



Deloitte Pre-Budget 2027 Submission
Scaling and Staying
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Introduction

We are living in a time of profound transformation, driven by the rapid advent of artificial intelligence and digital technologies that are fundamentally reshaping business models across all sectors. Ireland has a unique opportunity to position itself at the forefront of this new era by leveraging its tax regime to encourage investment, innovation, and digitalisation. By fostering an environment that supports cutting-edge technologies and agile businesses, Ireland can secure sustainable economic growth and global competitiveness in an increasingly dynamic and uncertain world.

In today's economic climate, encouraging investment from within Ireland is crucial for long-term growth and stability. To support Domestic Direct Investment (DDI), targeted tax reforms are needed to create a more supportive environment for domestic investors, promote balanced regional growth, and enhance Ireland's global competitiveness. We continue to call for a reduction in the Capital Gains Tax (CGT) rate to 20% to unlock capital, encourage business exits, and boost reinvestment.

Amid increasing challenges to international trade and FDI competition, the R&D tax credit remains crucial to Ireland's economic growth by attracting investment and boosting productivity, though ongoing global economic headwinds require adaptation. Building on the changes introduced in the last finance act, we recommend changes to the R&D tax credit regime so that related party expenditure is within the scope of the regime and the limits on R&D expenditure outsourced to universities or higher education institutions are removed.

A simple, transparent, and approachable Irish tax system is essential to reduce compliance costs and uncertainty, thereby fostering investment, economic growth and long-term confidence among both domestic and foreign businesses. To support competitiveness and innovation, especially for SMEs facing disproportionate compliance burdens, Budget 2027 should prioritise simplifying compliance obligations, improving R&D administration and strengthening taxpayer rights.

We strongly urge the government to incorporate our recommendations into Budget 2027 and the upcoming legislative agenda.



A handwritten signature in blue ink, appearing to read 'Daryl Hanberry'.

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Overview

1. Building Resilience: Encouraging Domestic Direct Investment

In today's uncertain economic climate, encouraging investment from within Ireland is crucial for long-term growth and stability. Supporting local entrepreneurs, family businesses, and SMEs drives job creation, innovation, and wealth retention. However, the current tax system, including a high capital gains tax rate, often hinders business succession and reinvestment. To support Domestic Direct Investment (DDI), targeted tax reforms are needed to create a more supportive environment for domestic investors, promote balanced regional growth, and enhance Ireland's global competitiveness.

Capital Gains Tax Rate Reduction: Reducing the headline Capital Gains Tax (CGT) rate to 20% is proposed as a priority in Budget 2027. The current 33% rate is internationally uncompetitive and one of the highest in Europe, creating a "lock-in effect" that discourages asset sales, delays business succession, and restricts capital mobility. In our view a 20% CGT rate would unlock capital for reinvestment and strengthen Ireland's Domestic Direct Investment (DDI).

Increase CGT Entrepreneur Relief Lifetime Limit: Raising the CGT Entrepreneur Relief lifetime limit from €1.5 million to €3 million is recommended in Budget 2027. The current limit restricts high-growth businesses and risks losing entrepreneurs to more favourable tax jurisdictions. Increasing this limit would enhance Ireland's global competitiveness and encourage reinvestment.

Irish Savings and Investments Scheme: The design and introduction of an Irish Savings and Investments Scheme with a tax-free element and an annual contribution limit is advised, drawing lessons from successful international models including the UK (ISA), Canada (TFSA), Sweden (ISK), and France (Livret A). The scheme should prioritise simplicity to encourage broad participation and strong incentives to move savings from deposit accounts into productive sectors, thereby channelling household savings into economic growth and supporting indigenous business development.

For all recommendations, please refer to Section 1.

2. Strengthening Our Global Footprint: Attraction and Retention of International Investment and Growth

Rapid and ongoing developments in international tax policy at EU and OECD levels, alongside deglobalisation, are increasing complexity and uncertainty in the Irish tax environment. Despite strong growth in corporation tax receipts, with a significant government revenue source concentrated among a few large firms, Ireland must adopt bold strategies to retain existing businesses and attract future investment amid these evolving global challenges. 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.

Interest Deductibility Simplification: Adopting a broader, principle-based relief for interest expenses incurred for the purpose of trade, profession, or business, rather than a narrow "profit motive" test is recommended. Complex interest rules and outdated anti-avoidance provisions hinder M&A and inbound investment. We further recommend considering the repeal of outdated anti-avoidance provisions as modern anti-avoidance rules and Interest Limitation Rules (ILR) provide sufficient safeguards. The overall policy objective should focus on simplification and streamlining of the tax system to enhance Ireland's attractiveness for foreign direct investment.

Participation Exemption Alignment: The "qualifying participation" rules should be aligned with the substantial shareholding exemption for CGT to reduce complexity. Additionally, we propose introducing an elective foreign branch exemption to simplify the tax system, reduce compliance workload, and enhance Ireland's attractiveness for foreign direct investment. The exemption should cover distributions from equivalent or similar interests to equity, not just "ordinary share capital."

Financial Services Modernisation: The financial services tax regime should be modernised to support Ireland's position as a global financial center. This includes removing the funds' specific legislation (that covers Irish domiciled funds, offshore funds, Investment Undertakings, Life Assurance regime etc.) to align those the treatment of those investments with the general CGT regime, including allowing for loss relief. We further recommend amending section 110 regime by allowing deductions for withholding tax suffered and removing the 8-week deadline for making elections.

For all recommendations, please refer to Section 2.

3. Unlocking the Knowledge Economy: Innovation, Decarbonisation and Digitalisation

The R&D tax credit remains crucial to Ireland's economic growth by attracting investment and boosting productivity, though ongoing global economic headwinds require adaptation. A simple, transparent, and approachable Irish tax system is essential to reduce compliance costs and uncertainty, thereby fostering investment, economic growth and long-term confidence among both domestic and foreign businesses.

R&D Tax Credit Reforms: Changes to the R&D tax credit regime are proposed to strengthen intellectual property ownership in Ireland and create higher-value R&D roles. Specifically, we recommend amending the legislation to include related party expenditure within the scope of the R&D tax credit, capped at 100% of internal R&D spend, with embedded protection mechanisms to ensure this treatment is only available to intellectual property owners. We further recommend removing or substantially increasing the current limits on subcontracting R&D activities to universities and higher education institutes and expanding the definition of "university or institute of higher education" to include affiliated entities such as university hospitals. Additionally, we recommend increasing the cap on expenditure for subcontracting R&D work to unconnected parties and treating costs incurred for agency staff on R&D activities similarly to internal staffing costs.

Digitalisation: The introduction of a new standalone digitalisation tax credit is strongly encouraged for relevant expenditure related to the safe development, implementation, and use of digitalisation, including artificial intelligence. The credit should be aligned with the existing R&D tax credit format but with a different science test and a lower bar for advancing computer science. It should be designed as a "qualified refundable tax credit" for Pillar Two and US Foreign Tax Credit Regulations to enhance Ireland's attractiveness and drive future tax revenue. Looking beyond immediate priorities, it is essential that Ireland adopts a forward-looking approach to the transformative impact of artificial intelligence (AI) on the economy and the tax system. With Ireland taking on the EU Presidency, a distinctive opportunity arises to spearhead dialogue on the evolution of tax policy in response to AI-induced shifts in business models and labour market dynamics.

Decarbonisation: A new standalone decarbonisation tax credit is proposed for expenditure incurred by businesses to lower carbon emissions. This credit should focus on emission reduction rather than scientific innovation, distinct from the R&D tax credit, and be designed as a "qualified refundable tax credit" for Pillar Two and US Foreign Tax Credit Regulations. This measure is critical to drive the decarbonisation agenda and help Ireland meet its climate targets.

Investment Tax Credit: The introduction of a new standalone investment tax credit, similar to Luxembourg's regime, is suggested to incentivise investments in software development, digital infrastructure, cybersecurity, and tangible depreciable assets such as hardware and energy-efficient machinery. This credit would align Ireland's tax incentives with competitor jurisdictions and support sustainable practices and environmental goals.

For all recommendations, please refer to Section 3.

4. Closing the Housing Gap: Driving Growth Through Tax Policy and Investment Incentives

Ireland's housing and real estate market continues to face a critical structural imbalance between robust demand and severely constrained supply, exacerbated by wider socio-economic challenges. Tax policy and targeted incentives play a pivotal role in the future development and delivery of housing both for purchasers and renters alike. Despite the introduction of specific incentives and reliefs in Finance Act 2025 targeting the real estate sector, Ireland continues to face challenges in meeting its annual and broader housing delivery targets.

Tax Incentives for Strategic Supply: To adhere to housing targets, we recommend the introduction of further tax incentives and reliefs, targeted, time-bound, regularly monitored, and transparent, to stimulate the construction, repurposing, or renovation of various housing types. We recommend considering tax incentives and reliefs for student accommodation, employer-provided accommodation, co-living spaces, nursing homes, and independent living accommodation to diversify housing supply and meet varied market demands.

International Investors and IREF Regime: The introduction of a form of reconstruction relief for Irish Real Estate Investment Funds (IREFs) similar to the Investment Undertaking Tax (IUT), is proposed. Additionally, simplifying the formula for third-party debt reduction is advised, as the associated calculations are cumbersome and surplus to requirements given the Central Bank of Ireland's leverage limit rules.

For all recommendations, please refer to Section 4.

5. Empowering Ireland's Workforce: Retaining and Growing Talent

Ireland's capacity to attract and retain skilled talent is vital for its economic growth and international competitiveness. Supporting local entrepreneurs, family businesses, and SMEs drives job creation, innovation, and wealth retention. However, the current personal tax regime, Special Assignee Relief Programme (SARP) limitations, and immigration system delays pose significant hurdles to attracting and retaining the skilled workers Ireland needs for sustained economic growth.

Personal Tax Regime Enhancement: Increasing the Standard Rate Cut-Off Point (SRCOP) to at least €50,000 over the next three years is proposed to address the disproportionate tax burden on middle-income earners. Additionally, we recommend reforming the personal tax regime such that the combined income tax, USC and PRSI rate for workers does not exceed 50%.

SARP Modernisation: It is urged that the government make SARP a permanent feature of the tax code by removing the sunset provision entirely. The 90-day certification requirement as a condition for relief should be removed; if retained, it ought to be treated as an administrative requirement with fixed penalties for non-compliance. Amendments to allow direct hires into Ireland to qualify for SARP are suggested, alongside extending SARP relief to Universal Social Charge (USC) and Pay Related Social Insurance (PRSI) for employees and employer's PRSI. Allowing up to 20 workdays in Ireland before employment commences, including all remuneration for the €125,000 minimum income requirement, extending relief to employees of all employers (not just Treaty/TIEA States), reducing the 5-year non-resident requirement to one year, removing the cap on qualifying school fees, and considering extending the SARP period beyond 5 years (e.g., to 8 years) are also recommended.

Employment Tax Simplifications: Removing the current limit of five small benefits per year under the Small Benefit Exemption is advised to reduce administrative burden and risk for employers. Extending the timing for reporting small benefits to post year-end rather than real-time would also ease compliance. Extending the deadline for PAYE Settlement Agreement (PSA) payments (currently 23 days after year-end) is proposed to reduce administrative pressure. Developing consistent guidelines for the tax treatment of staff entertainment, with stakeholder input, is recommended. Furthermore, increasing the Foreign Earnings Deduction (FED) maximum to €100,000, extending relief to significant time working outside the State (not just "relevant jurisdictions"), removing the sunset provision, and extending relief to USC, PRSI, and the self-employed sector would provide broader support.

Cross-Border and Hybrid Working: We recommend that the Department of Finance and/or Irish Revenue issue guidance confirming that the principles of the updated OECD Model Tax Convention (2025) regarding Permanent Establishment (PE) risk from cross-border home working will be applied in Ireland. Recognising a home office as a "normal place of work" where a company has a flexible working policy and an employee performs duties at home is also advised.

Support for Olympic Athletes: Updating the definition of 'specified occupation' in the legislation to include all Olympic sports governed by national bodies is proposed, along with broadening relief to cover income from personal appearances, sponsorships, and philanthropy.

For full details on these proposals, please refer to Section 5.

6. Transforming Tax Administration: Simplifying Compliance and Promoting Fairness

The importance of the Irish tax system being approachable, with simple, clear and straightforward policies cannot be overstated in creating a favourable business environment. SMEs can face a disproportionate burden in meeting tax compliance obligations due to the limited resources available to them. Simplification measures are therefore needed for this sector in order to provide a level playing field.

SME Compliance Simplification: Rigorous application of the “Think Small First” principle across all tax legislation changes, forms, and guidance is essential to avoid disproportionate impacts on SMEs. A target to reduce administrative burden for SMEs by at least 35% (and 25% for firms) should be pursued, aligning with the EU Competitiveness Compass benchmark. Given that Ireland’s tax compliance burden in the real estate sector has become unsustainable, implementing a modernised, streamlined compliance framework is necessary to support efficient housing delivery and reduce unnecessary costs.

Investment Product Taxation Simplification: Simplifying the taxation of investment products is crucial. This could be achieved by introducing universal tax treatment of all investment income at marginal income tax rates, taxing all investment gains at CGT rates, providing CGT loss relief across all chargeable investments, eliminating multiple differing categorisations of investment types, and removing the 8-year exit charge for investment funds. The current complexity requires taxpayers to navigate various classification systems with differing tax treatments, which is unnecessarily burdensome.

R&D Administration Improvements: Eliminating or reducing interest and penalties for technical disagreements (excluding cases of fraud or neglect) would alleviate challenges faced by claimants. Establishing a central team of technical assessors would promote fair and consistent treatment, while setting clear timelines for receiving R&D refunds would help address significant cashflow difficulties. The current R&D tax credit claims process is particularly challenging for SMEs due to administrative demands, high costs, and technical disputes with Revenue, which can lead to interest, penalties, and public disclosure.

Taxpayer Rights and Appeals: Introducing an Alternative Dispute Resolution (ADR) mechanism, such as mediation or arbitration, would provide a less formal avenue for resolving tax disputes with Revenue. This need is heightened by the potential shift towards public hearings for tax appeals. Additionally, establishing an independent adjudication process for penalties imposed by Revenue officers would ensure fair and unbiased assessments.

For comprehensive details on these proposals, please refer to Section 6.

7. Current and Capital Spending Priorities

For Budget 2027, the top spending priorities should focus on addressing Ireland's critical housing shortage and upgrading aging infrastructure to support economic growth and attract skilled workers.

Housing and Infrastructure: Ireland is currently experiencing a critical shortage of housing alongside aging water, electricity, and transport infrastructure. Delays in these areas hinder economic growth and the ability to attract and retain skilled workers. We recommend prioritising investment in housing and infrastructure to prevent future costly problems and support sustainable economic development. This should be achieved through a combination of tax incentives and direct government funding. Specific actions should include accelerating housing delivery by removing planning barriers and increasing developer incentives and modernising water and energy infrastructure by completing critical upgrades.

Health and Education: Sustained investment in health and education is essential to address the demands arising from population growth and demographic changes. These sectors play a critical role in enhancing living standards and workforce productivity, making continued funding vital to maintaining Ireland's attractiveness for both global and domestic investment.

Business Development and Digital Services: Supporting enterprise, innovation, and digital transformation is key to strengthening Ireland's competitive position and fostering job creation. Specific initiatives should focus on targeted measures for tourism and employment growth, reinforcing Ireland's leadership in artificial intelligence, and leveraging the EU Presidency and the International AI Summit as platforms to showcase these advancements.

Climate Action and Sustainability: The transition to a sustainable economy is both an environmental imperative and an economic opportunity. We recommend investing in green technologies and infrastructure to create jobs, reduce long-term costs, and position Ireland as a leader in sustainable innovation.

For all recommendations, please refer to Section 7.

1. Building Resilience: Encouraging Domestic Direct Investment

Contacts



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In today's uncertain economic climate, encouraging investment from within Ireland is vital for long-term stability and growth. With global volatile markets and multinational companies highly mobile, supporting local entrepreneurs, family businesses, and SMEs is essential to create jobs, drive innovation and retain wealth domestically. However, the current tax system, including a high capital gains tax rate, often hinders business succession and reinvestment. To support Domestic Direct Investment (DDI), targeted tax reforms are needed to create a more supportive environment for domestic investors, promote balanced regional growth, and enhance Ireland's global competitiveness.

The Taoiseach recently acknowledged in the media that the current Irish Capital Gains Tax (CGT) rate is too high, and we welcomed his comments. We are again calling for the rate to be reduced to 20% as a priority in the next budget to unlock capital, support business succession, and strengthen Ireland's Domestic Direct Investment (DDI). Evidence shows that lower CGT rates stimulate economic activity and increase tax revenues, while high rates create a "lock-in effect" that restricts capital mobility.

Capital Gains Tax rate

Implementation Considerations

Effective Date

We recommend that a reduction in the capital gains tax (CGT) rate be included in the Budget 2027 tax measures, with an effective date of budget night or as soon as possible.

Evolution of Ireland's CGT 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. Since then, the rate has increased at various increments to the current 33% rate which has been in place since 6 December 2012¹.

¹ Revenue Commissioners, *Tax and Duty Manual* [Part 02-03-01a: Capital gains tax - rate of charge \(S.28\)](#), 2004.

CGT receipts

Following Budget 1998's reduction of the CGT rate to 20%, CGT receipts increased substantially, from €106 million in 1996 to €3.1 billion in 2006, a 29-fold increase over the decade². This suggests that a lower CGT rate, combined with broader economic growth and expanded asset valuations, could substantially increase revenues.

Post-2008 Revenue Trajectory

The 2008 financial crisis and property market collapse significantly disrupted CGT receipts, which fell to €545 million in 2009.² Such a decline was largely the result of the property crash, but it cannot go unnoticed that the start of the rate increase³ coincided with that same period.

However, as the economy recovered and asset values stabilised, receipts began climbing steadily from €692 million in 2015 to €2,138 million in 2025⁴. Notably, this recovery occurred under the current 33% CGT rate, indicating that economic conditions and asset valuations are among the primary drivers of CGT receipts.

Current Position

CGT receipts have not yet reached their 2006 peak of €3.1 billion (€2.1 billion in 2025). This could imply that the current 33% rate could be suppressing realisations and limiting revenue potential.

Behavioral Economics: The Lock-In Effect

Tax Sensitivity of Capital Gains Realisations

The ESRI report *Options for Raising Tax Revenue in Ireland (2021)*⁵ notes that there is robust evidence that capital gains realisations are quite sensitive to tax rates.

The Lock-In Mechanism

A high CGT rate discourages people from selling assets during their lifetime. Instead, they may delay the transfer or sale simply to avoid the tax, even if they would prefer to move on from the asset. This creates a "lock-in effect" with measurable economic consequences:

- **For Individuals and Investors:** Delayed asset sales could reduce capital mobility. Therefore, capital remains locked into investments that could be otherwise deployed more productively elsewhere.
- **For Entrepreneurs and Family Businesses:** Founders may postpone business exits as serial entrepreneurs or succession transfers due to the potential CGT liability. This prevents capital from flowing to new ventures and limits intergenerational wealth transfer. Also, succession planning could be delayed, thereby creating uncertainty and business continuity risks.
- **For the Broader Economy:** Reduced capital redeployment limits economic dynamism. Productive capital is trapped in legacy investments rather than flowing to growth opportunities.

² Revenue Commissioners, [Revenue statistical reports 1996-2012](#).

³ 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%.

⁴ Revenue Commissioners, [Revenue statistical reports 1996-2012](#), [Total tax receipts by taxhead](#) and [Headline results 2025](#).

⁵ Theano Kakoulidou and Barra Roantree, [Options for raising tax revenue in Ireland](#), ESRI, 2021, p.23. The report refers to research by Dowd and McClelland, 2019; Miller et al., 2019; Lavecchia and Tazhitdinova, 2021.

International Competitiveness: Ireland's Position

Ireland's 33% CGT rate is internationally uncompetitive, and one of the highest rates in Europe in 2025.⁶

Competitive Impact

Ireland's 33% CGT rate creates a structural disadvantage for:

- **Attracting and Retaining High-Net-Worth Entrepreneurs and Investors:** Founders and investors in sectors like technology, life sciences, and advanced manufacturing sectors face significantly higher tax burdens in Ireland than in peer EU economies.
- **Business Scaling and Capital Redeployment:** Entrepreneurs who wish to exit one venture and redeploy capital into new opportunities face a 33% tax liability on any gain arising, reducing the capital available for reinvestment.
- **Inbound Foreign Investment:** International investors considering Ireland as a base for European operations face a less favourable tax environment than alternative EU locations.
- **Domestic Entrepreneurship:** Irish entrepreneurs face a higher tax burden on business exits compared to their counterparts in Spain, Germany, Italy, Austria, and other peer economies.⁷

Alignment With Government Policy Objectives

Programme for Government 2025

The Programme for Government 2025 commits to maintaining a tax system that fosters innovation and entrepreneurship⁸. A reduction in the CGT rate directly supports this commitment by:

- Removing a material disincentive to business scaling and succession
- Making Ireland more attractive for reinvestment and business growth
- Supporting the creation of a dynamic, competitive enterprise environment

Enterprise Ireland Strategy 2025-2029

Enterprise Ireland's Strategy 2025-2029⁹ outlines ambitious targets for the five-year period:

- Support 1,000 new start-ups
- Increase the number of world-leading Irish companies
- Target 275,000 employees in Enterprise Ireland-supported companies
- Achieve €50 billion in export sales
- Support 150 large Irish exporting companies (>250 employees)

High CGT rates create a barrier to achieving these goals. By discouraging business exits, succession planning and capital redeployment, the current 33% rate can be a significant factor which limits the velocity of capital flowing into new ventures and scaling businesses.

A reduction in the CGT rate would remove some of this friction, enabling faster business transitions, more efficient capital allocation, and stronger support for the enterprise ecosystem.

⁶ Deloitte, "[Tax guides and country highlights](#)".

⁷ Ibid.

⁸ Department of the Taoiseach, "[Programme for government 2025: Securing Ireland's future](#)", p.19, 2025.

⁹ Enterprise Ireland, "[Delivering for Ireland, leading globally: Strategy 2025-2029 Ireland](#)".

Land Release and Housing Supply

The Housing Challenge

Ireland continues to deal with a critical housing shortage. Landowners holding property suitable for residential development may often delay sales due to a CGT liability, even when market conditions favour development. This creates a supply constraint that exacerbates housing affordability challenges.

CGT as a Barrier to Land Mobilisation

A lower CGT rate would reduce the after-tax cost of land sales and may encourage owners to release land to developers. This could:

- **Accelerate Housing Supply:** Enable faster conversion of developable land to residential units.
- **Support Government Housing Targets:** Contribute to the Government's ambitious housing delivery goals.
- **Reduce Property Price Pressure:** Increased supply could help moderate residential property prices.
- **Enable Regional Development:** Encourage land release in regional areas, support balanced geographic development.

Addressing Potential Concerns

Current Revenue Contribution

CGT receipts represent approximately 2% of total tax yield¹⁰ (€2.1 billion of €106 billion total in 2025). While this is modest, we acknowledge that the fiscal impact of a rate reduction must be evaluated dynamically, considering behavioral responses and base expansion.

Taxpayer base

While CGT applies primarily to taxpayers disposing of chargeable assets, the benefits of a reduced rate are broad-based:

- **Small Business Owners:** Reduced succession costs enable family businesses to transition earlier to the next generation.
- **Farmers and Landowners:** Lower CGT rates reduce the burden on agricultural succession and land transfers.
- **Entrepreneurs:** Founders benefit from reduced tax drag on business exits, enabling reinvestment in new ventures.
- **Employees:** Job creation from business scaling and new venture formation benefits workers across income levels.

Possible reduced CGT receipts

Historical evidence and behavioral economics research suggest that lower CGT rates expand the tax base and that rate reductions can lead to substantial revenue increases. Additionally, broader economic benefits such as job creation, export growth, and business scaling contribute to an overall increase in tax yield across multiple tax heads.

Scope of any benefits

The benefits of a reduction in the CGT rate extend across all regions and sectors:

¹⁰ Revenue Commissioners, [Headline results 2025](#), and Department of Finance, [Fiscal monitor incorporating the Exchequer statement, December 2025](#).

- **Agriculture:** Reduce tax as a barrier for family farm succession across rural Ireland.
- **Manufacturing:** Enables business transitions and capital redeployment in regional manufacturing hubs.
- **Services:** Supports succession in professional services, retail, hospitality, and other sectors.
- **Regional Development:** A lower CGT rate would encourage capital deployment in regional enterprises and property development.

Support for Entrepreneurs

Entrepreneur relief

The increase of the CGT Entrepreneur Relief¹¹ lifetime limit from €1 million to €1.5 million in Finance Act 2025¹² is a positive step but does not fully address the challenges facing Ireland's entrepreneurial ecosystem. We recommend raising the limit further to €3 million in Budget 2027 to better position Ireland on the global stage and support the Government's goals for indigenous business growth and innovation.

The current limit still restricts high-growth businesses and risks losing entrepreneurs to more favourable tax jurisdictions. Increasing the threshold to €3 million would enhance Ireland's competitiveness compared to certain competitor jurisdictions and maximise the relief's effectiveness in retaining and encouraging reinvestment by entrepreneurs.

Programme For Government Alignment

The Government's commitment to support small businesses, start-ups, and the scaling of indigenous firms, while enhancing Ireland's appeal for foreign direct investment, is clear.¹³ This suggested change would demonstrate Ireland's dedication to supporting businesses at every stage and encourage reinvestment of proceeds into new ventures, generating a positive multiplier effect.

The Government's Action Plan for Competitiveness and Productivity aims to create the most supportive environment for indigenous businesses and the most attractive location for start-ups and foreign investment.¹⁴ Raising the CGT Entrepreneur Relief lifetime limit to €3 million would provide a clear, measurable tax incentive that sets Ireland apart from its competitors. This increase would position Ireland as Europe's leading environment for high-growth entrepreneurs and complement existing tax measures such as the R&D tax credit.

Maintaining a tax system that supports innovation and entrepreneurship is essential to maintaining Ireland as an attractive place to grow existing businesses and launch new ones¹⁵. Increasing the CGT Entrepreneur Relief lifetime limit to €3 million aligns tax policy with the realities of modern tech and biotech valuations, which often exceed €1.5 million, and removes disincentives for ambitious entrepreneurs to scale their businesses locally rather than exit prematurely.

Supporting efforts to help domestic Irish businesses scale up and expand internationally while retaining a substantial workforce in Ireland is a key objective for government¹⁶. Increasing the CGT Entrepreneur Relief lifetime limit to €3 million enables entrepreneurs to reinvest capital from business exits into new ventures, creating a multiplier effect on jobs and innovation. It also encourages founders to keep their capital within Ireland rather than moving to lower-tax jurisdictions, fostering the development of serial entrepreneurs.

¹¹ Section 597AA Taxes Consolidation Act 1997

¹² [Finance Act 2025, Section 51](#)

¹³ Department of the Taoiseach, [Programme for government 2025: Securing Ireland's future](#), p.13, 2025.

¹⁴ Ibid.

¹⁵ Ibid., p.19.

¹⁶ Ibid., p.16.

Developing an all-island innovation and entrepreneurial ecosystem is also a stated key priority.¹⁷ Raising the CGT Entrepreneur Relief lifetime limit to €3 million would position Ireland as a hub for high-potential start-ups and scale-ups.

Implementation Considerations

Transition Provisions

For individuals who have already utilised part of the €1.5 million lifetime limit, it is recommended to apply a grandfathering approach. This means allowing the increased limit to apply only to disposals made after the effective date. Additionally, it would be important to provide for the treatment of partial utilisation.

Irish Savings and Investments Scheme

In light of the work at the EU level following the EU SIU, we welcome the Minister's recent comments regarding the introduction of a savings and investment scheme in Ireland, anticipated to launch in 2027. When designing complex fiscal policy, it is valuable to examine experiences from other jurisdictions, what has succeeded and what has not. In this context, we highlight the approaches taken by the UK, Canada, Sweden, and France.

The UK's Individual Savings Account, introduced in 1999 aimed to foster a culture of saving. Individuals can save up to £20,000 each year in the ISA and any returns generated are tax free (not subject to either income or capital gains tax). The ISA has evolved to cover four distinct products ranging from a cash savings, through to stock and shares, innovative finance and into a lifetime ISA which includes elements of government contribution¹⁸. The most recent figures published by the bank of England show that £872 billion was held in ISA accounts¹⁹. The ISA's key strengths are its simplicity and flexibility: it caters both to low-risk savers seeking modest returns and to those willing to accept higher risk for potentially greater rewards

Canada's Tax-Free Savings Account (TFSA), introduced in 2009 was designed to help "Canadians to realise their savings goals"²⁰. The annual limits on contributions to TFSA have varied from an initial \$5,000 to a high of \$10,000 in 2015 to the current \$7,000 which has been in place since 2024²¹. Under the TFSA savers can invest in cash, mutual funds, securities, bonds and shares of small business corporations. The most recent estimates value the total amount held in TFSA's at €618 billion²² and over 17 million people in Canada had an account.

Sweden's Investeringssparkonto – Investment Savings Account (ISK) launched in 2012 offers favourable tax treatment with an annual tax based on the government borrowing rate plus one percentage point, calculated on the account value at the end of November of the previous year.²³ The ISK is subject to tax free thresholds and in 2025 this was (SEK) 150,000 (€14,000) and in 2026 this was increased to SEK 300,000 (€28,000).

France's Livret A (Booklet A) dates back to the early 1800s. In 2009 these accounts have been available through all banks operating in France and provides tax free interest on savings up to a maximum of €22,950²⁴. This sort of account is widely utilised in France. However, it lacks access to equities or other assets classes returns are a rate of interest as set by the French state. In 1992 the Plan d'Epargne en Actions (PEA) was introduced. These accounts are subject to tax, but they are taxed a lower rate and seek to direct investment in a number of European markets. According to the

¹⁷ Ibid., p.15.

¹⁸ GOV.UK, "[Individual Savings Accounts \(ISAs\)](#)".

¹⁹ HM Revenue & Customs, "[Commentary for annual savings statistics: September 2025](#)".

²⁰ Government of Canada, "[Government applauded for creation of the TFSA](#)".

²¹ Government of Canada, "[Before you contribute to a TFSA](#)".

²² Canada Revenue Agency, "[Tax-free savings account 2025 statistics \(2023 contribution year\)](#)".

²³ Skatteverket, "[Investment savings account \(ISK\)](#)".

²⁴ French Republic, "[Booklet A](#)".

French Central Bank, at the end of 2022 there were 6.4 million of these accounts in existence and they had total assets in excess of €100 billion euros²⁵.

For Ireland, a successful scheme should include a tax-free element, likely supported by an annual contribution limit, as evidenced by the experiences in the UK, Sweden, Canada, and France.

While we understand a roadmap outlining the scheme's operation will be published shortly, we recommend the following key features:

1. **Simplicity:** A straightforward, easy-to-understand product encourages broad participation across all demographics, including younger savers. As is outlined above, the tax regime surrounding investment products in Ireland is currently overly complex. In introducing any new investment scheme simplicity must be at the forefront of its design in order to achieve the objective of encouraging investment.
2. **Incentive:** To succeed, the scheme must incentivise Irish households to move savings from deposit accounts into the new savings and investment vehicle. The tax policy should provide clear, easily understood benefits and deliver genuinely valuable returns. The UK ISA, France's Livret A, Sweden's ISK, and Canada's TFSA offer instructive examples. We urge the Department to study these models and design an Irish scheme that is competitive, innovative, and best in class.
3. **Economic growth:** The scheme must be designed to facilitate channelling household savings into productive sectors of the economy, supporting sustainable growth and job creation.

²⁵ Banque de France, "[Equity savings plans](#)".

2. Strengthening our global footprint: Attraction and retention of international investment and growth

Contacts



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Rapid developments in tax both at an EU and OECD level have become regular feature in the Irish tax landscape, driving additional complexities and uncertainty. While many of these changes have been well signposted including the OECD Base Erosion and Profit Shifting (“BEPS”) project, EU Anti-Tax Avoidance Directives (“ATAD”) and the introduction of the OECD’s Pillar Two rules, the uncertainty in the international tax landscape shows no signs of abating. Recent ESRI research²⁶ suggests that declines in international trade point to a shift in globalisation and a transformation of international economic order. 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.” Shifts in the global trade and the geopolitical landscape and the challenges posed to the Irish economy underline the vital importance of a well-positioned tax policy focussed on enabling businesses to compete on the international stage for investment.

Against this, corporation tax receipts in Ireland continued to grow. Corporation tax accounted for 32.5% of all tax income from 2025²⁷. 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 in 2023²⁸. Corporation Tax receipts have become a significant source of government revenue. However, we know that there is a concentration risk, with the top ten highest paying corporate groups accounting for almost 60% of total corporation receipts in 2024, up from around a third in 2008²⁹.

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, several bold plays are now needed to achieve these aims.

²⁶ Paul Egan and Fionn Roche, “[The impact of deglobalisation and protectionism on a small open economy - The case of Ireland](#)”, ESRI, 21 March 2025.

²⁷ Revenue Commissioners, “[Headline Results 2025](#)”.

²⁸ Parliamentary Budget Office, “[An analysis of corporation tax revenue growth](#)”, 25 March 2024.

²⁹ Irish Fiscal Advisory Council, “[More concentration, more risk: three firms account for almost half of Ireland’s corporation tax revenues](#)”, 19 February 2026.

Tax Treatment of Interest

In our response to the Consultation on the Tax Treatment of Interest in Ireland³⁰, we identified a number of key principles and policy recommendations with respect to the tax treatment of interest in Ireland. Following on from this review, we provided detailed technical views and analysis addressing the Strawman proposals made as part of the “Feedback Statement on Phase One of Ireland’s Taxation Regime for Interest³¹” of November 2025.

New Interest Deductibility Rule for Corporation Tax

The Interest Feedback Statement as issued by the Department of Finance would look to introduce a new interest deductibility rule such that interest would be deductible where it is incurred in respect of borrowings used to fund activities or investments with the intention of directly generating profits or gains. Such a “profit motive” test as proposed for the new interest deductibility rule would appear to take a “purpose based” approach, requiring not only the identification of the purpose of the borrowings but whether that purpose has in fact been adhered to throughout the accounting period in which a deduction is sought.

We would reiterate our previously outlined recommendation in favour of adopting a broader, principle-based relief for interest. Such a principle-based approach would allow 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 and would look to equalise the treatment between trading and passive interest income streams.

Simplification measures

In our view, simplification of section 247 TCA 1997 remains a priority to ensure the continued usefulness of the relief and to ensure that taxpayer uncertainty is mitigated. We would reiterate our comments previously made as part of our response to the Interest Consultation of January 2025, and in particular note the following:

- While the changes made to section 247(2) TCA 1997 by section 24 Finance Act 2017 (“FA2017”) serve to provide relief where a company indirectly holds shares via one or more intermediate holding companies, we would note that the amendments do not in our view go far enough in addressing the wide range of potential routes to acquisition favoured by corporate groups. In the context of US acquisitions and investment in Ireland, a commonly understood preferred structure is that of a merger whereby the acquiring company would merge with the target company. However, the provisions of section 247 TCA 1997 are such that it is not possible to engage in a merger and retain relief under section 247 TCA 1997. We cannot see the policy rationale for the continued imposition of specific conditions as to the use of the monies in such a restrictive manner. Consideration should be given to remedying the above difficulty to ensure that the section operates as intended³².
- Section 247(4E) TCA 1997 broadly denies relief in respect of interest on intra group loan used to finance the purchase of certain assets from another group company. Similarly, the anti-avoidance rules in section 247(4A) TCA 1997 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 all these rules is to prevent the Irish tax base from being eroded. In our view, the Transfer Pricing³³ rules and Interest Limitation Rule³⁴ (ILR) should be

³⁰ Daryl Hanberry and Tom Maguire, “[Deloitte response to the public consultation on the tax treatment of interest in Ireland](#)”, Deloitte, 30 January 2025.

³¹ Daryl Hanberry and Tom Maguire, “[Deloitte response to the feedback statement on phase one of Ireland’s taxation regime for interest](#)”, Deloitte, 16 January 2025.

³² Such an outcome arises notwithstanding the Revenue Commissioners’ confirmation that the acquisition of ordinary shares through a court approved scheme of arrangement pursuant to Chapter 1 of Part 9 of the Companies Act 2014 will not preclude satisfaction of the requirement that money is defrayed in the acquisition of ordinary share capital. For further details, see para 3.2.3, [Part 08-02-01: Charges on income for corporation tax purposes](#), Revenue Commissioners.

³³ Part 35A, Taxes Consolidation Act (TCA), 1997.

³⁴ Part 35D, TCA 1997.

sufficient to prevent excessive base erosion and therefore consideration should be given to removing these provisions.

- The recovery of capital rules outlined in section 249 TCA 1997 are in our view onerous and burdensome. In our experience, certain routine and common bona fide transactions such as repaying intragroup debt, sales, liquidations or internal restructurings can result in denial of interest relief. Broad simplification of the recovery of capital rules contained in section 249 TCA 1997 is required to ensure that interest as a charge provisions can operate unencumbered.

Anti avoidance provisions and other restrictions

In our view, the overall policy objective associated with the treatment of interest in Ireland should focus on simplification and streamlining of the tax system. To this end, we would recommend the following key legislative changes to align with such a policy choice:

- Section 254 TCA 1997 is intended to prevent a person from withdrawing capital from the business for private purposes and replacing such funds with loan capital within 5 years, the interest on which would otherwise qualify for relief as a business expense. This section was introduced in its original form in 1974 as an early anti base erosion measure at a time preceding the Interest Limitation Rules (ILR) in Irish law. As such, we would recommend the repeal of this section, as any potential risks (increased interest relief) would arguably be mitigated through the operation of the ILR in Irish law to prevent unduly high interest relief being obtained. Where a policy decision is taken to retain section 254 TCA 1997, we would suggest that it should only apply where the arrangement (i.e., the withdrawal of capital followed by the insertion of a loan or any combination of steps resulting in same) is done with the main purpose, or one of the main purposes of, avoidance of tax. In addition, we note that the existing 5-year rule is overly inflexible. It is entirely possible that a person could withdraw capital from a business at a time when the business is projected to perform well, but in the succeeding 5 years encounter a challenging market requiring debt funding to ensure survival and continued trading. The 5-year rule should therefore be shortened to a period of no more than 12 months.
- In our view, section 817A TCA 1997 is outdated considering the general anti avoidance rule in section 811C TCA 1997 and should be repealed.
- Section 817C TCA 1997 predated the anti-hybrid rules contained in Part 35C TCA 1997 as well as the ILR and should be repealed.

Interest treated as a distribution

Section 130(2) TCA 1997 outlines what is meant by “distribution” and in this regard sets out the instances in which interest is to be recharacterised as such. As outlined in our response to the January 2025 Consultation on the Tax Treatment of Interest, a policy decision should be taken at this stage to modernise and streamline the legislation in this regard, while removing unnecessary provisions from Irish law. Such modernisation, in our view, can be accomplished while still ensuring protection of the tax base for the Exchequer. In light of the overall aim of simplification, we would recommend the following:

- Section 130(2)(d)(ii) TCA 1997 addresses interest payments on a loan which is convertible directly or indirectly into shares in the company and recharacterizes those payments as distributions. The introduction of anti-hybrid provisions into Irish law in Finance Act 2019 (“FA 2019”) has, in our view, made remedial action under section 130(2)(d)(ii) TCA 1997 redundant, and repeal of Section 130(2)(d)(ii) TCA 1997 would therefore be appropriate at this time.
- Section 130(2)(d)(iii)(II) TCA 1997 treats as a distribution any interest or other distribution out of assets of the company in respect of securities of the company where the securities are securities under which the consideration so given represents “*more than a reasonable commercial return for the use of the principal*”. In the context of lending between associated

persons, section 835C(2)(a) TCA 1997 acts to limit the amount of consideration payable by an acquirer where the consideration payable under the arrangement exceeds an arm's length amount. This would necessarily operate to therefore limit the quantum of interest payable on a loan between associated persons such that the interest taken into account in computing the taxable profits of the borrower would be restricted. In practice, it would be infrequent to encounter a significant number of securities where the consideration represents more than a reasonable commercial return; we would therefore recommend removal of this subsection.

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. We further welcomed changes made to the legislation in Finance Act 2025 and would note a recommended change with respect to the definition of a "qualifying participation" held by a parent company.

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.

R&D Tax Credit

As noted in the review of the R&D Tax Credit released in January 2026³⁵, FDI into Ireland has increased substantially since 2016, with notable growth in the manufacturing and information and communication sectors. Trends in FDI suggest that the R&D tax credit (among other policy incentives) plays a pivotal role in strengthening Ireland's industrial base and inward investment into high value industries. However, against a backdrop of an increasingly challenging international trade landscape, continued policy focus should in our view be placed on future changes to the R&D tax credit to ensure that this incentive remains fit for purpose and acts to incentivise the creation and development of

³⁵ Department of Finance, "[Research & development tax credit 2025 review](#)", 8 January 2026.

Ireland's knowledge economy in the near future. In this respect we would refer you to our targeted policy recommendations on the R&D tax credit and on innovation in this submission.

Pillar Two side by side package

We welcome the announcement of the OECD Pillar Two side by side package in January 2026³⁶ and further note the EU comments in this regard. As attention turns to the legislative measures required to effectively transpose the package into law, we would note our commitment to engaging with the Department constructively on policy decisions and technical elements of the new legislation. We would strongly recommend that a consultation and feedback process be established to address any draft legislation and to engage with stakeholders and the business community. In our view, continued engagement on matters of policy is of vital importance to ensure that changes in the law are well understood by the business community and do not result in unintended consequences.

Financial Services

Ireland is internationally viewed as a key strategic location for the funds sector. It is the fastest growing major European funds domicile and the 3rd largest global centre for investment fund assets.³⁷ While the success of Ireland's fund industry cannot be understated, it is crucial that Irish tax policy continue to support this sector by fostering a favourable environment for investment. A critical element is ensuring that the tax regime is simple, effective and competitive.

Within the framework of the EU Savings and Investments Union ("SIU"), Irish tax policy must aim to encourage and incentivise individuals to channel their savings into productive investment products.

As was outlined in the Deloitte response to The Funds Sector 2030: A Framework for Open, Resilient and Developing Markets Review³⁸ ("the Funds Review"), currently the taxation of investment products is overly complex, with different regimes applying to Irish domestic funds, EU/EEA/OECD equivalent funds and other offshore funds. These complex rules may act as a barrier to investment for many individual investors and must be simplified.

The Funds Review Report³⁹ published in October 2024 contained a number of recommendations, aimed at supporting this sector to allow it to innovate, enhance its competitiveness and pursue new opportunities. The Funds Sector 2030 Implementation Plan⁴⁰ ("the Implementation Plan") published in October 2025, outlined the status of the recommendations made in the Funds Review Report. While some of the tax policy recommendations were addressed in Finance Act 2025, for example the introduction of a Dividend Withholding Tax ("DWT") exemption for Investment Limited Partnerships ("ILPs"), we would recommend that further steps are taken to implement the remaining tax policy recommendations in Budget 2027.

In addition to addressing the recommendations in the Funds Review Report, we have also highlighted a number of other changes which should be made to continue to support Ireland's financial services sector and boost Ireland's competitiveness in the international market.

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

The Funds Review Report recommends the following reforms to the taxation of Irish domiciled funds, with similar amendments to be 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.

³⁶ OECD, [Tax challenges arising from the digitalisation of the economy – Global Anti-Base Erosion Model Rules \(Pillar Two\), side-by-side package: Inclusive framework on BEPS](#), 2026.

³⁷ Irish Funds, [Now available: Why Ireland 2025 publication](#), 25 April 2025.

³⁸ Pádraig Cronin and Niamh Geraghty, [Funds sector 2023: A framework for open, resilient & developing markets: Public consultation response](#), Deloitte, 15 September 2023.

³⁹ Department of Finance, [Funds sector 2030 a framework for open, resilient and developing markets: Final report October 2024](#).

⁴⁰ Department of Finance, [Funds sector 2030 a framework for open, resilient and developing markets: Implementation plan 7 October 2025](#).

- Align the IUT and LAET rate of tax with the CGT rate (currently 33% although see our comments on the rate earlier in this submission)
- Allow for a form of loss relief.

While Finance Act 2025 provided for a reduction to the IUT and LAET rates from 41% to 38%, effective from 1 January 2026, we would recommend that further legislative changes are made in Finance Act 2026 in order to address the above recommendations. These changes are essential in order to simplify the taxation of investment products and encourage Irish households to explore retail investment opportunities.

Taxation of offshore funds

As outlined in our response⁴¹ to the Funds Review⁴², the taxation of offshore funds is very complex and difficult for taxpayers to navigate, thereby resulting in higher compliance costs for taxpayers and increased risk of the incorrect tax treatment being applied.

The Funds Review Report recommended 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 2027 and Finance Bill 2026. We highlight the below practical challenges, which should be considered in implementing any amendments to the offshore funds regime:

- At present, the 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 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.

⁴¹ Pádraig Cronin and Niamh Geraghty, [Funds sector 2023: A framework for open, resilient & developing markets: Public consultation response](#), Deloitte, 15 September 2023.

⁴² Department of Finance, [“Funds sector 2030: A framework for open, resilient & developing markets”](#).

In the context of the EU SIU, it is of crucial importance that the regimes relating to domestic Irish funds, EU/EEA/OECD equivalent funds and offshore funds be simplified in order to encourage savings and investments within the retail market. In this regard, while we welcome the comments in the Implementation Plan that this recommendation is under consideration and proposals for next steps will be included in the roadmap to be published later this year, we recommend for Irish individual investors that the treatment of both onshore and offshore funds would also be aligned with the general CGT regime

Outbound Payments Defensive Measures and Investment Limited Partnerships

Investment Limited Partnerships (ILP) in Ireland have seen a steady increase in recent years, with a total of 66 ILPs currently established in Ireland.⁴³ However, the Outbound Payments Rules present a number of practical challenges for ILP structures. For example, ILP structures may need to restrict investment from zero-tax jurisdictions or jurisdictions included on the EU list of non-cooperative jurisdictions (“specified territories”) in order to ensure the 50% association test is not breached. Practical challenges can also arise in relation to investments in ILPs from tax transparent feeder funds as there is a need to trace through the feeder fund to understand the tax status of its investors. This raises a number of difficulties and can hinder the ability to raise capital from certain territories.

In light of the above practical challenges and in-order to boost the competitiveness of ILPs in the global market, we would recommend that a wider review of the application of the Outbound Payment Rules to ILP’s be carried out.

IREF Regime

We welcome the comments in the Implementation Plan that an IREF entity level tax will not be pursued. In addition, we welcome the comments that a public consultation will be held in 2026 on proposals to simplify the IREF regime. We look forward to the opportunity to respond to same in due course.

Interest Limitation Rules

We refer the Department of Finance to the specific recommendations made as part of our response⁴⁴ to the November 2025 Feedback Statement on Phase One of Ireland’s Taxation Regime for Interest.⁴⁵ In particular, we have re-iterated a number of the points made in relation to the proposed changes to the Interest Limitation Rules (“ILR”) below.

The Feedback Statement as issued by the Department of Finance would look to introduce the following changes to the ILR:

- a) Amending the existing ILR entity-by-entity de minimis rule to exclude exceeding borrowing costs of €3million from the application of the ILR;
- b) Introducing a new de minimis threshold which would apply on a group basis such that the aggregate exclusion for all Irish tax resident or permanent establishment members of a worldwide group, as defined, cannot exceed €6million (regardless of whether the companies in a worldwide group have elected to be members of an interest group); and
- c) Extending the deadline for making an interest group election to two years after the end of the accounting period to which the election first relates.

As outlined in our response⁴⁶ to the Interest Feedback Statement we would not recommend proceeding with (b) above. The Feedback statement notes that this would be introduced in order to “prevent abuse of the de minimis relief”. However, in our view, any such abuse of same could be counteracted under the General Anti-Avoidance rules contained within Section 811C TCA 1997 and

⁴³ Central Bank of Ireland, “[Registers](#)”.

⁴⁴ Deloitte, “[Deloitte response to the feedback statement on phase one of Ireland’s taxation regime for interest](#)”, 16 January 2026.

⁴⁵ Department of Finance, “[Feedback statement for phase one of reform of Ireland’s taxation regime for interest](#)”.

⁴⁶ Daryl Hanberry and Tom Maguire, [Phase one of reform of Ireland’s taxation regime for interest feedback statement: Strawman proposal](#), Deloitte, 16 January 2026.

this was reflected in the Corporation Tax Roadmap (January 2021 update)⁴⁷ whereby it was acknowledged that “Ireland’s longstanding General Anti Avoidance Rule meets the ATAD standard”.

In addition, we would highlight that such a provision would ignore the commercial reality of financing transactions whereby commercial lenders/financing institutions may insist on lending to a single entity within the group for security and/or risk purposes. Such funds may then be used to lend to other group companies. Such structuring is largely motivated by the needs of the market/investors, rather than a desire to avail of the €3million de minimis threshold. The introduction of a €6million de minimis threshold for groups would therefore result in certain industries and sectors bearing a heavy burden and would, in our view, negatively impact on Ireland’s competitiveness and investment decisions in future.

In relation to (c) above, while we would welcome the extension of the deadline for making an interest group election, as outlined in our response to the Feedback Statement, we would also recommend that timeframe for claiming the Group and Equity Ratio’s be extended in order to align with the deadline for electing to form an interest group. Where these timelines do not align, the likely outcome is such that the availability of the Group and Equity ratio elections may be lost where the required election is not made on or before the specified due date notwithstanding the extended timeframe for forming an interest group. For groups who may wish to avail of these elections, the extended two-year timeframe to form an interest group and the benefits from same would therefore undoubtedly be lost.

Section 110 Regime

As highlighted in previous submissions, a number of amendments to section 110 TCA 1997 are 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. Our recommendations in this regard are as follows:

1. Amendments should be made within section 110 TCA 1997 to allow a deduction for 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.
2. We would recommend that the €10million Day 1 test be amended to allow for this requirement to be met over a specified time period. It is of note that such an approach would be in line with measures adopted elsewhere within the legislation, such as the 24-month period in which an entity may meet the conditions to be treated as a “collective investment scheme” for the purpose of the Reverse Hybrid Mismatch rules. Alternatively, where a longer period is not preferred, section 110 TCA 1997 should be amended to provide for a “cure period” whereby if certain requirements are not met on day 1, the legislation would facilitate a remedy, subject to certain administrative requirements. Such a provision should offer taxpayers an opportunity to remedy the failure, within a reasonable timeframe and would provide a more reasonable approach compared to the current, overly strict requirements. We would highlight that the UK Qualifying Asset Holding Company (QAHC) regime provides for such a cure period in respect of inadvertent breaches of the eligibility criteria, thereby ensuring that the tax consequences are proportionate to the nature of the breach.
3. We would also strongly recommend that the 8-week deadline to make the S.110 election should be removed. We would recommend that the position should revert to the rules prior to Finance Act 2016, which required this election to be made prior to filing the entity’s first corporation tax return.

⁴⁷ Department of Finance, [Ireland’s corporation tax roadmap January 2021 update](#).

Specific Anti-Avoidance Measures – Intragroup borrowings

Section 840A TCA 1997 is an anti-avoidance provision which seeks to deny a deduction for interest payable in relation to certain intra-group borrowings used to purchase assets from a connected company.

As highlighted in our response to the consultation on the Tax Treatment of Interest⁴⁸, in our view there is no valid policy reason to deny a deduction for interest incurred by a company wholly and exclusively for the purposes its trade. Therefore, we would recommend that this section be repealed in full in Finance Act 2026.

Where repealing this provision in its entirety is not preferred, we would strongly recommend that the cap on the interest deductions provided under section 840A(7A)(c) (outlined below), introduced in Finance Act 2025, be removed.

Finance Act 2025 introduced subsection 7A to section 840A. In accordance with subsection 7A(b), an interest deduction should not be denied under section 840A where:

- The connected seller had borrowed to acquire the asset and the borrowings gave rise a tax deduction when computing its profits and gains chargeable to corporation tax under Schedule D;
- The connected lender is subject to tax on the interest income in Ireland or is subject to tax on the income (without any reduction computed by reference to the amount of such interest) in an EU/DTA territory; and
- It would be reasonable to consider that the connected loan is made for bona fide commercial reasons and not as part of a scheme or arrangement the main purpose, or one of the main purposes, of which is the avoidance of tax.

However, under subsection 7A(c) the amount of the deduction is limited by reference to the amount of the principal outstanding on the borrowings of the connected seller in respect of the asset at the time immediately prior to the acquisition of the asset by the connected buyer and a further restriction applies where there had been a previous acquisition of the asset by another connected company. The restriction imposed results in significant practical challenges as there is a requirement to track borrowings in order to determine the principal loan amount outstanding on the loan used to acquire the asset in question. This additional complexity is being added at a time when significant work is being undertaken in order to simplify the tax treatment of interest. In addition, the restriction results in a mismatch between the income which the connected lender is subject to tax on and the amount of a deduction available to the borrower. This can be illustrated by an example:

- Assume an Irish treasury company (Irish Treasury Co) provided a loan to its sister company (Company A) in order to acquire an asset. The principal outstanding on the loan is €100 but the asset in question has a value of €120.
- Company B borrows €120 from Irish Treasury Co to acquire the asset from Company A.
- Irish Treasury Co, Company B and Company A are Irish tax resident and within the same group.

In this example, the maximum amount in respect of which an interest deduction can be claimed by Company B is limited to the principal outstanding on the loan between Irish Treasury Company and Company A (€100). However, Irish Treasury Co will be subject to corporation tax on the interest income earned on the loan of €120.

Given the ILR and general anti-avoidance measures contained in section 811C would apply in order to restriction deductions for exceeding borrowing costs (subject to the availability of exemptions) or deny a deduction in respect of tax avoidance transactions, in our view, there is no policy reason for such a restriction to be included within section 840A.

⁴⁸ Ibid.

Specified Financial Transactions

In recent years, Islamic financing structures (i.e. financial transactions which are consistent with the principles of Shari'a law) have become increasingly popular. It has been reported that global Islamic finance industry had assets reaching \$5.4 trillion as of 2024 and forecasted to expand to \$9.75 trillion by 2029.⁴⁹

Ireland introduced domestic legislation, Part 8A TCA 1997, in Finance Act 2010 which provided for the tax treatment of certain credit sale, deposit and investment transactions ("specified financial transactions") which was designed to cover certain Shari'a compliant structures, but which also applies more broadly to transactions falling within the definition of "specified financial transactions". However, the rules contained within Part 8A TCA 1997 contain certain limitations (as outlined below), particularly on the liability side (i.e. where the Irish entity is the borrower). In order to boost Ireland's competitiveness in this sector and establish Ireland as a central European hub for such Islamic financing transactions, we would strongly recommend that legislative changes are made in Finance Act 2026 to address these issues.

The key issues currently faced in relation to Part 8A TCA 1997 are as follows:

1. The definition of "financial institution" for the purposes of Part 8A is limited to certain persons with authorisations under the Central Bank Act 1971 or similar authorisations under the law of an EEA state. A key limitation here is that this definition would exclude banking institutions located outside of the EEA, such as US and UK based global banks.
2. The definition of a "finance company" is also problematic as its application is limited to the entity in question being a "company". This therefore has practical limitations as limited partnership structures may not qualify. In addition, certain special purpose entities in other jurisdictions may not be considered a body corporate.
3. In addition, alternative sources of finance, such as private credit, cannot fall within the definition of a "finance undertaking" as they may not be a "finance company", where they are engaged in other transactions along with specified financial transactions.

We are of the view that legislative changes should be made such that the focus is on the genuine commercial and financing nature of the arrangement rather than the legal classification of the entity or the source jurisdiction. Such a change would better reflect the evolving landscape of financial services in Ireland and support the continued growth of Shari'a compliant securitisation transactions.

⁴⁹ Crisil Coalition Greenwich, "[Unlocking growth: Islamic finance sees global expansion](#)", 10 June 2025.

3. Unlocking the Knowledge Economy: Innovation, Decarbonisation and Digitalisation

Contact



Cathal Noone

Against the backdrop of ever-growing challenges to international trade and increased competition for foreign direct investment (FDI), the continued presence of the R&D Tax credit ecosystem is of vital importance to the Irish economy and future growth. As noted in a recent review of the R&D tax credit regime⁵⁰, the credit is linked to the attraction and retention of a high level of FDI in recent decades, contributing to productivity gains and economic growth. Notwithstanding the success of the regime since its inception, Deloitte's view is that economic headwinds created by further changes to the international tax system, deglobalisation and barriers to domestic growth will continue to be present in the near future. While Ireland has a strong and sustainable 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 the focus of innovation supports to key areas of digitalisation and decarbonisation.

Our submission outlines essential steps and bold strategies that Ireland must adopt to maintain its competitiveness, attract investment, and stimulate genuine domestic growth.

Research and Development (R&D) Tax Credit

We refer to the specific recommendations made as part of our response⁵¹ to the 2025 consultation on the Research and Development Tax Credit and on options to support Innovation. In our view, such recommendations continue to remain relevant in the lead in to Budget 2027 and Finance Bill 2026. However, we would note that a number of areas of focus (detailed below) remain critical priorities in terms of ensuring the continued success of the R&D credit in Ireland.

The R&D Tax Credit and Innovation Compass⁵², issued in February 2026 recognises that R&D activities represent a key driver in economic growth, creating high value employment and contributing to higher innovation and productivity. As part of this Compass, it was noted that it would be beneficial to conduct an in-depth review of the treatment of subcontracting as a whole in the context of the R&D tax credit. We would welcome such a review and would accordingly reiterate our key recommendations in this regard as being critical to the future development of the R&D tax credit, as noted in further detail below.

⁵⁰ Department of Finance, [Research & development tax credit 2025 review: January 2026](#).

⁵¹ Daryl Hanberry and Cathal Noone, "[Deloitte response to the public consultation on the research & development tax credit and on options to support innovation](#)", Deloitte, 19 May 2025.

⁵² Government of Ireland, [Research and development tax credit and innovation compass](#), February 2026.

Amendment to include related party expenditure within the scope of the R&D tax credit

As noted in the recently published review on the R&D Tax Credit⁵³ (2025), the primary policy objective underpinning the credit regime is to increase business R&D in Ireland, as it can contribute to higher innovation and productivity thereby increasing economic activity and contributing to high value-add employment. Statistics and data gathered as part of this review would suggest that a key metric for R&D volume and outcomes is the employment associated with R&D, which has increased steadily in Ireland since 2015. 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 also 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.

The need for a refocusing of efforts is also noted as part of the 2025 Review of the R&D Tax Credit which notes a disparity between the EU and other geographies:

"The gap with the US, South Korea, and Japan is due to an underinvestment by companies within the EU. Fuest et al. (2024) shows that the main difference between the two regions is in fact concentrated in sectors that are usually referred to as "high tech" such as software, computers and biotechnologies, whereas European companies invest more in sectors that are defined as "middle tech" such as automobile, chemical and transportation. Hence, the euro area seems to have a double innovation problem: companies do not invest enough into R&D compared to other countries and innovation investment seems to be overly allocated to sectors outside high technology⁵⁴."

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. 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.

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

⁵³ Department of Finance, "[Research & development tax credit 2025 review](#)", 8 January 2026.

⁵⁴ Antonin Bergeaud, [The Past, Present and Future of European Productivity](#). Prepared for the ECB's forum on central banking 2024.

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

- 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 to 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, subject to EU law. 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.
- 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 jurisdictions⁵⁵ and enhance our competitiveness globally while addressing the diverging trajectory relative to the US and China in terms of productivity and competitiveness. The 2024 Draghi report "The Future of European Competitiveness" highlights a need to focus on innovation and growth; in our view a refocussing of the R&D credit to maintain IP ownership would represent a positive step in the right direction.

Amendment to remove/increase cap on outsourced R&D (universities and third level institutions)

Section 766(1)(b)(vii) TCA 1997 provides that where a company incurring expenditure in carrying out R&D activities also pays a sum to a university or institute of higher academic education in the EEA to enable that university or institute to carry out R&D work on behalf of the company, that sum, up to an amount not exceeding the greater of €100,000 or 15% of the expenditure incurred on R&D activities carried out by the company, will qualify for credit.

As a general observation, feedback received on the subcontracting of R&D activities to a university, or an institute of higher education would suggest that amounts paid rarely exceed the cap of €100,000 provided for in legislation. In any event, we would recommend that these limits on outsourcing are removed in Budget 2027 in the context of third level bodies and research institutes.

A removal of such limits, or at the very least a substantial increase in Budget 2027, would encourage interaction and collaboration between Irish businesses and between businesses and Irish third level institutions.

Furthermore, we would recommend expanding the provisions of section 766(1)(b)(vii) TCA 1997 to include not only "*university or institute of higher education*" but also "*affiliated entities*" of such institutes such as, for example, university hospitals. At present, the definition of "university or institute of higher education" means:

⁵⁵ In particular, Belgium, France and the UK permit the costs of subcontracting to related parties subject to specific conditions. Please refer to our "[Budget 2026 submission](#)" in this regard for further details.

- (i) a college or institution of higher education in the State which -
 - (I) provides courses to which a scheme approved by the Minister for Education and Science under the Local Authorities (Higher Education Grants) Acts 1968 to 1992 applies, or
 - (II) operates in accordance with a code of standards which from time to time may, with the consent of the Minister for Finance, be laid down by the Minister for Education and Science, and which the Minister for Education and Science approves for the purposes of section 473A;
- (ii) any university or similar institution of higher education in a relevant Member State (other than the State) which –
 - (I) is maintained or assisted by recurrent grants from public funds of that or any other relevant Member State (including the State), or
 - (II) is a duly accredited university or institution of higher education in the Member State in which it is situated.

Expansion of the above definition to include affiliated entities within the meaning of a “college or institution of higher education” is necessary to ensure that valuable research and development activities carried on by university hospitals and separate research centres may be brought within the remit of the R&D tax credit and appropriately incentivised. The objective here is to drive additional spend on clinical trial activities in our hospitals. In the absence of such amendment, research centres can fail to be treated as university subcontractors and are thus subject to the cap on subcontracted costs for research and development activities.

Amendment to increase cap on outsourced R&D (unconnected parties)

Section 766(1)(b)(viii) TCA 19987 provides that expenditure by a company on subcontracting research and development work to an unconnected party will qualify for relief up to a limit of the greater of €100,000 or 15% of qualifying R&D expenditure incurred by the company in any one year.

We would recommend increasing the cap applying to unconnected party subcontracting currently in place in section 766 TCA 1997.

Inclusion of agency staff within internal spend

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 be unusual for the engagement period to be less than 6 months, particularly in the case of complex multiphase projects.

These types of roles are fulfilling the policy objective of creating highly paid STEM employment within the state. They also create an ecosystem within the state of highly specialised experts to facilitate wave after wave of similar type investments and projects to flow into Ireland, due to the availability of these resources. 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.

Digitalisation Tax Credit

The growing role of digitalisation⁵⁶ to drive innovation continues, in our view, to dominate the conversation amongst the business community. The Summer Economic Statement (2025) in this regard notes that digitalisation represents a long-term structural change that will have a significant impact on Ireland's economy and public finances in the future. The Programme for Government notes a commitment to ensuring that Ireland is a leader in the digital economy and Artificial Intelligence ("AI"), "realising the full benefits of digitalisation including AI to increase productivity of Irish businesses". In addition, the Digital and AI Strategy published on 18 February 2026⁵⁷ looks to grow the digital economy by investing in building secure, resilient and future proofed AI infrastructure while empowering businesses to thrive in a digital economy.

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 paper⁵⁸ 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."*

As previously outlined as part of Deloitte's response⁵⁹ to the 2025 public consultation on the Research and Development Tax Credit and on options to support Innovation⁶⁰, we would strongly recommend the introduction of a new standalone digitalisation tax credit⁶¹ for relevant expenditure related to reliably safe development, implementation and use of digitalisation, including within its remit AI. 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. In aligning such a new tax credit with the existing R&D tax credit format, any incentives made available to taxpayers can be effectively turned towards the promotion of innovation type activities which would otherwise not happen in Ireland.

Looking beyond immediate priorities, it is essential that Ireland adopts a forward-looking approach to the transformative impact of AI on the economy and the tax system. As Ireland assumes the EU Presidency, there is a unique opportunity to lead discussions on how tax policy can adapt to AI-driven changes in business models and workforce dynamics. We encourage consideration of AI-specific incentives designed to attract and retain the new wave of highly skilled talent essential for Ireland's

⁵⁶ Digitalisation is a broad term that refers to the increasingly widespread adoption and use of digital technologies with transformative effects on businesses and workers. Key driving forces of the digital transformation are the automation of work (including AI capabilities) and the digitisation of processes. Sara Riso, Dragoş Adăscăliţei and Ricardo Rodríguez Contreras, "[Ethical digitalisation at work: From theory to practice](#)", Eurofound, 2023.

⁵⁷ Department of the Taoiseach, "[Government publishes new Digital and AI Strategy](#)", 18 February 2026.

⁵⁸ OECD "[Digitalisation of financial services, access to finance and aggregate economic performance](#)", OECD Economics Department Working Papers, 9 August 2024.

⁵⁹ Daryl Hanberry and Cathal Noone, "[Deloitte response to the public consultation on the research & development tax credit and on options to support innovation](#)", Deloitte, 19 May 2025.

⁶⁰ Department of Finance, "[Public consultation on the research & development tax credit and on options to support innovation](#)", 2 April 2025.

⁶¹ To be introduced as a "qualified refundable tax credit" for Pillar Two purposes and also for the purposes of the US Foreign Tax Credit Regulations and aligned with the new permanent substance-based tax incentives safe harbour comprising part of the OECD side by side package agreed in January 2026.

future competitiveness. While infrastructure challenges remain, particularly in relation to data centres, recognising their strategic importance in supporting digital growth is critical. Even if specific policy measures in this area are modest initially, signalling a commitment to exploring these issues will help distinguish Ireland as a proactive and innovative jurisdiction in the evolving digital landscape.

Investment Tax Credit

As previously outlined as part of Deloitte's response⁶² to the 2025 public consultation on the Research and Development Tax Credit and on options to support Innovation, we would reiterate our recommendation for the introduction of a new standalone investment tax credit in Ireland. Such an investment tax credit would bring Ireland's tax incentives in line with other competitor jurisdictions, notably Luxembourg.

Under the Luxembourg investment tax credit regime, eligible investments and expenses - such as those related to software development, digital infrastructure, and cybersecurity - qualify for an 18% tax credit. However, for tangible depreciable assets like hardware, the tax credit is 6%. The credit is calculated based on the acquisition or production cost of qualifying investments made during the financial year, or the amount of qualifying deductible operating expenses for that year. This incentive aims to encourage businesses to modernise their operations and enhance competitiveness through digital means. And to promote ecological and energy transitions, Luxembourg provides a tax credit to companies investing in environmentally friendly initiatives. Qualifying investments and business expenses - such as those aimed at improving energy efficiency or reducing carbon emissions - are eligible for an 18% tax credit⁶³. For investments in tangible depreciable assets like energy-efficient machinery, the tax credit is 6%. The credit is based on the acquisition or production cost of qualifying investments made during the financial year, or the amount of qualifying deductible operating expenses for that year.

While the new Investment Tax Credit would act as a standalone measure, it would in our view naturally align with the Decarbonisation tax credit; through the introduction of an investment tax credit for tangible assets (namely plant and machinery), Ireland can ensure that the incentives regimes in place are targeted towards supporting businesses to adopt sustainable practices and contributing to environmental goals.

Targeted incentives designed in the above manner have also been introduced elsewhere in the world, notably in Japan in 2021 with the introduction of a temporary tax incentive to promote business transformation-related digital investments, such as for example better internet connectivity, cloud services, updated IT systems, and cybersecurity. Eligible assets include certain new software, machinery, and equipment, or deferred assets for investments in cloud-based systems used for business purposes in Japan. Businesses can either get a tax credit of 3% to 5% or claim a special 30% depreciation on the cost of these digital upgrades. However, they can only use these credits to reduce up to 20% of their total corporation tax bill, and this 20% cap also includes credits from green initiatives.

Decarbonisation Tax Credit

The issue of decarbonisation, in our view, remains critical and tax policy should play a role in moving the dial towards a carbon neutral economy. The Summer Economic Statement⁶⁴ (2025) in this regard notes that decarbonisation represents a longer-term structural trend that will have a significant impact on Ireland's economy and public finances into the future. While recognising that the shift to carbon neutrality will create new opportunities but will also require greater levels of public and private investment, tax policy should in our view play a part in driving the decarbonisation agenda.

The need for renewed focus on tax policy measures to drive decarbonisation exists against an existing backdrop of mandatory action to be taken by Ireland to achieve specified targets. Under the Climate Action and Low Carbon Development (Amendment) Act 2021, Ireland is required to pursue

⁶² Daryl Hanberry and Cathal Noone, "[Deloitte response to the public consultation on the research & development tax credit and on options to support innovation](#)", Deloitte, 19 May 2025.

⁶³ Deloitte Luxembourg, "[International Tax Highlights 2026](#)", January 2026.

⁶⁴ Department of Finance, "[Summer economic statement 2025](#)", 22 July 2025, p. 12.

and achieve, by no later than the end of the year 2050, the transition to a climate-neutral economy. The Act also requires a reduction of 51% in Greenhouse gas emissions by 2030, compared to 2018 levels. The European Climate Law set legally binding EU-wide targets of reducing net emissions by at least 55% by 2030, compared to 1990 levels, and achieving net-zero emissions by 2050.

Should Ireland fail to make sufficient progress, the costs for noncompliance may be significant. As outlined in the Climate Action Plan of 2025⁶⁵, emissions have been reduced by 8.6% over the two years from 2021 to 2023, excluding LULUCF (Land Use, Land Use Change and Forestry) emissions. While this trend represents a welcome and important reduction of Ireland's emissions in a time of economic and population growth, the pace of emissions reduction will need to be rapidly accelerated to remain within the carbon budgets. Furthermore, the Climate Action Plan also notes that the cost of noncompliance with targets may reach €8.1bn by 2030⁶⁶. In December 2024, the Irish Fiscal Advisory Council (IFAC) presented further work assessing potential compliance costs with the Effort Sharing Regulations. While acknowledging that there was a considerable degree of uncertainty involved, it calculated that potential costs could reach up to €20billion depending on the scale of climate action measures implemented and the future price of emissions allowances. Such costs are not limited to solely remedying the failure to meet emissions reductions target but include the potential future pressures on public finances in providing supports for relief work in the event of extreme weather events connected to climate change.

In addressing the above challenges and potential future costs, the Climate Change Advisory Council review⁶⁷ has noted as follows:

So that Ireland can end its reliance on fossil fuels, Government should cease subsidising fossil fuel consumption and increase funding and make it more accessible to enable and accelerate the rapid uptake of low-carbon technologies and alternatives across all sectors.

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.

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. The existing R&D tax credit is focused on scientific advancements and the new decarbonisation tax credit will not replace it, as instead of achieving 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. We would refer to our detailed comments with respect to the design of this new decarbonisation tax credit as outlined in our Budget 2026 submission⁶⁸.

Such a 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 and should align with the new permanent substance-based tax incentives safe harbour comprising part of the OECD side by side package agreed in January 2026⁶⁹.

The introduction of a decarbonisation tax credit would place Ireland on a more competitive footing with respect to our energy targets and inward investment compared to other tax regimes. In particular, the Finnish Government recently approved a new Tax Credit program targeting investments aiming to accelerate clean energy transition and reduce dependence on fossil fuels. The tax credit applies to investments in clean hydrogen, battery value chains, energy storage and industrial decarbonisation

⁶⁵ Department of Climate, Energy and the Environment, [Climate action plan 2025](#), p. 25.

⁶⁶ Ibid, p. 26.

⁶⁷ Ibid, p. 45.

⁶⁸ Deloitte, "[Pre-Budget 2026 submission](#)", 15 May 2025.

⁶⁹ OECD, [Tax challenges arising from the digitalisation of the economy – Global Anti-Base Erosion Model Rules \(Pillar Two\), side-by-side package: Inclusive framework on BEPS](#), OECD, 2026.

and amounts to 20% of eligible investment costs, with a minimum investment required of €50m per facility and subject to a maximum credit ceiling of €150m per group to be utilized between 2028 and 2047.

Relief for investment in digital games

Structure of the relief

Tax law⁷⁰ provides relief in respect of certain expenditure incurred by digital games development on the development of eligible digital games. Regulations⁷¹ specify that qualifying expenditure is limited to sub-contractor payments incurred in relation to the development of the qualifying digital game, provided they do not exceed €2,000,000.

While the above would permit an element of outsourcing to be carried on in the development of the digital game, the overall structure of the relief would nevertheless in our view appear to be misaligned with existing industry norms. The structure of the relief as currently enacted in law provides for the operation of a corporation tax credit to the aforementioned company, which necessarily presumes that the publishing entity in respect of the digital game is resident in Ireland or in an EEA State. In our view, this represents a fundamental misalignment with current industry practices regarding the development of digital games worldwide. From the perspective of larger games development studios, it would not be uncommon for an element of development to be undertaken by specific teams in specific geographies as opposed to the wholesale development of an entire game from inception to publication within one legal entity. However, the relief as currently structured excludes many international studios from availing of the credit and does not therefore achieve the aim of attracting inward investment in this space.

Our overarching comment on this credit would note that it should be fundamentally redesigned to reflect the reality that a significant portion of the games market create and develop offerings in a collaborative manner. In our view, the credit should be modelled more closely on the R&D tax credit offering which has proved successful in developing Ireland's knowledge economy.

Rate of relief

Changes to the digital gaming tax credit in Finance (No.2) Act 2023 ensured that it is treated as a qualified refundable tax credit and compliant with Pillar Two minimum effective tax rate and US foreign tax credit rules. However, as the benefit is now deemed a Qualifying Refundable Tax Credit, it is treated as income as opposed to a reduction in a company's effective tax rate. As such the net benefit secured by the claimant is significantly reduced from the original 32% rate intended.

To ensure that the original 32% incentive is achieved, we would recommend increasing the rate to 38% in addition to redesigning the relief in the manner recommended above. This will ensure that there is a sufficient incentive to attract ongoing investment in an attractive and high growth industry. This would help to secure further investment and jobs in Ireland.

Shareholder Liability

Legislation⁷² provides for the application of a clawback where specific conditions arise, and for such a clawback to be assessed on:

- The company
- Any director of the company
- The digital games development company,
- Any company controlled by the digital games development company, and

⁷⁰ Section 481A, TCA 1997.

⁷¹ Section 481A(17), TCA 1997; [Statutory Instrument No. 593/2022, Digital Games Regulations 2022](#), regulation 9.

⁷² Section 481A(26), TCA 1997.

- Each person who is either the beneficial owner of, or able directly or indirectly to control, more than 15% of the ordinary share capital of the digital games development company⁷³.

While the relevant provisions ensure that the clawback may be levied in an effective manner and to act as a disincentive to unauthorised claims, the inclusion of shareholder liability⁷⁴ is unworkable from the perspective of global groups who wish to invest in Ireland through a digital games development company. We would accordingly recommend that reference to such shareholder liability be removed from section 481A TCA 1997 and are of the view that a clawback on the company itself would be sufficient.

⁷³ Section 481A(13)(c), TCA 1997.

⁷⁴ Referring to persons who are able directly or indirectly to control more than 15% of the share capital of the company.

4. Closing the Housing Gap: Driving Growth Through Tax Policy and Investment Incentives

Contacts



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Shane Wallace

Ireland's housing and real estate market enters 2026 facing a critical structural imbalance between robust demand and severely constrained supply, with price inflation moderating to 5.4% in Q4 2025⁷⁵ despite an 8% decline in transaction volumes⁷⁶. However, supply and demand mismatches are not the only drivers of the housing crisis in Ireland, which is instead reflective of wider socio economic and competitive challenges.

In our view, tax policy and targeted incentives play a pivotal role in the future development and delivery of housing both for purchasers and renters alike. Tax policy measures must be geared towards accelerating the provision of housing with a continued lens on affordability.

Tax incentives for strategic supply

The Programme for Government 2025 commitment to deliver over 300,000 new homes by 2030⁷⁷ 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.”⁷⁸

Despite the introduction of specific incentives and reliefs in Finance Act 2025⁷⁹ targeting the real estate sector, Ireland continues to face challenges in meeting its annual and broader housing delivery targets. We recommend further engagement with stakeholders, introducing further tax incentives and reliefs with a view to delivering housing in the future.

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.

⁷⁵ MyHome, [Property Report: Q4 2025](#), 8 January 2026.

⁷⁶ Marco Giardina, *Housing Market Report: Q4 2025*, Geowox, 29 January 2026.

⁷⁷ Department of the Taoiseach, [Programme for government 2025: Securing Ireland's future](#), p.40, 2025.

⁷⁸ Ibid.

⁷⁹ Including reductions in the VAT rate on the supply of apartments from 13.5% to 9%, new enhanced corporation tax deduction for apartment development, corporation tax exemption applying to cost rental dwellings and expansion of the Living City Initiative.

- 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 centres 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.

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

Target	Examples of tax incentives and reliefs
Apartments	<p>Capital allowances: Provide for capital allowances equivalent to Industrial Building Allowances (IBAs).</p> <p>Stamp Duty: Enhancing the stamp duty refund scheme⁸⁰ to provide full refunds for apartment construction.</p>
Tax incentives to incentivise the remediation of brownfield sites	<p>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.</p> <p>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.</p> <p>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.</p>
Tax incentives to re-purpose the property from non-residential to residential	<p>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.</p>
Tax incentives to increase supply of student accommodation	<p>Similar incentives and reliefs to those discussed above can be considered by the Government in the context of student accommodation.</p>

⁸⁰ Section 83D Stamp Duty Consolidation Act 1999

<p>Tax incentives and reliefs for other types of accommodation (employer provided accommodation, co-living spaces, nursing homes, independent living accommodation)</p>	<p>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.</p>
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International Investors

As noted in our comments in this submission on the specific Financial Services recommendations, the Funds Sector Implementation Plan of October 2025 reflects the current status of the recommendations set out in the Funds Review Report. The Implementation Plan notes that the Minister for Finance has confirmed that a consultation on an entity level tax for Irish Real Estate Funds (“IREFs”) will not be progressed. However, we note from the Implementation Plan that the Minister intends to hold a public consultation in 2026 on proposals to simplify the IREF regime, without limiting its effectiveness, with a view to amendments being made to the regime in Finance Act 2026. In this regard, we would recommend the introduction of a form of reconstruction relief for IREFs similar to section 739H TCA 1997 for IUT⁸¹.

In addition, section 739L TCA 1997 provides that where some or all of the specified debt of an ICAV relates to third party debt, the amount of deemed income on which the IREF is charged⁸² shall be reduced by the amount of deemed income that would have been charged to income tax under the provisions had the specified debt consisted solely of the relevant third-party debt (the “third-party debt reduction”). The formula by which relief for third party debt is given only provides relief where the 50% threshold is breached when preparing the calculation using third party debt only. The associated calculations required to assess whether this has been breached are cumbersome and in our opinion surplus to requirements given the introduction of leverage limit rules⁸³ by the Central Bank of Ireland (“CBI”).

⁸¹ Investment Undertaking Tax.

⁸² Section 30 FA 2019 introduced rules to provide a charge to income tax for part of or all of certain interest expenses of an Irish Real Estate Fund (“IREF”). In short, an IREF will be deemed to have received an amount of income that is chargeable to income tax under Case IV of Schedule D and taxable at a rate of 20% in specific circumstances. In particular, the deemed income arises where the aggregate of any debt incurred by the IREF in respect of monies borrowed by, or advanced to the IREF (“specified debt”) exceeds 50% of the aggregate of such costs of its assets as would have been allowable as base cost for capital gains tax purposes (“relevant costs”).

⁸³ In November 2022, the Central Bank of Ireland published its Macroprudential Policy Framework for Irish Property Funds which introduced a limit of 60% to the ratio of debt over total assets of Irish property funds.

5. Empowering Ireland’s Workforce: Retaining and Growing Talent

Contacts



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Niamh Kane

Ireland’s capacity to attract and retain skilled talent is vital for its economic growth and international competitiveness. The Special Assignee Relief Programme (SARP) plays a key role in this by lowering costs for employers who assign skilled individuals from abroad to their Irish operations. SARP benefits both employees and employers by facilitating smoother transitions and reducing the financial impact of international assignments, thereby promoting knowledge sharing and innovation. However, while SARP has proven to be a very successful programme, it also has several limitations that should be addressed in Budget 2027 to enhance its competitiveness.

Additionally, we recommend continued investment in a strong immigration system that attracts and supports the transfer of essential talent needed for Ireland’s development.

Moreover, tax policy can further assist employers and employees by tackling issues related to hybrid and remote working, improving the Small Benefits Exemption, extending deadlines for PAYE settlement agreement payments, providing clear guidance on staff entertainment, and supporting Ireland’s Olympic athletes through targeted legislative changes.

Implementing these measures will help maintain Ireland’s appeal as a destination for skilled professionals, boosting productivity and prosperity in key industries and underpinning the country’s economic advancement and global reputation.

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. As it stands, Ireland’s top personal income tax rate is among the highest in the EU and despite modest increases to the Standard Rate Cut-Off Point (SRCOP), in recent years, increases to the PRSI rates announced in Budget 2026 mean that individuals will pay more in combined tax and social security in 2026 than in 2025, with further increases to the PRSI rates legislated through to 2028. The relatively low SRCOP (currently €44,000) also means that the tax burden disproportionately impacts middle income earners.

The Central Statistics Office highlighted that average weekly earnings have increased by 44.9% in the last 10 years.⁸⁴ However, the SRCOP has increased by just 30% over the same period. As a result, the SRCOP is currently less than the average income in Ireland, pushing more individuals into the higher tax bracket. We recommend that Budget 2027 set out a clear and phased roadmap to raise the SRCOP to a minimum of €50,000 within the next three years.

In addition, consideration should be given to reforming the personal tax regime such that the combined income tax, USC and PRSI rate for workers does not exceed 50%.

⁸⁴ CSO, “[Ireland 2025: The year in numbers](#)”, 5 January 2026.

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

Employment Tax Matters

Special Assignee Relief Programme

The Special Assignee Relief Programme (SARP) is a valuable and targeted tax relief that encourages the relocation of key talent to Ireland. However, the scheme has several limitations that increase administrative burdens for employers and restrict Ireland's ability to attract and retain highly skilled international talent. We recommend legislative changes in Budget 2027 and Finance Act 2026 to address these issues and enhance the programme's effectiveness.

- **Continuity:** SARP should become a fixed part of the tax code. While we welcome the extension of SARP to 2030 in order to provide groups with certainty around the availability of SARP going forward, further legislative change should be made to remove the sunset provision entirely.
- **Simplification:** The current regime requires employers to certify within 90 days of an employee arriving in Ireland that the employee meets all qualifying conditions for the relief. Prior to the changes introduced in Finance Act 2025, where this administrative requirement was not met, an employee could not avail of the relief. Finance Act 2025 introduced a new provision which allowed SARP to be claimed for four years (rather than five), where the certification referred to above is made after 90 days but within 180 days. We understand that this provision was intended to provide more flexibility given concerns previously raised in relation to the 90-day requirement. However, this change has instead resulted in additional complexity. We recommend that this requirement is removed from the conditions to qualify for the relief. To the extent that this certification must be made within a specified time period, this should be an administrative requirement only, rather than a condition for claiming the relief. This would allow fixed rate penalties to be applied (if required) where such certifications were not made by the employer, without resulting in a denial of the relief for the employee.
- **Extension to Direct Hires:** SARP currently only applies where the relevant employee was a full-time employee of the relevant employer for 6 months prior to being assigned to work in the State. Therefore, direct hires into Ireland cannot avail of the relief. This restriction hinders the ability of Irish employers to attract key talent into Ireland from other jurisdictions. We see no policy reason why the relief is limited to existing employees assigned to Ireland. As such, we would recommend that the conditions for the relief are amended to enable direct hires to qualify.
- **USC and PRSI:** The relief should be available in respect of USC and PRSI. This would allow for a lower effective rate for the employee and would make the relief more competitive with regimes in other jurisdictions. We would also recommend extending the relief to employers PRSI as this would reduce costs for employers, allowing for greater investment in the business.
- **Other Recommendations:** In addition to the items mentioned above, we also recommend the following:
 - The conditions for the relief should be amended to allow relevant employees up to 20 workdays in the State in the 6-month period 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 €125,000.
 - 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.
 - The cap on qualifying school fees should be removed; and

- Consideration should be given to extending the period of the SARP beyond the 5 years considering that regimes in other jurisdictions generally apply for up to 8 years. Existing claimants should be able to qualify for the relief for the extended period.

In looking to implement the above recommendations, we would encourage the Department to look at the regimes available in other jurisdictions. Belgium for example has a similar regime for inbound taxpayers. However, the Belgian regime allows more flexibility and applies to a broader base of taxpayers. For example, the Belgian regime allows the 5-year period to be extended for another 3-years, the relief applies for income tax and social security contribution purposes, relief is given at 35% (rather than 30%) and the income threshold is only €70,000. In addition, from an administrative perspective, while the Belgian relief requires an application to be made within 3-months, it also allows for retrospective application (in some cases).

We would therefore strongly encourage that the above recommendations are implemented in order to maintain Ireland's competitiveness position in the European and Global market and reduce the cost of doing business for Irish employers.

Small Benefits Exemption

The small benefits exemption allows employers to provide up to five small benefits tax-free to employees each year, subject to a value cap of €1,500. Where more than five benefits are provided, only the first five benefits will qualify for the exemption.

In our view, 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 the Enhanced Reporting Requirements (ERR) obligations. As such, we would recommend that the limit on the number of benefits be removed. The timing for reporting all such small benefits should also be extended to post year-end (rather than real-time reporting) as this would significantly reduce the administrative burden for employers where minor benefits are provided throughout the year.

In addition to the above, we would recommend that the sunset clause⁸⁵ should be removed (i.e. the small benefit exemption should become a fixed part of the tax code).

PAYE Settlement Agreement

Income tax, PRSI and USC arising on certain minor and irregular benefits can be remitted through a PAYE Settlement Agreement (PSA)⁸⁶. This system can help employers avoid complex, real-time payroll adjustments for such minor benefits. While the PSA may provide employers with some flexibility in relation to the timing and mechanism for paying the payroll taxes due on the minor and irregular benefits, the time limit for making the PSA payment creates its own challenges.

The deadline for paying tax due under a PSA is 23 days after the end of the year assessment. This can cause a number of practical difficulties for employers as they are required to pull together the relevant data for the PSA calculations in a very short-term timeframe.

If you take a 31 December year-end as an example, the majority of employers will provide some sort of Christmas benefit to employees. Where the benefits provided fall within the remit of the PSA (rather than the small benefit exemption), the tax due on all such items (as well as any other PSA-able benefits provided throughout the year) needs to be paid by 23 January. However, the December books may not close until early January, leaving a very limited timeframe for preparing the PSA calculations. Other jurisdictions, however, provide significantly more time for preparing PSA related calculations. For example, in the UK, the deadline for making payments under the PSA for tax year ending 5 April 2026 is 22 October 2026, allowing taxpayers 6 months from the end of the tax year to prepare the relevant calculations and pay the tax due.

⁸⁵ Section 112B TCA 1997.

⁸⁶ Section 985B TCA 1997.

In order to ease the administrative burden for employers and facilitate more accurate reporting, we would recommend that the deadline for making payments due under the PSA is extended.

Staff entertainment

We welcome the guidance published by Revenue in October 2025 in relation to certain staff meals.⁸⁷ However, the Revenue approach to the tax treatment of staff entertainment remains an area of significant concern.

A particular challenge faced by many employers is in relation to seasonal staff parties. In our experience, Revenue have taken the view that these events only include Christmas or summer parties and must be available to all staff. This causes significant challenges for larger employers as an all-staff event may not be feasible due to size constraints and/or significantly higher costs. In addition, there have been inconsistencies in approach taken by Revenue, further increasing in the uncertainty in relation to how these items should be treated. We therefore request that consideration be given to developing consistent guidelines, with input from all stakeholders, to address these concerns.

Other Employment Tax Matters

In addition to recommendations outlined above, we would also recommend that consideration be given to the following:

- 1. Foreign Earnings Deduction (FED):** We would recommend the following changes are made to the FED:
 - The maximum deduction should be increased to €100,000.
 - The relief should be extended such that it applies where an employee spends a significant amount of time working outside the State (rather than limiting it to only “relevant jurisdictions” (as defined)).
 - The sunset provision should be removed, with this relief becoming a permanent feature of Ireland’s tax code.
 - The relief should be extended to USC and PRSI.
 - The relief should be extended to the self-employed sector.
- 2. Enhanced Reporting Requirement (ERR)-Non-Taxable Benefits:** The ERR requirements related to non-taxable benefits (i.e. requiring such benefits to be reported before the date of payment) pose significant practical challenges for employers. We would recommend that an amendment is made to allow employers to report non-taxable benefits within a reasonable period after the benefit date, such as the end of the month following the month in which the benefit date arises, in order to allow sufficient time to gather and process the necessary information and allow for increased accuracy of reporting.
- 3. Share Based Remuneration:** Legislative changes should be made to section 128 TCA 1997 to allow share options to be exercised beyond 7 years without triggering a tax charge at grant. Such a 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.
- 4. Preferential Loan Arrangements:** Section 122 TCA 1997 provides for a rate of 13.5% to apply to certain preferential loan arrangements (other than in relation to principal private residences). This 13.5% rate was introduced a result of changes made to the section in Finance Act 2013 and has remained unchanged since then, despite significantly lower rates applying on commercial loans in the same period. We would therefore recommend that regulations be made in order to bring this rate in line with current commercial rates.
- 5. Temporary Assignees from Abroad:** Revenue practice (as outlined in Tax and Duty Manual 05-01-06)⁸⁸ provides that tax-free subsistence may be paid or reimbursed for the first 12 months of a temporary assignment provided that the period of assignment does not exceed 24months. In our view, there is no clear policy reason for why this treatment is limited to only

⁸⁷ Revenue Commissioners, “[Food and entertainment](#)”, 2 October 2025.

⁸⁸ Revenue Commissioners, “[Tax and Duty Manual Part 05-01-06](#)”, March 2025.

applying for the first 12 months of a 24-month assignment. As such, we would recommend consideration is given to extending this treatment to cover the total period of assignment, subject to a maximum period of 24 months.

Cross Border and Hybrid Workers

Cross border workers and PE risk

In November 2025, the OECD released the 2025 Update to the OECD Model Tax Convention⁸⁹ which included welcome guidance in relation to when cross-border home working creates a permanent establishment (“PE”). The revised guidance issued by the OECD establishes a two-part test for assessing whether a home office may give rise to a fixed place of business (“FPOB”) and thus a PE for the employing entity.

The first test looks at whether the home (or other relevant place) is used on a continuous basis during an extended period of time for carrying on activities related to the business of the enterprise. Broadly, the new guidance establishes that a home or other relevant place should not be considered a FPOB if the individual works there for less than 50 per cent of their working time, assessed over any 12-month period and based on actual conduct.

Where the first test is failed (i.e. the employee spends more than 50% of their time working in their home jurisdiction) other facts and circumstances must be considered to determine whether a PE arises. In line with the updated OECD guidance, a prominent consideration is whether there is a commercial reason for activities being carried out in the employee’s home jurisdiction. Broadly, where no commercial reason exists, there should be no FPOB, unless other facts and circumstances indicate otherwise.

Following the release of the updated OECD guidance, we are asking for guidance to issue confirming that the principles established in the updated OECD guidance will be applied in assessing whether a PE has been created in Ireland as a result of cross-border home working arrangements.

Hybrid Workers

A recent Dublin Chamber survey⁹⁰ showed 78% of respondents confirmed they operate a hybrid working model and 82% confirmed they do not expect their policies in relation to hybrid or remote working to change during 2026. This demonstrates that hybrid working remains the dominant workplace arrangement in the post-Covid 19 world.

In light of this, we would recommend that consideration is given to recognising a home office as a “normal place of work” where a company has formally adopted a flexible working policy and an employee performs their job duties at home.

Olympic Athletes

Deloitte is a Worldwide Olympic and Paralympic Partner, as well as an Official Partner of Team Ireland and the Olympic Federation of Ireland. We believe that Irish tax policy should acknowledge and support these athletes in their sporting pursuits and as such, we recommend that legislative changes are introduced in order to support these athletes.

Sportsperson relief

The list of sportspersons who can qualify for tax relief⁹¹ excludes a number of Olympic sports. In addition, the relief is only available in respect of income “wholly and exclusively” derived from the engagement in a specified occupation and specifically excludes income from sponsorships. Further, relief may only be claimed after the individual has retired from that occupation. As such, the relief, as it stands, has a number of limitations. We would therefore recommend that the following changes be made to section 480A TCA 1997 in Finance Act 2027:

⁸⁹ OECD, [The 2025 update to the OECD model tax convention](#), 2025.

⁹⁰ Dublin Chamber, [Business Outlook Survey Q4 2025](#).

⁹¹ Section 480A, TCA 1997.

- The definition of a specified occupation and profession (as per schedule 23A TCA 1997) should be updated to include all Olympic sports which are run by national governing bodies (as defined in section 847AA TCA 1997); and
- The relief should be broadened to include income earned from personal appearances, sponsorships and philanthropy provided that the income is “wholly and exclusively” derived from being a professional athlete.

Additional Recommendations

In addition to the specific changes⁹² outlined above, we also recommend consideration be given to the following:

- **Amateur/Olympic Athlete Income Tax Exemption:** Consideration should be given to introducing a similar tax exemption to the Artists Exemption for athletes’ earnings subject to caps and/or sports. EU State Aid approval will have to be considered.
- **Income Exemptions/Averaging:** If an income exemption is not considered suitable for current policy, as an alternative, 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.
- **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 to cover the cost of equipment athletes need for their sport.
- **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.
- **Health expenses for special dietary requirements of Amateur/Olympic Athletes:** The current tax relief⁹³ 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.

Continuing focus and investment into Ireland’s migration system

As acknowledged in the Programme for Government 2025, immigration is essential to support economic growth, to fill vital skills gaps in many sectors, including agriculture, the multinational sector, health services, and the construction sector, and to respond to the changing demographics in Irish society, where our population is aging. To support this proposition, Ireland’s immigration system must not only be fit-for-purpose but also competitive compared to other countries immigration systems, bearing in mind the intense competition among organisations globally to attract, hire and retain skilled talent and to promote Ireland as a talent destination.

At present, Ireland’s immigration system needs improvement where there are significant delays in visa processing times, residency registration applications, and employment permit renewal applications. These delays are creating bottlenecks in the system which in turn are acting as barriers to timely recruitment and business growth, often resulting in global companies opting to recruit talent in other jurisdictions.

The Government has committed to increase investment and resources to support faster processing times for visa and immigration permissions. However, the impact of this commitment is yet to be seen, where business immigration processing delays have largely worsened in the past several years. In addition to this, the Irish system has no facility to expedite visa processing which makes it an outlier as compared to other countries that offer “priority” and “super priority” for an additional non-refundable fee and where such a facility gives more certainty to employers and applicants. We recommend that such a facility is introduced in Ireland at the earliest possible opportunity.

⁹² Ibid.

⁹³ Section 469, TCA 1997.

The Government has committed to merging the visa and employment permit system into one user-friendly single application procedure supported by a new ICT system. This single application procedure will greatly improve efficiency and the user experience and accordingly, should be prioritised and introduced by the end of 2026 and communications should be maintained with key stakeholders to update them on its evolution.

6. Transforming Tax Administration: Simplifying Compliance and Promoting Fairness

Contact



Geraldine McCann

The importance of the Irish tax system being approachable, with simple, clear and straightforward policies cannot be overstated in creating a favourable business environment. A transparent and easy-to-understand tax framework reduces compliance costs and uncertainty for businesses, making Ireland an attractive destination for both domestic entrepreneurs and foreign investors. When companies can navigate tax obligations efficiently, they are more likely to invest, expand, and contribute to economic growth. Moreover, clarity in tax policies fosters trust and confidence among investors, encouraging long-term commitments and innovation. Ultimately, an approachable tax system acts as a vital catalyst for sustaining Ireland's competitiveness and appeal in the global marketplace.

While attracting and retaining FDI is an important consideration from a tax policy perspective, the tax system must also strive to support domestic business, particularly small and medium size enterprises (SMEs). SMEs can face a disproportionate burden in meeting tax compliance obligations due to the limited resources available to them. Simplification measures are therefore needed for this sector in order to provide a level playing field.

Currently, the Irish tax system presents unnecessary financial and administrative barriers that can stifle investment in key areas, such as research and development, hindering technological advancement and economic growth. We have therefore identified three key priority areas for Budget 2027:

1. Compliance obligations,
2. R&D administration, and
3. Taxpayer Rights.

Compliance Obligations

Small and Medium Enterprises

There is a need to ensure that the SME test and the "Think Small First" principle is applied in considering any changes to tax legislation, tax forms and Revenue guidance. Without applying these principles, the introduction of new tax legislation or changes to tax forms could disproportionately impact SMEs, which have far fewer resources available to them to assist with navigating the added complexity any such changes may bring.

The need to support SMEs has also been acknowledged at EU level in the Competitiveness Compass⁹⁴. The Competitiveness Compass specifically calls out the necessity to create a friendly

⁹⁴ European Commission, "[Competitiveness compass](#)", 29 November 2025.

environment for young companies to start and expand. One of the enablers identified in this context is simplification, and specifically the Competitiveness Compass set a target to cut the administrative burden for SMEs by at least 35% (25% for firms).

We therefore ask that the issues and recommendations outlined below be carefully considered. Addressing these concerns will significantly ease the administrative burden on taxpayers and enhance the efficiency of tax compliance processes. While many of our recommendations apply broadly, we have included specific suggestions tailored to the needs of SMEs where appropriate.

Real Estate sector

As reflected in previous submissions, Ireland's tax compliance burden in the real estate sector has reached unsustainable levels. Compliance costs and administrative demands have escalated significantly, leading to many companies operating in this sector to increase the number of tax resources available to them, diverting resources away from delivering housing.

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)
- Professional Services Withholding Tax (PSWT)

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. With the backdrop of the housing crisis, it is crucial that tax system in Ireland supports Ireland as a location for real estate and development activities. We would therefore recommend a targeted review of the tax compliance requirements in the real estate sector. In this regard, we welcomed the opportunity to respond to the eWHT – Joint Public Consultation by Department of Finance and Revenue⁹⁵. We have re-iterated a number of our key points related to same in the eWHT section below.

Taxation of Investment Products

We refer to our response to the Funds Review⁹⁶ and our comments on the current classification system of investment products. As outlined, in our view, the taxation of investment products is unnecessarily complex, requiring individuals to consider the various different classification systems for investment products, with differing tax treatments.

With the drive to encourage savings and investment, in line with the EU SIU, tax policy must be introduced to simplify the taxation of investment products. In particular, we would strongly recommend the introduction of legislation in Finance Bill 2026 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).

⁹⁵ Revenue Commissioners, "[eWHT – Joint public consultation by Department of Finance and Revenue](#)".

⁹⁶ Pádraig Cronin and Niamh Geraghty, [Funds sector 2023: A framework for open, resilient & developing markets: Public consultation response](#), Deloitte, 15 September 2023.

Tax Return Forms

Due to significant tax policy changes in recent years, tax return forms, such as the Form CT1 have become increasingly complex with Finance Act changes resulting in additional panels being added to the Form CT1 on an annual basis. The additional panels create added complexity, even where the level of complexity of the taxpayer's business has not changed, as they are often mandatory and therefore, even a dormant company will need to review and complete same (e.g. the panels relating to ILR) in order to ensure the correct boxes are selected.

We would therefore recommend the following:

Simplification: Simplification measures should be introduced for dormant entities to allow the timely completion of their corporation tax return, without the added complexity of additional Form CT1 panels relating to rules which are not applicable to such entities. For example, a dormant entity is unlikely to be subject to the ILR (on the basis that they would have no income or expenses). As such, in those cases, we would recommend that an additional box could be included in the Form CT1 to allow an entity to select that it was dormant during the period, with the result being that it would then only be required to complete a small number of relevant mandatory Form CT1 disclosures, with other elements of the return being marked as not required.

Guidance: Administrative Guidance should be issued on an annual basis which includes a visual representation of the Form CT1 schema, outlines the changes to the Form CT1 when compared to the prior year and provides clear guidance as to how any new panels should be completed. This is particularly important given certain reliefs (e.g. the R&D tax credit) require a claim to be made within a specified timeframe, and such claim may not be treated as valid where the Form CT1 panel was completed incorrectly. In addition, with the added complexity of the Form CT1 in recent years, the lack of guidance relating to how certain panels should be completed increases the risk of filing an incorrect return, which could result in the 4-year time limit not applying, even in cases where care was taken, but an innocent error was made due to lack of clarity on the requirements.

Timely Updates: Any changes to the Form CT1 as a result of new legislation should be reflected within the Form CT1 as early as possible following the change in law. In our experience, the publication of a complete Form CT1 is often not timely, which causes a number of practical issues for taxpayers and advisors where returns are prepared using the old-schema and then need to be updated following the release of the final Form CT1 schema. Related to this, Revenue should notify taxpayers and advisors of any changes to the Form CT1 schema made throughout the year so service providers can ensure such changes are reflected in the software used for preparing the returns.

These changes are important in order to reduce the compliance burden for taxpayers and facilitate the timely and accurate completion of the Form CT1.

eWHT

As outlined in the Deloitte response to the eWHT public consultation⁹⁷, the eWHT regime must represent a genuine step towards simplification of the tax system. Therefore, it is vital that the system is designed to minimise administrative burdens and avoid creating additional layers of complexity for taxpayers. We also caution against the introduction of eWHT for platform operators until such time as a full assessment has been carried out to determine the benefits of a move to an eWHT for this sector. We would also note that the EU recently launched a public consultation on the evaluation of a possible recast of Council Directive 2011/16/EU on administrative cooperation in the field of taxation (Recast of the DAC). Therefore, we would recommend that further consideration of the introduction of eWHT for this sector is postponed until the outcome of the Recast of the DAC initiative and any impact this may have on the current obligations under DAC7 is known.

⁹⁷ Deloitte, "[Key recommendations on Ireland's eWHT modernisation](#)", 03 February 2026.

Share Based Compensation

As outlined in previous submissions, legislative amendment is required to address issues relating to deductions for share-based compensation. Currently, a deduction for share-based compensation is available, in accordance with section 81(2)(n) TCA 1997 and section 81A TCA 1997, where a company has acquired the shares, or made a payment in respect of the shares or the right to receive such shares and the employee is subject to income tax in respect of same (or would be if resident, ordinary resident and domiciled in the State).

An issue which arises as a result of the above requirements is that companies may not be entitled to a deduction for expenditure incurred in relation to share-based compensation for a number of years after the share awards have been granted to employees. In addition, a deduction may not be available where the share awards granted do not ultimately vest. Given the uncertainty around the timing for deductions, many groups have chosen not to implement a recharge between parent and subsidiary entities related to share awards which has been the subject of a number of recent disputes. 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.

In order to address the above, legislative amendment should be considered to allow groups to elect to claim a current year deduction for fair value movements related to share-based compensation where a recharge has been put in place in respect of same. We appreciate that this change may result in a cost to the exchequer. However, it is expected that a change would help protect investments already made by foreign multinationals in Ireland and boost Ireland's attractiveness as a location for inward investment going forward.

R&D administration

The Department of Finance acknowledged the importance of the R&D tax credit in its April 2025 Public Consultation where it noted that, "*The primary policy objective underpinning the credit is to increase business R&D in Ireland, as R&D can contribute to higher innovation and productivity thereby increasing economic activity and contributing to high value-add employment.*" The Department of Finance also recently published the Research and Development Tax Credit and Innovation Compass where the Minister noted that "*the R&D tax credit is one of the most significant supports in the Irish corporate tax system*".

However, as has been noted in previous Deloitte submissions, there are significant challenges associated with the claims process for the R&D tax credit, particularly for SMEs. For example, there are significant administrative requirements which need to be met to support a claim for R&D. The preparation of such contemporaneous documentation not only requires significant time inputs on the taxpayer side but also results in additional costs related to R&D claims. In addition, there can be technical disagreements between taxpayers and Revenue in relation to whether a project qualifies for the R&D tax credit. Where Revenue deems such projects as non-qualifying, taxpayers can face significant interest and penalties as well as publication, with this acting as a deterrent for claiming the credit for smaller companies. In our view, the significant costs and uncertainty therefore reduce the attractiveness of the R&D tax credit regime in Ireland.

We would therefore recommend that policy changes are made in Budget 2027 in order to simplify the process and make the regime more attractive. Such changes should include:

1. Elimination of interest and penalties, or the application of reduced penalties in the case of technical disagreements between taxpayers and Revenue (other than in cases of fraud or neglect);
2. Establishment of a central team of technical assessors to ensure fair and consistent treatment across cases; and
3. Establishment of clear timelines for receiving R&D refunds.

In relation to (2) above, whilst we acknowledge (as was reflected in the Minister's comments in the Research and Development Tax Credit and Innovation Compass) that matters specific to

administration are within the competence of Revenue (other than where specifically provided for in law), we would recommend that policy changes are introduced to establish a consistent pool of technical assessors to ensure that any technical assessments related to the validity of R&D claims are approached in a fair and consistent manner.

In relation to (3) above, we acknowledge the Minister's comments within the Research and Development Tax Credit and Innovation Compass that the three-year window for the payment of claims for the R&D tax credit provides time for Revenue to review claims before all or most of the R&D tax credit is paid to a company. However, we would emphasise that the delay in issuing such refunds causes significant cashflow difficulties for taxpayers, who in some cases are waiting years before the first instalment is paid by Revenue. We would therefore strongly recommend that policy changes are made in Budget 2027 (and Finance Act 2026) in order to provide taxpayers with some certainty around the timeline for receiving R&D refunds. Related to the above, we would also recommend that Revenue's Online System is updated to allow taxpayers to easily view and track the status of any outstanding R&D refunds.

Interest on Disputed Tax Payments

Taxpayers should not be penalised for delays of the Revenue Commissioners. For example, Revenue may commence a compliance intervention seeking information related to a particular element of a taxpayer's return. Generally, such interventions specify a timeframe within which the taxpayer must respond. However, there are no such timelines within which Revenue are required to respond to the taxpayer. Taxpayers could be waiting a considerable amount of time (in some cases in excess of 12 months) between submitting their response to a request for information and Revenue responding to same. If there is a dispute between taxpayers and Revenue on what is the correct tax, interest continues to accrue on taxpayers until that dispute is resolved, which can mean taxpayers are paying interest for periods during which there are delays by Revenue.

Where a taxpayer decides to appeal an assessment, they may decide to make a payment for the tax under dispute (as well any interest accrued on same) in order to mitigate further interest charges arising. Where a taxpayer is successful in their appeal, the amount paid may be refunded but without interest applying on same.

To address these issues, we would recommend that the following policy changes are made in Finance Act 2026:

1. Firstly, legislation should be introduced which provides taxpayers with certainty in relation to the interest position when there are delays by Revenue. The absence of this currently presents significant challenges for taxpayers who are required to deploy resources on tight timelines to respond to Revenue but may then be waiting an unreasonable period to receive a response. This creates issues in relation to resource and budget planning for taxpayers and ultimately reduces Ireland's attractiveness as a location for doing business. In our view, there must be some mutuality in behaviours, given the financial burden falls on the taxpayer. Alternatively, the existing provision which provides that additional tax due by reason of the amendment of an assessment is due and payable not later than one month from the date of the amendment, should be applied consistently where there is a dispute particularly on the technical interpretation of tax law.
2. Secondly, legislation should be introduced which provides for interest to be applied to disputed tax payments in cases where the taxpayer is successful in their appeal. This change would provide fair compensation to taxpayers and encourage timely resolution of disputes.

Taxpayers' rights and appeals

Tax appeals

A key point coming out in a public consultation on the Tax Appeals and Fiscal Responsibility Bill, 2025⁹⁸ was in relation to proposed amendments to section 949Y TCA 1997, which would provide the

⁹⁸ Department of Finance, [Revised general scheme of finance \(Tax appeals and fiscal responsibility\) bill 2024](#), 13 November 2025.

Appeal Commissioner with the discretion to decide whether it is necessary to allow for a hearing to be held “in camera” (i.e. private).

Industry bodies and tax practitioners responded to this consultation highlighting concerns with this change. In particular, it was highlighted in the Irish Tax Institutes (“ITI”) response⁹⁹ that the removal of the right to a private hearing is likely to result in a significant decrease in the number of cases being appealed as taxpayers may be unwilling to have their affairs made public. The ITI has also reported overwhelming feedback from tax practitioners that removing the right to an in camera hearing would be massively detrimental and operate as a real disincentive to appeals. This has knock-on implications as the cases brought to the Tax Appeals Commissioner (“TAC”) are often related to technical disputes in relation to the application of the law. As such, where cases brought to TAC are reduced, as a result of the proposed changes, this will in-turn lead to reduced clarity on the interpretation of Irish tax law.

In addition to the above, the proposed changes include amendments to section 949AO TCA 1997 such that the default position would be published determinations in full, identifying the parties, unless there are “special and limited” circumstances meriting the redaction. This change would create another hurdle for taxpayers because even if they are successful in convincing TAC to hold the hearing in camera, they will then need to argue for appropriate redactions to be made to the determination.

In our view, the proposed changes are likely to have unintended consequences which will impact the effectiveness of the tax appeals system. The proposed changes reduce certainty for taxpayers as it pertains to confidentiality of their tax affairs and undermine the confidentiality that supports voluntary compliance.

Our key recommendations for the Department of Finance include:

1. **Retain a taxpayer-focused privacy safeguard:** Retain a presumptive entitlement to an in camera hearing where the taxpayer requests it.
2. **Define “special and limited circumstances” for redaction with taxpayer protection in mind:** If section 949AO(4) TCA 1997 is to be amended to restrict redactions, the law or accompanying guidance should clearly outline the circumstances that qualify. These should include the generally recognised reasons (national security, sensitive personal data, trade secrets, etc.) but could also explicitly mention appeals involving personal taxpayers or small businesses where identifying the taxpayer adds no value to the legal precedent. At a minimum, the discretion to redact should be broad enough to protect privacy in any case where publication would have a disproportionate impact on a taxpayer relative to the public interest in disclosure.
3. **Protect vulnerable taxpayers and sensitive cases:** Consider building specific protections for certain categories of taxpayers or cases in the legislation. For example, appeals involving personal income tax, inheritance tax, or other highly personal matters could be presumptively eligible for in camera hearing and anonymised determination. The stakes for personal privacy in such cases could be higher. Likewise, consider a safeguard for cases that involve sensitive third-party information (if, say, a dispute requires disclosing names of customers or family members).

Our recommendations aim to ensure that taxpayers remain willing to utilise the tax appeals process as a check on the interpretation and application of tax law by the Revenue Commissioners a crucial element of any fair tax system and that they can do so without undue fear of the impact on their privacy.

Alternative Dispute Resolution

In light of the possible move to public hearings for tax appeals, the need for another mechanism to resolve tax disputes is even more pressing. As highlighted in previous submissions, we would

⁹⁹ Irish Tax Institute, [Revised general scheme of finance \(Tax appeals and fiscal responsibility\) bill 2024: Response to the public consultation](#), December 2025.

propose the introduction of an Alternative Dispute Resolution (ADR) mechanism, which could include, for example, mediation and arbitration for tax disputes. An ADR would provide a less formal manner to engage with Revenue on, for example, disagreements in the interpretation of tax legislation, instead of or prior to engaging in a formal appeal in relation to a tax assessment.

We would highlight that the UK has an ADR system which allows taxpayers to, for example, enter mediation with HMRC where this is a dispute on a technical point or point of law. The ADR process involves an impartial and neutral HMRC mediator actively assisting parties to work towards resolving a tax dispute outside of the courts. Engaging in the ADR process can help taxpayers in gaining clarity on the HMRC view and gives taxpayers an opportunity to present their view, with a view to reaching a resolution. Where resolutions cannot be reached, taxpayers can pursue a formal appeal.

In our view, introducing ADR mechanisms would provide taxpayers and Revenue with the ability to engage on technical and other disputes in a less adversarial manner, and could provide a mechanism for resolving tax disputes without the need for public hearings. Of note, in the period from 1 April 2024 to 31 March 2025, HMRC noted that ADR had a positive impact on 89% of the cases accepted into the process.¹⁰⁰ We therefore urge the government to consider introducing ADR mechanisms.

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.

¹⁰⁰ HM Revenue & Customs, [Annual report and accounts 2024 to 2024](#), 17 July 2025.

7. Current and Capital Spending Priorities

Contact



Daryl Hanberry

For Budget 2027, the top spending priorities should focus on addressing Ireland's critical housing shortage and upgrading aging infrastructure to support economic growth and attract skilled workers. Sustained investment in health and education is essential to meet demographic demands and enhance workforce productivity. Supporting business development, digital transformation, and climate action through targeted initiatives and green investments will strengthen Ireland's competitiveness, create jobs, and promote sustainability. These measures, combined with tax incentives and direct funding, will drive lasting economic growth, protect living standards, and maintain Ireland's appeal for investment.

Top Spending Priorities for 2027

Priority 1: Housing and Infrastructure

Ireland is currently experiencing a critical shortage of housing alongside aging water, electricity, and transport infrastructure. Delays in construction and infrastructure upgrades hinder economic growth and weaken Ireland's ability to attract and retain skilled workers, particularly in the technology and financial services sectors. Investing in these areas now will prevent more costly problems in the future and support sustainable economic development. Investment can be delivered through a combination of tax incentives (see our recommendations in section 4) and direct government funding.

Priority 2: Health and Education

Sustained investment in public services is required to meet the demands of population growth and demographic change. Health and education together account for over half of current government spending and have a direct impact on living standards and workforce productivity.

Priority 3: Business Development and Digital Services

Supporting enterprise, innovation and digital transformation is vital to strengthening Ireland's competitive position and creating jobs. This support should include targeted initiatives for tourism and job creation. Additionally, the establishment of a National Artificial Intelligence Office will foster technological advancement and reinforce Ireland's position as a leader on the global AI stage. It is essential that Ireland seize the opportunities presented by holding the EU Presidency and hosting the International AI Summit to showcase these positive developments to the world.

Priority 4: Climate Action and Sustainability

The transition to a sustainable economy is both an environmental imperative and an economic opportunity. Investments in green technologies and infrastructure will create jobs, reduce long-term costs and position Ireland as a leader in sustainability.

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