR);
- ▶ address gaps identified in Ireland's current regulatory and certification framework;
- ▶ provide clarity on interpretation of performance requirements, particularly for MMC systems.

The National Laboratory should:

- ▶ act as a centre of excellence for **system-level testing and certification**, including MMC assemblies and hybrid construction systems;
- ▶ support validation of **interfaces, durability, fire, acoustic and thermal performance** across integrated systems;
- ▶ enable testing of **low-carbon and recycled materials**, supporting circular economy objectives;
- ▶ reduce reliance on overseas laboratories and certification bodies;
- ▶ support development of national guidance aligned with Part D requirements.

These measures will strengthen regulatory oversight, support innovation, de-risk MMC adoption, and ensure that Ireland has the technical capacity to deliver safe, compliant and sustainable construction systems at scale.

RECOMMENDATION 4.6

Establish a Construction SME Sustainability Fund

The CIF recommends the establishment of a Construction SME Sustainability Fund to support smaller firms in meeting emerging sustainability, reporting, and lifecycle carbon requirements under the EPBD and related regulations. The Fund should provide grant support for VSME reporting, ESG capability development, site-level materials quantification, and digital systems for evidencing embodied carbon. It should also maintain and broaden access to SEAI supports for renewable technologies, including solar PV, heat pumps, and battery storage, and support fleet electrification where viable. Targeted tax incentives should also be considered for zero-carbon retrofit projects, recognising the role of retrofit in reducing operational emissions while sustaining construction activity.

RECOMMENDATION 4.7

Future-Proof Ireland's Energy System – Nuclear Readiness and Firm Low-Carbon Capacity

Strategic Context

The success of Ireland's green and digital transition is fundamentally dependent on the availability of **reliable, affordable and scalable electricity supply**. Members have consistently highlighted that **grid capacity constraints are now a material barrier** to:

- ▶ industrial development;
- ▶ deployment of low-carbon technologies;
- ▶ delivery of housing and infrastructure.

Electricity demand in Ireland is projected to **double by 2050**, driven by electrification of transport, heating, construction activity and data centres. At the same time, the system will become increasingly reliant on intermittent renewable generation, requiring **firm, dispatchable low-carbon capacity** to ensure system stability.

Policy Position

CIF supports a **technology-neutral and evidence-based approach** to Ireland's future energy mix, recognising that no single technology can meet all system requirements.

While nuclear energy is not currently part of Ireland's generation mix, Ireland already relies on **imported electricity from nuclear-powered systems** via interconnection.

Emerging technologies such as Small Modular Reactors (SMRs) may, over time, provide low-carbon, firm generation capacity that enhances system resilience, complements renewable energy, and supports industrial-scale power demand. CIF does not advocate for or against the deployment of nuclear energy at this time. However, we believe Ireland must be **prepared, not passive**, in evaluating all viable options to ensure a secure and affordable energy system.

Key Recommendation

CIF recommends that Government initiate a structured programme of **energy system preparedness and capacity building**, including consideration of nuclear technologies, as part of its long-term energy strategy.

This should include:

- ▶ Developing **institutional and technical capability** to assess emerging technologies such as SMRs, in line with international best practice
- ▶ Initiating a **formal, evidence-based national assessment** of future firm low-carbon generation options, including nuclear, hydrogen-compatible thermal generation, and long-duration storage
- ▶ Ensuring that **planning, regulatory and grid frameworks** are sufficiently developed to accommodate future technologies, if required
- ▶ Supporting **cross-sector collaboration** across engineering, construction and policy bodies to build technical understanding and delivery readiness
- ▶ Undertaking **transparent public engagement and dialogue** on long-term energy choices, including trade-offs between cost, security, sustainability and societal acceptance

Link to Construction and Industrial Delivery

Addressing long-term energy system capacity is critical to enabling site electrification and decarbonisation of construction activity, supporting industrial competitiveness and investment, ensuring grid access for housing and infrastructure development, and reducing reliance on imported energy while improving resilience. Without a clear strategy for firm, scalable low-carbon power, there is a risk that electrification policies will outpace system capacity, grid constraints will continue to delay development, and energy costs will undermine competitiveness and delivery.

Conclusion

Ireland's transition to a low-carbon economy will require a balanced and resilient energy system, combining renewable generation with firm, dispatchable capacity.

CIF Recommendation:

Government should adopt a proactive, technology-neutral approach to future energy planning, including building national capacity to evaluate nuclear energy and other firm low-carbon technologies, to ensure that Ireland can meet future electricity demand while maintaining security of supply, affordability, and delivery of critical infrastructure.

RECOMMENDATION 4.8

Promote and Incentivise the Use of Timber Frame in Irish Construction

Timber frame construction should be promoted and incentivised as a means of meeting Ireland's embodied carbon commitments under the Climate Action Plan. Off-site timber frame immediately increases output and productivity in housebuilding while significantly reducing embodied carbon compared to traditional concrete construction. Timber frame's market share has grown to approximately 60% of new scheme developments in Ireland, but this compares to 80% in Scotland. Ireland has an advanced and scalable timber frame industry.

Mandating the use of low-carbon technologies, including off-site timber frame, in publicly funded housebuilding projects would significantly improve Ireland's performance on CO₂ emission targets and provide the market certainty needed for the industry to scale up for increased output.

Competitiveness and Productivity

Strategic Context

Improving the competitiveness and productivity of the construction sector is essential to delivering Ireland's housing and infrastructure ambitions at the pace and scale required. The sector encompasses distinct sub-sectors – infrastructure, new homes, built spaces, high-tech manufacturing and FDI investment, home improvement, retrofitting, and repair and maintenance – each with different productivity drivers, constraints, and opportunities. A more granular approach to measuring, monitoring, and improving construction productivity is required.

The CIF productivity research published in Q4 2025 highlights that while construction output has expanded in recent years, productivity performance remains uneven and constrained by structural and systemic factors rather than on-site efficiency alone. The sector is highly fragmented, dominated by SMEs with limited capacity for investment and innovation, and suffers from inconsistent productivity measurement – particularly among smaller firms – despite generally positive perceptions of performance. Key barriers identified include skills shortages, rising material costs, and design changes, alongside limited adoption of data-driven productivity management in parts of the industry.

The research concluded that productivity gains depend primarily on system-wide reform across the project lifecycle, rather than incremental improvements on-site. Priority areas include planning and regulatory certainty, utilities delivery, procurement reform (moving away from lowest-cost tendering), stronger SME supports, and sustained, multi-annual public investment to provide pipeline certainty. Enhancing skills, digitalisation, and adoption of modern methods of construction (MMC), alongside improved data, benchmarking, and collaboration across stakeholders, is essential to unlocking productivity growth and supporting the delivery of housing and infrastructure at scale.

Recommendations

The CIF makes the following recommendations to strengthen competitiveness and productivity across the sector:

Taxation

RECOMMENDATION 5.1

Proposed amendments to Revenue's Travel and Subsistence TDM (Part 05-01-06)

Introduction & Overview

This submission analyses the tax implications of the proposed amendments to this submission to Revenue's Travel and Subsistence TDM (Part 05-01-06) – **as set out in Appendix 1** – and explains why these changes matter in practical terms for affected employers and employees.

The proposed amendments represent a material departure from the current operational framework set out in Tax and Duty Manual Part 05-01-06. In particular, they introduce:

- ▶ A restructuring of flat-rate subsistence provisions through a revised geographical categorisation;
- ▶ An extension of the permissible duration for tax-free subsistence payments;
- ▶ The removal of certain disqualifying conditions for the payment of tax-free "country money".

Together, these changes would improve the taxation of employee reimbursements in the construction sector and across other mobile workforces. The scenario-based calculations demonstrate that the proposed framework more accurately reflects income level, work pattern, geographic location, and assignment duration, reinforcing the case for a modernised approach that works in practice for employers and employees alike.

5.1.1. Removal of Transport Restriction for Country Money

Under the current Revenue guidance, tax-free payment of country money is prohibited where employer-provided transport is made available to the employee. Removing this restriction is one of the most consequential elements of the proposed changes, as it addresses a long-standing rule that has significantly limited the practical value of subsistence support for many workers.

As demonstrated in Scenarios 1 and 2 within our calculations as set out in **Appendix 1**, this change results in a direct and measurable increase in net take-home pay for affected employees:

- ▶ In Scenario 1, treating country money as tax-free (where the employee has employer provided transport) increases net pay by approximately €2,055 for an individual taxed at the marginal rate of 52.2%.
- ▶ In Scenario 2, a lower-paid individual benefits from a net increase of approximately €3,084, reflecting their lower marginal tax rate of 27.2%.

These tax savings correspond to the income tax, USC, and PRSI that would otherwise apply to these amounts. This is a meaningful improvement in net pay for affected workers and, from a policy perspective, reflects a more realistic treatment of subsistence where employees are required to travel and work away from their normal place of work.

This proposed change delivers clear benefits on both practical and policy grounds:

- ▶ Fairer treatment of legitimate travel costs: Removing the transport restriction supports a more accurate distinction between genuine expense reimbursement and taxable pay.
- ▶ Support for mobile workers: The change improves the practical value of subsistence arrangements for employees who travel as part of their work.
- ▶ Alignment with operational reality: It reflects how transport and travel support are commonly structured in sectors where employees regularly work away from their normal place of work.

5.1.2. Introduction of Revised Flat-Rate Allowances by Region

The proposed replacement of existing Civil Service rates (day rates and overnight rates) with a simplified three-tier geographical system is intended to make the calculation of tax-free subsistence more straightforward. While this simplification is welcome in principle, but it must also deliver outcomes that are credible and workable for sectors where travel and temporary deployment are routine features of the job.

- ▶ Category 1 (Dublin): €103 per night
- ▶ Category 2 (other cities and surrounding regions): €92 per night
- ▶ Category 3 (all other locations): €82 per night

Compared with existing Civil Service rates, the proposed rates offer a more consistent structure which reflect the real costs incurred by employees working away from home.

As illustrated in Scenarios 3 and 4 in our calculations, the tax impact varies depending on assignment duration:

- ▶ For long-term assignments (Scenario 3), the extended duration rules (discussed below) deliver a substantial increase in total tax-free payments, with an additional net benefit of approximately €29,928.

- ▶ For shorter-term assignments (Scenario 4), the analysis highlights the importance of calibrating the revised rates so that the simplified structure delivers its intended value consistently across different assignment types.

These results point to an important conclusion:

- ▶ The proposed rate structure creates a clearer and more accessible basis for tax-free reimbursement on a nationwide footing;
- ▶ When combined with extended duration limits, it can significantly increase overall tax-free entitlements, particularly for longer assignments.

5.1.3. Extension of Duration Limits for Tax-Free Subsistence

The proposal to extend the permissible duration for tax-free subsistence, from the current effective limit (generally constrained to shorter-term assignments and subject to Revenue approval beyond 56 nights) to up to 24 months, is a substantial policy shift. For mobile workforces, it better reflects the commercial reality that projects often run well beyond short-term timeframes.

From a tax perspective, this is the amendment with the largest quantitative impact across the scenarios examined, and it provides a clear example of how the proposed reforms could materially improve how the Travel and Subsistence regime operates for long-duration assignments.

- ▶ Under the current rules, tax-free subsistence entitlements taper significantly after 56 nights and may cease altogether without Revenue approval.
- ▶ The proposed framework would allow continuous payment of tax-free subsistence for up to 24 months, increasing the cumulative value of exempt income.

Scenario 3 demonstrates this clearly: tax-free subsistence increases from approximately €8,344 under current rules to over €38,000 under the proposed framework.

Key tax implications include:

- ▶ Substantial increase in tax-exempt earnings for employees on long-term assignments;
- ▶ Greater certainty for employers and employees, with projects of longer duration supported within a clearer tax framework;
- ▶ Better alignment with project-based work, particularly in sectors where temporary site assignments regularly extend beyond short-term limits.

5.1.4 Overall Tax Impact and Policy Considerations

The proposed amendments reshape the Travel and Subsistence guidance in a way that genuinely benefit employees and better match the realities of mobile working. Our sample calculations show these changes can make subsistence support more meaningful, easier to access, and more reflective of how people actually work.

When considered alongside marginal tax rates, the proposed measures show clear benefits. The proposed changes would allow employees to receive subsistence payments free of tax, enabling those who incur additional costs when working away from home to cover the net expense without being left out of pocket. In practice, this means that employees required to meet the cost of meals and accommodation while travelling for work would retain the full benefit of any payments made to them, rather than seeing a portion lost to tax. This is particularly significant for those in higher rate bands, where the tax charge on such payments can substantially erode their value.

Overall, the proposed amendments represent a meaningful update to the Travel and Subsistence framework. They broaden access to tax-free subsistence, more closely reflect the nature of project-based and travel-intensive work and provide a clearer basis for supporting legitimate business travel.

RECOMMENDATION 5.2

Ensure Reforms to Relevant Contracts Tax (RCT) eWithholding Tax Modernisation are carefully calibrated to protect cash flow, ensure operational feasibility, and avoid unintended disruption to construction activity.

CIF supports the objective of modernising ewithholding to reduce administrative burden but recommends that reforms to Relevant Contracts Tax (RCT) are carefully calibrated to protect cash flow, ensure operational feasibility, and avoid unintended disruption to construction activity.

Key recommendations:

1. Retain and protect the 0% RCT rate

- ▶ The 0% rate is fundamental to the current regime and recognises compliant taxpayers.
- ▶ Its removal would create severe and ongoing working-capital pressures due to withholding on gross turnover (including labour and materials), particularly in a low-margin sector.
- ▶ Budget policy should explicitly retain the 0% rate and avoid moving to a single flat withholding rate.

2. Reduce (not increase) withholding burdens

- ▶ Any reform of existing RCT (20%/35%) and PSWT rates should focus on lowering effective withholding levels, not increasing them.
- ▶ Avoid applying uniform rates across sectors; construction's low margins make high gross withholding unsustainable.
- ▶ Do not introduce Personalised Deduction Rates that could create excessive withholding (up to ~48%) and impose real-time reporting burdens on small businesses.

3. Adopt a flexible, non-exclusive systems approach

- ▶ Reject an "API-only" compliance model. Maintain a fully functional ROS/manual channel alongside any digital integrations.
- ▶ Ensure no disadvantage for SMEs, individuals, or businesses without sophisticated ERP systems.
- ▶ Preserve the role of tax agents explicitly within the system.

4. Rebalance compliance and penalty framework

- ▶ Reform penalties to focus on deliberate noncompliance, not technical or goodfaith errors.
- ▶ Introduce reasonable care defences and support voluntary selfcorrection without disproportionate penalties.
- ▶ Align RCT more closely with broader selfcorrection principles.

5. Improve cash-flow through faster refunds and offsets

- ▶ Enhance Revenue service standards for VAT/RCT refunds and offsets, with clear timelines and adequate resourcing.
- ▶ Prevent cashflow strain arising from delays where withholding exceeds actual liabilities.

6. Strengthen guidance, certainty, and engagement

- ▶ Provide clearer, sector-specific guidance with practical examples.
- ▶ Enable proactive engagement with Revenue on RCT treatment issues without formal technical submissions.
- ▶ Deliver education and outreach initiatives in partnership with industry.

7. Commit to phased reform and consultation

- ▶ Publish a clear roadmap and conduct further consultation before finalising system design or engaging with software providers.

- Ensure reforms are proportionate and recognise the diversity of business models and capabilities in the construction sector.

Overall recommendation:

Budget measures should ensure that RCT modernisation is cashflow neutral for compliant businesses, technologically inclusive, and proportionate in administration and penalties, so that it does not undermine the sector's capacity to deliver critical housing and infrastructure.

RECOMMENDATION 5.3

Tax Simplicity and Investment Certainty

Appendix 2 sets out a series of scenarios illustrating the end-to-end tax costs associated with residential construction. The analysis focuses on the developer perspective and highlights the range of tax considerations that arise over the lifecycle of a housing project.

The appendix presents five scenarios, each based on the delivery of a 70-unit housing development, with only minor variations in the underlying fact patterns. Despite delivering the same housing output, the resulting tax liabilities differ materially. This demonstrates how the complexity of the current tax framework can lead to significantly different outcomes for projects with similar economic characteristics.

The analysis highlights taxes that vary depending on commercial and operational decisions, including stamp duty, VAT, corporation tax and the Residential Zoned Land Tax (RZLT), as highlighted in the text. Taxes such as income tax on salaries and other extraction-related taxes have been excluded, as these arise across most sectors of the economy and are not specific to property development. The appendix also includes estimates of other charges that, while not technically taxes, have a similar impact on project costs and viability and are also highlighted in the text.

From a competitiveness and productivity perspective, the analysis suggests that complexity and variability in the tax treatment of broadly similar developments can influence investment decisions, create uncertainty and affect the efficient allocation of capital. Greater simplicity, predictability and consistency within the tax framework could support housing delivery and improve the attractiveness of investing in residential development.

RECOMMENDATION 5.4

Data and Benchmarking

- Provide detailed datasets on the productivity of the sector's component sub-sectors at each phase of the construction process, including construction-related off-site and MMC/manufacturing data.
- Establish national productivity benchmarks for common project types and publish annual performance dashboards.
- Recognise the distinct sub-sectors within the construction industry for national statistical purposes and assess the opportunities and constraints for each separately.

RECOMMENDATION 5.5

Regulatory and Business Environment

- Support the industry through the initial registration process, annual renewals, and CPD requirements for CIRI, particularly for micro firms and SMEs.
- Implement reforms to reduce insurance costs in the construction sector and streamline the regulatory and administrative environment, with clear rules that can accelerate construction processes, lower building costs, and improve overall affordability.

RECOMMENDATION 5.6

Extend enhanced R&D tax credits, grants, and a dedicated innovation programme to the construction sector to accelerate productivity, digitalisation, and low-carbon building

There is a growing concern within the construction sector regarding the limited availability of Research and Development (R&D) supports for construction firms, particularly when compared with the broad suite of incentives available to other strategically important industries.

Ireland's construction sector is central to the delivery of national priorities, housing, infrastructure, climate action, regional development and economic competitiveness. Yet the construction sector does not have the same access to R&D supports that are routinely available to sectors such as technology, life sciences, advanced manufacturing and export focused enterprises.

At present, most innovation within construction is driven by project specific requirements or public sector procurement demands. However, the sector lacks access to the type of enterprise level R&D incentives that enable firms in other industries to invest in new technologies, digitalisation, modern methods of construction, low-carbon materials, and productivity enhancing processes. This disparity limits the pace at which construction companies can modernise, scale innovation and contribute fully to national policy objectives.

CIF believes there is a strong case for Government to expand R&D supports to ensure construction firms can undertake the same level of innovation investment as their counterparts in other sectors. In particular, the CIF would welcome:

- ▶ **Eligibility for enhanced R&D tax credits** for construction related innovation, including digital construction, off-site manufacturing and low-carbon technologies.
- ▶ **Targeted innovation grants** for SMEs in the construction supply chain, similar to those available to manufacturing and technology firms.
- ▶ **Support for pilot projects and demonstration sites** that accelerate the adoption of modern methods of construction and sustainable building materials.
- ▶ **A dedicated construction innovation programme**, delivered in partnership with Enterprise Ireland, to drive productivity, digital adoption, and decarbonisation across the sector.

These measures would not only support the competitiveness of Irish construction firms but would also directly contribute to national goals under Housing for All, the National Development Plan, and the Climate Action Plan. Other countries have already recognised the strategic importance of construction innovation; Ireland should not fall behind.

RECOMMENDATION 5.7

Provide targeted EU-backed funding and multi-annual investment for sector-wide innovation programmes, digitalisation initiatives, and standardisation projects to accelerate productivity and MMC adoption.

- ▶ Introduce greater supports for research and innovation, as well as digitalisation, utilising EU funds to invest in and improve sector productivity.
- ▶ Build on existing Government-led standardisation efforts – such as the *Standardised Design Approaches Study* (DHLGH), the *LDA Apartment Typology Booklet*, and the *Design Guide for State-Sponsored Student Accommodation* (DFHERIS) – by developing equivalent guidance for defence accommodation and the healthcare sector.

- ▶ Provide multi-annual funding to support research aimed at increasing sector productivity, complementing the *Accelerating Infrastructure Action Plan* and *Delivering Homes, Building Communities*.
- ▶ The establishment of Ireland's Construction Technology Centre, Construct Innovate, funded by Enterprise Ireland, has provided the construction sector with access to research and development capabilities comparable to those long available in more mature industries, such as food and beverage. Despite relatively modest initial ("start-up") funding, Construct Innovate has demonstrated strong growth in impact and delivered meaningful contributions to the sector.

Given the historic underinvestment in research and development within the construction industry, and in light of the sector's short-, medium-, and long-term needs, it is recommended that funding to Construct Innovate be increased significantly. An increase in the region of 200–300% would enable the centre to deliver a deeper, more sustained impact on overall sector performance.

In 2024, the Department of Enterprise, Trade and Employment (DETE), through Enterprise Ireland, and the Department of Housing, Local Government and Heritage (DHLGH) provided funding for **Construct Innovate's Standardize** project. This initiative responds directly to industry demand for standardised performance details aligned with Building Regulations Parts A–M, initially focused on 2D panelised light gauge steel systems. Industry feedback to date has been positive, particularly regarding the project's practical outputs.

It is recommended that, upon completion of this phase, further funding be provided to expand the project scope to include volumetric construction and insulated concrete formwork (ICF) systems. This expansion has the potential to significantly accelerate the adoption of off-site manufacturing and improve overall productivity within the Irish construction sector. A comparable increase in funding (in the region of 200–300%) is therefore considered justified.

RECOMMENDATION 5.8

Infrastructure for Growth

- ▶ Progress plan-led Next Generation Sites (large-scale, high-value manufacturing locations) to maintain Ireland's international competitiveness, with each region having a balanced infrastructure and land bank aligned with public transport and national services.

SUMMARY OF RECOMMENDATIONS



The Construction Industry Federation’s Budget 2027 submission presents a comprehensive and evidence-based programme of recommendations across skills, capital investment and infrastructure delivery, housing supply, sustainability, and competitiveness. The measures proposed are targeted and proportionate, designed to address the specific structural challenges facing the sector while delivering broader national objectives in housing, infrastructure, and climate action.

The construction sector is central to Ireland’s ability to meet the ambitions set out in the National Development Plan, the Climate Action Plan, and Delivering Homes, Building Communities. With the right policy environment – underpinned by pipeline certainty, procurement reform, workforce investment, and practical transition supports – the sector stands ready to deliver.

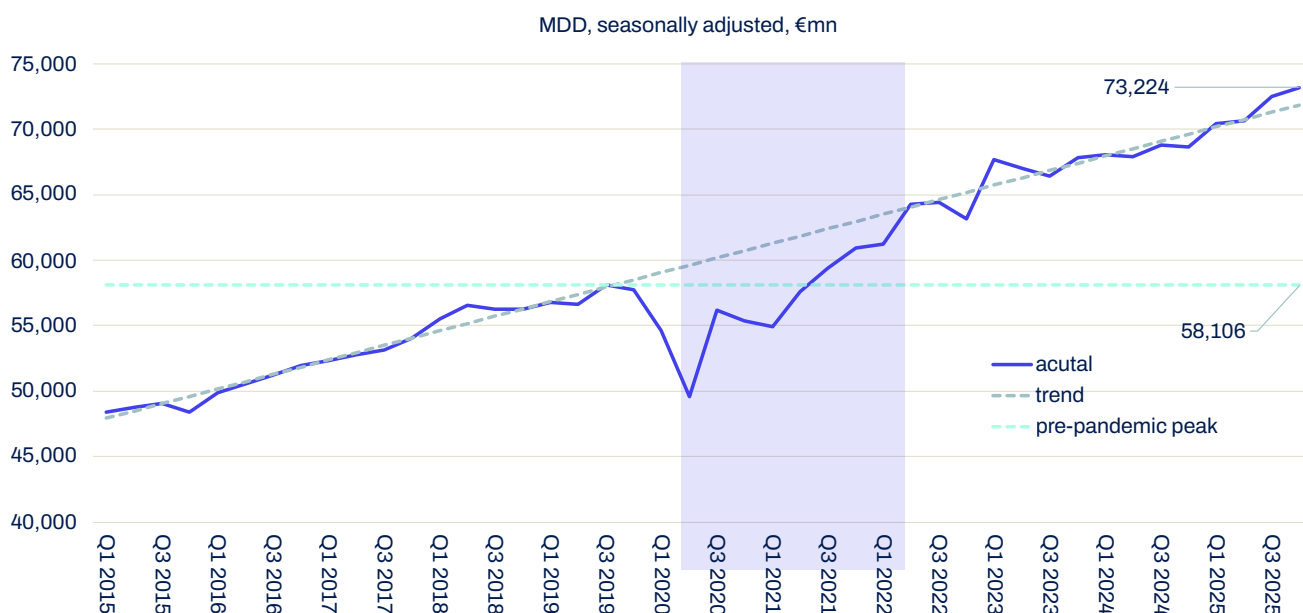
The CIF looks forward to continued and constructive engagement with Government, the Department of Finance, and the Department of Public Expenditure, NDP Delivery and Reform in advance of Budget 2027.

MACROECONOMIC AND CONSTRUCTION OUTLOOK: IMPLICATIONS FOR BUDGET 2027

Strategic Context

Ireland is operating in a context of rising cost pressures and structural headwinds, with efficiency losses, weaker productivity and growing economic and welfare costs posing risks to long-term growth. Domestically, inflationary impacts – particularly linked to the energy crisis – are increasing costs, underscoring the need to optimise current NDP timelines to protect value for money.

FIGURE 4: DESPITE GLOBAL HEADWINDS, MODIFIED DOMESTIC DEMAND IS PERFORMING WELL



Data Source: Department of Finance

At the same time, labour market conditions remain historically strong, with employment at record levels and the compensation of employees up by 50% compared with pre-pandemic, adding further pressure to the cost base. Looking ahead, demographic challenges and the relatively high energy intensity of manufacturing represent additional constraints.

Against this backdrop, maintaining sustainable public finances while advancing the digital transition is critical. Targeted policy measures will be required to protect jobs in an uncertain global environment.

Strategic investment in infrastructure offers a clear opportunity to strengthen competitiveness, enhance public services, improve living standards, and support productivity growth – with a specific focus on accelerating innovation and efficiency in the construction sector.

Ireland's economic performance and long-term competitiveness depend heavily on sustained investment in quality infrastructure that expands the productive capacity of the industry, the economy and reduces structural bottlenecks. Addressing the well-documented infrastructure deficit, highlighted by the National Competitiveness and Productivity Council, is essential to maintaining cost competitiveness, supporting balanced regional development, and delivering the ambitions of the National Planning Framework. Prioritising those projects that contribute most to long-term competitiveness – including transport, digital networks, energy systems and climate-resilient assets – will ensure that public capital spending delivers maximum economic return.

At the same time, the construction and infrastructure sectors are entering a period of significant capacity expansion. The EIB Investment Survey 2025¹¹ shows firms shifting investment towards capacity development (31%, up from 25% in 2024), with almost half of construction and infrastructure firms planning to expand capacity in the coming years. This underscores the need for policy certainty, skills development, and enabling infrastructure to support delivery of housing, climate targets, and major capital programmes.

Ireland's strong outward orientation, reflected in the fact that 77% of firms engage in international trade, reinforces the strategic importance of high-quality infrastructure that supports internationalising firms, including ports, airports, logistics corridors and digital connectivity. As awareness of climate transition grows, firms are increasingly recognising the need to adapt – particularly in infrastructure and construction. Public investment in climate-aligned infrastructure can accelerate this shift, turning regulatory compliance into a competitive advantage and opening new opportunities aligned with evolving EU standards.

Finally, Irish firms rely disproportionately on internal funding, with lower use of external finance than the EU average and relatively limited uptake of policy supports.

Around 39% of firms depend on internal finance, compared with an EU average of 29%, reflecting a strong preference for retained earnings and weaker demand for external financing.

Strengthening access to finance, especially for off-site manufacturing and smaller firms, will be critical to enabling private investment in capacity, digitalisation and climate adaptation, complementing public capital investment. Together, these measures will help to reinforce the industry's competitiveness, resilience and long-term growth potential.

Overall Construction Activity (Including Employment)

Ireland's economy continued to expand through 2025, although the pace of growth moderated in response to global uncertainty and energy related inflation pressures. Modified Domestic Demand remained resilient throughout the year, supported by strong labour market conditions and sustained public investment. According to national accounts data, Modified Domestic Demand held up well despite global headwinds, and Construction Gross Value Added increased by 9.7% in 2025.

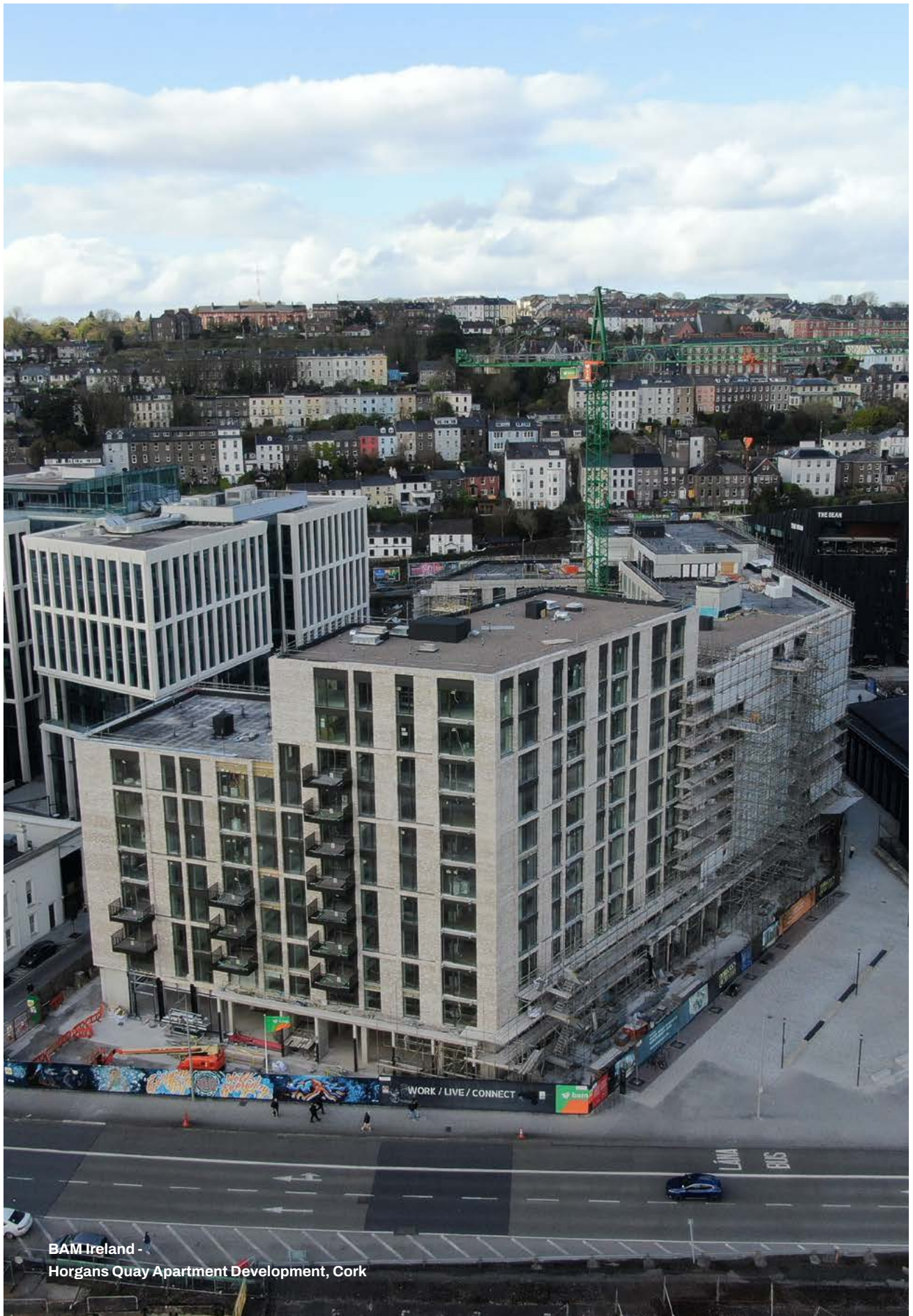
TABLE 2: APRIL 2026, SPRING ECONOMIC FORECASTS, ANNUAL PER CENT CHANGE UNLESS STATED - REFERENCE SCENARIO

	2025	2026	2027	2028	2029	2030
GDP	12.3	3.1	3.5	3.3	3.3	3.2
Modified Domestic Demand	4.9	2.1	3.0	3.1	3.1	2.9
GNI*	3.9	3.2	2.5	2.5	2.4	2.4
Consumer spending	2.9	2.0	2.3	2.5	2.3	2.3
Exports	9.7	4.9	4.0	3.2	3.2	3.1
Employment	2.2	1.6	1.4	1.2	1.0	1.0
Unemployment (rate)	4.7	4.7	4.8	4.9	4.9	5.0
Inflation (HICP)	2.1	3.3	2.5	1.7	1.8	2.0

Data Source: Department of Finance

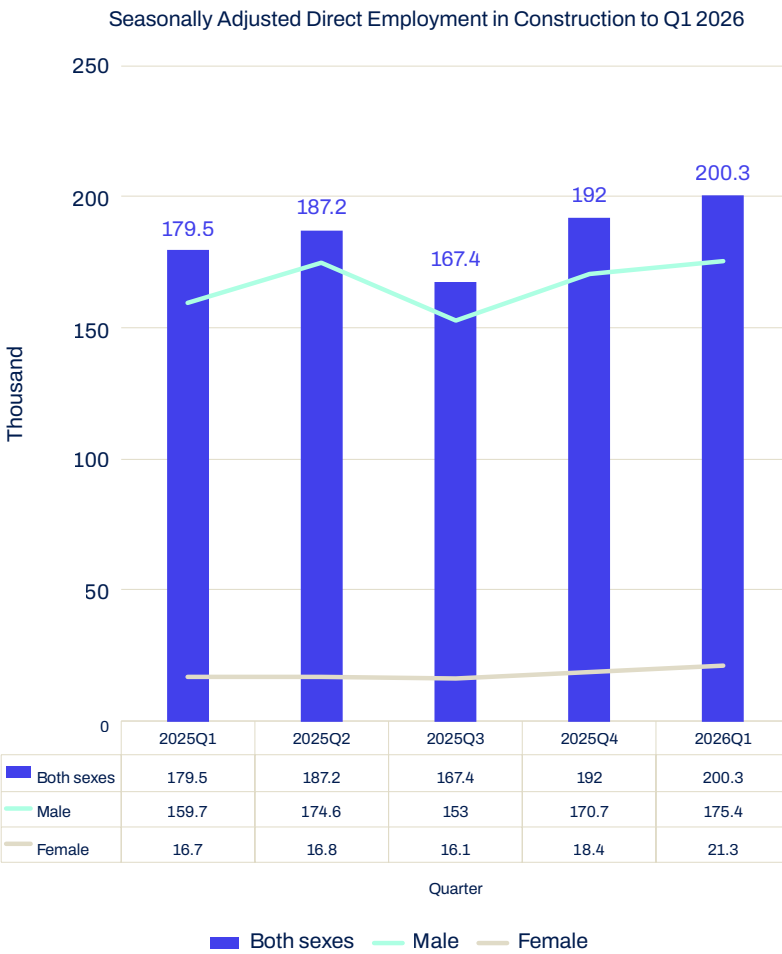
Total employment reached 2.83 million in late 2025, with unemployment stabilising at 4.7%. Construction employment also strengthened, rising from 179,500 in the first quarter of 2025 to 200,300 by the end of Q1 2026 on a seasonally adjusted basis. Construction GVA grew by 9.7% during the year, and medium-term projections indicate average annual growth of 4.8% between 2026 and 2029. This expansion was supported by ongoing public capital expenditure and improved activity across both building and civil engineering segments.

11 <https://www.eib.org/en/publications/20250216-econ-eibis-2025-eu>



BAM Ireland -
Horgans Quay Apartment Development, Cork

FIGURE 5: CONSTRUCTION LABOUR FORCE AT END Q1 2026



Employment in Construction

200,300 persons were employed in construction as of Q1 2026 on a seasonally adjusted basis, which is an increase of 20,500 people or 11.7% on Q4 2025.

CSO's Construction: A National Accounts Perspective 2024 release (published September 2025) finds:

Construction employment began to stabilise in 2024.

Skilled Trades Dominate: Electricians, carpenters, and general building trades made up the largest occupational groups, reflecting strong demand from data centres, renewables and retrofit programmes, housing, and industrial projects.

Regional Concentration: Employment remained Dublin-centric, with Cork and Limerick also growing due to pharma, tech, and university-driven construction.

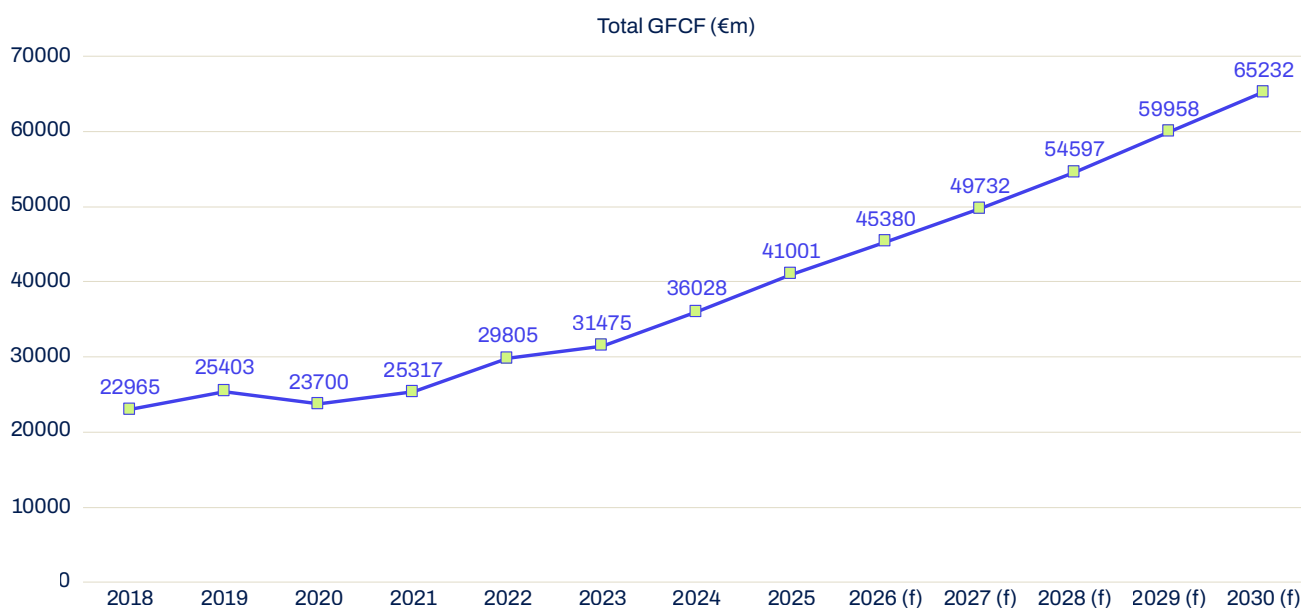
Source: CSO, LFS

CSO production indices show that construction activity strengthened significantly during 2025. Civil engineering output surged early in the year, with a 16.6% increase in volume in the first quarter, while non-residential building became the primary driver of growth later in the year, recording a 10.1% increase in the third quarter. Over the year, non-residential building recorded a positive annual increase in production volume, whereas civil engineering activity was slightly negative on the CSO's annual comparison, reflecting the inherent volatility of large infrastructure projects. Underlying investment in Gross Fixed Capital Formation is expected to increase through to 2030, driven by public capital expenditure and housing investment, in line with Department of Finance projections.

The latest CSO release indicates that this momentum carried into early 2026, though with a notable shift in the composition of activity. On a seasonally adjusted basis, the volume of production in construction increased by 1.3% between Q4 2025 and Q1 2026. Residential building was the strongest performer, rising by 8.6%, while civil engineering output increased by 2.3%. In contrast, non-residential building activity fell by 3.0% over the same period, partially reversing the strong gains recorded in 2025.

On an annual basis, however, the comparison between Q1 2025 and Q1 2026 shows a 4.1% decline in total building and construction output. This reflects sharp annual decreases in civil engineering (19.0%) and non-residential building (12.0%), both influenced by the timing and scale of major projects. In contrast, residential building recorded a strong annual increase of 13.6%, highlighting the continued expansion of housing activity and its growing role as the primary driver of construction output entering 2026.

FIGURE 6: TOTAL GROSS FIXED CAPITAL FORMATION (€M)



Data Source: Department of Finance / DPER Calculations

TABLE 3 COMPONENTS OF GROSS DOMESTIC FIXED CAPITAL FORMATION AT CURRENT MARKET PRICES 2024 - 2025

Construction GVA increased by 9.7% in 2025 Annual growth in construction to average 4.8% 2026-2029 Growth drivers include the NDP €102.4 billion in capital allocations for 2026–2030 Sectoral Investment Plans remain key to industry confidence.	Expenditure on GNP at Current Market Prices	UNIT	2024	2025
	Gross domestic fixed capital formation - Dwellings	Euro Million	10,311	13,089
	Gross domestic fixed capital formation - Improvements	Euro Million	7,810	8,906
	Gross domestic fixed capital formation - Other Building and Construction	Euro Million	16,317	17,272
	Gross domestic fixed capital formation - Transfer Costs	Euro Million	1,590	1,762
	Gross domestic fixed capital formation - All Building & Construction (including Dwellings, Improvements, Other B&C and Transfer Costs)	Euro Million	36,028	41,029

Data Source: CSO, National Accounts

Despite recent improvements, construction output remains below the level required to meet Ireland's existing structural housing and infrastructure needs. The CIF notes that sustained output growth will depend on accelerated delivery of key enabling infrastructure. New Critical Infrastructure legislation coming into effect from mid-2026 will require public bodies to cooperate, coordinate, prioritise and sequence their duties with other agencies, and to allocate the resources necessary, to ensure the rapid approval of major projects and programmes. Fast-tracking strategically important projects across energy, transport and water sectors is deemed essential, including renewable energy infrastructure like offshore/onshore wind and solar power generation projects.

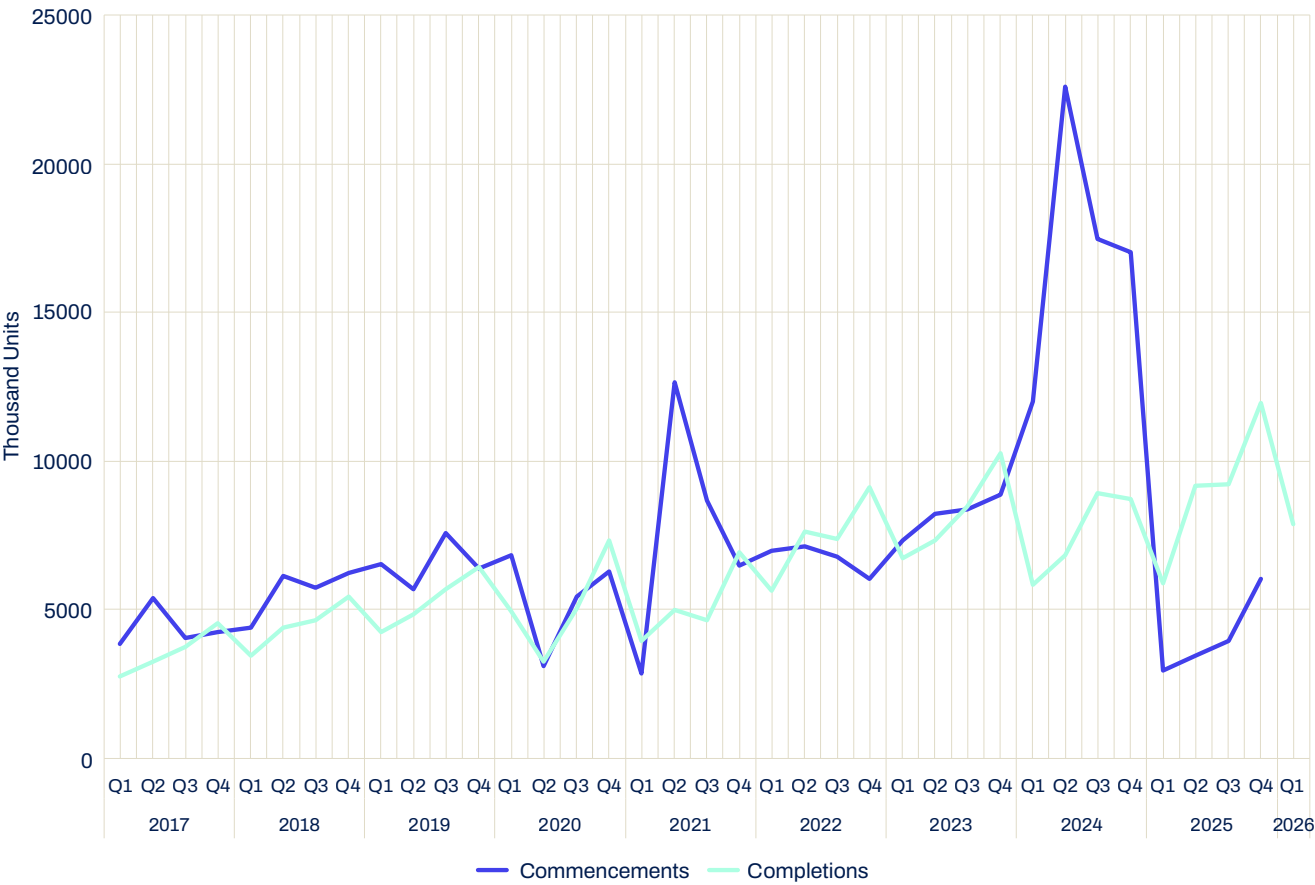
Housebuilding

Housing supply remains significantly below long-term requirements, even though 2025 saw a strong increase in completions. A total of 36,300 new homes were completed during the year, representing a 20% increase compared

with 2024. Quarterly completions ranged from 5,842 to 11,969 units, with the final quarter of 2025 marking the highest level of output. There were 7,856 new dwelling completions recorded in Q1 2026, according to the latest CSO release published on 30 April 2026. That represents a 32.9% increase compared with Q1 2025.

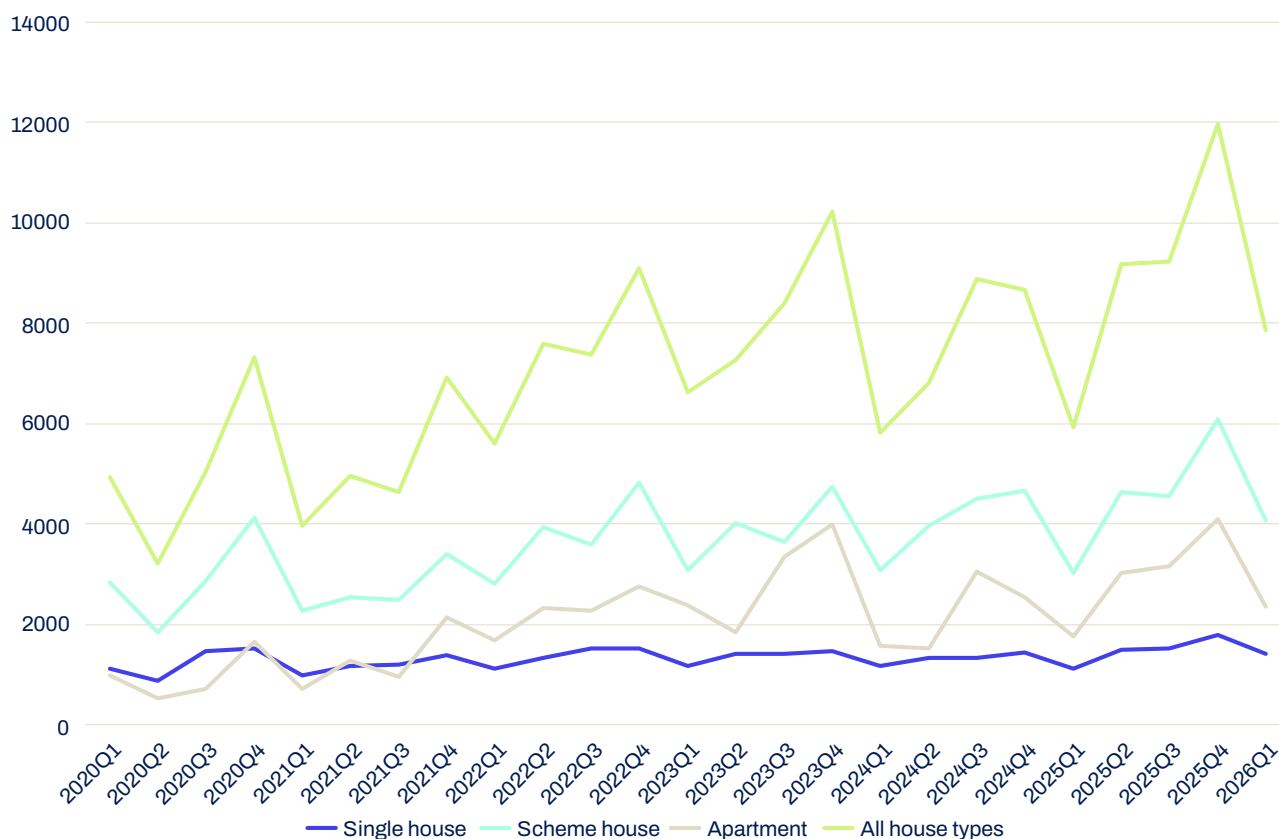
A surge in commencements during 2024 carried into 2025, although the CIF cautions that this trend introduces forecasting uncertainty due to the influence of temporary policy incentives. The relationship between planning permissions, commencements and completions has become increasingly unstable, reflecting structural challenges across the delivery pipeline. Planning delays and regulatory complexity continue to impede progress, while infrastructure bottlenecks, viability pressures arising from construction costs and financing conditions, reduced institutional investment in the private rental sector, and access to skills all contribute to delivery constraints.

FIGURE 7: TRENDS IN QUARTERLY HOUSE BUILDING INDICATORS FROM Q1 2017 - Q1 2026



Data Source: CSO, Housing Agency

FIGURE 8: NEW HOUSE COMPLETIONS BY TYPE Q1 2020 TO Q1 2026



Data source: CSO

The CIF identifies five critical enablers required to support increased housing output: planning reform, enhanced financial supports, timely delivery of enabling infrastructure, greater adoption of Modern Methods of Construction, and reform of public procurement processes. Progress in these areas remains essential if Ireland is to close the gap between housing demand and supply.

Non-Residential Building

Non-residential construction activity remained below pre-pandemic levels but showed clear signs of recovery during 2025. CSO data for 2025 indicates that the sector strengthened progressively through the year. The most significant improvement occurred in the third quarter, when non-residential building recorded a 10.1% increase in production volume. This followed more moderate growth earlier in the year and reflects a shift in the composition of construction activity, with non-residential building becoming the primary driver of output as the year progressed.

The recovery in 2025 was supported by stabilising market conditions and continued public and institutional investment. However, private sector development – particularly in the commercial office market – continued to face headwinds arising from tighter financing conditions, hybrid working patterns and existing capacity in the market. As a result, the improvement in non-residential activity, while notable, remained uneven. Pipeline visibility, funding conditions and evolving demand patterns will continue to shape activity levels in the short to medium term.

Civil Engineering

Civil engineering remained a central and stabilising component of the construction sector in 2025, driven primarily by public investment under the National Development Plan. CSO production index data for 2025 shows that civil engineering output experienced a strong surge early in the year, with a 16.6% increase in volume in the first quarter. This early momentum reflected the advancement of several large infrastructure projects and the continued prioritisation of public capital programmes.

However, this surge was not sustained throughout the year. Civil engineering activity moderated significantly in subsequent quarters, and by the time annual comparisons were made, the sector recorded a slight decline in output relative to the previous year. This pattern reflects the inherent volatility of large-scale infrastructure delivery, where quarterly output can fluctuate depending on project sequencing, procurement timelines and the mobilisation of major works.

Despite this variability, civil engineering remains underpinned by a substantial pipeline of public investment, with €102.4 billion allocated for the period 2026–2030. Delivery challenges persist, including staffing constraints within public bodies, delays in planning and procurement processes, and regional infrastructure deficits in water, wastewater and transport. Addressing these issues remains essential to ensuring that civil engineering output can expand in line with national requirements.

Prices of Construction Materials

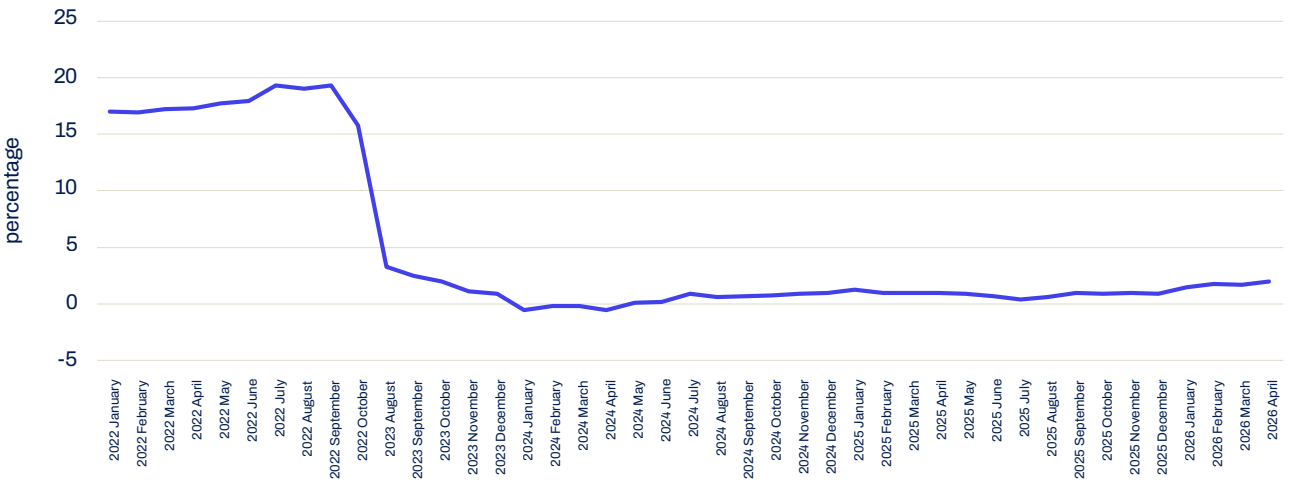
Although inflationary pressures eased somewhat during 2025, the construction industry remains severely exposed to significant cost volatility as the Irish economy continues to experience the effects of global energy shocks, particularly those linked to the Iranian conflict. The resulting

spike in fuel costs has placed considerable pressure on construction companies in 2026, especially given the fuel intensive nature of producing key materials such as cement, concrete and steel. These increases have compounded an already challenging environment in which a large majority of CIF members report concerns about raw material costs. As a small island economy, Ireland faces additional cost pressures due to transport and logistics, and the industry is now experiencing broad-based price increases.

These pressures are having a direct impact on construction costs across all segments of the sector. The cumulative effect of sustained cost increases over recent years continues to undermine project viability, particularly in the residential market. The re-emergence of cost pressures in 2026 remains a significant concern for the industry.

At the time of writing, wholesale prices for building and construction materials increased by 2.0% in the 12 months to April 2026, although this index does not yet fully reflect the more recent increases associated with the Iran conflict. A significant rise is expected in the next statistical release due at the end of June 2026. Notable increases over the past year include copper pipes and fittings (6.9%), plaster (6.7%), ready mixed concrete (4.8%) and rough hardwood timber (4.6%). The Building and Construction Index increased by 2.4% in the year to March 2026.

FIGURE 9: WHOLESALE PRICES FOR BUILDING & CONSTRUCTION MATERIALS INCREASED BY 2.0% OVER THE 12 MONTHS TO APRIL 2026



Some notable increases and decreases:

- Bituminous Macadam & Asphalt: (+10.3%)
- Copper Pipes & Fittings: (+8.3%)
- Ready Mixed Mortar & Concrete: (+7.3%)
- Other Structural Steel: (+4.9%)
- Other Steel Products: (+4.8%)
- Electrical Fittings: (-6.2%)

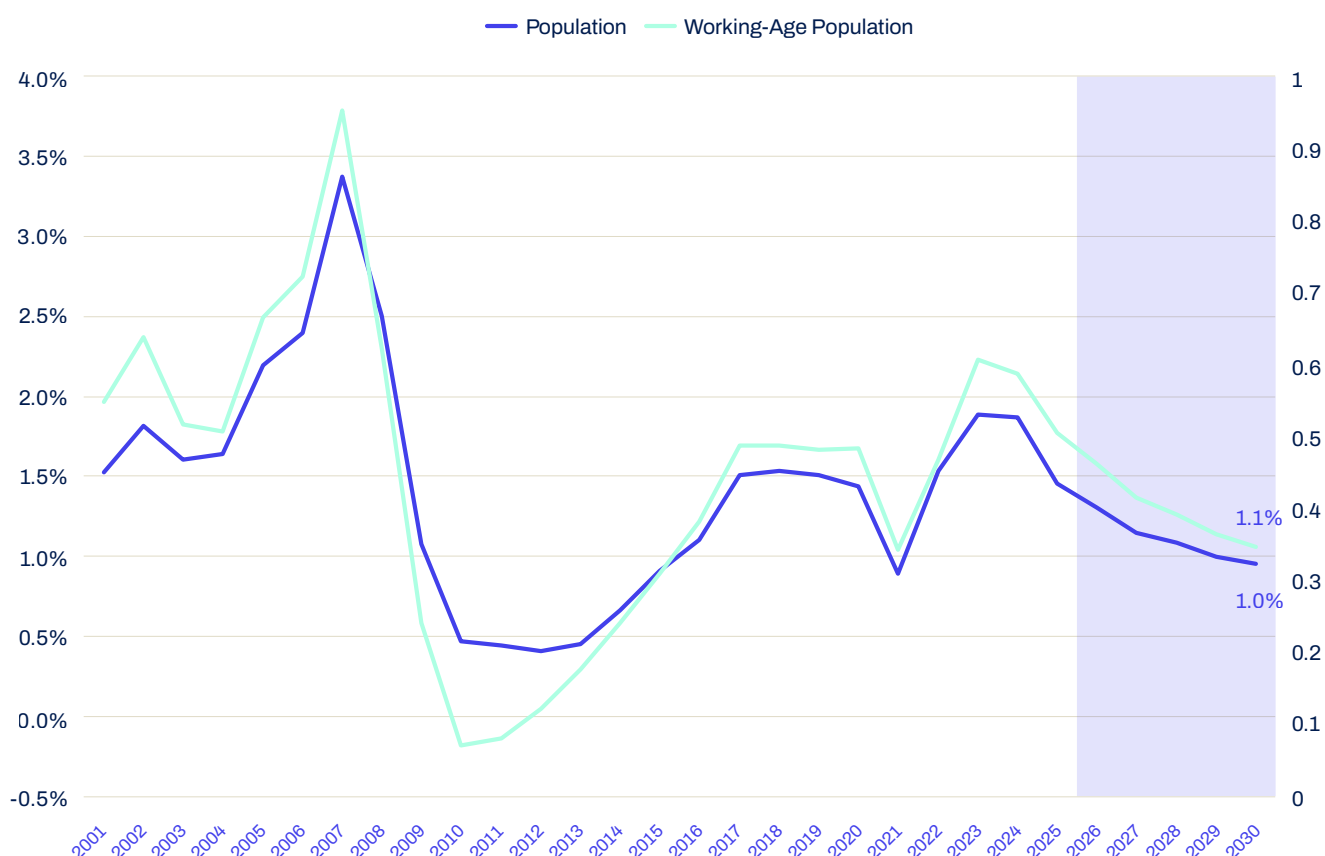
The Building & Construction Index (i.e. Materials and Wages) rose by 0.2% in the month to April 2026 and was up by 2.7% in the 12 months to April 2026.

Data source: CSO, WPI

Summary

The Irish construction sector experienced a strong rebound in 2025, marked by significant growth in construction GVA, a 20% increase in housing completions, rising employment to almost 193,000, stabilising material cost inflation and continued expansion in civil engineering driven by public investment. However, structural constraints, including planning delays, key skills shortages, infrastructure deficits, energy shocks and viability challenges continue to impact the sector's ability to meet Ireland's long-term housing and infrastructure needs.

FIGURE 10 POPULATION VS. WORKING-AGE GROWTH – GAP NARROWS THROUGH MID-2030S



Data Source: CSO / Department of Finance

The CIF stresses that Ireland now faces a critical ten-year window before demographic pressures begin to significantly constrain fiscal capacity. Maximising construction output during this period is essential to safeguarding Ireland's economic competitiveness, meeting social needs and delivering the infrastructure required for a resilient, productive future.

**Submitted by the Taxation, Investment, Finance/
Funding and Public Spending Policy Committee on
behalf of the Construction Industry Federation | 4th
Floor, Bankside | D02 VN88**

APPENDIX 1: TRAVEL AND SUBSISTENCE SCENARIOS

Recommendation 5.1:

Proposed amendments to Revenue's Travel and Subsistence TDM (Part 05-01-06)

Scenario 1

Electrician	Current TDM	Proposed Amendment	Net Impact
Country Money Rate	€181.68	No Change	-
Tax-Free eligibility	Not eligible	Eligible	-
Weeks	21.67	21.67	-
Gross Amount (Country Money)	€3,937	€3,937	€0
Tax @ 52.2%	€2,055	€0	€0
Net Take-home pay (Country Money)	€1,882	€3,937	€2,055

Notes

1. This scenario focuses on an electrician earning €100k per annum, living in Monaghan, employed long-term by a contracting company, travelling 5 days per week to Kildare to work on a site for his employer, for 5 months. The individual has a company provided van.
2. At present, the employer provided transport disallows tax-free country money from being provided to the individual. The proposed amendment removes this blocker, meaning country money could be paid tax-free, increasing take-home pay by the tax otherwise deducted.
3. The individual will be working on site for 21.67 weeks calculated by apportioning 52 weeks of the year by 5/12ths.
4. The individual will receive an additional €2,055 in take-home pay, being the tax currently paid under current rules.
5. Given their earnings, the individual is subject to tax at the marginal rate (52.2%) made up of 40% Income Tax, 8% USC and 4.2% PRSI.
6. We have assumed that the individual meets the requisite conditions under the below exemptions to not be subject to Benefit-In-Kind on the employer provided van. The employee must meet one of the following;

Limited Private Use Exemption

- ▶ the van is supplied by the employer to the employee for the purposes of the employee's work,

- ▶ the employee is required by his or her employer to bring the van home after work,
- ▶ apart from travel between the employee's home and his or her workplace, other private use of the van by the employee is forbidden by the employer and there is in fact no other private use, and - in the course of his or her work, the employee spends at least 80% of his or her time away from the premises of the employer to which he or she is attached.

Van Pools

- ▶ the vehicle is available to, and actually used by, more than one of the employees concerned,
- ▶ in the case of each employee, the vehicle is made available to him or her by reason of his or her employment,
- ▶ the vehicle is not ordinarily used by any one employee to the exclusion of the others,
- ▶ in the case of each of the employees concerned, any private use of the vehicle by him or her is merely incidental to his or her business use, and
- ▶ the vehicle is not normally kept overnight at or in the vicinity of any of the employees' homes.

Weight Exemption

No BIK will arise in respect of the private use of a commercial vehicle with a gross vehicle weight (i.e., gross laden weight) in excess of 3,500kg.

Scenario 2

Plumber	Current TDM	Proposed Amendment	Net Impact
Country Money Rate (3 Days per week)	€109.01	No Change	-
Tax-Free eligibility	Not eligible	Eligible	-
Weeks	104	104	-
Gross Amount (Country Money)	€11,337	€11,337	€0
Tax @ 27.2%	€3,084		€0
Net Take-home pay (Country Money)	€8,253	€11,337	€3,084

Notes

1. This scenario focuses on a plumber based in Dublin 1 who works on a County Meath apartment development for 2 years and has an annual salary of €40,000. The individual works on this site 3 days per week and it is a subsequent site of the same employment previously held on other sites. The individual has a company provided van.
2. At present, the van/employer provided transport disallows tax-free country money from being provided to the individual. The proposed amendment removes this blocker, meaning the same €181.68 weekly pay could be paid tax-free, increasing take-home pay by the tax otherwise deducted.
3. The individual will be working on site for 104 weeks (2 years).
4. The individual will receive an additional €3,084 in take-home pay, being the tax currently paid under the current rules.
5. Given their earnings, the individual has a tax rate of 27.2% of tax made up of 20% Income Tax, 3% USC and 4.2% PRSI.

Scenario 3

Project Manager	Current TDM	Proposed Amendment	Net Impact
First 14 Nights (overnight allowance)	€2,877	€0	-
Next 14 Nights (overnight allowance)	€2,590	€0	-
Next 28 Nights (overnight allowance)	€2,877	€0	-
56 Nights+ (current)	€0		-
24 Months (proposed)		€38,272	
Net Tax-Free Amount	€8,344	€38,272	€29,928

Notes

1. This scenario focuses on a project manager earning €100k per annum, living in Kildare, who is assigned to temporarily work on a site in Cork, where the duration of the site is 2 years. The individual will be required to work on site 5 days per week and stays away 4 nights per week (returning home on weekends). Over 2 years, this amounts to 416 nights (104 weeks x 4).
2. Given the above fact pattern, the individual falls within Cat 2 of the Proposed Amendments for overnight allowances. Therefore, they would be entitled to €92 per night.
3. The individual will receive an additional €29,928 in take home pay under the amended proposal. There are significant considerations here in respect of pushing individuals into the marginal tax rate bands.

Scenario 4

Project Manager	Current TDM	Proposed Amendment	Net Impact
First 14 Nights (overnight allowance)	€2,877	€0	-
Next 14 Nights (overnight allowance)	€2,590	€0	-
Next 28 Nights (overnight allowance)	€2,877	€0	-
56 Nights+ (current)	€0		
24 Months (proposed)		€4,592	
Net Tax-Free Amount	€8,344	€4,592	-€3,752

Notes

1. This scenario focuses on a project manager earning €100k per annum, living in Waterford, who is assigned to temporarily work on a site in Donegal, where the duration of the site is 56 nights. The individual will be required to work on site 5 days per week and stays away 4 nights per week (returning home on weekends).
2. Given the above fact pattern, the individual falls within Cat 3 of the Proposed Amendments for overnight allowances. Therefore, they would be entitled to €82 per night.
3. The individual will receive €3,752 less in take-home pay compared with the current rates provided in Revenue guidance given the shorter term of this assignment compared to Scenario 3.

Background/Inputs

Section	Value	Notes
Tax assumptions		
Marginal tax rate on additional taxable pay (Income tax + USC + PRSI)	0.522	Default 52.2% (edit as needed)
Income tax higher rate (reference)	0.4	Reference only
USC top rate (reference)	0.08	Reference only
Employee PRSI (Class A) (reference)	0.042	Reference only
Country money (TDM 05-01-06 section 4.7)		
Country money daily rate (4 days or less)	36.336	€ per day
Country money weekly rate (>4 days)	181.68	€ per week
Distance test (site vs base) threshold	32	km
Current Civil Service domestic overnight rates (effective 29 Jan 2025)		
Overnight normal rate	205.53	€
Overnight reduced rate	184.98	€
Overnight detention rate	102.76	€
Proposed flat-rate totals (Proposed Amendments - section 2.5.2 categories)		
Cat 1 total (Dublin region) – Overnight+Day	103.00	€ per qualifying night
Cat 2 total (Cork/Galway/Limerick/Waterford + surrounding Dublin) – Overnight+Day	92.00	€ per qualifying night
Cat 3 total (all other) – Overnight+Day	82.00	€ per qualifying night
Current duration note (section 4.2.2)	6 months	At one location (manual states limit)
Proposed duration note (section 4.2.2)	24 months	For workers sent to sites >100km (proposal)

APPENDIX 2: TAX COSTS IN CONSTRUCTION

Recommendation 5.3:

Tax Simplicity and Investment Certainty

Scenario 1

Overview

- ▶ Land owned by an individual on which no economic activity takes place
- ▶ Base cost is assumed to be €500,000
- ▶ The land is zoned for residential development
- ▶ The individual sells the land to a property developer
- ▶ The property developer obtains planning permission for residential development of 70 houses
- ▶ The property developer constructs residential properties (houses) on the land, and sells them to members of the public

No. of houses to be developed 70

Stamp duty on acquisition	€	Additional comments
Price of land sold to developer	3,000,000	
Stamp duty at 7.5%	225,000	Assume it takes the developer more than 30 months to obtain planning permission and submit a commencement notice, such that the stamp duty rebate is unavailable
Assume no VAT applies on acquisition		

CGT for the individual on sale	€	Additional comments
Proceeds	3,000,000	
Base cost	(500,000)	
Chargeable gain	2,500,000	Assume annual exemption of €1,270 already used
CGT at 33%	825,000	
Costs of construction	21,000,000	Assume €350,000 per house
VAT on costs of construction	2,835,000	
Total cost of construction	23,835,000	
Selling price of the houses	30,837,004	Ex VAT
VAT at 13.5%	4,162,996	
VAT inclusive sales proceeds	35,000,000	Assumed house price of €500,000 per house includes VAT

Net VAT liability	€	Additional comments
VAT on sale of houses	4,162,996	
VAT incurred on professional fees	(115,000)	
VAT incurred on construction	(2,835,000)	
Net VAT liability	1,212,996	

Corporation tax for developer	€	Additional comments
Revenue	30,837,004	
Stamp duty on acquisition	(225,000)	
Cost of acquisition	(3,000,000)	
Development levies	(875,000)	Assumed to be €12,500 per house
Uisce Éireann connection charges	(385,000)	Assumed €5,500 per unit
Infrastructure contributions		
Cost of finance	(2,000,000)	
Professional fees	(500,000)	
Cost of labour	(1,000,000)	
Employer PRSI on labour 11.75%	(117,500)	
Costs of materials	(21,000,000)	
Taxable profit	1,734,504	
Corporation tax at 12.5%	216,813	

Stamp duty for individuals on acquisition	€	Additional comments
Cost of homes (ex VAT)	30,837,004	
Stamp duty at 1%	308,370	1% for individuals acquiring houses worth €1m or less

RZLT for the developer	€	Additional comments
Site is zoned as residential on 1 January 2025		
First liable for RZLT on 1 February 2028.		
Developer acquires land on 30 June 2025.		
Obtains planning permission on 1 January 2027		
Planning permission is appealed by a third party, but an Coimisiún Pleanála upholds the decision on 30 September 2027		
Commencement notice is submitted on 15 January 2028.		
RZLT is deferred on 1 February 2028 and 1 February 2029.		
Houses are completed on 30 June 2029, and RZLT is abated.		

Summary of taxes	€	Additional comments
Stamp duty on acquisition by developer	225,000	
Stamp duty rebate	0	Nil, as commencement notice submitted after 30 months
CGT for the individual on the sale	825,000	
VAT liability on development of houses	1,212,996	
Corporation tax on sale of houses	216,813	
Stamp duty on acquisition by individuals	308,370	
RZLT	0	Nil, as commencement notice submitted before site becomes liable to RZLT.
Total tax incurred by all parties on the transaction	2,788,179	
Taxes incurred by the developer		
Corporation tax	216,813	
VAT	1,212,996	
Stamp duty	225,000	
Employer PRSI	117,500	
RZLT	0	
	1,772,309	
Tax percentage of cost of houses	0.05063739	Excluding levies and contributions
Levies and contributions		
Development levies	875,000	
Uisce Éireann connection charges	385,000	
Infrastructure contributions		
	1,260,000	
Levies percentage of cost of houses	0.036	
Total taxes and levies for developer	3,032,309	
As a percentage of sales price	0.08663739	
Total taxes and levies earned by the State on this transaction	4,048,179	Excludes the following: income taxes on salaries, any incremental tax on extraction of profits from the company

Scenario 2

Overview

- ▶ Land owned by an individual on which no economic activity takes place
- ▶ Base cost is assumed to be €500,000
- ▶ The land is zoned for residential development
- ▶ The individual sells the land to a property developer
- ▶ The property developer obtains planning permission for residential development of 70 houses
- ▶ The property developer constructs residential properties (houses) on the land, and sells them to members of the public

No. of houses to be developed 70

Stamp duty on acquisition	€	Additional comments
Price of land sold to developer	3,000,000	
Stamp duty at 7.5%	225,000	Assume it takes the developer more than 30 months to obtain planning permission and submit a commencement notice, such that the stamp duty rebate is unavailable
Assume no VAT applies on acquisition		

CGT for the individual on sale	€	Additional comments
Proceeds	3,000,000	
Base cost	(500,000)	
Chargeable gain	2,500,000	Assume annual exemption of €1,270 already used
CGT at 33%	825,000	
Costs of construction	21,000,000	Assume €350,000 per house
VAT on costs of construction	2,835,000	
Total cost of construction	23,835,000	
Selling price of the houses	30,837,004	Ex VAT
VAT at 13.5%	4,162,996	
VAT inclusive sales proceeds	35,000,000	Assumed house price of €500,000 per house includes VAT

Net VAT liability	€	Additional comments
VAT on sale of houses	4,162,996	
VAT incurred on professional fees	(115,000)	
VAT incurred on construction	(2,835,000)	
Net VAT liability	1,212,996	

Corporation tax for developer	€	Additional comments
Revenue	30,837,004	
Stamp duty on acquisition	(225,000)	
Cost of acquisition	(3,000,000)	
Development levies	(875,000)	Assumed to be €12,500 per house
Uisce Éireann connection charges	(385,000)	Assumed €5,500 per unit
Infrastructure contributions		
Cost of finance	(2,000,000)	
Professional fees	(500,000)	
Cost of labour	(1,000,000)	
Employer PRSI on labour 11.75%	(117,500)	
Costs of materials	(21,000,000)	
Taxable profit	1,734,504	
Corporation tax at 12.5%	216,813	

Stamp duty for individuals on acquisition	€	Additional comments
Cost of homes (ex VAT)	30,837,004	
Stamp duty at 1%	308,370	1% for individuals acquiring houses worth €1m or less

RZLT for the individual and the developer	€	Additional comments
Site is zoned as residential on 1 January 2022		
First liable for RZLT on 1 February 2025.		
Developer acquires land on 30 June 2025.		
Obtains planning permission on 1 January 2027		
Planning permission is appealed by a third party, but an Coimisiún Pleanála upholds the decision on 30 September 2027		
Commencement notice is submitted on 15 January 2028.		
RZLT is deferred on 1 February 2028 and 1 February 2029.		
Houses are completed on 30 June 2029, and RZLT is abated.		

Individual RZLT	€	Additional comments
RZLT 2025	90,000	3% of the market value
Sold in 2022, so the individual has no further liabilities		

Developer RZLT	€	Additional comments
RZLT 2026	90,000	No mitigation - still going through planning process
RZLT 2027	0	RZLT exemption due to planning application by third party
RZLT 2028	0	RZLT is deferred
RZLT 2029	0	RZLT is deferred
RZLT 2030	0	RZLT is abated

Summary of taxes	€	Additional comments
Stamp duty on acquisition by developer	225,000	
Stamp duty rebate	0	Nil, as commencement notice submitted after 30 months
CGT for the individual on the sale	825,000	
VAT liability on development of houses	1,212,996	
Corporation tax on sale of houses	216,813	
Stamp duty on acquisition by individuals	308,370	
RZLT	180,000	
Total tax incurred by all parties on the transaction	2,968,179	
Taxes incurred by the developer		
Corporation tax	216,813	
VAT	1,212,996	
Stamp duty	225,000	
Employer PRSI	117,500	
RZLT	90,000	
	1,862,309	
Tax percentage of cost of houses	0.053208818	Excluding levies and contributions
Levies and contributions		
Development levies	875,000	
Uisce Éireann connection charges	385,000	
Infrastructure contributions		
	1,260,000	
Levies percentage of cost of houses	0.036	
Total taxes and levies for developer	3,122,309	
As a percentage of sales price	0.089208818	
Total taxes and levies earned by the State on this transaction	4,228,179	Excludes the following: income taxes on salaries, any incremental tax on extraction of profits from the company

Scenario 3

Overview

- ▶ Land owned by an individual on which no economic activity takes place
- ▶ Base cost is assumed to be €500,000
- ▶ The land is zoned for residential development
- ▶ The individual obtains planning permission for the site
- ▶ The individual sells the land to a property developer
- ▶ The property developer constructs residential properties (houses) on the land, and sells them to members of the public

No. of houses to be developed 70

Stamp duty on acquisition	€	Additional comments
Price of land sold to developer	4,000,000	Increased compared to scenarios 1 and 2 due to having planning
Stamp duty at 7.5%	300,000	Assume the stamp duty rebate is available
Assume no VAT applies on acquisition		

CGT for the individual on sale	€	Additional comments
Proceeds	4,000,000	
Base cost	(500,000)	
Chargeable gain	3,500,000	Assume annual exemption of €1,270 already used
CGT at 33%	1,155,000	
Costs of construction	21,000,000	Assume €350,000 per house
VAT on costs of construction	2,835,000	
Total cost of construction	23,835,000	
Selling price of the houses	30,837,004	Ex VAT
VAT at 13.5%	4,162,996	
VAT inclusive sales proceeds	35,000,000	Assumed house price of €500,000 per house includes VAT

Net VAT liability	€	Additional comments
VAT on sale of houses	4,162,996	
VAT incurred on professional fees	(115,000)	
VAT incurred on construction	(2,835,000)	
Net VAT liability	1,212,996	

Corporation tax for developer	€	Additional comments
Revenue	30,837,004	
Stamp duty on acquisition	(300,000)	
Cost of acquisition	(4,000,000)	
Development levies	(875,000)	Assumed to be €12,500 per house
Uisce Éireann connection charges	(385,000)	Assumed €5,500 per unit
Infrastructure contributions		
Cost of finance	(2,000,000)	
Professional fees	(500,000)	
Cost of labour	(1,000,000)	
Employer PRSI on labour 11.75%	(117,500)	
Costs of materials	(21,000,000)	
Taxable profit	659,504	
Corporation tax at 12.5%	82,438	

Stamp duty for individuals on acquisition	€	Additional comments
Cost of homes (ex VAT)	30,837,004	
Stamp duty at 1%	308,370	1% for individuals acquiring houses worth €1m or less

RZLT for the developer	€	Additional comments
Site is zoned as residential on 1 January 2022		
First liable for RZLT on 1 February 2025.		
Individual obtains planning permission on 1 January 2027		
Developer acquires land on 30 June 2027.		
Commencement notice is submitted on 15 January 2028.		
RZLT is deferred on 1 February 2028 and 1 February 2029.		
Houses are completed on 30 June 2029, and RZLT is abated.		

Individual RZLT	€	Additional comments
RZLT 2025	120,000	3% of the market value
RZLT 2025	120,000	No mitigation - still going through planning process
RZLT 2027	120,000	No mitigation - still going through planning process

Developer RZLT	€	Additional comments
RZLT 2028	0	RZLT is deferred
RZLT 2029	0	RZLT is deferred
RZLT 2030	0	RZLT is abated

Summary of taxes	€	Additional comments
Stamp duty on acquisition by developer	300,000	
Stamp duty rebate	(220,000)	Assume the stamp duty rebate is available
CGT for the individual on the sale	1,155,000	
VAT liability on development of houses	1,212,996	
Corporation tax on sale of houses	82,438	
Stamp duty on acquisition by individuals	308,370	
RZLT	360,000	
Total tax incurred by all parties on the transaction	3,198,804	
Taxes incurred by the developer		
Corporation tax	82,438	
VAT	1,212,996	
Stamp duty	300,000	
Employer PRSI	117,500	
RZLT	0	
	1,712,934	
Tax percentage of cost of houses	0.048940961	Excluding levies and contributions
Levies and contributions		
Development levies	875,000	
Uisce Éireann connection charges	385,000	
Infrastructure contributions		
	1,260,000	
Levies percentage of cost of houses	0.036	
Total taxes and levies for developer	2,972,934	
As a percentage of sales price	0.084940961	
Total taxes and levies earned by the State on this transaction	4,458,804	Excludes the following: income taxes on salaries, any incremental tax on extraction of profits from the company

Scenario 4

Overview

- ▶ Land owned by an individual on which no economic activity takes place
- ▶ Base cost is assumed to be €500,000
- ▶ The land is zoned for residential development
- ▶ The individual sells the land to a property developer
- ▶ The property developer obtains planning permission for residential development of 70 houses
- ▶ The property developer constructs residential properties (houses) on the land, and sells them by way of a forward purchase to an approved housing body.

No. of houses to be developed 70

Stamp duty on acquisition	€	Additional comments
Price of land sold to developer	3,000,000	
Stamp duty at 7.5%	225,000	Assume the stamp duty rebate is available
Assume no VAT applies on acquisition		

CGT for the individual on sale	€	Additional comments
Proceeds	3,000,000	
Base cost	(500,000)	
Chargeable gain	2,500,000	Assume annual exemption of €1,270 already used
CGT at 33%	825,000	
Costs of construction	21,000,000	Assume €350,000 per house
VAT on costs of construction	2,835,000	
Total cost of construction	23,835,000	
Selling price of the houses	30,837,004	Ex VAT
VAT at 13.5%	4,162,996	
VAT inclusive sales proceeds	35,000,000	Assumed house price of €500,000 per house includes VAT

Net VAT liability	€	
VAT on sale of houses	4,162,996	
VAT incurred on professional fees	(115,000)	
VAT incurred on construction	(2,835,000)	
Net VAT liability	1,212,996	

Corporation tax for developer	€	Additional comments
Revenue	30,837,004	
Stamp duty on acquisition	(225,000)	
Cost of acquisition	(3,000,000)	
Development levies	(875,000)	Assumed to be €12,500 per house
Uisce Éireann connection charges	(385,000)	Assumed €5,500 per unit
Infrastructure contributions		
Cost of finance	(2,000,000)	
Professional fees	(500,000)	
Cost of labour	(1,000,000)	
Employer PRSI on labour 11.75%	(117,500)	
Costs of materials	(21,000,000)	
Taxable profit	1,734,504	
Corporation tax at 12.5%	216,813	

Stamp duty for individuals on acquisition	€	Additional comments
Cost of homes (ex VAT)	30,837,004	
Stamp duty at 1%	308,370	1% for individuals acquiring houses worth €1m or less

RZLT for the individual and the developer	€	Additional comments
Site is zoned as residential on 1 January 2022		
First liable for RZLT on 1 February 2025.		
Developer acquires land on 30 June 2025.		
Obtains planning permission on 1 January 2027		
Commencement notice is submitted on 30 September 2027.		
RZLT is deferred on 1 February 2028 and 1 February 2029.		
On 30 June 2028, the developer enters into a forward purchasing agreement with an approved housing body for the 70 units.		
Houses are completed on 30 June 2029, and RZLT is abated.		
The houses are transferred to an approved housing body on 31 July 2029.		

Individual RZLT	€	
RZLT 2025	90,000	3% of the market value
Sold in 2022, so the individual has no further liabilities		

Developer RZLT	€	
RZLT 2026	90,000	No mitigation - still going through planning process
RZLT 2027	0	RZLT exemption due to having planning permission
RZLT 2028	0	RZLT is deferred due to construction commencing
RZLT 2029	0	RZLT is deferred due to construction commencing
RZLT 2030	0	RZLT is abated when construction is completed within the life of the planning permission

Summary of taxes	€	Additional comments
Stamp duty on acquisition by developer	225,000	
Stamp duty rebate	(165,000)	Assume the stamp duty rebate is available
CGT for the individual on the sale	825,000	
VAT liability on development of houses	1,212,996	
Corporation tax on sale of houses	216,813	
Stamp duty on acquisition by individuals	308,370	
RZLT	180,000	
Total tax incurred by all parties on the transaction	2,803,179	
Taxes incurred by the developer		
Corporation tax	216,813	
VAT	1,212,996	
Stamp duty	225,000	
Employer PRSI	117,500	
RZLT	90,000	
	1,862,309	
Tax percentage of cost of houses	0.053208818	Excluding levies and contributions
Levies and contributions		
Development levies	875,000	
Uisce Éireann connection charges	385,000	
Infrastructure contributions		
	1,260,000	
Levies percentage of cost of houses	0.036	
Total taxes and levies for developer	3,122,309	
As a percentage of sales price	0.089208818	
Total taxes and levies earned by the State on this transaction	4,063,179	Excludes the following: income taxes on salaries, any incremental tax on extraction of profits from the company

Scenario 5

Overview

- ▶ Land owned by an individual on which no economic activity takes place
- ▶ Base cost is assumed to be €500,000
- ▶ The land is zoned for residential development
- ▶ The individual sells the land to a property developer
- ▶ The property developer obtains planning permission for residential development of 70 houses
- ▶ The property developer constructs residential properties (houses) on the land, and sells them by way of a forward funding transaction to an approved housing body.

No. of houses to be developed 70

Stamp duty on acquisition	€	Additional comments
Price of land sold to developer	3,000,000	
Stamp duty at 7.5%	225,000	Assume the stamp duty rebate is available
Assume no VAT applies on acquisition		

CGT for the individual on sale	€	Additional comments
Proceeds	3,000,000	
Base cost	(500,000)	
Chargeable gain	2,500,000	Assume annual exemption of €1,270 already used
CGT at 33%	825,000	
Costs of construction	21,000,000	Assume €350,000 per house
VAT on costs of construction	2,835,000	
Total cost of construction	23,835,000	
Selling price of the houses	30,837,004	Ex VAT
VAT at 13.5%	4,162,996	
VAT inclusive sales proceeds	35,000,000	Assumed house price of €500,000 per house includes VAT

Net VAT liability	€	Additional comments
VAT on sale of houses	4,162,996	
VAT incurred on professional fees	(115,000)	
VAT incurred on construction	(2,835,000)	
Net VAT liability	1,212,996	

Corporation tax for developer	€	Additional comments
Revenue	30,837,004	
Stamp duty on acquisition	(225,000)	
Cost of acquisition	(3,000,000)	
Development levies	(875,000)	Assumed to be €12,500 per house
Uisce Éireann connection charges	(385,000)	Assumed €5,500 per unit
Infrastructure contributions		
Cost of finance	(2,000,000)	
Professional fees	(500,000)	
Cost of labour	(1,000,000)	
Employer PRSI on labour 11.75%	(117,500)	
Costs of materials	(21,000,000)	
Taxable profit	1,734,504	
Corporation tax at 25%	260,176	Assume 60%
Corporation tax at 12.5%	86,725	Assume 40%

Stamp duty for individuals on acquisition	€	Additional comments
Cost of homes (ex VAT)	30,837,004	
Stamp duty at 1%	308,370	1% for individuals acquiring houses worth €1m or less

RZLT for the individual and the developer	€	Additional comments
Site is zoned as residential on 1 January 2022		
First liable for RZLT on 1 February 2025.		
Developer acquires land on 30 June 2025.		
Obtains planning permission on 1 January 2027		
Commencement notice is submitted on 30 September 2027.		
RZLT is deferred on 1 February 2028 and 1 February 2029.		
On 30 June 2028, the developer enters into a forward funding agreement with an approved housing body for the 70 units, and the land is transferred to AHB on this date.		
The RZLT which was deferred in 2028 is clawed back, plus interest		
Houses are completed on 30 June 2029, and RZLT is abated.		

Individual RZLT	€	
RZLT 2025	90,000	3% of the market value
Sold in 2022, so the individual has no further liabilities		

Developer RZLT	€	Additional comments
RZLT 2026	90,000	No mitigation - still going through planning process
RZLT 2027	90,000	RZLT is deferred due to having planning permission, but is clawed back on sale
RZLT 2028	90,000	RZLT is deferred due to construction commencing, but is clawed back on sale
RZLT 2029	0	No longer owned by the developer

Interest on clawed back RZLT 2027	€	Additional comments
Date of payment	30/06/2028	
Due date	23/05/2027	
No. of days	404	
Interest rate per day	0.0219%	
Interest cost	7,963	

Interest on clawed back RZLT 2028	€	Additional comments
Date of payment	30/06/2028	
Due date	23/05/2028	
No. of days	38	
Interest rate per day	0.0219%	
Interest cost	749	

Summary of taxes	€	Additional comments
Stamp duty on acquisition by developer	225,000	
Stamp duty rebate	(165,000)	Assume the stamp duty rebate is available
CGT for the individual on the sale	825,000	
VAT liability on development of houses	1,212,996	
Corporation tax on sale of houses	86,725	
Stamp duty on acquisition by individuals	308,370	
RZLT	360,000	
Interest on RZLT	8,712	
Total tax incurred by all parties on the transaction	2,861,803	
Taxes incurred by the developer		
Corporation tax	346,901	
VAT	1,212,996	
Stamp duty	225,000	
Employer PRSI	117,500	
RZLT	270,000	
Interest on RZLT	8,712	
	2,172,396	
Tax percentage of cost of houses	0.062068471	Excluding levies and contributions
Levies and contributions		
Development levies	875,000	
Uisce Éireann connection charges	385,000	
Infrastructure contributions		
	1,260,000	
Levies percentage of cost of houses	0.036	
Total taxes and levies for developer	3,432,396	
As a percentage of sales price	0.098068471	
Total taxes and levies earned by the State on this transaction	4,121,803	Excludes the following: income taxes on salaries, any incremental tax on extraction of profits from the company





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