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Deloitte Pre-Budget 2026 Submission

Scaling Smarter

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Introduction

Ireland faces significant challenges, including changes to the global international taxation system, increased competition for foreign direct investment (FDI), global trade, deglobalisation, and barriers to domestic growth. Our submission outlines essential steps and bold strategies that Ireland must adopt to maintain its competitiveness, attract investment, and stimulate genuine domestic growth.

Firstly, housing is a major challenge for individuals and businesses. We believe Government should maximise the use of tax policy to address this crisis including introducing enhanced capital allowances and reliefs for developers to provide the necessary housing volumes. Issues in residential and commercial property construction and completion are key obstacles to economic growth, with a shortage of available property weakening Ireland's competitive edge in attracting key skills to Ireland, particularly in sectors like technology and financial services.

Secondly, while Ireland has a strong and sustainable research and development (R&D) ecosystem, it is crucial to focus on creating and developing intellectual property within Irish companies. We recommend bold changes to the R&D tax credit regime, including amendments to cover related party and subcontracted expenditures. This would be in line with the recommendations contained within the Draghi report on EU competitiveness in closing the innovation gap and increasing focus of innovation supports to key areas of digitalistion and decarbonisation.

Thirdly, with a relatively low, narrow, and concentrated tax revenue base, our tax policy must ensure future growth by accelerating Domestic Direct Investment (DDI). This includes establishing a workable regime for transferring business assets, focusing on reasonable reductions to the capital gains tax (CGT) rate in Ireland, and implementing practical reforms such as tapering relief to support high-growth enterprises.

We also address numerous other aspects of tax policy, recommending strategies and measures for the Government to maintain competitiveness and attract Foreign Direct Investment (FDI). We also propose measures that aim to keep Ireland attractive for skilled talent, driving productivity and prosperity in key sectors, and supporting economic growth and global standing. We stress that any changes to Irish tax policy should align with the EU Competitiveness Compass and prioritise simplification and certainty.

We strongly urge the government to incorporate our recommendations into Budget 2026 and the upcoming legislative agenda.

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Overview

1. Housing Reimagined: Sustainable Solutions for People and Enterprise

Our key recommendations to support sustainable homes for people and enterprise:

Tax incentives for strategic supply: To adhere to housing targets we would recommend the introduction of tax incentives and reliefs for developers to deliver adequate volume of required housing for businesses and individuals, when and where it's needed. With a particular focus on 1) deliver required number of apartments in strategic urban high-density areas; 2) incentivise the remediation of brownfield sites; 3) re-purpose the property from non-residential to residential; 4) increase supply of student accommodation; and 5) accelerate supply of other types of accommodation such as employer provided accommodation, co-living spaces, nursing homes and independent living accommodation.

Real estate and housing policy assessment and a Roadmap: The publication of a comprehensive Property Tax Policy Roadmap by Government, and the commitment to a stable and predictable property tax framework for a defined period, providing the certainty required to attract and retain private capital in the Irish real estate market. Any necessary adjustments to tax policy should be made in consultation with stakeholders, with protections such as grandfathering provisions in place to safeguard existing investments.

International investors: Maintain the IREF regime without any significant amendments. There is still a case for maintaining the REIT regime. If any changes to the relevant law are made as a result of public consultations, the current regimes should be grandfathered for existing IREF/REIT investors and transition rules are put in place to protect existing investments and ensure fairness.

Landlords: As housing shortages persist, it is imperative that the Department of Finance revisits targeted tax policy reforms to support new and existing landlords, including internationally mobile investors, in delivering long-term, high-quality rental accommodation (e.g., Case V capital allowances; residential investment allowance similar to industrial building allowance; rental losses offset; tax rate on rental income; Case V deductibility rules and retrofitting incentives).

Stamp Duty on bulk purchases: Review the higher 15% stamp duty rate where existing regulations already address the underlying issue. In addition, amend the relevant Stamp Duty legislation to address *bona fide* bulk purchases cases where, for example, a company is bought with housing as a stock and proceeds to develop and sell the properties.

Interest deductibility: Amend section 97 TCA 1997 to clarify the availability of a deduction for interest incurred on borrowings to fund the cost of stamp duty and legal fees associated with the purchase of the rental property. Amend section 105 TCA 1997 to permit interest relief on expenses incurred in the pre-letting phase. Amend section 552(3) TCA 1997 to permit interest relief on funds borrowed to purchase land.

Close company surcharge: Remove profits on residential lettings from the scope of the close company surcharge.

For all recommendations, please refer to Section 1.

2. Securing our future: AI, R&D and the Green Transition

Our core recommendations include:

Artificial Intelligence (AI) and Digitalisation tax credit: Implement a new AI and digitalisation tax credit for relevant expenditure related to the safe development, implementation, and use of AI and for certain categories of expenditure to assist businesses with the digitalisation process and its acceleration. Align the AI and digitalisation tax credit with the definition of "qualified refundable tax credits" for the purposes of Pillar Two and the US Foreign Tax Credit (FTC) Regulations.

R&D Tax Credit: Remove the restriction on outsourcing through an amendment to section 766 TCA 1997 to include related party expenditurewithin the scope of the R&D tax credit capped at 100% of the internal R&D spend. An embedded protection mechanism to ensure that such treatment is only available to Intellectual Property owners should also be introduced. In addition, we would recommend removing the current cap applying to third level and agency staff and increasing the cap for unconnected party subcontracting currently in place in section 766 TCA 1997.

Decarbonisation tax credit: Introduce a new stand-alone decarbonisation tax credit for expenditure incurred by businesses to lower carbon emissions. Align the credit with the definition of "qualified refundable tax credits" for the purposes of Pillar Two and the US Foreign Tax Credit (FTC) Regulations.

Emission allowances: Broaden the definition of "emission allowances" to include various forms of expenditure incurred to achieve carbon emissions targets. Amend intangible asset legislation to provide relief for the cost of acquisition where such allowances are capitalised for accounting purposes.

For all recommendations, please refer to Section 2.

3. Fuelling the future: Incentivising homegrown investment

Our key recommendations include:

Capital Gains Tax (CGT) rate: Reduce the headline CGT rate to 20% for many reasons including; to enhance competitiveness, reduce the succession burden and strengthen Ireland's enterprise environment.

CGT Tapering relief: Introduce a CGT rate reduction model for entrepreneurs disposing of their businesses, where the applicable CGT rate decreases progressively based on the entrepreneur's period of ownership and active involvement in the business.

Tax-Efficient SME Financing Model: Introduce a loan finance arrangement allowing individuals to lend money to SMEs. Tax the coupon received at the standard rate of income tax (20%) instead of the marginal rate (combined rate of up to 55%), provided certain safeguards, such as market interest rates, are in place.

Close company surcharge: Amending the legislation to exempt retained earnings from the surcharge where they are demonstrably earmarked for reinvestment, such as capital expenditure, R&D, or employment growth. Additionally, the joint election requirement under section 434(3A) TCA 1997 should be simplified for smaller companies. A broader review of Part 13 TCA 1997 is also urged to modernise the regime, ensuring it supports entrepreneurship, investment, and scaling while preserving safeguards against abusive profit retention.

Entrepreneur Relief: Review the lifetime limit and nature of Entrepreneur Relief.

Retirement relief: Increase the current caps for both family and non-family disposals to reflect modern business valuations; index-linking these thresholds to protect them from erosion due to inflation; and recognise reinvestment and business sustainability as key conditions for continued relief eligibility.

Duty CAT Thresholds: Existing CAT thresholds should be increased.

Stamp Duty: Reintroduce consanguinity relief on commercial property family transfers and reduce the stamp duty rate to 1% on such property transfers to the next generation.

Tax Policy measures to drive regional development: Adopt tax policy measures designed to drive development in regions and enhance economic activity. Key recommendations include enhancing the R&D tax credit for rural innovation, establishing "Growth Hubs" with employer PRSI exemptions, and introducing accelerated capital allowances for commercial property investments outside Dublin. Additional proposals involve tax incentives for employer-provided regional housing, reducing stamp duty on regional commercial property, and offering relief for business investments in public and private infrastructure. A reduced CGT rate for long-term regional investments and a €5,000 remote working tax credit per employee are also proposed to incentivise decentralisation.

Tax rates on dividends: With a policy objective of encouraging entrepreneurs to keep investment in the business and to reward successful entrepreneurs that have emerged from the start-up period, a 20% tax rate on dividends could be provided to entrepreneurs subject to an annual dividend cap of €100,000 and subject to the company having been trading for a period of five years.

Stamp duty of share transactions: Consideration given to reducing the stamp duty rate on share transactions in Ireland.

For all recommendations, please refer to Section 3.

4. Nurturing a global economy

Our key recommendations include:

Participation Exemption on Foreign Dividends: Provide for essential amendments to ensure that the regime operates as intended including:
- Extension of the geographic scope of the participation exemption.
- Amendment of key definitions including "relevant territory" and "relevant subsidiary."
- Amendment to the definition of "relevant distribution" to allow for distributions made from equity.
- Permit the inclusion of "deductible dividends" within the regime in the context of US personal holding company rules and other equivalent foreign tax provisions.
- Amendment to the rules surrounding the qualifying participation to be held by a parent company.

Participation Exemption on Foreign Branch Profits: Introduce an elective exemption for foreign branch income.

Financial Services: In line with the Programme for Government, the Government plans to publish an implementation plan for Budget 2026, considering the Funds 2030 Report recommendations. Notably, several recommendations in the Funds Report highlight areas of tax policy that we are of the view need attention and action in Budget 2026.
These include:
- Changes to taxation of investments in Irish domiciled funds and life products
- Amendments to the taxation of offshore funds
- Extending the definition of a "collective investment undertaking" as defined in section 172(A) TCA can impact on its overall attractiveness to investors.
- A number of existing operational rules and requirements associated with the section 110 regime are, in our view, unnecessary and negatively impact on Ireland's competitive position as a location for international fund managers.
- Providing stability and certainty for investment in property in Ireland.
- Amendment be considered to Part 8A TCA 1997 for Specified Financial Transactions.

For all recommendations, please refer to Section 4.

5. Supporting Ireland's talent

Our key recommendations to support Ireland's talent include:

Special Assignee Relief Programme: "SARP" should become a fixed part of the tax code. It is essential that the government promptly confirms the continuation of the programme beyond its current expiration date of 31 December 2025. There are certain shortcomings which should be addressed to make the Irish SARP competitive with expat regimes offered in other jurisdictions.

Small Benefit Exemption: The limit on the number of benefits (currently five) appears to serve no clear purpose other than to create administrative burden and additional risk for employers in meeting their Employer Enhanced Reporting (EER) obligations. Policy should focus on the maximum value (€1,500) per tax year and not the quantum.

Employer Enhanced Reporting (EER): The practical implementation presents challenges, particularly the requirement to report "on or before" the benefit date. We propose a legislative amendment to allow employers to report benefits within a reasonable period after the benefit date, such as within 30 days or on a monthly basis for reportable benefits dates falling within that particular income tax month. We strongly recommend that the current scope of EER is not expanded until the reporting deadline is amended. Additionally, the combined value of all benefits under the Small Benefit Exemption, should be subject to EER on the last day of the month when the final small benefit is given.

Place of work: Determining an employee's normal place of work is essential for the tax treatment of travel and subsistence payments made to employees. The traditional notion that employees work solely from a conventional office is no longer applicable. We recommend recognising a home office as a "place of work" in instances where the company has formally adopted a hybrid working policy.

Auto enrolment: One of the principal issues concerns individuals who have reached the Standard Fund Threshold (SFT) and subsequently ceased pension contributions. We urge the government to consider this issue and provide a solution to prevent automatic enrolment for individuals who have reached the SFT, thereby avoiding unnecessary penalties and complications.

For all recommendations, please refer to Section 5.

6. An approachable and simplified tax system

Our recommendations for creating a more accessible and simplified tax system include:

SMEs: Rigorous implementation of the SME test should consider the unique challenges and needs of SMEs, leading to regulations that are more suited to their size and capacity.

Tax Compliance for Real Estate Sector: Conduct a targeted review of tax compliance requirements, starting with a reassessment of the utility and design of RCT and PSWT. Implement a modernised, streamlined compliance framework to support efficient home delivery, reduce unnecessary costs, and enhance Ireland's attractiveness for long-term investment.

Form CT1: Introduce a subset of Form CT1 specifically for domestic SMEs. Ensure timely communication of any changes to the Form CT1 schema and provide an administrative guide to Form CT1, including a visual representation of the schema.

R&D Refunds: Establish a clear timeline for the processing and payment of R&D refunds by the Office of the Revenue Commissioners either on a legislative basis or an agreed administrative basis.

Offshore Funds: To simplify the tax treatment and in turn increase compliance and reduce errors, priority should be given to introduce legislation in Finance Bill 2025 to provide for universal tax treatment of all investment income so as to:

- Tax all investment income at marginal income tax rates
- Tax all investment gains at CGT rates

- Provide for CGT loss relief across all chargeable investments
- Eliminate the multiple differing categorisations of investment types with differing tax rates/regimes applying to different investments
- Remove the 8 year exit charge for investment funds [subject to anti avoidance for personal portfolio funds/sub funds]

Tax Disputes: Implement measures to foster a more supportive and fairer environment for resolving tax disputes, benefiting both taxpayers and the Revenue.

For all recommendations, please refer to Section 6.

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1. Housing Reimagined: Sustainable Solutions for People and Enterprise

Contacts

Padraig Cronin

Shane Wallace

The housing crisis in Ireland is deeper than a mismatch of supply and demand; it reflects profound socio-economic and competitive challenges. The lack of adequate and affordable housing for people and commercial premises for businesses has multidimensional impacts. For individuals, such shortage leads to rising rents and mortgage costs, pushing low- and middle-income individuals and families into precarious living situations or homelessness[1]. Skilled workers emigrate or avoid relocating to Ireland due to high housing costs. Long commutes from more affordable areas reduce employee wellbeing and productivity. [2] Businesses face escalating operational costs due to factors including rising rents and reduced availability of suitable commercial premises. SMEs, startups, and multinationals struggle to attract and retain talent, harming productivity and innovation. This directly weakens Ireland's competitive edge, especially in sectors reliant on skilled labour, such as technology and financial services. Essential sectors like healthcare, education, and hospitality struggle to attract and retain employees as workers cannot afford to live near their workplaces. [3] Thus, Ireland's housing crisis is indeed multidimensional: it constrains economic growth, undermines social stability, compromises business competitiveness, and ultimately weakens Ireland's attractiveness as a global destination for both talent and investment.

Addressing accommodation availability and affordability is essential for sustainable national prosperity. Without meaningful and timely housing reform, companies may consider relocating or reconsider investment decisions, further hampering economic resilience. This is not unique to Ireland, adequate and affordable housing for all has become a shared challenge across Europe. We welcome the collective approach recently undertaken by the European Parliament and the European Commission on this topic. [4]

[1] Include raising homelessness stats here from Dept. Of Housing.
[2] https://www.library.hbs.edu/working-knowledge/commuting-kills-productivity-and-your-best-talent-suffers-most.
[3] https://www.irishexaminer.com/business/economy/arid-41289658.html. Search for a more recent publication.
[4] In response, the European Commission appointed its first-ever Commissioner for Housing in 2024. To support his mandate, a dedicated housing task force began its work in February 2025, coordinating efforts across the EU. The European Parliament has also established a Special Committee on the Housing Crisis in the European Union, which will operate with a 12-month mandate.

Accommodation shortages have multifaceted outcomes, resulting in economic, fiscal and social impacts that present challenges to Ireland's future growth. While accommodation constraints hinder growth by restricting labour mobility, spill over effects can be seen in terms of the fiscal space with rising rental costs resulting in increased housing support payments and higher long term accommodation costs. Other spill over effects can be seen in terms of social impact, with a restricted housing supply leading to increased inequality and homelessness.

Tax incentives for strategic supply

The Programme for Government 2025 commitment to deliver over 300,000 new homes by 2030[5] means the building rate must increase substantially. The Programme states:

"This Government will prioritise a radical step change in housing supply to rise to that fundamental challenge. … We will accelerate the progress made under Housing for All with a new fully funded, radical and realistic housing plan to get more homes built. This Government will place special emphasis on supporting home ownership. … This will be underpinned by an ambitious, all of government approach that utilises both the public and private sector to drive on delivery.[6]"

Despite the implementation of various tax and other policies, Ireland continues to face challenges in meeting its annual and broader housing delivery targets.

In light of these persistent shortfalls, and in line with commitment under the Programme for Government 2025 commitments to housing delivery[7], we recommend to consult with stakeholders on introducing various tax incentives and reliefs (e.g., corporation tax, CGT, LPT, Stamp Duty reliefs) for developers, to deliver (by building, re-purposing or renovating) the required level of various accommodation for rent or ownership, e.g., student accommodation; senior co-living accommodation to address aging population; employer provided accommodation; apartments in high-density urban areas; and housing on existing and proposed strategic transport corridors etc.

Our proposals, detailed below, aim to stimulate the construction, repurposing, or renovation of various housing types—both private and commercial—tailored to specific needs and locations. For example:

- Student Accommodation: Addressing the growing demand for student housing in proximity to educational institutions.
- Senior Co-living Spaces: Catering to the needs of the aging population seeking community-oriented living arrangements.
- Employer-Provided Housing: Encouraging businesses to offer housing solutions for their employees.
- Urban Apartments: Promoting high-density housing in urban centers to optimise land use.
- Housing Along Strategic Transport Corridors: Facilitating residential development in areas with robust transport links to reduce commuting times and promote sustainable living.

To ensure effectiveness and public trust, our proposed incentives are:

- Targeted: Directed towards specific housing needs and geographic areas with demonstrated shortages.
- Time-Bound: Implemented for a defined period to assess impact and prevent long-term fiscal implications.
- Regularly Monitored: Subject to continuous evaluation to measure outcomes against objectives.
- Transparent: Designed with clear criteria and open reporting mechanisms.

[5] PfG 2025, p.40.
[6] PfG 2025, p. 40.
[7] PfG 2025, Accelerating Housing Supply, pp. 39 – 49.

- Safeguarded: Incorporating stringent measures to prevent misuse and ensure alignment with evolving housing policy goals.

Below, we provide more details on our proposals.

Tax incentives to deliver required number of apartments in strategic urban high-density areas

The decline in the delivery of new housing was led by a fall in the number of apartments.[8] While taxation is not the only key driver for the development of apartments, as viability[9] remains the primary challenge to overcome in the market, a tax incentive limited to, for example, verified housing pressure zones and subject to value-for-money assessment tools—could encourage viable housing development where gaps persist.

The incentive must be highly targeted, time-bound, regularly monitored, transparent and safeguarded. Such an incentive could consider:

- **Enhanced focus on capital allowances:** An enhanced focus on capital allowances as a mechanism for providing greater incentive on the supply side should be considered. This enhanced focus on capital allowances on the supply of housing could draw on principles previously adopted as part of the Living City initiative which permits capital allowances over 7 years for investors and 10 years for owner-occupiers.
- **Stamp Duty:** Enhancing the stamp duty refund scheme to provide full refunds for apartment construction.

Tax incentives to incentivise the remediation of brownfield sites

- **Cash refund:** Introduce a corporation tax relief which provides a deduction of 150% of qualifying costs incurred in the remediation of brownfield site located in specified areas. Companies should be given the option to claim a cash refund[10] of a portion of this amount in exchange for losses where the brownfield development ultimately proves to be loss making.
- **CGT rollover relief:** To equally incentivise the current owners of brownfield sites to relocate, a form of CGT rollover relief should be provided to ensure no CGT cost for the existing owner, provided the proceeds raised are reinvested in the site the party is relocating to.
- **LPT:** In addition, a form of LPT relief for the first 5 years of operation should be provided to the party that has remediated the site.

The incentive must be highly targeted, time-bound, regularly monitored, transparent and safeguarded.

Tax incentives to re-purpose the property from non-residential to residential

Ireland continues to face acute housing supply challenges, particularly in urban centres. At the same time, there are many underutilised or vacant commercial properties, including office and retail spaces, which are no longer economically viable in their current use due to changing work patterns and consumer behavior. Repurposing these buildings into residential accommodation will offer a practical and sustainable solution to increase housing stock without placing further pressure on greenfield development or existing infrastructure.

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[8] CSO (2024) New Dwelling Completions Q4 2024.

[9] For example financing options, construction costs, regulations, planning related issues, rental caps etc.

[10] Care should be taken when drafting the legislation to ensure that the measure falls within the definition of Qualified Refundable Tax Credit under section 111A TCA 1997, similar to R&D tax credit.

To unlock this potential, we recommend considering and consulting with stakeholders on the introduction of tax incentives and reliefs for developers that make it commercially viable for developers and property owners to repurpose required amount of underused commercial assets into homes for rent or ownership, where and when its needed.

Below are some proposals on the tax incentives and reliefs in the context of accelerating the repurposing of the property from non-residential to residential:

- **Accelerated capital allowances:** Provide accelerated capital allowances on qualifying capital expenditure incurred in the repurposing of commercial properties for residential use. This would improve cash flow and enhance the net present value of investment returns, making such projects more attractive to developers.
- **Reduced Capital Gains Tax (CGT) for commercial property owners:** Offer a reduced CGT rate for commercial landlords who sell properties to developers that subsequently and successfully convert the property into residential use within a specified timeframe. This would encourage the release of properties that might otherwise be held indefinitely.

The incentive must be highly targeted, time-bound, regularly monitored, transparent and safeguarded.

Tax incentives to incentivise increase supply of student accommodation

According to the latest report by the Department of Finance[11], in the context of the wider housing shortage, purpose-built student accommodation can significantly contribute to alleviating pressure on the private rental market.

Many third-level institutions in Ireland continue experiencing a shortage of student accommodation, leading many students to reconsider their Universities (i.e., Ireland or abroad) or to reside in nearby housing estates that were initially designed for families. Moving students into dedicated city centre accommodation would help free up essential family homes and provide additional tourism lodging during the summer months when student residences are unoccupied.[12] Having adequate and affordable student accommodation on or in the vicinity of the University campus would also enhance the inflow of international students.

Similar incentives and reliefs as discussed above could be considered by the Government in the context of student accommodation.

The incentive must be highly targeted, time-bound, regularly monitored, transparent and safeguarded.

Tax incentives and reliefs for other types of accommodation (employer provided accommodation, co-living spaces, nursing homes, independent living accommodation)

Similar incentives and reliefs to those discussed above could be considered by the Government in the context of other accommodation such as employer provided accommodation, co-living spaces, nursing homes, independent living accommodation etc.

The incentive and reliefs must be highly targeted, time-bound, regularly monitored, transparent and safeguarded.. State Aid rules may also have to be considered, if the Government decides to introduce location-based reliefs[13].

[11] Department of Finance (2024) Report on the Availability, Composition and Flow of Finance for Residential Development.

[12] As recently noted by Waterford Chamber in its appeal to Government Ministers. Source

[13] Which is not our recommendation. Our recommendation is focused on timely and limited reliefs for delivery of housing based on needs and demand and subject to stringent safeguards regarding needs and demands.

Safeguards

As noted earlier in the submission, stringent measures must be built into any proposed by the Government tax incentives and reliefs to ensure effectiveness, public trust and alignment with housing policy goals.

Below are some of the practical examples which will fall withing our recommendations above, namely - targeted, time-bound, regularly monitored, transparent and safeguarded:

- Housing Needs Assessment: As a safeguard against oversupply, developers must clearly demonstrate unmet demand through local authority housing needs assessments before claiming relief.
- Geographic and typological targeting: For example, the incentives should be limited to verified housing pressure zones defined by the Department of Housing and the CSO. Eligible housing types should include urban apartments, student accommodation, nursing homes and assisted living (to address aging population mega trend), senior co-living and employer-provided accommodation. Alignment with local development plans and Housing Need and Demand Assessments should be mandatory;
- Data-driven approach and monitoring: For example, all applications for relief should require a viability gap assessment; a pre-approval from Revenue; a geo-tagging of usage reporting and centralised dashboards integrating data from Revenue, the CSO and the Housing Agency to track outcomes;
- Integration with Land Development Agency (LDA) and Housing for All objectives;
- Sunset clause: The incentives should include a sunset clause, with auto expiration after 3-4 years unless renewed by Dail vote/Minister for Finance;
- Value-for-money evaluation: Annual ex-post cost-benefit evaluations should be conducted by the Irish Government Economic and Evaluation Service (IGEES[14]);
- Clawback: Consider clawback provisions if, for example, properties are sold or left vacant within a 10-year holding period;
- Fairness/sustainability/progressivity: Consider, for example, capping reliefs per unit and/or per developer; link eligibility to minimum BER standards and social integration goals (e.g., mixed tenure).

Summary of some tax incentives and reliefs for consideration and further consultation

Overall theme

Target	Examples of tax incentives and reliefs
Tax incentives to deliver required number of apartments in strategic urban high-density areas	**Enhanced focus on capital allowances**: An enhanced focus on capital allowances as a mechanism for providing greater incentive on the supply side should be considered. This enhanced focus on capital allowances on the supply of housing could draw on principles previously adopted as part of the Living City initiative which permits capital allowances over 7 years for investors and 10 years for owner-occupiers. **Stamp Duty:** Enhancing the stamp duty refund scheme to provide full refunds for apartment construction.
Tax incentives to incentivise the remediation of brownfield sites	**Cash refund:** Introduce a corporation tax relief which provides a deduction of 150% of qualifying costs incurred in the remediation of brownfield site located in specified areas. Companies should be given the option to claim a cash refund of a portion of this amount in exchange for losses where the brownfield development ultimately proves to be lossmaking.

[14] https://www.gov.ie/en/irish-government-economic-and-evaluation-service-igees/.

	CGT rollover relief: To equally incentivise the current owners of brownfield sites to relocate, a form of CGT rollover relief should be provided to ensure no CGT cost for the existing owner, provided the proceeds raised are reinvested in the site the party is relocating to. **LPT:** In addition, a form of LPT relief for the first 5 years of operation should be provided to the party that has remediated the site.
Tax incentives to re-purpose the property from non-residential to residential	**Accelerated capital allowances:** Provide for accelerated capital allowances on qualifying capital expenditure incurred in the repurposing of commercial properties for residential use. This would improve cash flow and enhance the net present value of investment returns, making such projects more attractive to developers. **Reduced Capital Gains Tax (CGT) for commercial property owners:** Offer a reduced CGT rate for commercial landlords who sell properties to developers that subsequently and successfully convert the property into residential use within a specified timeframe. This would encourage the release of properties that might otherwise be held indefinitely.
Tax incentives to incentivise increase supply of student accommodation	Similar incentives and reliefs to those discussed above can be considered by the Government in the context of student accommodation.
Tax incentives and reliefs for other types of accommodation (employer provided accommodation, co-living spaces, nursing homes, independent living accommodation)	Similar incentives and reliefs to those discussed above can be considered by the Government in the context of other accommodation such as employer provided accommodation, co-living spaces, nursing homes, independent living accommodation etc.

International Investors

The housing related funding provided by the State has grown substantially over recent years. The Government has committed a €6bn capital investment in housing for 2025 made up of exchequer funding, €1.25bn allocated to the Land Development Agency (LDA) and €1.65bn for the Housing Finance Agency (HFA).[15] Other means of supporting housing delivery include funding of and advance delivery of infrastructure necessary for housing delivery and tax and other incentives for developers and investors. However, public resources alone are not sufficient to meet Ireland's medium-term housing needs, so it is essential to be able to continuously attract stable international capital.[16] The Housing Commission has highlighted the vital role of international capital:

> *"While increased domestic public and private resources can be used, the Commission believes that the scale of financing required to achieve Ireland's housing requirements over the medium term necessitates a substantial proportion from international capital. Studies have estimated that between 60% and 70% of development financing comes from international sources, at current levels of output. This proportion may increase as financing requirements grow with higher output.*
>
> *The Government has committed to over €5 billion (1.6%of GNI) in capital spending in 2024, but it is not clear how much of this is pure development finance (as opposed to turnkey purchase, for example). The Government currently spends more on housing than any other European country relative to GDP (GNI* for Ireland). This is partly due to the on-balance sheet nature of the Approved Housing Body (AHB) sector. Given vulnerabilities and spending pressures in the public finances, there will be constraints to increasing this to any greater significant extent. Domestic private funding sources are constrained by the small number of banks and concentration limits on their loans."*[17]

[15] https://icsh.ie/budget-2025-key-social-affordable-housing-measures/#:~:text=The%20Government%20has%20committed%20a,Housing%20Finance%20Agency%20(HFA).

[16] Report on the Availability Composition and Flow of Finance for Residential Development, p.15.

[17] Department of Housing, *Report of the Housing Commission*.

Despite the Government's strong spending commitment, structural constraints, including limitations on domestic lending capacity and fiscal vulnerabilities, may restrict the State's ability to increase public housing investment further. In this context, institutional international investors have been instrumental in delivering large-scale, purpose-built residential developments, especially in the private rented sector (PRS). Their involvement has accelerated delivery timelines and helped to alleviate chronic housing shortages. The Government's *Housing for All* strategy explicitly acknowledges the importance of such investment in achieving national housing strategy[18].

Clarity and consistency in tax and housing policy are essential to maintain investor confidence. Without them, capital will simply be redirected to jurisdictions offering more predictable and investor-friendly environments. This is not a hypothetical risk—it is a market reality. The flow of private capital is highly sensitive to policy signals and mixed messages can quickly result in reduced investment, delayed projects, or cancelled developments altogether. Moreover, curtailing institutional investment carries broader economic implications. A reduction in the supply of new rental housing exacerbates pressure on an already strained rental market, driving up prices and reducing options for tenants. It also places further financial strain on the State, which may be forced to increase direct investment or subsidised housing provision in the absence of private sector involvement.

Foreign Private equity firms, insurance companies, pension funds and other institutional investors ("large foreign investors") have invested significant amounts in the Irish residential market in the last number of years. Many of these large foreign investors entered the Irish market in the early 2010's acquiring significant amounts of distressed debt following the financial crash. However, this was not the extent of the investment made by large foreign investors. Subsequently, significant amounts of capital were deployed by large foreign investors to finish uncompleted developments (including residential developments) and to commence new developments (including residential developments).

Despite this, recent policy shifts (e.g., restrictive rental regulations, financing, rental caps and increases in Stamp Duty rates) and inefficiencies in the current system introduced a level of uncertainty that risks undermining investor confidence and created a policy environment that increasingly feels restrictive rather than supportive.[19] While these measures may be well-intentioned, designed to protect individual homebuyers and curb speculative behaviour, they also inadvertently signal to global investors that Ireland is becoming a more hostile environment for long-term, stable investment in housing, and as such, should be regularly reviewed.[20]

Prior to making any investment, these investors will model the likely return over the investment period. This model will be used in making an investment decision. One of the factors in estimating that return is the amount of tax cost associated with the investment. Tax can be a significant part of the cost of the investment. While there is always some level of volatility with forecasts, it is important that investors have a high degree of certainty when it comes to tax. In recent years, in a property context, investors have not been able to rely on the certainty that has historically been a feature of the Irish tax system. There is a view of many investors, whether right or not, that the Irish tax system pertaining to property is volatile and constantly changing.

The critical challenge in addressing the housing crisis is supply and viability. The focus should be on increasing supply, reducing costs/prices, and removing many of the bottleneck developers face associated with matters such as capacity constraints, zoning, and planning. We need large investors to provide the capital necessary to deal with these challenges. Key to ensuring continued investment by large foreign investors is providing a level of certainty in respect of tax.

[18] Housing for All update - 25 January 2024, https://www.gov.ie/en/press-release/44c4a-housing-for-all-update/.
[19] Government of Ireland, Report on the Availability Composition and Flow of Finance for Residential Development, International Founders of Residential Development, p. 14.
[20] We understand that the Government has already -signaled its intention to end the rent caps -under Rent Pressure Zones (RPZs). As of 25 March, the minister said he was waiting for a report from the Housing Agency on its review of rent controls to arrive in the next couple of weeks. The Taoiseach has committed to examining RPZs – designated areas where rent increases are capped – as they are due to expire at the end of this year. Source: Government plans to let developers invest less and borrow more to speed up apartment-building | Irish Independent.

In May 2024, Housing Minister Darragh O'Brien underscored the critical role of foreign investment in tackling Ireland's housing crisis, recognising that international capital is essential to finance large-scale developments and boost housing supply[21] . However, the steady introduction of new taxes and regulations sends a conflicting message—one that signals caution, and increasingly, discouragement to the very investors needed to drive delivery.

The latest Budget brought a range of measures likely to further damage Ireland's already fragile relationship with institutional investors, at a time when we need them most. For example, the recent increase in stamp duty from 10% to 15% on bulk residential property purchases—intended to deter institutional investors from amassing large housing portfolios—appears increasingly redundant in light of the stringent planning regulations implemented in 2021. These measures have already curtailed bulk buying by designating approximately 50,000 homes and duplexes for individual purchasers only, effectively blocking access by investment funds. Given that institutional investors now hold a relatively small share of housing developments the additional tax burden is unlikely to achieve its intended purpose.[22] Instead, it may incentivise developers to fragment properties for individual sale, marginally boosting owner-occupied stock while further shrinking the availability of rental units—an outcome that could worsen the current pressures on an already undersupplied rental market.

The rollout of a 6 per cent stamp duty on properties over €1.5 million initially sparked confusion, particularly about whether it would apply to areas like the private rented sector (PRS) and student housing. While the Government has since confirmed exemptions for these sectors, the initial ambiguity has shaken investor confidence—especially in a market already grappling with rising construction costs and tightening regulations that are squeezing profit margins.

In our view, the IREF regime should be maintained without any significant amendments. The tax exempt-status of the IREF together with the withholding tax mechanism on distribution of profits are a common feature of European and international funds. Investors need to be able to rely on the certainty that has historically been a feature of the Irish tax system.

Our recommendation from the public consultation on the tax treatment of interest in Ireland: the tax framework for Irish Real Estate Funds (IREFs) should be aligned with the Central Bank of Ireland's Macroprudential Policy Framework, particularly regarding limits on debt-to-asset ratios. This alignment would bring greater coherence and reduce regulatory friction for cross-border investors.

The Funds Sector 2030 Report[113]stated that the Review Team did not believe there was a strong case at present for any significant amendments to the REIT regime. In our view there is a still a case for maintaining the REIT regime. Any tax changes should include grandfathering provisions for existing investments and should be subject to meaningful industry consultation.

Please read our response to the Public Consultation Funds Sector 2023: A Framework for Open, Resilient & Developing Markets for further details.

[21] Business Post (26 May 2024) https://www.businesspost.ie/news/darragh-obrien-we-need-foreign-investment-its-as-simple-as-that/.
[22] The source for above is 2019 - https://assets.gov.ie/6348/140219142846-5a166a1ec85f4237935fb5c21dd666cb.pdf. The other source is 2024 - https://www.irishexaminer.com/news/arid-41311426.html#:~:text=It%20will%20also%20say%20that,2022%2C%20and%204%25%20of%20all, but not an official source. According to the latest source, institutional investors account for a relatively small share of the residential property market, accounting for 9% of total purchases in 2022, and 4% of all houses.

Real estate and housing policy assessment and a Roadmap

A report issued by the Department of Finance on housing in 2024[23] highlighted that 82.8% of the total funding required to develop 50,000 residential units annually must come from private capital sources.

We would call for the Government to publish a Roadmap. As part of a comprehensive Property Tax Policy Roadmap, the government should commit to a stable and predictable property tax framework for a defined period, providing the certainty required to attract and retain private capital in the Irish real estate market. Sudden or unexpected tax changes that alter investment parameters after significant capital has been deployed should be avoided, as they undermine investor confidence. Any necessary adjustments to tax policy should be made in consultation with stakeholders, with protections such as grandfathering provisions in place to safeguard existing investments.

Furthermore, we would recommend assessing all tax and other policy measures and interventions against their impact on housing supply, in line with the Recommendation 10 of the Housing Commission.[24]

Landlords

Despite ongoing challenges in the housing sector, the taxation of rental income continues to discourage investment in much-needed residential supply. As housing shortages persist, we believe it is imperative that the Department of Finance revisits targeted tax policy reforms to support new and existing landlords, including internationally mobile investors, in delivering long-term, high-quality rental accommodation.

To this end, we propose the following measures:

Introduce a reduced tax rate on rental income (conditional on holding period and energy upgrades): Replace the current marginal income tax treatment (up to 52% effective rate) with a reduced, standardised rate for rental income earned by landlords, particularly corporate or professional landlords. This preferential rate could be tied to conditions such as retaining the property in the rental market for a set number of years and undertaking energy efficiency upgrades. The high tax burden discourages long-term investment in the residential rental sector. A reduced, conditional rate would encourage new entrants into the rental market, including institutional and corporate landlords; promote longer-term lettings and improves tenancy security; supports climate goals by incentivising energy upgrades and reduce rent inflation by expanding supply. Countries like the Netherlands and France have adopted similar conditional incentives for landlords.

Align Case V deductibility rules with Case I: Under current rules, many legitimate letting costs are disallowed under Case V, making residential letting less viable. For all landlords, Case V deductibility rules should be brought into line with Case I deductibility rules to avoid situations where genuine letting activity costs are not viewed as deductible for tax purposes.

Harmonising these rules would treat rental income as a proper business activity, particularly for professional and corporate landlords. It would also increase net profitability for landlords, making rental activities more commercially viable. To remain competitive and continue attracting a mobile global investment in the highly competitive world, we need to ensure that our Case V deductibility rules are brought into line with Case I deductibility rules in the next Budget. Similar rules currently exist in Germany.

Expand retrofitting incentives for rental properties: Retrofitting is a national priority under Ireland's Climate Action Plan[25]. However, landlords face high upfront costs with no immediate tax recovery. We recommend introducing enhanced tax deductions or credits for capital expenditure on energy efficiency improvements, such as insulation, window replacement, and heat pump installations, within rental properties. Enhanced tax reliefs would accelerate

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[23] Department of Finance (2024) Report on the Availability, Composition and Flow of Finance for Residential Development.

[24] Department of Housing, *Report of the Housing Commission*, 22 May 2024, p. 59.

[25] Climate Action Plan 2024.

delivery of energy-efficient rental stock; support national decarbonisation targets; improve tenant living standards; reduce fuel poverty among tenants and improves health outcomes and support green jobs and construction sector demand.

Introduce tax incentives for landlords to retrofit and use vacant and deteriorating dwellings and reuse of existing buildings (e.g., over-the-shop): Ireland has a substantial stock of underused buildings, particularly in urban centres. Targeted tax relief would reduce financial barriers for redevelopment; brings underutilised housing stock back into productive use; revitalise town centres and increase housing density; reduce urban sprawl and infrastructure strain and encourages adaptive reuse in line with sustainability goals. We recommend providing tax incentives—either through capital allowances or tax credits—for the conversion or refurbishment of vacant, derelict, or over-the-shop residential properties.

Allow Case V capital allowances as deductible for USC purposes: Case V capital allowances should be deductible for USC purposes up to and including the 8% threshold.

Introduce a residential investment allowance (similar to Industrial Buildings Allowance): Consideration should be given to introducing an allowance similar to an Industrial Building Allowance ("IBA") in respect of the part of the capital expenditure on residential property which does not currently qualify for capital allowances (e.g., The total acquisition cost less the site element less the element which qualifies for plant or machinery allowances). Similar incentive schemes currently exist in Germany, USA, Canada and Australia. It encourages investment in long-term rental housing and balances the tax treatment of residential and commercial developments.

Amend capital allowances on plant or machinery: Landlords often cannot use capital allowances due to lack of offsetting profits, particularly in early years. We recommend targeted amendments to capital allowances on plant or machinery to reduce the writing down from 8 years to 5 years.

Reform treatment of rental losses: At present, the treatment of rental losses in a personal capacity is very restricted and should be reviewed. For example:

- A landlord cannot offset rental losses against other income or carry them back to a previous year.
- Rental losses made by one spouse or civil partner cannot be offset against the rental profits of another.

We recommend:

- Allow rental losses to be offset against other forms of income, not just future rental income.
- Permit spouses or civil partners to pool rental losses and profits for tax purposes.
- Consider a carry-back mechanism to reclaim tax paid in earlier years where a current-year rental loss arises.

Improving loss utilisation would align rental activity with standard tax practice, ease cashflow pressure, and encourage continued landlord participation during difficult periods (e.g., during renovation or periods of vacancy).

Stamp Duty on bulk purchases

The current standard rates of stamp duty in respect of residential property vary between 1%-6% depending on the consideration. Section 31E of the Stamp Duties Consolidation Act 1999 (SDCA99) introduced to deter institutional investors from bulk-purchasing residential housing stock to the detriment of first-time buyers and owner-occupiers.[26] The higher stamp duty rate (now 15%) applies when a person acquires 10 or more residential units (excluding apartments) within a 12-month period, including via indirect acquisitions (e.g. share transfers). While this policy objective remains valid, the provision's blanket application — particularly to indirect acquisitions such as share sales — fails to distinguish between speculative acquisitions and *bona fide* development-led transactions aimed at increasing housing supply where, for example, a company that owns housing stock is acquired by another entity for

[26] Revenue TDM on section 31E (updated January 2025).

the purpose of completing development and onward sale. In such cases, the purchaser is not retaining the units for investment, but acts as a housing developer – aligning with policy goals of increasing supply, not constraining it.

We recommend amending section 31E to include a narrowly tailored *bona fide* purchases exemption into section 31E that excludes bulk acquisitions of residential units where, for example, the buyer intends, in the ordinary course of trade, to develop and dispose of the properties, either within a specified period (e.g., 2 years) or without. A wording such as *"... for bona fide commercial reasons and does not form part of any arrangement or scheme of which the main purpose or one of the main purposes is avoidance of liability to tax,* already used in the TCA 1997 (e.g., section 591 and section 586 TCA 1997; section 80 SDCA99), could be used.

This exemption will ensure that section 31E continues to serve its original anti-speculative purpose without creating collateral barriers to legitimate housing development and delivery.

We further recommend updating the relevant Revenue Tax and Duty Manual to include an example of such a case involving a corporate share acquisition where housing constitutes trading stock.

There are at least five supporting rationales to support our recommendation:

- Housing supply requires active development, not penalisation of it. Penalising genuine developers purchasing partially completed or zoned housing assets restricts the market's ability to deliver much-needed units. The current law disincentivises transactions that could accelerate delivery of housing at scale.
- Irish housing shortage is chronic and escalating. The ESRI[27], Housing Commission[28], and CSO[29] have all highlighted the deepening shortfall of housing, especially in urban and commuter areas. The National Development Plan (NDP)[30] and Housing for All[31] targets will not be met without enabling private-sector delivery alongside public schemes.
- Some developers may lack the capital to complete large schemes. The acquisition of companies with residential assets by active housebuilders is often the only viable path to completion. Applying punitive 15% stamp duty in such cases may result in stalled or abandoned schemes. Development finance and M&A activity are therefore essential for housing delivery.
- Housing is a foundational infrastructure need. Labour mobility, foreign direct investment (FDI), higher education, and public services (e.g., healthcare staffing) are all directly affected by housing availability and affordability. Bottlenecking housing supply with inappropriate tax measures such as punitive stamp duty rates for all bulk purchases affects Ireland's competitiveness and social cohesion.
- Last, but not least, we note that relief measures already exist (e.g., section 83DB SDCA99 - Repayment of stamp duty in respect of certain residential units) to support targeted housing supply. Extending this logic to development-motivated acquisitions will align section 31E SDCA99 with broader government strategy without undermining its intent to deter hoarding and speculation.

The recommended exemption would support active housing development while maintaining safeguards against speculative or investment hoarding. It would also mirror the commercial reality that not all bulk purchases contribute to stock withholding.

[27] ESRI, Housing.
[28] Housing Commission (2024) Report of Housing Commission.
[29] CSO, Housing Hub.
[30] Which is currently under a review, to be completed in July 2025.
[31] Housing for All Plan.

Stamp Duty refund

Under current legislation, where a developer acquires non-residential land, stamp duty of 7.5% applies. However, pursuant to section 83D SDCA99, a partial refund of 5.5% may be claimed where the land is subsequently developed for residential purposes. This incentive, which also applies to the repurposing of non-residential buildings into housing, is due to expire on 31 December 2025.

We urge the Government to extend this relief beyond 2025 and strengthen it by providing a full refund of the 7.5% stamp duty in cases where land or buildings initially zoned or used for non-residential purposes are repurposed for housing, subject to qualifying conditions and appropriate oversight. Such a measure should be reviewed periodically as part of the annual Budgetary process.

This amendment is critical given the chronic housing shortage in Ireland. The ESRI estimates that over 50,000 housing units per year are required until 2040[32], yet completions remain well below this level (source). The Housing Commission in its latest report has also called for innovative and flexible approaches to increase supply across all tenure types.[33] Encouraging the adaptive reuse of vacant commercial properties and brownfield sites is a sustainable and cost-effective way to accelerate delivery. By reducing upfront tax costs, developers will be better positioned to make viable projects that convert unused urban infrastructure into homes.

Interest Deductibility

We refer to our response to the Consultation on the Tax Treatment of Interest in Ireland and our detailed recommendations contained therein.

Our key recommendations that relate to Real Estate sector are as follows:

- In our view, interest on refinancing should be specifically covered in section 97(2)(e) TCA 1997 as an allowable deduction. In addition, consideration should be given to clarifying in legislation for a full deduction in respect of interest incurred on borrowings to fund the cost of stamp duty and legal fees associated with the purchase of the rental property.
- We recommend amending section 105 TCA 1997 to permit interest relief on expenses incurred in the pre-letting phase.
- In our view, interest incurred on funds borrowed to purchase the property or land should also be deductible under section 552(3) TCA 1997 from a policy perspective. We can appreciate that an amendment to section 552(3) TCA 1997 to permit a deduction for interest incurred by a company on borrowed money used to purchase land may have a knock-on effect in terms of capital gains tax receipts by the Exchequer. However, such an amendment could encourage more companies to engage in purchases of land and buildings with a view to renovation and onward sale of developed assets.
- Amend 552(3) TCA 1997 to permit interest relief on funds borrowed to purchase land. This would provide full interest relief for the pre letting phase, while retaining the incentive for landlords to bring vacant premises back to the market to obtain relief for other expenses.

[32] ESRI (2024) Population projections, the flow of new households and structural housing demand.
[33] Housing Commission (2024) The Report of Housing Commission.

Surcharge

To support the supply of rental housing and increase professionalisation in the sector, we recommend removing residential rental income from the scope of the close company surcharge under s440 TCA97.

Currently, closely held companies earning rental income—including from residential lettings—are subject to a 20% surcharge on undistributed income. This acts as a disincentive for companies to invest in residential rental property, particularly where retained earnings are required for reinvestment, maintenance, or expansion of housing portfolios.

In contrast, institutional landlords and REITs are not subject to this surcharge, creating an uneven playing field that discourages small and medium-sized corporate landlords from entering or expanding in the market.

Removing the surcharge for *bona fide* residential letting activities would promote more stable, regulated, and long-term housing providers, improving professionalism and tenant outcomes. It would also support Housing for All policy objectives by incentivising private sector delivery of rental stock, particularly in regional and urban areas where housing supply is constrained.

This targeted measure would encourage sustained investment in the rental sector without compromising overall corporation tax integrity.

VAT recoverability

The current VAT rate applicable to the acquisition of newly constructed residential property in Ireland is 13.5%. While this VAT is generally recoverable for owner-occupiers or businesses developing properties for resale, investors acquiring new residential property for long-term letting purposes cannot reclaim this VAT. As a result, the VAT becomes a final and unrecoverable cost, significantly increasing the effective purchase price and reducing yields. This creates a structural disincentive for institutional and private investment in the rental sector.

This policy puts Ireland at a competitive disadvantage internationally. In the United Kingdom, the development and first sale of new residential property is zero-rated for VAT, meaning that while no VAT is charged on the sale, developers can fully reclaim VAT incurred on construction costs. Similarly, jurisdictions such as Luxembourg (3%) and Italy (4%) apply significantly reduced VAT rates to residential property, under specific conditions, to stimulate housing investment and affordability.

In the context of Ireland's housing crisis, a reduction in the VAT rate on the acquisition of new residential properties — particularly where the intent is to develop or lease — would materially enhance project viability, especially for build-to-rent and cost rental schemes. Lowering this cost burden would incentivise domestic and foreign investment, enhance the commercial feasibility of projects currently stalled due to marginal economics, and ultimately increase the supply of rental stock in high-demand areas.

We recommend that the Department of Finance consider a reduced or zero VAT rate for qualifying residential developments intended for long-term letting. This targeted relief would align Ireland with best international practices, support the Government's "Housing for All" strategy, and contribute to easing the acute housing shortage in a fiscally efficient and growth-supportive manner.

2. Securing our future: AI, R&D and the Green Transition

Contact

Cathal Noone

Climate change remains an urgent global crisis and Ireland has binding targets to sharply reduce greenhouse gas emissions over the coming decades. Ireland's 2030 target under the EU's Effort Sharing Regulations (ESR) is to reduce its greenhouse gas emissions by at least 42% by 2030. Recent figures[34] issued by the Environmental Protection Agency ("EPA") indicate that emissions overall decreased by 7.3% from the electricity generation sector and industrial emissions decreased by 6.9%. In contrast, greenhouse gas emissions from aviation increased by just under 17% compared to 2023, reflecting continued growth in the sector. However, the Environmental Protection Agency (EPA) projects Ireland will fall short of 2030 targets, achieving up to a 29% reduction unless additional measures are implemented.[35] Further publications from the EPA[36] note that while there has been progress to reduce greenhouse gas emissions, full implementation of the actions set out in the Climate Action Plan and additional actions are needed if Ireland is to meet its 2030 and 2050 climate targets.

In our view, the low carbon transition represents an opportunity to strengthen competitiveness, enhance energy security in the face of a potentially challenging international landscape and create sustainable, high value employment. The focus on competitiveness is of paramount importance at an EU level when we consider the recent Competitiveness Compass issued by the European Commission[37]. In recent communications, the Commission outlined its vision to make the EU's economy more prosperous and competitive, building on the recommendations of the Draghi report. The Clean Industrial Deal, forming one of the key objectives of the EU Competitiveness Compass outlines concrete actions to turn decarbonisation into a driver of growth for European industries.

Against this background, we welcome one of the key commitments by the Government to sustained action to tackle the climate crisis with a focus on decarbonising the economy.[38] The Climate Action Plan[39] as of 2024 notes that the low carbon transition will require "significant private investment alongside Exchequer expenditure" on a sustained basis over a number of decades. The Climate Action Plan notes that in order to meet targets and objectives, it is necessary to direct the private sector towards financing the necessary investments. In our view, a number of bold plays on tax policy should

[34] Ireland's power generation and industrial greenhouse gas emissions down by seven per cent in 2024 | Environmental Protection Agency
[35] European Commission (2024) The Environment: Ireland's Green Deal, available at: https://ireland.representation.ec.europa.eu/strategy-and-priorities/key-eu-policies-ireland/environment-irelands-green-deal_en [accessed on 19 March 2025).
[36] Ireland's State of the Environment Report 2024
[37] Commission proposes to cut red tape and simplify business environment - European Commission
[38] Programme for Government 2025, p. 12 and p.56.
[39] www.gov.ie/pdf/?file=https://assets.gov.ie/296414/7a06bae1-4c1c-4cdc-ac36-978e3119362e.pdf#page=null

be considered in order to encourage a shift in focus towards decarbonisation and towards incentivising enhanced spending on green measures.

We have outlined below our core recommendations for consideration as part of Budget 2026.

AI/Digital Artificial Intelligence ("AI") and Digitalisation Tax Credit

The Programme for Government notes a commitment to ensuring that Ireland is a leader in the digital economy and AI, "realising the full benefits of digitalisation including AI to increase productivity of Irish businesses." We would welcome commitments made by the Programme for Government to position Ireland as a leader in the digital economy and Artificial Intelligence ("AI"), focusing on[40]:

The push for investment "to make Ireland an EU centre of expertise for digital and data regulation and being a regulatory hub for companies operating across the EU Digital Single Market."

Investment in digital skills at all levels, from basic digital literacy for all citizens to being a leader in higher education and research in areas like Artificial Intelligence and Quantum Computing,

Ensuring that the skills necessary for AI deployment, AI innovation and AI support are provided through education and professional learning networks.

The positive impacts of digitalisation can be felt most keenly across the financial services space, with OECD evidence demonstrating measurable performance upticks linked to increases in digital penetration. In particular, one OECD paper[41] highlighted positive effects on the productivity of downstream industries connected with financial sector digitalization, noting that *"Digitalisation in finance is also associated with an easing of credit constraints, particularly benefiting intangible-intensive industries and SMEs, via an improvement in credit allocation and market conditions. Results suggest that policy actions aimed at supporting digital infrastructure, promoting competition in communications, fostering finance innovation, and encouraging high-level skill formation (especially in STEM fields) could sustain and enhance productivity growth through financial sector digitalisation."*

Digitalisation was identified by the Summer Economic Statement of 2024 as one of the key structural challenges to the Irish economy; in our view however such a challenge represents an opportunity, and the Irish tax regime should be well positioned through forward thinking tax policy. The need for focus on AI and digitalisation is of concern not least due to its rapid growth, with many businesses spending substantial resources on developing and implementing generalist AI systems that can now act autonomously, doing incredible tasks in various fields including science, technology and art.[42] However, increases in capabilities and autonomy also increase risks such as, for example, large-scale social harms, malicious uses, and an irreversible loss of human control over autonomous AI systems.[43]

Despite well-acknowledged risks, AI safety research is lagging.[44] It is therefore not surprising that lack of trust related to safety, quality and reliability remains a major barrier to large-scale Generative AI adoption and deployment by many businesses.[45] Academic commentary in this area suggests that major tech companies and public funders should allocate at least one-third of their AI R&D budget, comparable to their funding for AI capabilities, toward addressing the above R&D challenges and ensuring AI safety and ethical use.[46] This presents a unique opportunity for Ireland to position itself as a centre for excellence in the area of AI research and development to take advantage of this growing space.

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[40] At pages 34 - 35
[41] Digitalisation of financial services, access to finance and aggregate economic performance, OECD Economics Department Working Papers, 9 August 2024 accessible here
[42] Deloitte, *Seeing the forest for the trees, and the forests beyond The future of AI*.
[43] Bengio, Y. *et al*. (2024) "Managing extreme AI risks amid rapid progress", *Science, Vol. 384(6698)*.
[44] Yoshua Bengio *et al*., "Managing extreme AI risks amid rapid progress", *Science,* Vol. 384(6698), (2024).
[45] Deloitte, *The State of Generative AI in the Enterprise: Getting real about Generative AI*, April 2024, p. 6.
[46] Dan Hendrycks, Nicholas Carlini, John Schulman and, Jacob Steinhardt, "Unsolved Problems in ML Safety", Cornell University, 16 June 2022.

Accordingly, we would strongly recommend the introduction of a new standalone AI and digitalisation tax credit (to be introduced as a "*qualified refundable tax credit*" for Pillar Two purposes and also for the purposes of the US Foreign Tax Credit (FTC) Regulations) for relevant expenditure related to reliably safe development, implementation and use of AI and digitalisation. This new stand-alone credit will be closely aligned to the existing R&D tax credit format, but with a different science test and lower bar in terms of advancing the field of computer science. This shift toward AI and digitalization will not only enhance Ireland's attractiveness as a business location but will also help drive future tax revenue by encouraging companies to stay and invest in Ireland. Digital transformation is key to ensuring that Ireland remains a top destination for global companies looking to maintain and expand their operations.

Guidance papers issued by other jurisdictions (notably the UK) would provide some insight into how AI should be defined, referring to "the use of digital technology to create systems capable of performing tasks commonly thought to require intelligence[47]." More recently, the UK Government[48] chose to define AI by reference to its two key characteristics, recognising the need for a common understanding of what AI is while hoping to "future proof" against emerging technological developments in this field. The characteristics are:

- Adaptivity—AI systems exhibit adaptivity by learning and evolving over time through training. They discern patterns and connections in data, which are frequently not easily understandable by humans. Consequently, they often acquire the capacity to make new inferences or decisions that were not explicitly programmed by their human creators
- Autonomy—AI's autonomy is characterised by its ability to make decisions without continuous human control or explicit human intent.

In our view, the above would present an excellent starting point in defining AI for the purposes of any tax credit, but we would encourage stakeholder consultation to be undertaken prior to the design of any new regime. In terms of the potential economic impact of such a new regime, we would note that relatively recent reports from the Department of Finance on the use of AI have concluded that apart from the direct labour market impacts, there are also likely to be broader macroeconomic impacts associated with AI adoption[49]. These include implications for economic output, labour productivity, international competitiveness, the labour share of Gross Value Added (GVA), earnings, industrial concentration, and the distribution of wealth and income. The exact nature of each of these impacts is uncertain – and as with the early effects of AI adoption on the labour market – will depend on several factors. These factors will include the ultimate capabilities of AI technology, the speed and scope of AI adoption, including the impact of bottlenecks and capacity constraints that might act to limit adoption and investment, societal preferences regarding the respective roles of technology and labour, and the policy and regulatory responses at both an EU and domestic level. In our view, it reasonable to suggest that the introduction of an AI tax credit in a similar manner to the existing R&D tax credit would have two positive outcomes namely increased business activity through enhanced expenditure on AI research but also the development of valuable IP within Ireland and the beneficial broader macroeconomic impacts noted above.

Research, Development and Innovation

The Research & Development ("R&D") sector is a cornerstone of Ireland's future prosperity, driving innovation, economic growth, and regional development. The R&D tax credit is a fundamental tax policy tool for fostering innovation and growth in indigenous companies and encouraging foreign direct investment in our economy. Studies have shown positive correlation between R&D investment and economic growth, noting that countries with robust R&D sectors tend to exhibit higher levels of productivity, technological advancement, and job creation.[50]

[47] A guide to using artificial intelligence in the public sector - GOV.UK
[48] A pro-innovation approach to AI regulation - GOV.UK
[49] gov.ie - Artificial Intelligence: Friend or Foe
[50] Tung, L. and Hoang, L., "Impact of R&D expenditure on economic growth: evidence from emerging economies," *Journal of Science and Technology Policy Management*, 2, 9 February 2023.

The importance of the R&D tax credit is highlighted through the Programme for Government, with commitments noted in the recent Public Consultation on the R&D Tax Credit to "examine options to enhance the R&D tax credit, reward innovation and digitalisation and to encourage innovation by domestic and international companies[51]."

Ireland has a robust and sustainable R&D ecosystem underpinned by several factors such as a strong innovative and internationally competitive enterprise base; growing employment, sales and exports; a renowned pool of talent; and a coherent joined-up innovation ecosystem that is responsive to emerging opportunities, delivering enhanced impact through the creation and application of knowledge. Ireland has the capacity to meet the needs of R&D investors and offers the ideal commercial, political and social environment in which to carry out successful and profitable R&D activities[52]. But in our view the Irish R&D ecosystem requires ongoing protection in a highly mobile and competitive world.

For several decades, Ireland's focus has been primarily on job creation and creating an attractive space for multinationals to invest and grow. Tax credits, grants, and government policies have been designed to increase the country's employment rate and encourage the creation of high-skilled jobs. In the past, these measures have proven highly successful, with Ireland becoming a key player in the global market, particularly in the financial services, technology, and pharmaceutical sectors.

However, Ireland's current economic landscape presents new challenges. The country is now home to a highly skilled workforce, and the focus should shift from merely creating more jobs to fostering the next wave of innovation and intellectual property (IP). Ireland is no longer in the same position as it was a few decades ago, when it needed to build up its employment base. Instead, the focus must now be on maintaining the country's role as a leader in the knowledge economy. Ireland needs to capitalise on the expertise that has been developed, alongside the excellent professionals produced, moving them into global roles that drive international innovation strategies. In our view, it is now time to move away from a focus solely on job creation and instead focus on the creation and development of intellectual property within Irish companies. Ensuring that Irish companies innovate and generate IP that can be used on a global scale will allow Ireland to grow economically. The need for IP development is never more pressing than in the technology space, where speed to market is of utmost importance.

Many Irish businesses carrying out R&D work will often find that some elements or stages of that work cannot be completed in-house/in-country and have to be outsourced.

Yet in Ireland, we significantly limit tax relief on the cost of work outsourced or undertaken in collaboration with others. Where a company has incurred expenditure in the carrying on by it of qualifying R&D and pays a sum to a university or another person (who is not a connected person) to carry out qualifying R&D activities in a relevant Member State, relief will be restricted to the greater of 15% of the expenditure incurred by the company itself on R&D activities or €100,000. Accordingly, the existing R&D legislation completely prohibits *related* parties' expenditure from being claimed as part of the Irish R&D tax credit regime, even in cases where such expenditure is recharged to the Irish company, the Irish company is managing and directing the R&D activity in the related party's jurisdiction and the Irish company is the principal IP owner/IP hub location for the group.

In the context of a growing housing crisis and a tight labour market, intense competition for talent can mean that businesses may not be able to engage in the same level of research as is required by the market or at the very least the related tax credit benefit of outsourcing activity is significantly limited.

Accordingly, we would recommend an amendment to section 766 TCA 1997 to include related party expenditure within the scope of the R&D tax credit capped at 100% of the internal R&D spend, with an embedded protection mechanism to ensure that such treatment is only available to IP owners. In addition to permitting related party spend

[51] www.gov.ie/pdf/?file=https://assets.gov.ie/323352/e81bfc06-b514-408e-989b-0494efffc705.pdf#page=null
[52] IDA Ireland, *Ireland: A Winning Proposition for Research, Development and Innovation*, 5 August 2009.

to be included as part of an R&D credit claim by the company, such an amendment would provide additional benefits including:

- Strengthening the company's position for transfer pricing purposes,
- Strengthening substance in ireland through the creation of additional higher value strategic r&d roles in irish entities engaged to carry on subcontracted r&d work
- Removing the downside of outsourcing, a necessity in many sectors given capacity constraints around talent and housing which can limit R&D expansion in Ireland.

Ireland already has in place a strong legal framework and intellectual property system that offers IP right holders the opportunity to be rewarded for their creativity and innovation and enabling society at large and the economy to benefit from their achievements. In combination with a strong R&D tax regime, they will continue contributing sustainably to volatile CT Exchequer's returns and allow our Irish IP owning companies stay and grow in Ireland.

While such an amendment would result in an increase in the quantum of R&D tax credits claimable in a given year, in our view the broader economic benefits associated with such change would far outweigh the costs. In particular:

- The amendment would be limited to companies who generate and retain their IP in Ireland. With the Irish entity acting as the entrepreneur, higher profits can be retained in Ireland securing future tax takes from IP owners and ensuring the continued expansion of Ireland's Knowledge Economy.
- While job creation in STEM roles would be at a slower pace, the job creation would focus instead on higher value strategic positions dictating global R&D projects and initiatives, resulting in potentially higher overall payroll tax receipts from higher salaries.

The removal of restrictions on outsourced related party R&D spend would bring Ireland in line with other jurisdictions and enhance our competitiveness globally. Examples of comparable tax regimes and their treatment of related party spend are outlined below:

	Belgium	**UK**	**France**
Related party rule	Costs of subcontracting to related parties are allowable	Contracting outside of the UK are restricted but exceptions are applied for the Life Sciences Industry (clinical trials allowed)	Costs of subcontracting to related parties are allowable
Cost Restrictions	No limits on the costs	No limits on the costs	Capped at the lesser of €2m and 3 times the internal R&D spend
Territorial Restrictions	No territorial restrictions	No territorial restrictions	Contractors can be based in EU or Iceland and Norway

Amendment to remove/increase cap on outsourced R&D (universities and unconnected parties)

In addition, we would recommend removing the current cap applying to third level subcontracting and increasing the cap applying to unconnected party subcontracting currently in place in section 766 TCA 1997. As noted elsewhere in this document, the vast majority of companies do not reach the cap currently in force with respect to subcontracted R&D activities. Notwithstanding this, the cap acts as a disincentive to further investment in and collaboration with third level institutes and should therefore be removed. If no changes are made to university subcontracting, the current cap should be increased to mitigate against the current disincentivising effect created by the cap currently in force.

Inclusion of agency staff within internal spend

Feedback received in consultation with clients and stakeholders have identified significant issues associated with the use of agency staff in the context of multiphase projects and the impact of same on qualifying expenditure for the purposes of the R&D tax credit. Where large scale projects are envisaged by many companies, it would not be unusual for such projects to take place on a phased basis with work initially being undertaken by agency staff to ensure flexibility and agility in the process prior to moving to taking on full time staff members as the project progresses and scales. However, costs incurred by companies on agency staff on R&D activities are subject to the existing limits placed on subcontracted expenditure, as noted in Revenue guidance on the matter:

"The use of agency staff is considered to be outsourcing for the purposes of computing the amount of qualifying activity and the related expenditure is, therefore, subject to the limitations on outsourcing as set out in Section 6. This relates to any individual not remunerated directly by the company for their services."

While Revenue guidance permits costs incurred in relation to individual consultants who are hired on a part time or short term basis to be included as part of the direct employee costs of the company and not as agency staff, in our view such treatment is limited by the conditions attached to it. Such treatment is limited to instances where the following conditions are met:

- The individual works under the company's control and direction
- The individual works on the company's premises
- The individual must be able to contribute special knowledge, which cannot be supplied by an in-house research team, to a specific R&D project being undertaken by this in house team,
- The engagement period does not exceed 6 months.

In many instances, the above conditions may not be met with respect to individual agency staff members or individual external consultants. It would not be unusual for the engagement period to be in excess of 6 months, particularly in the case of complex multiphase projects.

In our view therefore, costs incurred in respect of agency staff should be treated similarly to internal staffing costs and thus should be included as part of qualifying internal R&D expenditure. Such an amendment would allow companies to engage in projects in a more flexible manner and would permit faster scaling and growth in key knowledge-based industries.

Detailed views and recommendations with respect to future changes to the R&D credit regime in Ireland will be examined in more detail in our response to the Public Consultation on the R&D Tax Credit and on Options to Support Innovation.

Decarbonisation tax credit

As many global markets increasingly prioritise environmental responsibility, Ireland risks falling behind in offering businesses the necessary incentives to decarbonise their operations. Other countries are aggressively using fiscal incentives for decarbonisation. For example, the United States has set a global benchmark with the Inflation Reduction Act ("IRA") 2022, allocating over $369 billion in climate and clean energy funding largely via tax credits. These include credits for renewable energy production, carbon capture, hydrogen, sustainable aviation fuel, EV purchases, energy-efficient building upgrades, and more. This has triggered a wave of private investment in the US in green factories and projects. While Ireland cannot match that scale, we can introduce a targeted credit to encourage domestic firms to green their operations. Canada has introduced a 30% refundable tax credit for clean technology investments (generation and storage of clean energy) and a separate investment credit for carbon capture. The EU is also moving to relax state aid to allow more tax incentives for green tech, in response to the IRA (e.g. Germany and France are planning enhanced depreciation for green investments). If Ireland moves now, we can be among the first EU countries with a broad decarbonisation tax credit, giving our firms a head start.

Lastly, it's worth noting that the cost of inaction is greater than the cost of action. If we do not incentivise decarbonisation, Ireland may miss its targets, facing potential EU fines[53] or the need for drastic, more expensive measures later. Businesses would also face higher carbon taxes year by year with nothing to help them transition. This credit would ease the transition by sharing costs between government and industry, which is both fair and effective to drive change.

Significant and immediate progress is essential to make greater headway towards at the very least meeting our targets. Achieving our 2030 (and ultimately 2050) emissions goals will require deep decarbonisation across all sectors of the Irish economy, including the business sector. While regulatory measures and carbon pricing (taxes, EU Emissions Trading Scheme) are key drivers, tax credits can play a pivotal role as well – by positively rewarding companies that invest in emissions-reducing technologies and practices. This "carrot" approach will complement the "stick" of carbon pricing and accelerate voluntary action. It will help overcome the upfront cost barrier of decarbonisation projects that might not have an immediate payback but are crucial for long-term sustainability. Ireland's latest Climate Action Plan (2024)[54] sets sectoral carbon budgets that will require, for example, industry to cut emissions by significant percentages this decade. Many of these reductions hinge on companies investing in new equipment (like electric furnaces, efficient boilers, renewable energy installations) or new processes (like circular economy practices, waste heat recovery, etc.). An innovative decarbonisation tax credit can catalyse these investments now, helping ensure we meet our targets and do so in a way that maintains economic competitiveness.

This proposal is timely and not optional. The Summer Economic Statement[55] (2024) has noted that over the coming years, the Irish economy will face multiple structural fiscal challenges including decarbonisation. Global mega-trends, which include decarbonisation, are on the way and, according to the Chef Economist of the Department of Finance (2024)[56], they *"will have a profound impact on the Irish economy, society, well-being and other areas."* It is clear that *"…the annual budgetary cycle cannot be divorced from these longer-term trends….."* Decarbonising economic activity should be one of the key parts of the tax policy response.

The Irish Government has an opportunity to leverage its existing and successful framework of the R&D tax credit and apply it to decarbonisation with adaptations to focus on emission reduction rather than scientific innovation. A decarbonisation tax credit could make Ireland a leading environment where businesses actively pursue carbon reduction not just to comply with rules, but because the tax system actively supports it.

To this end, we recommend that the Government introduce a new stand-alone decarbonisation tax credit for expenditure incurred by businesses in seeking to lower carbon emissions. Such a refundable tax credit should be aligned with the Pillar Two definition of a "qualified refundable tax credit." The existing R&D tax credit is focused on scientific advancements and innovation, and the new decarbonisation tax credit will not replace it, as instead of achieving innovation and scientific advancement, it will be focused on lowering carbon emissions. Such a programme could include tax credits for all companies investing in green technologies or adopting more sustainable business practices. By incentivising businesses of all sizes, Ireland could position itself as a leader in sustainable innovation and technology adoption, which would drive our continuous economic growth and global competitiveness.

The existing R&D tax credit has two tests:

- the accounting test (that the expenditure claimed as being laid out on qualifying research and development activities is correctly so claimed); and
- the science test (that the activities under review are consistent with the statutory definition of research and development activities).

[53] It is estimated that costs of non-compliance could range from around €3.5 billion up to around €8.1 billion. See NED 2024, p.25, https://www.gov.ie/pdf/?file=https://assets.gov.ie/294296/3b46bbdd-f120-4d38-b2a0-8b05fa62c7a0.pdf#page=null.
[54] Climate Action Plan 2024, available at: https://www.gov.ie/en/publication/79659-climate-action-plan-2024/ , accessed 19 March 2025.
[55] gov.ie - Summer Economic Statement 2024
[56] McCarthy, John, Department of Finance, ""Mega-trends" – building economic and fiscal resilience," presented at University College Cork, 24 January 2024.

We would recommend re-using the accounting test for the new decarbonisation tax credit but replace the science test with the new decarbonisation test. The amount of the credit could be fixed, or gradual increasing in line with the level of successful decarbonisation, the effect of which could be shown compared to a pre-established baseline, and subject to clearly defined bands. Furthermore, in line with R&D rules, businesses should also be supported where they seek to achieve decarbonisation but proven to be unsuccessful. In other words, there should be no minimum decarbonisation requirement to get the credit, even seeking to achieve decarbonisation should be sufficient, provided all other conditions are satisfied.

Qualifying Criteria

Regarding the qualifying criteria, we would recommend that it is aligned with the R&D criteria, namely:

A company may qualify for the decarbonisation tax credit if:

- It is within the charge of Corporation Tax in Ireland;
- It carries out qualifying carbon reduction activities in Ireland, the European Economic Area (EEA) or the United Kingdom (UK), and;
- The expenditure does not qualify for a tax deduction in another country.

Qualifying activities

To qualify for the decarbonisation tax credit, a company's carbon reduction activities may include:

- Projects and feasibility studies identifying alternative fuels for use within the business, trade or profession which is within the charge to Corporation Tax in Ireland, to include the costs relating to implementing such changes.
- Projects and feasibility identifying the reduction in carbon output from manufacturing and/or distribution activities including costs of implementing such measures.

The above qualifying activities are indicative only, and a targeted public consultation process would need to be undertaken to identify what activities stakeholders and businesses expect to engage in with a view to decarbonisation in the near future.

Qualifying costs

- Accurately quantifying carbon footprint throughout the entire value chain.
- Assessing climate-related risks and opportunities.
- Establishing robust decarbonisation standards and strategies that set out clear targets and key performance indicators.
- Identifying and implementing technology solutions that can help enhance emissions monitoring and reporting.
- Developing robust regulatory compliance and risk mitigation programs.
- Creating a culture that promotes the benefits of decarbonisation[57].
- Receiving advice on the implementation of carbon reduction processes in the business (professional fees).
- Costs associated with the implementation of carbon reduction processes (i.e., staff costs) and technology and annual reviews and reporting.
- Costs associated with obtaining and an annual renewal of a decarbonisation certificate, something similar to the BER assessment for houses, but focused on carbon reduction during the qualifying period.

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[57] For further details: Deloitte, *Pathways to decarbonization: The built environment*, 2024 and *The Built Environment – Pathways to decarbonization*, 2024.

- Costs associated with developing the in-house carbon reduction technologies.
- Associated staff training and upskilling costs.

Qualified refundable tax credit

Such a refundable tax credit should be aligned with the definition of a "*qualified refundable tax credit*" for the purposes of Pillar Two and the US Foreign Tax Credit (FTC) Regulations.

Emission Allowances

Section 81C TCA 1997 was introduced to confirm that a tax deduction is available for expenditure incurred on the purchase of emission allowances as defined in that section, and that the consideration for the disposal by a company of such allowances, for the purposes of its trade, is deemed to be a trading receipt of the trade. We would recommend broadening the definition of "emission allowances" to include other expenditure incurred on various forms of emission allowances with a view to achieving carbon emissions targets.

In addition, emission allowances acquired may in some instances be capitalised for accounting purposes. Accordingly, we would recommend that the definition of "specified intangible asset" under section 291A TCA 1997 be amended to allow tax relief (in the form of capital allowances) to be given for costs incurred on the acquisition of such allowances in such instances.

3. Fuelling the future: Incentivising homegrown investment

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In the current economic climate, incentivising homegrown investment has never been more critical to Ireland's long-term prosperity and resilience. As global markets face ongoing volatility and multinational investment becomes increasingly mobile, Ireland must double down on supporting indigenous entrepreneurs, family-owned businesses, and SMEs—the backbone of sustainable regional development and employment. Encouraging local investment not only strengthens the domestic business ecosystem but also drives innovation, job creation, and wealth retention within the country.

However, the existing tax environment often acts as a deterrent rather than an enabler. Capital gains tax rates, restrictions on SME financing, outdated relief thresholds, and punitive close company rules can stifle ambition, discourage succession planning, and limit reinvestment in local enterprises.

To address these barriers and ensure Irish entrepreneurs are empowered to grow and scale their businesses, we recommend a series of targeted tax reforms. These measures are designed to reward long-term investment, enhance access to funding, support intergenerational transfers, and rebalance incentives towards homegrown enterprise.

A more supportive and responsive tax regime for domestic investors is essential to safeguarding Ireland's economic independence, fostering balanced regional development, and enabling Irish businesses to thrive in a globally competitive landscape.

Capital Gains Tax Rate

The historical Capital Gains Tax (CGT) rates in Ireland have varied significantly since the tax first featured in the Irish tax system in the tax year 1974/1975. Initially set at 26% from 1974 to 1978, the rate increased to 30% between 1978 and 1982, and further to 40% from 1982 to 1986. It then reverted to 30% from 1986 before rising back to 40% from 6 April 1992 until 2 December 1997. The 1998 Budget halved the rate to 20% (effective 3 December 1997), which persisted until 14 October 2008. During this period CGT receipts significantly increased, going from just over €106 million for 1996 to just under €3.1 billion in 2006[58]. CGT receipts slightly dropped in 2007 before sharply declining in 2008. Such a decline was largely the result of the property crash but it can not go unnoticed that the start of the rate increase[59] coincided with that same period. After 2008, CGT receipts dropped to €545m in 2009 and then fluctuated between €345-416m in 2010-2013. And only started to climb steadily again from €539m in 2014 to €1,708bn in 2024.[60]The receipts have not reached their peak of the early 2000's.

We recognise that CGT receipts are influenced by factors such as market conditions, asset values, and tax reliefs. However, statistics show that reducing the CGT rate to 20% led to increased receipts, while rate hikes and economic downturns resulted in significant declines.

Further, the ESRI report notes that there is evidence that capital gains realisations are quite sensitive to tax rates.[61] A high capital gains tax (CGT) rate can discourage people from selling assets during their lifetime. Instead, they may delay the transfer or sale simply to avoid the tax, even if they would otherwise prefer to move on from the asset. This can lead to capital being locked into investments that could potentially be put to better use elsewhere. In the case of businesses, this hesitation can be especially harmful, as it may prevent timely succession planning and hinder the smooth transfer of the business to the next generation. We recommend reducing the headline CGT rate to 20% for several reasons:

Minimal Fiscal Impact: CGT receipts account for around 2% of the overall tax yield, so a rate reduction would have minimal impact on fiscal sustainability while promoting economic efficiency.

Programme for Government Alignment: This reduction supports the Programme for Government 2025 commitment to maintain a tax system that fosters innovation and entrepreneurship, making Ireland more attractive for reinvestment and business scaling.

Competitiveness: A 20% CGT rate would better align Ireland with EU norms, enhancing competitiveness and removing distortions that discourage domestic entrepreneurship and foreign capital.

Succession Support: Lowering the CGT rate would reduce the succession burden, supporting family businesses and SME continuity.

Enterprise Environment: This change would strengthen Ireland's enterprise environment, support small businesses, facilitate inter-generational succession, and improve competitiveness and business continuity.We acknowledge that CGT receipts are influenced by various factors, including market conditions, asset values, and tax reliefs. However, reducing the CGT rate typically boosts taxpayer activity and increases receipts, whereas rate hikes and economic downturns lead to significant revenue declines.

Land release: Encourage the disposal/make it more plausible to dispose of land that may be suitable for residential development.

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[58] Revenue statistical reports 1996-2012

[59] Subsequent increases saw the rate rise to 22%, then to 25%, and again to 30% from 7 December 2011 to 5 December 2012. Since Budget 2013, the headline CGT rate has been 33%.

[60] https://www.revenue.ie/en/corporate/documents/statistics/receipts/net-receipts.pdf.

[61] ESRI (2021) Options for raising tax revenue in Ireland, see p. 23. The report refers to a research by Dowd and McClelland, 2019; Miller et al., 2019; Lavecchia and Tazhitdinova, 2021.

Therefore, we recommend a timely review and reduction of the CGT rate to 20% as part of the next Budgetary process to unlock national and international capital for investment in Ireland, encourage smooth business succession, enhance competitiveness, and support retirement and financial planning for business owners and investors.

CGT Tapering Relief

The CGT rate in Ireland places Irish entrepreneurs at a competitive disadvantage, particularly in a highly mobile global economy where businesses and talent can relocate with ease. To sustain Ireland's entrepreneurial momentum and prevent "capital flight," a more strategic approach to CGT is required—one that rewards long-term business commitment and incentivise domestic enterprise growth.

The success of Ireland's economy is deeply intertwined with the longevity and commitment of its entrepreneurs. Long-term business ownership fosters economic stability, job creation, and sustained corporate investment. It is in the national interest to incentivise entrepreneurs to remain actively involved in their enterprises rather than exiting prematurely due to punitive tax treatment. Historically, CGT tapering relief has been an effective mechanism to achieve this objective. By gradually reducing the CGT rate based on the duration of ownership, the tax system would reward commitment, encourage reinvestment, and foster economic resilience. A new tapering relief should now be introduced, modernised to reflect the realities of today's dynamic business environment.

CGT rate reduction model

In addition to a reduction in the headline CGT rate, we recommend introducing a targeted tiered CGT rate reduction, where the applicable CGT rate decreases progressively based on the entrepreneur's period of ownership and active involvement in the business, such as the following (suggested rates below are by way of an example only):

Period of ownership	CGT rate
0-5 years	<33% (<20%, see earlier comments)
5 -10 years and a full-time working director for 5 years	16.5%
10+ years: working director for 10 years and a full-time working director for 5 years	8.25%

This tapering relief would encourage entrepreneurs to scale their businesses in Ireland rather than seeking early exits or relocating abroad; reward those who actively contribute to economic development, rather than short-term speculative investors; and position the country as a premier destination for entrepreneurial activity.

To future proof Ireland's entrepreneurial ecosystem, the Government should adopt a transformative approach to CGT policy. This policy shift would reaffirm Ireland's commitment to entrepreneurship, enterprise retention, and long-term economic success. Therefore, with this policy objective in mind of rewarding the 'genuine entrepreneur', the Government should look to the approach adopted in the 1970s and should introduce a 'fundamental change' in our CGT rate structure for entrepreneurs that encourages a strong entrepreneurial spirit in our domestic economy that is aligned to economic success. A graduated CGT tapering relief (as one of the measures) is an essential reform to support high-growth enterprises.

This rate reduction model could complement Entrepreneur Relief (see also comments on Entrepreneur Relief below). For taxpayers who exceed the Entrepreneur Relief threshold or do not qualify for the relief, this model would incentivise them to remain and continue scaling their businesses. Such a model could address concerns about businesses being built to sell quickly, encouraging longer-term commitment and greater contributions to the Irish economy.If necessary, the relief could be targeted at specific industry sectors, subject to State Aid rules. We welcome further engagement with the department on designing such a rate reduction model.

Tax-Efficient SME financing model: a critical policy imperative

Small and medium-sized enterprises (SMEs) are the backbone of Ireland's economy, driving employment, innovation, and regional development. Yet, despite their vital role, in 2025 access to finance remains one of the most significant barriers to their growth. As SMEs look to scale and expand, their ability to secure affordable financing is at a breaking point. Many entrepreneurs are facing limited access to third-party debt financing, while rising interest rates and tightened lending conditions are further exacerbating the problem. If this challenge is not addressed immediately, many viable businesses could be forced to halt their growth ambitions—or worse, shut down altogether.

To support entrepreneurship and economic growth, we recommend the introduction of a special loan finance arrangement that enables private individuals to lend directly to SMEs within the EU. Under this framework, provided market interest rates apply, individuals lending to SMEs would be taxed on their interest income at the standard rate of 20%, rather than the punitive marginal income tax rate of up to 55%. Such initiative could potentially achieve two critical policy goals, such as unlocking the new source of SME finance and making SME finance more attractive. Many investors have capital sitting idle in Irish deposit accounts earning minimal returns.[62] This policy could incentivise them to channel funds into productive investments that support the real economy. Furthermore, by lowering the tax burden on interest earned from SME loans, private lenders would be more willing to take on the risk associated with investing in growing businesses.

While initiatives like the Employment and Investment Incentive Scheme (EIIS) and Angel Investor Relief play an important role in SME funding, they are far from sufficient. The reality is that equity investments made under these schemes rank behind trade creditors in liquidation, significantly increasing investor risk. This deters many potential investors from participating, particularly when faced with uncertain economic conditions. A loan finance arrangement, however, would provide SMEs with an alternative, more secure funding route that balances risk and reward for investors while providing much-needed capital to growing businesses. Without such a measure, many SMEs will continue to struggle to secure financing, limiting their ability to expand, create jobs, and contribute to Ireland's economy.

While the proposed preferential tax treatment—taxing interest income from SME loans at 20% rather than marginal rates of up to 55%—could result in a modest short-term reduction in Exchequer receipts from personal investment income, this potential revenue loss must be weighed against the broader economic benefits. By incentivising private lending to SMEs, the policy would unlock dormant capital and channel it into productive use, accelerating investment in indigenous enterprises. This would lead to increased business activity, job creation, and ultimately higher tax revenues from corporation tax, PAYE, VAT, and PRSI. Furthermore, enhanced SME resilience and growth would reduce long-term dependency on state supports and strengthen regional economic development. Overall, the upfront tax cost is likely to be offset by the multiplier effect of new investment and the resulting increase in economic output, making the measure fiscally prudent and economically strategic in supporting Ireland's long-term competitiveness.

Our message is clear: Ireland must move decisively to implement this tax-efficient financing solution in the upcoming Budget. Delaying action will only put our SMEs at greater risk, stifling innovation and economic growth at a time when they need support the most. Now is the moment to strengthen our SME financing framework and ensure that businesses across Ireland have the capital they need to succeed.

[62] Insert average interest rates here and cite.

Encourage retail investment

The Funds Sector 2030 Report[63] refers to merit in exploring an incentivised savings and investment account to encourage greater levels of retail investment. We would support the establishment of a retail savings and investment scheme similar to existing offerings in the UK, France and Italy. Such a scheme would compliment existing investment options (e.g EII and angel investor relief) and provide retail investors with an efficient return on their savings thereby encourage greater demand from retail investors.

Close company surcharge

The current operation of the close company surcharge regime presents a structural barrier to productive reinvestment and prudent cashflow management for Irish-owned businesses. Under existing legislation, particularly sections 440 and 441 of the Taxes Consolidation Act 1997, close companies are subject to a 20% surcharge on certain undistributed investment and rental income. While intended as an anti-avoidance measure to discourage the accumulation of passive income within companies, in practice the regime disproportionately penalises small and medium-sized enterprises (SMEs) that choose to retain profits for legitimate commercial reasons, such as reinvestment, debt servicing, cashflow protection, or future expansion.

This places business owners in a tax paradox: if they extract profits to avoid the surcharge, they incur immediate income tax liabilities at marginal rates of up to 52%; if they retain earnings for future growth or strategic purposes, they risk triggering a punitive surcharge. This dilemma undermines responsible financial planning, especially during times of economic uncertainty or when businesses are seeking to build resilience through retained earnings.

Our key recommendation is to modify the close company surcharge regime to disapply the surcharge on undistributed income where it can be clearly demonstrated that the retained profits are earmarked for reinvestment in the business or aligned with a documented growth plan. This could be achieved through a legislative amendment to provide an exemption from the surcharge where specific commercial use of funds—such as capital expenditure, R&D, employment expansion, or debt restructuring—is evidenced.

Section 434(3A) TCA 1997 notes that where a company pays a dividend or makes a distribution to another close company, the companies may jointly elect such that the dividend or distribution is treated for the purposes of section 440 as not being a distribution, this means that it is not to be taken into account as a distribution in determining the extent to which the dividend-paying company has distributed its profits. While the technical basis underpinning this election is clearly set out, in practice the requirement for a joint election can cause issues for smaller close companies.

We therefore recommend a broader review of the close company provisions in Part 13 TCA 1997 to assess their relevance and appropriateness in today's economic context. The regime, originally designed decades ago, may no longer align with the operational realities of modern SMEs, especially those seeking to scale or innovate. Any review should focus on simplification, proportionality, and removing unintended barriers to growth while maintaining the core objective of preventing abusive profit retention.

Modernising these rules would support homegrown investment, encourage capital formation within Irish companies, and align tax policy with the Government's broader ambition to foster entrepreneurship, innovation, and regional development.

[63] Funds Sector 2030 A Framework for Open, Resilient and Developing Markets Final Report, section 7

Entrepreneur relief

CGT Entrepreneur relief provides that gains on disposals of "chargeable business assets" made by individuals are liable to a reduced CGT rate of 10%, up to an overall lifetime limit of €1m. The standard rate of CGT (currently 33%) applies to gains made in excess of the lifetime limit.

To qualify for the reduced CGT rate of 10%, the shareholder must have owned the "chargeable business assets" for a minimum period of 3 years prior to disposal. A qualifying business is widely defined to include all activities apart from holding assets as investments; holding development land; or the development or letting of land.

A Cost Benefit Analysis of the Revised Entrepreneur Relief[64] published as part of Budget 2024 recommended that *"any decision to modify or relax the eligibility criteria or scope of the relief should be carefully considered in terms of its potential impact on the exchequer".*

Taking this into account, we believe that now is the time to increase the existing lifetime limit of €1m. The current €1 million lifetime cap on Entrepreneur Relief is too restrictive and acts as a disincentive for entrepreneurs to grow and scale their businesses in Ireland. While the relief provides a preferential 10% Capital Gains Tax (CGT) rate, the low threshold discourages high-growth businesses from remaining in Ireland or expanding beyond the early stages of development.

The existing limit fails to account for inflation and business growth dynamics. A €1 million sale of a business today is far less significant than it was when the limit was introduced in 2015[65], meaning the policy is effectively eroding over time.

To maintain Ireland's competitiveness and prevent an exodus of entrepreneurs, the lifetime cap should be increased. Increasing this threshold is not only timely but directly supports several key commitments outlined in the Programme for Government, as follows:

The Programme emphasises the need to support entrepreneurs and indigenous businesses at all stages — from start-up to scale-up — and to provide an environment that facilitates long-term growth: "*From backing small businesses and start-ups, to scaling up indigenous firms and enhancing our attractiveness as a location for foreign direct investment*[66]." Increasing the cap on Entrepreneur Relief may incentivise entrepreneurs to stay and grow within Ireland rather than relocate to more favourable tax jurisdictions, directly feeding into this policy priority.

The government commits to publishing a new Action Plan for Competitiveness and Productivity aimed at making Ireland the most supportive environment for indigenous businesses: "*This action plan will include tax and wage policy... and will target making Ireland the most supportive environment for indigenous businesses and the most attractive location for start-ups and foreign investment*[67]."An increased Entrepreneur Relief cap will serve as a powerful tax lever to position Ireland as a globally competitive ecosystem for start-ups and scale-ups.

Tax policy is directly recognised as a key tool to support innovation. The Programme commits to maintaining "a tax system that supports innovation and entrepreneurship to ensure that Ireland remains an attractive place to sustain and grow an existing business or to start and scale up a new business[68]." Our recommendation speaks to this principle by ensuring that founders of innovative high-growth companies are not penalised when they reach or exceed an arbitrary exit value cap.

The Programme outlines plans to enable Irish firms to grow and compete internationally while maintaining operations in Ireland: "Support efforts to help domestic Irish businesses scale-up, enabling more Irish companies to grow

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64 Department of Finance, *Budget 2024: A Cost Benefit Analysis of the Revised Entrepreneur Relief*.
65 The €1 million lifetime limit on gains eligible for the reduced 10% Capital Gains Tax (CGT) rate under Ireland's Revised Entrepreneur Relief was introduced by the Finance Act 2015 and became effective from 1 January 2016. This relief applies to qualifying disposals made on or after that date, with any gains exceeding the €1 million threshold subject to the standard CGT rate of 33%.
66 Programme for Government 2025, p. 13.
67 Programme for Government 2025, p. 14.
68 Programme for Government 2025, p.19.

internationally while retaining a substantial workforce in Ireland[69].” Raising the lifetime cap will allow entrepreneurs to reallocate capital into future ventures, generating a multiplier effect on jobs, innovation, and tax revenue — all without immediate loss to the exchequer due to the limited application of the relief.

The Programme explicitly commits to building Ireland as a global innovation leader and creating a seamless entrepreneurial ecosystem: “Develop an all-island innovation and entrepreneurial ecosystem[70].” An increase in the Entrepreneur Relief threshold would be a concrete step in building such an ecosystem — one that encourages ambitious entrepreneurs to scale locally rather than exit abroad.

In light of these clear commitments by the Government, we recommend increasing the lifetime limit for CGT Entrepreneur Relief from €1 million to a higher, internationally competitive threshold (e.g., €3 million). This adjustment would signal that Ireland values innovation and entrepreneurship; encourage domestic business growth and reinvestment; align tax policy with inflation and real-world business dynamics; and reinforce Ireland’s position as a top-tier location for high-potential start-ups. Such a move supports the goals of competitiveness, innovation, and indigenous enterprise growth outlined throughout the Programme for Government [71]

Entrepreneur Relief should also remain available as an alternative to CGT Tapering relief as detailed below, to allow for maximum flexibility in business decisions of Entrepreneurs in Ireland.

Retirement Relief

Retirement relief offers capital gains tax relief on the disposal of businesses by individuals, provided certain conditions are met. Currently, individuals aged 55 to 69 can receive full relief from capital gains tax when transferring qualifying business assets to a child where the value of all qualifying assets does not exceed €10 million. For individuals aged 70 years and over, a €3 million limit or cap applies to transfers to a child. Disposals outside the family are subject to two different caps; €750,000 for individuals aged 55 to 69 years and €500,000 for individuals aged at least 70 years old.

We welcome the amendment introduced in Finance Act 2024 which provides that the CGT liability which arises on the transfer of qualifying assets to a child on or after 1 January 2025 where the value exceeds the €10 million limit, may be deferred. However, the relevant clawback for business asset relief from capital acquisitions tax is 6 years (or 10 years where the disposal primarily relates to development land) as opposed to 12 years. As such, this creates a lack of symmetry between retirement relief and business asset relief[72].

The caps on retirement relief represents a hindrance to the transfer of a family business to the next generation. While a business may be valuable and exceed these limits, there may not be liquid funds to discharge a tax liability arising on a transfer of that business to the next generation. The caps of €10m and €3m therefore act as a hindrance on the transfer of a family business, with the result being a delay in passing on the business until death of the owner. Such an outcome is counterproductive when one notes the purpose of retirement relief is to facilitate transfers of businesses to the next generation at an optimum time for the business rather than on the death of the owner.

The €500,000 and €750,000 caps for disposals outside the family have remained unchanged since Finance Act 2012 and Finance Act 2007. respectively We would therefore recommend at a minimum that the thresholds be increased to reflect increased business values and that these thresholds be “future proofed” by indexing such limits to keep pace with inflation and growth.

By increasing the caps, there will be opportunities for business succession, enabling these enterprises to be re-energised by new owners rather than forced into closure. This aligns directly with Ireland’s Programme for Government 2025 commitments, which prioritises support for indigenous businesses, economic recovery, and job

[69] Programme for Government 2025, p.16.
[70] Programme for Government 2025, p. 15.
[71] Programme for Government 2025, pp. 13-16 and 19.
[72] Deloitte comment on Finance Bill 2024.

retention. Higher caps would encourage the transfer of viable businesses to new operators, ensuring continuity in a sector that employs tens of thousands across the country.

Failure to act may result in a decline in family-controlled businesses that are integral to Ireland's economic and social fabric. An increase in Retirement Relief caps will not only protect these businesses but also stimulate reinvestment, economic revitalisation, and long-term sectoral stability. This is a policy imperative that must be addressed in Budget 2026.

CAT Thresholds

Recent adjustments to Ireland's Capital Acquisitions Tax (CAT) thresholds in Budget 2025 (Group A €335,000 to €400,000; Group B €32,500 to €40,000; Group C €16,250 to €20,000, in place from 2 October 2024) are steps in the right direction. However, these changes may still be insufficient when considering the substantial rise in property values over the past decade. Since early 2013, property prices in Ireland have surged by approximately 102.5%, with the average property value escalating from €157,000 to around €318,000. This significant appreciation means that many estates, particularly those involving real estate, now exceed the current tax-free thresholds, leading to higher tax liabilities for beneficiaries.[73]

If CAT thresholds are not further adjusted to reflect these market realities, a growing number of beneficiaries may face substantial tax burdens, potentially necessitating the sale of inherited properties to meet tax obligations. This scenario could lead to the displacement of families and the erosion of generational wealth. Moreover, the increased tax burden may discourage property retention, affecting the stability of local communities and the broader economy.

From an Exchequer perspective, while higher CAT receipts might seem beneficial in the short term, they could have adverse long-term effects. For example, the perception of an onerous inheritance tax regime may deter investment in Irish real estate and other assets, ultimately diminishing potential tax revenues.

To align with current economic conditions and ensure fairness, it is imperative to consider further increasing CAT thresholds. Such adjustments would mitigate undue financial strain on beneficiaries, preserve family assets, and promote economic stability, ensuring that the tax system remains equitable and reflective of contemporary asset values.

Stamp duty on family business transfers

Ireland's tax system provides essential Capital Gains Tax (CGT) reliefs (such as retirement relief and revised entrepreneur relief) and Capital Acquisitions Tax (CAT) reliefs (such as business relief) to facilitate the passing of businesses to the next generation. These measures are crucial in ensuring that long-standing family enterprises—hotels, offices, pubs, restaurants, nursing homes, and other businesses—can transition smoothly and continue contributing to employment and the economy. However, a gap exists in Ireland's Stamp Duty regime, which fails to offer similar support for business succession. As a result, many next-generation business owners are unable to take over commercial property associated with the business due to excessive Stamp Duty costs—delaying or even halting a vital transfer that should ensure continuity, stability, and long-term economic contribution.

The increase in Stamp Duty rates to 7.5% in 2017 and 2019, coupled with the curtailment of consanguinity relief, has imposed an excessive financial burden on the next generation when inheriting or receiving a business property as a gift. In many cases, these individuals lack the liquidity to pay this significant tax cost, forcing them to delay the transfer until they inherit the business property—despite this having negative consequences for business operations, future investment, and job security. Previously, consanguinity relief halved the stamp duty rate for property transfers

[73] https://dillon.ie/budget-2025-long-awaited-changes-to-capital-acquisitions-tax-cat/; https://www.smartfinancial.ie/new-inheritance-tax-rules-in-ireland/. Consider better official sources.

between blood relatives, helping to facilitate succession. However, since January 1, 2015, this relief has been restricted to farm transfers leaving business property transfers without any comparable support mechanism.

The Government needs to strongly focus on certainty, growth and competitiveness in all top priority areas including indigenous businesses. It needs to strengthen the growth and competitiveness offerings for indigenous businesses; remove the current bottleneck on succession and prevent unnecessary disruption. As one of the measures to address it, we would recommend the reintroduction of consanguinity relief on commercial property family transfers and for this relief to reduce the stamp duty rate to 1% on such property transfers to the next generation.

This change is essential for Irish economy. Removing the excessive Stamp Duty cost will encourage smooth transitions, allowing the next generation to step into leadership roles without financial roadblocks that could force delays or even business closures. This reform would put family-run businesses, which are key contributors to employment and local economies, on a level playing field with farm owners and ensure business succession is a viable option rather than an impossible financial challenge. A clear, predictable tax relief on property transfers would unlock investment and prevent stagnation caused by delayed ownership transitions.

The Government has repeatedly stated its commitment to certainty, growth, and competitiveness for Irish businesses. Implementing this policy aligns directly with those objectives by ensuring tax fairness for family-owned enterprises and preventing unnecessary tax obstacles to their long-term success.[74]

This recommendation is a critical, low-cost policy change that would preserve Ireland's indigenous business sector, support continuity and economic growth, and prevent unnecessary closures and stagnation.

Tax policy measures to drive regional development

The current economic imbalance, where over 40% of GDP is concentrated in the capital[75], highlights the urgent need for policy intervention to drive investment into underdeveloped regions. The Government should introduce targeted tax policy measures to stimulate business expansion outside of Dublin and other urban areas. These measures align with, and support commitments made in the Programme for Government 2025 to deliver "*balanced development for all regions*[76]" and ensure economic resilience and inclusion across Ireland.

The following measures should be considered:

R&D: Increase the R&D tax credit for businesses operating in designated rural areas, incentivising high-value innovation outside major cities, particularly in sectors like agritech, medtech, and renewable energy, the sectors of a particular importance to our economy and growth. This amendment will support the Government's commitment to increase R&D across the enterprise base, making Ireland a global innovation leader[77], and to reform the Smart Regions Enterprise Innovation Scheme to meet local needs[78].

Growth Hubs: Establish "Growth Hubs" with tax exemptions on employer PRSI for new jobs created in underdeveloped and developing regions, ensuring job creation aligns with regional development goals. This will echo the Programme for Government's commitments to regional development and supporting rural communities[79].

Capital allowance: Introduce a Capital Allowances scheme for commercial property investments in designated regional areas. Businesses developing or refurbishing commercial buildings (e.g., offices, retail spaces, manufacturing facilities) outside Dublin will receive, for example, an accelerated capital allowance of 20% per year over five years.

[74] Cite Programme for Government.
[75] Programme for Government 2025.
[76] Programme for Government 2025, Introduction.
[77] Programme for Government 2025, p.13.
[78] Programme for Government 2025, p.14.
[79] Programme for Government 2025, pp. 106-110.

This measure with alight with the Government's commitment to expand regional advanced manufacturing facilities and next-gen strategic sites[80].

Accommodation provided by the employer: Provide enhanced tax relief for businesses that develop employee housing in regional areas. Employers investing in accommodation for workers will, for example, receive a tax credit (qualified refundable credit) on construction or rental expenses. This measure will support workforce mobility, tackle regional housing shortages, and attract skilled employees to regions.

Stamp duty: Reduce Stamp Duty on commercial property purchases in targeted regional zones from 7.5% to 2.5% for businesses relocating to or expanding in the regions. This measure will lower the financial burden associated with the setup of the business and make regions more attractive for both businesses and employees. It will also complement the push by the Government for strategic decentralisation[81].

Public infrastructure: Provide tax relief for companies investing in regional public transport infrastructure, such as bus routes, rail services, and electric vehicle (EV) transport hubs to improve connectivity. This measure will support infrastructure expansion and sustainable mobility commitments by the Government[82].

Other infrastructure investments: Provide a tax relief on infrastructure investments made by businesses in regional areas, such as roads, broadband, and utilities to encourage businesses to co-invest in critical infrastructure, accelerating economic development in underfunded regions. This measure will directly support the regional infrastructure and broadband rollout goals by the Government in the regions[83].

CGT: Reduce CGT to 10% (from 33%) on the disposal of certain commercial property or business assets held for seven years or more in designated regional development areas to encourage long-term investment in regional businesses. This measure will incentivise long-term investment aligned with regional enterprise and strategic development zone goals[84].

Remote working credit: Introduce a Remote Working €5,000 annual tax credit per employee for companies that hire remote workers based in regions to encourage decentralisation, alleviate pressure on Dublin and support regional economies. This measure aligns with the commitment to expand remote working hubs and enhance regional employment through broadband and digital services[85].

The stimulation of the investment in infrastructure, housing and public transport outside Dublin will lead to a more balanced economic growth across Ireland. The targeted regional measures will also prevent business relocation and retain talent and enterprise in the regions.

The Irish Programme for Government 2025 prioritises balanced regional growth, sustainable development, and economic resilience. The tax policy recommendations directly align with these commitments, providing targeted solutions to address regional disparities while fostering business investment, infrastructure development, and climate action.

Such measures will require State Aid considerations.

[80] Programme for Government 2025, p. 16.
[81] Programme for Government 2205, p. 106.
[82] Programme for Government, pages 35 and 74.
[83] Programme for Government, pages 35 and 106.
[84] Programme for Government, pages 14 and 106.
[85] Programme for Government, pages 35 and 106.

Tax rate on certain dividends

With a policy objective of encouraging entrepreneurs to keep investment in the business and to reward successful entrepreneurs that have emerged from the start-up period, a 20% tax rate on dividends could be provided to entrepreneurs subject to an annual dividend cap of €100,000 and subject to the company's having been trading for a period of five years. This would greatly help to mitigate some of the adverse consequences arising from the current high marginal rate of income tax. Currently, preferential rates of tax on dividends apply in the UK in certain instances – for example, dividend income received by an individual which falls within their personal allowance threshold[86] may be tax free, with any dividend income above the threshold taxed depending on Income Tax bands as illustrated below:

Tax band	Tax rate on dividends
Basic rate (Taxable Income of £12,571 - £50,270)	8.75%
Higher rate (Taxable Income of £50,271 - £125,140)	33.75%
Additional rate (Over £125,1400	39.35%

In order to ensure that Ireland remains competitive for entrepreneurs and small business owners, we would recommend that Ireland update the tax policy in this area, which will aid in attracting and retaining globally mobile entrepreneurs.

Stamp duty on share transactions

The Irish stamp duty rate on share transactions is high in comparison with other countries. For example, the stamp duty rate for share transactions in the UK is 0.5%. Consideration should be given to reducing the stamp duty rate on share transactions in Ireland.

[86] £500 for the tax year 6 April 2024 to 5 April 2025 (See here)

4. Nurturing a global economy

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Recent developments in tax both at an EU and an OECD level have resulted in rapid changes to the corporate tax landscape which Ireland finds itself in. Additional complexities introduced via the OECD Base Erosion and Profit Shifting ("BEPS") project, EU Anti-Tax Avoidance Directives ("ATAD") and US tax reform have resulted in significant changes to corporate tax. In addition, the introduction of the OECD's Pillar Two rules as part of the BEPS 2.0 project continues its journey into law both in Ireland and internationally. As a small open economy, the Irish tax base and policy will need to be well positioned to ensure that we can continue to compete on the global stage for investment.

Against this, corporation tax receipts in Ireland continued to grow. Corporation tax accounted for 36.4% of all tax income in 2024[87], up from 27% in 2023. From 2014 to 2022 there was a rapid increase in corporation tax receipts, with growth averaging 23% per year during the period, before a more modest growth 2023[88]. Corporation Tax receipts have become a significant source of government revenue. However, we know that there is a concentration risk – with the ten largest corporate taxpayers paying 52% of the total receipts in 2023.[89] We are arguably over reliant on too few taxpayers.

Recent ESRI research[90] would suggest that recent declines in international trade would suggest a shift in globalisation and a transformation of the international economic order. In particular the ESRI notes that "Protectionist trade policies have gained prominence as certain major economies increasingly implement tariffs to safeguard domestic industries and promote import substitution." In addition, the Summer Economic Statement[91] notes that over the medium-term challenges including deglobalisation will have profound implications for public finances.

Accordingly, Ireland's tax policy as respects inward investment needs to be mindful of these challenges and our regime needs to be well positioned not only to retain existing business but also to win the next wave of investment. In our view, a number of bold plays now need to be considered to achieve these aims.

While we have outlined below our core recommendations for consideration as part of Budget 2026, we would note that a number of additional considerations should also be kept in mind as addressed in prior years' submissions.

[87] Headline Results 2024
[88] Parliamentary Budget Office, *An analysis of corporation tax revenue growth*, 25 March 2024.
[89] Revenue, *Corporation Tax - 2023 Payments and 2022 Returns*.
[90] ESRI Working Paper No 798: The Impact of Deglobalisation and Protectionism on a small open economy – The case of Ireland, Paul Egan and Fionn Roche, March 2025, accessible here.
[91] gov.ie - Summer Economic Statement 2024

Tax Treatment of Interest

The ease of access to capital in global markets and the related tax deductibility of interest and financing costs is of critical importance in facilitating Foreign Direct Investment (FDI) and maintaining Ireland's attractiveness as a location for companies' operations. The Irish corporate tax landscape has been influenced significantly by global tax reform and international tax developments in recent years. The myriad of existing rules that apply to financing, coupled with recent tax developments has resulted in significant uncertainty and complexity for taxpayers. The interest deductibility provisions in our tax law are complex in their own right. When layered on top of each other, it can be difficult to navigate such rules or provide certainty in respect of them.

In our response to the Consultation on the Tax Treatment of Interest in Ireland[92], we identified a number of specific recommendations with respect to the tax treatment of interest. While our response previously submitted outlines in detail the technical basis for our recommendations for the Department of Finance, we feel it is timely as part of our pre-Budget submission to reiterate a number of key points as below.

Taxation of interest income

In our view, there is no clear policy rationale that a taxpayer carrying on a business subject to tax on the income, profits or gains under either Case I or Case III should be subject to different treatment regarding the deductibility of interest incurred for the purpose of that business. To this end, our core recommendation is that the computation of Case I and Case III income should be equalised for financing activities. Case III income which is taxed under this new regime would be taxed on an accruals basis with deductions for expenses incurred wholly and exclusively for the business.

Interest deductibility and Interest as a charge on income

In our view, existing rules on interest deductibility (including interest as a charge on income) are complex and require enhancement and simplification. Our core recommendation is the adoption of a broader relief for interest to allow taxpayers who incur an interest expense for the purpose of their trade, profession or business to deduct such expense when computing their profits charged to tax. Under our recommended regime, relief for interest expenses incurred (whether in the course of a Case I or Case III activity) would be available as a deduction in the first instance, but with a taxpayer election to treat the interest as a charge on income (where the necessary conditions are met) and thus deductible on a paid basis.

While we recognise that there may be an initial tax cost as expense relief would naturally reduce taxable profits and therefore tax receipts collected, such an impact should in our view be mitigated in the future by increased activity from companies centralising non-trading financing activity in Ireland. For example, in the case of a non-trading lender earning interest income without relief for expenses incurred, the corporation tax liability expected could easily be higher than its accounting profits before tax under existing provisions applicable to Case III income. Such a company would have to earn significant margins (in excess of 25%) to meet the cost of its corporation tax liability. This renders non-trading financing activity in Ireland economically challenging and acts as a deterrent to future investment. Our proposed regime change would bring additional attractiveness to investors.

In our view the current onerous conditions attaching to section 247 TCA 1997 should be repealed and replaced with rules that are principle based. While we can appreciate that such extensive reform of section 247 TCA 1997 may take time, we would recommend at a minimum that immediate changes are made to the relief as a charge regime to remove the "common director" requirement, to allow for interest relief in the case of mergers by acquisition and to remove specific subsections identified in section 247 TCA 1997 which in our view are surplus to requirements.

[92] Consultation Tax Treatment Interest | Deloitte Ireland

We would recommend the removal of the 80% cap provided for in section 219A TCA 1997 as it pertains to interest expenses incurred.

In addition to the above, we have outlined in section 1 a number of specific recommendations relating to the deductibility of interest in the context of property acquisitions and purchases of land. We would refer the reader to this section for further details.

ATAD Interest Limitation Rule

Difficulties can arise in a partnership context in identifying when parties are treated as "acting together" for the purposes of determining association. Accordingly, we would recommend that amendment be made to address these nuances. Alternatively, if the above is not possible then it would be helpful if guidance could consider the approach that we understand has been taken by Luxembourg to provide for safe harbours. In addition, we would note the following:

- The requirement to adhere to the happening of milestones to bring a debt within the meaning of "legacy debt" creates a level of inflexibility which is not required by the Directive. We recommend revision of this policy decision on this basis.
- The large-scale asset definition should be extended to include hydrogen storage facilities, battery storage facilities, grid infrastructure and modernisation, electrification projects, water infrastructure projects, recycling plants, and carbon capture facilities.

Anti-avoidance provisions and other restrictions

In our view, many anti avoidance measures which predate ATAD measures such as the ILR or Anti-Hybrid rules are now surplus to requirement and their repeal is timely. In particular, various subsections within section 130(2)(d) TCA 1997 are now in our view surplus to requirements in light of the introduction of anti-hybrid provisions and widened transfer pricing legislation and repeal of this section would be in our view recommended.

In addition, sections 840A TCA 1997, 247 (4A) TCA 1997 and 247 (4E) TCA 1997 are provisions that deny interest relief on loans from connected parties which are used, or which are ultimately used to finance asset acquisitions from connected parties. The purpose of these rules is to prevent the Irish tax base from being eroded. In our view, the extension of Irish transfer pricing rules and the introduction of interest limitation rules should be sufficient to prevent excessive base erosion and therefore consideration should be given to removing these provisions.

Withholding Tax and Reporting Obligations

In our opinion, consideration should be given to the redesign of the Interest withholding tax (WHT) regime in Ireland and whether it continues to represent the best manner to ensure taxpayer compliance. An overhaul and redesign of the existing interest WHT regime would look to apply such a tax in cases where there is genuine risk of tax avoidance or reputational damage e.g., payments made to zero or low tax jurisdictions. Simplification must be at the forefront on this review and any changes or new provisions must aim to simplify the tax code and reporting obligations. Please refer to our targeted recommendations in "An approachable and simplified tax system" for further detail on our suggested changes to accelerate simplification and reduce taxpayer compliance burdens.

Participation Exemption on Foreign Dividends

Our overall position remains that a move to a full territorial regime (substantial shareholding exemption, participation exemption for distributions, and a foreign branch exemption) will be a positive change to the Irish tax code and will only enhance Ireland's attractiveness as a location for companies.

We previously welcomed the introduction of a participation exemption on foreign dividends in domestic legislation in Finance Act 2024 and reiterate our view that this represents an important step towards an enhanced, simplified and competitive tax system. While the new legislation in section 831B TCA 1997 is still experiencing a settling in period in

Irish law, we would note that several technical aspects require attention in order to ensure that the regime operates as effectively and competitively as possible.

In this regard, we would make the following key recommendations:

Extension of the geographic scope of the participation exemption

The current legislation underpinning the participation exemption is limited to dividends received from a subsidiary resident in a "relevant territory", limited to an EEA State other than Ireland or a jurisdiction with which Ireland has a Double Tax Agreement (DTA). In our view, this geographic requirement is too restrictive. Pillar Two Global Anti Base Erosion (GloBE) Rules ensure that the profits of MNE groups meeting specified thresholds[93] will be subject to an effective minimum tax rate of 15% in either the local jurisdiction or via another group company. Accordingly we would strongly recommend that amendment be made to the participation exemption to include within its scope dividends paid by a company that is a constituent entity of the same Pillar Two MNE group as the Irish recipient, regardless of the location of the payor company.

In addition to widening the geographic scope of the participation exemption to Pillar Two, we would also recommend amendment to the existing regime to include dividends from a subsidiary which is resident in a territory (other than an EEA/EU/DTA state) that generally applies corporation tax to the profits of companies. Where the subsidiary in question is resident in a territory that does not generally apply corporation tax to the profits of companies, consideration should be given to widening of the participation exemption to include dividends from a subsidiary which is resident in a territory that applies a withholding tax to distributions. Definition of "relevant territory" and "relevant subsidiary"

As noted above, a "relevant territory" is currently limited to an EEA State other than Ireland and or a jurisdiction with which Ireland has a DTA. In order to avail of the participation exemption on foreign dividends received, the dividend in question must have been paid by a "relevant subsidiary." A relevant subsidiary, in turn, means a company that is resident in a relevant territory on the date of the distribution and was resident throughout the relevant period (generally speaking, a period of 5 years[94]) in the relevant territory.

In addition to the above, under section 831B TCA 1997 a subsidiary will not be a relevant subsidiary for the purposes of the participation exemption where, in the 5-year period prior to the payment, the subsidiary acquired:

I. Another business or part of another business, or
II. The whole or greater part of the assets used for the purposes of another business

where the business concerned was previously carried on by another company that was not resident in a relevant territory. A subsidiary will also not be a relevant subsidiary for the purposes of the participation exemption where it was formed through a merger at any time in the 5 years prior to the dividend payment, where a party to the merger was another company that was not resident in a relevant territory.

The above 5 year "lookback" type rules can create unnecessary complexity for Irish taxpayers as follows:

Where Ireland concludes a DTA with a jurisdiction for the first time, and a distribution is made from a subsidiary which has been resident in that jurisdiction for the previous 5 years, the current participation exemption rules do not permit the exemption to apply to the distribution made until such time as the subsidiary has been resident in the relevant territory for the required period of time. In our view this creates a "two tier" system where new DTAs are signed such that distributions made from these territories cannot avail of the participation exemption for some time compared to distributions from jurisdictions in which a DTA has already been in force for some time. This creates enhanced complexity for companies looking to expand internationally and causes administrative complexities which in our view

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[93] Under OECD Model Rules, the GloBE Rules apply to Constituent Entities that are members of an MNE Group that has an annual revenue of €750million or more in the Consolidated Financial Statements of the Ultimate Parent Entity (UPE) in at least two of the four Fiscal years immediately preceding the tested Fiscal year.
[94] See section 831B(1) TCA 1997 in this regard

are counterproductive to the aims of the participation exemption itself. We would strongly recommend amendment be made to section 831B TCA 1997 to remedy this.

The specific nuances in the legislation can create issues relating to distributions paid into Ireland from companies that have merged or relocated out of Ireland within the specified 5-year period, given that Ireland is specifically not included as being a “relevant territory” for the purposes of the participation exemption. The exclusion of Ireland from the definition of “relevant territory” means that any transfer of a business (or part thereof) or assets of a business from an Irish company to a subsidiary or involvement with a cross border merger can result in a non-application of the participation exemption. This creates difficulties in applying the participation exemption in practice and imposes a layer of complexity which in our view counteracts the aims of the regime. Amendment to the definition of “relevant territory” is therefore strongly recommended to avoid these additional complexities and unintended consequences.

The 5-year lookback rule in the context of acquisitions of business or business assets by a subsidiary from non-relevant territories can give rise to difficulties in applying the participation exemption. While we can appreciate the rationale for such rules to ensure that the exception is not claimed in respect of profits arising in non-relevant territories, the business(es) acquired may be overall immaterial or in fact loss making and thus not contributing to the distributions on which the participation exemption is claimed. The same may be said for mergers with entities in non-relevant territories which took place within the 5-year lookback rule. This adds a layer of unnecessary complexity and in our view counteracts the aims of the participation exemption being the overall simplification of the Irish tax code; legislative amendment is therefore required to address same.

Lastly, the definition of a relevant subsidiary requires a subsidiary to be “resident for the purposes of foreign tax” in the relevant territory. This gives rise to uncertainty where the subsidiaries in question are located in jurisdictions with no concept of tax residence (for example, Hong Kong and US). The legislation in our view should be amended to clarify that where a subsidiary is resident in accordance with the DTA with Ireland, it should satisfy the residence requirement for the purpose of the participation exemption.

Definition of “relevant distribution” - Out of profits/out of assets

For a distribution to be considered “a relevant distribution,” it must be made in respect of the subsidiary’s share capital either:

1. out of the profits of the relevant subsidiary, or
2. out of the assets of the relevant subsidiary where the cost of the distribution falls on the relevant subsidiary.

Where the distribution is made “out of the assets of the relevant subsidiary”, the existing legislation provides that the exemption only applies if any gain on the disposal of the shares on which the distribution is made would not be a chargeable gain under the provisions of section 626B TCA 1997, if the parent company were to dispose of those shares on the date of the distribution. We understand that the above condition is not to apply where the distribution is made out of the profits of the relevant subsidiary. However, strictly speaking any distribution which is declared and paid out of the profits of a company could equally be said to be made out of the assets of the company. In our view, amendment should be made in Finance Bill 2025 to the definition of “relevant distribution” to avoid the creation of unnecessary complexity and uncertainty in the participation exemption regime.

In addition, specific nuances arise with respect to the requirement that the distribution be made either out of the assets or out of the profits of the relevant subsidiary. Specifically, instances can arise whereby a distribution is made which is treated as being made out of equity. This can occur in situations where distributions are sourced from equity relating to share based compensation, as opposed to being made out of assets or out of profits. We would recommend therefore that consideration be given to amending the definition of “relevant distribution” to address these nuances.

Deductible Dividends

The definition of “relevant distribution” provides that the participation exemption does not apply to deductible dividends (a distribution, or part of a distribution that has been or may be deducted for the purposes of tax in any territory outside the State under the law of that territory). Such a definition may create potential issues in considering the context of US personal holding company rules. Under such rules, a personal holding company is subject to additional tax (personal holding company tax) on its undistributed personal holding company income equal to 20% of that the taxable income less the dividends paid during the taxable year. As a result, the personal holding company tax surcharge in effect takes a deduction for the distributions made. In this respect, the US personal holding company rules operate in manner similar to the close company surcharge rules contained in Part 13 TCA 1997. The definition of a relevant distribution in the context of the participation exemption therefore can result in an unintended consequence where tax laws in another jurisdiction provide for a tax deduction for the making of a dividend rather than imposing a surcharge on the excess of profits over distributions. This could result in additional complexity for Irish companies investing overseas and also in foreign companies investing into new markets and geographies via Irish holding companies. Accordingly, we would recommend that the legislation be amended to provide that a distribution will still be a relevant distribution even where it is taken into account in computing a tax that corresponds to a close company surcharge in the State.

Qualifying participation held by a parent company

A parent company must hold a “qualifying participation” in a subsidiary in order for the participation exemption to apply. This is defined as a direct or indirect ownership of not less than 5% of the ordinary share capital of the subsidiary, an entitlement to not less than 5% of the profits of the subsidiary available for distribution and an entitlement to not less than 5% of the assets available on a winding up.

The substantial shareholding exemption for CGT purposes contained in section 626B TCA 1997, in contrast, permits the parent to take into account shares in the subsidiary held by other group members in assessing whether the holding requirements have been met. This misalignment of the participation exemption on foreign distributions and the substantial shareholding exemption for CGT creates unnecessary complexity both for Irish companies investing abroad but also foreign investors investing in Irish holding company structures. In our view, the qualifying participation rules in section 831B TCA 1997 should be aligned with those provided for in section 626B TCA 1997. In addition, the parent company is required to hold directly or indirectly “ordinary share capital” in the relevant subsidiary. In order to ensure that the participation exemption works as intended, it is vital that the exemption provides for distributions received from equivalent or similar interests to equity and is not solely limited to entities with “ordinary share capital”.

Participation Exemption on foreign branch profits

As an overarching comment, Ireland’s current double tax regime is complex and has experienced significant change over the years to address EU law concerns. This has resulted in a double tax regime which does not lend itself either to taxpayer certainty or user-friendly compliance obligations. As Ireland does not have a branch exemption at present, there can be significant differences in the timing and measure of taxable income for Irish companies between the head office and branches resulting in tax uncertainty and complexity. The introduction of a foreign branch exemption alongside the participation exemption for foreign dividends is important if Ireland is to remain an attractive location for foreign direct investment. The broad benefits associated with an elective foreign branch profit and dividend exemption would be a reduction in compliance workload and complexity with respect to the tax treatment of such income streams. Detailed double tax relief provisions, while providing for a de facto participation exemption, require a series of complex steps to be undertaken as part of the tax compliance process. Accordingly, an elective exemption for foreign branch income would be welcome.

In particular, a foreign branch exemption on an optional basis would be most welcome by the international arm of the insurance industry and would represent a priority area going forward.

Extension of TDM 35-02-06 to Foreign Sourced Royalty Income

Under *IFRS 15 – Revenue from Contracts with Customers*, companies are required to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled to, in exchange for those goods or services being provided. As a result of this, companies must recognise revenue upfront for contracts spanning multiple years, even if the income is received in later periods. This can create difficulties for companies receiving foreign source royalty income, as WHT on these royalties may be deducted in numerous overseas jurisdictions.

Schedule 24 TCA 1997 outlines the procedures for determining the foreign tax credit against Irish corporation tax for foreign taxes paid. Specifically, paragraph 4 of Schedule 24 TCA 1997 addresses the treatment of foreign WHT on royalties from treaty jurisdictions. In respect of WHT suffered on foreign royalty income earned from non-treaty jurisdictions, the provisions of Schedule 24 paragraph 9DB TCA 1997 provide for unilateral credit relief on such income. Additionally, there is the potential to deduct any unrelieved foreign tax under paragraph 7(3)(c) of Schedule 24 TCA 1997 for treaty jurisdictions and section 77(6B) TCA 1997 for non-treaty sources.

However, where the full amount of royalty income has been recognised and taxed in the first year of the contract in line with IFRS 15, and where the foreign WHT has not been suffered until a later period, the company is unable to claim relief on the foreign WHT suffered against the income to which it relates. Consequently, companies receiving foreign-sourced royalty income, from which WHT has been deducted, are liable for corporation tax on the full amount of income, despite the WHT being incurred in subsequent years when the income is actually received. As a result, a timing mismatch is created resulting in an overall loss of foreign tax credit, as relief for WHT suffered is not available at the time the foreign royalty income is liable to corporation tax, since the WHT has not yet been suffered.

TDM 35-02-06 outlines how relief from double taxation may be claimed for foreign tax paid on a company's foreign branch profits, where the income is recognised for tax purposes in Ireland in an earlier period than in the foreign branch territory, resulting in a timing mismatch in terms of income and WHT. TDM 35-02-06 acknowledges that differences can arise between the profits of a foreign branch computed in accordance with Irish rules and the profits of the branch computed in accordance with foreign rules in the branch territory. TDM 35-02-06 however provides a measure of relief where in the event that an overall loss of foreign tax credit would occur, i.e., where there is a mismatch in the timing of income being recognised for tax purposes in Ireland than in the foreign branch territory. Relief is provided by means of a carry back of foreign tax credit, subject to the four-year time limit.

In order to address the aforementioned issue, we would recommend the extension of the principles as set out in *TDM 35-02-06 – Foreign Branch Double Tax Relief* to foreign-sourced royalty income on the basis the conditions under which relief is granted as specified in the TDM are satisfied including the four-year time limit, and an overall loss of foreign tax credit would arise. To provide greater taxpayer certainty, we would recommend that the principles outlined in Revenue guidance be put on a legislative footing rather than relying on guidance. The extension of the principles in TDM 35-02-06 to foreign-sourced royalty income would allow companies to amend a corporation tax return to claim relief for foreign WHT suffered, once the WHT has been suffered. This would eliminate the timing mismatch and prevent an overall loss of foreign tax credit.

Tax Treaty non discrimination

Section 410 TCA 1997 provides an exemption from Irish withholding tax being applied on certain payments to companies within the same EU group or EEA group with which Ireland has a double tax treaty, including the United Kingdom. Section 411 TCA 1997 provides relief for trading losses and related matters between group companies. Finance Act 2012 extended the group relief rules for corporation tax loss relief by including a definition of "relevant territory" in section 411 TCA 1997. This amendment was because of a UK tax case in respect of identical tax legislation, FCE Bank plc v Revenue and Customs Commissions [2013] STC 14. The FCE Bank case highlighted the discriminatory aspect of the previous definition which precluded group formation between certain Irish tax resident companies on the basis that they were subsidiaries of non-EU or non-EEA resident companies. There was no similar amendment of section 410 TCA 1997. It is our view that section 410 TCA 1997 could, in the event of a legal challenge, be found to be in contravention of the ownership non-discrimination article of Ireland's Double Tax Agreements. We suggest that section 410 TCA 1997 is amended to include payments between companies' resident in a "relevant territory" as defined in section 411 TCA 1997.

Financial Services Tax Policy recommendations

Ireland has a world leading financial services sector supporting employment, driving economic activity and attracting investment. Tax policy measures are, in our view, integral to the development and functioning of the Financial Services sector in Ireland. The current tax treatment of various types of investment products is unnecessarily complex. Such complexity arguably makes tax compliance very difficult for taxpayers, as well as making the fair and efficient collection of taxes more difficult for the Revenue Commissioners. In our view, the tax treatment of funds should be reviewed and overhauled to simply the tax treatment and in turn increase compliance.

We note that in accordance with the Programme for Government, the Government intends to publish an implementation plan for consideration in Budget 2026 taking into account the Funds 2030 Report recommendations. In particular, a number of recommendations made in the Funds Report address areas of tax policy which we would reiterate these as requiring attention and action in Budget 2026:

Changes to taxation of investments in Irish domiciled funds and life products

The Funds 2030 Report[95] recommends the following reforms to the taxation of Irish domiciled funds, with similar amendments made to the equivalent products in EU, EEA and OECD territories to bring the regime into closer alignment with the taxation of other savings and investment products:

- Removal of the eight-year deemed disposal requirement.
- Align the IUT and LAET[96] rate of tax with the CGT rate (currently 33%)
- Allow for a limited form of loss relief.

The Funds 2030 Report also recommended similar reforms to those above with respect to the taxation of Irish domiciled life products, with an added recommendation to repeal the 1% life assurance levy. We would strongly suggest that the above recommendations be adopted as part of Budget 2026 and reflected in Finance Bill 2025 in due course.

Taxation of offshore funds

The Funds 2030 Report[97] recommends that the work to simplify and consolidate the tax regime for offshore funds is prioritised. We would be in favour of such amendments in Budget 2026 and Finance Bill 2025. At present, analysis required to determine the tax treatment of such funds is complex, nuanced and creates uncertainty. The Alternative Investment Fund (AIF) regime, by contrast, provides a clearer definition of what constitutes an AIF; using this definition for what constitutes a fund for Irish tax purposes would align the regulatory and tax position.

In addition, the tax treatment of offshore funds can create difficulties in the context of investments made in Money Market Funds ("MMF"), which are held to be EU Undertakings in Collective Investments in Transferable Securities (UCITS). Where such MMFs are managed within the EU, such funds should be "equivalent funds" under section 747B(2A) TCA 1997 as they are similar in all material respects to an Irish regulated fund (on the basis that they are regulated as UCITS). The provisions of sections 747D and 747E TCA 1997 apply to income and gains arising from the investment in the MMF. Under section 747D TCA 1997 income derived from the fund should be taxable under Schedule D Case III i.e. at the 25% rate of corporation tax and as such is no different to the treatment of income that

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[95] Funds Sector 2030: A Framework for Open, Resilient & Developing Markets

[96] Under the "gross roll up regime", the profits and gains arising to the fund or life assurance policy are exempt from tax until the happening of a chargeable event which, generally speaking, are events where the value passes from the fund or life assurance policy to the investor such as a distribution or a redemption with profit. "Investment Undertaking Tax" (IUT) applies to Irish domiciled investment funds and "equivalent" offshore funds in the EU/EEA/OECD, while domestic life assurance policies written on or after 1 January 2001 are subject to "Life Assurance Exit Tax" (LAET)

[97] Funds Sector 2030: A Framework for Open, Resilient & Developing Markets

would arise in respect of interest on a bank account. However, the difference arises where a company disposes of an interest in an offshore fund and the treatment of gains arising on foot of same. Under section 747E TCA 1997, where such a disposal is made the capital gain calculated on the disposal is taxable under Schedule D, Case IV and taxed at the corporation tax rate of 25%. The gain is calculated in the same manner as a gain subject to Irish CGT, but no relief is provided for losses accruing on the disposal of an interest in an offshore fund. Therefore, any taxable gain cannot be offset against losses arising from the investment of the fund or other trading losses including other Case IV losses accruing to the company in question.

Furthermore, under Section 747E(6) TCA 1997 where a company holds an interest in an offshore fund for a period of 8 years, there is a deemed disposal and reacquisition of the interest in the fund. The deemed disposal and reacquisition of the interest in the fund should occur immediately before the end of the 8-year holding period. The impact of the above renders such investments complex to manage in practice. Practical issues can arise with respect to anticipating the tax charge that is expected to arise on any disposal (or deemed disposal) with companies finding it practically difficult to accurately anticipate tax charges for preliminary tax calculation purposes. This additional complexity can act as a barrier to investment and accordingly we would recommend significant simplification to the treatment of offshore funds.

Investment Limited Partnerships ("ILPs")

Changes to the ILP Legislation[98] in recent years have seen ILPs being used more frequently and will be more frequently seen in fund structures in future years. While the Funds 2030 report noted that responses to the public consultation did not identify significant deficiencies with existing legal structures including the ILP, we would be of the view that aspects of the ILP nevertheless require amendment to ensure that this vehicle is fit for purpose. In our opinion, a Dividend Withholding Tax ("DWT") exemption should be introduced for ILPs. We recommend extending the definition of a "collective investment undertaking" as defined in section 172(A) TCA 1997 to include an ILP as currently the operation of the DWT regime in these structures can impact on its overall attractiveness to investors.

Section 110 Regime

The Funds 2030 Report notes that structured finance and special purpose vehicles such as those operating under the Section 110 regime play an important economic role and that the regime itself supports Ireland's attractiveness as a location for structured finance transactions. While the Funds 2030 Report did not recommend changes to the Section 110 regime at the time of the report, we would note that a number of amendments are in fact necessary to ensure that the legislation remains fit for purpose and to ensure that the regime meets the policy objective of ensuring that Ireland has a tax neutral SPV that meets the requirements of international investment fund managers:

Firstly, section 110(4A) TCA 1997 provides for the operation of anti-arbitrage rules within the section 110 regime; however as outlined in detail in our submission on the Tax Treatment of Interest in Ireland, the operation of anti-hybrid rules in Part 35C TCA 1997 mean that the anti-arbitrage provisions within section 110 TCA 1997 are no longer required and should be repealed.

Secondly, in the context of interest withholding tax suffered by section 110 vehicles, the inability to deduct certain foreign tax suffered is detrimental to the regime overall and renders the respective investment uneconomic. This creates a significant competitiveness issue for Ireland in the financial services sector. In our view the unintended consequence associated with foreign interest WHT in the context of securitisation vehicles should be remedied to ensure that the regime achieves its aims of being tax neutral. We would again refer to our detailed comments contained within our submission on the Tax Treatment of Interest in this regard.

A number of existing operational rules and requirements associated with the section 110 regime are, in our view, unnecessary and negatively impact on Ireland's competitive position as a location for international fund managers. In particular, the "day 1 €10million condition[99]" raises concerns for investment fund managers and does not take into

[98] Investment Limited Partnership (Amendment) Act 2020
[99] See section 110(1) TCA 1997 and the definition of "qualifying company"

account companies where the €10million requirement may be ultimately met albeit over a longer timeframe and not on Day 1. We recommend that the satisfaction of this test should be permitted within a specified time period. Such an approach would not be out of step with similar measures adopted elsewhere in legislation – for example the anti-reverse hybrid rules[100] provide for 24-month period in which an entity may meet the conditions to be treated as a "collective investment scheme".

Where a longer period is not preferred, we would recommend that consideration be given to the introduction of a specified period in which the company is permitted to "cure" certain administrative requirements that are not otherwise met on Day 1. Such an approach would be in line with similar measures introduced by the UK with respect to their Qualifying Asset Holding Companies (QAHC) regime[101], which permits a "cure period" in relation to non-deliberate breaches of specific ownership conditions. Subject to certain additional requirements, the cure period facilitates a remedy to ensure that the conditions are in fact met going forward and would act as a more reasonable approach compared to the overly strict requirements currently imposed by the section 110 regime as it stands in Ireland.

Lastly, in our view the strict deadline of 8 weeks to make an election into the section 110 regime is harmful to Ireland's attractiveness as a fund domicile jurisdiction. We recommend that this election is replaced by a standard election contained in the corporation tax return of the SPV (which was the previous position)

Providing stability and certainty for investment in property in Ireland

The Funds 2030 Report recommends that the Department of Finance should undertake a public consultation setting out potential options for an entity level tax for IREF[102]s, while noting that non-IREF structures could be more prevalent in the future due to: (1) tax policy uncertainty (2) governance time/costs of using a regulated entity and (3) to a lesser extent, the Central Bank macro-prudential rules. In this regard, we would make a series of specific recommendations with respect to the treatment of IREFs in Ireland; please refer Section 1 where we have outlined these recommendations in greater detail.

Specified Financial Transactions

As outlined in detail in our response to the public consultation on the Tax Treatment of Interest in Ireland, the application of Part 8A TCA 1997 in the context of "Murabaha" arrangements is one commonly encountered within the financial services space, providing a form of cost-plus financing on deferred payment terms. In order for an arrangement to fall within the remit of section 267O TCA 1997 therefore for the return to be treated as interest for tax purposes, the lender in question must satisfy the requisite conditions to be treated as a finance undertaking. While in many transactions this causes no issues, complications can arise where the terms of the financing require the arrangement to be Sharia compliant not only on the asset side but also on the liability side. For example, it would not be uncommon for a special purpose vehicle to be financed via loans from investors (as opposed to either a finance company or a financial institution); in such cases the lending inward (i.e., the liability side) would not be viewed as Shari's compliant notwithstanding the fact that the outward lending from the special purpose vehicle (i.e., the asset side) would be compliant. This can create difficulties in obtaining finance for these vehicles and thus the legislation would not appear fit for purpose. We would recommend that amendment be considered to Part 8A TCA 1997 in this regard.

[100] See section 835AVB TCA 1997
[101] IFM40430 - Ceasing to be a QAHC: curing of certain breaches - HMRC internal manual - GOV.UK
[102] Irish Real Estate Investment Funds

5. Supporting Ireland’s talent

Contacts

Ian Prenty **Kelly Payne**

Ireland's ability to attract and retain skilled talent is crucial for its economic development and global competitiveness. The Special Assignee Relief Programme (SARP) plays a significant role in achieving this by reducing the cost for employers assigning skilled individuals from abroad to their Irish operations. SARP benefits both employees and employers by easing transitions and reducing the financial burden of international assignments, fostering knowledge exchange and innovation. To ensure the continued success and competitiveness of SARP, it is essential that the programme is maintained beyond 2025. Additionally, several improvements are recommended to enhance its effectiveness and make it more competitive with expat regimes offered in other jurisdictions. In addition, we recommend the continuing investment into a robust immigration system that attracts, facilitates the transfer and retains crucial talent required for Ireland’s growth. We echo the Programme for Government, in calling for further focus on our skills-based migration system to target sectors facing significant shortages, to ensure that the workforce meets the needs of the economy.

Furthermore, tax policy can support employers and workers by addressing challenges related to Employer Enhanced Reporting (EER), recognising home offices as normal places of work, enhancing the Small Benefits Exemption, providing consistent guidelines for staff entertainment, preventing automatic enrolment issues, and supporting Ireland’s Olympic athletes through specific legislative amendments.

These measures will ensure that Ireland remains an attractive destination for skilled talent, driving productivity and prosperity in key sectors and supporting the country's economic growth and global standing.

Personal tax regime

A competitive and effective tax policy is crucial for Ireland to attract and retain talent in an increasingly digitalised and mobile world. Our top personal income tax rate remains among the highest in the EU. Despite a modest increase in the Standard Rate Cut-Off Point (SRCOP) in the last Budget, the higher rate of income tax still applies at an early entry point, placing a significant burden on middle-income earners.

To ensure the overall tax yield is maintained and to provide a sustainable and stable revenue source for the Exchequer to fund public services, we advocate for a progressive taxation system that focuses on broadening the tax base and shifting towards less distortionary taxes. Therefore, consideration should be given in the next Budget to enhancing and amending the personal tax regime to reduce the top combined tax rate for workers to no more than 50%. Further, the Standard Rate Cut-Off Point (SRCOP) should be increased to at least €50,000.

These measures will help maintain Ireland's competitiveness, attract investment, and foster long-term economic stability.

Special Assignee Relief Programme

The Special Assignee Relief Programme (SARP) aims to reduce the cost for employers assigning skilled individuals from abroad to their Irish operations. This supports Ireland's economic development and business expansion and enhances Ireland's global competitiveness. SARP benefits both employees and employers by easing transitions and reducing the financial burden of international assignments, fostering knowledge exchange and innovation.

Based on the latest available statistics [103] SARP was claimed by 2,663 individuals from 592 employers in 2022. This is just about a 35% increase on the number of SARP claimants for 2021 (1,982), over 60% for 2020 1,659, and nearly 70% up on 2019 (1,574). This year-on-year increase has featured every year since SARP was introduced for 2012. The top nationalities are from the U.S.A. (17%) or India (17%), followed by Ireland (13%), U.K. (10%), Russia (5%). SARP has contributed to an increase in employees, with 428 new employees reported in 2022. Albeit this number is down on 2021 and 2020, SARP continues to attract new skilled workers and also helped retain employees, with 1,569 retained in 2022, compared to 1,248 for 2021, and 1,091 for 2020. SARP is utilised across multiple sectors, with the highest number of claimants in Information and Communication (830), Financial and Insurance Activities (527), and Manufacturing (418).

These statistics underscore the significant and ongoing increase in individuals benefiting from the SARP. Despite some limitations, SARP has proven instrumental in fostering job creation and attracting highly skilled workers to Ireland. By bringing top talent into the country, SARP ensures that these individuals are integrated into the Irish tax system, thereby contributing to the exchequer tax receipts. Moreover, the arrival of skilled professionals into the country addresses critical skill shortages in vital sectors such as technology and finance, which in turn drives productivity and economic prosperity. Enhancing SARP will further solidify Ireland's position as a prime destination for global talent, ensuring sustained growth and competitiveness in the international market.

Continuation of SARP

In addition to our recommendations on how to improve SARP (see below), it is crucial that the programme is maintained beyond 2025 to continue reaping these benefits and securing Ireland's economic future. Employers relocating personnel to Ireland require substantial time, these decisions often span several years, and the lack of clarity every 2-3 years due to the historical nature of the sunset provisions has been unhelpful and severely hampers the regime. The uncertainty and inability to plan long-term due to the sunset provision are significant obstacles. Therefore, it is imperative that the government provides certainty and removes the sunset provision to facilitate long-term planning and ensure the continued success of the SARP regime. In our view SARP should become a fixed part of the tax code, i.e., remove the sunset provision entirely. Furthermore, it is essential that the government promptly confirms the continuation of the programme beyond its current expiration date of 31 December 2025.

Recommended improvements

SARP plays a vital role in Ireland's economic development and global competitiveness. In addition to removing the sunset provision, there are certain shortcomings which we believe should be addressed to make the Irish SARP competitive with expat regimes offered in other jurisdictions.

These are:

- In order to meet the "relevant employee" conditions, an employer needs to certify within 90 days of an employee arriving in Ireland that the employee meets all qualifying conditions for the relief, including having obtained a PPS number. We believe that the absence of a PPS number in the first 90 days should not be a barrier in claiming SARP and should be removed as part of an overall consideration as to whether the 90 day requirement is necessary at all. In addition, the requirement that the individual must, for the entire 6 months immediately preceding their arrival in the State, perform their employment duties for the relevant employer outside the State is often impractical. Employees frequently need to come to the State to organise their affairs and may be required

[103] Statistics on Special Assignee Relief Programme 2022, www.revenue.ie

to carry out some employment duties during this period. This condition should be amended to allow relevant employees up to 20 workdays in the State before their employment commences on the Irish payroll. All remuneration, including bonus payments, share-based remuneration and BIK items, should count towards meeting the minimum income requirements of €100,000.

- The relief should be available in respect of USC and, where relevant PRSI, rather than being limited to income tax. Extending SARP to USC and PRSI would allow for a lower effective tax rate for the employee making the relief more competitive with regimes in other jurisdictions. This could reduce costs for employers by allowing a lower gross pay due to the lower effective tax rate payable. If SARP applied for employer PRSI purposes, this would further reduce costs for employers allowing for greater investment in the business.
- The relief should be available to new hires as well as existing employees assigned or seconded to Ireland. In the current climate, companies are finding it difficult to source suitably skilled employees and they cannot compete with other countries with lower tax rates or expatriate reliefs.
- The relief should be available to employees of all employers, i.e., not just employees of companies in Treaty or Tax Information Exchange Agreement ("TIEA") States.
- The 5-year non-resident requirement for claimants should be reduced to just the year prior to arrival.
- Consideration should be given to extending the period of the SARP beyond the 5 years considering that regimes in other jurisdictions generally applies for up to 8 years. Existing claimants should be able to qualify for the relief for the extended period.
- The cap on qualifying school fees should be removed[104] -

Foreign Earnings Deduction ("FED")

The FED plays an important role in encouraging and incentivising Irish businesses to expand their operations internationally by providing tax relief to employees who work in foreign markets. This helps Irish companies to compete globally and supports economic growth. The relief was extended to additional countries in 2013 and further countries were added in 2015 and 2017.

We recommend that the FED is extended to all countries to so as to assist Irish companies looking to expand their exports. Extending the FED in such a way will encourage diversification of trade and investment. Irish businesses can explore new markets and reduce dependency on a limited number of countries, thereby mitigating risks associated with economic fluctuations in specific regions. Further, by extending FED to more countries this can strengthen bilateral relations between Ireland and those jurisdictions. It can lead to increased collaboration, trade agreements, and mutual economic benefits.

The deduction is capped at €35,000 equating to a maximum tax saving of €14,000 as the relief is only allowed for income tax. This is quite limited in the context of the extent of travel that an individual may have in a tax year. Employers incur significant costs in relation to travel and subsistence for employees that they need to send overseas and, in many cases, may need to offer an incentive for employees to undertake the development work due to the personal commitment required.

Increasing the maximum deduction to €100,000 would allow companies to reduce their costs as the FED would be the incentive for employees. Companies could redirect any savings to increased investment in the drive for overseas exports resulting in increased growth and exchequer returns.

The above would make the relief sufficiently attractive to encourage greater travel to develop foreign markets while reducing cost for companies.

[104] The 6 Best Private Schools in Dublin [2025]

Other changes

1. The sunset provision should be removed, with this relief becoming a permanent feature of Ireland's tax code.

2. The relief should be extended to USC and PRSI.

3. The relief should be extended to the self-employed sector.

4. The alternative is for a territorial approach to be taken where tax/USC/PRSI would only be applied to earnings referable to duties exercised in Ireland. This would be of great assistance to exporters.

Employer Enhanced Reporting

Reporting deadline

The current Employer Enhanced Reporting (EER) requirement mandates that employers report certain non-taxable expenses or benefits on or before the date of payment or the date of provisions of the benefit.. While the intention behind this requirement is understood, its practical implementation poses significant challenges for employers. Specifically:

- Reporting non-taxable benefits on or before the benefit date requires employers to have immediate access to all relevant information, which is often not feasible due to internal administrative processes and the data from each of the three reportable categories coming from different sources within the employer organisation . This is largely because, unlike salary/wages the reportable non-taxable benefits usually do not have a specific pre-defined payment or provision date.
- Benefits may be calculated and processed after the benefit date, making it impractical to report them "on or before" that date.
- The stringent reporting timeline increases the compiance burden, as employers may struggle to meet the deadline despite their best efforts.

To address these challenges and ensure that the reporting requirements are both effective and practical, we propose an amendment to allow employers to report benefits within a reasonable period after the benefit date, such as within 30 days or on a monthly basis for reportable benefit dates falling within that particular income tax month. This timeframe will provide employers with sufficient time to gather and process the necessary information accurately.

Scope

We strongly recommend that the current scope of EER is not expanded until employers have sufficient time to fully adapt to compliance processes to meet their obligations under the current scope. Extending the scope prematurely could disrupt the process that employers have invested signifcant time, money and resources in establishing and instead create confusion and uncertainity. Employers need stability to ensure they can comply effectively with the existing requirements before any further changes are considered.

Expanding the reporting requirements at this stage would unnecessarily add the need for additional resources and time for employers to comply with the new obligations. This could be particularly burdensome for small and medium-sized enterprises (SMEs) that may already be stretched in managing current reporting obligations.

Home office as a place of work in a hybrid world

Determining an employee's normal place of work is essential for the tax treatment of travel and subsistence payments made to employees. Although Revenue has traditionally maintained that an employee's home is not considered a normal place of work, this rule should be re-evaluated given the increasing prevalence of remote and hybrid working arrangements. The traditional notion that employees work solely from a conventional office is no longer applicable.

The normal place of work should be based on where the employee performs the majority of their job duties, whether that is their home, their employer's office, or another workspace. We recommend recognising a home office as a "lace of work" in instances where the company has formally adopted a hybrid working policy.

Small Benefits Exemption

The enhancements to the exemption effective from 1 January 2025 offer employers some flexibility in providing non-taxable rewards to their employees throughout the year. However, the requirement to report these non-taxable benefits under Employee Enhanced Reporting (EER) and the penalties for incorrect reporting diminish the value of this exemption for employers. The limit on the number of benefits (currently five) appears to serve no clear purpose other than to create administrative burden and additional risk for employers in meeting their EER obligations.

In our view, policy should focus on the maximum value (€1,500) per tax year. The combined value of all such small benefits should be subject to EER on the last day of the month when the final small benefit is given. These benefits would meet the requirements of section 112B TCA 1997 and the definition of "relevant incentive."

We are disappointed by the provision stipulating that the exemption will cease to have effect from 2030. The lack of clarity regarding whether the exemption will be completely discontinued or replaced is concerning. We strongly urge the government to retain an exemption and welcome the opportunity to participate in discussions on the design of an alternative exemption, should this be the government's planned approach.

Staff entertainment

The Revenue's approach to the tax treatment of staff entertainment is a matter of significant concern for our clients. It is causing considerable difficulty in practice, and there is widespread apprehension about getting it wrong. Our clients lack confidence in managing these expenses and navigating the tax system due to Revenue's inconsistent approach to this issue.

By way of an example, it is our experience that Revenue is more recently taking the approach that "seasonal events" capture only the summer and Christmas parties, and that these events must be companywide. This is not feasible for all employers due to size constraints and the significantly higher costs compared to numerous smaller events. Additionally, Revenue has expressed a view that an employer could not have two Christmas parties to accommodate different locations or employees on shift work.

Although this is primarily an administrative matter rather than a policy issue, we believe it is important to bring it to your department's attention. We request that consideration be given to developing consistent guidelines, with input from all stakeholders, to address these concerns.

Auto enrolment

The Auto-Enrollment Retirement Savings system is designed to address the low levels of pension coverage in Ireland, ensuring that more workers have adequate savings for retirement. It is part of a broader effort to enhance financial security and reduce reliance on state pensions. The Automatic Enrolment Retirement Savings Systems Act 2024 provides for the establishment of this new retirement saving system for qualifying employees who are not already members of an occupational pension scheme. There are many practical and financial considerations for employers and employees now in advance of the commencement of the system (expected January 2026) and matters requiring clarification from the National Automatic Enrolment Retirement Savings Authority (NAERSA), the body established to administer the system.

One of the unresolved significant issues with the auto-enrolment legislation which is of relevance to the department but more particularly the Office of the Revenue Commissioners and the operation of the PAYE system. The issue concerns to individuals who have reached the Standard Fund Threshold (SFT) and subsequently ceased pension contributions. If there is no pension in payroll, these individuals will be automatically enrolled into the Future Fund pension scheme. However, if the Future Fund pension is treated the same as other pensions, it will exceed the SFT upon crystallisation, resulting in penalties.

We recommend implementing a mechanism to flag these cases in payroll to prevent automatic enrolment. If individuals are auto enrolled, they cannot opt out until between months 6 and 8, and there is no provision to reclaim employer contributions, creating a penal situation.

We urge the department to consider this issue and provide a solution to prevent automatic enrolment for individuals who have reached the SFT, thereby avoiding unnecessary penalties and complications.

Olympic Athletes

Deloitte are a Worldwide Olympic and Paralympic Partner and also an Official Partner to Team Ireland and the Olympic Federation of Ireland. We are of the view that Irish tax policy must recognise these athletes and support them in their endeavours. Given the different approach to athlete remuneration compared with their professional counterparts in rugby and other sports, we believe the government should consider expanding the sportspersons relief to include appearance fees and sponsorship. We also call for legislative amendments to provide protection to the athletes such that their access to social welfare (including State pension entitlements) supports are not impacted due to their time committed to represent Ireland at the Olympic Games.

We also recommend consideration be given to the following:

- **Establishing a dedicated Revenue division:** Across many EU countries, tailored tax provisions and administrative supports for sportspersons are already in place. An establishment of a dedicated Professional and Amateur Sportsmen division within Revenue should be considered.
- **Income Exemptions/Averaging:** Sector-specific measures such as income averaging for farmers and tax relief on greyhound stud fees could be considered as a model for a new tax approach for individuals earning income through sport.
- **Income tax exemption similar to scholarship exemption:** Income from a scholarship is exempt from tax[105] when certain conditions are satisfied. The scholarship holder must be receiving full-time instruction at a university, school or other educational establishment. Consideration should be given to have a similar exemption in respect of sports grants.
- **Amateur/Olympic Athlete Income Tax Exemption**: Consideration should be given to introducing a similar tax exemption to the Artists Exemption[106] for athletes' earnings subject to caps and/or sports. EU State Aid approval will have to be considered.
- **New Tax-Free Annual Allowance for Amateur/Olympic Athletes:** A targeted flat rate expense allowance could be introduced and added to the Revenue's flat-rate expenses list[107] to cover the cost of equipment athletes need for their sport.
- **Health expenses for special dietary requirements of Amateur/Olympic Athletes:** The current tax relief[108] for certain food products if you have a medical condition associated with specific dietary requirements (e.g. coeliacs and diabetics) could be extended to diets which Olympic athletes follow in their preparation for and during the Olympic games.

[105] Section 193 TCA 1997
[106] Section 195 TCA 1997
[107] https://www.revenue.ie/en/personal-tax-credits-reliefs-and-exemptions/documents/flat-rate-expenses.pdf
[108] Section 469 TCA 1997

Share based remuneration

Many companies typically grant share options with a 10-year life span, which is also the permitted life span of a KEEP option. However, under section 128 TCA 1997, unapproved share options that can be exercised more than 7 years after they are granted (i.e., long options) may trigger a charge to income tax both at the grant of the share option (if granted at undervalue) and at the exercise.

This provision creates significant challenges for multinational companies seeking to extend their option plans to Ireland. The requirement to address the 7-year limit incurs additional costs and administrative burdens, as companies must implement specific rules to comply with the Irish tax rules. This complexity can deter companies from offering share options in Ireland, potentially impacting our attractiveness as a destination for global talent and investment.

We recommend a revision to the legislation to remove the possibility of options being taxed at grant. Specifically, we propose that the provisions of section 128 TCA 1997 be amended to allow share options to be exercised beyond 7 years without triggering a tax charge at grant. This change would ease the application and administration of share options in Ireland and bring our practices in line with many other territories that do not tax the grant of an option.

Further, in our experience the usage of the Key Employee Engagement Programme "KEEP" remains low. The '*State of Start Up Survey 2025*'[109] reports that just over 10% of start up and scaling businesses are using the programme as a means of attracting or retaning staff with over a quarter of respondents of the view that the programme needs major reform. We refer to our comments in previous submissions to the department. While we acknowledge changes to KEEP in 2024 it is too early to assess their impact on take up. At a minimum we would welcome consideration be given to extended the KEEP beyond the end of this year.

Preferential loan arrangements

The specified interest rate under section 122 TCA 1997 for preferential loans, excluding principal private residences, is 13.5%. This rate, set by Finance Act 2013, has remained unchanged despite significantly lower commercial interest rates over the same period. The high specified rate makes such loans financially impractical and hinders their provision. For example, in share-based remuneration, private companies often prefer lending money to employees to purchase shares rather than issuing shares for free, to foster employee commitment to the company's success.

The current specified rate is misaligned with global standards, including other EU countries, where loans at arm's length rates typically do not incur taxable benefits. This discrepancy disadvantages Irish employees. We recommend that the Minister for Finance prescribe the rate by regulations[110] to align it with current commercial rates.

Continuing focus and investment into Ireland's migration system

As stated by Minister Higgins, "with 2.7 million people in Ireland now at work, many industries are finding it difficult to recruit and retain staff in a tight labour market. Hiring from outside of the European Economic Activity helps supplement our workforce in areas of critical skills." We recommend a continuing focus and investment into Ireland's migration system. As part of this, we recommend combining the entry visa, employment permit and residence permit systems into one user-friendly, digital, single application procedure. In the meantime, it will be critical to increase investment and resources to support faster processing of entry visas and permissions where Ireland is lagging behind other countries which is impacting our competitiveness as a jurisdiction. We recommend engaging with stakeholders and other relevant groups to obtain feedback on how the current systems and processes are performing.

[109] State of Start-Ups Survery 2025 by Scale Ireland (2025).
[110] Section 122(1)(a) TCA 1997

6. An approachable and simplified tax system

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Ireland's tax system should be approachable, with simpler, clear, and straightforward policies at its core. Such a system supports economic competitiveness and creates a favourable business environment, providing a predictable and stable tax environment that attracts both domestic and foreign investment.

Currently, the tax system presents unnecessary financial and administrative barriers that can stifle investment in research and development, hindering technological advancement and economic growth.

We have identified four priority areas: compliance obligations, R&D administration, legislative reform, and taxpayers' rights. Our recommendations highlight the necessity for any proposed changes to Irish tax policy to align with the EU Competitiveness Compass. The EU Competitiveness Compass[111] serves as a guiding framework for member states to formulate policies that bolster economic performance. Simplification is one of its five key enablers, aiming to reduce regulatory and administrative burdens. The target is to cut the administrative burden for firms by at least 25% and for SMEs by at least 35%. By ensuring our tax policies are in harmony with this framework, Ireland can safeguard its competitiveness, attract investment, and foster long-term economic stability.

Compliance obligations

Small and Medium Enterprises

Small and Medium Enterprises (SMEs) are facing increasing complexity and compliance reporting burdens. They are subjected to the same tax reporting requirements as larger businesses yet the resources available to SMEs is often limited compared to larger companies. SMEs are disproportionately affected and consequently are not operating in a level playing field. Business growth and innovation may be hampered as resources available are allocated to dealing with the compliance burden.

[111] https://commission.europa.eu/

Tax policies should be designed to be proportionate and tailored to the capabilities of SMEs, avoiding excessive complexity or burden. As part of the Budget 2026 process, there should be an opportunity to review the current compliance burden on SMEs with the aim of reducing unnecessary requirements.

Rigorous implementation of the SME test should consider the unique challenges and needs of SMEs and lead to regulations that are more suited to the size and capacity of SMEs. We commend the government's initiative to create a new Small Business Unit to support small enterprises and to establish a Cost of Business Advisory Forum to review all business taxes and costs. The commitment to develop a plan that focuses on small business in the short term as well as evaluating the impact of all policy decisions on SMEs prior to implementation will help eliminate unnecessary bureaucracy and maintain a sharp focus on SME competitiveness.

As part of these initiatives, we request that the issues and recommendations outlined below are considered. We believe that tackling the issues outlined below will greatly alleviate the administrative burden on taxpayers and improve the efficiency of tax compliance processes. Our recommendations could apply to all taxpayers, where appropriate we have made additional suggestions specifically for SMEs.

Real Estate sector

Ireland’s tax compliance burden in the real estate sector has reached unsustainable levels. Compliance costs and administrative demands have escalated significantly. Increasingly, our clients are being forced to build out internal tax teams simply to meet baseline compliance obligations—diverting resources away from core business activities like housing delivery and investment.

The system has become excessively complex, with overlapping and often opaque requirements across multiple regimes, including:

- Local Property Tax (LPT).
- Residential Zoned land Tax (RZLT).
- Relevant Contract Tax (RCT) which is particularly burdensome, with significant reporting and withholding requirements that are difficult to administer in practice.
- Professional Services Withholding Tax (PSWT) whose current utility is unclear and whose continued operation adds further friction without clear policy benefit.

This layering of tax obligations is disproportionately affecting the real estate and construction sector—a sector that is critical to meeting the Government’s Housing for All targets. Every hour spent navigating tax rules is an hour not spent on building homes or planning investment.

If this trajectory continues, the consequences will be serious, including delays in project delivery, undermining housing supply targets at a time of chronic shortage; higher costs for developers, which are inevitably passed on in the form of higher rents and purchase prices; and loss of international competitiveness, as investors redirect capital to more predictable and efficient tax environments.

Ireland must be seen as a place where real estate investment and development are supported, not stifled by excessive red tape.

We are calling for a targeted simplification and review of tax compliance requirements in the real estate sector, beginning with a reassessment of the continued utility and design of RCT and PSWT. A modernised, streamlined compliance framework would support the efficient delivery of homes, reduce unnecessary costs, and enhance Ireland’s attractiveness for long-term investment.

Offshore funds

We refer to our submission[112] to the Funds Sector 2030 Review and our comments on the current classification system of investment products, which we are of the opinion is unnecessarily complex. An individual taxpayer has to navigate through a Form 11 that is over 40 pages long with various different classifications of investments when filing their annual tax return. In addition, the different classification of investments attracts different tax treatment and rates.

We welcome the Funds Sector 2030 Report[113] and many of its recommendations, particularly the priority to simplify and consolidate the tax regime for offshore funds. We believe timely government action on these reforms is essential. The Programme for Government has committed to implementing these recommendations, and we suggest that simplifying offshore funds legislation and reporting should be a key priority.

To simplify the tax treatment and in turn increase compliance and reduce errors, priority should be given to introduce legislation in Finance Bill 2025 to provide for universal tax treatment of all investment income so as to:

- Tax all investment income at marginal income tax rates.
- Tax all investment gains at CGT rates.
- Provide for CGT loss relief across all chargeable investments.
- Eliminate the multiple differing categorisations of investment types with differing tax rates/regimes applying to different investments.
- Remove the 8 year exit charge for investment funds [subject to anti avoidance for personal portfolio funds/sub funds].

iXBRL filings

Based on our current understanding from engagement with Revenue officials through the Irish Tax Institute, Revenue intends to withdraw the concession allowing the filing of draft iXBRL Financial Statements. After the withdrawal of this concession, Revenue advised that the uploading of iXBRL Financial Statements in draft format will not be permitted under any circumstances. Therefore, all tagged Financial Statements uploaded must be the final, signed, statutory Financial Statements; otherwise, the Corporation Tax return for that period will be considered late.

We understand that Revenue may facilitate requests to file draft Financial Statements in very exceptional circumstances, (e.g., in the event of a cyberattack on the taxpayer's financial systems, with contemporaneous proof and timely engagement with Revenue required).

This development in Revenue practice could have significant financial consequences for taxpayers. If final iXBRL Financial Statements are not filed within 3 months after the due date for filing the Form CT1, the consequences include a late Filing surcharge[114], restriction on reliefs, [115] and a fixed penalty[116]. Further, notification of a Level 2 Compliance Intervention could trigger tax-geared penalties, statutory interest charges, while refunds/repayments of tax from Revenue can be affected and denial/rescinding of tax clearance by Revenue. All very serious consequences that will have a significant impact on the economics of taxpayers and their ability to run their business and focus their efforts and time on more valuable aspects. The need for this change in approach is questionable and we urge the department

[112] Deloitte responds to the Funds Sector consultation | Deloitte Ireland
[113] gov.ie - Funds Sector 2030: A Framework for Open, Resilient & Developing Markets, page 68
[114] 5% of the tax due, up to €12,695 if filed within two months of the filing date. 10% of the tax due, up to €63,485 if filed more than two months after the filing date.
[115] 25% restriction, up to €31,740 if filed within two months of the filing date, 25% restriction, up to €158,715 if filed more than two months after the filing date.
[116] A late filing fixed penalty of €1,520 may apply.

to consider the significant impact this change will have on taxpayers and to consider amendments to the tax legislation to decouple the IXBRL financial statements from the Form CT1.

Tax return forms

In our experience and the feedback from our clients is that the corporation tax return ("Form CT1") has become increasingly cumbersome over recent years. While we recognise that significant tax policy changes have necessitated additions to Form CT1, we believe there are opportunities to simplify the form. Although primarily a matter of tax administration for the Office of the Revenue Commissioners, we feel it is necessary to highlight the practical and administrative implications of tax policy changes and propose solutions to ease the administrative burden on taxpayers.

We recommend a review of how the form is arranged to ensure it is user-friendly and practical for taxpayers and tax advisors.

Complexity for SMEs

We propose the introduction of a subset of Form CT1 specifically for domestic SMEs. Clients often question the time required to complete Form CT1, as their business complexity has not changed, yet the form's complexity has intensified. For example, dormant entities still need to complete all sections of Form CT1, including ILR considerations. An option to tick the status as dormant and display a simplified subset of Form CT1 would be beneficial.

Timeliness of Form CT1 Updates

New legislation introduced often takes a considerable period before it is reflected in Form CT1. In our experience, the publication of the complete Form CT1 is not timely, particularly with issues related to R&D fields. This delay means compliance teams must redo the CT1 when new fields or versions are released, often close to the CT1 filing deadline. This results in extra time needed and frustration as clients do not see the value or necessity of these changes.

Timely Communication

We request timely communication of any changes to the Form CT1 schema. Changes to the background of Form CT1 have significant knock-on implications for taxpayers and tax advisors. Inadequate notice of such changes adds to the compliance burden for taxpayers.

Administrative Guide

It would be helpful to have an administrative guide to Form CT1 that includes a visual representation of the Form CT1 schema. The form has grown rapidly, and there is a disconnect between the technical requirements of the Revenue Online Service (ROS) technology and what Irish tax law requires. A comprehensive guide would bridge this gap and facilitate easier completion of the form.

R&D administration

There are significant challenges associated with the claims process for the R&D tax credit, particularly for SMEs. Nearly a third of respndents to the Scale Ireland State of Start-Ups Survey 2025 [117] are of the view that the application process is too complicated. The process involves significant cost and uncertainty, reducing its attractiveness to businesses.

The application of penalties and interest when R&D activities are not deemed to qualify from a technical perspective is unfair, especially for SMEs. Disagreements between taxpayers and Revenue on technical interpretations can result in large penalties, deterring smaller companies from claiming the credit. To ensure fairer treatment and encourage

[117] Scale Iteland (2025) State of Start-Ups Survey 2025.

more SMEs to engage in R&D activities, penalties and interest should not be applied in cases of technical disagreements between taxpayers and Revenue.

In our experience there are considerable delays in receiving R&D refunds which are causing significant challenges for businesses. We recommend the establishment of a clear timeline for the processing and payment of R&D refunds by the Revenue Commissioners, either on a legislative basis or an agreed administrative basis. Consideration of such timeline should be part of the upcoming R&D review.

We are of the view that implementing these recommendations will enhance the attractiveness of the R&D tax credit regime, support innovation, and foster growth among SMEs. We urge the government to consider these changes to promote a more equitable and efficient R&D environment.

Tax Deductions for Share Based Payments

The potential benefits of employee share ownership are well evidenced, and studies have demonstrated that it can be linked to increased company performance which can ultimately lead to greater economic growth Notwithstanding these benefits complexities can arise with respect to the corporation tax treatment of share-based compensation costs incurred by a company, which in our view should be remedied.

Under section 81(2)(n) TCA 1997, an Irish company may only be in a position to claim a tax deduction for share- based payments provided to its employees where it has acquired or made a payment in respect of the shares or right to receive such shares. In addition, under section 81A TCA 1997, a company may only claim a tax deduction where the employee is subject to income tax in respect of the relevant share-based payment (or the employee would be subject to income tax if they were tax resident, ordinarily resident and domiciled in Ireland).

In many instances an Irish company may not be entitled to a tax deduction for a number of years after the relevant share-based payment has been granted to its employees. Furthermore, a company will not be entitled to a deduction where awards granted do not ultimately vest. Given the uncertainties, many groups have decided not to implement a recharge between the parent issuing the share awards to the Irish subsidiary and have not claimed a tax deduction for share-based payments. In recent years, there have been a number of disputes between taxpayers and Revenue in relation to the transfer pricing of intragroup transactions where a recharge has not been put in place between the parent and Irish subsidiary. While we understand these issues remain disputed, the interaction between existing legislative provisions in relation to the deductibility of share-based payments and the transfer pricing treatment of intragroup transactions has the potential to put Ireland at a competitive disadvantage compared with other jurisdictions.

A legislative amendment should be considered to address this matter.

Illustrative Example

The issue is perhaps best shown by way of an illustrative example.

Company A is an Irish subsidiary within the ABC multinational group which provides research and development services to its parent and is remunerated on a cost plus 10% basis in respect of such services. In addition to cash remuneration, the ABC group operates a group share award scheme such that employees of Company A may be awarded RSUs and other share awards. As there is no recharge from the group parent, Company A has not claimed a tax deduction in respect of awards granted to employees.

Company B is an Irish company that provides research and development services to a third party and is remunerated on a cost plus 10% basis. All employee remuneration is provided by way of cash.

It is assumed that the research and development services provided by Company A and B are identical and that similar expenses are incurred by both companies. The only difference between the two companies is that employees of Company A are provided with share-based remuneration as well as cash-based remuneration.

	Company A	**Company B**
Revenue	110*	110
Operating Expenses (ex SBP Accounting Charge)	(80)	(100)
Fair Value of Share Based Payment Accounting Charge under FRS 101	(20)	-
Profit before Tax	10	10
Add Back	20	-
Taxable Profit	30	10
Corporation Tax Due	3.75	1.25
Corporation Tax/PBT	37.5%	12.5%

*Note: For the purposes of illustrating this example only, we have assumed that the correct cost base to which a mark-up should be applied for transfer pricing purposes is €100 and not €80. This has been a disputed issue between Revenue and taxpayers in recent years.

The above example illustrates that companies providing share-based payments may be at a competitive disadvantage compared with other companies that do not provide any remuneration by way of share-based compensation. While Company A could implement a recharge, the quantum and timing of any potential tax deduction would remain uncertain as it will depend on if/whether the RSU's vest and the employees are subject to income tax.

Proposed Legislative Amendment

The deductibility of share-based payments has the potential to put Ireland at a competitive disadvantage compared with other jurisdictions that may have favourable regimes which provide more certainty to taxpayers. This issue is particularly acute for Irish subsidiaries of foreign multinationals providing contract research and development and other intragroup services.

A legislative amendment should be considered that would allow companies to elect to claim a current year tax deduction where a recharge is put in place in respect of the fair value of share-based payments awarded to its employees.

It is difficult to quantify the immediate exchequer impact of this proposed amendment given the uncertainties in relation to the quantum and timing of tax deductions that may be taken by Irish companies under existing legislative provisions. However, it is expected that a change would help protect investments already made by foreign multinationals and boost Ireland's attractiveness as a location for inward investment going forward.

Legislation reform

Recent global tax reforms, particularly the OECD BEPS project, have introduced complex legislation which has been the layered on the pre-existing legislation. This complexity places Ireland at a competitive disadvantage compared to other countries. Irish tax legislation should be reviewed with a view to simplification. As part of that consideration could be given to the establishment of an Office of Tax Simplification.

The review should take account of the Irish tax legislation as a whole. However, there are certain provisions which we ask that be given consideration as a matter of priority, these are:

- Simplification and amendment of the current tax treatment of interest. The complexity of the existing legislation has become a significant burden, and it is imperative that steps are taken to streamline these processes. We refer to our previous submission[118] to the department in response to the Interest Review, where we outlined several key areas requiring reform.
- The administrative complexity associated with interest and dividend withholding tax (WHT) is causing significant issues, particularly for smaller companies with limited advisory resources. These companies often face challenges due to administrative oversights rather than technical issues, such as failing to meet exemption requirements. We believe that extensive repeal of the current interest withholding tax provisions and replacement with targeted measures in cases where there is genuine risk of tax avoidance or reputational damage i.e., payments made to zero or low tax jurisdictions or in cases of where the main or one of the main benefits of a transaction is the avoidance of tax.
- Schedule 24 legislation is a patchwork of differing legislative changes, and it is not fit for purpose. Simplification of this legislation must be a priority. We refer to our previous submissions[119] on Ireland's Territorial Regime as part of which we have made several recommendations on the simplification of Schedule 24 TCA 1997.
- We have made recommendations for amendments to the participation exemption regime for certain foreign sourced distributions to ensure that the rules operate as intended. We look forward to further engagement with the department on these matters.

Stakeholder engagement

We appreciate the opportunity to engage with the department on the development of new tax legislation. Early stakeholder engagement is crucial to ensure all perspectives are considered and practical implementation is thoroughly planned. We request that this policy continues, with a focus on clarifying tax measures at their introduction to avoid uncertainty and errors. For instance, the 6% stamp duty on properties over €1.5 million initially caused confusion, particularly regarding its application to Private Residential Sector ("PRS") and student accommodation. Future tax measures must be clearly communicated with defined exemptions to prevent such uncertainty.

Taxpayers' rights and appeals

Appeals and an alternative dispute resolution

Clients are often reluctant to pursue appeals against tax assessments to appropriately challenge the interpretation of the tax legislation put forward by Revenue due to the potential for the appeal process to attract public attention, which many clients wish to avoid. Furthermore, the adversarial nature of the appeal process can be daunting and stressful for taxpayers. Even if a taxpayer wins an appeal, Revenue has the option to take the case to the High Court, leading to further public exposure and prolonged legal battles.

Revenue's approach to tax appeals is not subject to a review or assessment. While taxpayers can refer to the Revenue's Customer Service Charter and avail of the procedures for handling complaints and reviews within Revenue[120], there is a need for a tiered review of how tax disputes evolve and progress.

The appeal process is seen as contentious and formal, which deters clients from pursuing it. Policy must look to foster a more supportive and fairer environment for resolving tax disputes, ultimately benefiting both taxpayers and the Revenue.

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[118] Consultation Tax Treatment Interest | Deloitte Ireland
[119] Second Feedback Statement Participation Exemption | Deloitte Ireland
[120] Revenue's Complaint and Review Procedures, also known as the CS4, Part 37-00-22 - Revenue Complaint and Review Procedures,

We recommend a comprehensive review of the appeal process with the aim of identifying ways to make it less contentious and more accessible for taxpayers. This could involve reducing procedural complexities and providing clearer guidance on the steps involved.

In addition, to encourage fair and transparent resolution of tax disputes, we propose the introduction of Alternative Dispute Resolution (ADR). ADR mechanisms such as mediation and arbitration for tax disputes are less adversarial and can provide a more amicable resolution without the need for public hearings. Current tax legislation[121] provides for tax appeals to be stayed to provide an opportunity for the parties to settle the matter under appeal. Introducing ADR mechanisms would encourage parties to engage in this process. For example, in the UK, the ADR involves an impartial and neutral HMRC mediator actively assisting parties to work towards resolving a tax dispute outside of the courts. Over the period 1 April 2023 to 31 March 2024 the UK ADR had a positive impact on over 80 percent of the cases accepted into the process[122].

We urge the government to consider these recommendations to improve the tax appeal process, making it more efficient, transparent, and supportive for taxpayers.

Interest on Disputed Tax Payments

Interest becomes an issue for taxpayers, especially when there are delays in communication between taxpayers and the Revenue Commissioners. Interest can be accruing for taxpayers while waiting for a response, which can be in excess of twelve months.

We propose a legislative change to allow interest on disputed tax payments to be refunded from the day of payment if the taxpayer is successful in their appeal. This change would provide fair compensation to taxpayers and encourage timely resolution of disputes.

Penalty Adjudication Process

We recommend including a provision for an independent adjudication process for penalties imposed by Revenue officers. The only mechanism for a taxpayer to challenge a penalty is when the Revenue officer brings a court application. However, this application is in open court, meaning if the taxpayer successfully challenges the imposition of a penalty, they will have been impacted by the publicity of open court. An independent process would ensure fair and unbiased assessment of penalties, thereby increasing trust and compliance among taxpayers.

[121] Section 949H TCA 1997
[122] HM Revenue and Customs - Annual Report and Accounts 2023 to 2024, pahe 119

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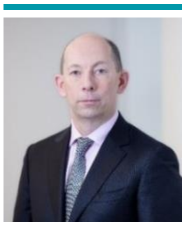

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