Tax Facts 2025

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Tax Facts 2025 – The essential guide to Irish tax

Introduction

This publication is a practical and easy-to follow guide to the Irish tax system. It provides a summary of Irish tax rates as well as an outline of the main areas of Irish taxation. A list of PwC contacts is provided within each tax area and at the back of this guide should you require more detailed advice or assistance tailored to your specific needs.

Paraic Burke
Tax and Legal Services Leader

Tax Facts 2025 – Editor's page

Welcome to the latest edition of Tax Facts which has been updated for amendments brought about by Finance Act 2024 as signed into law on 12 November 2024.

Finance Act 2024 ("the Act") sets out the legislative changes required to implement many of the Budget Day announcements made by the Minister for Finance on 1 October 2024. These include the introduction of a participation exemption for qualifying foreign distributions, enhancements to the R&D tax credit regime and to tax reliefs applying to Ireland's audiovisual sector, improvements to certain measures supporting the private business sector and a number of stamp duty and other changes relevant to the property sector.

The participation exemption is a very welcome measure which operates, on election, to exempt dividends and other distributions made on or after 1 January 2025 by a company that is resident in a 'relevant territory'. A 'relevant territory' is an EEA state or a territory with which Ireland has a Double Tax Agreement. This follows extensive stakeholder engagement with the Department of Finance.

The Department of Finance has indicated that it intends, in 2025, to give further consideration to the operation of the participation exemption including its geographic scope. As part of that process, the Department also intends to give further consideration to the potential introduction of a foreign branch exemption.

The Act contains a number of changes to the Stamp Duty regime in Ireland, including the introduction of a new 6% rate of duty on individual residential property acquisitions on values over and above €1.5m.

Following a review of the pension lifetime limits, the Act also introduces a number of changes to the Standard Fund Threshold regime, increasing the lifetime limit on a phased basis from 2026 to 2029. The Automatic Enrolment Retirement Savings System Act 2024 introduced the provisions for a mandatory pension regime. The scheme is expected to commence on 30 September 2025 and Finance Act 2024 introduces new measures to provide for the tax regime applying to the new scheme.

From an employment taxes and personal tax standpoint, the Act makes welcome increases to a number of tax credits and thresholds. There have also been a number of amendments to the BIK regime in respect of company cars and a welcome increase in the small benefit exemption threshold. There have also been increases in the tax-free thresholds applicable in computing Capital Acquisitions Tax (CAT) on gifts and inheritances arising.

As has been the case for a number of years, international tax reform, both at an EU and OECD level, continues to shape domestic tax policy-making in Ireland. Read our insights into these developments in our Tax Policy Developments section.

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Tax Policy Developments

Policy – International and Domestic Outlook

If 2024 was the year of elections, 2025 will be a year of political aftershocks as the new global leaders solidify their policies and programmes for change, including their tax policies.

From a European perspective, the new European Commission, which includes two new Commissioners with tax roles, signals a fresh approach to the EU's economic and fiscal strategies. This change comes at a time when the United States is experiencing its own political transformation with the re-election of President Trump, whose administration intends to push forward a robust tax agenda. Meanwhile, Ireland's new government is also set to introduce its own tax reforms, reflecting the broader trend of nations aligning their fiscal policies with their political intentions. Common priorities for the new global policymakers are clear: competitiveness, simplification and economic stability.

As new political and economic priorities unfold, they will undoubtedly influence the global and domestic tax landscape, making 2025 a year of significant change and adaptation for policymakers, businesses and taxpayers alike.

OECD

On the international front, the Organisation for Economic Co-operation and Development ("OECD") will continue to play a crucial role in shaping global tax norms. The year will see the release of more administrative guidance related to Pillar Two, aimed at (although not necessarily achieving) providing greater certainty and clarity to the global minimum tax rules. Key updates expected to the OECD's Pillar Two GloBE legislation include a focus on simplification through permanent safe harbours, integrity management measures and addressing specific pain points. Concurrently, negotiations around Pillar One will persist, with the goal of reaching a consensus before jurisdictions proceed with their own Digital Services Taxes ("DSTs") legislation.

Aside from the Pillars, the OECD plans to continue to address the impacts of global mobility on corporate tax affairs, with a need for consistent interpretations of permanent establishments and transfer pricing outcomes. Additionally, it will further explore the intersection of tax and digital administration, highlighting projects aimed at real-time information exchange and the integration of AI in tax processes. Environmental taxation is another focal point, with discussions on carbon pricing, energy taxation, and the role of corporate income tax in achieving net-zero goals. Addressing indirect – Value Added Tax ("VAT") or Goods and Services Tax ("GST") – issues, particularly in relation to digital platforms and crypto-assets will be prioritised.

Direction of travel for the Pillars

Global Anti-Base Erosion ("GloBE") rules

The Pillar Two GloBE rules are a significant part of the efforts to address tax challenges from the digitalisation of the economy. These rules mandate that large multinational enterprises and large-scale domestic groups pay a minimum effective tax rate of 15% on income in each jurisdiction where they operate. Representing the most substantial corporate tax reform in a generation, the GloBE rules fundamentally alter how large businesses calculate and pay taxes internationally. The rules were incorporated into Irish law via the Finance (No. 2) Act 2023, later updated by Finance Act 2024, and took effect from 31 December 2023 for relevant groups. The rules have been largely adopted across EU Member States and beyond (57 countries had implemented by early January) with ongoing implementation expected throughout 2025 (approximately 80 countries are expected to have either IIRs or DMTTs in place by the end of 2025).

2025 has already seen the OECD release extensive GloBE administrative guidance, which includes a comprehensive list of countries with temporary 'qualified' GloBE rules (including Ireland), an updated GloBE Information Return ("GIR") and related Commentary, an updated XML filing Schema, a Multilateral Competent Authority Agreement ("MCAA") to facilitate the central filing and exchange of the GIR, and further guidance on Article 9.1 of the GloBE Model Rules. This package aimed to streamline the implementation of the GloBE rules and ensure consistency of application across jurisdictions:

- The 'Central Record' of Pillar Two legislation includes the transitional-qualified status of various countries, indicating those that have completed the self-certification process for their Income Inclusion Rules ("IIR") or Domestic Minimum Top-up Taxes ("DMTT").
- The updated GIR (the common filing tool) incorporates clarifications and updates from previous administrative guidance, including simplified calculations for safe harbours and specific disclosures such as tracking deferred

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tax liabilities on an aggregate basis. The OECD has emphasised the need for in-scope groups to complete the GIR based on the Model Rules and Commentary, rather than local legislation, to maintain a single source of information.

- To support the central filing and exchange of the GIR, the OECD has introduced a MCAA and an updated GIR XML Schema and User Guide. The MCAA aims to facilitate the sharing of data between jurisdictions that have implemented a Qualified DMTT ("QDMTT"), IIR, or Undertaxed Profits Rule ("UTPR").
- The OECD has released the fifth batch of administrative guidance, focusing on Article 9.1 of the GloBE Model Rules, addressing deferred tax assets that arose prior to the application of the global minimum tax.
- The OECD continues to work on further guidance to ensure the consistent application of these rules and to address any emerging issues and we expect to see more released throughout 2025.

UTPR

The UTPR is part of the GloBE rules and is intended to work as a "backstop" rule to the IIR. If not all top-up tax is allocated under the DMTT or IIR, the UTPR ensures that the remaining top-up tax is collected by the jurisdictions where the in-scope business's entities are located. The UTPR measures took effect in many jurisdictions (such as Ireland) for fiscal periods beginning on or after 31 December 2024.

The UTPR is viewed by some countries (primarily the United States) as an extraterritorial tax (i.e. that it impinges on jurisdictions' rights to tax their own taxpayers). The United States has expressed strong opposition to foreign jurisdictions applying the UTPR against US businesses. In response, several legislative measures have been proposed to counteract these actions.

On President Trump's first day in office the White House issued a memorandum to direct the Treasury to i) inform the OECD that Pillar Two has no impact "within the United States" without Congressional action and ii) investigate whether jurisdictions are not in compliance with tax treaties or otherwise have adopted taxes that are extraterritorial or disproportionate to US companies. The Treasury is to respond to this latter point within 60 days.

This second piece is aimed at Sec. 891 of the Code, a long-standing provision that gives the President authority to double income tax rates on citizens or corporations of foreign countries applying discriminatory or extraterritorial taxes without Congressional action.

Another significant proposal is the proposed Defending American Jobs and Investment Act. This Bill aims to impose an additional withholding or income tax on the income of individuals and entities located in foreign jurisdictions that apply the UTPR. The additional tax rate would start at 5% and increase by 5% each year, reaching a cumulative 20%. Another proposal is the Unfair Tax Prevention Act. This legislation seeks to impose reciprocal tax measures on foreign countries that implement the UTPR.

Subject to Tax Rule ("STTR")

In September 2024, the OECD held a signing ceremony for the STTR Multilateral Instrument ("MLI") with nine jurisdictions signing. The STTR MLI will remain open for signature by all states but it is unclear if and when Ireland will sign and ratify it, given Ireland's limited bilateral tax treaties with developing countries such that the STTR's impact on cross-border payments to Ireland may be minimal.

Pillar One Amount A

The extended deadline of 30 June 2024 for the OECD to reach an agreement on Pillar One's Amount A has passed without a deal. Despite ongoing negotiations and some progress, the lack of consensus, particularly due to the United States's opposition, has prevented the enforcement of Pillar One. This impasse has led countries to consider maintaining or implementing their own interim DSTs.

Digital Service Taxes

A DST is a tax imposed on large multinational companies providing digital services in a particular country. This tax targets companies that offer online services such as digital advertising, social media platforms, and online marketplaces. Unlike traditional taxes, DSTs are generally levied on gross revenues rather than profits, and they ensure that countries can tax the economic activities generated within their

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borders, even if the companies have no physical presence there.

Considering that reaching a global consensus on Pillar One Amount A has been challenging due to geopolitical and economic disagreements among countries, as of early 2025, many countries have already implemented or are considering implementing their own DSTs. For instance, Canada recently authorised the implementation of a DST with retroactive effect, drawing a negative reaction from the United States whose businesses are disproportionately impacted by DSTs. The trend indicates that unilateral DSTs are likely to proliferate as countries seek to secure tax revenues from digital activities within their borders.

The lack of agreement on Amount A has led to a fragmented approach to taxing digital services, with each country developing its own rules and rates. Additionally, the unilateral implementation of DSTs can lead to trade tensions and retaliatory measures, further complicating international economic relations. This is another "must watch" issue for 2025 as we await the new US administration's reaction to unilateral DSTs.

Pillar One Amount B

Although the final report on Pillar One Amount B, aimed at simplifying the application of the arm's-length principle to baseline marketing and distribution activities, has been incorporated into the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, at the time of writing only a handful of countries have adopted the simplified approach, with Ireland, the United States and the Netherlands leading the way.

Global Mobility

As mentioned, global mobility will be one of the key focus areas in 2025 for the OECD. This priority area encompasses the movement of employees across borders and the associated tax, legal, and administrative challenges. The main components include the determination of permanent establishments ("PEs"), tax residency, and the implications of remote work. The OECD has prioritised addressing PE issues, particularly those arising from home offices and teleworking. The OECD aims to update the commentary on the Model Tax Convention to reflect modern working arrangements, with a focus on providing more examples and clarifying existing guidelines. Future steps for 2025 include continued stakeholder engagement, with scenario-based submissions and examples to be incorporated into the commentary.

Crypto-Asset Reporting Framework ("CARF")

Another focus for the OECD will be the CARF, which is an international tax transparency framework developed by the OECD that provides a standardised approach for the automatic exchange of information on crypto-asset transactions. As of now, 63 jurisdictions have committed to implementing CARF by 2027 or 2028, demonstrating a unified effort to enhance tax compliance in the crypto-asset ecosystem.

EU – political changes

2025 brings a new College of EU Commissioners, with fresh perspectives and renewed priorities. The new Commissioners with responsibility for tax, Wopke Hoekstra and Valdis Dombrovskis, aim to foster a climate-friendly, simplified, and equitable tax system, ensuring a prosperous and sustainable future for the EU by:

- delivering climate transition-friendly taxation;
- closing the tax gap;
- combating tax fraud; and
- simplifying the EU tax system.

Both Commissioners emphasise the importance of a future-proofed tax mix, shifting away from labour taxes towards wealth and green taxes to promote equitable income distribution and the green transition. The Commission is expected to publish its Programme of Work in late February 2025 which will clarify the tax agenda also.

Also in early 2025, Poland assumed the Presidency of the European Council with Denmark set to take over from July-December 2025. In direct taxation, Poland will advance the DAC9 Directive to ensure information exchange on GloBE data (see further below) and facilitate discussions on the proposed Business in Europe-Framework for Income Taxation ("BEFIT"), Transfer Pricing and Head Office Taxation Directives. While in indirect taxation, efforts will be made to reduce the VAT gap, especially in e-commerce.

We provide an update of the key measures carried over from the previous Commission below.

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VAT in the Digital Age ("ViDA"):

The Council of the EU in November 2024 agreed to the ViDA package. This is a significant reform package introducing e-invoicing and e-reporting changes, new VAT rules for platforms in the gig and sharing economy, and simplification of multiple VAT registrations for traders across the EU. The EU Parliament must be consulted on the Directive, after which it can be formally adopted by the Council and published in the Official Journal of the EU.

Corporate Sustainability Reporting Directive ("CSRD")

The CSRD requires companies operating in the EU to publicly disclose and report on ESG issues. Expected to impact 50,000 companies operating in the EU, including non-EU companies and their EU subsidiaries, the Directive will become effective upon implementation within each EU Member State. The rules will start to apply between 2024 and 2028, depending on the size of the company. The Commission is expected to present an 'Omnibus proposal' in February 2025 in which CSRD, the Corporate Sustainability Due Diligence Directive (CSDDD, or CS3D) and the EU Taxonomy Regulation are integrated.

EU Foreign Subsidies Regulation ("FSR")

FSR enables the EU Commission to review "financial contributions" received from non-EU governments or governmental entities, including grants, loans, certain tax incentives, contracts that are not at market terms and others. From 12 October 2023, certain M&A transactions and participation in certain public procurement processes in the EU trigger notification requirements (with stand-still obligations) to the Commission. The Commission can order a wide range of "redressive measures," including repayment of the subsidy, or prohibiting an M&A transaction or participation in a public procurement process if it considers the foreign subsidies to have a distortive effect in the EU (and EEA). The FSR will require the collection of large amounts of new data and the maintenance of such a database on (at least) a three-year rolling basis. A number of cases were taken by the EU Commission in 2024 following both notifications by impacted groups and ex-officio investigations taken by the EU Commission, with the first results of those cases recently made public. Enforcement activity is expected to continue in 2025.

Public Country by Country Reporting ("CbCR")

The EU's public CbCR Directive applies for accounting periods beginning on or after 22 June 2024. The EU public CbCR Directive applies to both EU and non-EU based large multinational corporations ("MNCs") operating through a branch or subsidiary. Some countries have early reporting dates or have applied the Directive for earlier accounting periods - see PwC's EU Public CbCR Tracker for full details of requirements. There remains uncertainty regarding what information is "commercially sensitive" and how companies can avail of deferred reporting. A common template for reporting by EU based MNCs was published in December 2024.

Unshell Directive:

Unshell has been viewed as a potential reporting regime for the exchange of information between tax authorities relating to shell entities, establishing a minimum standard for substance criteria. Most recently, technical negotiations on Unshell have been reopened, but it is unclear if talks will continue under the Polish presidency. The latest proposed amendments would allow EU countries to decide for themselves what potential tax consequences EU countries may impose against an entity deemed to be a shell company. The latest Directive iterations would replace an economic substance test with proposals akin to DAC6-type hallmarks that indicate a risk of lower substance.

DAC9:

In October 2024, the EU Commission announced a new proposal (DAC9) to amend DAC. The DAC9 proposal transposes the OECD's July 2023 GIR into EU law by making it the Top-up Tax Information Return ("TTIR") as required by Article 44 of the EU Pillar Two Directive. It also proposes an EU framework to facilitate the exchange of TTIR information between Member States. If adopted by the EU Council, DAC9 would have to be implemented into national law by 31 December 2025, i.e., six months prior to the first filing deadline of the TTIR for most groups in scope of Pillar Two rules. DAC9 is scheduled for discussion at the ECOFIN meeting in April 2025.

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Business in Europe-Framework for Income Taxation ("BEFIT")

BEFIT is the EU Commission's plan to reduce compliance costs, by streamlining the calculation of the tax base of companies in EU Member States. In its current form, garnering unanimous EU Member State support for BEFIT may not be possible given issues such as timing and lack of alignment with Pillar Two. A second phase, under which profits consolidated across the EU would be apportioned by formula, is even further away. BEFIT is scheduled for discussion at the May 2025 ECOFIN meeting.

Transfer Pricing ("TP"):

While most EU Member States are also OECD Members, the role and status of the OECD TP Guidelines vary across the EU. The TP proposal aims to incorporate the arm's length principle and other rules into EU law to harmonise the status and application of the OECD TP Guidelines, which vary across the EU. Unanimous support could be far away. Also scheduled for discussion at the May 2025 ECOFIN meeting.

Head Office Tax ("HOT"):

The HOT system would allow small and medium-sized enterprises ("SMEs") to compute the profits of PEs according to the rules of the head office location, creating a one-stop shop in the head office State for filing, assessment, and collection of tax. Member States have shown little appetite to advance this proposal in recent debates.

Faster and Safer Relief of Excess Withholding Taxes ("FASTER"):

On 10 December 2024, the EU Council approved the FASTER Directive. This Directive is designed to encourage investment in the EU market by making withholding tax procedures in the EU more efficient and secure for investors, financial intermediaries, and Member State tax administrations. Member States will need to adopt and publish the necessary laws, regulations, and administrative provisions by 31 December 2028, and will be required to apply the provisions of the Directive from 1 January 2030. Member States could also elect to apply the Directive from an earlier date, such is the case of Germany, opting to apply it from 1 January 2027.

United Nations ("UN")

The UN's initiative to negotiate a Framework Convention on International Tax Cooperation, driven by the African Group and supported by developing economies, aims to create a more inclusive and effective international tax system. The process will involve extensive negotiations and contributions from various stakeholders in coming years.

The UN General Assembly recently approved a resolution that adopts the terms of reference to negotiate a UN Framework Convention on International Tax Cooperation.

The intergovernmental negotiating committee will meet at least three times per year from 2025 to 2027, aiming to submit the final Framework Convention text and two priority protocols to the UN General Assembly by September 2027. The first priority protocol will address the taxation of income from cross-border services in a digitalised and globalised economy and the second protocol's subject is yet to be decided but will be chosen from topics like the digitalised economy, tax-related illicit financial flows, tax dispute resolution, and tax evasion/avoidance by high-net-worth individuals. The negotiations will begin in early February 2025, continuing periodically until November 2025.

This initiative will pose a challenge to the OECD's existing tax policies. Some developed countries, including the EU Member States, the United States and the United Kingdom have expressed concerns about duplicating efforts and resource demands.

United States Tax Reform

The recent United States elections saw President Trump return to the White House, with the Republican Party regaining control of the Senate and maintaining a majority in the House of Representatives. This political shift across all three political institutions is expected to lead to tax policy changes. A Republican-controlled Congress makes it possible to apply budget reconciliation procedures and avoid the 60-vote threshold needed in the Senate to advance tax legislation in 2025.

Extending the provisions of the Tax Cuts and Jobs Act (TCJA) introduced under the last Trump administration is the centerpiece of the tax policy agenda. President Trump has called for making permanent expiring TCJA individual

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income tax and estate tax provisions. Extending the TCJA would cost the federal government approximately $4.7 trillion, making it a contentious issue given the current fiscal situation.

In relation to Corporate Taxation measures, President Trump's administration had proposed reducing the corporate tax rate from the current 21% to 15% for companies manufacturing in the United States. However, whether that is feasible or whether a smaller rate reduction might be proposed will need to be seen. The R&D expensing and interest expense limitation provisions are also under scrutiny, with bipartisan consensus that these policies need revisiting.

Furthermore, the Trump administration is expected to take a firm stance on tariffs, potentially imposing tariffs on all imports. Proposed tariffs include 25% on Canadian originating goods, 100%-200% on Mexican-originating cars, 10%-25% on non-vehicle goods from Mexico, 60% on all Chinese imports, and 10%-20% on imports from the rest of the world. This could lead to retaliatory measures from other countries, affecting global trade dynamics. A trade war with China is anticipated, with China preparing its economy to withstand such measures by diversifying its export markets and reducing reliance on United States trade. For Ireland, higher tariffs on exports to the United States could negatively impact the economy, given the reliance on United States trade.

The Pillar One Amount A proposal, is highly unlikely to be ratified by the United States under the new administration. This could lead to the proliferation of DSTs by other countries. As noted earlier, because DSTs predominantly impact United States based MNCs, the resulting impact from the US administration could be retaliatory measures including tariffs on DST implementing countries. United States tariffs, especially those that are retaliatory in nature, is another key area to watch in 2025.

The United States election results have implications for both the Irish and United States economies. For Ireland, potential changes in United States tax policy and the imposition of tariffs could affect investment and trade patterns.

Irish Domestic Changes

Finance Act 2024 introduced the long-awaited Participation Exemption legislation for distributions with effect from 1 January 2025. As a consequence, an exemption will be available for certain dividends and distributions from companies in "relevant territories" (EEA, Tax Treaty territories, and territories with pending Tax Treaties with Ireland). This follows extensive stakeholder engagement with the Department of Finance.

Minister for Finance Jack Chambers indicated that work will continue on expanding the geographic scope, and considering a foreign branch exemption. Engagement will therefore likely continue between stakeholders and the Department of Finance in 2025 in relation to a number of specific points around the distribution Participation Exemption and extending the regime to branches.

Simplification of the Tax Code: interest

The Department of Finance has begun a review of the interest regime by publishing a public consultation to gather stakeholder views on the tax treatment of interest. This consultation, which runs until 30 January 2025, acknowledges the complexity of the taxation and deductibility of interest and the need for reform due to recent international developments. PwC submitted a response to this consultation.

This simplification exercise follows the introduction of the participation exemption for foreign dividends and aims to further overhaul the tax system to reduce the compliance burden on taxpayers and maintain Ireland's global competitiveness. However, noting the ongoing EU Commission efforts to review the Anti-Tax Avoidance Directive ("ATAD") which includes the EU Interest Limitation Rules, it is unlikely that the Department of Finance will move forward with any significant reforms on interest until such time as the outcome of the ATAD review is complete (ATAD changes expected to be proposed in Q3 2025).

Simplification of the Tax Code: more broadly

There is an urgent need for a comprehensive review of the Taxes Consolidation Act 1997 to simplify Irish tax laws, particularly concerning multiple tax rates and conditions associated with reliefs like the Employment Investment Incentive Scheme (EIIS). The review of the R&D tax credit is also a positive step, though its specifics are yet to be detailed.

These efforts align with broader trends in the EU and OECD, where policymakers are, at least on the surface, focused on simplifying international tax frameworks.

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Ireland will take its turn in holding the seat of the EU Council Presidency from July to December 2026. We expect preparations to accordingly begin in 2025, including considering which tax policy matters will feature as a priority of the 2026 Irish Presidency.

Funds Sector

A Final Report on the Funds Sector 2030 was published in October 2024, aimed to evaluate and update Ireland's funds sector framework to support its long-term growth. The Report includes 42 recommendations across nine categories, such as legal structures, regulatory regimes, and retail investment enhancement. It emphasises Ireland's role in public markets, particularly as a domicile for exchange-traded funds ("ETFs") and money market funds ("MMFs"), while also proposing measures to boost private asset growth through regulated structures.

Key recommendations for the ETF sector include the Central Bank of Ireland maintaining a leading regulatory role, considering alternative portfolio transparency requirements, and engaging in EU-level discussions for harmonised UCITS ETF fund naming. For MMFs, the Report advises continued active engagement in EU fora to ensure a robust legislative framework. To support private asset growth, the Central Bank is encouraged to review its AIF Rulebook and capitalise on the introduction of the participation exemption and the improved Investment Limited Partnerships (ILPs) by reviewing dividend withholding tax exemptions. The Report underscores the potential to enhance Ireland's investment landscape and highlights the importance of implementing these recommendations to foster sector growth.

PwC has been active throughout 2024 in engaging in consultations with the relevant policy makers, and this will continue through 2025.

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Business taxation

Corporation tax

Corporation tax is charged on the worldwide profits of companies that are tax resident in Ireland and certain profits of the Irish branches of non-resident companies. 'Profits' for this purpose consist of income (business or trading income comprising active income and investment income comprising passive income) as well as certain capital gains.

Corporation tax rates

Rate	
12.5%	Trading income (including qualifying foreign dividends paid out of trading profits but excluding income of excepted trades)[a]
25%	All other income, including income of excepted trades[a], non-trading income and non-qualifying foreign dividends
33%	Capital gains[b]

[a] an excepted trade is a trade consisting of trading operations or activities which are excepted operations. Excepted operations include working scheduled minerals, mineral compounds or mineral substances, working minerals, petroleum activities, and dealing in or developing land (other than such part which consists of construction operations). Special tax provisions apply to certain petroleum exploration licences granted after 1 January 2007 which increase the maximum rate of tax payable on productive fields from 25% to 40%. A Petroleum Production Tax was introduced for certain licences granted on or after 18 June 2014 which increase the maximum rate of tax payable on profits from productive fields from 40% to 55%.

[b] a lower rate of 12.5% may apply in certain circumstances, including where a company is subject to the new Exit Tax rules introduced in Finance Act 2018. See Capital Gains Tax on page 9 for further details.

Trading Losses

A trading loss incurred in an accounting period may be offset against any of the following:

- trading income (including certain foreign dividends taxable at the 12.5% rate) arising in the same period
- trading income of the immediately preceding period
- income of the same trade arising in subsequent accounting periods.

To the extent not usable against trading income, a trading loss can be converted into a tax credit which may be used to reduce the corporation tax payable on passive income and chargeable gains of the same period and the immediately preceding period.

Some measures were introduced to allow for a temporary acceleration of relief for trading losses for accounting periods affected by the Covid-19 pandemic and related restrictions.

Group relief

Alternatively, group relief may be claimed whereby one group company is entitled to surrender its trading loss to another member of the same group. Both the claimant company and the surrendering company must be within the charge to Irish corporation tax.

To form a group for corporation tax purposes, both the claimant company and the surrendering company must be resident in an EU country or an EEA country with whom Ireland has a double taxation agreement ("DTA"). Updates were made to the group relief provisions to continue to include the UK from 1 January 2021. In addition, one company must be a 75% subsidiary of the other company, or both companies must be 75% subsidiaries of a third company.

The 75% group relationship can be traced through companies resident in a 'relevant territory' being an EU country or another country with whom Ireland has a DTA.

In determining whether one company is a 75% subsidiary of another company for the purpose of the group relief provisions, the other company must either be resident in a 'relevant territory' or quoted on a recognised stock exchange in a 'relevant territory' or on another stock exchange approved by the Minister for Finance.

Branch income

Irish branches of foreign companies are liable to corporation tax at the rates applicable to Irish resident companies. No tax is withheld on repatriation of branch profits to the head office.

Where the profits of an Irish resident company includes profits of a foreign branch, credit is available for foreign tax paid in respect of the branch to offset the Irish tax arising on those profits. Any excess foreign tax credits may be offset against Irish tax arising on other branch profits in the year concerned. Any unused credits may be carried forward indefinitely and credited against corporation tax on foreign branch profits in later accounting periods.

Business taxation

Pillar Two top-up taxes

As discussed in our Tax Policy Developments section, the Pillar Two GloBE rules were transposed into Irish legislation through Finance (No.2) Act 2023, and came into force from 31 December 2023. Please refer to our Tax Policy Developments section for a brief overview of the GlobE rules and their application.

Top-up tax is collected through three different mechanisms: the Qualified Domestic Top-up Tax ("QDTT"), the Income Inclusion Rule ("IIR") and the Under Taxed Profits Rule ("UTPR").

1. The GloBE rules allow countries to introduce a QDTT based on the GloBE mechanics into their own domestic law. Where a QDTT is introduced it ensures that a jurisdiction has the primary right to any top-up tax due in respect of its own low-taxed constituent entities. Ireland introduced these measures which took effect for periods beginning on or after 31 December 2023.
2. If the jurisdiction where the low-taxed constituent entity is located does not introduce a QDTT, any additional top-up tax should be collected through the IIR. Under the IIR, the top-up tax is paid at the level of the parent entity, in proportion to its ownership interests in those entities for which top-up tax has arisen. Generally, the IIR is applied at the level of the ultimate parent entity (UPE) but may apply further down in the ownership chain (collected by an intermediate parent entity or a partially-owned parent entity) if the UPE is not subject to an IIR. The IIR measures took effect in Ireland for periods beginning on or after 31 December 2023.
3. A backstop rule - the UTPR, allows the top-up tax to be collected by another entity in the group if top-up tax would not be collected in any jurisdiction under the QDTT or IIR rules. This could be the case where the various jurisdictions represented through the ownership chain have not implemented the IIR. The UTPR measures will take effect in Ireland for periods beginning on or after 31 December 2024, subject to certain exceptions where it applies from 31 December 2023.

Capital Gains

Irish-resident companies are liable to corporation tax in respect of 'chargeable gains' arising on worldwide disposals of assets. Chargeable gains are computed in accordance with the rules contained in the Capital Gains Tax Acts and the gain is taxable at the CGT rate of 33%. An adjustment is made to include the gain in the corporation tax computation at the standard corporation tax rate of 12.5%. The gain is accordingly included in the computation at 33%/12.5% of the gain.

Non-resident companies are liable to CGT in respect of gains arising on disposals of 'specified assets'. These include land and buildings situated in Ireland, mineral rights or interests in Ireland and that shares derive the greater part of their value from such assets. In addition, non-resident companies are liable to CGT in respect of gains on the disposal of certain assets which are or were previously used or held for the purposes of an Irish branch/trade and on the disposal of exploration or exploitation rights in the Irish Continental Shelf.

Some special provisions apply to disposals of development land, which is broadly defined as land in the State for which the disposal consideration or market value at the time the disposal is made exceeds its current use value. It also includes shares deriving the greater part of their value from development land.

Where allowable losses for a period exceed the chargeable gains for the same period, excess losses are carried forward indefinitely for offset against future chargeable gains in the following periods.

A number of relieving provisions and exemptions apply in respect of corporate asset disposals, including in particular the following:

- A participation exemption is provided for Irish-resident companies disposing of qualifying shareholdings in other companies. The conditions for this are covered in more detail under Ireland as a Holding Company Location in this section.
- Relief is provided (by way of deferral of the gain) for transfers of assets, other than trading stock, within a qualifying "group of companies". A principal company and all its 75 per cent subsidiaries form a group. Where a principal company is itself a 75 per cent subsidiary in a group, that group comprises all that company's 75 per cent subsidiaries. Companies that are resident in an EU Member State or in a country with which Ireland has a DTA can be taken into account in establishing whether the requisite group relationship exists.

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Exit Tax

Exit tax provisions are in place to prevent companies from avoiding tax when relocating assets. The rules apply where any of the following events occur:

- an Irish resident company migrates its tax residence to another country
- a company transfers assets from its permanent establishment in Ireland to its head office or permanent establishment in another country
- a company transfers a business carried on by its permanent establishment in Ireland to another country

The provisions deem the company to have disposed of the assets and to have immediately reacquired them at their market value.

Subject to certain anti-avoidance rules, the tax rate applicable to any chargeable gain arising is 12.5%.

Exemption from the charge to exit tax may be available in respect of a range of assets subject to certain conditions being met. These include:

- assets which remain situated in Ireland and are used in an Irish trade post migration, and
- certain "specified" assets that remain within the charge to Irish CGT post migration, including Irish land and buildings and unquoted shares deriving the greater part of their value from such assets.

Company Residence

All companies which are incorporated in Ireland are regarded as Irish tax-resident. There is one exception to this general rule in circumstances where the company is regarded as tax-resident in another territory and not in Ireland under the provisions of a double taxation agreement ('DTA') with Ireland.

Furthermore, a company which is centrally managed and controlled in Ireland is also regarded as Irish tax-resident. This is the case irrespective of its place of incorporation.

The current residence rules were introduced in Finance Act 2014.

R&D credit

Ireland's R&D tax credit is a very attractive relief which has recently been further enhanced in Finance (No.2) Act 2023 with an increase in the headline rate of the tax credit from 25% to 30%. The 30% credit for qualifying expenditure is in addition to a corporate tax deduction for the expenditure at 12.5% thereby resulting in an overall 42.5% relief.

The types of expenditure which can qualify for this credit include both revenue and capital expenditure. The R&D tax credit is calculated on a volume basis which means that the R&D tax credit is calculated on the actual qualifying R&D expenditure incurred in an accounting period without reference to any prior year base expenditure.

Prior to the changes introduced in Finance Act 2022, a company was first obliged to use the R&D credit to reduce its current year corporation tax liability and then its prior year corporation tax liability (where the credit exceeds its current year corporation tax liability). Where the credit exceeded the current year and prior year corporation tax liabilities, the excess credit was available to be monetised over the course of a three-year cycle subject to certain caps on the amount that could be monetised.

Finance Act 2022 introduced a number of changes to the operation of the R&D tax credit. These changes transformed the credit to a fully payable credit. A three-year fixed payment regime was introduced with effect for accounting periods commencing on or after 1 January 2022. Under this regime, a company can claim the full R&D tax credit in cash in three fixed instalments or a company can specify that any part of each instalment be offset against other tax liabilities of the company. Additionally, the caps on payable R&D tax credits that applied prior to Finance Act 2022 no longer apply.

The first instalment, payable in year 1, is the greater of (1) 50% of the full tax credit or (2) €50,000 (or the full amount of the tax credit being claimed if lower). The instalments in years 2 and 3 are 60% and 40% respectively of the balance of credit remaining. The minimum amount of €50,000 in year 1 was increased to €75,000 in Finance Act 2024 and applies to claims for accounting periods commencing on or after 1 January 2025.

Companies have the ability to account for the credit "above the line" in the Profit & Loss account, thereby reducing the unit cost of R&D, which is a key measurement used when

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considering where to locate R&D projects. This is extremely helpful to Irish subsidiaries of multinational corporations in terms of being able to compete with lower cost jurisdictions.

Outsourcing limits

The R&D tax credit incentive is directed towards in-house R&D activities and as such there are outsourcing limits for subcontracted R&D costs. This limit has been increased over the years to 15% of a company's internal qualifying R&D expenditure. The increase is particularly helpful for companies that do not have access to the required R&D expertise in-house. There is a requirement on companies to notify subcontractors that they are claiming the R&D tax credit on payments made to them prior to or on making such payments This means that companies need to make these notifications in writing prior to paying their subcontractors in order to be able to include the payments as part of their claims.

The Revenue R&D guidelines also provide that costs incurred on individual consultants may not be subject to the outsourcing limits once certain conditions have been satisfied.

Revenue Guidelines

The current version of the Revenue R&D guidelines were issued in January 2025. The guidelines continue to place a focus on having robust controls and processes to support the underlying R&D activities, their qualifying nature and the time being claimed for R&D employees. The guidelines also reinforce the need for companies to maintain underlying documentation to satisfy the science and accounting tests for the R&D tax credit.

Time-limit for making R&D tax credit Claims

R&D tax credit claims must be made within 12 months of the end of the accounting period in which the qualifying R&D expenditure is incurred. The R&D tax credit is submitted in the corporation tax return of the company and as result, companies should seek to submit their claims with their corporation tax filing.

With effect for accounting periods beginning on or after 1 January 2024, new companies claiming the R&D tax credit or companies that have not claimed the R&D tax credit in the previous 3 years are required to notify Revenue 90 days in advance of making an R&D tax credit claim. It is important that companies take note of this and make the notifications where relevant.

Planning tip!

Ensure you avail of the tax savings and potential cash refunds available on costs incurred on qualifying R&D tax activities. Claims must be made within 12 months of the end of the period in which the expenditure is incurred.

For more information on R&D tax credits contact:

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Intellectual property tax deduction

Companies acquiring Intellectual Property (IP) can avail of significant deductions on certain capital expenditure. Tax depreciation is available for capital expenditure incurred on the acquisition of qualifying IP assets. The deduction is equivalent to the amortisation or depreciation charge on the IP included in the accounts. Alternatively, a company can elect to claim tax deductions over 15 years, at a rate of 7% per annum and 2% in the final year.

The definition of IP assets includes the acquisition of, or the licence to use:

- patents and registered designs
- trademarks and brand names
- know-how
- domain names, copyrights, service marks and publishing titles
- authorisation to sell medicines, a product of any design, formula, process or invention (and any rights derived from research into same)
- customer lists acquired otherwise than 'directly or indirectly in connection with the transfer of a business as a going concern'
- goodwill, to the extent that it is directly attributable to qualifying assets

The range of qualifying intangible assets also includes applications for legal protection (for example, applications for the grant or registration of brands, trademarks, patents, copyrights etc).

Tax deductions are available for offset against income generated from exploiting IP assets or as a result of the sale of goods or services, where the use of IP assets contributes to the value of such goods or services.

For all accounting periods beginning before 1 January 2015, the aggregate deduction and related interest expense which could be claimed in a given year could not exceed 80% of the related IP profits of the company as computed before such deductions. The cap was temporarily increased to 100% of those profits applying to accounting periods beginning on or after 1 January 2015. However the 80% cap was subsequently reintroduced for IP acquired after 11 October 2017. Any excess deductions can be carried forward and offset against IP profits in succeeding years. The cap does not therefore restrict the total amount of deductions available, but may spread them over a longer period depending on the profit profile of the company.

For capital expenditure incurred on the provision of specified intangible assets prior to 14 October 2020, no balancing charge will arise where an intangible asset is sold and the sale takes place more than five years after the beginning of the accounting period in which the asset was acquired. As a result of an amendment introduced in Finance Act 2020, all capital expenditure incurred on the provision of specified intangible assets on or after 14 October 2020 is subject to a balancing charge on subsequent disposal regardless of when the balancing event occurs.

Planning tip!

Tax relief is available for companies on the acquisition of qualifying IP assets, including acquisitions from related parties.

Knowledge Development Box

The Knowledge Development Box (KDB) is a tax relief that results in a reduced effective corporation tax rate applying to certain profits arising from "qualifying assets". The effective tax rate is 6.25% for accounting periods which commence on or after 1 January 2016 with the effective tax rate increased to 10% from 1 October 2023. The KDB is currently available for accounting periods beginning before 1 January 2027.

Qualifying profits on which the relief can be claimed are intended to reflect the proportion that the company's R&D costs bear to its overall expenditure on the qualifying asset. The profits on which relief is available are calculated using the following formula:

$$\frac{QE + UE}{OE} \times QA$$

Where:

QE is the qualifying expenditure on the qualifying asset

UE is the uplift expenditure

OE is the overall expenditure on the qualifying asset

QA is the profit of the specified trade relating to the qualifying asset

Qualifying assets

Qualifying assets are defined as intellectual property, other than marketing related intellectual property, which are the result of research and

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development activities. Intellectual property in this context is defined as:

- Computer Programs (within the meaning of the Copyright and Related Rights Act 2000)
- Qualifying Patents
- Supplementary Protection Certificates
- Plant Breeders Rights

Each qualifying asset is to be treated separately for the purposes of the KDB calculations. However, if a number of qualifying assets are so interlinked that it would be impossible to provide a reasonable allocation of income and expenses, then provision is made for using a "family of assets" and treating the combined assets as one qualifying asset.

Profits of a specified trade

Specified trading activities for the purposes of claiming KDB consist of:

- Managing, developing, maintaining, protecting, enhancing or exploiting of intellectual property,
- Researching, planning, processing, experimenting, testing, devising, developing or other similar activity leading to an invention or creation of intellectual property, or
- The sale of goods or the supply of services that derive part of their value from activities described above.

Qualifying expenditure

The definition of 'qualifying expenditure on qualifying assets' is broadly aligned to the definition of 'expenditure on research and development' for the purposes of the R&D tax credit. In this regard, where a company develops, improves or creates a qualifying asset through qualifying R&D activities and the company makes R&D tax credit claims in relation to this, the expenditure underpinning these claims should be broadly aligned to the 'qualifying expenditure on qualifying assets' for the purposes of this relief.

Please note that payments made to a third party to carry on R&D activities on behalf of the company are also regarded as qualifying expenditure for the purposes of calculating the relief whereas such payments are restricted for the purposes of the R&D tax credit. Payments made through group companies to third parties in respect of R&D activities are also treated as qualifying expenditure provided no mark-up is taken by the other group company.

Up-lift expenditure

Costs outsourced to affiliates or costs incurred on the acquisition of the IP are not regarded as qualifying expenditure. However, such costs are allowed as "uplift expenditure" up to a combined maximum of 30% of the total qualifying expenditure.

Overall expenditure

The overall expenditure is the aggregate of the acquisition costs and the group outsourcing costs related to that qualifying asset plus the qualifying expenditure incurred in relation the qualifying asset.

Other points of note

A KDB election must be made in the company's tax return for the accounting period in which the qualifying expenditure is incurred and must be made within 24 months from the end of that accounting period.

Where a company incurs a loss on the activities that qualify for the KDB relief, the loss should be available on a value basis against other profits of the company in the relevant year or by way of carry forward to future tax years subject to certain restrictions.

There are detailed provisions in relation to how the relevant income and expenditure should be calculated for the purposes of the various definitions detailed above.

Companies must track and trace all expenditure and income relating to the qualifying asset on which a KDB claim is made and should prepare documentation which demonstrates how such expenditure and income are linked to the qualifying asset.

Irish Revenue have published KDB guidelines setting out their interpretation of the KDB legislation.

Digital Gaming Credit

As the digital gaming industry continues to see exponential growth, a digital gaming tax credit has been introduced to further enhance the industry. The tax credit came into effect in November 2022. The credit has been designed to be a qualified refundable tax credit for Pillar Two purposes.

The tax credit is intended to support digital games development companies by providing a refundable corporation tax credit at a rate of 32% for expenditures incurred on game design, production and testing. It is subject to a maximum spend of €25 million per project and a minimum spend of €100,000. A tax credit of up

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to €8 million per project will potentially therefore be available.

To qualify for relief, the digital gaming company must undergo a certification procedure and meet various other conditions. Where the company qualifies, the Minister can issue an interim certificate to companies who are still in the process of developing their game, or a final certificate where the game as already been completed. Under the interim certificate, the company can claim the credit within twelve months of the end of the accounting period in which the expenditure was incurred.

Tax depreciation

Book (or accounting) depreciation is not generally deductible for tax purposes (except in the case of IP assets as above). Instead, tax depreciation (known as capital allowances) is permitted on a straight-line basis in respect of qualifying capital expenditure incurred on assets which have been put into use by the company by the end of the chargeable period. The following rates are applicable:

Asset type	Tax depreciation rate per annum
Plant and machinery	12.5%
Industrial buildings used for manufacturing or qualifying activities	4%
Motor vehicles (subject to qualifying cost restrictions below)	12.5%
IP assets	Book depreciation or 7%

The allowances are calculated on the cost after deduction of grants, except for plant and machinery used in the course of the manufacture of processed food for human consumption. In this case, the allowances are calculated on the gross cost. Allowances on passenger motor vehicles are restricted to a capital cost of €24,000 and this capital cost may be restricted further (to 50% or zero) depending on the level of carbon emissions of the vehicle.

A scheme of accelerated allowances provides for 100% capital allowances in the year of purchase in respect of expenditure incurred on certain new and unused qualifying equipment of an energy saving nature acquired for trading purposes. This scheme has been extended on a number of occasions, most recently by Finance (No.2) Act 2023 which extends it to 31 December 2025.

In order to qualify under this scheme, the equipment must meet certain energy efficient criteria and must fall within the following classes of technology:

- information and communications technology
- heating and electricity provision
- electric and alternative fuel vehicles
- process and heating, ventilation, and air conditioning (HVAC) control systems
- lighting
- motors and drives
- building energy management systems
- refrigeration and cooling systems
- electro-mechanical systems
- catering and hospitality equipment

A list of the items that qualify under the scheme can be found at www.seai.ie

A new capital allowances regime to grant employers capital allowance relief on the capital cost of constructing and equipping qualifying fitness or childcare facilities provided for use by employees of the employer was introduced for expenditure incurred from 1 January 2019. Capital allowances on the qualifying construction cost is granted over seven years. Qualifying childcare or fitness equipment is granted accelerated capital allowances of 100% in year one.

An accelerated capital allowances scheme for gas-propelled vehicles and refueling equipment used for trading purposes has also been introduced for qualifying capital expenditure incurred between 1 January 2019 and 31 December 2025. Again, this applies at a rate of 100% in year one.

Leasing

Ireland operates an eight-year tax depreciation life on most assets. A beneficial tax treatment applies to finance leases and operating leases of certain short life assets (i.e. those with a life of less than eight years). For such assets, Ireland allows lessors to follow the accounting treatment of the transaction, which provides a faster write-off of the capital cost of an asset rather than relying on tax depreciation over eight years. This effectively allows the lessors to write-off their capital investment for tax purposes in line with the economic recovery on the asset.

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EU Anti-Tax Avoidance Directive

Ireland has introduced several provisions in recent Finance Acts transposing into Irish law the measures contained in the EU's Anti-Tax Avoidance Directive ("ATAD"). These comprise of controlled foreign company ("CFC") rules which are detailed on page 19, anti-hybrid rules and an interest limitation rule ("ILR").

Anti-Hybrid Rules

Anti-Hybrid rules are aimed at preventing taxpayers from engaging in tax systems arbitrage, through the neutralisation of tax advantages, or mismatch outcomes, that arise due to arrangements that exploit differences in the tax treatment of an instrument or entity arising from the way in which that instrument or entity is characterised under the tax laws of two or more territories. The first and most substantial part of the anti-hybrid rules was introduced in Finance Act 2019, and entered into effect on 1 January 2020 as required by ATAD. These rules dealt with the main categories of hybrid mismatch outcomes such as "deduction without inclusion" mismatch outcomes, "double deduction" mismatch outcomes, "permanent establishment" mismatch outcomes and "imported" mismatches.

As a consequence, Irish companies are required to review and consider each tax-deductible payment made in the context or each of these independent tests to determine whether a mismatch outcome has arisen, which would need to be neutralised under the anti-hybrid legislation.

Anti-hybrid rules targeting reverse hybrid mismatches were introduced into Irish legislation for periods commencing on or after 1 January 2022. Reverse hybrid mismatches can arise where an entity, referred to as a reverse hybrid entity, is treated as tax transparent in the territory in which it is established but is treated as separate taxable person by some or all of its investors such that some or all of its income goes untaxed.

Accordingly, these provisions target reverse hybrid mismatches with the rules applicable to Irish transparent entities, impacting popular Irish transparent structures such as Irish limited partnerships and Common Contractual Funds.

Interest Limitation Rule

Ireland completed its transposition of the ATAD into Irish tax legislation in Finance Act 2021 through the introduction of interest limitation rule ("ILR").

The ILR applies to accounting periods commencing on or after 1 January 2022 and aims to limit base erosion through the excessive use of interest deductions by linking a taxpayer's allowable net borrowing/interest costs directly to its level of earnings. The provisions of ILR operate alongside existing rules that restrict the deductibility of interest expenses.

The maximum corporation tax deduction available under these rules for net borrowing/interest costs is limited to 30% of tax-adjusted earnings before tax and before deductions for net interest expense, depreciation and amortisation (EBITDA) subject to some exceptions. While the default rate of the fixed ratio is set at 30%, a taxpayer may in certain circumstances deduct an amount in excess of 30% of tax-adjusted EBITDA under the "group ratio" rule.

Ireland applies the rules using a "group approach", that is, calculating the interest restriction at the level of a local group of companies ("interest group"). The legislation provides that the "interest group" will encompass all companies within the charge to corporation tax in Ireland that are members of a financial consolidation group as well as any non-consolidated companies that are members of a tax loss group for Irish corporation tax purposes and have elected to join the interest group. If interest payments are restricted under the ILR in an accounting period, then the excess can be carried forward and deducted in future years. If, in an accounting period, there is spare capacity it can be carried forward for a period of up to 60 months from the end of the accounting period in which it arose.

The new rules do not apply to loans concluded before 17 June 2016, that is, before the terms of the ILR were agreed. However care is needed when considering amending or modifying the terms of legacy debt.

There is also an exemption where a taxpayer's net borrowing costs do not exceed €3 million. This €3 million de minimus threshold applies to the "interest group" as a whole.

The provisions also provide for an equity-escape carve-out from the interest limitation rules. If the ratio of equity to total assets of the interest group is no lower than two percentage points below the worldwide group's ratio of equity to total assets then the equity ratio rule applies and no interest restriction should arise.

A carve-out is also made for qualifying long-term infrastructure projects involving the provision, upgrading, operation or maintenance of a large-

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scale asset. This covers a wide array of assets in areas such as energy, transport, environmental and health infrastructure. Broadly, income, expenses and borrowing costs associated with a qualifying project are excluded from the ILR calculations.

A number of updates were made to the provisions in Finance Act 2022. These include a clarification of the operation of the exemption for legacy debt in circumstances where there is a repayment in respect of facilities that have a mixture of legacy and non-legacy debt and the extension of the definition of long-term infrastructure projects to include large-scale residential projects.

Ireland as a holding company location

Shareholdings

Irish tax legislation provides for an exemption from capital gains tax for Irish resident companies ("investor companies") on disposals made from qualifying shareholdings in other companies ("investee companies"). The exemption is subject to a number of conditions which include that:

- the investee company must be tax resident in Ireland, another EU Member State or a country with which Ireland has a DTA (a "treaty country"),
- the investor company must have held not less than a 5% interest in the investee company for a specified period of time, and
- the business of (1) the investee company itself or (2) the investor company and any company in which the investor company holds a 5% interest must consist wholly or mainly of the carrying on of a trade or trades.

Dividends

Tax and Credit System

Foreign dividends are generally subject to corporation tax at the 25% rate. This is subject to a number of exceptions where the lower rate of 12.5% rate can apply.

Foreign dividends paid out of trading profits are subject to corporation tax in Ireland at the 12.5% rate where the paying company is tax resident in a "relevant territory", is a quoted company or is a 75% subsidiary of a quoted company. "Relevant territory" includes an EU Member State, a treaty country or a country that has ratified the Convention on Mutual Administrative Assistance in Tax Matters. The trading profits can be from the paying company's own trading profits or from dividends received by the paying company out of the trading profits of other companies resident in an EU Member State or treaty country.

A number of special provisions apply to "portfolio investors". Where the Irish company holds not more than 5% of the share capital and voting rights of the payor company, the dividend is deemed to have been paid out of trading profits and is hence subject to tax at the 12.5% rate. Where that dividend income forms part of the trading income of the portfolio investor, it is treated as exempt for corporation tax purposes.

Credit for foreign tax paid is available against the Irish tax due on the dividend income. A system of onshore pooling of excess foreign tax credits applies to dividends from 5% or greater corporate shareholdings, and excess credits in the dividend pool can be carried forward indefinitely. An additional credit for foreign tax is available where the existing credit on a dividend from a resident of the EU or an EEA treaty territory is less than the amount that would be computed by reference to the nominal rate of tax in the country from which the dividend was paid. The credit may instead be based on this nominal rate of tax in that EU/EEA treaty territory.

It may be the case that the profits out of which the dividend is paid are not themselves subject to tax but are attributable to profits of another company which have been subject to tax (e.g. where a dividend is paid to an intermediate holding company from a company which was subject to tax on the underlying profits and the intermediate holding company is not subject to tax on the dividend under a participation exemption regime). In such circumstances, the additional credit is instead based on the nominal rate of tax in the jurisdiction where the profits were subject to tax.

Participation Exemption

While the 'tax and credit' system provides a mechanism for relief, an alternative optional relief has been introduced in Finance Act 2024 in the form of a participation exemption for qualifying distributions made on or after 1 January 2025.

It operates by exempting certain qualifying dividends and distributions received by a qualifying "parent company" from a "relevant subsidiary" that is resident in a "relevant territory", being an EEA state or a territory with which Ireland has a Double Tax Agreement

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('DTA'). The parent company must hold a qualifying participation of not less than 5% in the relevant subsidiary for an uninterrupted period of not less than 12 months during which the relevant distribution is made.

The exemption is subject to a number of stringent conditions. This includes a requirement that the relevant subsidiary meets certain conditions for a period of up to five years before the distribution is made. Certain companies are also excluded from being parent companies including companies chargeable to tax under s110 TCA 1997.

The exemption is optional and companies must elect for it to apply on an accounting period by accounting period basis through their corporation tax returns. If the election is made, all income receipts which meet the conditions to qualify for the Participation Exemption will be exempted and all income receipts that do not will continue to be taxed under the existing 'tax and credit' regime. If no election is made, the existing 'tax and credit' approach continues to apply.

The new measures are also currently limited in geographic scope, being limited to distributions received from companies that are tax-resident in an EEA state or a treaty territory. This restriction in scope renders the Irish participation exemption for foreign distributions out of step with other major competitor jurisdictions as their regimes generally apply to a wider range of territories. It is therefore very welcome that the Department of Finance has signalled that work will continue in 2025 on giving further consideration to the measures including their geographic scope. It is hoped that the measures will be broadened and simplified in future Finance Acts.

Controlled Foreign Company Rules

Controlled Foreign Company (CFC) rules, which give effect to measures contained in the EU's Anti-Tax Avoidance Directive ("ATAD"), are effective for accounting periods beginning on or after 1 January 2019. Subject to certain exemptions, the CFC rules tax an Irish group entity on the amount of undistributed profits of a CFC which can reasonably be attributable to certain activities that are carried on in Ireland.

A "CFC" is defined as a non-Irish resident company which is controlled by a company or companies that are tax resident in Ireland.

A CFC charge exists where a CFC has undistributed income which can be reasonably attributed to "relevant Irish activities". The term "relevant Irish activities" is broadly defined as being significant people functions ("SPFs") or key entrepreneurial risk-taking ("KERT") functions performed in Ireland on behalf of the CFC. These functions must relate to the CFC's legal and beneficial ownership of the assets or the assumption and management of the risks. The meaning of SPFs and the KERT functions is aligned with the 2010 OECD Report on Profit Attribution to Permanent Establishments.

Where a CFC charge exists, the chargeable company is the company in which these "relevant Irish activities" are performed and the tax rate is dependent on the nature of the income arising. Any foreign tax paid or borne by the CFC may be allowed as a credit against Irish tax arising on the CFC charge.

There are several exemptions to the CFC charge which can be broadly categorised into two main groups:

- exemptions that exclude a CFC fully from the charge. These include an effective tax rate exemption, profit / profit margin exemptions, an essential purpose test exemption and an exemption where the CFC has no non-genuine arrangements in place; and
- exemptions that apply to specific income streams of a CFC. These include a transfer pricing exemption and an essential purpose test exemption.

In addition, an exempt period may also apply on the acquisition of a CFC where certain conditions are satisfied.

A number of exemptions are disapplied with respect to CFCs resident in a jurisdiction listed in Annex I of the EU list of non-cooperative jurisdictions for tax purposes. The disapplied exemptions are the effective tax rate, low profit margin and low accounting profit exemptions. The list is updated twice yearly.

Closely held companies

Broadly speaking, a close company is a company which is under the control of five or fewer 'participators' (which include shareholders and loan creditors) or under the control of 'participators' who are directors (however many directors there are). There are a number of exclusions from this general rule. These include exclusions for non-resident companies, specified industrial and provident societies / building societies, companies controlled by the State / by another EU Member State or by the Government

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of a treaty territory, certain companies with quoted shares and companies which are controlled by a non-close company.

A surcharge of 20% is payable on the total undistributed investment and rental income of a close company. Closely held "service" companies are also liable to a surcharge of 15% on one-half of their undistributed trading income.

Other specific provisions applying to closely held companies include:

- certain payments made on behalf of 'participators' in the company or their associates may be deemed to be distributions of the company
- interest paid to certain directors or their associates (e.g. on foot of a loan advanced) may be deemed to be a distribution where the interest exceeds specified limits
- a company making loans to 'participators' or their associates may be required, subject to certain exclusions, to pay income tax to Irish Revenue on the 'grossed up' amount of the loan

Start-up companies

New or start-up companies, which commence trading between 1 January 2009 and 31 December 2026 may be eligible for start-up companies' relief. Relief may be availed of for the first five years of trading for companies which commence to carry on a qualifying trade on or after 1 January 2018. For companies which commenced to trade prior to 1 January 2018 the relevant period is three years. The relief takes the form of a reduction in the corporation tax liability relating to the new trade (including chargeable gains on assets used in the trade) and is capped at the amount of the employer's social insurance contributions made on behalf of the company's employees and directors in the period, subject to certain limits. The corporation tax liability relating to the new trade can reduce to nil where that liability does not exceed €40,000 (adjusted pro-rata where the tax period is less than 12 months). Where the company's corporation tax liability is between €40,000 and €60,000, marginal relief is available.

Any unused relief arising in the first five years of trading can be carried forward for use in subsequent years again restricted by reference to the total employers' social insurance contributions.

Corporate – Tax administration

Taxable period

The tax accounting period normally coincides with a company's financial accounting period, except where the latter period exceeds 12 months.

Tax return

A company must submit its corporation tax return within nine months of the end of the accounting period to which the return relates (but no later than 23rd day of the month) in order to avoid the imposition of (i) a surcharge of up to 10% of the tax due (subject to a maximum surcharge of €63,485), (ii) a restriction of up to 50% of certain claims for relief including relief for trading losses arising in the same period (subject to a maximum restriction of €158,715).

Irish Revenue introduced mandatory filing of financial statements in iXBRL format in 2012 on a phased basis. The provisions currently apply to companies which are dealt with by the Revenue Large Corporates Division, Section 110 securitisation companies and all other taxpayers who do not meet specific iXBRL exemption criteria. It is intended that all remaining corporation taxpayers will be included in the final phase which will commence at a date to be announced by Irish Revenue.

Payment of tax

Corporation tax payment dates are different for 'large' and 'small' companies.

A 'small' company is a company whose corporation tax liability in the preceding year was less than €200,000 (the 'relevant limit'). This limit is adjusted pro-rata where the preceding corporation tax period was less than one year in length.

All other companies are 'large' companies.

Large companies

The first instalment of preliminary tax is due six months from the start of the tax accounting period (but no later than the 23rd day of that month).

The second instalment of preliminary tax is due 31 days before the end of the tax accounting period (but no later than the 23rd day of that month).

The balance of tax is due when the corporation tax return for the period is filed (that is, within nine months of the end of the tax accounting

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period, but no later than the 23rd day of the month in which that period of nine months ends).

To avoid the imposition of interest charges for late payment of corporation tax:

- the first instalment paid must equal at least (i) 45% of the final corporation tax liability for the period, or (ii) 50% of the corporation tax liability for the immediately preceding period (adjusted pro-rata where the lengths of the respective periods differ), and
- the second instalment must be sufficient to bring the aggregate of the instalments paid up to at least 90% of the final corporation tax liability for the period.

Small companies

Small companies are required to pay preliminary corporation tax in one instalment only. This is due 31 days before the end of the tax accounting period (but no later than the 23rd day of the month).

To avoid the imposition of interest charges for late payment of tax, the payment must equal at least (i) 90% of the final corporation tax liability for the period or (ii) 100% of the corporation tax liability for its immediately preceding period (again adjusted pro-rata where the lengths of the respective periods differ). The balance of tax is due when the corporation tax return is filed.

Start-up companies

A special provision exists for start-up companies. In the accounting period in which a company comes within the charge to Irish corporation tax, if its corporation tax liability for that period is less than the 'relevant limit' set out above, its preliminary corporation tax for the period is deemed to be Nil.

If its corporation tax liability is above the 'relevant limit', the 'large' company provisions apply. As there is no preceding period, the first instalment must equal at least 45% of the final corporation tax liability for the period.

Capital Gains

The payment dates for corporation tax on chargeable gains arising from disposals of assets other than development land are as set out above.

The payment dates for CGT in respect of gains arising to companies from disposals of development land are the same as the CGT payment dates for individuals as set out in the Capital Gains Tax section.

Statute of limitations

A system of self-assessment and Revenue audits is in operation in Ireland. Irish Revenue may make enquiries or undertake an audit of a company's tax return within a period of four years from the end of the accounting period in which the return is submitted. Please note the 4 year period is set aside where fraud or neglect is suspected.

Finance Act 2018 has introduced a measure which permits the making or amending of an assessment outside this period when it relates to a bi-lateral Mutual Agreement Procedure ("MAP") reached between Ireland and a competent authority with which Ireland has a Double Tax Agreement.

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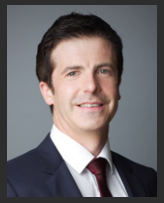

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Transfer Pricing

Irish Transfer Pricing Rules

Introduction

Ireland's transfer pricing legislation was originally introduced by Finance Act 2010 and is set out in Part 35A of the Taxes Consolidation Act (TCA) 1997. Ireland's transfer pricing legislation applies the arm's length principle. In general, this means that transactions between related parties (both domestic and cross border) must be priced as if they were carried out between unrelated parties.

The arm's length principle is interpreted in accordance with the OECD Transfer Pricing guidelines for multinational enterprises and tax administrations.

With effect from 1 January 2023, the Irish Transfer Pricing legislation was updated to refer to the 2022 version of the OECD Guidelines.

The Irish TP rules operate 'one way', conferring powers on the Irish tax authorities to re-compute the taxable profit or loss of a taxpayer where the profits of an Irish taxpayer are understated as a result of non-arm's length transfer pricing practices (as a consequence of arrangements resulting in lower income or higher expenditure than third parties would have agreed on under similar circumstances).

Irish Documentation Requirements

Within the Irish transfer pricing legislation, the preparation of transfer pricing documentation is covered by Section 835G TCA 1997 and includes specific requirements to prepare and maintain a Master File and Local File in line with Chapter V of the OECD Transfer Pricing Guidelines. Definitions for Master File and Local File are based on Annex I and II to Chapter V of the OECD Guidelines.

Level of Documentation Required

In order to manage and mitigate the compliance burden, the Master File and Local File requirements are subject to certain de minimis thresholds. Where a relevant person is part of an MNE group, the revenue-based thresholds set out in the legislation are as follows:

- A Master File must be prepared where total consolidated global revenues of the MNE group are €250 million or more in the chargeable period; and
- A Local File must be prepared where total consolidated global revenues of the MNE group are €50 million or more in the chargeable period.

Small and medium enterprises are excluded from the scope of TP documentation rules. However, in relation to medium enterprises (i.e. Companies with less than 250 employees (but greater than 50 employees) and either having less than €50 million Turnover or less than a €43 million Balance sheet total), the exclusion will only remain effective until such time as section 835F is commenced by Ministerial commencement order. From that time, medium enterprises will be required to maintain transfer pricing documentation, however, only with a much more limited scope than the standard rules. Small enterprises (i.e. Companies with less than 50 employees and either a Turnover or Balance Sheet total of less than €10 million) will continue to be outside the Irish Transfer Pricing documentation requirements.

Due date for completion of Documentation

The legislation specifies that where the relevant revenue thresholds are met, transfer pricing documentation must be prepared no later than the date upon which the annual corporation tax return for the chargeable period concerned is filed (i.e. Irish companies within the scope of the transfer pricing documentation rules with a 31 December year end will be expected to prepare and finalise their transfer pricing documentation for that financial year by 23 September of the following calendar year.)

Transfer Pricing Documentation Penalties

Where the taxpayer prepares contemporaneous transfer pricing documentation that is accurate and demonstrates a reasonable effort to comply with the requirements of the transfer pricing legislation in setting the actual consideration payable or receivable under an arrangement and documentation is provided to the Revenue Commissioners on a timely basis (i.e. within 30 days of request), there is protection from tax geared penalties in respect of additional tax due (in the careless but not deliberate behaviour category as set out in section 1077E (5) TCA 1997) in the event of a transfer pricing adjustment.

Where a relevant person fails to comply with a request to provide transfer pricing documentation within 30 days of a written request, a fixed penalty of €4,000 will apply. Where the relevant person is of such a size that the person is required to prepare a local file for the chargeable period, the fixed penalty is

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increased from €4,000 to €25,000 plus €100 for each day that the failure continues.

Other Aspects

- Ireland has a Transfer Pricing Anti Abuse Rule that, when applicable, can recharacterise a transaction and, where commercially unrealistic, can result in the transaction being disregarded.
- Finance Act 2019 provided for an extension of Ireland's transfer pricing rules to most non-trading and capital transactions applying for chargeable periods commencing on or after 1 January 2020. This included the introduction of Section 835E, which had provided for an exclusion from those transfer pricing rules for certain domestic non-trading transactions. Finance Act 2021 introduced some broad changes to Section 835E for chargeable periods commencing on or after 1 January 2022. These measures work to achieve a clear policy aim of excluding bona fide non-trading 'Ireland to Ireland' transactions from the scope of the transfer pricing rules.
- Please note that other pre-Finance Act 2019 measures may still be available in limited circumstances.
- For accounting periods commencing on or after 1 January 2020, Irish Revenue's guidance on low-value, intra-group services refers to Chapter VII of the OECD Guidelines, allowing a taxpayer to apply the simplified approach accordingly. With this simplified approach, a mark-up of 5% can be applied to the relevant costs without the need for a benchmark study to be carried out by the taxpayer to support this rate. Transfer pricing documentation supporting the arrangement should be prepared.

Attribution of Profits to Branches

Finance Act 2021 also introduced measures that provide for the application of the OECD developed mechanism (the AOA) for the attribution of profits to a branch of non-resident company operating in the State. The branch measures apply for accounting periods commencing on or after 1 January 2022.

In parallel to the introduction of the AOA, documentation requirements (including associated branch-specific penalty and penalty protection regimes) were also extended to Irish branches and permanent establishments (with some limited exceptions).

Mutual Agreement Procedure (MAP)

The Revenue Commissioners released an e-Brief detailing Guidelines for requesting MAP assistance in Ireland. The eBrief which was updated in December 2021, sets out the process through which taxpayers can request assistance from the Competent Authority in Ireland to resolve disputes arising from taxation not in accordance with the provisions of the relevant double taxation agreement ("DTA") in conjunction with the relevant articles of the Multilateral Instrument ("MLI") where applicable, the EU Arbitration Convention, or the EU (Tax Dispute Resolution Mechanisms) Regulations 2019 ("EU TDRM"). The Revenue Commissioners are the Competent Authority in Ireland. MAP assistance is provided by Revenue's International Tax Division.

The EU Council Directive on Tax Dispute Resolution Mechanisms in the European Union provides a means to resolve cross-border tax disputes. It is given effect in Ireland by Statutory Instrument (S.I.) No. 306/2019. The Regulations apply to disputes arising in respect of tax years commencing on or after 1 January 2018.

Advance Pricing Agreements

Ireland has a bilateral Advance Pricing Agreement (APA) programme which applies to bilateral APA applications made to Revenue on or after 1 July 2016 and only applies to transfer pricing issues (including the attribution of profits to a permanent establishment).

An application for a bilateral APA may be made by a company which is tax-resident in Ireland for the purpose of the relevant DTA and also by a permanent establishment in Ireland of a non-resident company in accordance with the provisions of the relevant treaty.

The bilateral APA programme is intended to apply in respect of a transaction(s) where the transfer pricing issues involved are complex, e.g. there is significant doubt over the appropriate application of the arm's length principle, or where, for any other reason, there would otherwise be a high likelihood of double taxation arising (in the absence of a bilateral APA). Ireland's bilateral APA programme is conducted within the legal framework of the DTA which Ireland has entered into with the other jurisdiction concerned.

Transfer Pricing

Transfer Pricing Compliance Review

There are dedicated transfer pricing audit teams within the Large Corporates Division of Irish Revenue to monitor compliance with Irish transfer pricing rules and initiate transfer pricing audits. Specific transfer pricing audit enquiries and investigations are initiated by the Large Cases Division.

Irish Revenue also continues to monitor compliance with the transfer pricing rules through its Transfer Pricing Compliance Review (TPCR) programme. Under this programme, companies selected will be notified to undergo a self-review of their compliance with the Irish transfer pricing rules.

Companies selected will be requested to provide a transfer pricing report, for a specific accounting period, to Irish Revenue within three months. In order to minimise compliance costs, Irish Revenue has explicitly stated that existing studies elsewhere in the multinational group which cover the related party dealings of the Irish operations should be sufficient.

The TPCR programme is not a formal audit so this allows for voluntary disclosures to be made at any time during the process. TCPRs are Level 1 intervention (out of three levels) for the purposes of the Code of Practice for Revenue Compliance Intervention. The outcome of a TPCR will be a letter from Irish Revenue indicating either:

1. No further enquiries or
2. Issues that need to be further addressed within the TPCR process.

Irish Revenue reserves the right to escalate a case to a formal audit, for example in cases where a company declines to complete a self-review. Should a case escalate from a TPCR to an audit, the company will be issued with a separate audit notification letter.

Irish Revenue is not obliged to utilise the TCPR programme and it is possible to initiate a Level 2 or Level 3 transfer pricing intervention from the outset, in which case no opportunity to self-review and make an unprompted disclosure (if relevant) exists.

Country-by-Country Reporting

Country-by-country (CbC) reporting for Irish-parented multinational enterprises (Irish MNEs) was introduced in 2016. The legislation requires Irish MNEs with consolidated annualised group revenue of €750 million or more to prepare an annual CbC report. The first CbC report covers fiscal years beginning on or after 1 January 2016. Irish MNEs captured under the legislation must file a CbC report annually to include specific financial data covering income, taxes, and other key measures of economic activity by territory. CbCR filings are due to be filed within 12 months of the accounting period i.e. the 2022 filings for a group with 31 December year end should be filed by 31 December 2023.

Irish Revenue regulations provide for a secondary filing mechanism whereby, in certain circumstances, an Irish tax resident entity that is part of a foreign MNE with consolidated annualised group revenue of €750 million or more shall be required to submit an 'equivalent CbC report' to Irish Revenue.

Irish MNEs or Irish subsidiaries of foreign MNEs which are subject to CbC reporting are required to notify Irish Revenue of their filing requirements. The deadline for notification is the last day of the fiscal year to which the CbC report relates and must be submitted electronically via Irish Revenue's Online Service.

Public Country-by-Country Reporting

The EU Directive 2021/2101/EU was transposed into Irish law by way of a statutory instrument (S.I. No. 322 of 2023) effective from 22 June 2023. This requires public disclosure of certain financial and non-financial information by certain undertakings and branches (i.e. public country-by-country reporting or pCbCR). The rules apply to both EU based and non-EU based multinational enterprises doing business in the EU through a branch or subsidiary with global turnover exceeding €750m in each of the last two consecutive financial years.

For multinational enterprises whose pCbCR obligation is governed by the Irish regulations, the reporting obligation applies from the first financial year starting on or after 22 June 2024 and the report must be filed within 12 months following the respective financial year. Persons failing to comply with the reporting obligations may be guilty of an offence and face a fine of up to EUR 5,000 and/or up to 6 months imprisonment.

Financial Transactions

The incorporation of the 2017 OECD Guidelines in Irish regulations from 1 January 2020 increased the focus on the accurate delineation of intercompany transactions. In the context of

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related party financial transactions, and in line with the subsequently issued OECD Paper on Financial Transactions, this introduced a requirement to support the arm's length nature of the quantum of related party debt.

While the OECD Paper on Financial Transactions has been specifically included in the Irish legislation from 1 January 2022 (see Introduction section), Irish Revenue's guidance issued in February 2021 stated that for any interest deductions taken in periods commencing on or after 1 January 2020, it is necessary to support the arm's length nature of both the interest rate and the quantum of debt from an Irish transfer pricing perspective, regardless of when the debt originated. In practice, therefore, the OECD's Financial Transactions Guidance has been applicable for accounting periods beginning on or after 1 January 2020.

Pillar One Amount B

Recently, Finance Act 2024 has introduced Pillar One Amount B into Irish legislation as a safe harbour by way of a new Section 835DA TCA 1997. This is a simplified approach that can be applied to certain baseline marketing and distribution transactions where the counterparty is based in a so-called covered jurisdiction that follows the respective OECD Guidance. The new rules can apply to accounting periods starting on or after 1 January 2025.

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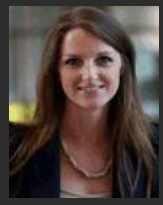

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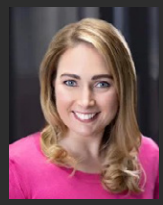

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Financial services

Banking and treasury

The international banking sector has developed into a vital component of the Irish economy, with approximately half of the top 50 world banks located in Ireland. In addition, a large number of multinationals have established corporate treasury operations in Ireland to manage inter alia, inter-group lending, cash pooling, cash management, debt factoring, multicurrency management and hedging activities on behalf of their respective groups.

Irish resident companies are subject to 12.5% corporation tax on their tax adjusted trading profits. A higher tax rate of 25% applies to "passive" income. These comparatively low tax rates have been supported by an extensive tax framework, as detailed below, in contributing to Ireland's success in attracting investment from international banks, various financial institutions and treasury companies:

- Tax deductions are generally available for funding costs
- Extensive domestic exemptions from withholding tax on interest, dividend and royalty payments
- Generous double taxation relief provisions for foreign taxes and withholding taxes suffered
- Access to Ireland's extensive double tax treaty network
- No capital duty or net assets wealth tax
- Favourable income tax rules for non-Irish domiciled individuals working in Ireland and an attractive tax regime (Special Assignee Relief Programme) for employee assigned to Ireland
- Stamp duty exemptions available on the majority of financial instruments
- Tax credit for research and development activities
- Deduction for certain interest/dividend payments made in respect of capital instruments in order to satisfy Tier 1 and Additional Tier 1 capital requirements

Insurance

Ireland is a key player in the global insurance and reinsurance industry. The key factors behind this success include the fiscal environment, the European standard regulatory regime (in particular the passporting regime), a relatively low cost base and a strong business infrastructure relating to international insurance and reinsurance.

Insurance and reinsurance companies that are tax resident in Ireland are subject to Irish corporation tax at the rate of 12.5% on their tax adjusted trading profits and enjoy the same attractive tax framework outlined above for the banking and treasury sector. In addition, there are a number of tax features specific to the Irish insurance sector as follows:

- a gross roll up regime for life funds whereby investment returns for non-Irish resident policyholders accrue on a tax-free basis,
- exemption from US Federal Excise Tax (FET) under the US/Ireland double tax treaty in respect of the insurance/reinsurance of US risks, and
- no Insurance Premium Tax (IPT) on insurance premiums received in Ireland in respect of risk located outside of Ireland and no IPT on reinsurance irrespective of where the risk is located.

A number of leading insurers and reinsurers have established significant hub operations in Ireland. The "hub and spoke" model, whereby pan-European insurance and reinsurance operations centralise their organisational structure in a single head office located within the EU, creates significant capital and operational efficiencies. Ireland is a leading location for such hubs and two of the main factors behind this are:

- Ireland's 12.5% corporation tax rate on the Irish head office profits, and
- Ireland's generous double taxation relief regime that provides credit for foreign tax paid on foreign branch profits against the Irish tax on those profits. This achieves an effective exemption for foreign branch profits given that the Irish corporation tax rate is generally lower than corporation tax rates in other countries.

Ireland is a leading European domicile for reinsurers seeking to redomicile from centres such as Bermuda and Brexit impacted groups seeking to retain access to the EU market. Ireland also continues to be one of the largest exporters of life assurance in the EU.

Exit tax

A withholding tax, known as exit tax, is required to be operated in respect of Irish life policies on payments to taxable Irish individual policyholders

Financial services

on certain chargeable events at the rate of 41% and at 25% on payments to corporate policyholders. The holding of policies at the end of an eight year period (and each subsequent eight year anniversary) will constitute a deemed disposal on which exit tax may arise in respect of taxable Irish policyholders. Non-Irish resident and exempt Irish resident policyholders are not subject to exit tax on Irish life policies provided relevant declarations are in place.

Aircraft leasing

Ireland was the birthplace of the aircraft leasing industry over 45 years ago. Since then, Ireland has pioneered the development of an envied and supportive tax and legal environment to incentivise the continued growth of the industry.

A tax depreciation write-off period of eight years is available for capital expenditure incurred on aircraft and engines and means significant acceleration for such long-life assets. Ireland has an extensive (and ever increasing) high quality double tax treaty network, with the majority of these treaties providing for 0% withholding tax on inbound lease rentals. In addition, there are no withholding taxes on outbound lease rentals. Ireland's Section 110 companies (see 'Section 110 companies' below) can hold leased aircraft or engines as qualifying assets, providing potentially tax neutral aircraft leasing opportunities. There is 0% stamp duty on instruments transferring aircraft or any interest, share or property of or in an aircraft and there is 0% VAT on international aircraft leasing. In addition, there is a stamp duty exemption on the issue, transfer or redemption of an Enhanced Equipment Trust Certificate ("EETC") as an aviation financing tool in Ireland.

Unilateral credit relief is allowed where withholding taxes are suffered on lease rental payments from countries with which Ireland does not have a tax treaty. These provisions allow for the carry forward of excess foreign tax credits arising on lease rental income received by an Irish trading entity that would otherwise be lost.

The Special Assignment Relief Programme, which incentivises executives to relocate to Ireland and the Foreign Earnings Deduction regime, which provides tax relief to Irish employees who spend time working in overseas locations, help to promote the growth of the aircraft leasing sector in Ireland.

Capital allowances for aviation services

Enhanced capital allowances are available for capital expenditure incurred on buildings employed in a trade of maintenance, repair or overhaul of commercial aircraft or a commercial aircraft dismantling trade. The scheme provides for tax depreciation over a seven year period instead of the normal 25 year period but is limited to the first €5 million of expenditure on relevant buildings (where incurred by a company) and €1.25 million (where incurred by an individual). Expenditure in excess of these limits may still qualify for the normal industrial buildings allowances regime. The scheme operates in respect of relevant expenditure incurred up to 13 October 2020. It further enhances Ireland's offering in the aviation sector.

Section 110 companies

Ireland has a favourable securitisation tax regime for entities known as Section 110 companies. A Section 110 company is an Irish resident special purpose company that holds and/or manages 'qualifying assets', which includes 'financial assets'. The term 'financial asset' is widely defined and includes both mainstream financial assets such as shares, loans, leases, lease portfolios, bonds, debt, derivatives, all types of receivables as well as assets such as carbon offsets and plant and machinery.

It is possible to establish a Section 110 company as an onshore investment platform for cross-border investments. The Section 110 regime has been in existence since the early 1990s and with appropriate structuring effectively allows for corporation tax neutral treatment, provided that certain conditions are met. The regime is used by international banks, asset managers, and investment funds to facilitate securitisations, investment platforms, collateralised debt obligations (CDOs), collateralised loan obligations (CLOs) and capital markets bond issuances.

The range of investments in which a Section 110 company can invest (e.g. financial assets, commodities, plant and machinery) is significant. In particular, the inclusion of plant and machinery has secured Ireland as the leading global centre of excellence for aircraft financing transactions.

In the last number of years, Irish Revenue have made a number of legislative changes for Section 110 companies engaged in a 'specified property business' which involves the holding, managing or both the holding and managing of so-called 'specified mortgages'. A specified mortgage is defined as including loans and shares that derive their value, or the greater part of their value, from land in the State.

Financial services

In effect the Section 110 company's 'specified property business' is to be treated as a separate business from any other business the company may carry on and, with certain exceptions, no interest above a reasonable commercial rate of return will be deductible in computing the taxable profits of that part of the business. The profit calculated will be taxable at the 25% of corporation tax.

With effect from 1 January 2020, Section 110 companies are now within the scope of Irish transfer pricing rules although helpfully, the rules provide that profit participating notes and loans are specifically outside the scope of transfer pricing. Section 110 companies have always been subject to an arm's length requirement, but from 2020, they also need to meet transfer pricing documentation requirements for certain related party transactions.

In accordance with the requirements of the EU Anti Tax Avoidance Directive, Ireland introduced anti hybrid rules with effect from 1 January 2020. In summary, these rules are aimed at preventing companies from benefiting from differences in the tax treatment of payments on hybrid financial instruments and on payments by, or to, hybrid entities. It will be necessary for Section 110 companies to consider the impact, if any, of the anti hybrid rules.

With effect from 1 January 2020, Irish tax legislation also contains a couple of amendments to the Section 110 anti-avoidance provisions. Firstly, the definition of a 'specified person' is extended to situations where a noteholder directly or indirectly holds more than 20% of the principal value of the profit participating loan / note and exercises 'significant influence' (newly defined) over the Section 110 company.

Secondly, the general anti-avoidance provision is expanded to allow Revenue challenge situations where profit participating loan arrangements were not entered into for bona fide commercial reasons.

In accordance with the requirements of the EU Anti Tax Avoidance Directive, Ireland introduced interest limitation rules effective for accounting periods beginning on or after 1 January 2022. It is necessary for Section 110 companies to consider the impact, if any, of the interest limitation rules and the related deductibility of interest from an Irish corporation tax perspective.

Real Estate Investment Trusts (REIT)

The REIT is the internationally recognised collective investment structure for holding commercial and/or residential property. Although the regimes differ somewhat from country to country, the REIT typically takes the form of a listed company (or group) with a diverse shareholding base.

The primary objectives of the REIT regime are to facilitate the attraction of foreign investment capital to the Irish property market, to release bank financing from the property market for use by other sectors of the economy and to provide investors with an alternative lower-cost, lower-risk method for property investment.

The tax regime applicable to the Irish REIT is relatively straightforward. While the normal stamp duty rates of 7.5% for commercial property and 1%/2%/6%/15% for residential property apply to Irish property transfers into the REIT (please see Stamp Duty section for further detail in respect of the applicable rates), the REIT itself is generally exempt from tax on rental income and on any capital gains arising on property disposals (except in instances where the development cost represents more than 30% of the market value of the asset and the property is disposed of within 3 years of the development). Distributions out of the REIT to shareholders are generally liable to dividend withholding tax at the rate of 25%, subject to the following comments:

- Irish resident shareholders are liable to tax on REIT distributions at their normal tax rates. Thus Irish resident individuals will generally be taxed at marginal rates with credit being allowed for the 25% withholding tax rate, while Irish corporates will generally be taxed at the passive income rate of 25%.
- Shareholders who are tax resident in countries that have a double taxation agreement with Ireland can benefit from a lower dividend withholding tax rate if that is provided for under the agreement. Although rates vary depending on the double taxation agreement, typically the treaty rate would be less than 25% and this would represent the final Irish tax liability of the foreign shareholder. Relief is not available at source and the tax would have to be reclaimed from Irish Revenue
- Certain Irish exempt investors such as pension funds and regulated funds will not suffer any withholding tax.

Financial services

For non-resident shareholders the REIT regime carries one particularly attractive feature. Capital gains generated by the REIT do not have to be distributed to shareholders provided that they (amongst other users) are invested in the property rental business within 24 months of the disposal of the property. This reinvestment may be reflected in the REIT's share price, and non-resident investors can then dispose of the REIT shares free of Irish CGT. This would not be the case if the non-resident investor held the property directly, and taxable Irish investors should be subject to CGT at the rate of 33% in either case. The disposal of the REIT shares would however be liable to stamp duty (at the rate of 1% or 7.5%/10% if certain land anti-avoidance provisions apply) payable by the purchaser.

Finance Act 2019 introduced a provision such that any expense incurred by a REIT, which is not wholly and exclusively incurred for the purposes of the property rental business, (or, per Revenue guidance, it's residual business) will be treated as income and subject to corporation tax at the rate of 25%.

Asset management

Ireland has a favourable tax regime which has contributed to establishing it as a tried and trusted domicile of choice for investment funds. As of November 2024, there were 8,900 regulated investment funds domiciled in Ireland, with net assets totaling over €5 trillion.

Ireland was among the first countries to adapt its legislation for the tax-efficient implementation of the UCITS IV regime. Ireland's tax rules also permit redomiciliations, mergers and reconstructions of investment funds without giving rise to adverse Irish tax consequences for funds of their investors.

Ireland was also one of the first jurisdictions to set out a detailed approach to the implementation of Alternative Investment Fund Managers Directive (AIFMD). It, among other things, provides for the appointment of alternative investment fund managers (AIFMs) located in one jurisdiction to manage alternative investment funds (AIFs) outside of their home jurisdiction. Similar to the legislative amendments introduced previously with regards to the UCITS Management Company Passport, Irish legislation confirms that the appointment of an Irish AIFM to manage non-Irish AIFs will not bring such non-Irish AIFs within the charge to Irish tax.

Irish fund management companies and service providers (e.g. fund administrators) are subject to Irish corporation tax at 12.5% on their trading profits.

Irish domiciled investment funds are exempt from Irish tax on their income and gains. Investment funds are required to operate a withholding tax, known as Investment Undertaking Tax (IUT) or exit tax, on payments to taxable Irish individual investors at the rate of 41% on income distributions and gains (on realisation of fund investment) and at the rate of 25% on payments to Irish corporate investors. The holding of shares at the end of an eight year period (and each subsequent eight year anniversary) will constitute a deemed disposal on which exit tax may arise in respect of taxable Irish investors. Non-Irish resident and exempt Irish resident investors are not subject to exit tax on Irish investment funds provided relevant declarations are in place.

Dividends and interest received by Irish funds from Irish equity and bond investments should not be subject to Irish withholding taxes. In addition, no Irish stamp duty is generally payable on the issue, transfer (but see Stamp Duty Section), repurchase or redemption of shares in an Irish investment fund, (where a subscription/redemption is satisfied by the in specie transfer of Irish securities or property, stamp duty may apply on such securities or property).

Most services received by Irish funds should be exempt from Irish VAT, including investment management services. Where VAT is suffered, recovery is possible where the fund holds a percentage of non-EU investments or has non-EU investors. To the extent that Irish funds are in receipt of taxable reverse charge services from abroad, they must register and self-account for Irish VAT.

The Irish funds industry continues to work with the Irish government and Irish Central Bank to explore and progress the development of new and existing products that will enhance Ireland's competitiveness on the international stage.

Irish Real Estate Funds

A fund will be considered an IREF where 25% or more of the market value of its assets are derived from Irish land or buildings. Consideration of whether a fund constitutes an IREF will, in the context of an umbrella scheme, be determined on an individual sub fund basis.

Financial services

Where a fund is categorised as an IREF, 20% withholding tax must be operated by the fund on distributions of income or gains, and on gains on the redemption of units.

Certain categories of investors should be exempt from the withholding tax, including Irish pension funds, Irish regulated funds, life assurance companies and their EEA counterparts subject to equivalent supervision and regulation, Section 110 companies, Irish charities, Irish credit unions and approved retirement funds. Where the investor is an exempt investor it should be possible to obtain advance clearance from Revenue in order for the distribution/redemption to be made gross of IREF withholding tax. An investor will not be considered an exempt investor where the fund is considered a Personal Portfolio IREF (PPIREF) with respect to that investor. Broadly, a fund will be considered a PPIREF with respect to an investor where that investor, or a person connected with that investor, has the ability to influence the selection of some or all of the IREF assets.

Finance Act 2019 introduced anti-avoidance provisions which can result in an income tax liability payable by the IREF in respect of shareholder interest which is deemed to be excessive in nature.

Whether shareholder interest payable by an IREF is deemed to be excessive is determined by reference to two legislative tests - an excess debt test and a financing cost ratio test. Broadly, these tests involve a comparison of the IREF's shareholder debt and interest to the cost of its assets, and a comparison of its shareholder interest to the income generated by the IREF respectively.

Finance Act 2019 also introduced a provision such that any expense incurred a IREF, which is not wholly and exclusively incurred for the purposes of the IREF business, will be treated as income and subject to tax at the rate of 20%.

Global Information Reporting (FATCA & CRS)

Ireland is a leading supporter of international efforts to increase tax transparency and has committed to the highest standards in the fight against global tax avoidance by adopting international standards on the automatic exchange of tax information. The OECD released the Common Reporting Standard ("CRS") in 2014 which established a new Global Standard for the Automatic Exchange of Information between Governments with regard to certain details of financial account holders with financial institutions. It entails the annual sharing of certain account holder information from the country of the source of the payment to the tax authorities in the account holder's country of residence.

To date, over 100 jurisdictions have committed to implementing CRS and exchanging information. CRS came into effect in Ireland on 1 January 2016. The annual reporting deadline under CRS is 30 June of the year following the relevant calendar year (i.e. 30 June 2025 in respect of the calendar year 2024).

The OECD leveraged the US Foreign Account Tax Compliance Act ("FATCA") to design CRS and as such CRS is broadly similar to the FATCA requirements, albeit with numerous alterations. It will result in a significantly higher number of reportable persons due to the increased instances of potentially in-scope accounts and the inclusion of multiple jurisdictions to which accounts (of tax residents of such jurisdictions) must be reported. CRS operates alongside the requirement for financial institutions to report details of certain US persons under FATCA. Similar to CRS, the FATCA filing deadline is 30 June of the year following the relevant calendar year.

The financial institutions covered by the standards include custodial institutions, depository institutions, investment entities (such as investment funds) and specified insurance companies. The financial information to be reported with respect to reportable accounts includes interest, dividends, account balance or value at year end, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held during the relevant calendar year by certain individuals and entities (which includes certain companies, trusts and foundations), and the standard includes a requirement to look through passive non-financial entities to report on the relevant controlling persons.

In addition to reporting the financial institution must carry out appropriate due diligence on both pre-existing and new financial accounts, including obtaining self-certifications from new account holders upon opening the account.

Financial services

As part of the OECD Peer Review of the Automatic Exchange of Financial Account Information (CRS) process Irish Revenue underwent a review (by other tax authorities) in 2024 to ensure it continues to be regarded as operating the CRS appropriately. While the results of the peer review are awaited, in order to retain its compliant status, Revenue actively continues its thorough compliance review programme in this area to ensure Irish financial institutions who have due diligence and reporting obligations under the Common Reporting Standard "CRS" are meeting their responsibilities in this area. In this regard they are contacting reporting financial institutions with regard to their CRS and FATCA compliance obligations. Typically, this involves detailed information requests, as well the holding of a profile interview with the persons responsible for the process. Revenue would typically expect a response to the information requests in advance of the profile interview and may raise additional queries during the interview process.

The OECD recently published a much-anticipated two-part document, the Crypto-Asset Reporting Framework (CARF) and Amendments to the Common Reporting Standard (CRS). This new global tax transparency initiative provides the framework for the automatic reporting and exchange of information with respect to crypto-assets and aims to ensure that the tax transparency architecture remains modern and effective.

In addition, the commentary to the CRS is enhanced to include guidance to improve consistency in the application of the CRS and to incorporate previously released FAQs and interpretative guidance. The amendments to the CRS expand the scope of the CRS to certain e-money products and Central Bank digital currencies. They also seek to enhance the reporting outcomes, including requiring the reporting of the role of each controlling person, whether a valid self-certification has been obtained or not and whether an account is pre-existing or new.

In tandem with this, the EU Commission has implemented further amendments to Directive 2011/16/EU on administrative cooperation in the field of taxation (DAC8) and is broadly aligned with the OECD's CARF initiatives. The Directive was adopted by EU Member States and entered into force on 13 November 2023. EU Member States will have until 31 December 2025 to transpose the new rules into national law with first application for most provisions from 1 January 2026.

DAC8 applies to crypto-asset service providers, a defined term, whether they are regulated or not (the latter will be required to register in one single Member State for the purpose of complying with their reporting obligations). The Commission believes this information will level the playing field and raise additional tax revenues of €2.4B by the EU Member States; implementation costs are estimated at €300M with annual recurring costs of €25M.

Finance Act 2023 introduced a significant tax administration measure via the transposition of DAC 7 which provides a legal basis for Irish Revenue and other EU tax authorities to conduct joint audits. Joint audits are evidence of a further evolution of increasing cooperation and transparency between jurisdictions on tax matters. Other measures include one aimed at ensuring Revenue can apply penalties where a reporting financial institution is a partnership or a trust under the Common Reporting Standard (or "CRS"), DAC 2 and the Foreign Account Tax Compliance Act (or "FATCA").

Islamic finance

Irish tax law facilitates most Islamic finance transactions, including ijara (leasing), takaful (insurance), re-takaful (reinsurance), murabaha and diminishing musharaka (credit arrangements), mudaraba and wakala (deposit arrangements) and sukuk. While there is no specific reference in the legislation to Islamic finance, rather the reference is to Specified Financial Transactions, overall, the premise of the legislation in Ireland is to ensure Islamic finance transactions are treated in the same favourable manner as conventional financing transactions.

The legislation also facilitates the favourable taxation (and tax impact) of UCITS management companies. The UCITS structure is one of the most commonly used structures for many different types of Islamic funds, such as retail Islamic equity funds, Shariah-compliant money market funds, Shariah-compliant exchange traded funds (ETFs), etc.

This demonstrates the Irish government's desire to enhance the attractiveness of Ireland as a location for Islamic finance transactions by extending to this form of financing the relieving provisions that currently apply to conventional financing.

Financial services

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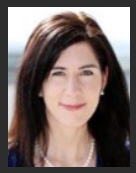

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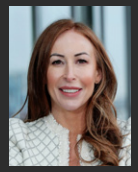

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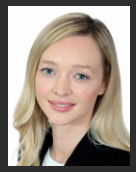

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Corporate - withholding taxes (WHT)

Dividend WHT

Dividend WHT applies at 25% to dividends and other distributions made by Irish resident companies for distributions made on or after 1 January 2020 (previously 20%). However, an exemption may be available where the recipient of the dividend/distribution is either an Irish resident company which holds a 51% or greater shareholding in the company or a non-resident company eligible for the Parent-Subsidiary Directive (which in Ireland requires a 5% or greater shareholding).

Exemptions from dividend WHT are also available where the recipient of the distribution falls into one of the categories listed below and makes an appropriate declaration to the company paying the distribution in advance of the distribution. This declaration is self-assessed and valid for up to six years:

- Irish resident companies (as above, a declaration is not required for Irish resident companies which hold a 51% or greater shareholding in the company).
- Non-resident companies which are resident in a treaty country or in another EU member state, provided they are not controlled by Irish residents.
- Non-resident companies which are ultimately controlled by residents of a treaty country or another EU member state.
- Non-resident companies whose principal class of shares is traded on a recognised stock exchange in a treaty country or another EU member state or on any other stock exchange approved by the Minster for Finance (or 75% subsidiaries of such companies).
- Non-resident companies which are wholly owned by two or more companies the principal class of shares of each of which is traded on a recognised stock exchange in a treaty country or another EU member state or on any other stock exchange approved by the Minister for Finance.
- Individuals who are resident in a treaty country or another EU member state.
- Certain pension funds, retirement funds, sports bodies, collective investment funds and employee share ownership trusts.

The introduction of Outbound Payments measures from 1 April 2024 may limit the operation of certain exemptions. Please refer to page 34 for further details.

Where an exemption from WHT is not available under the domestic provisions, a reduced rate of WHT may apply under a tax treaty. Please refer to the Tax Treaties section and Appendix 1 for further details.

Other considerations

A company which makes a dividend/distribution is required, within 14 days following the end of the month in which the distribution is made, to make a return to Irish Revenue containing details of the recipient of the distribution, the amount of the distribution and the amount of any WHT required to be withheld. The return must be accompanied by payment of the tax withheld.

Companies making a payment of dividends or other distributions may be required to maintain certain records. In addition, from 1 January 2021, companies are required to obtain and keep a record of the tax reference number of the person beneficially entitled to the dividend.

Interest WHT

Certain annual interest payments are subject to WHT at 20%. Interest payments made by companies to companies resident in another EU member state or in a treaty country are generally not subject to WHT. The EU Interest and Royalties Directive may also provide an exemption from WHT for payments between associated companies. Furthermore, interest payments from one Irish resident company to another Irish resident company in the same Irish tax group are generally not subject to WHT.

The introduction of Outbound Payments measures from 1 April 2024 may limit the operation of certain exemptions. Please refer to page 34 for further details.

Where an exemption from WHT is not available under the domestic provisions, a reduced rate of WHT may apply under a tax treaty. Please refer to the Tax Treaties section and Appendix 1 for further details.

Royalties WHT

Royalties, other than patent royalties, are generally not subject to WHT under domestic law. Patent royalty payments and certain other annual payments are subject to WHT at 20%. Patent royalty payments made by companies to companies resident in another EU member state or in a treaty country are generally not subject to WHT. The EU Interest and Royalties Directive

Corporate - withholding taxes (WHT)

may also provide an exemption from WHT for payments between associated companies.

The introduction of Outbound Payments measures from 1 April 2024 may limit the operation of certain exemptions. See below.

Where an exemption from WHT is not available under the domestic provisions, a reduced rate of WHT may apply under a tax treaty. Please refer to the Tax Treaties section and Appendix 1 for further details.

WHT on capital gains

Where any of the following assets is disposed of, the person by whom or through whom the consideration is paid (i.e. the purchaser) must deduct capital gains WHT at a rate of 15% from the payment:

1. land or minerals in Ireland or exploration rights in the Irish continental shelf,
2. unquoted (unlisted) shares deriving their value or the greater part of their value (more than 50%) from assets described in (1) above,
3. unquoted (unlisted) shares issued in exchange for shares deriving their value or the greater part of their value from assets as described in (1) above, and
4. goodwill of a trade carried on in Ireland.

The requirement to withhold tax does not apply where the consideration does not exceed €500,000 (or €1 million in the case of houses disposed of after 1 January 2016) or where the person disposing of the asset produces a clearance certificate from Irish Revenue authorising payment in full. In the case of certain qualifying intra-group transfers of assets, the consideration is deemed to be the original cost of acquiring the asset by the vendor company.

A clearance certificate may be obtained by making an application to Irish Revenue supported by a copy of the agreement or contract for sale. The certificate may be obtained on the grounds that (i) the vendor is Irish resident, (ii) that no capital gains tax is due in respect of the disposal or (iii) that the capital gains tax has been paid. WHT is creditable against the capital gains tax liability of the vendor, and any excess is refundable.

To avoid the requirement to withhold, clearance must be obtained before the consideration is paid. The withholding procedure is also required to be applied, and therefore clearance should also be obtained, where the asset is held as trading stock or where the transaction is intra-group and a capital gains tax liability does not arise.

Failure to obtain the certificate will lead to the purchaser being assessed to capital gains tax for an amount of 15% of the consideration even if no capital gains tax liability would arise on the disposal of the asset.

Professional services withholding tax (PSWT)

Income tax at the standard rate (currently 20%) is deducted from payments for professional services made to individuals and companies by “accountable persons”, which include government departments, local authorities and health boards. Credit is granted for any PSWT withheld against the corporation tax (or income tax for an individual) liability of the accounting period in which tax is withheld.

Outbound payments

Finance (No.2) Act 2023 introduced new defensive measures on the tax treatment of distributions (including dividends), royalties and interest payments to associated entities resident in no-tax and zero tax jurisdictions, as well as those included on Annex I of the EU list of non-cooperative jurisdictions. The measures aim to prevent double non-taxation. Entities are associated by virtue of one entity having control of the other or both are under the control of another entity or where one entity has “definite influence” in the management of another entity. The new legislation will limit the operation of certain domestic withholding tax exemptions in respect of captured payments, as well as requiring reporting of same.

In order for interest and royalty payments to be in scope of the new rules the amount must be deductible in computing profits for corporation tax purposes. There are certain other exceptions and carve outs from the new rules.

The legislation applies to relevant payments of distributions, royalties and interest to associated entities made on or after 1 April 2024. Grandfathering provisions applied to arrangements which were in place on or before 19 October 2023. The new measures did not apply to such grandfathered payments until 1 January 2025.

Tax treaties

Companies that are resident in Ireland may avail of the benefits of Ireland's tax treaty network. These tax treaties secure a reduction or, in some cases, a total elimination of withholding tax on dividends, royalties and interest which would otherwise apply under the domestic provisions. See Appendix 1 and Appendix 2 for details of the maximum withholding tax rates applied on payments both to and from Ireland. Ireland has tax treaties in effect with the countries listed in the table below.

Ireland signed a new tax treaty with Oman in 2024. This treaty entered into force on 18 December 2024 and its provisions began to take effect on 1 January 2025. Ireland has also signed new tax treaties with Kenya, Ghana and Liechenstein in recent years. These treaties are not yet in effect.

Ireland and Jersey signed a protocol to the existing treaty in November 2023 and procedures to ratify the protocol are underway. Ireland has also concluded negotiations for a new tax treaty with Uruguay and for a protocol to the existing treaty with Mexico.

Treaties in force as at 1/1/2025

Albania	Canada	France	Kazakhstan	Moldova	Qatar	Switzerland
Armenia	Chile	Georgia	Korea (Republic of)	Montenegro	Romania	Thailand
Australia	China	Germany	Kosovo	Morocco	Russia	Turkey
Austria	Croatia	Greece	Kuwait	Netherlands	Saudi Arabia	Ukraine
Bahrain	Cyprus	Hong Kong	Latvia	New Zealand	Serbia	United Arab Emirates
Belarus	Czech Republic	Hungary	Lithuania	Norway	Singapore	United Kingdom
Belgium	Denmark	Iceland	Luxembourg	Oman	Slovak Republic	United States
Bosnia and Herzegovina	Egypt	India	Macedonia	Pakistan	Slovenia	Uzbekistan
	Estonia	Israel	Malaysia	Panama	South Africa	Vietnam
Botswana	Ethiopia	Italy	Malta	Poland	Spain	Zambia
Bulgaria	Finland	Japan	Mexico	Portugal	Sweden	

Multilateral Instrument

Ireland signed the OECD's Multilateral Convention to implement tax treaty related measures to prevent Base Erosion and Profit Shifting (MLI) in June 2017. Ireland deposited its ratification documents with the OECD on 29 January 2019 and the MLI entered into force for Ireland on 1 May 2019. As a general rule, it has effect for Ireland's tax treaties:

- with respect to taxes withheld at source, from 1 January 2020, and
- with respect to all other taxes levied by Ireland, for taxes levied with respect to taxable periods beginning on or after 1 November 2019.

Changes take effect only where the treaty is with a country that has also deposited its MLI ratification document with the OECD and the required three-month wait period has elapsed such that the MLI is effective in that state. Additionally, only where two states make "matching elections" do the MLI provisions take effect.

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Value added tax (VAT)

General

VAT is a transaction based tax and is chargeable on the supply of goods or services in Ireland for consideration by an accountable person other than in the course or furtherance of an exempted activity. VAT is also chargeable on goods imported from outside the EU, on intra-Community acquisitions of goods and on the purchase of specified services from suppliers outside of Ireland. Please note that while VAT is governed by EU legislation, there are key differences in the VAT rules applied between the 27 (following Brexit) Member States of the EU as each Member State is required to impose the EU VAT legislation by way of its own domestic legislation.

Certain persons carrying on business in Ireland whose annual turnover does not exceed the following thresholds are not required to register for and charge Irish VAT: €85,000 for goods and €42,500 for services. However, they can elect to register should they so wish.

The State, or any public body, is also regarded as an accountable person for VAT purposes in respect of certain activities carried out on a more than negligible scale, or in circumstances where by not treating the State or public body as an accountable person a significant distortion of competition would arise.

Foreign traders supplying certain taxable services in Ireland, or selling goods from stocks held or acquired in Ireland, are generally obliged to register for Irish VAT.

Foreign traders do not benefit from the registration thresholds unless the trader has a fixed place of business in Ireland. Foreign traders making distance sales (distance sales being the supply of goods from one EU Member State to unregistered persons in another into Ireland may register for the Union One Stop Shop to account for VAT on such sales in all EU Member States. Suppliers who do not register for the Union One Stop Shop must register in each EU Member State in which they make distance sales if the value of distance sales in all EU Member States exceeds €10,000 in the current and in the previous calendar year

Taxable persons (persons engaging in business for VAT purposes) in receipt of certain services from abroad which are deemed to be supplied in Ireland (known as reverse charge services) must register for Irish VAT and account for Irish VAT on the value of those services (where appropriate). They are also obliged to register for VAT if they make intra-Community acquisitions of goods which exceed €41,000 in a 12 month period.

Accounting for VAT

Persons obliged to register for VAT must submit periodic VAT returns, generally bi-monthly; however in certain cases (typically low VAT payment liability), monthly, four monthly, bi-annual or annual returns may be submitted. Some accountable persons may elect to account for their VAT liability on the basis of cash received in a taxable period rather than on the basis of invoiced sales (see planning tip below for more information) which should result in cash-flow advantages.

Planning tip!

If you primarily supply goods or services to persons who are not registered for VAT or if your turnover is less than €2 million you may be eligible to account for VAT on a cash receipts basis rather than on the basis of invoiced sales.

Rates

The rates of VAT and some of the supplies to which they apply are set out below:

Rates	
23%	The standard rate of VAT applies to supplies not subject to the rates below
13.5%	Land and buildings (if taxable), building services, heating fuel, certain sanitary products, and waste disposal services
9%	(Temporary) From November 2024 to 30 April 2025 a temporary 9% rate applies to the supply of gas and electricity.
9%	The provision by a person (other than a non-profit making organisation) of facilities for taking part in sporting activities. A provision of sports faciliites by a public body is also subject to the 9% rate.
4.8%	Supply of livestock (note – only live horses in certain circumstances).

Value added tax (VAT)

0% Exports, books (including ebooks and audiobooks) solar panels supplied for private dwellings and schools, oral medicine, covid testing kits, menstrual products, non-oral nicotine and hormone replacement products, automatic external defibrillators, children's clothing & footwear, fertilizers and certain food products.

Exempt activities

The supply of certain goods and services is exempt from VAT including most banking and insurance services, education and training, medical services and passenger transport. If a supplier is engaged in exempt supplies, typically no input VAT deductibility on related costs is possible i.e. VAT is a real cost.

Property

VAT on property rules were substantially changed on 1 July 2008. Transitional rules continue to apply to the supply of interests in immovable goods that were acquired or developed prior to 1 July 2008 and which are supplied on or after that date.

Typical occupational lease interests in property are exempt from VAT (with a landlord's "option to tax" the rent in certain circumstances i.e. charge VAT at the 23% standard rate). The supply of freehold and freehold equivalent interests in "new" property is subject to VAT at 13.5%. The sale of "old" property is exempt from VAT unless the vendor and purchaser exercise a joint option for taxation.

Examples of "new" property include:

- the first supply of a completed property within 5 years of its completion
- the second and subsequent supply of a completed property within 5 years of its completion unless it has been occupied for at least 2 years
- old property which has been significantly re-developed i.e. made 'new' again

Exempt supplies/use of property may result in a capital goods scheme (CGS) adjustment. The CGS provides for the adjustment of VAT deductibility in respect of acquisition or development costs over the property's 'VAT life' i.e. it monitors the use of the property for purposes of input VAT deductibility. Typically the VAT life will be 20 years. However a 10-year VAT life applies in the case of refurbishment (development work on a previously completed building).

Planning tip!

Irish VAT on property rules are complex and specific advice should be sought in respect of all property related supplies. There can be pitfalls and planning opportunities.

Section 56 Authorisation (formerly Section 13A)

Accountable persons may be authorised (by Irish Revenue) to import, to make intra-Community acquisitions of goods and to acquire most domestic goods and services at the zero-rate of Irish VAT if at least 75% of their annual turnover comprises of exports or zero-rated intra-Community supplies of goods. Suppliers to such qualifying persons should ensure they obtain a valid VAT56 from their customer prior to applying the zero rate of VAT. Such suppliers also have additional invoicing obligations.

Withdrawal of VAT credit for bills not paid within six months

As part of the Government's initiatives to tackle the shadow economy and protect compliant businesses, measures were introduced in 2013 which provide that where payment for a supply of goods or services has not been made within six months of the period in which the VAT was deducted, i.e. the initial period, the purchaser will be obliged to adjust the amount of original deductible VAT accordingly.

The measures took effect for initial periods beginning on or after 1 January 2014. For example, VAT deducted on invoices received in Jan/Feb 2014 that remain unpaid in September should be adjusted in the July/August VAT return. If payment is subsequently made, in full or in part, the deductible VAT can be increased accordingly. It is important to note that where, on or before the due date for the return, the Revenue Commissioners are satisfied that there are reasonable grounds for not having paid the full amount, such a clawback of VAT will not be required.

Value added tax (VAT)

Planning tip!

Remember to claim VAT bad debt relief at the earliest opportunity **

** VAT previously paid over on invoices which subsequently become reclassified as 'bad debts' can be reclaimed provided certain conditions are met.

Obtaining VAT Refunds

Businesses that are registered for VAT can claim an offset/refund of VAT incurred on costs (subject to certain restrictions) via their periodic VAT returns.

Foreign businesses that are not registered for VAT in Ireland may also obtain a refund, however the mechanism for doing so will depend on whether they are established in the EU or elsewhere (certain limitations and restrictions apply and eligibility also depends on the nature of the activities in which the business engages).

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Stamp duty

Stamp duty is a tax on certain documents / instruments. It is payable on transfers of land and on other assets the title to which cannot be passed by delivery. It is chargeable on instruments of transfer executed in Ireland and on instruments, wherever executed, which relate to Irish property or relate to matters done or to be done in Ireland.

A form of stamp duty, known as a "levy", also arises on certain policies of insurance and on certain financial cards and instruments.

Stamp duty on the transfer of assets between associated companies may be fully relieved from stamp duty provided the following key conditions are met:

- The companies have a 90% relationship (that is, one company is, directly or indirectly, the beneficial owner of at least 90% of the ordinary share capital of the other and is entitled to at least 90% of the profits available for distribution and at least 90% of the assets in the case of a winding-up of the other company, or a third company has these rights, directly or indirectly, in respect of both companies).
- This relationship is maintained for a period of at least two years after the transfer of the assets to avoid the relief being clawed back. Note, the relief will not be clawed back where the relationship ceases due to the transferor or transferee ceasing to legally exist (e.g. by way of liquidation, strike-off or merging out of existence) provided the transferred property is retained within the overall corporate group for the two year period. This two year asset retention requirement does not apply in the case of assets which will cease to exist (e.g. debts which are discharged).

There is an exemption from stamp duty for transfers of intellectual property (IP). The categories of IP qualifying for this exemption are identical to those for which IP capital allowances are available (see Intellectual Property in Business Taxation section).

Stamp duty is payable based on the higher of (a) the consideration paid for the transfer and (b) the market value of the assets transferring.

Rates

Rate	
1% / 7.5% / 15%	Transfer of certain stocks and shares (including share options)†
Nil	Issue of shares
1% to 15%	Transfer of property other than stocks and shares
1% to 15%	Premiums on leases of houses, land and other real property
1% - 12%	Average annual rent reserved by lease (rate depends on the length of the lease)

† transfers of shares not exceeding €1,000 in value are exempt and transfers of shares in certain property holding companies are liable to stamp duty of 7.5% or 15%.

Transfer/purchase of residential property

Value of property	Rate
Up to €1,000,000	1%
Next €500,000	2%
Any excess over €1,500,000*	6%
Relevant residential units**	15%

* The 6% rate does not apply to the purchase of 3 or more apartments in the same building, such purchases being liable to 1% up to €1,000,000 and 2% on any excess.

** Relevant residential units are 10 or more houses or duplexes acquired in a 12 month period.

Transfer/purchase of other property

Written transfers of other types of property such as land, buildings, goodwill, book debts, cash on deposit and benefits of contracts attract stamp duty at a rate of 7.5%. Where non-residential immovable property is acquired for the purposes of constructing residential property, a rebate of 5.5% can be obtained where certain conditions are satisfied.

Stocks and shares are liable to stamp duty of 1%. However, stocks or marketable securities in certain companies (including non-Irish incorporated companies) deriving their value from Irish commercial property will be liable to stamp duty of 7.5% where the commercial property has been held as trading stock or was acquired/is being or has been developed with a view to realising a gain on disposal, and the transfer of the stocks or marketable securities results in a change in control over the immovable property. This 7.5% rate also applies to transfers of interests in funds and partnerships holding Irish commercial property in similar circumstances.

Stamp duty

A 15% rate applies to transfers of interests in entities to the extent they derive value from relevant residential units, where the transfer results in a change in control.

Gifts are chargeable on their market value at the same rates as for other conveyances.

Planning tip!

Always seek advice before executing a Business Purchase Agreement. Careful drafting can help to minimise the stamp duty liability.

Planning tip!

Remember that transfers of assets between spouses or civil partners are exempt from stamp duty. If you are married or in a civil partnership you should consider whether you hold your assets in the most tax efficient manner.

Exemptions and reliefs

Transaction	Stamp Duty Analysis
Transfers between associated companies where the necessary 90% beneficial ownership relationship exists and where certain other conditions are satisfied	Full relief available
Transfers on certain reorganisations, takeovers and mergers	Full relief available
Most transfers of surplus assets by liquidator to shareholder	Nil
Transfers of intellectual property, such as copyright, trademarks, brands and patents	Exempt
Most transfers of foreign shares and foreign land	Exempt
A wide range of financial services instruments	Exempt
Transfers of Irish government stocks	Exempt
Transfers under wills	Exempt
Transfers between spouses or civil partners (including certain transfers on divorce/dissolution)	Exempt
Transfers of carbon credits	Exempt

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Relevant contracts tax (RCT)

Relevant Contracts Tax (RCT) is a withholding tax on payments by Principal Contractors (as defined) to subcontractors under a "relevant contract" in respect of works defined as "relevant operations".

While the common perception is that it is of relevance only to the construction, meat processing or forestry industries, a broad range of businesses have found that they are required to withhold RCT from payments to contractors. Examples of non-construction type companies where RCT can apply are hospitals, banks, telecommunication companies, data centers, wind farms, oil and gas undertakings, supermarkets, utility companies and local authorities. A person connected with a company engaged in construction, land development, meat processing or forestry activities may also be subject to RCT.

Wide scope of RCT

The broad category of Principals that can fall within the scope of RCT means that individuals and companies need to evaluate, in advance of making payments to contractors, the impact of RCT in order to avoid a costly tax settlement.

Telecommunications companies and others in that sector, including companies involved in the installation, alteration and repair of telecommunications systems, are regarded as Principal Contractors for RCT purposes and are required to operate RCT procedures in respect of payments to subcontractors for relevant operations.

The definition of 'relevant operations' is also very broad and brings a wide range of works within the remit of RCT including the installation, the repair and the alteration of systems such as heating, lighting, telecommunications, power supply, water supply, air conditioning, ventilation, security, drainage and sanitation systems.

RCT applies to works carried out in the territory of Ireland, its territorial waters and designated areas of the Continental Shelf. The designated areas of the Continental Shelf are the extension of Ireland's territorial waters where the natural land extends under the sea to the outer edge of the continental margin.

Operation of RCT

RCT operates through an electronic system (eRCT) on the Irish Revenue's Online systems (ROS). There are three rates of RCT: 0%, 20% and 35%. The rate that is applied to a subcontractor depends on the subcontractor's tax compliance record. Criteria for the rates are summarised as follows:

- 0% rate - subcontractors fully tax compliant and have obtained zero rate authorisation approval from Revenue
- 20% rate (standard rate) - subcontractors registered for tax, are tax compliant, however have not received zero rate authorisation from Revenue
- 35% rate - subcontractors not registered for tax or with a history of poor tax compliance

RCT withheld will be treated as a payment on account and available for offset against other tax liabilities after year-end.

The scheme involves the mandatory use of electronic means for sending information, filing returns and making payments through ROS. Principal Contractors must notify all contracts online and notify Irish Revenue in advance of making payments to subcontractors. Revenue will then confirm the RCT withholding rate to apply to a subcontractor payment and authorise the Principal to make the payment.

There are significant penalties for non-operation of RCT by a Principal Contractor. The penalties for non-compliance range from 3% to 35% of the gross payment amount and are dependent on the tax compliance position of the subcontractor. As the RCT base has been broadened considerably in recent years, it requires many entities to evaluate the scope of RCT and the extent of its application to their businesses.

Relevant contracts tax (RCT)

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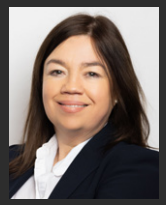

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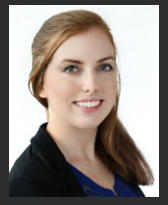

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Interest

Interest paid/payable

Relief is available for interest payable in respect of money borrowed:

- which is incurred wholly and exclusively for the purposes of a trade or profession carried on by an individual or company
- to finance the purchase, improvement or repair of a rented commercial or residential premises in computing the net rents assessable
- to finance corporate acquisitions and investments (see further details below)

As mentioned in the Transfer Pricing section, interest on borrowings between related parties may be subject to Irish transfer pricing rules (including debt capacity and serviceability considerations).

The interest limitation rule (ILR) may also operate to restrict the amount of interest relief available (see the Business Taxation section for further details).

There are also a number of anti-avoidance and other provisions which can operate to restrict the amount of interest deductible, including in circumstances where the interest is payable to a related party.

Loans to finance corporate acquisitions /investment

Relief is available to a company for interest paid on moneys borrowed to acquire an interest in, or to lend to, a company which is a trading company, a rental company or a direct holding company of trading or rental companies. Relief is also available for moneys borrowed to acquire or lend to a holding company which holds shares in a trading company indirectly through one or more intermediate holding companies.

Certain additional conditions apply. For instance, where the money is lent to, or is subscribed for newly issued share capital of a company, it must be used for the specific trading, rental or holding company activities of that company or of a connected company. There may be a restriction on the amount of interest relief available to an investing company providing funds to a company where the funds are used to acquire specified intangible assets upon which the company is entitled to claim capital allowances.

To qualify for relief, the investing company must have:

- a material interest (more than 5% of the equity) in the company in which it is investing and, where moneys on-lent are used by a company connected with that company, in the connected company, and
- at least one director who is also a director of the investee company and, where moneys on-lent are used by a connected company, of the connected company.

Anti-avoidance provisions may deny or restrict relief for interest on related party borrowings for the acquisition of related entities, or the acquisition of assets or trades from a related party. These measures are subject to a number of conditions.

"Recovery of capital" and other anti-avoidance measures may also restrict relief for interest on both related and third party borrowings.

Planning tip!

Review your company structure and transactions annually to ensure that the conditions for interest relief remain satisfied.

Qualifying Financing Companies

Finance (No.2) Act 2023 introduced a new section which applies from 1 January 2024 to interest paid by a 'qualifying financing company'. It allows a qualifying financing company to obtain a deduction under Schedule D Case III or Case IV for interest paid on third-party borrowings (an 'external loan') where the company advances the money borrowed to a qualifying subsidiary for a qualifying business purpose (a 'relevant loan'). In computing its profits chargeable to tax under either Case III or Case IV of Schedule D in respect of one or more relevant loans, the company is entitled to deduct the amount of any interest paid in that chargeable period on a relevant loan which has been matched with the external loan or a portion of the external loan in accordance with the provisions of the new section.

Details of the matched loans must be included in the corporation tax return of the qualifying financing company.

The new section is subject to strict qualification criteria and anti-avoidance rules.

Interest

Review of current regime for interest deductibility

The Department of Finance has begun a review of the interest regime by publishing a public consultation to gather stakeholder views on the tax treatment of interest. This consultation, which runs until 30 January 2025, acknowledges the complexity of the taxation and deductibility of interest and the need for reform due to recent international developments. Further detail in relation to this is included in our Tax Policy Developments insight.

Deposit interest retention tax (DIRT)

The rate of DIRT on deposit interest has reduced from 41% in recent years. The rate of DIRT for calendar year 2017 is 39%, 37% for 2018, 35% for 2019 and 33% for 2020 and each subsequent year.

Exemptions and repayments

The following can apply to have DIRT repaid or to have deposit interest paid to them without the deduction of DIRT:

- individuals or their spouses or civil partner aged 65 or over who are not liable to income tax
- incapacitated individuals
- non-residents
- charities
- companies that are liable to corporation tax

DIRT & First Time Buyers

First time buyers are entitled to a refund of DIRT in respect of interest earned on savings to be used either to buy or build a dwelling. The refund applies to DIRT deducted from interest paid on savings up to a maximum of 20% of the purchase price or the completion value. The relief applies in respect of purchases or builds completed and suitable for occupation between 14 October 2014 and 31 December 2017.

The Help to Buy (HTB) scheme is another incentive for first-time property purchasers who either purchase or self-build a property to live in as their home in the period from 1 January 2017 and 31 December 2025. Where the conditions are met, the individual will receive a refund of Irish income tax and DIRT paid in Ireland for the four tax years prior to the date of application. The incentive was enhanced in 2020 and qualifying applicants can claim relief up to a maximum of €30,000 (previously €20,000).

Planning tip!

Unlike other investment income, EU deposit interest is not liable to the Universal Social Charge. However, a higher 40% income tax rate will apply if the income is not declared on a tax return by the due date.

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Local Property Tax

Local Property Tax payable in respect of residential properties operates through a system of self-assessment. The following persons are liable to pay LPT:

- Owners of Irish residential property, regardless of whether they live in Ireland or not.
- Local authorities or social housing organisations that own and provide social housing.
- Lessees who hold long-term leases of residential property (for 20 years or more).
- Holders of a life-interest in a residential property.
- Persons with a long-term right of residence (for life or for 20 years or more) that entitles them to exclude any other person from the property.
- Landlords where the property is rented under a short-term lease (for less than 20 years).
- Lessors where the property is leased to a local authority or an approved housing body on a lease entered into on or after 22 July 2021, or where the lease is for less than 20 years.
- Personal representatives for a deceased owner (e.g. executor/administrator of an estate).
- Trustees, where a property is held in a trust.
- Where none of the above categories of liable person applies, the person who occupies the property on a rent-free basis and without challenge to that occupation.

The liable person in respect of the property is responsible for completing and submitting the Return and paying the tax due. For LPT purposes, residential property means any building or structure (or part of a building) which is used as, or is suitable for use as, a dwelling and includes any shed, outhouse, garage or other building or structure and includes grounds of up to one acre.

For 2025, an LPT liability will arise where a person owns a residential property in the State on 1 November 2024. LPT will be based on the market value of a residential property on the "valuation date" which is 1 November 2021. This valuation date will apply for 2022 to 2025. A person is still liable if they sell or transfer their property between 1 November 2024 and 31 October 2025.

As the current valuation date is due to end in 2025, it is expected that an updated valuation and return will be required for 2026.

LPT Rates

For 2025, a system of 19 valuation bands applies for properties with a market value of between €0 - €1,750,000. Each band has a basic LPT charge starting at €90 for properties with a market value of between €0 - €200,000 and reaching €2,721 for properties with a market value of between €1,662,501 - €1,750,000. For properties with a market value of greater than €1.75 million, LPT applies to the market value of the property as follows:

- 0.1029% on the first €1.05 million and
- 0.25% on the portion between €1.05 million and €1.75 million and
- 0.3% on the portion above €1.75 million.

Each Local Authority can increase or decrease the LPT rate by up to 15% from the basic rate each year. This means that the LPT charge for your property's valuation band may be different to the LPT charge basic rate. This is known as the 'Local Adjustment Factor'. The table below shows the increase or decrease to the LPT rate for each Local Authority.

Adjustment to base rate	Local authority
-15%	Dublin City, Dún Laoghaire Rathdown, South Dublin
-7.5%	Fingal
0%	Louth, Meath
+5%	Carlow
+6%	Wicklow
+10%	Cork County, Kerry, Kildare, Mayo
+12%	Cork City
+15%	Cavan, Clare, Donegal, Galway City, Galway County, Kilkenny, Laois, Leitrim, Limerick, Longford, Monaghan, Offaly, Roscommon, Sligo, Tipperary, Waterford, Westmeath, Wexford

Local Property Tax

Returns

1. Residential property in use/suitable to be used as a dwelling as at 1 November 2021

For residential property in existence on 1 November 2021, a 2022 LPT return was due to be submitted to Irish Revenue by 10 November 2021 with details of the valuation of the property as at 1 November 2021. Where this return was made, no further return is due for 2023, 2024 or 2025 as the same valuation applies also to those years. Payment is however due on an annual basis. For 2025 LPT payments, the deadline is dependent on the payment method selected (details below).

2. Residential property newly completed/built or became habitable between 2 November 2021 and 1 November 2023

For residential property newly completed/built or became habitable between 2 November 2021 and 1 November 2023, an LPT return was due to be submitted to Irish Revenue in the relevant period with details of the valuation of the property as at 1 November 2021. Where this return was made, no further return is due for 2025 as the same valuation applies. Payment is however due on an annual basis. For 2025 LPT payments, the deadline is dependent on the payment method selected (details below).

3. Residential property newly completed/built or becomes habitable after 1 November 2023 but on or before 1 November 2024

The liable person is obliged to make a 2025 return on or before 2 December 2024 for new residential properties which were not completed on 1 November 2023 but have since been completed and become subject to LPT. The property will be liable to 2025 LPT at the relevant rate and the liable person must also select their preferred payment method (details below). The valuation date for LPT is 1 November 2021. This means that the liable person needs to value the property as if it had existed on 1 November 2021.

Payment methods and deadlines

Liable persons are required to select their chosen payment method and payment frequency through Revenue's LPT portal online. It is possible to pay via a single payment in full (debit /credit card payments must be completed by 10 January 2025), or on a monthly or phased basis. Recurring methods include:

- monthly direct debit (commences 15 January 2025)
- Annual Debit instruction
- deduction at source e.g. from salary/pension.

The payment can be made in cash via an approved payment service provider eg. An Post, Payzone.

If arrangements have not been made to pay the tax in full or by phased payments throughout 2025, the liable person should access the Revenue LPT On-line system immediately to file a 2025 Payment Instruction in order to minimise interest charges.

Where a liable person does not elect a method, Irish Revenue may deduct the tax due at source (through the PAYE system, social welfare payments etc).

Late Payment/Non-Compliance

If a liable person fails to submit a return, Irish Revenue can estimate the LPT due. Statutory interest at a rate of 8% per annum will be charged on the amount outstanding. A penalty of €3,000 will be imposed for failure to submit a return or for knowingly undervaluing property to reduce LPT payable. Where the LPT remains outstanding, a charge will attach to the property.

Chargeable Persons for Income Tax/Corporation Tax/Capital Gains Tax who are also designated liable persons for LPT may incur a LPT generated surcharge of 10% of their Income Tax/Corporation Tax/Capital Gains Tax liability where the LPT return is outstanding or an agreed payment arrangement is not being met at the date of filing the Income Tax/Corporation Tax/Capital Gains Tax Return. There are a limited number of exemptions available.

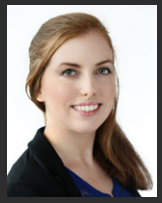
Vacant Homes Tax

A Vacant Homes Tax (VHT) was introduced in Finance Act 2022. VHT is an annual tax that applies to residential properties in use as a dwelling for less than 30 days in a 12-month chargeable period. It is based on a multiple of the property's base LPT rate. Each chargeable period commences on 1 November and ends on 31 October of the following year.

Local Property Tax

Finance Act 2024 has increased the rate of VHT from five times the basic LPT rate to seven times that rate. No account is taken of the local adjustment factor in calculating liability to VHT. The increased rate of VHT will take effect from the next chargeable period for VHT commencing on 1 November 2024. Any liability to VHT is in addition to a liability to LPT.

Contact us:



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Income tax

Main personal tax credits and reliefs[a]

	2025 €	2024 €
Single person with no dependent child	2,000	1,875
Married or in a civil partnership	4,000	3,750
Widowed person or surviving civil partner with no dependent child	2,540	2,415
Widowed person or surviving civil partner bereaved in the year	4,000	3,750
Single parent with dependent child [b]	3,900	3,625
Widowed parent or surviving civil partner with dependent child - first year after bereavement [c]	5,600	5,475
Incapacitated child	3,800	3,500
Married couple or civil partnership - home carer [d]	1,950	1,800
Blind person's tax credit		
- Single, married or in a civil partnership (one blind)	1,950	1,650
- Married or in a civil partnership (both blind)	3,900	3,300
Dependent relative	305	245
Age tax credit		
- Single, widowed or surviving civil partner	245	245
- Married or in a civil partnership	490	490
Employee (PAYE) tax credit	2,000	1,875
Earned income tax credit	2,000	1,875
Medical insurance [e]	standard rate	standard rate
Dental insurance [e]	standard rate	standard rate
Certain fees for third level colleges	standard rate	standard rate
- maximum qualifying fees [f]	7,000	7,000
Medical expenses [g]	standard rate	standard rate
Renters Tax Credit Single [h]	1,000	1,000
Renters Tax Credit Jointly Assessed [h]	2,000	2,000

a. qualifying UK residents will continue to be able to retain entitlement to certain personal allowances, deductions and reliefs where they are non resident in Ireland despite the UK no longer being a member of the EU (assuming that the relevant conditions have been satisfied).

b. with effect from 1 January 2014, available for the principal carer of the child only.

c. reducing credit available for subsequent years.

d. full credit is available where the carer's income is €7,200 or less. A reduced tax credit applies where income is over €7,200 and no more than €11,100.

e. the relief is restricted to the first €1,000 per adult insured and the first €500 per child insured.

f. the maximum limit on qualifying fees is €7,000 per person per course. The first €3,000 paid for fulltime courses and the first €1,500 paid for part-time courses is disregarded for the purposes of calculating the relief.

g. expenses paid to nursing homes which provide 24 hour nursing care are tax relieved at the marginal tax rate.

h. Renters Tax Credit announced in Finance Act 2022 is available for tax years 2022 to 2025. The credit is available for taxpayers paying rent on their principal private residence where such taxpayers are not in receipt of other housing support. Certain eligibility criteria apply. Payments made by parents in respect of "digs" or rent-a-room arrangements for their children to attend an approved course also qualify for the Rent Tax Credit. This is provided the claimant and their child are not related to the landlord.

Income tax

Income tax exemption limits

Persons aged 65 and over	2025 €	2024 €
Single, widowed or surviving civil partner [a]	18,000	18,000
Married or in a civil partnership [a]	36,000	36,000

a. There is an increase of €575 for each of the first two qualifying children and €830 for each subsequent child.

Income tax rates

	2025 €		2024 €	
	20%	**40%**	**20%**	**40%**
Single, widowed or surviving civil partner: no dependent children	44,000	balance	42,000	balance
Single,[a] widowed or surviving civil partner: dependent children	48,000	balance	46,000	balance
Married couple or civil partnership: one income	53,000	balance	51,000	balance
Married couple or civil partnership: both with incomes	53,000 (with an increase of up to €35,000 max)[b]	balance	51,000 with an increase of up to €33,000 max [b]	balance

a. This rate is available for the principal carer of the child only

b. The increase in the rate tax band is restricted to the lower of (i) €35,000 for 2025 and €33,000 for 2024 or (ii) the amount of the income of the spouse or civil partner with the lower income

Main tax allowances

Allowances at marginal rate	2025 €	2024 €
Employment and Investment scheme (EII) - maximum qualifying investment per annum [a]		
4 year holding period	€1,000,000	€500,000

Pension contributions

Retirement annuity contracts - maximum % of net relevant earnings [b]	15%-40%	15%-40%
Occupational pensions - maximum % of income [b]	15%-40%	15%-40%
Permanent health benefit schemes - maximum % of statutory income	10%	10%

a. From 1 January 2024 the minimum holding period required to obtain relief under the EII scheme has been standardised to 4 years in all cases (previously 7 years)

b. the applicable percentage rate is based on age; see Pension Schemes for details

Income tax

Alimony/maintenance payments

In general, for payments under legally enforceable maintenance agreements, income tax is not deducted at source and the payer deducts the payments in computing total income for the tax year. The payments are assessed for income tax purposes as the recipient's income. Payments for the benefit of a child are made without deduction of tax at source and do not reduce the total income of the payer for income tax purposes. Separated/divorced spouses and civil partners are treated for tax purposes as single persons unless an election is made to Revenue to claim alternative treatment.

Personal Insolvency

The transfer of property under a Debt Settlement Arrangement or a Personal Insolvency Arrangement to a person to be held in trust for the benefit of creditors (i.e. personal insolvency practitioner) does not trigger a clawback of capital allowances and, where rental income arises in respect of the property while it is held by the practitioner, the debtor remains liable to income tax in respect of that rental income.

Secondly, the transfer of assets to a personal insolvency practitioner is not liable to capital gains tax. However, the practitioner will be liable to capital gains tax on the subsequent disposal of the asset.

Thirdly, any benefit arising from the write-off or reduction of debt under a Debt Relief Notice, Debt Settlement Arrangement or Personal Insolvency Arrangement is not a gift or inheritance for CAT purposes.

Finally, any Debt Settlement Arrangement or Personal Insolvency Arrangement must provide for payment of current tax liabilities of the debtor and for the payment of any tax liabilities of the personal insolvency practitioner during the course of such arrangements.

Remittance basis of taxation (RBT)

RBT provides favourable taxation treatment for Irish tax resident, non-Irish domiciled individuals in respect of foreign investment income (e.g. rental) and foreign source employment income relating to overseas duties. RBT is not available in relation to earnings from a foreign employment exercised in Ireland. Such earnings are liable to PAYE, subject to certain exclusions. Where RBT applies, the amount of foreign income taxable in Ireland is limited to the amount remitted to Ireland. Where an individual subject to RBT transfers foreign source income (or property bought using that income) to their spouse or civil partner and that income or property is remitted to Ireland, the remittance will be deemed to have been made by the individual.

Capital gains arising on the disposal of non-Irish assets by non-Irish domiciled individuals are liable to Irish capital gains tax only to the extent that the gain is remitted to Ireland.

The table below summarises the position:

Resident, non-Irish domiciled	Income/gains taxable in Ireland
Irish source income	yes
Foreign employment – Irish workdays	yes
Foreign employment – non-Irish workdays	only if remitted
Foreign investment income (eg rental income)	only if remitted
Irish capital gains	yes
Foreign capital gains	only if remitted

Domicile levy

A domicile levy of up to €200,000 applies to individuals who are Irish domiciled irrespective of their tax residence position and whether or not they hold Irish citizenship. Liability to the levy depends on the level of worldwide income (relevant if more than €1 million) and the value of Irish-located property (relevant if in excess of €5 million).

The domicile levy must be paid on a self-assessment basis and any Irish income tax paid will be allowed as a credit against the levy. Individuals liable to the levy must file a return and pay the appropriate levy by 31 October following the year end.

Income tax

Special assignment relief programme (SARP)

A special expatriate assignment relief programme applies to certain employees assigned to Ireland to work for a period of at least one year. The relief was first introduced in 2009 and enhanced in 2012. Further amendments were introduced to this enhanced scheme with effect from 1 January 2015 which are designed to increase the take-up levels of SARP. The scheme is currently in place until the end of 2025.

The relief is available for a maximum of five consecutive tax years both to Irish domiciled and certain non-Irish domiciled individuals who are required by their existing employer organisation to come to Ireland between 2012 and 2025 to work here for a minimum period of 12 months. The individual can be engaged under an Irish or non-Irish employment contract.

Up to 31 December 2022 Individuals were entitled to exclude 30% of employment earnings over €75,000 from the charge to Irish income tax.

From 1 January 2023, qualifying individuals are entitled to exclude 30% of employment earnings over €100,000 from the charge to Irish income tax.

In addition, qualifying individuals are entitled to receive tax free payment or reimbursement of the reasonable costs of one return trip to their 'home' country and school fees (up to €5,000 per annum) for each child, subject to restrictions.

The relief may be claimed up-front by way of a payroll deduction or by way of a repayment after the tax year end. Either way, advance approval by Irish Revenue is required.

SARP conditions for individuals arriving in Ireland from 1 January 2023

For tax years 2023 and onwards, in order to qualify and claim SARP relief the individual must:

- have a 'base salary' of at least €100,000
- be tax resident in Ireland (the individual may also be resident elsewhere);
- have been non-resident in Ireland for the five years immediately preceding the year of arrival; and
- have been employed on a full-time basis by a 'relevant employer' for the entire 6 months immediately prior to arrival.

The relevant employer must have been incorporated and resident in a country with which Ireland has either a double tax treaty or an exchange of information agreement. The employer must certify to Irish Revenue within 90 days of the date the individual arrives in Ireland, that the qualifying conditions have been met. From 2023, all applications for SARP must include a valid PPS number for the individual and the employer must certify to Irish Revenue that the individual's employment has been registered. On 1 January 2024, Revenue launched a new eSARP Portal on Revenue Online Service (ROS). From 1 January 2024, all Form SARP 1As and SARP Employer Returns can be prepared and submitted through ROS.

For the year 2019, an upper limit of relief of €1 million applies for new entrants and for the year 2020 and subsequent years this threshold applies to all claimants.

There are differing conditions in relation to what is included as earnings both for the base salary and the income to which the 30% is applied. Certain other reliefs (e.g. for non-Irish workdays) cannot be claimed in conjunction with SARP relief. The relief also imposes certain reporting obligations on employers.

It should be noted that, while the income is relieved from income tax, it is not relieved from the Universal Social Charge (USC) or PRSI (where applicable).

Cross border workers

Income tax relief is available to individuals who are resident in Ireland but who work outside Ireland. The relief operates in such a way as to effectively exclude from Irish tax the income arising from a qualifying employment. In order to qualify for the relief, the individual must hold an employment outside Ireland for a continuous period of at least 13 weeks in a country with which Ireland has a double tax treaty. Income from the qualifying employment must be fully taxed in that country and the foreign tax paid. The individual must also be present in Ireland for at least one day per week during the period of the qualifying employment.

Income tax

Foreign earnings deduction (FED)

FED relief was introduced in 2012 to encourage companies that are expanding into emerging markets. The relief applies to individuals who spend significant amounts of time working in a "Relevant State". There has been a number of enhancements to the relief since it was first introduced. Finance Act 2022 extended this relief to 31 December 2025.

The relief provides for a reduction in the individual's employment income (excluding certain benefits in kind but including share based rewards) by apportioning the income by reference to the number of qualifying days worked in a Relevant State in the year over the number of days that the employment is held in the year. However, the reduction is capped at €35,000 in any year.

The relief currently applies to individuals who spend at least 30 days per annum working in Algeria, Bahrain, Brazil, Chile, China, Colombia, The Democratic Republic of Congo, Egypt, Ghana, India, Indonesia, Japan, Kenya, Kuwait, Malaysia, Mexico, Nigeria, Oman, Pakistan, Qatar, Russia, Senegal, Singapore, Saudi Arabia, South Africa, South Korea, Tanzania, Thailand, the United Arab Emirates and Vietnam.

The minimum number of days required working abroad is 30 days per annum. Periods comprising at least three consecutive days working in these locations count towards the 30 day threshold. Time spent travelling to/from Ireland or between Relevant States is deemed to be time spent in a Relevant State.

Employment & Investment Incentive / Startup Refunds for Entrepreneurs (SURE) / Start-Up Capital Incentive (SCI)

The Employment Investment Incentive (EII) is a tax relief incentive scheme that provides tax relief for investment in certain corporate trades. The minimum holding period required to obtain relief is four years for all investments, (from 1 January 2024, the holding period may differ for investments made in prior years), and the limit on the amount that an investor can claim relief on for such investments is €1,000,000. The minimum investment in any one company is €250. Individuals interested in EII can invest directly through a private placement or through qualifying investment funds.

For any share issue between 8 October 2019 and 31 December 2023, income tax relief is granted at an upfront rate of 40% in the year in which the investment is made for an individual who is paying income tax at marginal rates. Investments made before this date are subject to the old provisions where income tax relief was granted in two instalments - the initial, based on 30/40ths of the amount invested, was generally granted in the first year and the balance was deferred until the year of assessment following the later of four years after the date the shares were issued or trading commenced. Tax relief in respect of the deferred amount was conditional upon the investee company demonstrating that it has increased employment numbers or research and development expenditure. Finance Act 2021 extended the clawback provisions for shares issued on or after 1 January 2022 by the introduction of a new rule that part of the tax relief (ten fortieths) will be withdrawn if neither of the incremental jobs or R&D expenditure tests are achieved.

From 1 January 2024 income tax relief will be granted by way of a tiered system of relief based on the stage of the company that is subject to the investment or based on the categorisation of the funding round of the company. The new income tax relief rates range from 20% to 50%.

This scheme is available to the majority of small and medium-sized trading companies that satisfy certain EU State Aid regulations. An overall limit of €16.5 million (and €5.5 million annually) is placed on the amount of the investment raised by a qualifying company which can qualify for relief under the EII.

An individual can subscribe (on his/her own behalf) for all classes of new shares under the scheme (including those shares which may carry preferential rights to dividends, assets on a winding up and to be redeemed).

Gains realised on the disposal of EII shares are subject to normal capital gains tax rules but losses are not generally allowed due to the availability of income tax relief.

A self-certification process applies for companies who wish to raise investment using EII from 1 January 2019. Finance Act 2024 extended the scheme to 31 December 2026.

The scheme "Startup Refunds for Entrepreneurs" (SURE), formerly known as the "Seed Capital Scheme", is a slightly more generous version of the EII that targets

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individuals who leave PAYE employment to set up their own companies. The SURE investor may have been a top rate taxpayer when employed so the scheme is designed to allow him/her elect to shelter income earned during any of the previous six years in order to maximise the tax rebate. The amount of relief that an investor can claim annually under SURE has been increased by Finance Act 2024 from €100,000 to €140,000, with a lifetime limit over 7 years of €980,000.

An additional relief referred to as the Start-Up Capital Incentive (SCI) was introduced in 2019 and targets very early stage micro companies. The SCI seeks to relax particular conditions for early stage micro companies that could otherwise prevent founders from raising qualifying starter capital for the company from close relatives. A micro enterprise is a company with less than 10 employees and either turnover and/or balance sheet totals less than €2m. There is a lifetime cap of €500,000 on the investments made. Similar conditions to EIIS apply (including the self certification rules).

R&D tax credit

Companies may surrender a portion of their R&D tax credit to reward key employees who have been involved in the R&D activities of the company, allowing them to effectively receive part of their remuneration tax-free. In order for a company to surrender a portion of their R&D tax credit to key employees under the changes made to the R&D tax credit regime in Finance Act 2022, a company must first treat their R&D tax credit claim or portion of their R&D tax credit claim in any year as an overpayment of taxes which is then set against tax liabilities of the company and then the difference between the amount treated as an overpayment of taxes and the amount set against any tax liabilities can be surrendered to key employees. It's important to note that the amount of an R&D tax credit that a company can surrender to key employees is capped by reference to the corporate tax liability of the company for that year.

In order to qualify as a 'key employee':

- the employee must not have been a director of the employer company;
- the employee must not have had a material interest in the employer company;
- the employee must perform at least 50% of their duties "in the conception, or creation of new knowledge, products, processes, methods or systems"; and
- at least 50% of the emoluments of the employee must qualify as R&D expenditure.

The effective rate of tax of the employee cannot be reduced below 23% and unused tax credits which the employee has been allocated may be carried forward. A key employee can claim the credit in the tax year following the tax year in which the accounting period of the company that surrendered the credit ends.

Rent a room scheme

Income from the letting, as residential accommodation, of a room in a person's principal private residence is exempt from tax where the gross annual rental income is not greater than €14,000.

The relief does not apply where the letting is between connected parties.

Short term lettings of less than 28 consecutive days are disqualified from this relief.

Rental income

Net profit arising from a rental property is taxed at an individual's marginal rate of tax. Deductions in arriving at net profit include rates, management fees, maintenance, insurance, certain legal and accountancy fees, wear and tear on furniture and fittings and repairs.

A tax deduction, up to a maximum of €5,000, is also available in respect of expenses incurred on a residential premises that has been vacant for at least 12 months and is rented to tenants during the period 25 December 2017 to 31 December 2022. From 1 January 2023, a tax deduction, up to a maximum of €10,000, is available in respect of expenses incurred on a residential premises that has been vacant for at least 6 months. The expenditure is deductible provided it is incurred in the 12 months prior to the residential property being let and the expenditure would have qualified for a deduction if it had been incurred during the period of letting. A clawback provision provides that any deduction claimed will be clawed-back if, within 4 years of the first letting, the property ceases to be a rental property.

A deduction is also allowed for interest on money borrowed for the purchase of, or repair

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to, the property. The tenancy must be registered with the Residential Tenancy Board (RTB). Finance Act 2016 introduced measures to restore full interest deductibility for landlords of residential properties on a phased basis, starting 2017. From 1 January 2019, 100% interest deduction is restored for qualifying residential lettings.

In the period from 1 January 2023 to 31 December 2025, a new tax deduction is available to landlords with rental residential property who undertake qualifying retrofitting works during the currency of a tenancy which are aimed at improving the energy efficiency of the premises. A deduction of up to €10,000 per property may be claimed for a maximum of two rental properties.

In general, a net rental loss can be offset against profit from another property or carried forward against future rental profits. Foreign rental losses can be offset against foreign rental income only.

Help To Buy Incentive (HTB)

The HTB Incentive was introduced in Finance Act 2016 with the aim of assisting first-time buyers in attaining the deposit required to buy/self-build a new home by allowing for a refund of income tax and DIRT paid in the prior four tax years. The refund is available up to a maximum of €30,000, subject to certain criteria. In order to claim the refund, the first-time buyer must not have bought a property previously (either individually or jointly) and, where more than one individual is involved, all parties must be first-time buyers.

The incentive applies to a first-time buyer who buys/self-builds a new residential property between 19 July 2016 and 31 December 2029. The first-time buyer must then live in the property for five years from the date the property is habitable.

To make a claim, the individual must supply Revenue with information regarding the property and mortgage online, and their tax affairs must be in order for each of the four tax years prior to making the claim.

A maximum refund of €30,000 applies to eligible claims made from the period 23 July 2020 to 31 December 2029 under the enhanced scheme. Prior to this, the maximum refund available was €20,000.

Living City Initiative

The Living City Initiative was introduced in Finance Act 2013 and has been amended and updated in subsequent Finance Acts. EU approval for the scheme was received so that the provisions are effective from 5 May 2015 to 31 December 2027.

Residential Property

The Living City Initiative is a relief for owner-occupiers and landlords in relation to expenditure incurred on the conversion or refurbishment of certain residential properties located in defined special regeneration areas in the centres of Limerick, Waterford, Cork, Galway, Dublin and Kilkenny. Details of the qualifying areas are available on the websites of the respective local authorities.

The relief takes the form of a deduction from the individual's total income for the year in which the expenditure is incurred.

The relief for owner occupiers is given by way of a deduction at 10% per annum over ten years of the qualifying conversion/ refurbishment expenditure (must be at least €5,000). Finance Act 2022 has allowed for an acceleration of the relief whereby the relief available to owner-occupiers may be claimed over seven years in place of the existing ten years. If, in any year, the property ceases to be used as the person's only or main residence, no relief will be available for that year. If the property is sold at any time, there is no clawback of the relief claimed but the relief may not be claimed by a subsequent purchaser.

From 1 January 2017, the relief has been extended to rented residential properties within the special regeneration areas. The relief for landlords is given by way of an accelerated capital allowance of 15% of qualifying expenditure (must be at least €5,000) for the first six years, and 10% in the seventh year.

The relief is intended to include regeneration works on any residential buildings built prior to 1915 and now includes single-storey buildings. It is subject to a system of certification by the relevant Local Authority. In the case of a rental property, it must be let as a dwelling on bona fide commercial terms, once the refurbishment/ conversion takes place.

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Commercial Property

As regards commercial property, relief can be claimed for expenditure in excess of €5,000 incurred on certain commercial property located in a special regeneration area. The relief is provided in the form of capital allowances for expenditure incurred on the conversion or refurbishment of a qualifying property. The capital allowances are available at a rate of 15% per annum (years 1 – 6) and 10% (year 7). A clawback of capital allowances claimed can arise if the property is disposed of within seven years.

The relief will apply to expenditure incurred on the conversion/refurbishment of buildings located in a special regeneration area that are in use for the purposes of the retailing of goods.

Broadly, the relief may be claimed by owner-occupiers or landlords but property developers are excluded from claiming the relief. Any relief claimed will be included in the calculation of the high earner's restriction, where applicable.

There are limits on the amount of qualifying expenditure on which relief can be claimed in relation to commercial premises. These are €1,600,000 in the case of a company trading from the premises, or €800,000 if the investor is a company letting the premises, and €400,000 in the case of an individual.

Special apportionment rules apply where individuals and companies incur qualifying expenditure on a joint basis on the same building. The application of these rules effectively caps the value of the relief at €200,000 for an individual project.

High Earner's Restriction

Certain tax reliefs available to high income earners are restricted. A tapering restriction applies to individuals with income in excess of €125,000 (before claiming the specified tax reliefs) and specified reliefs for the year exceeding €80,000. This results in an effective rate of income tax of 32% where the maximum restriction applies.

Any reliefs not used in a particular tax year are carried forward. In the case of married couples or civil partners, each spouse/civil partner is treated separately when calculating this restriction. As such, each spouse or civil partner can benefit from the threshold of €125,000. Individuals subject to these restrictions are obliged to file and pay via the Irish Revenue's On-line Service (ROS).

Employment of a carer

A tax deduction of up to €75,000 for the actual cost of employing a person to care for an incapacitated family member may be claimed at the claimant's marginal tax rate.

Self-assessment - payment and returns

In general, self-assessment applies to all individuals with non-PAYE income in excess of €5,000 and to all directors controlling 15% or more of the share capital of certain companies. The self-assessment system places the onus on the individual to file a return, calculate the tax liability, and pay the relevant tax due. To avoid a surcharge, returns of income for the 2024 tax year must be filed on or before 31 October 2025. Any balance of tax due for the year must also be paid by this date, provided preliminary tax obligations for the year have been met (see below).

To avoid interest charges, preliminary income tax due for 2025 must be paid by 31 October 2025. The tax paid must represent at least 90% of the individual's estimated liability for 2025 or 100% of the ultimate liability for 2024 (before any Employment and Investment Incentive (EII) relief).

Self-assessed taxpayers are also liable to PRSI at 4.1% on their unearned income (e.g. investment income, rental income). On 1 October 2024 the rate of PRSI increased by 0.1% from 4% to 4.1% and from 1 October 2025, the employee PRSI rate is set to increase again by 0.1% to 4.2%. Previously, self-assessed contributors were exempt from making PRSI contributions on such income. Please refer to the PRSI section for further details.

Certain individuals are obliged to file returns and pay any tax due electronically via the Irish Revenue's On-Line Service (ROS), e.g. individuals claiming certain property incentive reliefs, who acquire certain offshore products, or who claim relief for pension contributions (RACs, AVCs), etc.

Irish Revenue generally announces an extension to mid-November to the ROS return filing and tax payment date for self-assessment income tax customers who both pay and file electronically.

Income tax

Planning tip!

Your 2024 tax return is due by 31 October 2025. If your total income for 2025 is expected to be lower than that in 2024, consider basing your preliminary tax payment for 2025 on the estimated 2025 liability.

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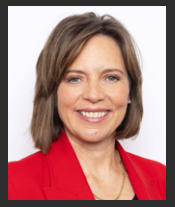

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Universal Social Charge

The Universal Social Charge (USC)

The USC is payable on gross income after relief for certain trading losses and capital allowances, but before relief for pension contributions.

2025 Bands	Rate	2024 Bands	Rate
€0 to €12,012	0.5%	€0 to €12,012	0.5%
€12,013 to €27,382	2%	€12,013 to €25,760	2%
€27,383 to €70,044	3%	€25,761 to €70,044	4%
€70,045 and above	8%	€70,045 and above	8%
€100,000 and above (self-assessed income only)	11%	€100,000 and above (self-assessed income only)	11%

Individuals aged over 70 or individuals in possession of a full medical card pay the USC at a maximum 2% rate on income above €12,012 provided their 'aggregate' income for the year is €60,000 or less. 'Aggregate income' does not include payments from the Department of Social Protection. A 'GP only' card is not considered to be a full medical card for USC purposes.

Individuals who have total taxable income for the year of less than €13,000 are exempt from USC.

Planning tip!

Social welfare payments are not considered reckonable earnings and are exempt from PRSI and the Universal Social Charge. In certain circumstances, there is now the potential for these payments to be made directly to the employer. It is possible with careful planning to reduce both employee and employer PRSI costs in this area where employees continue to be paid while taking certain leave of absence.

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Employee taxation

Termination payments

Payments made in connection with the termination of an employment, on retirement or on removal, may qualify for one of the following tax exemptions (the highest exemption usually applies):

- Basic Exemption - €10,160 with an additional €765 for each complete year of service. Generally applicable where an employee's length of service is short.
- Increased Exemption - the basic exemption may be increased by up to €10,000. The additional amount is reduced Euro for Euro by the net present value of any future tax free lump sum entitlement from an occupational pension scheme. No reduction applies where the individual irrevocably waives their right to the pension lump sum. It cannot be claimed if an exemption other than the Basic Exemption has been used by the individual in the previous ten tax years. Prior approval by Irish Revenue is no longer required, but employers still need to check with the employee that the criteria have been met.
- Standard Capital Superannuation Benefit (SCSB) - generally for those employees with long service/high earnings but dependent on pension choices of employee. It is based on average earnings and length of service and is calculated as follows:

(A x B /15) – C where:

A = average annual taxable remuneration for the last 3 years' service

B = number of complete years' service

C = net present value of any future tax free lump sum entitlement from an occupational pension scheme. No reduction applies where the individual irrevocably waives their right to the pension lump sum.

The maximum exemption available in respect of termination payments is restricted to a lifetime limit of €200,000. Termination payments in excess of the applicable exemption are subject to tax and the Universal Social Charge (USC) but not PRSI. Termination payments made in connection with the death of an employee or on account of injury to or disability of an employee are also subject to a €200,000 exemption limit.

Certain reliefs associated with termination payments have been abolished. In particular, Foreign Service Relief was abolished from 27 March 2013 and Top Slicing Relief was abolished from 1 January 2014.

Statutory redundancy payable under the Redundancy Payments Acts 1967-2014 continues to be exempt from tax, USC and PRSI.

Planning tip!

Ensure you know what counts as service for statutory redundancy, tax exemptions and ex-gratia purposes.

Benefits-in-kind (BIKs) - general

The majority of employee benefits are subject to PAYE, PRSI and the Universal Social Charge (USC). The taxable benefit is treated as "notional pay" from which PAYE, PRSI and USC are deducted.

BIK on company cars

General rules

The BIK charge applying to company cars is payable under the PAYE system. With effect from 1 January 2023, the cash equivalent of the private use of a company car is calculated based on a combination of the car's carbon emissions rating and the level of business mileage undertaken per the below table.

A summary of the updated BIK thresholds has been included in the table below for ease of reference. Introduced in 2023, a deduction of €10,000 can be applied to the OMV of vehicles in emissions categories A - D. This temporary deduction is due to conclude at the end of 2025. The deduction is not applicable to cars in category E.

A further reduction is available on a euro for euro basis for any amount made good by an employee directly to the employer in respect of the cost of providing or running the car.

Where an employee is required to work abroad for an extended period, the notional pay is reduced by reference to the number of days spent working abroad. This is conditional on the employee travelling abroad without the car and the car not being available for use by family or household members.

Employee taxation

Business Mileage		Vehicle Categories				
Lower limit	Upper limit	A	B	C	D	E
	KMs	BIK %	BIK %	BIK %	BIK %	BIK %
0	26.000	22.5	26.25	30	33.75	37.5
26.001	39.000	18	21	24	27	30
39.001	48.000	13.5	15.75	18	20.25	22.5
48,001	-	9	10.5	12	13.5	15

Vehicle Category	CO2 emissions (CO2 g/km)
A	0g/km up to and including 59g/km
B	More than 59g/km up to and including 99g/km
C	More than 99g/km up to and including 139g/km
D	More than 139g/km up to and including 179g/km
E	More than 179g/km

There is a 20% relief from notional pay on cars for employees whose annual business travel exceeds 8,000km, who spend 70% or more of their time away from their place of work on business and who do not avail of the tapering relief for high business travel. The BIK on employer provided vans remains at 8% in 2025.

Electric vehicles

For an electric vehicle made available for an employee's private use during the years 2023 to 2027, the cash equivalent will be calculated based on the actual OMV of the vehicle reduced by:

- €45,000 in respect of vehicles made available in the 2023 year of assessment;
- €45,000 in respect of vehicles made available in the 2024 year of assessment; and,
- €45,000 in respect of vehicles made available in the 2025 year of assessment.
- €20,000 in respect of vehicles made available in the 2026 year of assessment.
- €10,000 in respect of vehicles made available in the 2027 year of assessment.

The reductions for the 2023, 2024 and 2025 periods include the additional €10,000 deduction that applies to all vehicles in emissions categories A - D for these periods. The reduction applies irrespective of the actual OMV of the vehicle or when the vehicle was first provided to the employee.

If the reduction reduces the OMV to nil, a BIK charge will not arise. Any portion of OMV remaining, after the reduction is applied, is chargeable to BIK at the prescribed rates.

Electrical charging points provided for use in the workplace for charging electric vehicles will also be exempt from a BIK charge, provided all employees and directors of the company can avail of the facility.

From 1 January 2025, a further exemption applies in relation to electric car charging points. An employer can incur the cost of an electric charging point for an employees primary residence in the State with no BIK charge once the employer retains ownership of the charger and the employee has a company-provided electric vehicle.

BIK on preferential loans

In calculating the BIK charge in respect of preferential loans from employers, the specified rates applicable for 2025 are 4% (home loans) and 13.5% (other loans). The BIK charge arises on the difference between the interest on the loan at the specified rate and the interest actually paid on the loan for the year.

Employee taxation

BIK on professional subscriptions

The BIK statutory exemption for professional subscriptions was removed from 2011. The taxable benefit is treated as "notional pay" from which PAYE, PRSI and the USC are deducted. The latest Revenue guidance provides that there are certain limited exceptions where no BIK will arise. These include where there is a statutory requirement for membership of a professional body, such membership is commercially necessary, or the employee's ability to carry out their duties would be restricted by not having a particular professional membership, or such membership is a condition of being hired or retained. Practice will evolve in this area in the near term.

BIK on travel passes and small benefits

The following benefits are exempt from income tax:

- the provision of new bicycles and/or related safety equipment to employees up to a cost of €1,250 (€1,500 in the case of an e-bike and €3,000 in respect of a cargo or e-cargo bike), provided the bicycle is used for travel between home and the normal place of work or travel between work places. The exemption can only be claimed once in a four year period. If certain conditions are met, it is possible to provide the benefit by reducing gross salary.
- the provision by an employer of a monthly or annual bus/train/Luas pass for employees. If certain conditions are met, it is possible to provide such travel passes by reducing gross salary.
- with effect from 1 January 2025, employers can now provide up to five vouchers/small benefits to employees on a tax free basis. The cumulative value of the awards cannot exceed €1,500 in value. It is also important to note that the first five benefits provided during the tax year will qualify for the relief under the updated legislation.

Certain other benefits are, by concession, treated as tax exempt. For details of the tax treatment of employer contributions to occupational pension schemes, refer to the section "Pension schemes".

Planning tip!

If employees are contributing to the running costs of the car, consider whether such payments can be structured to reduce the BIK charge.

e-Working Tax Relief

Relief for home working expenses is available for an employee in one of two ways:

- A tax-free payment by the employer of €3.20 per workday; or
- A claim for tax relief to Revenue for the expenses incurred as a result of working from home

A qualifying e-worker can claim the following expenses relating to their days spent working from home through their personal tax return if they do not receive the tax-free payment of €3.20 per workday from their employer:

- 30% of the cost of electricity and heat; and
- 30% of the cost of broadband

To calculate the amount of tax relief that can be claimed, the total amount of these expenses in the year, must be apportioned based on the number of days working from home. If an expense is shared between two or more people, the cost should be apportioned based on the amount paid by each individual.

Travel and subsistence

Where an individual is obliged to use their private car for business purposes and incurs expenses in relation to the business use of the vehicle (e.g. petrol, insurance, tax) or an individual incurs subsistence expenses when performing their employment duties away from their normal place of work, subject to certain conditions these expenses may be reimbursed by the employer tax-free up to the level of the prevailing civil service rates.

The following travel and subsistence rates may be paid tax-free for genuine business travel in Ireland subject to certain limits and conditions. (Alternative rates apply in respect of time spent working abroad. The rates are dependent on work location and other factors).

Employee taxation

Motor travel rates (from 1 September 2022)

Band	Distance (km)	Engine capacity up to 1200cc (cent)	Engine capacity 1201c-1500cc (cent)	Engine capacity 1501cc & over (cent)
1	0-1,500	41.80	43.40	51.82
2	1,501-5,500	72.64	79.18	90.63
3	5,501-25,000	31.78	31.79	39.22
4	25,001 & over	20.56	23.85	25.87

Subsistence rates - within Ireland

Overnight rates (from 14 September 2023)			Day rates (from 14 December 2023)	
normal rate	reduced rate	detention rate	10 hours or more	between 5 & 10 hours
€195.00	€175.50	€97.50	€42.99	€17.92

Notes: The day rate applies in respect of a continuous absence of 5 hours or more from the employee's normal place of work, provided the employee is not absent at a place within 8km of home or normal place of work. Advice should be taken before proceeding with any payments.

A vouched accommodation rate may instead be used in respect of individuals required to stay in Dublin whilst away from their normal place of work. This will comprise vouched accommodation of up to €195 plus an additional €42.99 for meals.

Travel and subsistence expenses for Non-Executive Directors (NEDs)

From 1 January 2016, non-resident NEDs are exempt from income tax, USC and PRSI on vouched travel and subsistence costs incurred for the purposes of attending board meetings in Ireland.

With effect from 1 January 2017, vouched travel and subsistence costs incurred by an Irish resident NED will also be exempt from income tax, USC and PRSI, provided that their income from that office does not exceed €5,000 per annum.

Enhanced Reporting Requirements

Enhanced Reporting Requirements (ERR) was announced in Budget 2022 and came into effect on 01 January 2024. This is a new real-time reporting obligation for employers who have Irish based employees or directors to report to Revenue any of the following three categories of non-taxable employee benefits/expenses:

- Up to €3.20 per day remote working payment,
- Small benefits exemption,
- Travel and subsistence.

A return to Revenue is required on or before each date any employee receives any of the ERR elements outlined above. It is important that the non-taxable treatment is correct in the first instance.

Filing Methods

1. Software
2. Using ROS - manual data entry
3. Using the ROS upload facility, which allows uploading of a file in a specific JSON or XML format

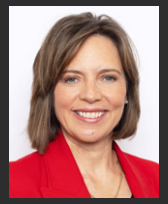
Penalties

A €4,000 penalty applies per failure to file a real-time return or for filing an incorrect return for ERR purposes.

A temporary 'service for compliance' approach was granted by Revenue for the period 1 January 2024 to 31 December 2024.

Employee taxation

Contact us:



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Employee share schemes

Unapproved employee share schemes

Unapproved share option schemes

Where an employee receives an unapproved share option, a charge to income tax arises on exercise. Income tax may also arise at grant if the option is at a discount and is capable of being exercised 7 years after the date of grant. The taxable amount on exercise is the excess of the market value of the share over the option price. It is the employer's obligation to withhold and remit income tax, USC and employee PRSI through the PAYE system on exercise of the share options.

Free or discounted share schemes

Where free or discounted shares are awarded, a tax charge arises for the recipient. The taxable benefit is equal to the fair market value of the shares at the date when beneficial ownership is transferred, less the employee's purchase price, if any. As a general rule, Restricted Stock Unit (RSU) plans also fall within this category. Employers are obliged to withhold income tax, USC and employee PRSI through the PAYE system when the shares are delivered to employees.

Restricted shares and forfeitable shares

Where share awards are 'restricted' such that the individual is precluded from selling the shares for a certain period of time, and certain other conditions are met, the taxable value of the shares can be abated. The prohibition on disposal must be absolute and for genuine commercial reasons. The permitted abatement is determined by the period of years for which the restriction applies (e.g. 10% for a one-year restriction, 20% for a two-year restriction) up to a maximum 60% abatement for a restriction of greater than five years. The abated market value will also be used when calculating the USC and employee PRSI liabilities. If shares are awarded subject to forfeiture and a qualifying forfeiture ultimately occurs, employees may seek tax, USC and PRSI rebates where tax is paid in the year of acquisition and plans are structured correctly.

Planning tip!

Employees may be entitled to claim a reduction of between 10% and 60% in the taxable value of company shares received if there is an absolute restriction imposed on the sale of the shares and other conditions are met.

PRSI position for unapproved share awards and share options

All forms of share based remuneration are liable to an employee PRSI charge. There is no employer's PRSI on any share based remuneration where shares are awarded in either the employer company or a company which controls the employer company.

Key Employee Engagement Programme (KEEP)

KEEP is an employee engagement programme which was announced in Finance Act 2017. The scheme is aimed at assisting unquoted (and certain quoted) SMEs to attract and retain key employees. There are a number of conditions for the company and its employees to meet but broadly, subject to meeting those conditions, it is a tax favoured option scheme which allows the employer to grant options at market value to certain or all employees and will enable the employee to defer taxation until the disposal of those shares. On the ultimate sale of those shares, the employee will be subject to CGT presently at 33% (rather than income tax, USC and employee PRSI presently at rates of up to 52.1% which applies to unapproved share options).

There is no pre-approval process for the scheme or the share valuation but the employer has a requirement to report details of options granted or exercised to Revenue no later than 31 March following the year of assessment through the filing of a KEEP1 form. The scheme applies to options granted on or after 1 January 2018 and before 1 January 2026.

Planning tip!

Employer PRSI costs of 11.15% could be saved by remunerating employees with shares in the employer or parent company rather than cash.

Revenue approved employee share schemes

Approved profit sharing schemes

Employees are exempt from income tax on shares received, up to the value of €12,700 annually, from Revenue approved profit sharing

Employee share schemes

schemes. However, employee PRSI and USC apply on appropriation and must be collected via employer payroll withholding. Significant employer PRSI savings are still available. To avoid an income tax liability, the shares must be held in trust for a total of three years. The profit sharing scheme must be available to all employees on similar terms. A disposal of shares may give rise to a capital gains tax liability.

Save As You Earn (SAYE) approved share option schemes

Options under a Revenue approved SAYE scheme can be granted at a price discounted by up to 25% of the market value of the share. To fund the exercise of the option, employees must commit to regular monthly savings (maximum €500) from after-tax income, over a period of 3, 5 or 7 years. The SAYE scheme must be open to all employees on similar terms. Subject to certain requirements, options granted under SAYE schemes are not liable to income tax on grant or exercise. However, the gain on exercise is subject to employee PRSI and USC (collected via employer payroll withholding for current employees). Capital gains tax may arise on the sale of the shares.

Planning tip!

Shares delivered through a correctly structured and Revenue-approved share scheme (e.g. APSS and SAYE) are exempt from income tax (presently up to 40% saving) and employer PRSI (presently 11.15% saving).

Employer reporting requirements

Companies are required to submit annual returns reporting any unapproved share scheme activity during the year. This information in respect of share options is reportable on Form RSS1. Only the grant, exercise, release and assignment of share options and other similar rights are required to be declared on Form RSS1 which must be filed electronically by employers. The statutory reporting deadline is 31 March following the end of the relevant tax year.

The reporting requirements for employers regarding share awards was in recent years broadened to include awards given to directors and employees in the form of a cash equivalent of shares or where a discount on shares is provided. Mandatory e-filing also applies to RSUs, restricted shares and forfeitable shares.

This information is reported in electric format on Form ESA. The statutory reporting deadline is 31 March following the end of the relevant tax year.

This is in addition to the existing technical requirements to report share awards made to employees and directors which currently are processed through payroll.

Annual scheme returns are also required for all approved share schemes. The reporting deadline is normally also 31 March following the end of the relevant tax year. In the case of approved profit sharing schemes, the trustees also have separate e-filing reporting obligations to meet by 31 October following the end of the tax year.

Employee share schemes

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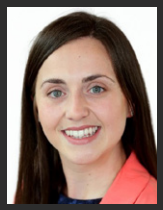

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PRSI

Rates

Earnings	Employer	Employee
Class A - most employed persons		
€38 - €352 inclusive per week	8.9%	Nil
€352.01 - €424 per week	8.9%	4.1%*
€424.01 - €527 per week	8.9%	4.1%
€527.01 per week or more	11.15%	4.1%
Class S - self-employed people, including certain company directors	N/a	4.1%

*Subject to PRSI Credit

Update in PRSI Rate from 1 October 2025

Ireland's Social Welfare Bill 2024 provided for the implementation of a programme of PRSI increases from 2024 to 2028 for employers, employees and self-employed individuals.

The increases are intended to support the retention of the state pension age of 66 and to support the long-term sustainability of the Social Insurance Fund.

The increases planned, which began on 1 October 2024, are as follows:

2024: 0.1 percentage points;

2025: 0.1 percentage points;

2026: 0.15 percentage points;

2027: 0.15 percentage points;

2028: 0.2 percentage points.

The new rates from 1 October 2025 are as follows:

- Employee: 4.2%
- Employer: 9.0% and 11.25% depending on earnings outlined above.

Employee/Employer PRSI (Class A)

PRSI is charged on employment earnings including most benefits. Employees (known as "employed contributors" in PRSI legislation) who earn less than €352 in any week are not required to pay employee PRSI in that week, however employer PRSI is still due. Where the employee's weekly earnings are between €352.01 and €424, the 4.1% employee PRSI charge is reduced by a tapered PRSI credit up to a maximum of €12 per week.

Employed contributors who are also self-assessed taxpayers are liable to PRSI on unearned income (e.g. rental profits). This applies to employees with significant amounts of non-employment income (generally more than €5,000 per year) who, for this reason, are required to submit an annual Form 11 self-assessment tax return. Such unearned income is liable to PRSI under Class K at 4.1%.

Certain taxable lump sum payments made to employees on leaving an employment (including redundancy and ex-gratia) are not liable to PRSI. However, income tax and the Universal Social Charge (USC) may still need to be applied to any taxable element of such payments. Most employed persons are liable to PRSI at Class A; however, other classes may apply in certain circumstances (e.g. certain public sector employments or employees aged over 66 drawing the state pension).

All share awards, share options and Revenue approved share schemes (APSS / SAYE) are liable to employee PRSI. Share-based remuneration is generally exempt from employer

PRSI

PRSI, subject to meeting certain conditions. No deduction is available in calculating either employer or employee PRSI contributions in respect of payments made by employees to pensions.

Self-employed PRSI (Class S)

Self-employed persons are liable for PRSI contributions in respect of income from a trade or profession or from investment income. The contributions are payable on income net of capital allowances. The minimum contribution payable for 2025 is €500. Payment must be included with preliminary tax, which is payable on or before 31 October each year.

Jobseekers Benefit, Invalidity Pension and Treatment Benefit entitlements are available to self employed individuals under certain conditions since 2019.

Planning tip!

The question of social insurance liability for Irish people working abroad and those coming to Ireland to take up employment should not be overlooked. Careful planning for international assignments can help to reduce or eliminate the often higher cost of social insurance abroad, particularly in mainland Europe. However, the impact in respect of benefits available must also be considered.

Planning tip!

Employer pension contributions qualify for full relief in calculating employee and employer PRSI contributions. This is something that should be considered by employers when deciding on a reward policy for employees.

PRSI considerations for individuals aged 66 and over

From 1 January 2024, a person will be able to draw down their State Pension (Contributory) between age 66 and 70. This will give a person the opportunity to continue to work and pay PRSI which may improve their contribution record at the date they decide to draw down their State Pension (Contributory). As a result, from 1 January 2024, employees who turn 66 on or after this date will remain on Class A until the earlier of turning 70, or the date on which the state pension is claimed. Class J will then apply to any employment income earned after this date.

Similarly, Class S contributors will remain on Class S until the earlier of turning 70, or the date on which the state pension is claimed. Class M will then apply to any relevant income earned after this date.

PRSI classification of working directors

Proprietary directors who own or control 50% or more of the shareholding of the company, either directly or indirectly, are considered self-employed contributors and are liable to pay PRSI at Class S on income from the company.

The PRSI class of individuals who own or control less than 50% of the shareholding of the company will continue to be determined under general principles.

The above rules do not apply to the PRSI classification of non-executive directors. In the absence of an employment contract, fees paid to such directors will generally be subject to Class S contributions.

Non-resident Non-Executive Directors

Non-resident non-executive directors of Irish companies are not liable to PRSI in Ireland and are instead classed as excepted self employed individuals.

Social Security Considerations in the context of Cross-Border working arrangements

Typically, where an employee performs 25 % or more of their employment duties in their country of habitual residence, they will trigger social security employer obligations in that country, i.e. the habitual residence test will apply. This is a key consideration when determining where an appropriate jurisdiction is for social security purposes when reviewing ‘multi-state’ or cross-border working arrangements.

In light of increasing remote and hybrid working arrangements, the Administrative Commission for the Coordination of Social Security Systems published the Framework Agreement for Teleworkers within the EU which came into effect on 1 July 2023. This Framework provides for a system (on the basis of article 16 of Regulation

PRSI

(EC) no. 883/2004 on the coordination of social security systems) whereby, when adopted by the Member States involved, teleworking in an employee's residence state will – if a number of conditions are met – not be taken into account for the determination of the applicable social security country if it accounts for less than 50% of their working time.

Ireland signed the Teleworkers Framework Agreement on 1 June 2024. When assessing a cross border worker's social security status in a country, the Framework should be taken into account subject to the other country involved having signed the agreement.

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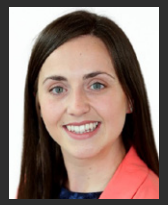

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Pension schemes

Certain rules apply throughout the pensions cycle. These are summarised below as follows:

- Pension contribution rules - the amount of pension contributions that can be made by individuals and employers
- Pension accumulation rules – the limits on how much pension benefits can be built up in a tax efficient manner for an individual
- Pension distribution rules - the options that are available at retirement and their tax treatment

Pension contribution rules – for employers

Employers qualify for tax relief when they make pension contributions to approved pension plans on behalf of their employees. Employees, on their part, are exempt from Income Tax, PRSI and Universal Social Charge (USC) where those employer contributions are made to an occupational pension scheme.

For occupational pension schemes, there is no specific monetary limit on the amount of employer pension contributions that can be made but overall pension benefits at retirement must fall within certain limits set by Irish Revenue (see below regarding 'pension distribution rules').

For PRSA the position is as follows:

- Employer contributions paid before 01/01/2023, the contribution is to be treated as a benefit in kind (BIK) and tax relieved up to the age-related contribution limits
- Employer contributions paid between 01/01/2023 and 31/12/2024, no BIK arose, so effectively there was no limit on the tax relieved contribution
- Employer contributions paid on or after 01/01/2025 are relieved up to 100% of emoluments. Any excess is treated as a BIK. There is a 1 year look back to earlier emoluments subject to conditions been met.

Pension contribution rules – for individuals, the earnings limits

There are tax rules and limits regarding personal contributions made to approved pension plans. These limits apply to employees who pay towards occupational pension schemes or Additional Voluntary Contribution (AVC) arrangements. The rules also apply where individuals contribute to Retirement Annuity Contracts (RACs) and where individuals and their employers (only in respect of employer contributions paid before 31 December 2022) both pay into a Personal Retirement Savings Account (PRSA):

- individuals can make pension contributions based on their annual earnings (employment or self-employed income) subject to a maximum annual earnings limit of €115,000
- personal contributions to a pension plan qualify for tax relief but not for PRSI or USC relief

With effect from 1 January 2024 no new Retirement Annuity Contracts (RACs) can be established. It is still possible to make contributions to existing RAC contracts.

Pension contribution rules – for individuals, the age related limits

In addition to the earnings limit of €115,000 above, there is also an age related limit for individual pension contributions to approved pension plans. The percentage of an individual's earnings (subject to the upper limit of €115,000 above) that qualifies for tax relief at the individual's marginal tax rate each year is based on age as follows:

Age attained during tax year	Maximum % of earnings/limit
Less than 30	15%
30 but less than 40	20%
40 but less than 50	25%
50 but less than 55	30%
55 but less than 60	35%
60 and over	40%

These are the upper percentage limits that apply where both an employer (only in respect on contributions paid up to 31 December 2022) and an individual pay into a PRSA plan for that employee. For certain specified occupations and professions a minimum rate of 30% applies for individuals aged under 50.

Pension changes for public servants

The Pension Related Deduction (PRD), which applies to the remuneration of pensionable public servants under terms set out in the Financial Emergency Measures in the Public Interest Act 2009 (FEMPI) legislation was replaced from 1 January 2019 with a new

Pension schemes

arrangement. The PRD was deducted from civil servants' gross pay before tax and did not count towards the annual age-related pension limits for employee contributions.

The new Additional Superannuation Contribution (ASC) came into effect from 1 January 2019. The ASC deductions operate in a similar manner to the PRD deductions (i.e. from gross pay) and the amounts do not count towards the annual age related pension limits.

Pension accumulation rules – the lifetime pensions limit

Whilst there are annual earnings and age related limits for individual pension contributions, the contribution rules can be more generous where employers make pension contributions to an occupational pension scheme and PRSAs in respect of PRSA employer contributions made between 1 January 2023 and 31 December 2025 (capped at 100% of emoluments from 01/01/2025 onwards). There is also an overall lifetime pensions limit beyond which pension funds cease to be tax efficient. The rules are broadly as follows:

- the maximum tax relieved pension fund limit from all pension arrangements is €2 million (unless a personal fund threshold has been previously agreed with Revenue). Where the aggregate value of all pension funds (which have been crystallised since 7 December 2005) at retirement exceeds the lifetime pensions limit, the excess is chargeable to exit tax at 40%
- the lifetime limit is set to increase as follows:
  From 01/01/2026 - €2.2m
  From 01/01/2027 - €2.4m
  From 01/01/2028 - €2.6m
  From 01/01/2029 - €2.8m
  From 01/01/2030 - €2.8m plus wage inflation from Q1 2025 to Q3 2029
  From 01/01/2031 - indexed by wage inflation thereafter
- Where benefits have previously crystallised on or after 7 December 2005, they are revalued by multiplying the previous crystallised amount by the greater of 1 or current limit divided by the limit when benefits previously crystallised
- in addition, the pension payable to the individual, net of the 40% exit tax above, may be further liable to marginal rate income tax etc, leading to penal effective rates of tax of around 70% on funds above the threshold
- pension funds are tested against the limit when they are crystallised (i.e. generally speaking at the time of drawdown). For Defined Contribution Schemes it is the value at the time of crystallisation that is used. For Defined Benefit Schemes separate valuation principles are used i.e. the value is determined using capitalization factors
- for private sector employees and the self-employed, the exit tax on the pension value that exceeds the limit is generally deducted from a member's retirement benefits prior to the payment of the net benefits to the individual
- if the pension scheme discharges the tax without reducing member benefits, this will be treated as a further benefit and a 're-grossing' will be required to calculate the correct tax due
- public service employees can, subject to certain rules, discharge any such taxes by way of a reduced pension lump sum, by a reduced pension over a specified period or by settlement from their own resources
- public sector employees with separate pension arrangements in respect of private sector income can elect to encash their private sector pension, subject to certain conditions, and pay a once-off tax at their marginal tax rate and USC (at a reduced rate of 2%) on a lump sum withdrawal from their private pension. Encashed private pensions are not counted towards the overall lifetime pensions limit
- Although foreign pension lump sums paid on or after 1 January 2023 count towards the pension lifetime lump sum limits, the foreign benefits do not count towards the pension lifetime limits for €2m

Pension distribution rules – occupational pension schemes – the maximum pension allowed

Where an employer establishes an occupational pension scheme to provide pension benefits to its employees at retirement, the following is the maximum pension that can be provided:

- a pension of up to 2/3rds of final remuneration provided that the employee has completed at least ten years of service to their normal retirement age. This overall pensions limit applies to defined benefit or defined contribution type pension schemes and is inclusive of all contributions made by both an employer and an employee and any retained benefits (pensions from former employments/ self-employments)

Pension schemes

Pension distribution rules – occupational pension schemes – the maximum lump sum allowed

Occupational pension schemes generally allow members to opt for the first portion of their pension benefits in the form of a lump sum. The rules are as follows:

Pension lump sum

- a lump sum of up to 1.5 times final remuneration can be taken for members of defined benefit pension schemes and for members of defined contribution schemes who elect for 'old rules' (i.e. a lump sum based on salary and service, with the remaining fund being used to buy an annuity for life)

or

- defined contribution members and defined benefit members owning more than 5% of the company that employs them can instead elect for a pension lump sum of up to 25% of the value of the pension fund where they choose Approved Retirement Fund (ARF) options (see below)

Taxable portion of the lump sum

When applying the limits below all pension lump sums (from all Revenue approved pension plans) taken since 7 December 2005 are aggregated in determining how the current lump sum is taxed. With effect from 01/01/2023 pension lump sums from foreign pension plans also count towards these limits. The amounts are as follows:

- first €200,000 is tax free
- next €300,000 at the standard rate of income tax (20%) but not PRSI or USC. The standard rate income tax (20%) paid under this rule is available as a credit against tax due where pension benefits exceed the lifetime pensions limit (see 'Pension accumulation rules' above)
- balance liable to marginal rate income tax, USC and PRSI. The marginal rate income tax paid is not available as a credit against tax due where pension benefits exceed the lifetime pensions limit

Pension distribution rules – PRSA and personal pensions

The self-employed (and employees who are not members of an occupational pension plan with their employer) can save for their retirement using a PRSA or a Retirement Annuity Contract (RAC), collectively referred to as personal pension plans. From 1 January 2024 no new RACs can be established. For personal pension plans, there is no specific Revenue maximum pension that can be taken at retirement (as there are with occupational pension schemes where an employee's salary and service with the employer are relevant). However, the total value of personal pension plans ideally should remain below the lifetime limits referred to above to avoid the penal taxation rates.

For personal pension plans, the lump sum is calculated as 25% of the value of the fund. The taxation of the lump sum and aggregation rules outlined above apply.

Where a PRSA or RAC contract has not been accessed before an individuals 75th birthday then a deemed crystallisation arises and the contact is tested against the lifetime limits and any exit tax due is payable. With effect from 1 January 2022 the requirement to have less than 15 years pensionable service to transfer from an occupational pension plan to a PRSA has been abolished.

With effect from 01/01/2024 a PRSA can continue post age 75, this is to facilitate a PRSA being available as a life long pension and drawdown vehicle.

Pension distribution rules – Approved Retirement Funds (ARFs)

At retirement, and as an alternative to buying a pension/ annuity for life, certain individuals can opt to invest in an ARF. An ARF is a fund that is used by an individual to generate income during retirement. On death, any remaining value in the ARF can be passed on to the individual's survivors. No tax applies on ARFs transferred to a spouse/ civil partner, but a tax of 30% applies where the ARF unwinds and is left to one's children (over 21). Different rates of tax apply depending upon the relationship of the beneficiary to the deceased.

First Death

ARF inherited	Income Tax	CAT
Spouse	No	No
Children (under 21)	No	Yes*
Children 21 and over	Yes @ 30%	No
Others	Marginal Rate	Yes*

Death of surviving spouse

ARF inherited	Income Tax	CAT
Spouse	No	No
Children (under 21)	No	Yes*
Children 21 and over	Yes @ 30%	No
Others	Yes @ 30%	Yes*

Pension schemes

*Subject to normal Capital Acquisitions Tax Thresholds

ARF rules can be summarised as follows:

- ARF options are available to those with personal pension plans (RAC contracts and PRSA contracts), to AVC holders, to those in defined contribution occupational pension schemes and those in defined benefit occupational pension schemes where they own/control more than 5% of the voting shares of the company that employs them (i.e. proprietary director). The ARF option has been extended from 1 January 2022 to pension benefits payable to dependents arising on death in service.
- in the case of buy-out bonds, Revenue has advised that, where the funds have transferred directly from a defined benefits scheme, the individual can now avail of the ARF options irrespective of whether they were a proprietary director or not.
- to invest funds in an ARF at retirement, an individual must have at least €12,700 of other annual pension income already in payment. Prior to the passing of Finance Act 2021, if the individual could not satisfy this minimum income test they must initially invest the first €63,500 of pension funds in an approved minimum retirement fund (AMRF). From 1 January 2015 holders of AMRFs are permitted to draw up to a maximum of 4% per annum from the fund. The AMRF becomes subject to the ARF drawdown rules on the earlier of reaching age 75, death or meeting the €12,700 annual pension income test. The obligation to establish an AMRF was abolished in Finance Act 2021. In addition, from 1 January 2022, all existing AMRFs are converted to ARFs.
- after satisfying the €12,700 pension income test, or the approved minimum retirement fund test, the balance of funds can be invested in an ARF. From the passing of the Finance Act 2021 the AMRF retirement has been abolished so the full balance after the lump sum can be invested in the ARF.
- in the ARF (or vested PRSA), tax is payable under the PAYE system based on the amount of the distributions taken from the ARF. There is a minimum distribution requirement from the ARF outlined in the table below. The minimum distributions are based on the value of the ARF at 30 November each year, with a credit for any actual distributions that were made during the year.
- from 1 January 2015 the following table applies in relation to deemed distribution rules for ARFs and vested PRSAs:

Age for whole of tax year	Where the value of all ARFs is under €2m	Where the value of all ARFs is over €2m
	Deemed distribution %	Deemed distribution %
Aged under 61	0%	0%
Aged 61 to 70	4%	6%
Aged 70 and over	5%	6%

Pan European Personal Pension Product (PEPP)

Finance Act 2022 has introduced the tax legislation which support the EU Directive in relation to the operation of PEPPs. PEPPs are European contract-based pension products that will operate cross border within the EU. In an Irish context these products will operate in a similar fashion to PRSAs. A new Chapter 2D has been introduced into part 30 of the TCA 1997 setting out the legislative basis for these products.

Treatment of ARF Distributions for Double Taxation Agreements

The Irish Revenue have updated their Pension Manual to confirm that they do not regard ARF distributions as a pension for the purpose of eliminating double taxation. This is likely to result in a Irish PAYE withholding tax on the majority of the amount of the distribution.

Pension schemes

Limited access rules for Additional Voluntary Contributions (AVCs)

Was available for a limited period of 3 years up to 26 March 2016 and is now expired.

The IORPS 11 (Institutions for Occupational Retirement Provision) Directive

This EU Directive has now being transposed into Irish Law. Detailed guidance on the operation of the directive has been published by the Pensions Authority. As a result of the Directive there will be signification changes to the operation and management of occupational pension plans. The changes do not impact on the taxation of occupational pension plans.

Automatic Enrolment – "My Future Fund"

The Automatic Enrolment Retirement Savings System Act 2024 introduced the provisions for a mandatory pension regime. The scheme is expected to commence on 30/09/2025. Employees who are not currently a member of a pension plan will be automatically enrolled in the scheme where they are aged between 23 and 60 and their emoluments are €20,000 or more per annum.

Contribution levels are being phased in over a 10-year period, initially for the first 3 years the employer will contribute 1.5%, employee 1.5% and government contribution of 0.5%.

Finance Act 2024 introduced the tax rules for the AE system which are as follows:

- Employer contributions will be deductible for corporation tax purposes
- No BIK will arise on the employer or government contribution
- No tax relief is available for the employee contribution
- The pension savings will accumulate under the gross rollup regime
- Retirement options will be introduced at later stage, initially the payment of benefits from the scheme on retirement will be a lump sum. The first 25% will fall with the normal taxation rules for pension lump sums and the balance will be taxable under the PAYE system
- Benefits from the AE system will count towards the pension lifetime limits.

Planning tip!

Remember pensions tax relief is one of the few remaining tax shelters available at an individual's marginal tax rate.

Employer contributions are more tax efficient than employee contributions.

Employer PRSA funding has become attractive in respect of contributions made on or after 1 January 2023. Finance Act 2024 has limited the level of tax relieved contributions to 100% of emoluments. In certain cases, funding capacity may be greater under occupational pension plans so it is important to select the right vehicle for future pension funding.

The Lifetime Limits and Lump Sum lifetime limits apply separately to each individual. Consider maximising employer pension funding in advance of the finalisation of the review on pension tax reliefs. This review may result in a future curtailment or reduction in pension tax relief.

The proposed increases in the lifetime limits offer potential opportunities and pitfalls for individuals accessing their pension benefits.

With the introduction in 2023 of taxation of foreign pension lump sum individuals should examine their pension options in relation to their foreign pension plan prior to taking up Irish residence.

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Capital gains tax

Individuals resident or ordinarily resident and domiciled in Ireland are liable to capital gains tax ("CGT") on gains from worldwide disposals. Individuals resident or ordinarily resident, but not domiciled, in Ireland are liable to CGT on gains arising on the disposal of assets situated in Ireland and on all other foreign gains to the extent that those gains are remitted to Ireland (with some exceptions, notably gains on certain funds). Individuals neither resident nor ordinarily resident in Ireland are liable on gains made on the disposal of certain 'specified assets'. These include land and buildings situated in Ireland and shares deriving the greater part of their value from such assets.

Irish resident companies are liable to corporation tax in respect of 'chargeable gains' arising on worldwide disposals while non-resident companies are liable to CGT in respect of gains arising on disposals of 'specified assets' which includes, in addition to the above, certain assets used or held for the purposes of an Irish branch/trade. Further details on corporate CGT, including certain reliefs available, are included in the Business Taxation section.

Rates

- The CGT rate is 33% (effective from 6 December 2012; previously 30%).
- A lower rate of 12.5% applies for companies subject to the Exit Tax rules introduced in Finance Act 2018 (see Business Taxation section).
- Lower rates, 15% for a partnership / individual and 12.5% for a company, may also apply in relation to chargeable gains arising on the receipt of a qualifying "carried interest", being a share of profits in certain venture capital funds engaged in research, development or innovation activities. A 10% rate can apply to disposals by individuals who qualify for Entrepreneur Relief (see below).
- In arriving at the chargeable gain on the disposal of an asset that was acquired prior to 31 December 2002, the allowable cost is to be adjusted for inflation based on the consumer price index up to that date. Indexation factors for disposals in 2025 are as follows:

Year expenditure incurred**	Factor	Year expenditure incurred	Factor
1974/75	7.528	1989/90	1.503
1975/76	6.080	1990/91	1.442
1976/77	5.238	1991/92	1.406
1977/78	4.490	1992/93	1.356
1978/79	4.148	1993/94	1.331
1979/80	3.742	1994/95	1.309
1980/81	3.240	1995/96	1.277
1981/82	2.678	1996/97	1.251
1982/83	2.253	1997/98	1.232
1983/84	2.003	1998/99	1.212
1984/85	1.819	1999/00	1.193
1985/86	1.713	2000/01	1.144
1986/87	1.637	2001	1.087
1987/88	1.583	2002	1.049
1988/89	1.553	2003 onwards	1.000

**Note: For all years to 2000/2001 inclusive, a year means a 12 month period commencing on 6 April and ending on the following 5 April.

**Note: In the case of disposals of development land, inflation relief is restricted to the current use value of the asset, with associated incidental costs, at the date of acquisition

Capital gains tax

Losses

Capital losses in any year are set off against chargeable gains arising in the same year. Unused losses may be carried forward indefinitely. Capital losses cannot generally be carried back. Capital losses arising in relation to disposals to a connected person may only be used to shelter chargeable gains on disposals to that same connected person. Gains on development land may only be offset by losses on development land. Inflation relief may not operate to convert a monetary gain into an allowable loss or to increase a monetary loss.

Planning tip!

Review your asset portfolios prior to year end to consider whether any losses can be crystallised in order to mitigate CGT liabilities.

Planning tip!

Review your property portfolios to see whether any property/land acquired between 7.12.11 and 31.12.14 will qualify for CGT relief where they have been held for 4 years or more.

Exemptions and reliefs

The following are some of the main exemptions and reliefs available:

- Annual exemption €1,270. For married couples or civil partners the exemption is €1,270 each (non-transferable).
- Transfers between spouses/civil partners are generally treated as disposals on which no gain/loss will arise.
- The gain on the disposal of an individual's principal private residence. Certain restrictions may apply where the residence has development potential, has been used for business purposes and/or where the property was not the individual's principal private residence for the entire period of ownership.
- An exemption may be available on some or all of gains arising on the disposal of certain land or buildings purchased between 7 December 2011 and 31 December 2014. With effect from 1 January 2018, full CGT relief will apply on the disposal of a qualifying property if it has been held for at least four years to a maximum of 7 years from the date of acquisition. Where the property is held for a period in excess of 7 years, the relief is allowed in the proportion that the seven years bears to the total period of ownership.
- A gain on the disposal of a dwelling home occupied rent-free by a dependent relative.
- The gain on the sale of Irish government securities. Although no chargeable gain can arise on these assets, any accrued interest income in the consideration may, in certain circumstances, be charged to income tax.
- Disposals of individual works of art which are valued at not less than €31,740 when loaned to an approved gallery or museum for public display for a minimum period of ten years.
- CGT exemption on gains arising from the disposal by farmers of payment entitlements to active farmers under the Basic Payment Scheme where those entitlements were fully leased.
- CGT relief for farm restructuring where a sale, purchase or exchange of land occurs in the period from 1 January 2013 to 31 December 2025, provided certain conditions are met.
- CGT exemption on gains arising on the transfer of a site of up to 1 acre from a parent to a child provided it is for the construction of the child's principal private residence and the market value of the site does not exceed €500,000. For disposals made on or after 1 January 2019, the relief is also available to the spouse/civil partner of the child.

Entrepreneur Relief – pre 2016

- This measure provides a CGT tax credit to individuals who use the proceeds of a disposal, made on or after 1 January 2010 and upon which CGT has been paid, to acquire certain chargeable business assets as an "initial risk finance investment" in the period 1 January 2014 to 31 December 2018. This tax credit is available on a subsequent disposal of the chargeable business asset.

Capital gains tax

- Where this disposal takes place on or after 1 January 2016, Revised Entrepreneur Relief (outlined below) will instead apply unless the CGT payable is higher under the Revised Entrepreneur Relief than the amount payable under the original Entrepreneur Relief.

Revised Entrepreneur Relief

- Revised Entrepreneur Relief may apply to individuals disposing of chargeable business assets from 1 January 2016. A reduced rate of CGT of 10% currently applies to qualifying disposals up to a lifetime limit of €1 million.
- A qualifying business for the purposes of the relief excludes businesses which consist of the holding of investments, the holding of development land or the development or letting of land. Where the qualifying business asset is an asset used for the purpose of a business carried on by the individual, it must be owned for a continuous period of not less than three years in the five years immediately prior to disposal. Where the business is carried on by a company, the individual must hold no less than 5% of the ordinary shares in the company for a continuous period of not less than 3 years at any time prior to the disposal of the shares to qualify for relief. The individual must have been a director or employee of the company, spending not less than 50% of their working time in the service of that company in a managerial or technical capacity for a continuous period of 3 years in the period of 5 years immediately prior to the disposal.
- The relief can also apply to shares in a holding company whose business consists wholly or mainly of holding shares in one or more companies all of which are at least 51% subsidiaries carrying on a qualifying business (a "qualifying group"). The individual must have been a director or employee as above of one or more members of the qualifying group. Please contact a member of the Capital Gains Tax team if you would like to discuss the application of the relief further.

Retirement Relief

- Retirement Relief for an individual aged 55 years or more on disposal of a business or a farm owned for ten years or more (which can also include assets held personally but used in the trade). An individual is not required to retire in order to avail of this relief. Pre 31 December 2024 - where the disposal is to a child and the person making the disposal is under 66 years of age, full CGT relief may apply regardless of the consideration received.
- For disposals to a child made on or after 1 January 2025 where the person making the disposal is under 70 years of age, the maximum amount to which CGT relief applies is limited to €10m.
- For disposals after 1 January 2025 by a person under the age of 70 years, where the proceeds (or the market value in the case of a gift) exceed €10m, the disponer may defer the CGT on the excess over €10m.
- Where a qualifying asset on which the CGT has so been deferred, is sold within a period of 12 years of the date of transfer, the child will be liable to the deferred CGT in addition to the CGT arising on the latest disposal.
- Where the child retains the ownership of the assets for 12 years following the transfer, the deferred CGT will be abated
- Where the person making the disposal is 70 years of age or over (66 years or over for disposals on or before 31 December 2024), the relief is limited to the amount that would apply if the proceeds (or market value in the case of a gift) were capped at €3 million. For the purpose of this exemption, a "child" includes a nephew or niece who has worked in the business substantially on a full-time basis for the period of five years ending with the disposal, or a child of a deceased child. The relief is limited to proceeds of €750,000 (€500,000 in the case of a person aged 70 years or over) where the disposal is not to a child of the individual. Please contact a member of the CGT team if you would like to discuss the application of this relief.

Impact of debt write-off

It is worth noting that there is a restriction on the base cost allowable in calculating the gain/loss on disposal of a chargeable asset in situations where a loan or part of a loan, relating to the purchase or enhancement of the disposed asset, has been forgiven or written off by the lender.

This provision applies to borrowings incurred by the person making the disposal or to borrowings of a connected person. It does not apply to a debt write-off between group companies or to a debt write-off in respect of exempt assets in certain circumstances. The provision will be academic where the investor concerned has

Capital gains tax

plentiful other CGT losses available for offset but may create a real tax cost in other circumstances and should be borne in mind in debt negotiations.

Planning tip!

Consider the tax impact of debt write off in any debt negotiations to ensure that all potential tax costs are factored into the discussions.

Planning tip!

It is important that business owners do not lose sight of key important succession planning considerations such as what is best for the family, the business or the people who work in the business.

Angel Investor CGT Relief

CGT relief for certain qualifying investors to avail of a reduced CGT rate of 16% (or 18% through a partnership) for certain qualifying investments made in qualifying companies.

The relief is limited to gains of up to twice the value of the initial qualifying investment and subject to a lifetime limit of €10m, increased from €3m. The increased limit was subject to a Ministerial Order which entered into effect on 1 March 2025.

The investment must be in the form of newly issued shares costing at least €20,000 or €10,000 and constituting between 5% and 49% of the ordinary issued share capital of the company and must have been held for a minimum of three years prior to disposal.

Self-assessment – payment and returns

Individuals

- 31 January 2025 – payment of CGT for disposals made from 1 December 2024 to 31 December 2024.
- 31 October 2025 – filing of 2024 return of income (including gains). This deadline can be extended if filing online (see Self-Assessment in the Income Tax section).
- 15 December 2025 - payment of CGT for disposals made from 1 January 2025 to 30 November 2025.

Companies

- The payment dates for CGT in respect of gains arising to companies are set out under Tax Administration in the Business Taxation section.

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Capital acquisitions tax

General

Capital acquisitions tax ("CAT") comprises principally gift and inheritance tax. CAT applies in the case of a person becoming beneficially entitled to property, either by way of a gift or on a death, for less than full consideration. The charge to CAT for gifts or inheritances will generally arise where:

- the disponer (the person providing the benefit) is resident or ordinarily resident in Ireland, or
- the beneficiary is resident or ordinarily resident in Ireland, or
- the subject matter of the gift or inheritance is situated in Ireland

Special rules apply to non-domiciled disponers and beneficiaries.

Calculation of CAT

Gifts or inheritances taken on or after 5 December 1991 from disponers within the same group threshold (see below) must be taken into account when calculating CAT. These gifts or inheritances serve to reduce, or cancel out, the amount of the tax free threshold available. Amounts in excess of the threshold are taxed at 33%.

There are three categories which are based on the relationship between the disponer and the beneficiary:

Group A

Applies where the beneficiary is a child or minor child of a deceased child of the disponer, or a foster child (subject to certain conditions) of the disponer, or a child of the civil partner of the disponer, or a minor child of a deceased child's civil partner. This threshold also applies to inheritances taken by a parent from a deceased child, subject to certain exceptions.

Group B

Applies where the beneficiary is a lineal ancestor, lineal descendant (other than a child, or minor child of a deceased child), a brother, sister, or a child of a brother or sister of the disponer, or a child of a civil partner of a brother or sister of the disponer. This threshold also applies to foster children in certain circumstances.

Group C

Applies where the beneficiary is not related as outlined for Group A or Group B.

The group thresholds were increased in Finance Act 2024. The thresholds for gifts and inheritances taken on or after 2 October 2024 are now as follows:

- Group A €400,000
- Group B €40,000
- Group C €20,000

The definition of a "child" has been changed by Finance Act 2022 in response to amendments to the Succession Act 1965 made by the Birth Information and Tracing Act 2022. It is now possible for impacted individuals to make an election as to the relationship to apply for CAT purposes where a person takes a benefit from his/her birth parents or his/her social parents.

Self-assessment – payment and returns

Self-assessment applies to gift and inheritance tax. The pay and file date is 31 October for gifts and inheritances which have a valuation date falling in the 12 month period ending on the previous 31 August. The obligation to file a return only applies where 80% of the group threshold is exceeded or where agricultural relief or business relief is being claimed on the gift or inheritance. The return is filed by the beneficiary.

Mandatory filing requirements were introduced in relation to interest-free loans and loans at a preferential rate (where no interest was paid within 6 months of the year-end) in Finance Act 2023. Where such loans are made to a "close relative" (e.g. children, grandchildren, nieces, nephews), and the total balance outstanding on all such loans exceeds €335,000, a CAT return will have to be filed. This requirement also applies to loans to and from private companies where the beneficial owner of the company and the person making/receiving the loans are "close relatives". Finance Act 2024 amended the provisions to extend the reporting requirements to include loans at a preferential rate irrespective of whether interest is paid.

Planning tip!

Make use of reduced asset values to transfer wealth to the next generation at a lower tax cost or, where certain reliefs apply, at no tax cost. Remember, you can transfer wealth to the next generation while retaining control over the assets transferred.

Capital acquisitions tax

Main exemptions

Subject to certain conditions, the following are exempt from CAT:

- the first €3,000 of gifts taken by a beneficiary from any one disponer in a calendar year
- gifts and inheritances between spouses and civil partners
- transfers of property by virtue of any order under the Family Law Acts 1995 or 1996 in relation to a divorce/dissolution
- transfers of property by virtue of any order under the Cohabitants Act 2010 in relation to the break-up of a relationship
- an inheritance consisting of a dwelling house that is the only or main residence of the donor at the time of their death and the only or main residence of the beneficiary for three years immediately prior to the date of the inheritance
- a gift or inheritance of a dwelling house that is the only or main residence of the beneficiary who is dependant relative of the donor
- the proceeds of certain life policies
- gifts or inheritances for public or charitable purposes
- certain receipts by a child of the disponer, a child of a civil partner of the disponer, or a person to whom the disponer stands in loco parentis, for support, maintenance and education where the child is under 18, or under 25 if they remain in full-time education.

Main reliefs

- Business relief: a 90% reduction in the market value of a benefit can be applied if the benefit consists of relevant business property (such as unincorporated businesses, shares in certain family companies) where certain conditions are met.
- Agricultural relief: a 90% reduction in the market value of agricultural property (such as agricultural land, livestock and machinery) can be applied where certain conditions are met. The main tests for this relief are:

  1. The recipient must show that at least 80% of the value of his/her assets after taking the gift/inheritance is made up of agricultural property; and
  2. The "active farmer" test must be met.

  Finance Act 2024 made a number of significant changes to agricultural relief, including that the land must be owned and farmed, or leased to an active farmer, for a minimum period of 6 years prior to the date of the gift or inheritance. However, these provisions are subject to Ministerial Order which has as yet not been enacted.

Discretionary trust

There is a once-off levy of 6% on certain discretionary trusts (and similar entities such as foundations) which may, in particular circumstances, be reduced to 3%. At present the levy becomes payable on the latest of the following events:

- the date the property is placed in trust*
- the date of death of the settlor
- the date on which the youngest principal object of the trust attains the age of 21.

*Property will be treated as being subject to a discretionary trust on the date of death of the disponer where the discretionary trust is created in the disponer's will.

Discretionary trusts (and similar entities such as foundations) which are liable to the once-off levy are also liable to an annual levy of 1%.

Planning tip!

Consider the impact of inheritance tax when planning your will. You should ensure that your will is tax efficient. Remember that separate wills are needed for foreign assets.

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Trade and Customs

Environmental Taxes

Carbon tax

Ireland levies a carbon tax on mineral oils (e.g. auto fuels, kerosene) which are supplied in Ireland. Budget 2025 increases the Carbon Tax from €56 to €63.50 per tonne of carbon dioxide emitted.

This applied from 9 October 2024 for auto fuels, such as petrol and auto-diesel, and from 1 May 2025 for all other fuels.

The Carbon Tax increase is in line with the annual increases provided for in Finance Act 2020. This will bring the rate up to €100 per tonne of carbon dioxide emitted by 2030. The additional revenue generated by these increases will be targeted towards preventing fuel poverty, incentivising farmers to farm in a more sustainable manner, and other initiatives including a national retrofitting programme.

Relief applies where mineral oils are supplied to Emissions Trading Scheme (ETS) installations, to combined heat and power plants or for electricity generation. Relief also applies to bio-fuels.

Carbon tax also applies to natural gas and solid fuel where supplied for combustion. Again, reliefs apply where these fuels are supplied to ETS installations, CHP plants, for electricity generation or for use in chemical reduction, electrolytical or metallurgical processes. New reliefs from Natural Gas Carbon tax have been introduced for such gas supplied from 1 April 2024 for use in the production of horticultural produce in one or more than one glasshouse of a total area of not less than a quarter of an acre; or, in the cultivation of mushrooms in one or more than one building or structure of a total area of not less than 3,000 square feet.

Reliefs also apply for solid fuels which contain a high biomass content. The relief will be determined by reference to the level of biomass content of the solid fuel.

Carbon Border Adjustment Mechanism

As part of the EU's "Fit for 55 Package", the EU is targeting a 55% reduction in greenhouse gas emissions in the EU by 2030. Amongst the measures being introduced is a Carbon Border Adjustment Mechanism (CBAM). CBAM entered into effect in all EU member states from October 2023. The aim of CBAM is to mitigate against carbon leakage whereby companies based in the European Union import carbon-intensive products as part of their manufacturing processes that work against domestic measures introduced in the European Union to tackle carbon intensive manufacturing. It will also encourage more sustainable industrial production outside the European Union. The key products impacted by CBAM are cement, iron and steel, aluminium, fertilisers, electricity, and hydrogen.

The new measure is underpinned by Regulation (EU) 2023/956. CBAM will enter into force on a phased, transitional basis. The reporting obligations for the transitional phase are set out in Regulation (EU) 2023/1773. The transitional applies 1 October 2023, and CBAM reports will be required on a quarterly basis until 31 January 2026. In 2025, importers of CBAM goods will need to apply to be "authorised CBAM declarants".

From 1 January 2026, only authorised CBAM declarants are permitted to import CBAM goods into the EU. The registration for this process is expected in early 2025.

Annual declarations will then replace quarterly declarations from 2026 onwards, when the measures enter into force on a permanent basis (which will have a financial impact whereby impacted companies will be required to purchase CBAM certificates related to the amount of embedded carbon emissions in their imported products). There has been a delay to the obligation to purchase CBAM certificates from 2026 to 2027.

The Commission proposes to simplify CBAM by introducing a new CBAM de minimis threshold exemption of 50 tonnes mass.

Electricity tax

Ireland levies an electricity tax on the supply of electricity for business use. This tax is charged on the final supply of electricity to the consumer and the liability arises at the time the electricity is supplied. Supplies for household use are not subject to tax. The current rate of tax is €1 per unit (megawatt hour) and it hasn't been increased since 1 January 2020.

There are a number of other exemptions and reliefs applicable. For example, supplies for household use are not subject to tax and a tax exemption was introduced in respect of electricity generated through the use of "renewable, sustainable or alternative forms of energy" at residential premises in the State.

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The tax exemption covers the first €400 of income arising to households for the domestic generation of electricity, which is supplied back to the grid for tax years 2024 and 2025. The scheme should provide further incentives to households to power their homes using renewable energy sources rather than traditional fossil fuel.

The EU Deforestation Regulation (EUDR)

The EUDR was adopted in 2023 with the aim of reducing the EU's impact on deforestation and biodiversity loss. The regulation sets out specific import and export requirements for products sourced from countries that are potentially impacted by deforestation. The products targeted under this regulation includes cattle, wood, cocoa, soy, palm oil, coffee, rubber, and their derivatives.

Implementation for large and medium companies is expected by 30 December 2025 whereas it is expected that small and micro businesses will implement this by 30 June 2026.

Customs

Goods imported into Ireland from countries outside the European Union ("EU"), including the United Kingdom (but excluding Northern Ireland) are liable to customs duty at the appropriate rates specified in the EU's Combined Nomenclature (CN) Tariff. These rates vary from 0% to 14% for industrial goods, with much higher rates applicable to agricultural products. Imports may qualify for a partial or full reduction in rates in specific circumstances.

The three main elements ("customs duty drivers") that determine the duty liability arising on goods imported into the EU from a non-EU country are (i) the product's commodity code (Tariff Classification); (ii) its customs valuation; and (iii) its origin. Each of these elements will need to be considered when determining the customs duty cost at import.

There are special customs procedures which allow for the import of goods into the EU from non-EU countries with full or partial relief from customs duty or under a suspension of customs duty. Examples of these are Customs Warehousing, Inward and/or Outward Processing, End Use Relief, and Temporary Admission. There are different conditions attached to each special procedure and an analysis of the trade footprint of the importer of the goods will need to be considered in order to determine whether or not they may avail of one of these reliefs. These procedures are important and are in place with the intention of stimulating economic activity within the EU.

UK Ireland Trade

The United Kingdom formally left the European Union on 31 January 2020. In December 2020, the United Kingdom and European Union agreed the terms of a Free Trade Agreement known as the Trade and Cooperation Agreement (TCA).

While the TCA provides for the tariff and quota free movement of goods between the European Union and United Kingdom, rules of origin ultimately determine whether zero tariffs in fact apply.

In addition, customs formalities and associated controls now apply to all movements between the European Union and the United Kingdom. 2024 saw the introduction of the following controls (which were previously postponed) on imports from the European Union on a phased basis from the following dates:

- 31 January 2024 - the introduction of health certification on imports of medium risk animal products, plants, plant products and high risk food and feed of non-animal origin from the EU.
- 30 April 2024 - the introduction of documentary and risk-based identity and physical checks on medium risk animal and plant products and high risk food products. The UK Government also plans to introduce simplifications and simplified controls on imports from non-EU countries for specified low risk products (e.g., low risk animal products).
- Additionally, from 31 January 2025 Safety and Security declarations will be mandatory for all imports into Great Britain from the EU or other territories where a waiver to provide such a declaration exists.

In addition, specific additional Customs facilitations applied to movements from the island of Ireland to Great Britain. Many of these discontinued in 2024. From 31 January 2024, pre-notification requirements apply to live animals, animal products and high and medium risk categories of plant products.

Trade and Customs

Excise

Excise duties are charged on mineral oils (including petrol and diesel), alcohol products (including spirits, beer, wine, cider and perry) and tobacco products where they are consumed in Ireland.

Alcohol

An excise duty known as Alcohol Products Tax (APT) is charged on alcohol and alcohol products in Ireland. These include spirits, beer, wine, other fermented beverages (including Cider and Perry) and certain intermediate beverages. Relief from alcohol products tax applies in a number of cases including alcohol used in the production of non-alcoholic beverages (as defined), flavours (as defined), specified foodstuffs, vinegar and medicinal products. In addition, relief also applies to beer produced in qualifying small, independent breweries. The relief of 50% of the tax liable on cider and perry produced by qualifying small independent producers has been extended for another year.

E-cigarettes

Finance Act 2024 confirmed that there will be an excise duty, which is to be known as e-liquid product tax, applied to e-liquid products. The rate of e-liquid product tax that will be applied is 50 cents per ml of e-liquid (€500 per litre). The supplier of the e-liquid will responsible and liable for paying the tax charged.

Tobacco

Tobacco products tax applies to a variety of tobacco products including cigarettes, cigars, fine-cut tobacco for the rolling of cigarettes and other smoking tobacco. Finance Act 2024 provides for further increases in excise duty applicable to tobacco products. For example, a pack of 20 cigarettes in the most popular price category now costs €18.05. There will be pro-rata increases for other Tobacco Product categories.

Mineral Oils

Mineral Oils (e.g. petrol, diesel, marked gas oil etc.) are subject to an excise duty known as Mineral Oil Tax. Such oils must move into Ireland either duty paid or under duty suspension arrangements.

Other Excise Duties

Excise duties are generally not charged on the export or sale of excisable goods to other EU countries, but special control arrangements apply to the intra-EU movement of such goods.

In addition, Ireland applies excise duties to electricity, betting and the first registration of vehicles in the State (the latter is known as VRT). Prior to 1 January 2021, the VRT regime for motor vehicles was based on a CO_2 emissions for passenger cars. In line with its EU obligations with the WLTP regime, Ireland has introduced VRT bands based on CO_2 emissions established under the WLTP test (rather than those established under the former NEDC regime).

A repayment of VRT may be claimed at export under certain conditions. In addition, there are reliefs available for cars imported temporarily by non-residents, or imported on transfer of residence to Ireland (such VRT reliefs require prior approval from the Customs authorities).

A Vehicle Registration Tax (VRT) relief of up to €5,000 on battery electric vehicles (BEVs) applies. This has been extended to 31 December 2025.

In order to incentivise the uptake of lower emissions vehicles, an emissions based approach to VRT for category B commercial vehicles is being introduced. The proposal will introduce a lower 8% rate for category B vehicles with CO2 emissions of less than 120 grams per kilometre.

Sugar Tax

The tax on sugar sweetened drinks was introduced in April 2018. This tax applies to most beverages and concentrates of beverages which contain 5g or more of sugar per 100ml. The tax is payable at the point of first supply within Ireland. There are reliefs available for certain types of beverages, exports or returned products, though some rules may apply (For instance a minimum calcium content of 119mg per 100ml must be met to avail of the exemption for beverages containing milk, soya etc.)

Plastic Bag Tax

In Ireland, an environmental levy (currently 22 cent per bag) is imposed in respect of the supply to customers, at the point of sale to them of goods or products to be placed in the bags, or otherwise of plastic carrier bags in, or at,

Trade and Customs

any supermarket, service station or any other retail premises. Under the applicable legislation, accountable persons (usually retailers) are obliged to collect 22 cent in respect of every plastic bag or bag containing plastic, regardless of size, unless specifically exempted, that is provided to customers and remit all plastic bag levies collected to Irish Revenue. As a result of the levy, most non-supermarket retailers provide paper carrier bags, and many supermarket retailers offer for sale 'bags for life' (i.e. re-usable bags), which are not subject to the environmental levy.

Betting Duty

The Finance Act 2024 saw the removal of the requirement for betting to occur at a registered premises in order for a betting duty liability to occur. Consequently, now all bets placed with a "licenced bookmaker" in the State, other than remotely, are subject to betting duty. Additionally, a new "remote betting duty" is being introduced specifically for bets placed by someone in the State with a licenced bookmaker where it is placed by remote means.

Betting licences

The excise duty chargeable on betting licences is being reduced by 50%. However, this is to align it with the new Gambling Regulation Bill which will reduce the time for which such licences apply. As the same amounts will continue to be paid.

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Appendix 1

Withholding tax on payments from Ireland

Country	Dividends [1] %	Interest [4] %	Royalties [3] %
Non-Treaty Countries	25 [5]	20	20
Albania	0/5/10	0/7	7
Armenia	0/5/15	0/5/10	5
Australia	0	10	10
Austria	0	0	0
Bahrain	0	0	0
Belarus	0/5/10	0/5	5
Belgium	0	15 [2]	0
Bosnia and Herzegovina	0	0	0
Botswana	0/5	0/7.5	5/7.5
Bulgaria	5/10	0/5 [2]	10 [2]
Canada	5/15	0/10	0/10
Chile	5/15	5/15	5/10
China	5/10	0/10	6/10
Croatia	5/10	0	10 [2]
Cyprus	0	0	0/5 [2]
Czech Republic	5/15	0	10 [2]
Denmark	0	0	0
Egypt	5/10	0/10	10
Estonia	5/15	0/10 [2]	5/10 [2]
Ethiopia	5	0/5	5
Finland	0	0	0
France	25	0	0
Georgia	0/5/10	0	0
Germany	5/15	0	0
Greece	5/15	5 [2]	5 [2]
Hong Kong	0	0/10	3
Hungary	5/15	0	0

Country	Dividends [1] %	Interest [4] %	Royalties [3] %
Iceland	5/15	0	0/10
India	10	0/10	10
Israel	0/10	5/10	10
Italy	15	10 [2]	0
Japan	0	10	10
Kazakhstan	0/5/10	0/10	10
Korea (Republic of)	0	0	0
Kosovo	0/5/10/15	0/5	0
Kuwait	0	0	5
Latvia	5/15	0/10 [2]	5/10 [2]
Lithuania	5/15	0/10 [2]	5/10 [2]
Luxembourg	0	0	0
Macedonia	0/5/10	0	0
Malaysia	10	0/10	8
Malta	5/15	0	5 [2]
Mexico	5/10	0/5/10	10
Moldova	5/10	0/5	5
Montenegro	0/5/10	0/10	5/10
Morocco	6/10	0/10	10
Netherlands	0/15	0	0
New Zealand	0	10	10
Norway	0/5/15	0	0
Oman [6]	0/10	0/5	8
Pakistan	5/10	0/10	10
Panama	5	0/5	5
Poland	0/15	0/10 [2]	10 [2]
Portugal	15	0/15 [2]	10 [2]
Qatar	0	0	5

Appendix 1

Withholding tax on payments from Ireland (continued)

Country	Dividends [1] %	Interest [4] %	Royalties [3] %
Romania	3	0/3 [2]	0/3 [2]
Russia	10	0	0
Saudi Arabia	0/5	0	5/8
Serbia	5/10	0/10	5/10
Singapore	0	0/5	5
Slovak Republic	0/10	0	0/10 [2]
Slovenia	5/15	0/5 [2]	5 [2]
South Africa	5/10	0	0
Spain	0	0	5/8/10 [2]
Sweden	0	0	0
Switzerland	0	0	0
Thailand	10	0/10/15	5/10/15
Turkey	5/15	10/15	10
Ukraine	5/15	5/10	5/10
United Arab Emirates	0	0	0
United Kingdom	5/15	0	0
United States	5/15	0	0
Uzbekistan	5/10	5	5
Vietnam	5/10	0/10	5/10/15
Zambia	7.5	0/10	8/10

Note 1:
Domestic legislation may also provide an exemption from the dividend withholding tax subject to providing the necessary documentary evidence of qualification. An exemption may also be available under the EU Parent-Subsidiary Directive.

Note 2:
The EU Interest and Royalties Directive may provide an exemption from withholding tax for payments between associated companies.

Note 3:
In general, in the case of royalties withholding tax applies only to patent royalties.

Note 4:
Under domestic legislation withholding tax will not apply if the loans or advances are for a period of less than one year or if the interest is paid in the course of a trade or business to a company resident in an EU or treaty country and that country imposes a tax that generally applies to foreign interest receivable.

Note 5:
Rate applying to distributions made on or after 1 January 2020 (previously 20%)

Note 6:
Treaty in effect from 1 January 2025.

Appendix 2

Withholding tax on payments to Ireland

Country	Dividends [1] %	Interest [4] %	Royalties [3] %
Albania	0/5/8 [5]	0/7	7
Armenia	0/5/15	0/5/10	5
Australia	15	10	10
Austria	10 [1]	0	0/10 [2]
Bahrain	0	0	0
Belarus	0/5/10	0/5	5
Belgium	15 [1]	15 [2]	0
Bosnia and Herzegovina	0	0	0
Botswana	0/5	0/7.5	5/7.5
Bulgaria	5/10 [1]	0/5 [2]	10 [2]
Canada	5/15	0/10	0/10
Chile	5/15	4/10 [5]	5/10 [5]
China	5/10	0/10	6/10
Croatia	5/10	0	10 [2]
Cyprus	0	0	0/5 [2]
Czech Republic	5/15 [1]	0	10 [2]
Denmark	0/15 [1]	0	0
Egypt	5/10	0/10	10
Estonia	0 [5]	0 [5]	0 [5]
Ethiopia	5	0/5	5
Finland	0/10 [1,5]	0	0
France	10/15 [1]	0	0
Georgia	0/5/10	0	0
Germany	5/15 [1,5]	0	0
Greece	5/15 [1]	5 [2]	5 [2]
Hong Kong	0	0 [5]	2.5/5 [5]
Hungary	5/15 [1]	0	0
Iceland	5/15	0	0/10

Country	Dividends [1] %	Interest [4] %	Royalties [3] %
India	10	0/10	10
Israel	10	5/10	10
Italy	15 [1]	10 [2]	0
Japan	15	10	10
Kazakhstan	0/5/15	0/10	10
Korea (Republic of)	10/15	0	0
Kosovo	0/5/10/15	0/5	0
Kuwait	0	0	5
Latvia	0 [5]	0 [5]	0 [5]
Lithuania	0/5/15 [1,5]	0/10 [2]	0/5/10 [2,5]
Luxembourg	5/15 [1]	0	0
Macedonia	0/5/10	0	0
Malaysia	0 [5]	0/10	8
Malta	0 [3,5]	0	5 [2]
Mexico	5/10	0/5/10	10
Moldova	5/10	0/5	5
Montenegro	0/5/10	0/10	5/10
Morocco	6/10	0/10	10
Netherlands	0/15 [1]	0	0
New Zealand	15	10	10
Norway	0/5/15	0	0
Oman [6]	0/10	0/5	8
Pakistan	5/10 [5]	0/10 [5]	10
Panama	5	0/5	5
Poland	0/15 [1]	0/10 [2]	10 [2]
Portugal	15 [1]	0/15 [2]	10 [2]
Qatar	0	0	5
Romania	3 [1]	0/3 [2]	0/3 [2]

Appendix 2

Withholding tax on payments to Ireland (continued)

Country	Dividends [1] %	Interest [4] %	Royalties [3] %
Russia	10	0	0
Saudi Arabia	0/5	0	5/8
Serbia	5/10	0/10	5/10
Singapore	0	0/5	5
Slovak Republic	0/10 [1]	0	0/10 [2]
Slovenia	5/15 [1]	0/5 [2]	5 [2]
South Africa	5/10	0	0
Spain	0/15 [1]	0	5/8/10 [2]
Sweden	5/15 [1]	0	0
Switzerland	10/15[5]	0	0
Thailand	10	0/10/15	5/10/15
Turkey	5/10/15	10/15	10
Ukraine	5/15	5/10[5]	5/10
United Arab Emirates	0	0	0
United Kingdom	5/15 [4]	0	0
United States	5/15	0	0
Uzbekistan	5/10	5	5
Vietnam	5/10	0/10	5/10/15
Zambia	7.5	0/10	8/10

Note 1:
A complete exemption from dividend withholding tax may be available under the EU Parent-Subsidiary Directive.

Note 2:
A complete exemption from interest and royalty withholding tax may be available under the EU Interest and Royalties Directive.

Note 3:
Malta tax on gross amount of the dividend shall not exceed that chargeable on the profits out of which the dividends are paid.

Note 4:
The UK does not operate dividend withholding tax.

Note 5:
Where the domestic withholding tax rates on dividends, royalties and interest are lower than those contained in the relevant treaty, the domestic rates have been included to indicate the maximum withholding tax rates that can apply.

Note 6:
Treaty in effect from 1 January 2025.

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