An Roinn Airgeadais
Department of Finance

Corporation Tax and Enterprise Supports Tax Strategy Group – 26/03

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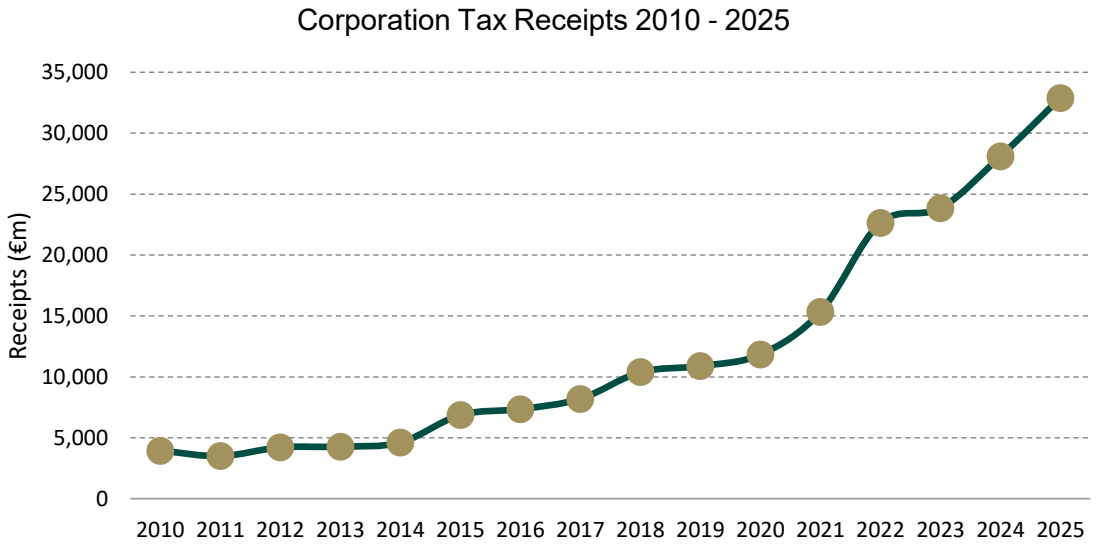
1. Corporation Tax Receipts (2025) and Returns (2024)

1.1. Corporation Tax receipts 2025

1. In 2025, Corporation Tax (CT) was the second largest tax head, with €34.7 billion transferred to the Exchequer in total. The total receipt figure includes revenues arising from the Court of Justice of the European Union (CJEU) ruling of 2024. Excluding CJEU revenues collected in 2025, net CT receipts were €32.9 billion, equating to underlying growth in 2025 of 17% (broadly similar to underlying growth in 2024, 18%). This growth was driven by continued strong performance by both domestic corporations and multinational enterprises (MNEs).

2. The past decade has seen considerable growth in CT receipts. From just over €6.8 billion in 2015, they reached over €32.9 billion in 2025. This growth has become more pronounced in recent years, with CT receipts more than doubling since 2020. Last year represented the fourteenth consecutive year of annual growth from the low point of €3.5 billion in 2011.

Figure 1: Corporation Tax Receipts 2010 - 2025



Data source: The Revenue Commissioners (Revenue)

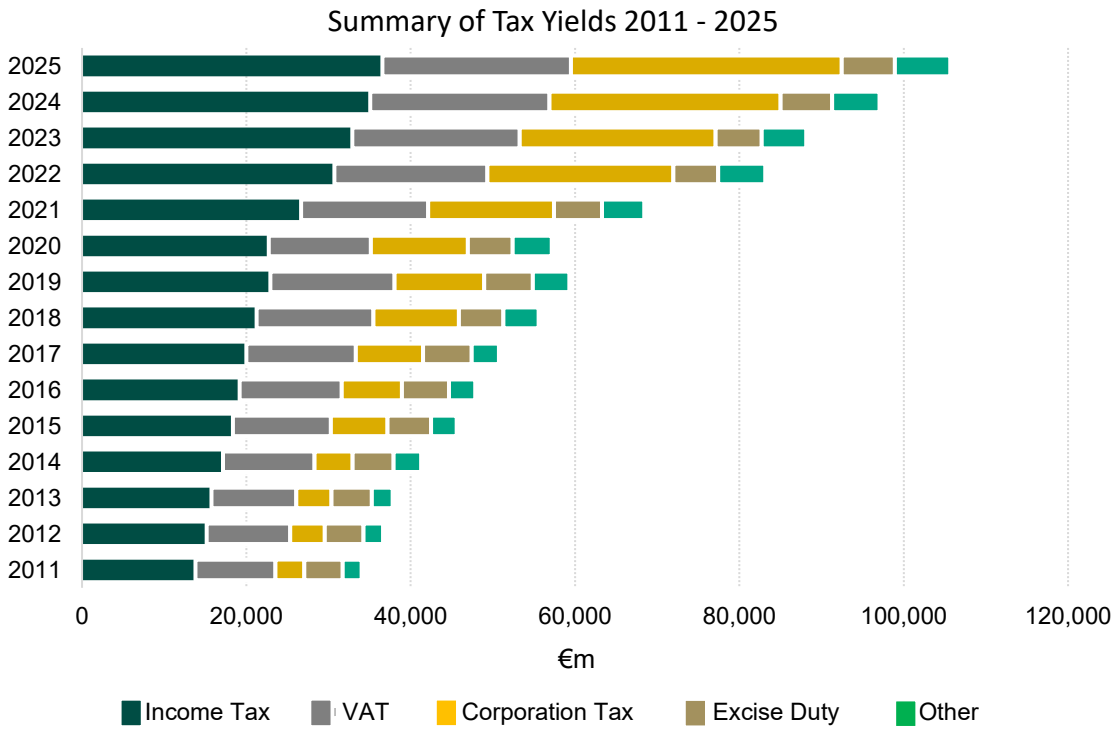
Table 1: CT Receipts from 2010-2025

2010 (€bn)	2011 (€bn)	2012 (€bn)	2013 (€bn)	2014 (€bn)	2015 (€bn)	2016 (€bn)	2017 (€bn)
3.94	3.50	4.22	4.27	4.62	6.87	7.35	8.20
2018 (€bn)	**2019 (€bn)**	**2020 (€bn)**	**2021 (€bn)**	**2022 (€bn)**	**2023 (€bn)**	**2024 (€bn)**	**2025 (€bn)**
10.39	10.89	11.83	15.32	22.65	23.85	28.11	32.94

Data source: Revenue

3. After becoming the second-largest source of tax revenue in 2022, CT continued to hold this position through 2023, 2024 and 2025. CT represented 31% of net tax receipts in 2024 (up from 29% in 2024).

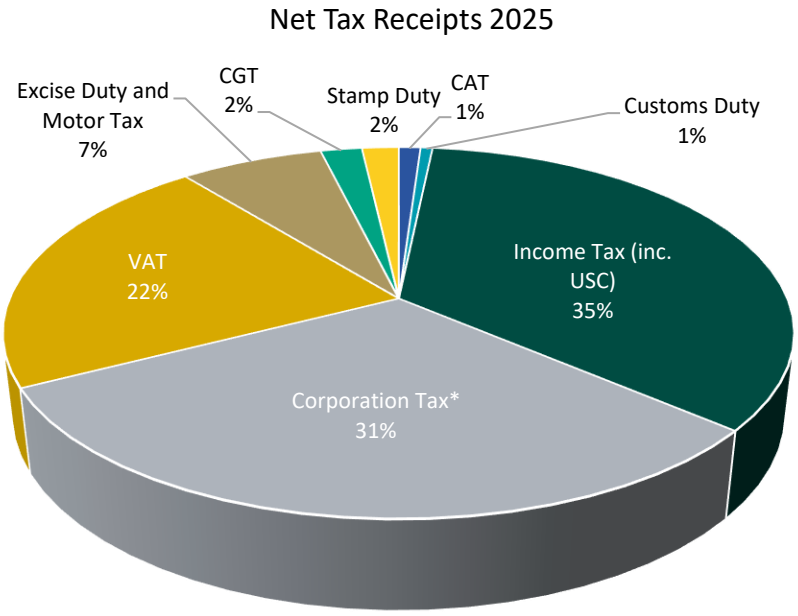
Figure 2: Summary of Tax Yields 2011 - 2025



Data source: Revenue [1, 2]

[1] Revenue, 2026. Annual Report 2025. https://www.revenue.ie/en/corporate/press-office/annual-report/2025/ar-2025.pdf
[2] Department of Finance, 2025. Fiscal Monitor: Incorporating the Exchequer Statement. https://assets.gov.ie/static/documents/d3608c6a/December_2025_fiscal_monitor.pdf

Figure 3: Net Tax Receipts 2025



Data source: Revenue[1] and the Department of Transport

** Corporation Tax figure does not include once-off receipts arising from the Court of Justice of the European Union (CJEU) ruling of 10 September 2024*

4. Net CT payments by companies managed by Revenue's Business and Medium Enterprise divisions combined, generally all SME companies, have increased for the sixth consecutive year, from €1.5 billion in 2020, to €4.5 billion in 2025 (a year-on-year increase from €3.8 billion in 2024).

5. Much of the overall increase in CT in recent years is attributable to higher receipts from large multi-national enterprises (MNEs) in the chemical and pharma sectors, supported by the resilience of other sectors including Information & Communication Technology (ICT) and Wholesale & Retail Trade.

1.2. Indications of 2025 profitability, based on net Corporation Tax receipts

6. Revenue's *Corporation Tax 2025 Payments and 2024 Returns* report, the latest in a series of annual CT data publications, shows that CT payments in 2025 (€32.9 billion) are made up of preliminary tax (PT) payments for 2024 of €29.5 billion and balances due for earlier years of €3.4 billion.[3] PT payments in 2025 are 17% higher than in 2024. This indicates that, generally speaking, corporate profitability increased significantly in 2025.

7. Large companies (i.e. those managed by Revenue's Large Corporates Division) accounted for €28.4 billion (2024: €24.2 billion) or 88% (2024: 86%) of total net receipts in 2025, an increase of €4.2 billion over 2024. Due to their scale, these companies are responsible for most of the growth in CT observed in 2025. However, it is notable that net CT receipts from other smaller and medium-sized companies grew by 15% in 2025. SME corporates paid almost €4.5 billion in 2025 (2024: €3.9 billion) or 13.8% (2024: 13.7%) of net CT receipts in 2025, an increase of €0.6 billion.

8. Many sectors recorded strong growth in 2025 compared to 2024 tax receipts. Manufacturing led this trend, reporting an increase of €1.2 billion, representing a 24.4% rise year-on-year. The Financial and Insurance sector also performed strongly, with receipts increasing by €767 million, or 15.9%, compared to 2024. The Information and Communication sector, Wholesale and Retail Trade, and Administrative and Support Services generated €7 billion, €4.7 billion, and €2 billion respectively, reflecting growth rates of 16.1%, 11.3%, and 1.9%. In addition, receipts from the Professional, Scientific and Technical Activities sector recorded particularly strong growth of 26% in 2025.

9. The Manufacturing sector, which includes chemical and pharma manufacturing, saw a return to growth in net tax receipts for 2025, with an increase of €9,491 million (24.4%) on 2024, partly attributable to a €3,244 million increase in receipts from the chemical and pharma manufacturing sector.

[3] Revenue, 2026. Corporation Tax: 2025 Payments and 2024 Returns. https://www.revenue.ie/en/corporate/documents/research/ct-analysis-2026.pdf

Table 2: Net CT Receipts by Sector 2025

Sector	2025 (€m)	+/- 2024 (€m)
Manufacturing	10,668	1,177
Information and Communication	7,000	777
Financial and Insurance Activities	4,793	767
Wholesale and Retail Trade	4,230	545
Administrative and Support Services	2,002	92
Professional, Scientific & Technical Activities	2,192	1,255
Construction	720	77
Mining, Quarrying & Utilities	291	-4
Accommodation & Food Services	235	9
Real Estate Activities	227	-10
Transportation & Storage	208	10
Other Sectors	258	93
Agriculture, Forestry & Fishing	117	39
Total	**32,942***	**4,827**

Data source: Revenue[3]

* *Subject to rounding*

1.3. Profitability 2024

10. Corporate profitability was €339 billion in 2024, a 10% increase on 2023. Sectoral analysis shows increases in profitability across most sectors. The largest driver of increased profitability in monetary terms was the ICT Sector, where trading profits increased by €8,447 million compared to 2023, a 17% increase year-on-year. The Human Health Sector and the Professional and Technical Sector showed the largest proportionate annual growth, at 53% and 31% respectively.

11. The overall increase in profit is largely attributable to the increased profitability of large MNEs. This strong level of performance is a positive reflection on Ireland as a location for highly successful multinational firms and shows that the Irish economy continues to perform strongly despite significant headwinds.

12. At a sectoral level, 88% (€299 billion) of trading profits can be attributed to five sectors: Manufacturing; Information & Communication; Wholesale & Retail Trade; Financial & Insurance Activities; and Administrative & Support Services (see Table 3 below). Many of the largest MNEs based here operate within these five sectors.

Table 3: Company Trading Profits by Sector 2023 & 2024[4]

Sector	Adjusted Profits (€m)		Growth	
	2023	2024	€m	%
Manufacturing	112,176	115,993	3,816	3
Information & Communication	49,674	58,121	8,447	17
Wholesale & Retail Trade	40,140	43,248	3,108	8
Financial & Insurance Activities	40,394	45,970	5,576	14
Administrative & Support Services	32,044	35,186	3,142	10
Professional, Scientific & Technical Activities	14,758	19,365	4,606	31
Construction	4,737	5,351	614	13
Mining, Quarrying & Utilities	4,434	3,802	-632	-14
Transportation & Storage	3,499	3,045	-454	-13
Human Health & Social Work	2,458	3,754	1,296	53
Accommodation & Food Services	2,018	1,952	-65	-3
Agriculture, Forestry & Fishing	1,094	1,290	196	18
Real Estate Activities	539	520	-19	-4
Other Sectors	1,671	1,501	-170	-10
Total	**309,637**	**339,098**	**29,462**	**10**

Data source: Revenue[3]

1.4. Losses 2024

13. Revenue data show that the amount of losses carried forward from earlier accounting periods into 2024, excluding losses forward reported by excepted trades, increased by €14 billion (from €260 billion in 2023 to €274 billion), with circa 67,100 companies claiming losses on their 2024 tax returns, down 5% from 63,700 in 2023.[5] Revenue estimate that around €35 billion of losses brought forward are in respect of claims by companies in liquidation or otherwise unlikely to ever use these losses. The bulk of these were recorded by companies in the financial sector.

14. Current year losses, including in excepted trades, recorded for 2024 came to a total of €18.3 billion, down from €21.9 billion in 2023. It is noted that losses carried forward include claims for unused capital allowances relating to tangible assets. Of these

[4] Discrepancy in growth value for certain sectors is due to rounding of figures.
[5] An excepted trade is a trade which consists only of trading operations or activities which are excepted operations i.e. working minerals, petroleum activities, and dealing in or developing land other than profits from construction operations (which is taxable at the standard CT rate).

67,100, 48,200 also claimed losses forward in 2024 (i.e. carrying losses for multiple years).

15. Losses utilised in 2024 (i.e. offset against other taxable profits) amounted to €27.8 billion, claimed by 27,700 companies at a cost to the Exchequer of €3.5 billion. The comparable 2023 figures were circa 26,700 companies using losses totalling €21.7 billion at a cost of €2.7 billion.

1.5. Company Employments, Earnings & Related Taxes 2024

16. Revenue reports that there were circa 2.80 million employments in companies here in 2024 (2023: 2.88 million). Approximately 1.37 million of these (2023: 1.33 million) were in MNEs. The combined Income Tax, USC and PRSI payments for all companies was approximately €33.69 billion in 2024, of which €23.3 billion (69.2%) related to employments in MNEs (2023: €31.26 billion and €21.1 billion (67.5%) respectively).

17. Average earnings (and consequently average tax payments) were highest among employments of foreign-owned MNEs. Foreign-owned MNEs had 1,036,722 employments in 2024 on Revenue records. Revenue data shows that 562,121 (54%) of those employments were in the Manufacturing, Administrative & Support Services, Information & Communication, and Financial & Insurance Activities sectors, which would be regarded as the traditional export-focused FDI sectors.

18. Foreign-owned MNEs accounted for 37% (2023: 36%) of employment and 56% (2023: 55%) of employment taxes among corporate employers. Foreign-owned MNEs also accounted for 87% (2023: 88%) of 2025 net CT receipts.

1.6. Sustainability and Concentration of Corporation Tax Receipts

19. The strong performance of CT in recent years has increased the risk of relying on these volatile and unpredictable receipts to fund permanent increases in expenditure.

20. Headline figure projections are heavily dependent on CT receipts, which accounted for around a third of the overall tax take last year. Five years ago (2020), CT represented around a fifth of all tax revenue.

21. The *Annual Progress Report* projections forecast CT receipts this year of €35.3 billion, with growth expected to moderate over the medium term.

22. There are a number of factors that can impact on the projections, including corporate profitability, once-off factors and the (potential) outcome of cross-border tax disputes. This means the growth rate in corporate tax can be volatile from one year to the next.

23. If estimates of potentially transitory or cyclical corporate tax receipts are excluded, there is an underlying deficit in the public finances. These transitory or cyclical receipts are linked to a small number of MNEs and cannot be relied upon to continue indefinitely.

24. The CT base is highly concentrated among a small number of multinational payers. Foreign owned MNEs accounted for 87% of net CT receipts in 2025, a similar proportion to 2024. Net CT receipts from Irish-owned MNEs represented 5% of net CT receipts in 2025, compared to 4% in 2024. Therefore, in total, the MNE sector accounted for 92% of net CT receipts in 2025

25. The ten largest CT payers in 2025 accounted for €18.6 billion (56%) of net CT receipts. In other words, CT paid by just 10 companies accounted for €1 in every €6 of total tax collected in 2025. The proportion of CT paid by the ten largest CT payers has increased significantly since 2020 – over the period 2014 to 2019, the top ten CT payers accounted for between 37% and 45% of net CT receipts. The concentration of receipts within a small number of firms is a recognised vulnerability.

26. The corporate tax base is also concentrated at a sectoral level, with receipts heavily dependent upon a small number of multinational-dominated sectors, e.g. the ICT, manufacturing and financial sectors. These three sectors accounted for around 70% of all CT receipts in 2025.

27. *The Future Ireland Fund* (FIF) and the *Infrastructure, Climate and Nature Fund* (ICNF), are in place to mitigate the risks associated with CT, allowing a portion of the current surge in receipts to be set aside to prepare for future challenges, while, at the same time, ensuring that these potentially transient revenues are not used to fund day-to-day spending commitments.

28. In addition to this, substantial cash reserves have been built-up over the last four years by recording consecutive surpluses, whilst the debt burden has been lowered to further protect against a decline in CT receipts.

29. Furthermore, in December last year, the Government published Ireland's Medium-Term Fiscal & Structural Plan. This budgetary framework provides for sustainable increases in expenditure for public services, boosts economic resilience by committing to large-scale infrastructure investment and saves for the future by maintaining budgetary surpluses and setting aside revenue in the FIF and ICNF.

30. In the context of a deeply uncertain global economic environment and future structural challenges, the best way to reduce the risks associated with a decline in CT revenues is by continuing to pursue a balanced and sustainable approach to overall budgetary policy.

2. OECD/G20 Inclusive Framework on BEPS

31. Ireland is a member of the OECD / G20 *Inclusive Framework* (IF) *on Base Erosion and Profit Shifting* (BEPS). This forum brings together jurisdictions to work on the implementation of measures to tackle aggressive tax planning.

32. The IF has been instrumental in driving forward the BEPS project through the publication in 2015 of a package of measures containing 15 Actions to tackle base erosion and profit shifting by multinational enterprises (MNEs) and the landmark agreement on a *Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy* in October 2021.

33. Ireland signed the BEPS *Multi-Lateral Instrument* (MLI) in 2017, ratifying it in 2019, and joined the global consensus on the Two-Pillar solution. The framework of the Two-Pillar agreement can be summarised as follows:

    Pillar One:

    - Amount A - Allocation of 25% of residual profits to market jurisdictions
    - Amount B - Simplification of application of transfer pricing rules.

    Pillar Two:

    - Global Anti-Base Erosion (GloBE) rules - Ensure a minimum effective tax rate of 15% on a jurisdiction-by-jurisdiction basis for large MNEs.
    - Subject to Tax Rule (STTR) - Protects source taxing rights of developing countries through a withholding tax on certain high-risk cross-border payments taxed in the recipient jurisdiction at a rate below 9%.

34. Following the political agreement in October 2021, intense technical discussions commenced at the IF to allow for global implementation of the rules. This delivered broad adoption of Pillar Two Model Rules by IF members and the commencement of implementation across the EU and in a number of other jurisdictions globally from end-2023. However, Pillar One has largely not been implemented due to the emergence of a political impasse in 2024 (further detail at Section 3).

35. On foot of an Executive Order issued by the US administration in January 2025, and intense negotiations which ensued, agreement was reached on a *Side-by-Side System Package* on 5 January 2026. The agreement provides for the co-existence of Pillar Two rules with minimum tax regimes that meet defined criteria (further detail at Section 4).

36. Ireland currently holds a seat on the Bureau of the OECD Committee of Fiscal Affairs (CFA) and the Steering Group of the IF. Officials from the Department of Finance and Revenue Commissioners continue to fully engage at the OECD to represent the Irish position and ensure that all agreements are implementable for tax administrations and businesses alike.

3. Taxation of the digital economy - Pillar One

37. Pillar One of OECD agreement was designed to address concerns raised regarding the impact of changing business models and digitalisation on traditional international tax rules.

38. Pillar One was a package which consisted of:

- Amount A to allocate taxing rights to market jurisdictions through a multilateral convention (MLC). Ireland was considered a 'relieving' jurisdiction in the proposed regime as it would generally have had to relieve double tax caused by the Amount A taxing right.

- Amount B to provide a simplified and streamlined approach for application of the arm's length principle to in-country baseline marketing and distribution activities.

39. The Amount A MLC would have required all parties to remove Digital Services Taxes (DSTs) and other relevant measures and commit not to introduce such measures in the future.

40. The MLC would only have come into force when signed and ratified by a critical mass of jurisdictions (at least 30 jurisdictions containing at least 60% of in-scope company headquarters). The practical effect of this was to mean that to achieve critical mass, the United States needed to ratify the MLC due to the concentration of in-scope company headquarters in their jurisdiction.

41. Amount B was split into two phases to deliver agreement in a timely manner:

- Phase One, agreed by the IF in February 2024, provided a simplified and streamlined approach to apply the arm's-length principle to baseline marketing and distribution activities. A political commitment was made by the IF to apply this approach to low-capacity jurisdictions, which Ireland honoured through legislation in Finance (No.2) Act 2024.

- Phase Two would have been broader in nature and apply to all IF members. Negotiations on Phase Two stalled in late 2024 due to technical issues and diverging positions.

42. Pillar One has been at a political impasse since 2024. Furthermore, given the prioritisation of Pillar Two and work on the Side-by-Side package, work did not progress on this element of the package during 2025.

43. As part of the Side-by-Side agreement, the IF has committed to facilitating a ‘constructive dialogue’ on the taxation of the digital economy, including a review of its previous work on Pillar One.

44. It is clear that lack of agreement on this element of the OECD work continues to contribute to uncertainty and instability for MNEs both in Ireland and globally. Ireland supports the resumption of this work and considers that a shared solution to the taxation of the digital economy is preferable to uncoordinated unilateral measures such as DSTs.

45. Ireland supports the review, as a matter of urgency, of previous work being undertaken to allow for a dialogue that can lead to a permanent and stable solution to the taxation of the digital economy.

46. Ireland believes that any solution must provide certainty to the business community, not create double-taxation and be practically implementable.

4. Pillar Two – Global Minimum Tax Agreement and Side-by-Side Package

47. By transposing the EU Minimum Tax Directive (Council Directive (EU) 2022/2523) in Finance (No. 2) Act 2023, Ireland, alongside the other EU Member States, was among the first jurisdictions in the world to implement Pillar Two – i.e. the global minimum effective tax rules – into domestic law.

48. The provisions apply for fiscal years beginning on or after 31 December 2023. Businesses or groups with a turnover of €750 million and greater in at least two of the past four years fall within scope. The first Pillar Two GloBE Information Returns will be filed from mid-2026 onwards.

49. As part of the implementation process, and to facilitate stakeholder engagement, Pillar Two implementation remains an agenda item at meetings of the Tax Administration Liaison Committee (TALC) BEPS Sub-Committee. This is a forum where Revenue and tax practitioners can discuss issues relating to the BEPS project, with particular emphasis on the effective implementation of rules.

50. Pillar Two implementation also remains an agenda item for the Department of Finance's Business Tax Stakeholder Forum, and stakeholder input is an important element of the ongoing implementation of new Pillar Two legislation,

51. Officials are continuing to engage at the OECD to support implementation of the Global Minimum Tax through further administrative guidance and simplification measures.

52. During 2025, delivery of a Side-by-Side System Package, which provides for the co-existence of Pillar Two and other qualifying minimum tax regimes was prioritised.

4.1 Side-by-Side Package Agreement

53. A G7 *Statement on global minimum taxes* in June 2025 set out a shared understanding of a 'Side-by-Side' (SbS) solution whereby the US minimum tax system and Pillar Two could co-exist. The subsequent G20 Communiqué in July 2025, noted that any solution reached at the OECD should include a commitment to address level playing field risks and a discussion on fair treatment of substance-based tax incentives.

54. Intensive technical negotiations took place throughout 2025 at the OECD and resulted in the delivery of a SbS System Package on 5 January 2026. The SbS agreement is finely balanced: it aims to preserve the objectives of the Global Minimum Tax while allowing it to co-exist with the US tax system and potentially other qualifying regimes in the future.

55. The SbS package utilises a Safe Harbour based approach to implement the agreed changes in a manner compatible with the existing legal framework (including the *EU Minimum Tax Directive*). The main features of the package are:

- **Side-by-Side Safe Harbour**: This switches off the primary Pillar Two rules (the Income Inclusion Rule (IIR) and the Undertaxed Profits Rule (UTPR)) where a MNE is subject to a qualifying minimum effective tax system in its headquarter jurisdiction. A qualifying system must have both an 'eligible domestic tax system' and an 'eligible worldwide tax system'.
- **Ultimate Parent Entity Safe Harbour**: This switches off the UTPR for MNEs with an Ultimate Parent Entity (UPE) in a qualifying jurisdiction. That jurisdiction must have an 'eligible domestic tax system' to qualify.
- **Qualified Tax Incentives Safe Harbour**: This provides for improved treatment under Pillar Two rules for certain 'substance-based tax incentives', regardless of whether they are refundable or non-refundable.
- **Simplified Effective Tax Rate (ETR) Safe Harbour**: This provides for an alternative simplified ETR calculation that, where an entity demonstrates a rate of at least 15%, removes the requirement to undertake full Pillar Two calculations.
- An extension of the **Transitional CbCR Safe Harbour:** This extends the existing safe harbour, which allows simplified ETR calculations using existing Country-by-Country Reporting data points, for a further year, to include 2027 Fiscal Years.

56. For the purposes of the SbS package, an 'eligible domestic tax system' is (in broad terms) one that has:

- A statutory nominal CT rate of at least 20%;
- A qualified domestic minimum top-up tax (QDMTT) or corporate alternative minimum tax at a rate of at least 15%; and
- No material risk that in-scope MNE groups headquartered in the jurisdiction will be subject to an effective tax rate on domestic profits of below 15%.

57. An 'eligible worldwide tax system' is one that has:

- A comprehensive tax regime applicable to all resident corporations on foreign income, imposed on a broad base and subject to only limited exclusions;
- Incorporates substantial mechanisms to address BEPS risks; and

- No material risk that in-scope MNE groups headquartered in the jurisdiction will be subject to an effective tax rate below 15% on the overall profits of their foreign operations.

58. The SbS package also includes a commitment to conducting a stocktake at the OECD, with an additional commitment by the European Commission to carry out parallel work by 2029, focusing on the implementation of the SbS system and its impact on EU competitiveness. Monitoring the impact of the package to ensure that there are no unintended consequences also offers additional certainty to tax administrations and the business community.

59. Ireland continues to advocate, at both the OECD and the EU, for simplification of the core Pillar Two rules, as opposed to the creation of further safe harbours and parallel regimes, to encourage the ongoing rollout of the rules globally.

60. As of June 2026, the US is the only jurisdiction listed on the central record as having a Qualified Side-by-Side Regime.

4.2 Pillar Two – ongoing implementation work

4.2.1. ADMINISTRATIVE GUIDANCE

61. Work to implement the SbS agreement is happening in parallel with the ongoing work at the OECD to agree guidance and administrative processes necessary for consistent global implementation of the Pillar Two rules.

62. Implementation of Pillar Two, including the SbS System Package, remains a large and continuing body of work for the IF. Five packages of Administrative Guidance have been released since 2023 to supplement and clarify items within the Model Rules and the Commentary to the Model Rules.

63. Following the introduction of Pillar Two rules into domestic legislation in 2023, further legislation was introduced in Finance Acts 2024 and 2025 to implement aspects of the December 2023, June 2024 and January 2025 packages of Administrative Guidance, together with technical amendments necessary to ensure the legislation operates as intended. It is expected that Finance (No. 2) Bill 2026 will provide for the implementation of the January 2026 SbS System Package of Administrative Guidance. As set out in the published agreement, elements of the SbS System Package have been agreed to take effect from 1 January 2026.

64. A Multilateral Competent Authority Agreement (MCAA) on the exchange of GloBE information was agreed in 2026. Revenue, as the Irish competent authority, signed on behalf of Ireland to ensure that the relevant GloBE Information Return (GIR) data can be filed by MNE groups and exchanged between tax administrations.

4.2.2. INFORMATION FILING & EXCHANGE

65. 38 jurisdictions, including Ireland, have been listed as having Qualified Income Inclusion Rules and/or Qualified Domestic Minimum Top-up Taxes for 2024 fiscal years, and as being ready for central filing by 31 May 2026.

4.2.3. QUALIFIED RULE STATUS

66. Alongside agreeing further Administrative Guidance, another ongoing body of work at the relevant OECD Working Party has been to design, agree, and commence the peer review process for Pillar Two rules as implemented in jurisdictions.

67. The Pillar Two rules require the recognition of 'qualified' rule status to ensure they are applied consistently and in coordination by all jurisdictions. This qualified rule status gives effect to the rule order by modifying the application of the rules in one jurisdiction (e.g. by deactivating a jurisdiction's rules) where there is an applicable 'qualified' rule in another. Deferring to qualified rules in other jurisdictions ensures that the rules are coordinated and helps to avoid the risk of double- or over-taxation.

68. The OECD agreed to develop a peer review process for each implementing jurisdiction's rules based on a common assessment and recognition of the qualified rule status of the different Pillar Two top-up taxes: the Income Inclusion Rule (IIR), the Domestic Minimum Top-up Tax (DMTT) and the Undertaxed Profits Rule (UTPR).

69. The IF developed a simplified procedure for an initial transitional qualification mechanism to allow the swift recognition of the qualified status of implementing jurisdictions' legislation on a temporary basis which relies on a self-certification process that is carried out by an implementing jurisdiction.

70. The OECD maintain a central record of legislation with transitional qualified status, which is updated on a regular basis. 50 jurisdictions have implemented qualified Pillar Two or SbS rules. These include many large jurisdictions beyond the EU, including the UK, Canada, Australia, New Zealand, Japan & South Korea.

4.2.4. RELATED BENEFITS & INTEGRITY MEASURES

71. An important ongoing workstream at the OECD seeks to ensure that the Global Minimum Tax rules are not undermined or circumvented by measures such as tax incentives or conditional taxes targeted at MNEs in scope of Pillar Two. Ireland is working with its fellow IF members to design measures that will address these issues.

5. European Union Tax Developments

5.1. Presidency of the Council of the EU

72. Ireland takes over the rotating Presidency of the Council of the EU in July 2026 for six months and will have a key role in steering the EU's financial and economic policy agenda during this time.

73. Ireland's Presidency Policy Programme will be published in June 2026. To inform this, the Council's and the Commission's legislative and reform agenda is being monitored, along with the progress achieved by the Cyprus Presidency, and the views of stakeholders are being assessed.

74. Promoting competitiveness and boosting productivity are two of the EU's key objectives over the next few years. The simplification agenda, which extends to all policy areas including tax, has been identified as a key enabler to achieving these goals. In this regard, the Commission will publish a Tax Omnibus in late June 2026, which will take the form of two legislative proposals:

    - A Recast of the *Directive on Administrative Cooperation* (DAC). This will simplify and introduce new provisions to suite of nine directives that provide for the exchange of various categories of information between tax authorities in the EU.

    - A Tax Omnibus Directive. This proposal will aim to simplify and introduce new provisions to six of the EU's corporate tax directives that primarily facilitate the elimination of double taxation, resolution of tax disputes and anti-tax avoidance measures.

75. It is important to note that these proposals have not yet been published by the Commission and will not be until late June 2026, just before the start of the Irish Presidency. Ireland aims to make progress on each of these files in Council during its Presidency term and will prioritise them accordingly.

76. As part of the Irish Presidency, an Informal High-Level Working Party on Tax Questions (HLWP) will be held in Dublin from 6 – 7 July. This meeting will bring together senior tax officials from Member States and the European Commission. Furthermore, three formal HLWP meetings will take place in Brussels during the Irish Presidency - in September, October and November – in order to monitor the work of the Working Party on Tax Questions (WPTQ) and other tax matters, including international tax cooperation

5.2. The DAC Recast

77. The DAC recast will aim to simplify, and introduce new provisions to, this suite of nine directives that provide for the reporting, and exchange of various categories of information between tax authorities, as follows:

- DAC 1: readily available information
- DAC 2: financial account information
- DAC 3: taxpayer rulings
- DAC 4: country by country reports
- DAC 5: anti-money laundering information
- DAC 6: cross-border arrangements
- DAC 7: model rules for digital platforms
- DAC 8: crypto assets
- DAC 9: Top-up tax information under Pillar 2 of the OECD Framework.

78. With the DAC Recast, the Commission aims to reduce the administrative burden on businesses and tax authorities. In this regard, the current nine texts will be consolidated into one text, and the recast is expected to include several simplifications, in particular to DAC6 reporting (cross border arrangements) and DAC7 reporting (model rules for platform operators).

79. The DAC Recast will be negotiated in the WPTQ and Ireland aims to make significant progress on the file during its Presidency term, and political agreement at Council if possible.

5.3. The Tax Omnibus

80. The *Tax Omnibus Directive* (TOD) will aim to simplify six of the EU's corporate tax directives, that primarily provide for the elimination of double taxation, resolution of tax disputes and anti-avoidance measures. The relevant directives are the:

- Interest and Royalties Directive (IRD);
- Parent and Subsidiary Directive (PSD);

- Tax Mergers Directive (TMD);
- Dispute Resolution Mechanism Directive (DRMD); and
- Anti-Tax Avoidance Directive I and II (ATAD I and II)

81. Through the TOD the Commission aims to reduce the administrative burden on businesses in order to boost competitiveness and improve the functioning of the EU legislative framework in this area. Some of the themes that have emerged from the Commission over the last few months include providing relief for small and medium enterprises (SMEs) and companies in scope of Pillar Two rules. For example, in respect of ATAD I and II, and the Interest Limitation Rule, this could be done by way of making some of the current optional provisions mandatory in all EU Member States, and / or by introducing new exemptions. Other proposals will aim to address complexity across all of the Directives and attempt to standardise the application of the measures across the EU.

82. In April 2026, the European Parliament, the Council of the European Union and the European Commission, agreed the *One Europe, One Market* joint roadmap that sets out how to strengthen Europe's competitiveness. The roadmap contains concrete actions and targets for the three institutions to take and achieve by the end of 2027, including agreement on the TOD by the end of Q4 2027.[6]

83. As this is a simplification / omnibus file, the Antici Group on Simplification (AGS) will lead Council negotiations on it. The AGS is a Council preparatory body that was set up by Member States in 2025 to fast-track negotiations on simplification / omnibus files, across all policy areas. The Department of Foreign Affairs and Trade represents Ireland on the AGS and will chair negotiations on the TOD file with significant input from the Department of Finance and Revenue. Ireland aims to make progress on this file during its Presidency term.

[6] European Commission, 2026. One Europe, One Market Roadmap of the European Parliament, the Council of the European Union and the European Commission. https://commission.europa.eu/document/download/5445de81-9481-4335-9902-9756159ba614_en?filename=one-europe-one-market-roadmap.pdf

6. UN – Framework Convention on International Tax Co-operation

84. In August 2023, following a request from the G77 group of developing countries, the Secretary General of the United Nations (UN) published a report that set out options regarding a potential future role for the UN in international taxation matters.

85. In November 2023, the African Group at the UN tabled a draft resolution (78/230) entitled *Promotion of inclusive and effective international tax co-operation at the United Nations* which endorsed option two in the Secretary General's report – developing a Framework Convention for International Tax Co-operation (FC).

86. Following the majority vote in the General Assembly in December 2023, an Ad-Hoc Committee (AHC) was set up to draft terms of reference (ToR) for the Framework Convention on International Tax Co-operation (FC).

87. The TOR were developed through a series of meetings at the UN in New York during 2024 and adopted at the General Assembly in late 2024. High level commitments and a decision to adopt two optional early protocols were included.

88. At that organisational session, the modalities for the negotiation were adopted and a 20 person Bureau was elected to steer the work during 2025-2027.

89. In terms of the decision-making methods, it was agreed by consensus that a chairs compromise would be adopted. The compromise requires that every effort shall be exhausted to reach consensus on matters of substance. Where that is not achieved, decisions shall be taken by a simple majority where the matter is in relation to the FC and by 60% majority when related to one of the protocols.

90. The first and second session of the negotiations took place in August 2025, with the third session taking place in November 2025. Negotiations are continuing throughout 2026 ahead of the finalisation of the Framework Convention and protocols in mid-2027.

91. There are three Workstreams with one dedicated to each instrument of the negotiation:

- Workstream I: The Framework Convention
- Workstream II: Protocol I - Taxation of income derived from the provision of services
- Workstream III: Protocol II - Prevention and resolution of tax disputes

92. Ireland's position remains that the UN has an important role to play in supporting and enhancing international tax co-operation globally including in the areas of capacity building and the achievement of Sustainable Development Goals. It is also important that any enhanced role for the UN complements the ongoing work at the OECD aimed at addressing the challenges brought about by the digitalisation of the economy.

93. Ireland is continuing to engage with the development of the Framework Convention and the two Protocols in close cooperation with other EU Member States to ensure that they are as complementary and coordinated as possible with existing bodies of work in international tax cooperation.

7. Business Support Measures

7.1. Research & Development Tax Credit

7.1.1. BACKGROUND

94. The Research and Development (R&D) Tax Credit is an important feature of the Irish Corporation Tax system. The primary policy objective is to increase business R&D in Ireland, as R&D can contribute to higher innovation and productivity. More broadly, the tax credit forms part of Ireland's CT offering aimed at attracting FDI and building an innovation-driven domestic enterprise sector. The credit enables Ireland to remain competitive in attracting quality employment and investment in R&D.

95. There have been a number of significant changes to the regime since its introduction, including:

- The introduction of the 'repayable credit' in Finance (No. 2) Act 2008,
- The introduction of the key employee relief in Finance Act 2012,
- The removal of the base year in Finance Act 2014, and
- The increase of the outsourcing limit to third level institutes of education from 5% to 15% in Finance Act 2019.

96. In recent Finance Acts there have been a number of changes to the R&D Tax Credit regime, partly to align with new definitions of Qualifying Refundable Tax Credits under Pillar Two rules.

- Finance Act 2022 provided for a new fixed three-year annual instalment structure, as well as the removal of the caps that were in place in relation to the payable element of the R&D Tax Credit.
- Finance Act 2022 also introduced a first-year payment threshold of €25,000. This is the amount of an R&D tax claim that is payable in full in the first year, rather than payable over three annual instalments. This was doubled to €50,000 in Finance (No.2) Act 2023 and further increased to €75,000 in Finance Act 2024.
- Finance (No. 2) Act 2023 also provided for an increase in the rate of the tax credit from 25% to 30%.

7.1.2. 2025 REVIEW AND FINANCE ACT 2025 MEASURES

97. As one of the primary incentives in the CT system, the R&D Tax Credit is reviewed regularly under the Department of Finance's Tax Expenditure Guidelines, to ensure

that it is effective and delivering on the intended policy objective. A review of the R&D Tax Credit took place in 2025 with the resulting report being published in January 2026.

98. As part of this review a public consultation on the *R&D Tax Credit and on Options to Support Innovation* was conducted in May 2025. Twenty-six responses to the consultation were received from a range of respondents, including companies engaged in R&D activities, advisory firms, representative bodies and government departments. In addition to the consultation, officials from the Department engaged with stakeholders throughout the year through meetings, roundtable discussions and prebudget submission meetings. The consultation process provided valuable input into policy considerations for enhancing the regime in Finance Act 2025.

99. As set out in the review, R&D activities are a key driver for economic growth, creating high value employment and contributing to higher innovation and productivity. Anecdotal evidence highlights the spillover benefits to the broader economy, in particular to the education sector. Some of the key findings from the review included:

- Businesses in Ireland spent €7 billion on R&D in 2023, an increase of 80% on 2022 and 195% on 2012.[7] In 2023 the amount of allowable expenditure within scope of the R&D Tax Credit incurred by businesses was €5.16 billion.

- The R&D Tax Credit is linked to the attraction and retention of foreign direct investment in Ireland and fosters higher levels of productivity and innovation.

- Companies claiming the R&D Tax Credit contributed over €10.5 billion to CT revenues and accounted for almost 253,000 employments in 2023.

100. Informed by this review, Finance Act 2025 provided for the following enhancements to the R&D regime:

- an increase in the rate of the credit from 30% to 35%;

- an increase in the first-year payment threshold amount from €75,000 to €87,500, to further support smaller R&D projects; and

- an administrative simplification measure to allow 100% of an R&D employee's emoluments as qualifying costs where at least 95% of their duties are spent on qualifying R&D activities.

[7] CSO, 2025. Business Expenditure on Research & Development 2023 (Final) - 2024 (Preliminary). https://www.cso.ie/en/releasesandpublications/ep/p-berd/businessexpenditureonresearchanddevelopment2023final-2024preliminary/

7.1.3. R&D AND INNOVATION COMPASS

101. In addition to informing policy considerations for Budget 2026, the consultation responses also helped to identify a wider range of options for the medium-term development of the R&D Tax Credit and for the design of a new tax-based support for innovation. This led to the development of the Research and Development Tax Credit and Innovation Compass, which was published on 16 February.[8]

102. The Compass provides stakeholders with an overview of the R&D Tax Credit and its evolution in response to business needs over the past two decades. It maps out the key areas that will be prioritised by the Department of Finance for consideration over the coming years that will help to ensure that the regime continues to be competitive into the future. Its goal is to support continuing confidence in the R&D Tax Credit, providing the certainty needed for businesses, of both domestic and foreign origin, to make long-term investment decisions on the location of high-quality research and development activities in Ireland.

103. Four broad directions for future policy work have been identified, as set out below, with the first three being specific to the R&D Tax Credit:

- Qualifying Expenditure
- Capital Expenditure
- Administration and Simplification
- Supports for Innovation

104. The Compass includes a commitment to undertake a holistic review of the R&D subcontracting provisions and work has been ongoing on this element in 2026. The Department established a working group with key advisory and representative bodies to examine potential options. These include proposals from stakeholders to consider allowing subcontracting to connected parties to qualify for the R&D Tax Credit; reviewing how Irish activities as part of wider global R&D projects are recognised for the purposes of the credit; and proposals for enhancements to the existing provisions in respect of subcontracting to third parties and third level institutions.

Current Subcontracting Limits

105. A company may claim a credit for certain subcontracted qualifying R&D costs, subject to a limit. Two separate limits apply, one for work subcontracted to third level institutions and one for work subcontracted to other un-connected persons.

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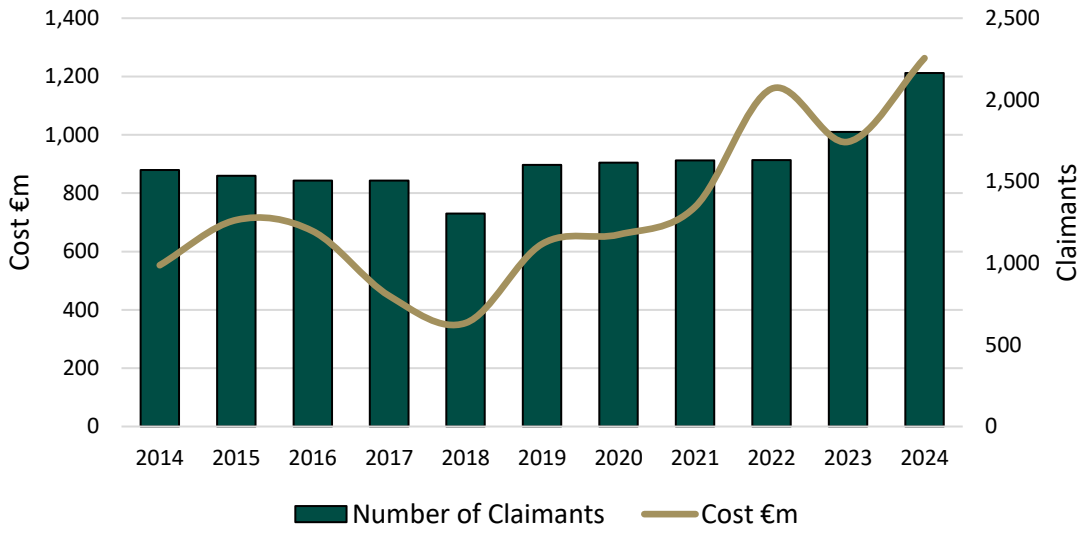
[8] Department of Finance, 2026. Research and Development Tax Credit and Innovation Compass. https://www.gov.ie/en/department-of-finance/publications/research-and-development-tax-credit-and-innovation-compass/

106. In both categories, the company may claim the R&D credit on qualifying expenditure of a value up to 15% of the eligible R&D expenditure incurred by the company itself or €100,000 (whichever is the greater amount), subject to certain conditions, including that the company must have incurred at least the same level of expenditure on qualifying R&D activities which it carried out itself.

7.1.4. COST AND CLAIMANTS

107. The cost of the R&D Tax Credit has risen since its introduction in 2004, and due to the project-based nature of R&D activities, there can be year-on-year fluctuations in the overall cost of the credit.

Figure 4: Cost and Number of Claimant Companies, R&D Tax Credit



Data source: Revenue

108. Revenue analysis of 2024 CT returns found that 2,165 companies claimed R&D Tax Credits at an Exchequer cost of €1.263 billion (up from €976 million in 2023), of which €457 million related to claims for repayable credit.

109. The data for 2024 is notable in that it shows an increase in both –

a. the cost of the R&D Tax Credit, by €287 million when compared with the prior year (€1.263 billion in 2024 compared with €976 million in 2023), and

b. the number of claimant companies, to 2,165 compared with 1,804 in 2023. This is the second year of consecutive year of significant growth in the number of claimants of the R&D Tax Credit. Over the period 2012 to 2022, the number of companies claiming the credit had ranged between 1,500 and 1,630 with the exception of 2018 when the number of claimant companies decreased to 1,303.

110. Data for the breakdown of R&D claimants by company size is not yet available for 2024. In relation to the 2023 R&D statistics, it should be noted that the increase in claimant numbers was largely as a result of an increase in SME companies engaging with the regime. In this regard, and categorising companies based on the number of employees:

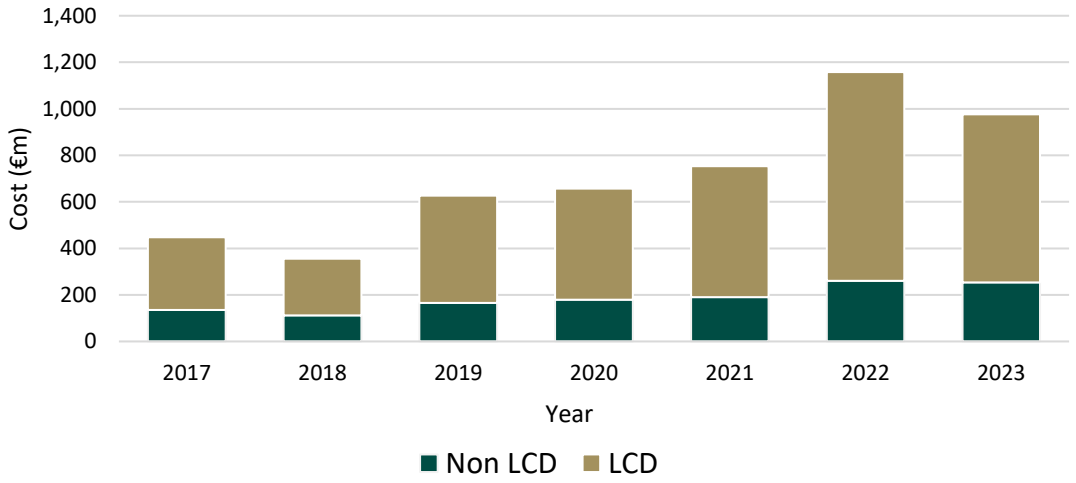
- micro companies (less than 10 employees) – the number of claimants increased by 73 (15%) when compared with 2022 to 574,
- small companies (11-49 employees) – increased by 58 (11%) when compared with 2022 to 608, and
- medium sized companies (50-249 employees) – increased by 19 (5%) when compared with 2022 to 397 claimant companies.
- Overall, the number of SME claimants increased by 150 (11%) from 1,429 companies in 2022 to 1,579 claimant companies in 2023. The number of large company claimants increased by 23 (11%) in 2023.

Claimant Companies by Size

111. Revenue data also analyses claimant companies by reference to whether they are administered within Revenue's Large Cases Division (LCD) or other non-LCD divisions. Revenue's LCD is responsible for the largest corporate businesses in the State, with the non-LCD having the responsibility to look after any business that does not fall within LCD's remit.

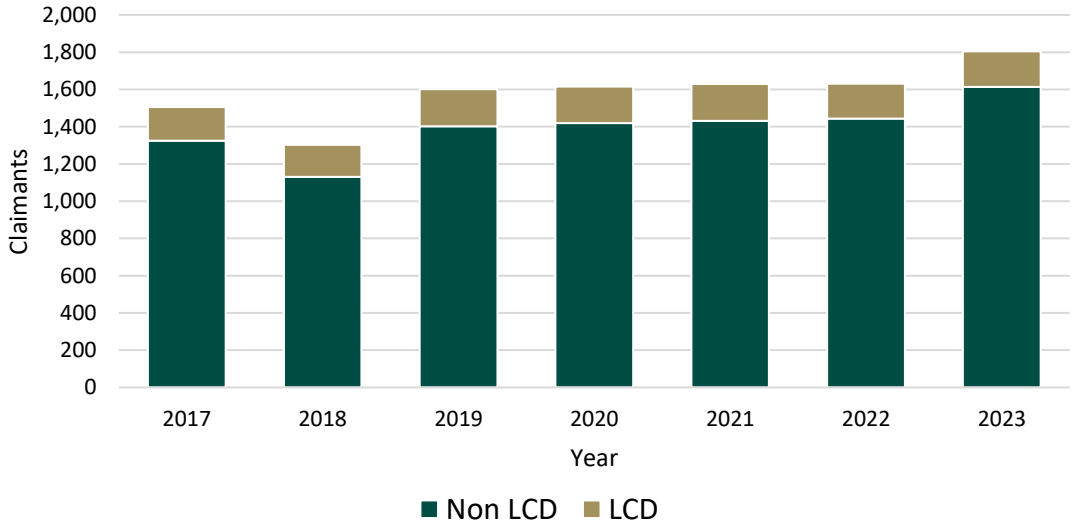
112. The majority of firms claiming the R&D Tax Credit are non-LCD companies (89% in 2023) (Figure 6), but the majority of the value claimed (74% in 2023) is by LCD companies (Figure 5). R&D can be an expensive process, and it is not unexpected that larger companies investing in R&D make up a large proportion of the cost of the R&D Tax Credit. As noted above, claimants of the R&D Tax Credit are also significant CT payers, with over €10.5 billion in CT paid by claimants of the R&D Tax Credit in 2023.

Figure 5: Cost of R&D claimed by LCD and Non-LCD companies



Data source: Revenue

Figure 6: Number of Non-LCD and LCD companies claiming the credit



Data source: Revenue

7.2. Innovation

113. Ireland is a small, open and adaptable economy. It has relied on, and benefitted from, a strong enterprise focus, competitiveness, and openness to trade and investment. However, there are risks for small, open economies which must be recognised and considered when formulating future policy decisions against the backdrop of trade tensions and greater de-globalisation.

114. The *Programme for Government 2025: Securing Ireland's Future*[9] highlights the requirement for a strong enterprise and fiscal framework which will prioritise economic and employment growth, competitiveness, fiscal responsibility, and investment in innovation, energy and decarbonisation.

115. In relation to R&D and Innovation, and as noted above in 7.1.3, in February, the Department of Finance published the *Research and Development Tax Credit and Innovation Compass*. In addition to setting out a medium-term pathway for further work in relation to the R&D Tax Credit, it also set out a pathway for further work on potential tax supports for innovation.

116. 'Innovation' is a broad concept which could encompass relatively common activities already being undertaken by companies without State intervention. Innovation is also a concept that will, by its nature, change over time – it is more subjective than R&D, and it is possible that investment or activities that are innovative in one business or sector may be more routine in another. Therefore, clear and robust definitions would be essential to ensure that any new measure supports value-added activities that might not otherwise occur in the State.

117. Proposals received from stakeholders, and from government departments and agencies, are being considered in this regard, and further engagement has taken place early in 2026. A focus of ongoing work is to ensure that proposals for tax-based innovation support align with wider Government objectives and would have the potential to deliver real value to the taxpayer through additionality. The Government's 'Action Plan on Competitiveness and Productivity', together with IDA and Enterprise Ireland (EI) strategies, will also inform further considerations.

118. Consideration of EU State aid rules will also be required, as is the case with any targeted measure, to ensure any proposed support aligns with a State aid framework or receives State aid approval before commencement.

119. The potential scope of an innovation support will also be influenced by consideration of the manner in which it could be administered, and in particular how verification of whether costs meet the relevant 'innovation' definition would operate. While the tax system operates on a self-assessment basis, it will be essential to provide clear definitions of qualifying 'innovation' for the purposes of any support and a methodology by which both taxpayers and Revenue can be reasonably certain that the criteria to claim a relief are met.

120. The views of the TSG are sought on the above.

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[9] Department of the Taoiseach, 2025. Programme for Government 2025: Securing Ireland's Future. https://www.gov.ie/en/department-of-the-taoiseach/publications/programme-for-government-2025-securing-irelands-future/

7.3. Knowledge Development Box

7.3.1. INTRODUCTION

121. The Knowledge Development Box (KDB) was introduced into Irish tax legislation for companies within the charge to Irish tax whose accounting periods commence on or after 1 January 2016. The KDB is currently subject to a sunset clause such that it is available in respect of accounting periods commencing before 1 January 2027, and for this reason consideration must be given in advance of Budget 2027 on options to extend, amend or conclude the regime.

122. The KDB is an OECD-compliant intellectual property (IP) regime which incentivises companies generating income arising from and exploiting the IP created as a result of R&D activities. Companies must elect for KDB treatment to apply in respect of a qualifying asset and must retain the asset within the regime until it ceases to be used or is disposed of.

123. KDB relief provides that the income arising to a company from qualifying assets (such as computer programs, inventions protected by a qualifying patent, or certified inventions for SMEs), to the extent it relates to R&D activities undertaken by that company, will be taxed at an effective rate of 10%. The KDB is therefore based on the 'modified nexus' approach, which seeks to link the amount of the relief arising to the proportion of qualifying R&D expenditure incurred by the company in Ireland, as a percentage of the overall group expenditure, including acquisition costs, on a specific IP asset.

124. Up to 30 September 2023, the KDB operated by allowing a company a deduction equal to 50% of its profits generated from qualifying assets, resulting in an effective tax rate of 6.25% on the qualifying income. Following agreement of the Pillar Two 'Subject to Tax Rule' (STTR), the KDB regime was amended in Finance Act 2022, such that the deduction against profits generated from qualifying assets decreased to 20%, thus increasing the KDB effective rate to 10%. This was commenced from 1 October 2023.

125. The objective of the KDB is to encourage companies to develop IP in Ireland and thereby engage in substantive operations that have a high 'value-add' for the Irish economy, both in the Foreign Direct Investment (FDI) and indigenous sectors. The KDB complements the existing suite of initiatives and supports that Ireland offers to create a business-friendly environment. A company claiming the R&D Tax Credit can also claim the KDB on income generated by intellectual property (IP) developed as a result of expenditure incurred on qualifying R&D activities.

7.3.2. MODIFIED NEXUS

126. The KDB is an OECD-compliant patent box regime. It was developed in line with the fundamental principles of the 'modified nexus' approach, which was designed by the OECD as part of the project to address Base Erosion and Profit Shifting (BEPS).

127. The 'nexus' approach involves creating a link between the R&D expenditure incurred by a company and the income arising to that company as a result of that R&D expenditure. The premise of this nexus approach is that R&D expenditure incurred by a company is a proxy for real and substantial activity carried on by that company.

128. The 'modified nexus' approach recognises that acquiring IP and outsourcing to related parties is a part of international business. It therefore allows for an amount of 'uplift' expenditure to compensate for the exclusion of related-party outsourcing and acquisition costs.

129. The uplift is calculated as the lower of:

- 30% of a company's qualifying R&D expenditure on an asset; or
- the total of related party outsourcing costs plus acquisition costs to be included in the numerator of the KDB fraction.

130. As a consequence of this modified nexus approach, a large administrative burden is placed on businesses to maintain records to claim the KDB and undertake complex calculations. There is little that can be done to alleviate this position however, in view of the requirement to comply with the OECD modified nexus approach.

131. As part of the BEPS *Forum on Harmful Tax Practices* (FHTP), consideration was given to the treatment of losses associated with IP regimes. *"IP losses must be used against IP income, and they cannot be separated from IP income to be used against ordinary income, which would create a situation where the losses from an IP asset would reduce income tax at the ordinary rate while the gains from the same IP asset would increase income taxed at the lower rate provided by the IP regime."*

132. Having regard to this concern, companies are required to make an irrevocable election, on an asset-by-asset basis, to bring assets into the KDB regime. This was considered necessary to ensure that there was no abuse of the KDB regime and to prevent a situation where companies could exploit the regime by electing in and out of the regime depending on whether they were profitable or loss making.

7.3.3. PREVIOUS REVIEW OF THE REGIME

133. The KDB was introduced in Finance Act 2015 to be effective from 1 January 2016 to 31 December 2020. The sunset clause was extended in Finance Act 2020 to 31 December 2022. The regime was reviewed in 2022 as part of the *Budget 2023 Report on Tax Expenditures*.[10]

[10] Department of Finance, 2022. Budget 2023: Report on Tax Expenditures 2022, https://assets.gov.ie/static/documents/budget-2023-report-on-tax-expenditures-2022.pdf

134. The 2022 review of the KDB found that it complements the existing suite of initiatives and supports that Ireland offers to create a business-friendly environment. The review found that while the KDB has proven effective for a very small number of companies, it has never achieved the desired levels of take-up and its impact on the investment decision has likely been minimal. When introduced it was estimated that the direct Exchequer cost would be approximately €50 million per annum.

135. The 2022 review also found real concerns around the continued effectiveness of the relief in the face of international taxation changes. The Pillar Two Subject to Tax Rule (STTR) is a treaty-based rule that allows source jurisdictions to impose taxation on certain related-party payments that are subject to tax on receipt below a minimum rate of 9%. STTR is not confined only to groups with turnover in excess of €750 million (the threshold for Pillar Two top-up taxes), accordingly, all claimants of the KDB, regardless of size, would fall within its scope. The STTR operates by restricting tax treaty benefits and either party to a tax treaty may request that the STTR be applied bi-laterally.

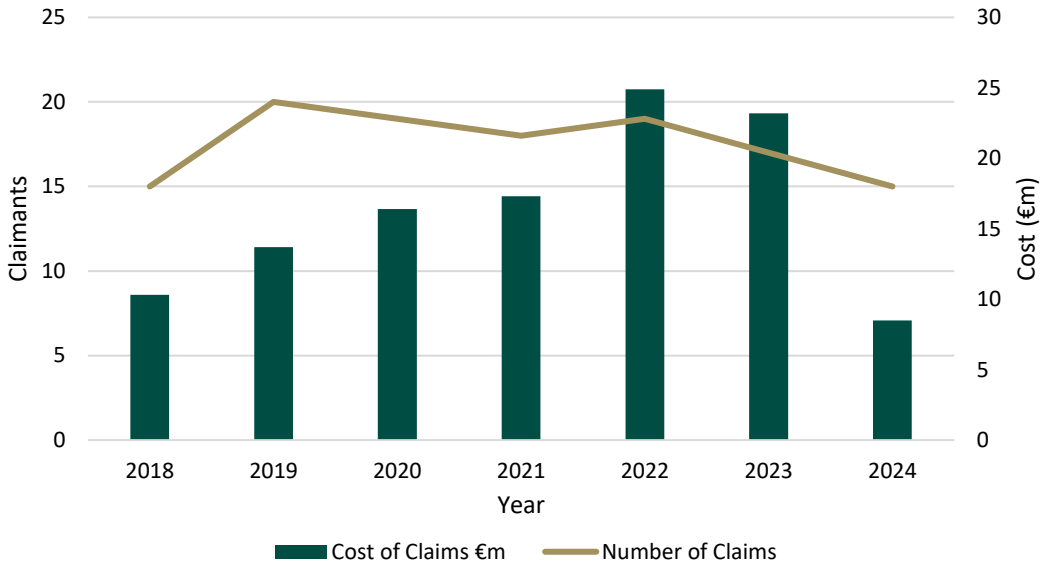
136. Furthermore, for companies in scope of Pillar Two top-up taxes, it is likely that any benefit from the KDB would be cancelled out by top-up taxes required to meet the 15% minimum effective tax rate.

137. Consideration was given at that time to ceasing the KDB. However, it is an important relief for those companies that claim it and it enhances our offering for innovative businesses. Therefore, having regard to these considerations, and to avoid the possibility of disagreements arising between Ireland and other jurisdictions regarding application of the STTR to the KDB, a decision was made to increase the effective tax rate of the KDB from 6.25% to 10%.

138. Following the review undertaken in 2022 the relief's sunset clause was also extended for 4 years, to allow the KDB to be available for accounting periods commencing before 1 January 2027. This continues the benefit of the KDB for smaller companies outside the scope of Pillar Two, albeit at a reduced level.

7.3.4. STATISTICS ON THE KDB

Figure 7: Cost and Claimants of the KDB 2018-2024



Data source: Revenue

139. Uptake of the KDB has been low to date as set out in the table above. In part this is due to the restrictive conditions of the relief, required to meet the modified nexus standard.

140. The low figures for the most recent years are also in part due to the longer claim window for the KDB as compared to other tax expenditures. Companies electing to avail of the KDB must do so within 24 months from the end of that accounting period. By contrast, most tax reliefs are claimed in a company's tax return, filed within 9 months of the end of the accounting period.

141. There is no doubt that, whilst the KDB has proven effective for a small number of companies, it has never achieved the desired levels of take-up. When introduced it was estimated that the direct Exchequer cost would be approximately €50 million per annum and to date, the highest cost per annum was in 2022 at €24.9 million. It was anticipated that take-up of the KDB would increase as companies became more familiar with the qualifying rules, however, the impact of Pillar Two resulted in a plateau and the scope for future growth is considered to be limited. Nonetheless the KDB remains an important relief for those companies that claim it and it enhances Ireland's offering for innovative businesses.

7.3.5. FUTURE OPTIONS FOR KDB

142. Three options are set out below in terms of the future and continued operation of the KDB, and are being considered in advance of Budget 2027:

    a. Extend the KDB.

b. Consider potential amendments to the regime, including the feasibility of allowing an irrevocable election out of the regime in light of the introduction of Pillar Two.

c. Allow the KDB to cease.

143. The KDB regime is one of suite of measures aimed at incentivising and encouraging the creation and exploitation of IP in the State. Whilst the uptake to the regime is not substantial there are companies engaging with the regime. In addition, it does have a role to play in creating a pro-enterprise environment and contributes to the knowledge creation ecosystem. There may be technical complexities associated with these options, and matters for consideration include:

a. The KDB was the first OECD 'modified nexus' regime, approved based on the conditions and requirements as currently provided for in legislation. This may limit scope for changes to the regime.

b. KDB treatment looks at IP on an asset-by-asset basis or on a family of assets basis. Any potential amendments would need to consider both categories.

c. Whether a transitionary period would be required to facilitate any changes to the regime.

d. Comparable regimes globally, and in particular in EU Member States.

144. The views of the TSG are welcome.

7.4. Reform of Ireland's Taxation Regime for Interest

145. A key area of tax reform being considered is in the area of interest, with a review of Ireland's taxation regime for interest currently being undertaken by the Department of Finance. This review seeks to deliver a simplified and competitive taxation regime for interest in Ireland, which is aligned with international best practice, and which protects the tax base. The proposed reform is intended to support business and help safeguard Ireland's competitiveness by providing administrative simplification and ensuring a sound and stable interest deduction basis for both domestic businesses and inward investment in Ireland.

146. The rules governing the treatment of interest have become increasingly complex as legislation has evolved over decades to take account of international developments and to tackle tax avoidance. Given that complexity, stakeholders called for a full review to be undertaken to examine options for reform and simplification of the regime. Fundamental reform of the interest regime requires a significant body of work to be undertaken, which must be carried out carefully to avoid unintended consequences.

147. Engagement with stakeholders is a key part of the process. A Feedback Statement for phase one of reform was published in November 2025 with proposals that sought to deliver on key stakeholder asks for broader deductibility for non-trading interest expenses and simplification and alignment of rules on trading and non-trading interest in a way that maintains key protections for the Exchequer. Nineteen responses were received in January 2026, many of which detailed new considerations arising from stakeholders' examination of the detailed proposals within the Feedback Statement.

148. Following further engagement with stakeholders on these matters, officials are progressing revised reform proposals with a view to publishing draft legislation for public consultation in Autumn 2026. Officials are also progressing options for discrete amendments to interest legislation as part of Finance Bill 2026 where beneficial.

7.5. Implementation of Budget 2026 audio-visual measures

149. Ireland is proud to have developed an international reputation as a centre of excellence for screen production, with a vibrant creative culture and established success in increasing the representation of Irish and European culture on global screens.

150. Over the last number of budgets, the Irish Government has enhanced our tax incentives for film production and developed new measures for unscripted television production and the development of digital games. These measures complement the Government's long-standing support for screen production and Irish creative industries.

7.5.1. SECTION 481 FILM TAX CREDIT – SCÉAL UPLIFT

151. Finance Act 2024 provided for an 8% uplift to the existing Section 481 Film Tax Credit (increasing the credit available from 32% to 40%), for feature film productions with a maximum qualifying expenditure of €20 million.

152. The aim of the uplift is to encourage and support smaller-scale Irish cinema, providing a range of opportunities for film creatives based in Ireland as they build their careers and expand their artistic ambition.

153. The Scéal Uplift received State aid approval in 2025. Regulations providing details of procedural matters with regard to the credit were agreed and the Uplift was commenced with effect from May 2025.

7.5.2. SECTION 481 FILM TAX CREDIT – ENHANCED RATE FOR VISUAL EFFECTS (VFX)

154. This measure was announced as part of Budget 2026 to respond to specific competitive challenges being faced by the visual effects sector in Ireland. The

measure will allow for an enhanced 40% rate for productions with a minimum of €1 million of eligible expenditure on qualifying VFX work. This rate will apply to eligible expenditure of up to a maximum of €10 million per production, beyond which the standard 32% rate will apply.

155. This measure was introduced subject to European Commission approval, which it received in April 2026. Work is currently underway with Revenue and the Department of Culture, Communications and Sport, with input from industry stakeholders to complete drafting of the Regulations, following which the VFX Uplift will be commenced.

7.5.3. TAX CREDIT FOR UNSCRIPTED PRODUCTION

156. The Section 487A Tax Credit for Unscripted Productions provides a CT credit for expenditure incurred on the development of certain unscripted programmes. It is available at a rate of 20% on eligible expenditure of up to a maximum limit of €15 million per project.

157. This novel incentive is the first tax credit in Europe dedicated solely to unscripted programming and is designed to support the expression of Irish and European culture in the fast-growing unscripted sector.

158. The credit was introduced as part of Finance Act 2024 and was commenced in January 2026. The tax credit has been approved by the European Commission and has a current sunset clause of 31 December 2028.

7.5.4. DIGITAL GAMES

159. The Digital Games Tax Credit (DGTC) provides a CT relief for digital games development companies to produce digital games that contribute to the promotion and expression of Irish and European culture.

160. Finance Act 2025 extended the tax credit, with a new sunset date of 31 December 2031. The Act also amended the credit to allow for claims in respect of post-release content work, where the game had availed of the DGTC prior to release. This amendment allows for an extension of the qualifying period to include eligible expenditure incurred up to three years post-release.

161. The post-release amendment was introduced subject to a commencement order pending receipt of State aid approval by the European Commission. Engagement with the European Commission is ongoing in respect of the notification.

7.5.5. CONCLUSION

162. A significant amount of development work has taken place in respect of tax measures in the audiovisual sector over the last number of years, with many enhancements either recently commenced or still in the process of obtaining approval and/or commencement.

163. It will take some time for these measures to become fully established and to understand their impact on the audio-visual sector in Ireland, and it is important for this process to take place before considering further changes or additions to supports.

164. The Department of Finance intends to monitor the reliefs as data become available, to ensure they deliver value to the taxpayer through development of the audio-visual sector in Ireland and increased representation of Irish and European culture in audio-visual formats globally.

7.6. Section 486C Small Company Start-up Relief

7.6.1. INTRODUCTION

165. Small and medium enterprises (SMEs) are a vital element of the Irish economy, and an objective of this Government is to promote Ireland's indigenous SME sector, including start-ups and micro-firms. This is line with the *Programme for Government 2025: Securing Ireland's Future* which contains a commitment to *"support efforts to help domestic Irish businesses scale up."*

166. The Government provides a range of tax supports and business funding grant schemes which are designed for SMEs to help them grow, scale their operations, improve sustainability and enter new markets. The SMEs of today are also potentially the Multi-National Enterprises (MNEs) of the future, and supporting their establishment and growth in Ireland can create strong roots in our domestic economy.

167. Section 486C of the Taxes Consolidation Act 1997 (TCA) was first introduced on Finance (No. 2) Act 2008. It provides relief from CT on trading income (and certain capital gains) of new start-up companies in the first five years of trading. The relief is designed to support the survival of new businesses, recognising that small businesses are significant drivers of employment across the country.

168. A review of the relief was last carried out by the Department of Finance in 2021, with a further review required in 2026 ahead of the current sunset date. This review analyses the most recent data available to identify any trends apparent among the business demographic who may qualify for this relief and examines the effectiveness of the scheme. The analysis is structured as follows:

- Sections 7.6.2 and 7.6.3 describe the background of the S486C relief, the evolution of the relief from its introduction, and the outcome of previous reviews of the regime.

- Section 7.6.4 provides a description of a number of other reliefs that are available to Irish SMEs/start-up companies.

- Section 7.6.5 examines the effectiveness of the S486C relief in terms of the employment generated, the sectors availing of the relief and the cost to the Exchequer of the relief.

- Section 7.6.6 concludes.

7.6.2. BACKGROUND

169. Section 486C start-up relief (Section 486 relief) for certain companies is a key support for new businesses. The relief was introduced in 2008 to provide relief for start-up companies in their first five years of trading from CT payable on the profits of the new trade and gains of the disposal of assets of the new trade, up to certain limits.

170. Recognising the importance of small business and that they are significant drivers of employment, this measure therefore aims to assist start-up companies in their critical early years of trading, thereby supporting the creation of additional employment and economic activity in the State. A further objective of the relief is to support the survival of start-up companies into the medium term, thus leading to a broadening of the CT base.

171. This measure provides relief in respect of the first five years of trading, for companies with an annual tax liability of less than €40,000. Marginal relief is available for companies with a tax liability between €40,000 and €60,000, to ensure new start-up companies with a liability of just over €40,000 do not lose the full value of the relief. Marginal relief operates by allowing relief on a tapering basis, reducing to nil when the tax liability exceeds the €60,000 limit.

172. The overall annual limit to the relief is also capped by reference to employer PRSI paid of up to €5,000 per employee which, prior to 2025, did not encompass PRSI paid by owner-directors. Budget 2025 provided for the qualifying criteria to be extended to allow up to €1,000 of Class S PRSI per individual to count toward this cap. This will provide much needed support for small, owner-managed start-up companies. Where a company cannot fully utilise the relief within the first five years of trading, any unused relief may be carried forward, subject to conditions.

173. When first introduced in **Finance Act 2008**, Section 486C relief was available to a new company in any of its first three years of trading where its total CT liability for a 12-month accounting period did not exceed €40,000. A new qualifying company with a CT liability up to €40,000 would therefore be able to have its CT liability reduced to nil. Marginal relief was available where the total CT payable by a company exceeded €40,000 but did not exceed €60,000. When first introduced the relief operated on a ‘use it or lose it’ basis and therefore excess unutilised relief was not available to be carried forward. The relief has been extended a number of times and is currently available to companies that commence a qualifying trade up to the end of 2026.

174. There have also been several enhancements to the relief since its introduction in Finance Act 2008, including:

a. **Finance Act 2011** modified the relief to link it more closely to the creation of employment, capping it by reference to the amount of Employer's PRSI paid by a company in an accounting period, subject to a maximum of €5,000 per employee and an overall limit of €40,000.

b. **Finance Act 2013** provided for significant enhancements to the relief by allowing any relief unused in the first three years of trading, due to losses or insufficient profits, to be carried forward for use in subsequent years. This was subject to the amount of relief in any year not exceeding the Employers' PRSI-related cap.

c. The Withdrawal of the United Kingdom from the European Union (Consequential Provisions) Act 2020 amended Section 486C to ensure relief continues to apply to new companies incorporated in the United Kingdom, following its withdrawal from the EU.

d. **Finance Act 2021** extended the relief to 31 December 2026. It also extended the relief to apply in respect of the first five years from the date the company commences to carry on the qualifying trade.

e. As noted above, **Finance Act 2024** provided for Class S PRSI paid by certain company directors/owners to be considered in computing the amount of relief, subject to an annual limit of €1,000 Class S PRSI per individual.

7.6.3. OUTCOMES OF PREVIOUS REVIEWS

175. ***2021 Review:*** The regime was last reviewed in 2021 as part of the Budget 2022 Report on Tax Expenditures.[11] The findings from the review concluded that many firms claim the relief annually and a significant amount of jobs are created and maintained by firms who are availing of the relief. The number of firms claiming the relief and the number of employees employed by these firms have been increasing since 2013, indicating a positive trend among new start-ups. Data available at the time of the 2021 review indicated that the start-up environment had improved in the decade since the financial crisis. The five-year survival rate for businesses had increased in each review to that date, with data available in 2021 indicating that the majority of start-ups (67.3%) would survive their first five years of trading.

[11] Department of Finance, 2021. Budget 2022: Report on Tax Expenditures 2021, https://assets.gov.ie/static/documents/budget-2022-report-on-tax-expenditures-2021.pdf

176. ***2018 Review:*** The review in 2018 found that the need for a start-up relief linked to employment costs continued to have relevance.[12] New start-up companies continue to struggle in their early years of trading. According to data available at the time of the 2018 review, 43.9% of new SMEs could expect to remain in business after five years of trading. Reliefs that assist these businesses with cash flow in their early years of trading allow them to focus on surviving, expanding and generating employment.

177. The 2018 review found that the largest sectoral concentration of companies availing of Section 486C relief had consistently been by companies in the 'Wholesale and Retail Trade' sector. Over the period of the relief's operation to that date, the distribution of claimant companies had slowly shifted across a broader range of sectors: for example, between 2013 and 2016 there was a net increase in the percentage of claimant companies in eight sectors, and a corresponding decrease in the concentration in the 'Wholesale and Retail Trade' and the 'Professional, Scientific and Technical' sectors, sectors which had the greatest percentage of claimant companies in 2013.

7.6.4. ECOSYSTEM TO PROVIDE FUNDING AND SUPPORT START-UP COMPANIES

178. SMEs are the foundation of the Irish economy, accounting for the majority of employment in the State. Their vital importance to our economy is reflected in Programme for Government commitments, including to an Action Plan for Competitiveness and Productivity, published in September 2025, which targets making Ireland the most supportive environment for indigenous businesses and the most attractive location for start-ups and foreign investment.[13]

179. The tax system contains a number of incentives and reliefs designed to support SMEs. There are a range of measures to support the start-up, and expansion of businesses in Ireland, including reliefs for investment in corporate trade such as the Employment Investment Incentive (EII), Start-up Relief for Entrepreneurs (SURE), and the Start-up Capital Incentive (SCI); reliefs for investment in innovative enterprises such as the Angel Investor Relief; reliefs to support and encourage entrepreneurial activity such as the Revised Entrepreneur Relief; and reliefs from capital taxes on the disposal or transfer of a business. These reliefs are covered in more detail in Sections 7.7, 7.8, and 7.9 of this paper respectively.

Grant supports available for Start-up Companies

[12] Department of Finance, 2018. Budget 2019: Tax Expenditure Review of Three Year Start-Up Relief 2018 (Section 486C) https://assets.gov.ie/static/documents/tax-expenditure-review-of-three-year-start-up-relief-section-486c.pdf
[13] Government of Ireland, 2025. Action Plan on Competitiveness and Productivity. https://enterprise.gov.ie/en/publications/publication-files/action-plan-on-competitiveness-and-productivity.pdf

180. Local Enterprise Offices provide a range of financial supports designed to assist with the establishment and/or growth of enterprises (limited company, individuals/sole trader, cooperatives and partnerships) employing up to ten people. These include:

    a. **Feasibility Study Grants:** The Feasibility Study Grant is a support that helps entrepreneurs and early-stage businesses test whether a business idea is commercially viable before committing to full startup or expansion costs. It is specifically designed for the exploration and validation phase, not for full business rollout. Companies can avail of grants up to €15,000 to test their business ideas.[14]

    b. **Priming Grants:** A Priming Grant is a business start-up grant, available to micro enterprises within the first 18 months of start-up. Start-up companies can avail of grants up to €150,000 as long as they meet the qualifying criteria set out on the Local Enterprise Office Website.[15]

    c. **Business Expansion Grants:** The Business Expansion Grant is designed to help existing micro-enterprises grow, scale operations, and increase employment after they have moved beyond the initial startup stage. It is targeted at businesses that are already trading and want to expand their activities. It provides eligible companies with grants up to €150,000 subject to eligibility criteria.[16]

7.6.5. DATA ANALYSIS

181. This review analyses the most recent data available, in respect of years up to and including 2023, to identify any trends apparent among the business demographic who may qualify for this relief. Data in relation to 2024 claims of the relief is expected to be available later this year.

182. It is important to note that identifying the impact of the Section 486C relief is difficult where the counter-factual (the situation that would have prevailed in the absence of the relief) is unknown. Furthermore non-tax factors also have significant impacts on new business ventures, and other tax measures to support business in getting through challenging periods (such as COVID-19, the cost-of-living crisis and the fuel crisis) also complicate data analysis, and therefore isolating the specific impact of the Section 486C relief on survivorship of new companies, changes in employment creation and economic activity is not possible.

Enterprise Survival & Exchequer Cost

[14] Local Enterprise Office, Feasibility Study Grants, https://www.localenterprise.ie/discover-business-supports/financial-supports/feasibility-grant/
[15] Local Enterprise Office, Priming Grants, https://www.localenterprise.ie/discover-business-supports/financial-supports/priming-grant/priming-grants.html
[16] Local Enterprise Office, Business Expansion Grants https://www.localenterprise.ie/discover-business-supports/financial-supports/business-expansion-grant/

183. Table 4 shows the number of enterprise survivals in the years from 2018 to 2023.[17] It should be noted that the below data refer to both companies and other businesses (sole traders for example), so the data should be read as an indication of the general trends among new enterprises as opposed to trends for new start-up companies alone.

Table 4: Enterprise Survivals 2018-2023

Year	# of enterprise births	Number of Enterprises surviving after				
		1 Year	2 Years	3 Years	4 Years	5 years
2018	25,794	20,141	18,656	14,891	13,506	12,267
2019	26,910	21,871	18,491	16,615	14,966	
2020	36,577	29,211	25,081	21,882		
2021	37,597	29,327	23,868			
2022	47,540	37,919				
2023	47,542					

Data source: Central Statistics Office (CSO) Business in Ireland 2023

184. The table above shows that there were 25,794 new enterprise births in 2018. Of these, 20,141 enterprises (78.1%) survived their first year in business, 18,656 (72.3%) survived two years in business, 14,891 (57.7%) survived three years in business, 13,506 (52.3%) survived four years in business and 12,267 (47.6%) survived at least five years in business.

185. The data in the 2022 review of Section 486C relief noted that, of the enterprises birthed in 2013, 67.3% survived at least five years in business. The falloff in survival rate since that time indicates that newly created enterprises have faced greater challenges to establish themselves in the recent economic climate. This is not unexpected as 2022 and 2023 saw the wind-down of supports related to the COVID-19 pandemic, and a return to a more normal domestic trading environment. At the same time, the international economic landscape is undergoing a period of profound structural change, with the rise of geopolitical uncertainty and protectionism having an impact on global supply chains and undermining the certainty businesses need to make long-term investments.

186. These challenges highlight the importance of the ecosystem of supports that exists for start-up companies. The need to be resilient, to provide stability and to maintain and improve Ireland's supportive environment as a location for substantial and highly

[17] CSO, 2025. Business in Ireland 2023 - Insights on the Lifecycle of Businesses. https://www.cso.ie/en/releasesandpublications/ep/p-biiilb/businessinireland2023-insightsonthelifecycleofbusinesses/keyfindings/

skilled operations, is central to the future economic prospects of both Ireland and the companies that establish and invest here.

Exchequer Cost of Section 486C Relief

187. Table 5 displays the Exchequer cost, the number of claims made under Section 486C, and the average value of these claims for the time period 2019-2023. The 2023 data shows an increase of €2.4 million (39%) in the Exchequer cost of the relief, and an increase of 317 (26%) in the number of claimant companies when compared to 2019.

188. The number of claimants and the cost of claims in 2023 are the highest figures that have been recorded in respect of the scheme to date, which show that the recent enhancements to the relief, such as the extension of the 'relevant period' from three years to five years, have made the relief more attractive to newly established companies. It also highlights the resiliency of start-up companies to recover from the effects of the COVID-19 pandemic. The impact of the most recent change to the relief, the extension of the capping provision to include Class S PRSI, is not yet visible as the measure applied in respect of accounting periods commencing on or after 1 January 2025.

Table 5: Claims and Exchequer Cost of Section 486C 2018-2023

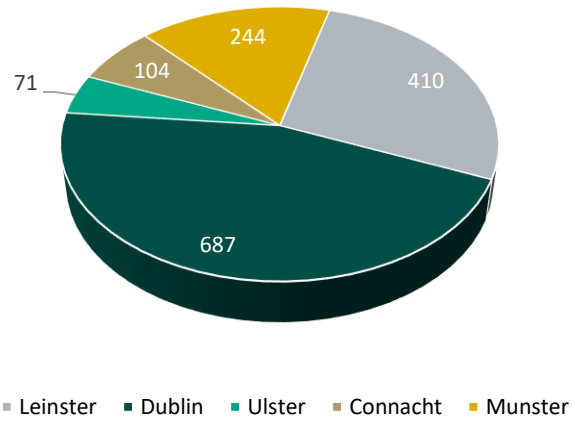
Year	Exchequer Cost (€m)	Number of Claims	Average Claim (€)
2019	6.2	1,199	5,171
2020	6.4	1,258	5,087
2021	7.2	1,398	5,150
2022	7.8	1,374	5,677
2023	8.6	1,516	5,673

Data source: Revenue

Geographical Analysis

189. Figure 8 below shows a breakdown of the location of the 1,516 claimants of the regime in 2023. 72.3% (1,097) of claims in 2023 came from the province of Leinster, with Dublin accounting for 45.3% (687) of claims alone.

Figure 8: Number of Claims per Region 2023[18]



Data source: Revenue

Sectoral Analysis of Claims

190. It is important to note that, during the COVID-19 pandemic, start-up companies were able to avail of a number of supports, such as the Temporary Wage Subsidy Scheme, the Business Resumption Support Scheme and the Small Business Assistance Scheme for COVID, to help survive the impacts of the pandemic on the operations of their businesses. As a result, some sectors such as Accommodation & Food, Manufacturing, and Professional, Scientific & Technological Activities saw an increase in the number of claims of the Section 486C relief in 2021. The growth in

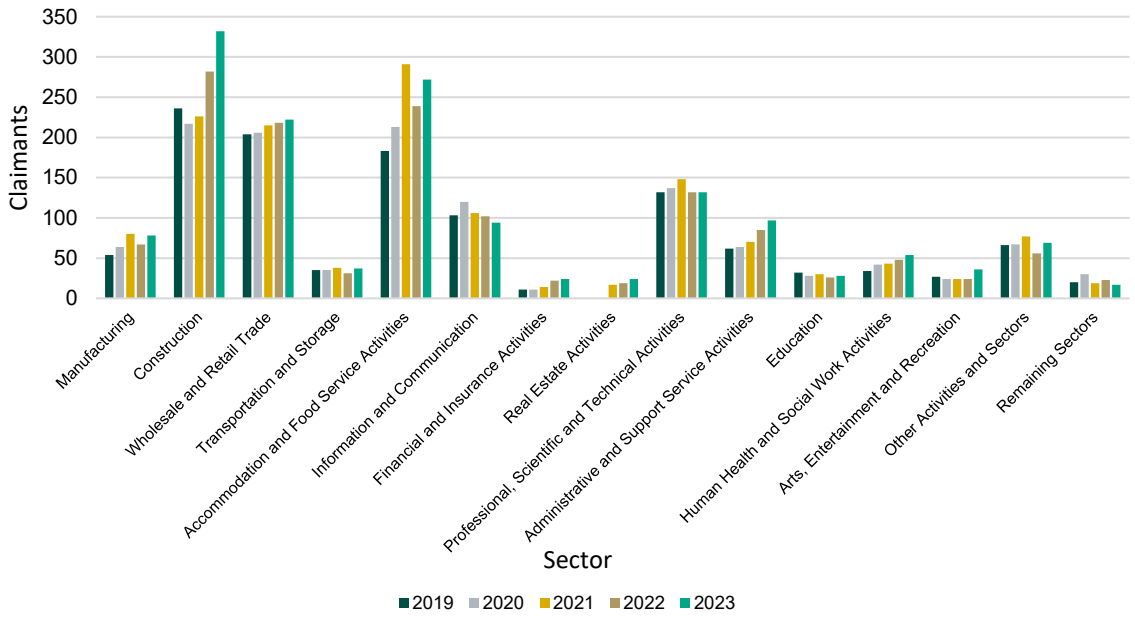
[18] Source: Revenue

claimants for the Accommodation & Food sector in 2021 was also supported by the reduction in the VAT rate from 13.5% to 9% as part of Budget 2021.

191. In 2019, the largest concentration of companies availing of Section 486C relief were in the Construction (236), Wholesale & Retail Trade (204) and Accommodation & Food (183) sectors respectively. The sectoral breakdown of claims above shows that these sectors remain the most prevalent in 2023 in terms of claimant companies, with the Construction sector seeing a 40.6% (96) increase in claimant companies from 2019 to 2023.

192. Most sectors have seen a gradual increase in claimants from 2019 to 2023, such as the Administration & Support Services Activities, Financial & Insurance Activities and Manufacturing. The consistent growth in claimants across sectors suggests that firms who claim the relief annually are able to create and maintain a significant number of jobs in the short term, allowing them to grow and expand in the early stages of their operations.

Figure 9: Number of Claims by Sector 2019-2023[19, 20]



Data source: Revenue

[19] 'Remaining sectors' includes companies in the Agriculture sector.
[20] As very few companies in the Retail and Estate sector availed of the relief in 2019/2020, no data can be provided to protect taxpayer confidentiality.

Employment in companies claiming the relief

Table 6: Employment Numbers of Section 486C Claimants

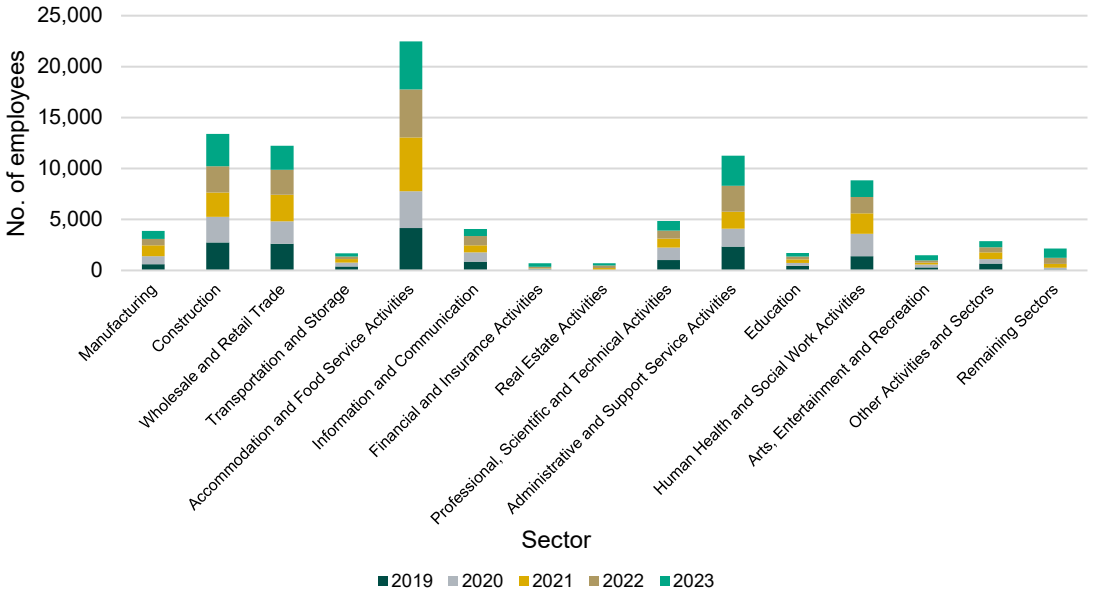
Year	Number of Claimants	Employment Numbers
2019	1,199	17,805
2020	1,258	16,823
2021	1,398	18,772
2022	1,374	18,449
2023	1,516	20,407

Data source: Revenue

193. In 2019, the tax relief supported 1,199 companies, collectively accounting for 17,805 employments. In 2020, although the number of claimants companies increased to 1,258, employment numbers amongst claimants fell by 982 to 16,823, a reflection of the difficulties SMEs faced during the COVID-19 pandemic. Many sectors in 2020 saw a decrease in employment numbers, with the Construction, Wholesale & Retail Trade, Accommodation & Food services and Administrative and Support Services sectors seeing a significant drop in employment as a result of the pandemic. The number of employments in claimant companies in supported rebounded to pre-COVID-19 levels in 2021 and increased to 20,407 employments in respect of 1,516 claimant companies in 2023, an average of almost 13.5 employments per claimant company.

194. From 2021 onwards, claimants of Section 486C across most sectors saw a rebound in employment numbers, with most surpassing pre-2020 levels by 2022–2023. As seen in Figure 10 below, Accommodation & Food Service Activities consistently represent the largest sector by employment numbers across the period, peaking sharply in 2021 and reducing but remaining elevated thereafter. The Wholesale & Retail Trade and Construction sectors showed signs of strong recovery following the pandemic, maintaining high and relatively stable employment levels from 2021 onwards.

Figure 10: Employment Numbers by Sector – Section 486C Claimants[21]



Data source: Revenue

Effectiveness of Section 486C Relief

195. The Section 486C relief was introduced to provide support to new business ventures in their critical early years of operating, which in turn creates additional employment and economic activity in the State. Although it is not possible to directly link the effectiveness of the relief in terms of job creation and increase in economic activity, it is possible to estimate the cost of the Section 486C relief per job supported.

196. In 2019, at a cost of €6.2 million, the relief supported 1,199 companies that in turn accounted for 17,805 employments between them. The average cost per job in supported companies was therefore €347.75 Although employment figures fell in 2020 as a result of the pandemic, the cost and number of claimant companies increased, which in turn caused the cost per job supported to increase further to €377.93.

197. The number of claimants and the cost of the relief reached its highest point ever in 2023, with 1,516 companies claiming the relief at a cost of €8.6 million. The number of employments in supported companies has also increased to 20,447, resulting in an average cost per job of €418.52. This is a decrease from the highest annual average cost per job supported, which occurred in 2022, with an average cost of €424.90 per job supported.

198. It is also worthwhile looking at the average cost per job supported in comparison with the cost of various social welfare supports. Currently the lowest rate of standard

[21] Source: Revenue

Jobseeker's benefit is €114 per week, which works out at an annual Exchequer cost of €5,928 annually, while the highest rate is €254 per week, which is an annual Exchequer cost of €13,208.[22] In comparison to the Exchequer cost of supporting people who are currently out of work, the cost of the Section 486C is relatively low.

Table 7: Estimated Annual Cost per Job Supported

Year	Number of Claimants	Tax Cost (€m)	Employee Numbers	Average cost per job supported (annually) (€)
2019	1,199	6.2	17,805	347.75
2020	1,258	6.4	16,823	377.93
2021	1,398	7.2	18,772	384.26
2022	1,374	7.8	18,449	424.90
2023	1,516	8.6	20,447	418.52

Data source: Revenue

7.6.6. CONCLUSION

199. The Section 486C relief is an important corporate tax incentive for the Irish small and medium sized business sector. Start-ups have a key role to play in generating economic activity and providing new jobs. While unemployment rates have decreased significantly since the introduction of the relief, enterprise survival rates over the past few years have fluctuated due to the effects of the COVID-19 pandemic and increased geopolitical instability. Supports like the Section 486C relief, the Temporary Wage Subsidy Scheme and the reduction in the VAT rate from 13.5% and 9% collaboratively contributed to start-up companies surviving the effects of the pandemic on the operations of their businesses.

200. Start-up companies currently face a lot of uncertainty. Geopolitical uncertainty and protectionism are having a negative impact on energy prices and global supply chains and undermining the certainty businesses need to make long-term investments. These challenges highlight the importance of the ecosystem that exists to support start-up companies, to enable them to survive and grow.

201. As previously stated, it is difficult to analyse the individual effect that Section 486C has on the long-term longevity of start-up companies. However, the relief, along with a number of other factors that collectively assist new companies being able to sustain themselves, has helped support the survival of start-up companies, which in turn may support a broadening of the CT base.

[22] Citizens Information, 2026. Jobseeker's benefit. https://www.citizensinformation.ie/en/social-welfare/unemployed-people/jobseekers-benefit/

202. The relief currently has a sunset clause of 31 December 2026. In view of the continuing need to support and provide certainty to small businesses, consideration is being given to extending the relief in its current form for a further five years. The maximum allowable extension for a relief of this magnitude is seven years, under the Tax Expenditure Guidelines however considering that it is supporting start-up companies it may be beneficial to prompt an earlier review of the relief to ensure that it is continuing to be effective.[23]

203. The views of TSG members are welcomed.

7.7. Relief for Investment in Corporate Trades (EII, SURE & SCI)

204. Part 16 TCA contains three incentives, the Employment Investment Incentive (EII), the Start-Up Capital Incentive (SCI) and the Start-Up Relief for Entrepreneurs (SURE), which seek to address the challenges faced by SMEs in attracting alternative risk-based sources of funding. The incentives assist SMEs in raising finance by providing Income Tax relief to those who make investments in qualifying enterprises. They are designed to help address the market failure in relation to equity capital investment in new companies/SMEs, and more generally to support the creation and retention of employment in SMEs across the economy.

205. As data relating to the Part 16 reliefs for 2024 is not yet available the figures in this section cover the period up to 2023. The cost of the Part 16 reliefs in recent years is illustrated in table 8 below.

206. The Part 16 incentives constitute State aid but are considered a permissible aid as they operate under relevant SME Risk Finance provisions (Article 21 and Article 21a) of the EU General Block Exemption Regulation (GBER).[24]

207. The GBER is revised periodically with the latest amendments adopted in June 2023. As a consequence of this revision, a number of amendments to the Part 16 reliefs were included in Finance (No. 2) Act 2023 as well as further enhancements to the reliefs.

208. The GBER currently in force is scheduled to expire on 31 December 2026. A draft of the new revised GBER was published by the European Commission in February and a public consultation on the draft concluded in April. The adoption of the revised

[23] Department of Finance, 2024. Tax Expenditures Evaluation – Updated Guidelines Oct 2024. https://assets.gov.ie/static/documents/86fd53de/Tax_Expenditures_Evaluation_-_Updated_Guidelines.pdf
[24] European Commission, 2014. Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty. https://eur-lex.europa.eu/eli/reg/2014/651/2023-07-01

GBER is planned for the end of 2026, before the current GBER expires on 31 December 2026.[25]

Table 8: Cost to Exchequer of Part 16 Reliefs

Relief	Cost to Exchequer (€m)[26]			
	2023	2022	2021	2020
EII	56.8	52.51	43.81	32.61
SCI	0.3	0.32	0.56	0.4
SURE	0.8	1.03	0.89	1.57

Data source: Revenue

7.7.1. EMPLOYMENT INVESTMENT INCENTIVE (EII)

209. EII provides Income Tax relief to investors who are individuals and who make risk capital investments for shares in qualifying SMEs up to certain yearly limits.

210. The main objective of EII is to provide SMEs and start-ups with an alternative source of funding and to support the creation and retention of employment in SMEs across the economy.

211. EII is available to investors in unquoted micro, small and medium-sized companies that will carry out qualifying trades (are yet to start operations), or that are within seven years of their first commercial sale or are in operation less than ten years following their incorporation.

212. Certain older companies may also qualify, for example if they are expanding into a new economic activity.

213. The maximum amount an individual investor can claim relief on where investments are held for a minimum period of four years is €1 million per annum. This is a cumulative limit and applies to investments made under EII, SCI and SURE. This limit applies from 1 January 2025 with lower limits applicable before this date.

[25] European Commission, 2026. Draft for a Regulation declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, amending Regulations (EU) 2022/2472, (EU) 2022/2473, and (EU) XX/XX [Transport Block Exemption Regulation]. https://competition-policy.ec.europa.eu/document/download/13d86416-7f23-466e-83aa-0af8105b72d2_en?filename=empty_file_en.pdf

[26] Tax cost relates to the first year in which the taxpayer can claim the relief against their income. If the relief is not all used in year 1 it can be carried forward, but this is not reflected in the figures. The tax cost is a maximum tax cost based on the assumption that all investors are benefiting from the deduction to their taxable income at the marginal rate i.e. that all of the income deduction is above their standard rate cut off point. For the purpose of this analysis investments through Qualifying Investment Funds are assumed to give rise to a tax cost in the year in which the investment is received by the company.

214. The investor must subscribe for new shares in a qualifying company for cash. The investment can be made directly in the company, directly by using a Designated Investment Fund (DIF) or indirectly through a Qualifying Investment Fund (QIF).[27, 28]

215. There is a GBER imposed limit of €16.5 million on the amount which a company can raise for risk finance aid in its lifetime. This limit includes investments made through EII, SCI and SURE, and through the Relief for Investment in Innovative Enterprises also discussed in this paper.[29] In addition to this, there is a limit of €5.5 million in the amount that a company can raise in any 12-month rolling period.

216. Gains arising on the disposal of EII shares may be subject to either Income Tax or Capital Gains Tax (CGT) depending on whether the shares are disposed of through buyback of the shares by the relevant company, or to a third party. If a loss on sale arises (i.e. the shares are sold for less than the original amount invested), no loss relief is granted for that loss.

217. In line with GBER, the rate of Income Tax relief available to investors ranges from 20% to 50% of the amount of the qualifying investment depending upon the circumstances of the company raising investment and whether the investment is direct or indirect. The take up of EII over recent years is set out in table 9 below. Uptake of EII continues an upward trend with a significant increase in the total amount invested in EII eligible companies in 2023 compared to 2022.

Table 9: Recent statistics on EII

Year	Total amount invested (€m)	Number of companies benefitting	Number of Individual Investors
2023	141.9	195	3,323
2022	122.3	161	3,195
2021	107.1	167	3,133
2020	84.2	126	2,196

Data source: Revenue

7.7.2. START-UP CAPITAL INCENTIVE (SCI)

218. SCI is a relief designed to attract investment from associates who are in general family members in early-stage micro-enterprises. The SCI was introduced in Finance

[27] A DIF is a type of investment fund that is established for the sole purpose of investing in qualifying companies under EII and has been designated as a DIF by Revenue for the purposes of Part 16. See Revenue Tax and Duty Manual Part 16-00-04.
[28] A QIF is an investment limited partnership authorised in accordance with the Investment Limited Partnerships Act 1994 or a limited partnership registered in accordance with the Limited Partnerships Act 1907 and managed by an Alternative Investment Fund Manager ('AIFM'). See Revenue Tax and Duty Manual Part 16-00-04.
[29] Relief for Investment for Innovative Enterprises also comes within the terms of GBER.

Act 2018 to address the challenges that micro startup enterprises face in attracting capital.

219. SCI is comparable to EII, but with the added benefit of being available for investments made by family members. SCI provides Income Tax relief for investments made in qualifying companies by family members such as a spouse, civil partner, or sibling. There is a €500,000 lifetime limit on the amount that a company can raise under the scheme.

220. The take up of SCI in recent years is set out in table 10 below.

Table 10: Recent statistics on SCI

Year	Total amount invested (€m)	Number of companies benefitting	Number of Individual Investors
2023	0.6	<10	10
2022	0.8	13	16
2021	1.4	19	42
2020	1	16	19

Data source: Revenue[30]

7.7.3. START-UP RELIEF FOR ENTREPRENEURS (SURE)

221. SURE is an Income Tax relief which is designed to encourage employees or former employees to start their own businesses. It is targeted at entrepreneurs who leave an employment to start their own company

222. Entrepreneurs can claim a refund of Income Tax paid through the PAYE system in the year of investment, and the previous six tax years, where they invest funds into a new company which they set up.

223. The individual's income from previous years must have been mainly liable to PAYE. For the three years preceding the year that precedes the year in which the individual makes an investment, the individual cannot have earnings from any other source in excess of €50,000, or the employment income, whichever is lower. However, income in the year immediately before the investment can be from any source.

224. The refund amount that is received by the individual depends on the gross pay that individual received and the tax that was paid over the previous years. Individual

[30] Due to Revenue's obligation to protect taxpayer confidentiality the exact number cannot be provided where the number of taxpayers is less than 10.

circumstances, such as the amount of tax credits the individual is eligible to claim, can also affect the refund due under SURE.

225. The minimum investment an individual can make under SURE is €250 and the maximum investment in respect of which relief can be claimed is €140,000, per year of assessment. As an individual can claim relief for a SURE investment over a period of seven years, this means the maximum investment for which relief is available is €980,000. Any unused relief can be carried forward.

226. The take up of SURE from 2020 to 2023 is set out in table 11 below.

Table 11: Recent statistics on SURE

Year	Total amount invested (€m)	Number of companies benefitting	Number of Individual Investors
2023	2.0	27	29
2022	2.58	25	27
2021	2.23	32	35
2020	3.91	38	42

Data source: Revenue

7.7.4. REVIEWS OF PART 16 RELIEFS

227. A review of the EII and SURE was undertaken by Indecon Consultants in 2018. Several actions were taken following this review including the creation of SCI and other amendments in subsequent Finance Acts.[31] The 2018 review was followed by public consultations in 2019 and 2020/21. The Commission on Taxation and Welfare also examined EII as part of the broader review of the Irish tax system.

228. A review of EII, SURE and SCI was completed in 2024 in line with the Tax Expenditure Guidelines and published alongside Budget 2025. This review included a Cost Benefit Analysis (CBA) and examination of Ireland's comparative position.[32]

229. The 2024 review found that the total number of employments associated with EII companies has remained broadly unchanged in the reference period (2017-2022) and the sensitivity analysis found that in most scenarios the benefit cost ratio of EII is negative. From a policy perspective, the review concluded that it is likely that the EII performs a much more important role in times of higher unemployment and where

[31] Department of Finance, 2018. Indecon Evaluation of EII and SURE. https://www.gov.ie/en/department-of-finance/publications/indecon-evaluation-of-eii-and-sure/
[32] Department of Finance, 2024. Review of the Employment Investment Incentive (EII) 2024. https://www.gov.ie/en/department-of-finance/collections/tax-expenditure-reviews-and-evaluations/

the general funding environment is poor and that in the current environment (2024) the case for tax incentives is weak.

230. However, the review acknowledged the role the reliefs play in assisting SMEs raise capital and concluded that their extension for a further two years (to end 2026) was justified, though cautioned against any further widening of the eligibility or cost of the scheme. It was also considered appropriate to allow recent changes to 'bed in'.

7.7.5. REVIEW OF PART 16 RELIEFS AHEAD OF END-2026 SUNSET CLAUSE

231. As set out above, the Part 16 reliefs were previously reviewed in 2024 in line with the Tax Expenditure Guidelines. The review notably included a CBA evaluating the effectiveness of the reliefs, in particular the EII. The 2023 GBER revision and subsequent changes to the relief did not come within the scope of the evaluation.

232. The Part 16 reliefs fall into Level 2 Evaluation in the Tax Expenditure Guidelines based on the annual cost of the reliefs. The timeline for an ex-post evaluation of a Level 2 scheme is five years therefore a full review of the Part 16 reliefs is required in 2029.

233. The Part 16 reliefs were extended following the previous review to match the end date of the GBER which is 31 December 2026. The revised GBER is expected to be prolonged to 2034 according to the most recent published draft. This means that the next sunset clause for the Part 16 reliefs will be based on the Tax Expenditure Guidelines rather than the GBER.

234. The challenges faced by new early-stage companies, particularly high potential start-ups (HPSUs) and innovative SMEs are well known. When considering the policy objective of addressing the market failure in relation to SMEs funding, it remains the case that access to risk finance for early-stage companies is a challenge and EII is a driver in leveraging funding for SMEs.

235. EII is associated with significant investment in SMEs with over €68 million invested via EII in eligible companies in 2019, rising to over €141.9 million in 2023.

236. The impact of the GBER driven changes from 2024 onwards has yet to be seen as data is not yet available. EII is now more focused on encouraging risk finance investment in companies in their early stages of development than was previously the case. As noted previously, higher rates of relief are available for investment in companies beginning operations compared to more established companies. Further consideration can be given to the impact of the changes on 2024 once data is available.

237. The conclusions of the 2024 review remain applicable as access to risk finance for early-stage companies remains a challenge, and the existence of similar schemes in

other EU jurisdictions means that Ireland would be at a competitive disadvantage without EII.

238. EII, SURE and SCI play an important role in helping new companies raise alternative sources of funding and it is recommended that the reliefs should be extended for a further three years to end-2029 in accordance with the Tax Expenditure Guidelines. This timeframe also complies with the upcoming revised GBER which is expected to be prolonged to 2034.

7.7.6. POLICY AND OTHER CONSIDERATIONS FOR PART 16 RELIEFS

239. EII has undergone a substantial amount of change in recent years in response to extensive stakeholder consultation and amendments made to comply with the previous revisions of the GBER and to avail of its more generous thresholds.

240. The upcoming revised GBER may offer further scope for reform of EII. Officials will continue to consider potential options as the revision of the GBER by the Commission progresses. The new revised GBER is expected to be adopted in Q4 2026. This will pose challenges, which officials are examining, as this timeframe will coincide with the Finance Bill progressing through the Oireachtas.

241. A common request made by stakeholders is to allow CGT loss relief on EII investments similar to the UK equivalent schemes.[33] Loss relief is disallowed for EII, and the legislation is designed to operate so that where a loss arises on the sale of EII shares, it is reduced to nil. The treatment of CGT losses arising on the disposal of EII shares is in line with the CGT treatment applicable to other types of assets where tax relief has already been granted prior to disposal and restricts the availability of multiple occasions of relief in respect of the same asset, expenditure or investment. Therefore, as, in this instance, Income Tax relief has already been granted, as a matter of policy any further relief on the same investment should not be allowed.

242. The Department continues to proactively engage with stakeholders in both the public and private sectors regarding the Part 16 reliefs. The Department will continue to monitor the supports to ensure they are aligned with policy and will also continue to engage with stakeholders and consider their feedback. Further consideration can be given to stakeholder feedback following the adoption of the revised GBER. The Department of Finance has engaged directly with the National Enterprise Hub (NEH) in an effort to raise awareness amongst potential entrepreneurs of the benefits of EII, SCI and the SURE schemes. The hub brings together information and resources on over 250 government supports available to Irish businesses including tax incentives. The NEH report that they have received a significant number of enquiries from clients

[33] It is important to note that similar schemes in the UK no longer have to come within the provisions of the GBER.

about the SURE scheme. NEH advisors proactively highlight that the SURE scheme may be of benefit to clients when engaging with the services offered by the hub.

243. Following a recommendation of the TALC sub-committee on administrative simplification of business reliefs for SMEs[34], Revenue has published updated guidance for the Part 16 reliefs following an extensive restructure of the Part 16 reliefs Tax and Duty Manual.[35] The updated guidance, contained in four distinct Tax and Duty Manuals, is designed to improve accessibility and provide clear and simplified guidance on the reliefs from both the investor and company perspectives.

244. TSG members are asked to consider the recommendation to extend the Part 16 reliefs to end-2029.

7.8. Relief for Investment in Innovative Enterprises (Angel Investor Relief)

7.8.1. BACKGROUND

245. The relief for Investment in Innovative Enterprises, also known as Angel Investor Relief, is a CGT relief for individuals who invest in innovative start-up SMEs. The relief, which was recommended by the Commission on Taxation and Welfare, aims to assist these innovative SMEs in attracting investment and to make Ireland a more attractive location for business angel investors.

246. Angel investors are typically high-net worth individuals with experience in the investee firm's sector or in scaling up start-ups. They invest in early-stage start-ups in exchange for an equity stake, often also offering expertise, guidance and contacts along with their investment.

247. Innovative SMEs are drivers of economic growth, developing new products, services and processes that can have a positive impact on SME productivity, exports and employment.

248. The Minister for Finance announced the new angel investor relief for investment in innovative start-ups in Budget 2024. The measure was legislated for in Finance Act 2024 and is provided for by Chapter 6A of Part 19 of the TCA. The relief commenced on 1 March 2025.

249. To come within the remit of the relief, a company must hold valid certificates of qualification and provide a copy of those certificates to the investor at the date of

[34] Revenue, 2024. Report of the TALC Subcommittee on Simplification of Business Reliefs for SMEs June 2024. https://www.revenue.ie/en/tax-professionals/documents/talc/simplification-sub-committee/report-june-2024.pdf
[35] Revenue, 2025. Tax and Duty Manual Part 16-00-02 Reliefs for Investment in Corporate Trades. https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-16/16-00-02.pdf

investment. The certificates of qualification are comprised of a Certificate of Going Concern and a Certificate of Commercial Innovation.

250. A company may apply to Revenue to receive certificates of qualification. As part of this certification process, Revenue may engage with EI in order to ascertain if a company should be issued certificates of qualification. A company must demonstrate they have the experience and expertise to implement the business plan.

251. A key qualifying condition for companies seeking investment is that they must be an SME less than seven years old at the date of application for the certificates of qualification.

252. The criteria required to secure a Certificate of Commercial Innovation is based on the GBER definition of 'innovative enterprise'.

253. Investors who qualify for the relief may avail of an effective reduced rate of CGT of 16% on a gain (18% if the investment is through a qualifying partnership) made on the disposal of a qualifying investment in an innovative start-up, up to gains equal to twice the value of their initial investment. The lifetime limit on gains on which the reduced rate of CGT may be availed of is €10 million.

254. As a risk finance aid measure aligned with the GBER there is a limit of €16.5 million on the amount which a company can raise in its lifetime.

7.8.2. REVIEW OF THE ANGEL INVESTOR RELIEF END-2026 SUNSET CLAUSE

255. The Angel Investor Relief will not require review in line with the Tax Expenditure Guidelines for a number of years. However, as the relief is aligned with the GBER it has a sunset clause of 31 December 2026.

256. As Revised Entrepreneur Relief (RER) is a CGT relief and that the shares must be held for a minimum of three years it will be a number of years before any data will be available. As no data is yet available and given the relief as only commenced relatively recently it would be considered appropriate to continue the relief for a further three-year period.

7.8.3. POLICY AND OTHER CONSIDERATIONS

257. As the Angel Investor relief was recently introduced it will be some time before relevant data and feedback on its operation is available. The Department continues to engage with stakeholders and monitor feedback with the objective of ensuring the Relief is operating as intended.

258. Originally when the relief was designed, it was intended that certification of the qualifying company as an innovative enterprise be managed by EI with the company

applying directly to EI. Officials continue to engage with colleagues in the Department of Enterprise, Tourism and Employment and EI on this matter.

259. Together with learnings from the early operation of the relief, notably the certification process for innovative enterprises, this may provide a more informed basis to consider what changes, if any, could improve the functioning of the relief.

260. Officials continue to engage with stakeholders as well as also examining options to raise awareness of the relief among the angel investor and start-up communities.

261. TSG members are asked to consider the recommendation of extending the Angel Investor Relief in its current iteration.

7.9. Revised Entrepreneur Relief

7.9.1. BACKGROUND

262. RER is provided for by Section 597AA TCA. It was introduced in Finance Act 2015. The aim of the Relief is to improve the environment for entrepreneurs and business-people setting up or carrying on productive business activities in the State.

263. The RER provides for a reduced rate of CGT on gains arising from the disposal of qualifying business assets - a CGT rate of 10% applies to chargeable gains arising on the disposal of chargeable business assets made on or after 1 January 2017.[36] Qualifying business assets are shares held by an individual in a trading company or assets held by an individual sole trader and used in their trade.

264. There are a number of other qualifying conditions which must be met in order to avail of the relief. These include, in the case of shares, a requirement for the individual to have owned at least 5% of the ordinary shares for a continuous period of three years in the five years prior to the disposal of assets. In all cases a requirement for individuals to spend no less than 50% of their working time in the service of the company for a continuous period of three years, all of which must be served in the five years immediately prior to the disposal of the shares. These requirements reflect a policy position that the RER is directed towards business founders and key employees that, in addition to investing their capital in the company, are central to the direction, decisions and day to day operations of it.

265. The relief applies to chargeable gains arising on the disposal of chargeable business assets on or after 1 January 2016, up to a lifetime limit. A limit of €1 million applied to gains arising on disposals up to 31 December 2025. The lifetime limit was

[36] Initially 20% for disposals on or after 1 January 2016, and 10% for disposals made on or after 1 January 2017.

increased to €1.5 million in respect of gains made on disposals on or after 1 January 2026.

266. The latest Revenue data on the relief is set out in the tables below including the most recent figures for 2023. While the number of taxpayers availing of the relief in 2023 was marginally ahead of the 2022 figure, the cost to the Exchequer decreased slightly year on year.

Table 12: Recent statistics on Revised Entrepreneur Relief

Year	Exchequer Cost (€m)	Number of claimants
2023	156.7	1,364
2022	161.7	1,335
2021	142.9	1,204
2020	93.2	924
2019	93.9	972
2018	92.4	875

Data source: Revenue

7.9.2. REVIEWS OF THE RER

267. There have been two substantive reviews of RER undertaken by the Department of Finance in recent years while the Commission on Taxation and Welfare (CoTW) Report also addressed certain policy aspects of the relief, with a recommendation that it be extended, leading to the introduction of the Angel Investor Relief).[37]

268. In 2019, the Department of Finance commissioned an external review which was undertaken by Indecon Consultants and was published as part of Budget 2020.[38] The review found that the relief did not have a significant impact on the initial investment decision. Rather, the relief was found to have influenced the timing of asset disposals.

269. The review recommended increasing the lifetime investment limit, with the addition of targeting factors, making the Relief conditional on reinvestment, and amending the ownership criterion to encourage expansion.

270. In 2023 the Department of Finance carried out a further targeted review and Cost Benefit Analysis (CBA) of the RER with the support of the Department of Enterprise,

[37] COTW, 2022. Foundations for the Future; Chapter 9, Recommendation 9.5
https://www.gov.ie/pdf/?file=https://assets.gov.ie/234316/b4db38b0-1daa-4f7a-a309-fcce4811828c.pdf#page=null
[38] Department of Finance, 2019. Budget 2020 Report on Tax Expenditures Incorporating outcomes of certain Tax Expenditure & Tax Related Reviews completed since October 2018.
https://www.gov.ie/pdf/?file=https://assets.gov.ie/180892/f715a137-5ac2-4701-8e20-63b37a09d44e.pdf#page=null

Trade and Employment and EI. This report was published as part of Budget 2024.[39] The CBA report recommended that any decision to modify or relax the eligibility criteria or scope of the relief be carefully considered in terms of its potential Exchequer impact.

7.9.3. AMENDMENTS TO THE RER

271. Following the 2019 review of RER undertaken by Indecon Consultants, and the resulting recommendations, an amendment was made in Finance Act 2020 to the shareholding condition of the relief. It was amended so that an individual who has owned at least 5% of the ordinary shares in the qualifying company or group of companies for a continuous period of any three years prior to disposal of those shares may qualify for the Relief, so that business expansion was not penalised. Prior to this change it was necessary for an individual to hold the shares for a continuous period of three years in the five years immediately preceding the disposal.

272. The Department of Finance considered the recommendation of the CoTW in their 2022 Report that the scheme be extended to angel investors, together with feedback received from stakeholders. Rather than amend RER for this purpose, the Relief for Investment in Innovative Enterprises was introduced in Finance Act 2024 (see Section 7.8).

273. Finance Act 2025 increased the lifetime limit, from €1 million to €1.5 million, for gains arising on disposals of chargeable business assets made by relevant individuals on or after 1 January 2026 and amended the existing aggregation rules which apply to the relief in light of the increased lifetime limit.

7.9.4. POLICY AND OTHER CONSIDERATIONS

274. Following the 2023 CBA, taking into account stakeholder feedback, officials examined various options with regard to potentially amending RER including amending the lifetime limit to a per venture limit. Amending the RER lifetime limit to a per venture approach would have made the relief more complex, instead an adjustment to the lifetime limit was recommended.

275. The increased limit of €1.5 million can allow scope for further growth of a business before an entrepreneur seeks to crystalise their gains by disposing of their business assets to avail of the relief. It can also act as an incentive for serial entrepreneurship by allowing future additional gains to be eligible for the relief, subject to the new higher €1.5 million lifetime limit.

276. The UK equivalent scheme – the Business Asset Disposal Relief - is often cited in a comparison to the Irish RER and in the context of the strong business links between

[39] Department of Finance, 2023. Budget 2024: A Cost Benefit Analysis of the Revised Entrepreneur Relief. https://assets.gov.ie/273329/8a803303-6709-4c59-a8ee-90fe534f2b87.pdf

Ireland the UK. As such it is useful to monitor developments to that scheme. In the UK scheme the lifetime limit on qualifying gains was originally £1 million, this was raised to £5 million in 2010, was raised again to £10 million in 2011. In 2020, however, the lifetime allowance was reduced back to £1 million. The rate of relief has also changed, with gains on disposals from 2010 to April 2025 charged at a rate of 10%. However, for disposals occurring from April 2025 gains which qualify for relief will be charged at a rate of 14%. This increased to 18% for qualifying gains arising from disposals occurring from April 2026. In summary, the changes to the rates of relief and the investment limit represents a very significant tightening up of the UK scheme.

8. Taxation of Investment Funds and Life Assurance Products

8.1 Current Tax Regime

8.1.1 GROSS ROLL UP-REGIME – INVESTMENT UNDERTAKING TAX AND LIFE ASSURANCE EXIT TAX

277. Investments in Irish domiciled investment funds and life assurance products are subject to the gross roll-up regime which was introduced in Finance Act 2000. The gross roll-up regime allows the monies invested in these funds and products to grow on a tax-free basis. Tax is payable when value transfers, or is deemed to arise, from the fund or policy to the investor.

278. Specifically, tax is triggered on the occurrence of what is referred to as a 'chargeable event'. In the context of an Irish domiciled investment fund, chargeable events include the making of a distribution, the redemption of the investment, the transfer by an investor of their investment and a deemed disposal.

279. The tax applied to domestic investment funds is known as Investment Undertaking Tax (IUT) and the tax applied to domestic life assurance products is Life Assurance Exit Tax (LAET). Since 1 January 2026, IUT and LAET apply at the rate of 38% in respect of individual investors. The rate is 25% in respect of corporate investors.

280. In the absence of the gross roll-up regime, Income Tax and CGT would arise on the transactions and distributions within the fund in line with the normal operation of the tax system.

8.1.2 DEEMED DIPOSAL

281. The deemed disposal rule is an anti-avoidance mechanism that was introduced in Finance Act 2006 to prevent the indefinite deferral of taxation under the gross roll-up regime. Under the deemed disposal rule, tax is levied eight years after the original investment is made, and on every subsequent eight years thereafter. The extent to which the tax arises under the deemed disposal rule depends on whether a gain is deemed to arise for IUT or LAET purposes on the date of the deemed disposal (calculated by reference to the original amount invested and the value of the investment on the date of the deemed disposal). The tax paid under the deemed disposal rule is allowed as a credit against the tax due on a subsequent chargeable event and any excess is refundable.

8.1.3 TAXATION OF EXCHANGE TRADED FUNDS

282. An Exchange Traded Fund (ETF) is an investment fund whose units are traded on a regulated stock exchange. There is no separate tax regime for ETFs. The domicile of the ETF generally determines the applicable funds taxation regime, specifically whether the ETF falls within the domestic fund regime (gross roll-up), or the offshore

funds regime. There are different rules applicable under the offshore funds regime dependent on the domicile and regulatory status of the fund (see below).

283. Typically, under the domestic funds regime the investment fund calculates and deducts any IUT due on the occurrence of a chargeable event. However, where units in an Irish domiciled investment fund are held on a recognised clearing system, as is the case for ETFs, investors are required to calculate, return and pay the tax due on the income and gains arising from their investment in the fund on a self-assessment basis, as the fund may not have the information necessary to calculate and deduct IUT. Similar to IUT, the rate of tax applicable under self-assessment will generally be 38% for individual investors and 25% for corporate investors.

8.1.4 OFFSHORE FUNDS

284. The gross roll-up regime does not apply to offshore funds because such funds are taxed in their home jurisdiction. The tax treatment for Irish resident investors differs depending on the characteristics and location of the fund. Funds can fall into four categories: equivalent offshore funds and non-equivalent offshore funds based in an EU/EEA state or an OECD Member State with which Ireland has a Double Taxation Agreement (an 'OECD/DTA state') with, and non-equivalent distributing offshore funds and non-equivalent non-distributing offshore funds that are not based in an EU/EEA state or an OECD/DTA state.

A. Equivalent Offshore funds based in the EU/EEA/OECD DTA

285. Equivalent-offshore funds are investment funds that are considered equivalent from a legal and regulatory perspective to Irish domiciled investment funds and are based in an EU/EEA state or an OECD/DTA state Irish tax resident investors in these funds are taxed on a similar basis to investors in an Irish domiciled investment fund and will generally pay a tax of 38% in respect of payments received and gains realised on a disposal. The deemed disposal rule applies, and the investor must pay the tax through the self-assessment system.

B. Non-Equivalent Offshore funds based in the EU/EEA/OECD/DTA

286. A non-equivalent offshore fund is essentially any offshore fund domiciled in an EU/EEA state or an OCED/DTA state which is not an equivalent offshore fund. Irish tax resident investors in non-equivalent offshore funds are taxed on the basis of general taxation principles. Income payments (dividends) will be subject to Income Tax at the investor's marginal rate, as well as PRSI and USC. Gains on disposals will be subject to CGT.

C. Distributing Offshore funds outside of EU/EA/OECD/DTA

287. Irish resident investors in funds that are domiciled in territories other than an EU/EEA state or an OECD/DTA state are taxed differently depending on whether they are distributing or non-distributing funds.

288. For distributing offshore funds, gains in respect of disposals are taxed under general CGT principles and are subject to CGT at a special rate of 40%, with CGT loss relief

available. Income payments are subject to Income Tax at marginal rates, as well as PRSI and USC.

D. Non-distributing Offshore funds outside of EU/EA/OECD DTA

289. For non-distributing offshore funds, gains arising on disposals of investments are charged to Income Tax under Case IV. No loss relief is available. Although these disposals are charged to Income Tax at the investor's marginal Income Tax rates, the amount of the gain on the disposal is calculated according to general CGT rules. Income payments from non-distributing offshore funds are subject to Income Tax at the investor's marginal Income Tax rates. Both income and gains are subject to PRSI and USC.

8.1.5 FOREIGN LIFE ASSURANCE POLICIES

290. The gross roll-up regime does not apply to foreign life assurance companies because these companies are subject to tax in their home jurisdiction. The tax treatment for Irish resident policyholders differs depending on the jurisdiction from which the life assurance policy has been written.

291. Generally, where an Irish resident individual receives a payment or there is a gain on the surrender or assignment of a foreign life policy, the payment or gain is taxed at the rate of 38%. This treatment applies where the individual has received a payment after 1 January 2001 and the life policy is with a life assurance company in an EU/EEA state or an OECD/DTA state. The deemed disposal rule applies to these policies, and the investor must pay tax through the self-assessment system.

8.2 Tax Yield from current rules for the taxation of investment

292. The tax revenue arising from IUT, LAET, offshore funds and foreign life assurance products in 2023 was, in total, €351.6 million. This figure is comprised of €90.8 million from IUT, €230.8 million from LAET, €29.4 million from offshore funds and €0.6 million from foreign life policies. It is important to note that complete data for 2024 is not yet available. Revenue collects data on the receipts arising from chargeable events but, as there is no legislative requirement to do so, does not require funds or life assurance companies to report specific detailed data on the allocation of IUT or LAET across the various categories of chargeable events, including the deemed disposal rule.

8.3 Developments in the taxation of retail investments

8.3.1. FUND SECTOR REVIEW

293. The 'Funds Sector 2030: A Framework for Open, Resilient & Developing Markets' (the Funds Review) was published in October 2024 by the Minister for Finance,

following a review by the Department of Finance of the Irish funds and asset management sector.[40]

294. The Funds Review included 42 recommendations across a wide range of areas to support growth in the funds and asset management sector – some of which related to tax.

295. Chapter 7 of the Funds Review focuses on enabling and encouraging retail investment, making a number of recommendations such as:

- Remove the deemed disposal rule
- Align the IUT and LAET rate of tax with the CGT rate
- Allow for a limited form of loss relief in the context of certain investments

296. As the Funds Review notes, any changes to the deemed disposal rule would require guardrails to protect the Exchequer and to ensure the appropriate amount of tax is paid. These recommendations are being carefully considered in the context of the roadmap being developed (see Section 8.3.4 below). There are multiple tax regimes which may apply to a retail investment products depending on its characteristics, creating a complex environment for investments made by both retail investors and more experienced investors, including high net worth individuals. Changes to the current system need to be carefully planned and considered, taking work at the EU level into account to ensure that the overall approach is consistent and coherent, supporting retail investments while retaining important and necessary anti-avoidance protections.

8.3.2. CHANGES MADE IN BUDGET 2026

297. While the broader consideration of the taxation of retail investments is underway, Budget 2026 introduced a reduction in the rate of LAET and IUT, and the rate of taxation applied to equivalent offshore funds, and certain foreign life assurance products, from 41% to 38%. This change also applies to investments in ETFs that are taxed under these regimes. This rate change took effect from 1 January 2026.

8.3.3. INVESTMENT ACCOUNT

298. A key aspect of the review of the taxation of retail investments is the introduction of a new investment account aligned with the European Commission's recommendation to develop accessible, consumer-friendly savings and investment accounts across Member States.

[40] Department of Finance, 2024. Funds Sector 2030: A Framework for Open, Resilient and Developing Markets. https://assets.gov.ie/static/documents/funds-sector-2030-a-framework-for-open-resilient-and-developing-markets.pdf

299. In order to deepen and further integrate Europe's capital markets and support growth as part of the EUs Savings and Investment Union, on 30 September 2025 the European Commission published their recommendation on 'Increasing the Availability of Savings and Investment Accounts with Simplified and Advantageous Tax Treatment'.[41] The recommendation provides Member States with a European blueprint for such accounts, drawing on existing best practices. It outlines the key characteristics that these accounts should have to maximise their uptake and help achieve the objective of boosting retail participation in capital markets. The recommendation notes that evidence from successful frameworks shows that the adoption of such accounts can create easier access to, and act as an incentive for retail investors to use capital markets, helping them to build wealth more effectively.

300. Key aspects of the recommendation include a wide range of products to be offered in simple, streamlined accounts where the burden of tax compliance is taken on by the account provider and not the investor, as much as possible. The process of transferring assets between accounts and accounts between providers should be easy and incur minimal fees so as not to impede competition.

301. Accompanying the recommendations, on 30 September 2025, the Commission also published the *Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Committee of the regions on a Financial Literacy Strategy for the EU*[42] which aims to improve citizens ability to make sound financial decisions, to improve their financial security and independence.

302. At the first annual Savings and Investment Forum, held on 31 March 2026, the Tánaiste announced his intention to introduce an investment account in Ireland. The specifications of the account are being developed, and with the legislative framework to be introduced in Finance Bill 2026. The accounts should be simple, accessible, tax efficient, easy to administer, transparent on fees and portable where possible.

8.3.4. ROADMAP

303. In addition to the rate changes outlined in Section 8.3.2 above, Budget 2026 also included a commitment to publish a roadmap to simplify and adapt the current tax framework for retail investments while retaining necessary and important anti-avoidance protections in a proportionate manner. The relevant recommendations of the Funds Review are being considered as part of the work underway on this roadmap and it is expected to be published in summer 2026. The roadmap will set

[41] European Commission, 2025. Commission Recommendation of 30.9.2025 on Increasing the Availability of Savings and Investment Accounts with Simplified and Advantageous Tax Treatment. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM%3AC(2025)6800

[42] European Commission, 2025. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on a Financial Literacy Strategy for the EU. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025DC0681

out the intended approach to the investment account discussed in Section 8.3.3 above.

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