



What does Finance (No. 2) Bill 2026 mean for you and your business?



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Overview

01

What does Finance (No. 2) Bill 2026 mean for you and your business?

Finance (No. 2) Bill 2026 (“the Bill”) sets out the legislative changes required to implement many of the Budget Day announcements of 6 October 2026. From a corporate tax perspective, these include the introduction of the measures required to implement the OECD Pillar Two Side-by-Side package, further enhancements to the Research and Development (R&D) tax credit regime, targeted changes to interest deductibility measures and a number of welcome amendments to the preliminary corporation tax rules.

The Bill also includes a range of other measures for corporates, private businesses and individuals including a reduction in the standard rate of capital gains tax, the introduction of a new tax-efficient Individual Investment Account (IIA) for individuals and proposed extensions to the reliefs available for investment in corporate trades.

Pillar Two

The Bill advances Ireland’s implementation of the OECD Pillar Two framework by transposing the OECD’s January 2026 Side-by-Side (SbS) Package into domestic law.

The measures include the introduction of a Side-by-Side Safe Harbour, a UPE Safe Harbour and a Substance-Based Tax Incentive Safe Harbour from 1 January 2026.

A permanent Simplified ETR Safe Harbour is also introduced. This will generally apply for fiscal years commencing on or after 31 December 2026, with earlier application from 31 December 2025 in specified circumstances.

The Bill also extends the Transitional CbCR Safe Harbour. It will remain available for fiscal years beginning on or before 31 December 2027 but will not include a fiscal year ending

after 30 June 2029. The extension provides groups with additional time to prepare for the transition to the permanent Simplified ETR Safe Harbour.

Finally, the Bill updates the definitions of a QDMTT, qualified IIR and qualified UTPR to exclude “explicitly conditional taxes”. In addition, section 111AI, which provides for the Qualified Domestic Top-up Tax Safe Harbour, is updated in line with the OECD Administrative Guidance released in September 2026 and sets out the provisions for determining whether the domestic top-up tax of a jurisdiction outside Ireland is qualifying.

See our Pillar Two insight for further details.

R&D Tax Credit / Knowledge Development Box (KDB)

The Bill introduces a number of targeted amendments to the R&D Tax Credit regime and extends the KDB regime by a further five years.

A 5% uplift on qualifying R&D labour costs to cover non-qualifying R&D support costs is to be introduced for accounting periods ending on or after 23 December 2027. The limit on third party subcontracted R&D expenditure will also increase from the greater of 15% or €100,000 to 20% or €200,000 and the minimum first instalment payment will increase from €87,500 to €105,000.

In addition, for accounting periods ending on or after 23 December 2027, companies will be able to take account of their first, second and third R&D tax credit instalment for preliminary corporation tax purposes, provided certain conditions are met.

One further amendment flagged in the Budget documents relates to regulated clinical trial activity being deemed to meet the science test. We expect this amendment to be introduced at Committee Stage of the Bill following a technical assessment of the required legislative wording.

The Bill also extends the Knowledge Development Box (KDB) regime by a further five years and introduces a limited option for existing claimant companies to opt out of the regime in respect of all qualifying assets.

See our Large Corporates insight for further detail.

Interest Deductibility Regime

The Bill introduces a number of amendments to the provisions of sections 247 and 249 TCA 1997 relating to the deductibility of interest incurred on certain lending and investment activities.

The changes include replacement of the long-standing “defray money applied” condition with an “amount used” condition, together with the removal of the requirement to have a common director between the investing company and the investee or connected company.

A number of practical amendments are also made to the recovery of capital provisions aimed at managing the potential risk of

multiple recoveries arising in respect of a single recovery event together with practical amendments to reinvestment provisions. Aligned to this, a new Section 247(3A) is introduced to prevent duplicative interest relief where amounts are reinvested for the purposes of the recovery of capital provisions. Finally, there is an amendment to the meaning of “company” for the purposes of Sections 247 and 249 to exclude a foreign body corporate that, having regard to its characteristics and the rights and obligations of its members, is substantially similar to an Irish partnership.

See our Large Corporates insight for further detail.

The amendments in this year’s Bill follow the Department of Finance’s consultation on Phase One of the reform of the taxation of interest in Ireland. Whilst the amendments are broadly welcome and a step in the right direction, there was an opportunity for more meaningful reform to the interest deductibility regime in this year’s Bill.

Individual Investment Account (IIA)

The Bill introduces a new tax-efficient IIA in line with the European Commission’s 2025 recommendation on Savings and Investment Accounts. It will be available from 1 July 2027 and is aimed at encouraging Irish-resident individuals to invest in capital markets. It will offer a broad range of investment options and service providers. Investors will be able to make annual contributions of up to €12,000, with no minimum contribution required.

The accounts will operate within a simplified tax framework outside of the scope of the taxes that currently apply to different investment products. An annual flat rate 1% tax will apply to the value of the account above a tax-free threshold of €50,000. All tax reporting, administration and payment obligations will be managed by the provider.

See our Investment Account insight for further detail.

Retail Investment

In line with the government’s commitment to review and reform the broader taxation framework governing retail investment, the Bill further reduces, from 38% to 35%, the rate of tax on payments to Irish-resident individual investors from Irish regulated funds and their offshore equivalents, and from Irish and foreign life assurance policies. These changes take effect from 1 January 2027. The rate had previously been lowered from 41% to 38% with effect from 1 January 2026.

eWithholding Tax

Budget 2027 announced that the existing flat 20% withholding rate would be replaced with personalised deduction rates, subject to a commencement order. However, its omission from the Bill as initiated indicates that its legislative implementation remains outstanding. See our Policy insight for further detail.



Other Corporate Tax Measures

The Bill amends the provisions of section 138 TCA 1997 relating to quoted preference shares. References to shares quoted on a stock exchange in the State are replaced with references to shares admitted to trading on a regulated market in an EEA State. The amendment broadens the scope of markets that may be considered for the purposes of applying the section 138 TCA 1997.

Capital Gains Tax

The Bill provides for a reduction in the standard rate of Capital Gains Tax (CGT) from 33% to 31% for disposals made on or after 7 October 2026. This is the first reduction in the headline CGT rate since the introduction of the 33% rate in December 2012 and represents a notable development in Ireland's capital taxation framework.

Private Business Measures

The Bill introduces a welcome extension to start-up company relief in section 486C of the TCA 1997 to companies that begin a new trade between 1 January 2027 and 31 December 2030.

The Employment Investment Incentive (EII), Start-Up Capital (SCI), Start-Up Relief for Entrepreneurs (SURE) and the Relief for Investment in Innovative Enterprises Incentives (Angel Investor Relief) are due to expire at the end of this year. Whilst Budget 2027 announced that these reliefs are to be extended, the Bill as initiated did not make any provision to extend them. These reliefs are subject to State Aid rules. We would therefore expect an extension to these reliefs to be introduced at Committee Stage and to be subject to commencement order.

The provisions relating to Succession Farm Partnerships are amended to remove the existing three-year holding period requirement for applications made on or after 1 January 2027. In addition, the annual tax credit available under the regime is increased from €5,000 to €10,000 for

partnerships registered on or after that date, with the credit continuing to be available for five years. Amendments were also made to section 285D TCA 1997, which gives accelerated wear and tear allowances for farm safety equipment and adaptive equipment for farmers with disabilities. It extends the relief to 31 December 2029.

Sports Bodies

The Bill amends section 847A of the TCA 1997, which gives tax relief for donations to approved sports bodies for certain capital projects. A “fundraising body” set up by a sports national governing body (NGB) will be able to receive donations, and any related tax relief, for approved projects carried out by the NGB. The section also caps tax-relieved donations by an individual at €1 million a year. Where the donor is associated with the approved sports body, the cap is 10% of the donor's total income.

The Bill also introduces section 76A, a new section, into the CATCA 2003, which exempts from capital acquisitions tax certain transfers of property from an unincorporated

sports body to a successor company limited by guarantee, where the sporting purpose continues. Section 610B has also been inserted into the TCA 1997 which defers capital gains tax where an unincorporated approved sporting body disposes of chargeable assets to an approved sporting body incorporated as a company limited by guarantee (CLG). For the deferral to apply the disposal must take place at the time of incorporation of the CLG and must form part of a bona fide arrangement between both bodies for the transfer of all the activities of the unincorporated body to the CLG.

Employment and Individual Taxes

The Bill gives effect to the employment tax measures announced as part of Budget 2027.

The legislation increases the standard rate income tax band by €2,500, from €44,000 to €46,500, with corresponding increases for married couples and civil partners. It also provides for a €125 increase in each of the Personal Tax Credit, Employee Tax Credit and Earned Income Tax Credit, while the

Home Carer Tax Credit is increased by €100. In addition, the Bill increases the entry point to the 3% Universal Social Charge (USC) band by €1,600, from €28,700 to €30,300. Collectively, these measures are intended to reduce the income tax burden on employees and self-employed individuals and to protect taxpayers from fiscal drag arising from wage growth.

The Childcare Services Relief exemption is increased by €5,000, from €15,000 to €20,000, while the existing limit on the number of children who may be cared for under the relief is removed. These changes are intended to support the provision of childcare services and increase accessibility for working families.

The Bill also introduces a number of administrative and payroll-related amendments. These include changes to employer PRSI and further refinements to the Enhanced Reporting Requirements (ERR) regime. From 1 January 2027, employers will have the option of continuing to report certain tax-free payments on a real-time basis or instead to report the information on

a monthly basis (i.e. by the 14th of the month following the income tax month in which the reportable benefit is provided to the employee).

Finally, the Bill introduces welcome increases in the Capital Acquisitions Tax (CAT) tax-free thresholds across all beneficiary groups which apply to any gifts or inheritances taken on or after 7 October 2026.

Double Taxation Agreements (DTAs)

The Bill gives effect to a new Double Taxation Agreement (DTA) with Liechtenstein and a protocol to the existing DTA with Sweden. These measures expand and update Ireland's treaty network and will govern the allocation of taxing rights and the elimination of double taxation between Ireland and the relevant jurisdictions.

Property Measures – Housing

The Bill contains a number of measures aimed at supporting both increased housing availability and affordability while also encouraging the use of existing housing

stock and the development of residential land.

A Derelict Property Tax is introduced, providing the legislative framework for the identification and taxation of qualifying derelict properties and assigning responsibility for the administration and collection of the tax to Revenue. The measure is intended to encourage the bringing back into use of vacant and derelict properties and support the utilisation of existing housing stock.

The Bill also enhances a number of existing housing supports. The maximum relief available under the Help to Buy scheme is increased to €35,000, while the Rent Tax Credit is increased from €1,000 to €1,150 for individuals and from €2,000 to €2,300 for jointly assessed couples. The Bill also increases the income threshold for Rent-a-Room Relief from €14,000 to €16,000 and extends the relief to 31 December 2030. The Bill also provides an additional opportunity in 2027 for landowners to avail of an exemption from the Residential Zoned Land Tax (RZLT) in certain circumstances.

Energy Transformation and Climate Change

The Bill introduces a number of measures aimed at supporting the transition to lower-emission transport and encouraging renewable energy generation. The existing Vehicle Registration Tax (VRT) relief for electric vehicles is extended for a further two years, until 31 December 2028. In addition, VRT rates for higher-emission vehicles in Bands 3 to 20 are increased by 1% point, reflecting a continued policy focus on encouraging the uptake of lower-emission vehicles.

Enhancements were also made to the tax treatment of small-scale renewable energy generation by increasing the income tax exemption for microgeneration income from €400 to €600 per annum. This exemption applies to households that sell surplus electricity generated from qualifying renewable energy installations back to the national grid.

Stamp Duty

The Bill introduces a new exemption for transfers of assets from unincorporated sporting bodies to newly formed companies limited by guarantee, upon incorporation. The new stamp duty exemption is designed to work alongside the CGT and CAT exemptions in sections 35 and 63 of the Bill, respectively.

Amendments are also made to the Levy on Authorised Health Insurers. The changes include a refund provision where a health insurance contract is cancelled during the term of the policy. In addition, technical changes to the Further Farm Consolidation Relief put Revenue's current administrative practice on the relief on a legislative basis.

Pensions

The Bill introduces one change in relation to termination payments where the pension lump sum to be deducted has been extended to other approved pension products. Prior to this change, only lump sums from occupational pension plans were included.

There is a further change expected as the Bill progresses to incorporate the Budget 2027 announcement in relation to an adjustment to the age-related valuation factor for defined benefits schemes for the purposes of the Standard Fund Threshold regime.

VAT

The Bill introduces a number of targeted VAT measures. Changes include the increase of the Farmers' Flat-Rate Addition from 4.5% to 4.8% from 1 January 2027, providing additional compensation to unregistered farmers for VAT incurred on business inputs.

Additionally, the Bill sets out the legislative framework for mandatory structured e-invoicing and real-time VAT digital reporting in Ireland, in line with the EU VAT in the Digital Age (ViDA) Directive. The new requirements for domestic business-to-business (B2B) and business-to-government supplies will be phased in from 1 November 2028. This will initially apply for companies within Revenue's Large Corporates Division, before extending from 1 November 2029 to additional large businesses and Irish-

established businesses engaged in intra-EU trade.

See our VAT insight for further updates on this.

Trade & Customs

The Bill sets out updates regarding carbon tax reductions, extensions to the previous mineral oil tax reductions, tobacco products tax increases and betting duty modernisation.

The rate of carbon tax on both kerosene and natural gas is reduced to €48.50 per tonne of CO₂ with effect from 14 October 2026, with this rate maintained until 2030. The reduced mineral oil tax rates currently in place are also extended until 28 February 2027.

Other measures include the diesel rebate scheme for qualifying road transport operators which has been extended from 1 October 2026 to 1 January 2027 and a recast betting intermediary and pool betting duty of 25% will apply to remote betting intermediaries and pool betting operators from 1 January 2027.

In addition, the legislation increases excise duty on specified tobacco products with effect from 7 October 2026 and on e-liquid products with effect from 1 January 2027. Finally, the Bill has brought VRT relief for electric vehicles and revised VRT bands which also comes into effect from 1 January 2027.

Tax Administration and Revenue Powers

The Bill makes several amendments to the preliminary corporation tax provisions. The threshold below which a company is regarded as a 'small company' for preliminary tax purposes will increase from €200,000 to €350,000. Sections 959AR and 959AS of the TCA 1997 are amended to allow companies to make a "top-up" payment if their preliminary tax payment (in the case of small companies) or payments (in the case of large companies) falls short of 90% of the current year's liability. The amendments will allow such companies to make a "top-up" payment, which would bring the total preliminary tax paid up to 100% of the current year tax liability, four months after the accounting period end.

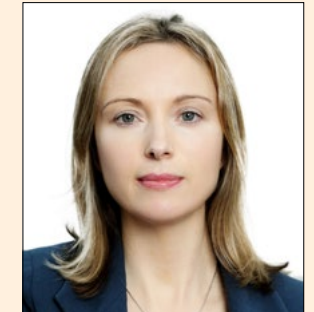
Another amendment to section 959AS(5) is intended to change how interest is calculated when a large company underpays preliminary tax. Under the proposed amendment interest on the first instalment will now be based on the lower of 45% of the current year's tax liability or 50% of the previous year's corresponding tax liability, aligning the interest calculation with the actual preliminary tax payment obligation.

The amendments will apply to accounting periods commencing on or after 1 January 2027.

See our Tax Administration and Revenue Powers insight for further detail.



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Policy/International Outlook

02

Domestic and International Tax Policy Outlook

Finance (No. 2) Bill 2026 (“the Bill”) comes at a pivotal time for Ireland’s economy. While some measures are positive, it falls short of the reforms needed to boost competitiveness, innovation and investment. As global competition intensifies, Ireland must ensure its policy framework remains ambitious and future-focused.

Individual Investment Account

The Bill introduced the Individual Investment Account (IIA), a major reform aimed at encouraging long-term investment and simplifying Ireland’s retail investment tax regime. By shifting much of the tax administration to authorised providers, the IIA is intended to make investing more accessible and reduce complexity for investors. Its success will depend on investor take-up, product availability and interaction with the wider tax framework.

See our Individual Investment Account insight for further detail.

Ireland for Finance

The publication of the [Ireland for Finance Strategy 2026](#) sets out a vision for Ireland’s international financial services sector to 2030, focused on competitiveness, digital transformation and capital market development. Priorities include digital assets and tokenisation, funds and asset management, sustainable finance and investment mobilisation. While the strategy is ambitious, its success will depend on delivering key measures to ensure Ireland remains at the forefront of international financial services.

Ireland’s interest deductibility regime

The Department of Finance’s November 2025 [Feedback Statement](#) on Phase One of interest tax reform sets out an alternative approach to the taxation and deductibility of interest. As detailed in [our response](#) to the Feedback Statement, we recommend phasing out sections 247 and 249 and replacing them with a simpler, principles-based, and purpose-driven interest deduction provision. It is disappointing that the strawman proposal did not undertake a more comprehensive overhaul to make the recovery of capital rules easier to navigate and more fit for purpose for today’s corporate groups.

The Bill includes several targeted amendments to Ireland’s interest deductibility provisions for certain lending and investment activities. While welcome, retaining section 247 with only these minimal simplifications overlooks the opportunity for meaningful reform.

See our Domestic and International Large Corporates insight for further detail.

Research & Development Tax Credit (R&D)

The Bill builds on the positive developments of recent years through several practical measures aimed at improving the accessibility and operation of the credit.

The Department of Finance’s [R&D Compass](#) (February 2026) identified ways to strengthen Ireland’s offering, including R&D tax credit enhancements and a possible dedicated innovation incentive. We welcome the Government’s continued engagement and encourage further progress in consultation with stakeholders. As R&D operating models evolve, Ireland’s incentives must keep pace to remain competitive in attracting and retaining high-value R&D investment.

See our Domestic and International Large Corporates insight for further detail.

eWithholding taxes and tax administration

Following the launch of the eWithholding Tax (eWHT) [consultation](#) in late 2025, the Department of Finance's Tax Strategy Group (TSG) e-Withholding Taxes [paper](#) considered a range of reforms to Ireland's withholding tax regime. Proposals included replacing existing flat-rate withholding taxes with personalised deduction rates, greater integration of withholding taxes into business systems and the possible extension of withholding tax principles to certain platform-based activities. However, the TSG adopted a more cautious and targeted approach, identifying reform of Professional Services Withholding Tax (PSWT) as the most practical approach. Broader Relevant Contracts Tax (RCT) reforms were left for further consideration, while the proposal to extend withholding tax obligations to certain digital platform activities was not progressed.

Budget 2027 announced that the existing flat 20% withholding rate would be replaced with personalised deduction rates, subject to commencement order. However, its omission

from the Bill indicates that its legislative implementation remains outstanding.

See our Employment and Personal Taxes insight for further detail.

Ireland's New DTAs

The Bill has brought into effect a new Double Taxation Agreement (DTA) with Liechtenstein, and a protocol, amending Ireland's existing DTA with Sweden.

EU tax reforms

Tax Omnibus

Presented in June 2026, the Tax Omnibus aims to streamline direct tax rules, cut red tape by 25%–35%, and save EU businesses over €6.6 billion annually in compliance costs. It proposes amendments to key EU tax directives:

- **Interest and Royalties Directive (IRD):** Reduce administrative burdens by removing the 25% minimum holding requirement for withholding tax exemptions on intra-EU interest

and royalty payments, introduce self-assessment, and align relief procedures with the FASTER framework. However, benefits will depend on consistent application of beneficial ownership and anti-abuse rules. A new withholding tax “safeguard” targeting the non-taxed outbound interest and royalty payments could create additional compliance burdens and impact common debt instruments and financial products.

- **Parent-Subsidiary Directive (PSD):** Remove minimum holding thresholds, extend the Directive to qualifying EU pension institutions, simplify refund procedures and introduce standard refund deadlines. This could improve access to dividend withholding tax relief for pension funds and minority holdings, subject to national implementation and anti-abuse rules.
- **FASTER Directive:** Introduce streamlined withholding tax refund procedures and a digital tax residence certificate, to be implemented by Member States by 1 January 2030. Prevents Member States denying access to fast-track procedures

where investors claim exemptions under the IRD or PSD, simplifying withholding tax recovery, particularly for intermediated or nominee investment structures.

- **Interest Limitation Rule (ILR):** Standardise the 30% EBITDA threshold, €3 million safe harbour, group escape rule and carry-forward mechanism across Member States. Exclusion for certain low-risk third-party borrowing, limited to the borrowers “own use” and excluding intra-group lending. Broaden the long-term public-benefit project exclusion and temporarily exclude certain defence-related borrowing costs.
- **Controlled Foreign Company (CFC)**
Rules: Groups within Pillar Two would generally be exempt from EU CFC rules, subject to restrictions for US groups using the proposed “side-by-side” safe harbour. While some Member States remain reluctant, the Irish Presidency is understood to be drafting a compromise approach. Model A would become the only permitted CFC framework, replacing Ireland's Model B approach.



- **GAAR and Hybrid Mismatch Rules:** Extend the General Anti-Abuse Rule to all direct taxes, including withholding and Pillar Two taxes and remove imported hybrid mismatch rules.
- **R&D Allowance:** Introduce an EU-wide R&D allowance permitting full expensing of tangible R&D assets over 1-4 years.
- **Merger Directive:** Extend to additional forms of cross-border reorganisation, including simplified mergers, divisions by separation and cross-border conversions, providing greater legal certainty and tax neutrality for more EU restructuring transactions.
- **Dispute Resolution:** Procedural changes, including clearer access to dispute-resolution mechanisms, a 30-day filing window in relevant cases, and access to reasons for rejection, which should improve transparency in cross-border tax disputes.

Agreement is unlikely before 2027 and most measures would apply from 2029, although some would apply later such as the withholding tax relief provisions from 2037.

Political compromise may dilute some of the most beneficial reforms.

See our PwC Tax Policy [alerts](#) for more details.

DAC Recast

The European Commission's Directive on Administrative Cooperation (DAC) Recast [proposal](#), published in June 2026, would consolidate DAC1 - DAC9 into a single legislative text and introduce targeted amendments to reduce compliance burdens and improve tax information exchange across the EU. Considered less controversial than the Tax Omnibus package, agreement may be reached by late 2026 or early 2027, with most provisions applying from 1 January 2028. Key measures include:

- Simplification of DAC6, including revised hallmarks, longer reporting deadlines, and a proposed Pillar Two carve-out.
- A streamlined DAC4/DAC9 registration and notification process for CbCR and GloBE Information Return (GIR) filings.

- Targeted amendments to DAC7 platform reporting obligations.
- New measures on the exchange of beneficial ownership information for real estate and an EU-wide Tax Identification Number (TIN) tool.

The most significant changes relate to DAC6. Reporting deadlines would increase from 30 to 90 days, triggered only by the first implementation step being taken, removing unimplemented arrangements from scope.

A DAC6 carve-out for certain groups within the scope of the EU Minimum Tax Directive or OECD GloBE remains under negotiation and any carve-out will likely be delayed until 1 January 2031, following a Commission review by the end of 2029.

Further changes include the removal of Category A hallmarks relating to confidentiality clauses, contingent fees and standardised documentation and a proposal to provide clearer guidance on the Main Benefit Test to promote more consistent interpretation across Member States.

The future of Hallmark D2 remains uncertain as there appears to be limited support for developing substance related criteria following the withdrawal of the Unshell proposal within the DAC recast negotiations.

Beyond DAC6, the Recast would increase the DAC7 threshold for sales of goods from €2,000 to €3,000, remove the current 30-transaction threshold and simplify due diligence requirements for certain sellers. These changes are intended to be reflected in the OECD Model Reporting Rules for Digital Platforms. For DAC4 and DAC9, the focus is on reducing duplication through a single registration and notification process.

The proposal would also introduce an EU-wide TIN verification tool to improve data quality and taxpayer identification. While this remains contentious, there appears to be greater support for a central verification mechanism. Overall, the DAC Recast seeks to simplify administrative cooperation while preserving tax transparency.

See our PwC Tax Policy [alert](#) for more details.

OECD and global tax reform

Pillar Two Side-by-Side package

In line with recent years, international tax continues to dominate Ireland's domestic tax landscape. The Pillar Two amendments alone account for 57 of the Bill's 240 pages. The Bill brings into Irish legislation three sets of OECD guidance, released in January, May and September 2026.

The January guidance delivered the [Side-by-Side Package](#), comprising the Side-by-Side Safe Harbour, the Ultimate Parent Entity Safe Harbour, the Substance-based Tax Incentive Safe Harbour, a permanent Simplified Effective Tax Rate Safe Harbour, and a one-year extension of the Transitional CbCR Safe Harbour. These safe harbours are generally applicable from 1 January 2026. The Bill also transposes the [May OECD guidance](#) with respect to the application of the transitional UTPR safe harbour to MNE groups with 52-53 week fiscal years.

In September, the OECD [published](#) a revised GloBE Information Return (GIR), a legislative

review framework for jurisdictions' Pillar Two rules, and additional administrative guidance, including on local accounting standards for QDMTTs and explicitly conditional taxes (ECTs). The Bill reflects the revised GIR and ECT guidance, and also amends the QDMTT Safe Harbour, investment entity rules and penalties. Further administrative guidance is also expected from the OECD by the end of 2026 on the remaining permanent safe harbours, discriminatory tax regimes, and other topics, which will presumably be included in next year's Finance Bill.

See our Pillar Two insight for further detail.

Taxation of the digitalised economy

The OECD's Pillar One project appears to have stalled. The Multilateral Convention to Implement Amount A of Pillar One, published in October 2023, has not opened for signature due to a lack of consensus. Meanwhile, countries continue to pursue unilateral measures such as digital services taxes (DSTs), with new proposals in Poland and Australia and existing measures being broadened in other jurisdictions. In response

to growing concerns over fragmentation, in May 2026, G7 finance ministers asked the OECD for a progress report by the end of 2026, but comprehensive agreement remains distant.

Under the UN Framework Convention on International Tax Cooperation, many developing countries are also seeking greater source-country taxing rights over digital services. The EU may consider an EU-level DST, although unanimity requirements make this unlikely in the near term. For businesses, DSTs continue to create risks of double taxation, compliance complexity and trade disputes, particularly given opposition from the United States and possible retaliatory trade actions.

Global mobility

The OECD's 2025 update to the Model Tax Convention, released on 19 November 2025, clarified that a home office will not automatically create a permanent establishment (PE), with the analysis remaining dependent on the specific facts and circumstances. On 30 September 2026,

the OECD released the full version of the Model Tax Convention on Income and on Capital 2025, introducing further guidance on the PE implications of cross-border remote working. Further proposals are expected to be considered by the Inclusive Framework later in 2026, while the European Commission has separately announced plans to explore measures aimed at reducing tax barriers to cross-border remote work and employee mobility within the EU.

Transfer pricing

The OECD launched a public consultation in June 2026 proposing substantive revisions to Chapter VII of the Transfer Pricing Guidelines on intra-group services. The proposals include enhanced guidance on the benefit test, the interplay between services and intangible property, and cost allocation methodologies. The feedback published in August 2026 highlighted the need for further clarity on the benefit test, shareholder and chargeable activities, and documentation requirements. A public consultation meeting is planned for 9 November 2026. Once finalised, the guidance is expected to

significantly impact how multinational groups structure, price and defend intra-group service arrangements.

United Nations (UN) Framework Convention on International Tax Cooperation

The UN Framework Convention negotiations gathered momentum in 2026 and are focused on delivering three key outputs by September 2027.

1. UN Framework Convention: A revised draft published in 2026 prompted the first substantive discussions on a near-complete Convention. Developing countries generally favour taxing rights for market jurisdictions and locations of economic activity, while several OECD and EU countries emphasised treaty stability and legal certainty. The treatment of existing treaty networks remains politically sensitive.

2. Taxation of Cross-Border Services: This closely watched protocol considers whether jurisdictions should tax a broader range of cross-border and digital services

without a permanent establishment. Many developing countries favour expanded source-based taxation, while several developed countries cite concerns about administrability, double taxation, trade and investment.

3. Dispute Prevention and Resolution:

Mutual Agreement Procedures have broad support, but views differ on arbitration. Negotiators are exploring flexible options allowing jurisdictions to choose their mechanisms.

Political considerations remain important, with the withdrawal of the United States and Chile highlighting challenges in securing broad consensus. Nevertheless, negotiations continue towards delivering the Convention and protocols to the UN General Assembly in 2027.

For further information on the UN process, please see our Tax Policy Alert [here](#).

We are here to help you

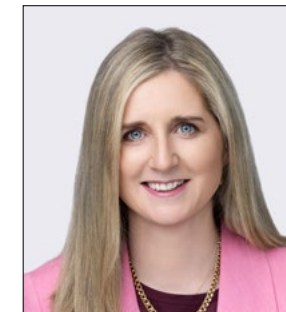
Finance (No. 2) Bill 2026 arrives amid significant domestic and international tax change. Key measures include the Individual Investment Account, technical amendments to interest deductibility regime, R&D tax credit enhancements and a reduction in the standard rate of CGT to 31%. International developments, including the OECD Pillar Two Side-by-Side package, DAC Recast and the Tax Simplification Omnibus, continue to reshape the tax landscape. As many proposals remain under negotiation, early engagement will help businesses manage risk and capitalise on opportunities. Our Tax Policy team helps clients understand these developments and prepare for what comes next.



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Pillar Two

03

Finance (No.2) Bill 2026 – Pillar Two measures

Finance (No.2) Bill 2026 (“the Bill”) continues Ireland’s implementation of the OECD Pillar Two framework, with its principal focus being the OECD’s January 2026 Side-by-Side Package.

Although labelled as safe harbours, some of the OECD-designed measures - notably the Substance-Based Tax Incentive Safe Harbour - introduce new rules, while the Simplified ETR Safe Harbour requires complex calculations that may limit the simplification achieved in practice.

Key measures proposed include:

- OECD Side-by-Side Safe Harbour - Income Inclusion rule (IIR) and Undertaxed Profits Rule (UTPR) top-up tax is switched off for groups with a UPE in a qualifying jurisdiction.
- UPE Safe Harbour – UTPR top-up tax is switched off in qualifying UPE jurisdictions.
- Substance-Based Tax Incentive Safe Harbour – ensures that qualifying

substance-based tax incentives do not increase Pillar Two top-up tax, subject to a substance-based cap.

- Extension of the Transitional CbCR Safe Harbour for one additional year.
- Simplified ETR Safe Harbour – a new permanent simplification measure.
- Explicitly conditional taxes – these are excluded from qualified status.

Side-by-Side Safe Harbour

The Side-by-Side Safe Harbour, introduced through new Section 111AKC TCA 1997, recognises that certain jurisdictions may already operate domestic and worldwide tax systems that achieve outcomes broadly comparable to the Pillar Two rules.

Where an MNE group is headquartered in a jurisdiction recognised by the OECD as operating a qualified Side-by-Side regime and a valid election is made, no Income Inclusion Rule (IIR) or Undertaxed Profits Rule (UTPR) top-up tax should arise in respect of members of that group. The safe harbour does not, however, affect the operation of Qualified Domestic Top-up Tax (QDMTT) and groups remain subject to Top-up Tax Information Return (Globe Information Return) filing obligations.

At present, the OECD Central Record identifies only the United States as operating a qualified Side-by-Side regime. As a result, the safe harbour is currently expected to be relevant primarily to U.S.-headquartered multinational groups.

The Bill applies the Side-by-Side Safe Harbour for fiscal years commencing on or after 1 January 2026.

UPE Safe Harbour

The Bill also introduces the UPE Safe Harbour through new Section 111AKD TCA 1997.

The UPE Safe Harbour is intended to eliminate UTPR top-up tax in the jurisdiction of the Ultimate Parent Entity where that jurisdiction operates an eligible domestic tax system.

The UPE Safe Harbour follows the expiry of the Transitional UTPR Safe Harbour and is intended to provide continuity for groups headquartered in high-tax jurisdictions.

Unlike the Side-by-Side Safe Harbour, it does not provide wider relief from the operation of the IIR or UTPR throughout the group. The OECD has yet to complete the relevant evaluations, following which qualifying jurisdictions will be listed in the OECD Central Record.

Substance-Based Tax Incentive Safe Harbour

The introduction of the SBTI Safe Harbour through new Section 111AKB TCA 1997 is likely to be of particular interest to Irish taxpayers. It applies for fiscal years commencing on or after 1 January 2026.

Qualified Tax Incentives (QTIs) are broadly generally available incentives calculated by reference to expenditure incurred or the quantity of tangible property produced, subject to a number of exclusions. Where a group elects to apply the safe harbour, the top-up tax attributable to QTIs is deemed to be zero. This amount is determined by increasing adjusted covered taxes by the lower of the QTIs used and a substance cap.

Groups may also elect to treat qualified refundable tax credits (QRTCs) or marketable transferable tax credits, or part of one, as a QTI, where the credit would meet the QTI conditions if it were not refundable. Where this election is made, the credit is excluded from qualifying income and treated as a reduction to adjusted covered taxes.

This election should be relevant to Ireland's R&D Tax Credit. As an expenditure-based tax incentive, it should satisfy the conditions for treatment as QTI. Groups should model both treatments to determine the impact.

Extension of the Transitional CbCR Safe Harbour

The Bill extends the Transitional CbCR Safe Harbour by amending the definition of "transition period" in Section 111AJ TCA 1997. The safe harbour will remain available for fiscal years beginning on or before 31 December 2027, but will not include a fiscal year that ends after 30 June 2029.

The Transitional CbCR Safe Harbour has been one of the most significant simplification measures available since the introduction of Pillar Two. The extension provides groups with additional time to prepare for the transition to the permanent Simplified ETR Safe Harbour.

Simplified ETR Safe Harbour

The Bill introduces the Simplified ETR Safe Harbour through new Chapter 5A of Part 4A TCA 1997, commencing with Section 111AKE TCA 1997.

It allows an electing MNE group to deem top-up tax in a jurisdiction to be nil where the jurisdiction's Simplified ETR (Simplified Taxes divided by Simplified Income) is at least 15%, or where the jurisdiction reports a Simplified Loss. Both measures are derived from financial accounting data (rather than CbCR data), with a defined set of adjustments and elections.

While intended to provide a permanent simplification mechanism, the calculations remain significantly more detailed than those required under the Transitional CbCR Safe Harbour. As a result, groups should begin evaluating eligibility well in advance of the expiry of the Transitional CbCR Safe Harbour and consider whether existing systems are capable of producing the information required for the calculations.

A notable feature of the Irish implementation is the flexibility in the choice of financial accounting data used for Simplified ETR Safe Harbour calculations in the context of the Irish QDMTT. Section 111AKH TCA 1997 permits taxpayers to elect to use consolidated financial statement data prepared under specified alternative accounting standards for safe harbour purposes rather than local financial statement data. However, this election must be made consistently for all QDMTT jurisdictions that provide for the same election.

The Simplified ETR Safe Harbour is generally available for fiscal years commencing on or after 31 December 2026. However, the Bill permits its application to fiscal years commencing on or after 31 December 2025 but before 31 December 2026 where specified conditions are met.

With the Transitional CbCR Safe Harbour extended by a year, groups should use that time to model the Simplified ETR Safe Harbour across jurisdictions.

Explicitly conditional taxes and QDMTT Safe Harbour

The definitions of QDMTT, qualified IIR and qualified UTPR now exclude “explicitly conditional taxes”. Explicitly conditional taxes have also been added to taxes excluded from covered taxes in Section 111T.

Section 111AI “Qualified Domestic top-up tax safe harbour” has been updated in line with OECD Administrative Guidance released in September 2026. This section determines when top-up tax for another jurisdiction is deemed to be zero under the Irish IIR or UTPR because that jurisdiction’s QDMTT has met the QDMTT Safe Harbour standards.

Other updates

- Investment entities: The top-up tax calculation for investment entities is revised to include additional top-up tax. Where a group has more than one investment entity in a jurisdiction, their income and substance-based income exclusions are now combined, and the

resulting top-up tax is allocated between them by qualifying income.

- GloBE Information Return: for fiscal years commencing on or after 31 December 2025, non-EU filers must use the September 2026 standardised return.
- Section 111AAI “Top-up tax information return” has been updated to confirm that a correct and complete top-up tax information return filed in another jurisdiction counts as filed in Ireland. The notification of filer must be filed in Ireland in this instance.
- Transitional UTPR Safe Harbour: The Bill incorporates the OECD guidance dealing with fiscal years of 52 to 53 weeks.
- For Irish QDMTT purposes, the local financial accounting standard rules already deem a qualifying entity’s accounting period to align with the fiscal year of the consolidated financial statements where a mismatch arises from a formation, liquidation, merger, division, acquisition or the establishment of a permanent establishment. Previously, this deeming provision extended to the following fiscal

year only for acquisitions. The Bill now extends it to the following fiscal year for all of these events.

- The Bill also updates the penalties for the late filing of a top-up tax information return or notification of filer:
 - A new fixed penalty of €10,000 will apply in addition to the existing monthly penalty. The monthly penalty will now continue to accrue until a “correct and complete” top-up tax information return or notification of filer is delivered. These changes apply to returns and notifications due to be delivered on or after the date of the passing of the Finance Bill.
 - Separately, a new €1 million cap on the aggregate penalty applies to Irish constituent entities of the same group where no designated local entity (DLE) has been appointed. A DLE is an entity appointed to file either the top-up tax information return or the notification of filer on behalf of other Irish constituent entities in the group. Where a DLE has been appointed, its failure to file is

treated as a single failure. Both of these measures are backdated to fiscal years commencing on or after 31 December 2023.

Key actions businesses can take today

Review availability of the new safe harbours:

Groups should determine whether any of the new safe harbours may be available from fiscal years commencing on or after 1 January 2026 and model their potential impact.

Reassess existing Pillar Two compliance processes:

The introduction of multiple new elections means that compliance processes developed during the initial implementation phase of Pillar Two may need to be updated.

Evaluate the impact of the SBTI Safe Harbour:

Groups benefiting from the Irish R&D Tax Credit and other refundable credit regimes should assess whether the new election could improve their Pillar Two position.

Compliance readiness in a changing Pillar

Two environment: The introduction of the Side-by-Side package does not remove the Pillar Two compliance obligations. Rather, it introduces a more flexible framework designed to ensure that detailed GloBE calculations are focused on jurisdictions where they are most relevant.

We are here to help you

For Irish-headquartered groups and multinational groups with Irish operations, the immediate priority should be understanding how the new elections and safe harbours interact with existing obligations. The extension of the Transitional CbCR Safe Harbour provides additional breathing space, but groups should use that period to evaluate their longer-term Pillar Two strategy and ensure they are prepared for the next phase of implementation.



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Domestic and International Large Corporates

04



What does Finance (No.2) Bill 2026 mean for large corporates?

Finance (No.2) Bill 2026 (“the Bill”) delivers a broadly constructive package for large corporates. This is achieved by endeavouring to simplify the tax code in relation to interest relief in particular, and to help lower the administrative burden and risks associated with preliminary corporation tax obligations. The Bill also sees a reduction in the rate of tax on capital gains and seeks to maintain Ireland’s competitiveness in relation to the research and development (R&D) tax credit and other investment incentives.

The key corporate measures introduced include:

- Technical amendments to Ireland’s interest deductibility regime.
- Reduction in the standard rate of Capital Gains Tax (CGT) from 33% to 31%.
- Incorporation of the Organisation for Economic Co-operation and Development (OECD) Pillar Two Side-by-Side Package into Irish legislation.
- Amendments to the R&D Tax Credit in line with the [R&D Tax Credit and Innovation Compass](#).

- A five-year extension to the Knowledge Development Box (KDB) together with opt-out provisions for existing participants.
- Amendments to the corporation tax preliminary payment regime to provide greater certainty and flexibility for businesses.

Ireland’s interest deductibility regime

The Department of Finance published a feedback statement in November 2025 for [phase one of the reform of Ireland’s taxation regime for interest](#) setting out an alternative

approach to the taxation and deductibility of interest.

Following on from that consultation process, the Bill introduces a number of practical adjustments and clarifications to the existing Section 247 and Section 249 Taxes Consolidation Act (TCA) 1997 regimes. It remains to be seen whether further amendments will be introduced as the Bill progresses through Committee Stage. We note that the consultation is ongoing and there may be further amendments in next year’s Finance Act with a view to further simplification. Unless otherwise stated, the changes apply for accounting periods beginning on or after 1 January 2027. The main changes proposed are as follows:

- Recovery of capital provisions contained in Section 249 are to be amended to provide greater flexibility where capital is recovered following an investment qualifying under Section 247. A recovery of capital should not result in a restriction of interest relief where the relevant amount

is used on or within six months after the recovery to make a new qualifying investment (an acquisition of qualifying shares or a new qualifying loan) or is used to repay the relevant Section 247 loan or another loan to which Section 247 applies. The amendments also extend the circumstances in which reinvestment can be made by the company concerned or an intermediate holding company. Technical issues in relation to the risk of multiple recoveries arising on the same event can arise in certain instances. The Bill seeks to manage this by providing that recoveries are allocated across loans proportionately (unless allocated differently in a return or returns) with the restriction capped at the amount recovered. The changes to the recovery of capital provisions apply to accounting periods beginning on or after 1 January 2027.

- The Bill introduces a new Section 247(3A) to prevent duplicative interest relief where amounts are reinvested for

the purposes of the recovery of capital provisions. Where borrowed funds are used to make a new investment such that the reinvestment prevents a restriction of interest relief on the original loan, relief will not be available under Section 247 in respect of interest on the borrowing used to fund that reinvestment.

- The common director test is to be abolished such that Section 247 relief will no longer depend on a common director between the investing and investee companies. This requirement will be removed in relation to existing and future Section 247 loans for accounting periods commencing on or after 1 January 2027.
- The Bill makes a number of amendments to the existing “defray money applied” wording in Section 247, replacing it with references to a loan being “used” for the relevant qualifying purpose, and replacing references to “money” lent with an “amount” lent. These changes apply to loans made on or after 1 January 2027. Existing loans remain subject to the current wording. This should mean that the commercial and administrative

issues of flowing funds borrowed under a Section 247 loan are now more practically manageable.

- The Bill introduces an amendment to the meaning of “company” for the purposes of Sections 247 and 249 to exclude a foreign body corporate that, having regard to its characteristics and the rights and obligations of its members, is substantially similar to an Irish partnership. Such entities are of the type at which Section 1009A, introduced in Finance Act 2025, is aimed.
- The Bill amends Section 247(4) for loans made on or after 1 January 2027 so that interest relief is intended to be restricted only to the extent that interest accrues while the loan is applied for a non-qualifying purpose. Where unpaid interest relates to both qualifying and non-qualifying periods, the interest accruing earliest will be treated as paid first. The Bill also clarifies that a foreign currency conversion or currency swap will not constitute a non-qualifying use where the converted funds are applied for

a qualifying purpose within a reasonable period.

- The Bill amends the restrictions in Section 247(4F) applying to on-lending arrangements to companies outside the charge to corporation tax, whether directly or through another company to a connected company. The amendments disapply these restrictions where the relevant lending arrangement is within the scope of the transfer pricing rules in Section 835C. The changes take effect for accounting periods beginning on or after 1 January 2027.
- Loans from Section 76E-type finance companies will be carved out from the restrictions in Section 247(4E) on connected party asset acquisitions, where the finance company’s only business (other than holding shares in investing companies) is on-lending debt borrowed from unconnected lenders. The Bill also contains an amendment to the restriction on interest relief for connected party asset acquisitions funded by connected party loans, in circumstances where the debt of the seller already qualified for a deduction

or relief. Both amendments are backdated to acquisitions of assets on or after 1 January 2024.

Capital Gains Tax

It was announced on Budget Day that the standard rate of CGT would be reduced from 33% to 31%. The reduced rate applies to disposals made on or after 7 October 2026. The separate 33% CGT rate applicable to disposal of development land remains unchanged and will continue to apply to gains falling within that regime.

Pillar Two

The Bill implements OECD Administrative Guidance issued during 2026, while also introducing a number of updates to the existing Irish Pillar Two rules.

More specifically, the Bill implements the OECD’s January 2026 Side-by-Side Package by introducing the Side-by-Side, Ultimate Parent Entity (UPE) and Substance-Based Tax Incentive Safe Harbours from 1 January 2026, extending the Transitional Country-by-Country Reporting (CbCR) Safe Harbour



by one year and introducing a permanent Simplified Effective Tax Rate (ETR) Safe Harbour. The Side-by-Side Safe Harbour eliminates Income Inclusion Rule (IIR) and Undertaxed Profits Rule (UTPR) top-up tax on a group-wide basis where the UPE is located in a qualifying jurisdiction, while the narrower UPE Safe Harbour removes UTPR top-up tax in the UPE jurisdiction only.

The introduction of the Pillar Two Substance-Based Tax Incentive (SBTI) provisions is welcome. It is expected that the R&D tax credit should be regarded as a SBTI and not, therefore, taxable as Global Anti-Base Erosion (GloBE) income up to the level of the substance-based thresholds.

Finally, under the Simplified ETR Safe Harbour, top-up tax is deemed to be zero in a jurisdiction where the simplified ETR is at least 15% or the jurisdiction reports a simplified loss.

The implementation measures in respect of the OECD's May and September 2026 Administrative Guidance include rules on the application of the Transitional UTPR Safe

Harbour for 52–53-week fiscal years, the removal of qualified status from top-up taxes that are explicitly conditional and updated rules on the operation of the Qualified Domestic Minimum Top-up Tax (QDMTT) safe harbour.

For Irish QDMTT purposes, the local financial accounting standard rule already deems a qualifying entity's accounting period to align with the fiscal year of the consolidated financial statements where a mismatch arises from a formation, liquidation, merger, division, acquisition, or the establishment of a permanent establishment. Previously, this deeming provision extended to the following fiscal year only for acquisitions. The Bill now extends it to the following fiscal year for all of these events.

Finally, the Bill updates the penalty framework for failures relating to the GloBE Information Return (GIR) and associated notifications.

Please see our Pillar Two insight for further detail.

Research and Development (R&D) Tax Credit Regime

The Bill introduces a number of enhancements to Ireland's R&D regime as announced on Budget Day. These include a 5% uplift on qualifying R&D labour costs to cover non-qualifying costs. This is being introduced with effect for accounting periods ending on or after 23 December 2027. This essentially provides an additional R&D tax credit rate of 1.75% on qualifying labour costs. The uplift applies provided that a company has incurred non qualifying R&D costs in the same trading activity at least up to that 5% level. We would expect all companies to benefit from this given the level of non-qualifying costs incurred by companies in carrying on their trading activities that incorporate R&D.

For accounting periods ending on or after 23 December 2027, the limit on third-party subcontracted R&D expenditure will increase from the greater of "15% or €100,000" to "20% or €200,000" and the minimum first instalment payment will increase from €87,500 to €105,000. In addition, companies

will be able to take account of their first, second, and third R&D tax credit instalments for preliminary tax purposes where they specify these as overpayments of tax and offset them against their corporation tax payable for the accounting period.

These measures provide further flexibility for companies and will be of particular benefit to small and medium-sized enterprises (SMEs) that rely on R&D third-party outsourcing, and for which accelerated cash flow is much needed. They will also benefit larger multinational enterprises that rely on R&D outsourcing to supplement their own R&D employee activity in Ireland, particularly those with intensive R&D development spikes.

One further amendment flagged in the Budget documents relates to regulated clinical trial activity being deemed to meet the science test. We expect to see this amendment being introduced at Committee Stage of the Bill following a technical assessment of the required legislative wording.

Finally, the introduction of the Pillar Two SBTI provisions provided for in the OECD Side-by-Side agreement with effect from the start of 2026 is welcome. It is expected that the R&D tax credit should be regarded as a SBTI and not, therefore, taxable as GloBE income up to the level of the substance-based thresholds.

Knowledge Development Box

The KDB is to be extended for five years to 1 January 2032. A time-limited option to opt-out of the KDB in respect of existing qualifying intellectual property (IP) assets that were elected into the KDB has been introduced. The opt-out election can only be made in respect of a specified accounting period that commences on or after 1 January 2027 and before 1 January 2028. The election must be made in writing and within 24 months of the end of the specified period. This amendment is very welcome as currently once a company elects into claiming the relief on a qualifying KDB IP asset, it must continue to claim the relief regardless of whether the IP is generating profits.

Preliminary corporation tax requirements

There are some welcome amendments to the preliminary corporation tax payment rules. The threshold below which a company is regarded as a 'small company' for preliminary tax purposes will increase from €200,000 to €350,000. This change is effective for accounting periods beginning on or after 1 January 2027 and effectively extends the simplified payment arrangements for small companies to a broader range of businesses.

The ability for all companies to mitigate the charge to interest on underpayments of preliminary corporation tax by making a top-up payment is also broadened and certain other amendments are made to the computation of interest on underpayments of preliminary corporation tax by large companies.

Please see our Tax Administration and Revenue Powers insight for further detail.

Sporting bodies

The Bill introduced new CGT, stamp duty, and Capital Acquisitions Tax (CAT) reliefs to facilitate the incorporation of unincorporated sporting bodies as companies limited by guarantee (CLGs).

The CGT relief applies to approved bodies within the meaning of Section 235 TCA 1997 and provides for assets to transfer on a no-gain/no-loss basis, subject to specified conditions. The stamp duty exemption applies where the entire undertaking, assets and liabilities of a qualifying sporting body are transferred to a CLG in accordance with the statutory requirements. The CAT relief exempts benefits arising to a qualifying CLG from such a transfer, subject to the relevant statutory conditions.

As there was doubt that the existing legislation facilitated a tax-neutral incorporation as a CLG, these measures will be a welcome development for many unincorporated sporting bodies.

A number of changes were also introduced in relation to the rules for donations to certain

sports bodies. The primary change of note is the imposition of an upper limit on tax-relieved donations made by an individual in a year of assessment of €1 million or, where the donor is associated with the approved sports body, 10% of the donor's total income. The Bill also proposes to allow sports bodies to establish a fundraising body for the purposes of receiving donations for approved projects.

Other miscellaneous measures

The Bill introduces a number of further technical amendments, including:

- Section 138 TCA 1997 contains provisions relating to the tax treatment of dividends on certain preference shares. The existing legislation provides an exclusion for unquoted preference shares which carry similar rights to fixed-rate dividend shares quoted on a stock exchange in the State. Following the delisting of certain shares from Irish markets, the availability of securities capable of being used as comparators for this purpose has become limited. The Bill amends the

definition of 'preference shares' in Section 138(1)(b) by replacing the requirement for comparator securities to be "quoted on a stock exchange in the State" with a requirement that such securities be "admitted to trading on a regulated market in an European Economic Area (EEA) State". By extending the scope of qualifying comparator securities to include securities admitted to trading on regulated markets across the EEA, the amendment should better align the legislation with the realities of modern capital markets and improve the operability of Section 138 by broadening the pool of securities potentially available for comparison purposes.

- The Bill amends Part 35D TCA 1997 to extend the deadline for making, and withdrawing, interest limitation rule elections (including the equity ratio, group ratio, and interest group elections) from the return filing deadline to two years after the end of the relevant accounting period for accounting periods commencing on or after 1 January 2027. The Bill also makes related changes to the interest group

return filing date and minor technical corrections.

- The Bill brings into effect a new double taxation agreement (DTA) with Liechtenstein and a protocol to the existing DTA with Sweden. These measures expand and update Ireland's treaty network and will govern the allocation of taxing rights and the elimination of double taxation between Ireland and the relevant jurisdictions.
- The Bill also amends the existing legislation to account for changes to the European Union (EU) list of non-cooperative jurisdictions for tax purposes. The revised list removes Panama and Vietnam, with no new jurisdictions added. As the EU Council updates this list twice yearly (February and October), companies should ensure they refer to the appropriate list for the relevant accounting period.

Key actions businesses can take today

Review existing financing structures

Groups should review existing financing arrangements in light of the amendments to Sections 247 and 249. The changes simplify a number of long-standing conditions for interest relief, including the removal of the common director requirement, while also providing greater flexibility where recovery events take place or where loans are repaid or refinanced.

Pillar Two

Groups within scope should assess the availability of the new safe harbours and consider their impact on both their Pillar Two position and compliance obligations.

Preliminary corporation tax

The proposed changes to the preliminary tax regime should provide greater flexibility for companies seeking to manage cash tax payments and interest exposure. Businesses should review existing tax forecasting and

payment processes to determine whether they can benefit from the increased small company threshold and the new top-up payment mechanism, which will allow taxpayers to correct underpayments without interest arising in a broader range of circumstances.

We are here to help you

Finance (No. 2) Bill 2026 contains a number of important measures that will impact corporates operating in Ireland and internationally. As the tax and business landscape continues to evolve, our tax team is here to help you understand the implications for your organisation and plan with confidence. Get in touch today.



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Financial Services

05

What does Finance (No.2) Bill 2026 mean for the financial services industry?

Finance (No. 2) Bill 2026 (“the Bill”) enacts the Pillar Two Side-by-Side Package with its associated new safe harbours, reshapes retail investment and launches the Individual Investment Account (IIA). It also makes a number of other largely positive surgical simplification changes to the tax code.

Key measures include:

Individual Investment Account (IIA)

Section 26 of the Bill introduces the legislation that will enable

IIA providers to operate the new investment account. While it isn’t expected that any IIAs will be subject to tax for several years, given the annual contribution limit of €12,000 and the tax-free threshold of €50,000, the draft legislation is comprehensive, which should facilitate IIA providers building the internal systems needed for the eventual operation of the 1% tax. Annual reporting of the account value (based on daily averages during the period) must be provided to Revenue by the

IIA provider via notification by the following 31 March and a final return due by 14 April. This notification is required regardless of whether the tax-free threshold has been breached.

The Bill does, however, also provide Revenue with the ability to make further regulations to deal with the administration of the IIA. Given this is the first account of its type in Ireland, having the flexibility to adjust how the account is administered will be key to its success, particularly as feedback from IIA providers is received by Revenue via the Technical Group Forum over the coming weeks.

The legislation has been drafted to turn off existing withholding tax provisions for dividends, encashment tax, interest, investment undertaking tax, and life assurance exit tax where the account provider provides the relevant declaration. Such simplicity should minimise the risk of double taxation.

While future regulations will likely reveal more detail on certain operational aspects, it is clear from the draft legislation that the risk of compliance rests firmly with the IIA providers. Failure to comply with eligible asset requirements can result in a €3,000 fine for the provider, while Revenue also has the power to revoke the IIA provider’s eligible provider status where they consider there has been a failure to comply with any obligation imposed on the IIA provider. Robust governance and controls will be essential for IIA providers to maintain eligible provider status.

Broader retail investment changes

While the Capital Gains Tax (CGT) rate has already dropped from 33% to 31%, from 1 January 2027, exit tax on payments to Irish individuals from Irish and equivalent offshore funds and life assurance policies falls from 38% to 35%.

Section 739DA TCA 1997 moves Irish fund units held through recognised clearing systems, principally exchange-traded funds (ETFs), into a standalone regime, retaining self-assessment and loss restrictions and applying the 35% rate. Disappointingly, the eight-year deemed disposal rule remains, pending a broader review. We hope for a clear timeframe to implement remaining Funds Sector 2030 recommendations.

Pillar Two

There have been significant changes introduced in the Bill in relation to Pillar Two. These principally implement the OECD Side-by-Side Package agreed in January

2026. The Bill introduces a Side-by-Side Safe Harbour, UPE Safe Harbour, Substance-Based Tax Incentive Safe Harbour and Simplified ETR Safe Harbour. The Transitional CbC Safe Harbour has been extended and will remain available for fiscal years beginning on or before 31 December 2027, but will not include a fiscal year that ends after 30 June 2029. See our **Pillar Two** insight for further detail.

A cap of €1 million per group per year has been introduced on late filing penalties where no designated local entity (DLE) has been appointed. Where a DLE has been appointed, only one return/ notification is treated as late. For future returns, penalties will now continue to run until a correct and complete return is filed.

Interest Limitation Rules (ILR)

Although minor, sensible taxpayer-friendly amendments have been proposed for the timing of interest limitation rules related elections from 1 January 2027.

An extension to the deadline for making the interest group, group ratio, and equity ratio elections from the tax return filing deadline to two years after the end of the accounting period provides more flexibility to taxpayers.

The reporting company must also file the group's reporting return by the tax return due date or the election date, whichever is later.

Preliminary corporation tax

Threshold

The threshold for small company preliminary tax increases from €200,000 to €350,000. It is reduced proportionately for accounting periods shorter than 12 months.

Top-up payment window

Companies that have paid less than 90% of the current year's tax liability at the preliminary tax deadline will now have four months from the accounting period end to bring the total paid to 100% of the concerned period's total liability. To qualify, at least 80% of the liability must have been

paid by the preliminary tax deadline. This is particularly helpful for companies whose profit and loss account includes fair value movements on assets or liabilities with fluctuating valuations.

Real estate

The real estate-specific changes proposed in the Bill are modest but welcome, with a number of existing schemes extended or adjusted. See our **Infrastructure** insight for further detail.

Other financial services measures

Health insurance levy

Several changes to the operation of this levy are being introduced, including a requirement for an insurance company to pass on any refunds received to policyholders.

Life assurance levy

Amendments have been made to the definition of this levy so that it does not apply to any products held in the new IIA.

Bank levy

The bank levy has been extended to 2027 with the base year and the rate remaining the same. The levy to be charged in 2026 and 2027 will be based on the eligible deposits held by each relevant institution as at the end of 2024. The rate of levy applied to the base is 0.1025%, to achieve the target yield of €200 million.

VAT modernisation: e-invoicing and digital reporting

The Bill includes legislative updates relating to e-invoicing and digital reporting as Ireland moves forward with implementation of the wider EU ViDA reforms. Businesses should start considering the practical implications of these changes and reach out to us to discuss how they may be affected, ahead of Ireland's phased introduction of mandatory e-invoicing and digital reporting.

Payments, transfers, and account transactions

The wording of the VAT exemption for transactions concerning current, deposit

or savings accounts, payments, transfers, debts, cheques, and other negotiable instruments has been updated to more closely aligned with the EU VAT Directive. This is a technical amendment which we understand does not involve any change in Revenue practice.

We are here to help you

The Bill contains a number of important measures for the financial services industry. Our financial services tax specialists can help you understand the implications for your business and navigate the evolving tax landscape. Get in touch with our team today.



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Individual Investment Accounts

06



What does Finance (No.2) Bill 2026's new Investment Account mean for individuals?

Finance (No.2) Bill 2026 introduces the Individual Investment Account (IIA), which is a new investment structure aimed at encouraging individuals to invest within a simplified tax framework.

The measures introduced in Finance (No. 2) Bill 2026 ("The Bill") are transformational for retail investment in Ireland, with the potential to change our investment culture. Irish savers have traditionally favoured holding their money on deposit for security rather than investing in higher returning investments such as equities, bonds, and other financial instruments. Investing money on deposit delivers returns that underperform inflation over the long-term. As a result, analysis shows that Irish household wealth has grown at a much slower pace when compared to countries such as the US, which have a much higher rate of participation in capital markets.

Simple and straightforward

The Government's new IIA, available from 1 July 2027, aims to change this by encouraging Irish savers to invest their medium and long-term savings by making investing simpler and more tax-efficient.

The Bill has prescribed detail in terms of how the IIA will operate:

- It will be available to Irish tax residents aged 18 and over.
- An individual may only hold one IIA.
- A maximum annual contribution limit of €12,000 will apply to individuals with no minimum contribution requirement.
- A tax-free threshold will apply to investments up to €50,000.
- A flat 1% tax rate will be applied on assets valued in excess of €50,000.

- Eligible investments will include equities, bonds, units in UCITS and insurance-based investment products.
- There will be no fixed period for which the money must remain invested.
- The IIA provider will deduct and remit tax owed, requiring no action from the account holder.

The Bill also sets out detail around the calculation of the 1% tax, the treatment of excess contributions (above the €12,000 per annum limit), contributions while non-resident, the holding of ineligible investments, transferring between providers, and how IIAs are treated on death.

The parameters of the IIA make it a viable option for all savers in Ireland, offering a straightforward path for new investors and offering an alternative tax-efficient solution for existing investors.

Encouraging an investing culture

Historically, Ireland has lacked a culture of retail investment, partly due to a complex taxation system applying to investment funds, including the reporting requirements for the individual and the absence of a simple tax-advantaged product.

The IIA offers a simple way to start investing and will be designed to accommodate investors with smaller amounts. It can also help people learn more about the level of investment risk they are comfortable taking, and how they react to periods of market volatility. Developing a clearer sense of one's attitude to risk can be very powerful in unlocking the ability to invest in a more efficient manner over the long-term. The IIA will offer a starting place for many Irish investors to access the wealth creation properties of investing in capital markets.

This learned experience will help individuals to become more confident investors over time. The IIA will broaden access

to investment markets with minimal administrative or tax complexity.

Taxation

A flat rate of tax of 1% will apply annually on amounts above the €50,000 tax threshold. Any tax payable will be paid via unit deduction and remitted by the provider on behalf of investors.

There are some other minor technical consequential amendments to reflect the IIA's interaction with existing taxation rules. For example, the 1% levy on insurance product premiums will not apply to the IIA.

Implications for existing savings

The IIA is designed to complement existing structures available to Irish investors; however, this will inevitably lead to assets being diverted away from existing vehicles to take advantage of this new regime.

For investors in funds which will attract 35% exit tax under the deemed disposal regime, the IIA alternative will be clearly attractive to many (albeit investors with unrealised losses



will need to consider the position carefully). The effect is weaker for investors in assets that will be liable to 31% Capital Gains Tax. However, the IIA alternative will still be compelling for many.

The most interesting comparison may be with Additional Voluntary Contributions (AVCs). The IIA will facilitate access to tax-free investment growth up to the €50,000 threshold and offers immediate liquidity — versus AVCs, which lock funds away until retirement age.

For taxpayers who earn less than €46,500 in 2027, and so do not pay income tax at the higher rate of 40%, it will be financially advantageous to save through an IIA and delay making AVCs until paying tax at the higher rate.

A similar logic applies to all taxpayers — the IIA will offer an efficient, straightforward means to save without tying money up for the long-term. Where the IIA assets are not required, or where the IIA approaches the €50,000 threshold, funds can be withdrawn

and used to supplement AVC contributions at that point.

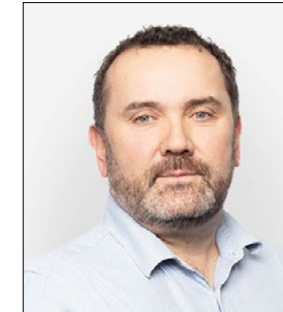
In summary

The IIA is designed to encourage greater participation in financial markets and boost long-term saving through tax incentives and access to diversified investments; early reactions suggest that it will significantly influence how Irish investors direct their assets.

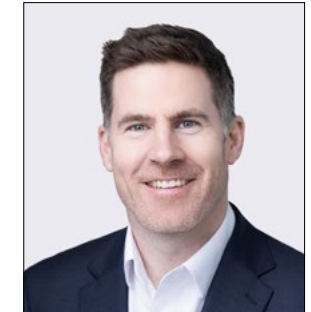
In PwC Wealth Management, we believe the IIA has the potential to play a positive role in transforming investment habits, building on our strong culture of saving and making those savings work harder for us.

We are here to help you

The new IIA represents a significant development for individuals looking to invest for the future. Our wealth management team can help you understand what it means for your financial goals and how to make the most of the opportunities available. Get in touch to discuss further.



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Private Business and Individuals

07



What Finance (No.2) Bill 2026 means for private business and individuals

Finance (No.2) Bill 2026 did not contain any significant new tax reliefs from a private business perspective. Instead it focused on modest, targeted interventions and actions to support Irish businesses.

The key private tax measures introduced in Finance (No.2) Bill 2026 (“the Bill”) include:

- A reduction in the CGT rate from 33% to 31% with respect to disposals made on or after 7 October 2026. There will be no change to the 33% rate which applies to the disposal of development land.
- An increase in the CAT thresholds;
- A reduction in the income tax rate on income and gains arising on certain offshore funds from 38% to 35%.
- Extension of the Relief from Tax for certain Start-Up Companies (Section 486C start-up relief is being extended to 31 December 2030).

- A change to the threshold from €200,000 to €350,000 in determining whether a company is regarded as a small company for preliminary corporation tax purposes.

Whilst extensions to the Relief for Investments in Corporate Trades were announced in Budget 2027, they were not included in the Bill. Given that these reliefs expire at the end of 2026, we expect that the extension of these reliefs will be introduced at Committee Stage.

CGT

The rate of CGT has been reduced by 2% to 31% for disposals of assets made on or after 7 October 2026. The rate will remain at 33% for the sale of development land.

CAT

The Group A threshold has increased from €400,000 to €420,000, the Group B threshold has increased from €40,000 to €44,000 and the Group C threshold has increased from €20,000 to €22,000. The increased thresholds are effective for gifts or inheritances on or after 7 October 2026.

CAT – Support, Maintenance and Education of Qualifying Children

Qualifying Children

The Bill proposes amendments to CAT legislation to ensure that normal and reasonable payments for the support, maintenance or education of qualifying children made after the death of the donor are not treated as gifts or inheritances for the purposes of CAT. This exemption has been extended to apply to qualifying payments from the deceased donor, regardless of whether the other parent is still living.

Taxation of Offshore Funds

The Bill proposes to reduce the current income tax rate on payments/gains from Irish Investment Undertakings, equivalent offshore funds and life assurance policies from 38% to 35% from 1 January 2027. The rate change will also apply to Exchange Traded Funds (ETFs) within these regimes.

Succession Farm Partnerships

For succession farm partnerships registered on or after 1 January 2027, the annual succession tax credit increases from €5,000 to €10,000. In addition, the existing requirement to defer the transfer of farm assets for at least three years will be removed. For applications made on or after 1 January 2027, qualifying farm assets may be transferred at any time from the date of application up to 10 years thereafter.

Individual Investment Accounts

The Bill proposes a new individual investment account for Irish tax resident individuals who are aged 18 or over. It proposes that contributions are capped at €12,000 per year. Eligible investments include listed equities, bonds, insurance-based investment products and UCITS funds such as ETFs. The account is subject to a flat annual tax of 1% on the average value of the account above a €50,000 tax-free threshold. Income and gains within the account are otherwise exempt. The account provider calculates, reports and pays the tax.

Donations to Certain Sports Bodies

A number of changes were introduced in relation to the rules on donations to certain sports bodies. The primary change of note is the imposition of an upper limit on tax-relieved donations made by an individual in a year of assessment of €1 million or, where the donor is associated with the approved sports body, 10% of the donor's total income.

The Bill also proposes to allow sports bodies establish a “fundraising body” for the purposes of receiving donations for approved projects.

Extension of Reliefs

The Bill provides that the Relief from Tax for certain Start-Up Companies (Section 486C start-up relief) is being extended to 31 December 2030.

The Employment Investment Incentive (EII), Start-Up Capital (SCI), Start-Up Relief for Entrepreneurs (SURE) and the Relief for Investment in Innovative Enterprises Incentives (Angel Investor Relief) are due to expire at the end of this year. Whilst Budget 2027 announced that these reliefs are to be extended, the Bill did not make any provision to extend them. These reliefs are subject to State Aid rules. We would therefore expect an extension to these reliefs to be introduced at Committee Stage and to be subject to Commencement Order.



Research & Development Tax Credit and Knowledge Development Box Regime

The Bill extends the availability of the Knowledge Development Box (KDB) regime, while also introducing enhancements to the Research & Development (R&D) Tax Credit. See our Large Corporates insight for further detail.

Preliminary Corporation Tax

The Bill introduces a number of changes to the preliminary corporation tax regime from 1 January 2027. These changes include a new 80% safe harbour with a four-month top-up period, the removal of certain deeming provisions that could give rise to interest charges, and an increase in the small company threshold from €200,000 to €350,000. Please refer to our Tax Administration and Revenue Powers section for further insights on the changes.

We are here to help you

Finance (No. 2) Bill 2026 introduces a number of important changes to help businesses and individuals. Our team can help you understand what these changes mean for you. Get in touch with our team today.



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Employment and Personal Taxes

08

What does Finance (No.2) Bill 2026 mean for employment and personal taxes?

From an employment and personal tax standpoint, the majority of the legislative actions contained in Finance (No.2) Bill 2026 (“the Bill”) are aligned with announcements made on Budget Day.

Finance (No. 2) Bill 2026 provides the legislative framework for a number of Budget 2027 tax measures, but it also contains important developments that extend beyond the headline announcements. For employers, the most notable changes relate to the evolving Enhanced Reporting Requirements (ERR) regime and the treatment of pension benefits in determining tax relief on termination payments. The changes will have practical implications for payroll, HR, and tax processes in the years ahead.

The key employment and individual tax measures introduced in the Bill include:

- As indicated on Budget Day, there will be a relaxation of the real-time reporting requirements that currently form part of ERR. The new reporting timeframe requirements will be made

via the issuance of updated Income Tax (Employments) Regulations with effect from 1 January 2027.

- The personal tax credit will be increased by €125 to €2,125 for single persons and by €250 to €4,250 in the case of married persons and civil partners jointly assessed to tax. Both the employee tax credit and earned income tax credit will also be increased from €2,000 to €2,125. In addition, the home carer tax credit will be increased by €100 to €2,050.
- An increase in the Universal Social Charge (USC) 2% ceiling by €1,600 from €28,700 to €30,300 for the 2027 year of assessment onwards. This change is made in tandem with the increase in the national minimum wage applicable in 2027 and will ensure that the 2% rate remains

the highest rate of USC that is charged on the income of a full-time worker on the national minimum wage.

- An amendment extends the definition of a Relevant Capital Sum (relevant to the calculation of tax relief on termination payments) to cover a range of additional pension arrangements, including PRSAs. This amendment ensures that retirement lump sum entitlements under these arrangements must be incorporated when calculating the relevant tax exemptions such as the Increased Exemption and the Standard Capital Superannuation Benefit (SCSB). Individuals will continue to have the option to surrender an entitlement to a lump sum from the additional pension arrangements in order to avail of additional tax relief on the termination payment. This amendment should not impact employers with a sole pre-existing occupational pension scheme in place.
- With respect to the tuition fee tax credit for third-level education, for the year of

assessment 2026 and each subsequent year of assessment, the amount to be disregarded, in calculating the relief, shall be reduced by €650 for a full-time course (from €3,000 to €2,350) and €325 for a part-time course (from €1,500 to €1,175).

- There is an increase in the exemption limit, to €20,000 per annum, for the provision of child-minding services in their own home where the relevant conditions are met.
- From a Professional Services Withholding Tax (PSWT) perspective, Budget 2027 announced that the existing flat 20% withholding rate would be replaced with personalised deduction rates, subject to commencement order. However, no provision has been made within the Bill and its implementation therefore remains outstanding.

Key actions businesses can take today

- **Prepare for changes to Enhanced Reporting Requirements**

Although the revised reporting timelines will be introduced through updated regulations from 1 January 2027, employers should begin assessing the operational impact now. Payroll, HR, and tax teams should monitor further guidance over the coming weeks.

- **Review termination payment policies and processes**

Employers should review existing termination payment procedures and pension arrangements to determine whether the expanded definition of a Relevant Capital Sum will affect the calculation of tax-relieved severance payments. As set out above, this should not impact employers with pre-existing occupational pension schemes in place. However, to the extent there are employees who are also contributing to PRSAs or other pension arrangements, further consideration of these arrangements will now be required.

We are here to help you

The measures contained in Finance (No. 2) Bill 2026 will require employers and advisers to consider the practical implications for payroll processes, reporting obligations, and employee tax planning.

Early assessment of these changes can help organisations manage compliance requirements and ensure they are prepared for the developments taking effect from 2027 and beyond. For further information on any of the measures discussed above, please contact a member of our workforce tax team.



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Infrastructure

09

What does Finance (No.2) Bill 2026 mean for the real estate sector?

The changes proposed in Finance (No. 2) Bill 2026 (“the Bill”) are modest but welcome. A number of existing schemes have been extended or adjusted, and the Derelict Property Tax stands out as the most prominent new measure introduced in the Bill with implications for the real estate sector (although its introduction is subject to a commencement order).

Finance Bill has introduced limited, but targeted measures that will impact the taxation of the real estate sector, a number of which are intended to address housing affordability, accessibility, and regeneration. Measures include an increase in the rental tax credit, an increase in the maximum relief available under the Help to Buy Scheme and the introduction of the Derelict Property Tax.

The key real estate measures introduced in the Bill include the following:

- A further opportunity for landowners to make an application to have the zoning of land changed for the purposes of the Residential Zoned Land Tax.
- An increase in the maximum relief that can be claimed under the Help to Buy Scheme.
- An increase in the rental tax credit available for a principal private residence.
- An increase in the income tax exemption available under the Rent-a-Room Relief and an extension of dwellings within scope of the relief.
- The introduction of the Derelict Property Tax
- A reduction in the Capital Gains Tax rate (with the exception of disposals of development land).

Residential Zoned Land Tax

A further opportunity will be provided to allow landowners to make an application to have the zoning of land changed. The site cannot be the subject of an extant planning permission for residential development, nor can there be a current planning application for residential development. The deadline to make the application to the local authority will be 30 April 2027, in line with prior years. This would effectively remove the charge to RZLT in 2027.

At this point, no change to the position in relation to sales by way of a forward fund has been announced, meaning an RZLT clawback in the case of residential development can still arise.

Relief for first-time buyers

The upward limit of the refund that can be claimed by first-time buyers under the Help to Buy Scheme has increased by €5,000 to €35,000. This applies to claimants who enter

into a contract for the purchase of a new build, or, in the case of a self-build home, who draw down the first tranche of their mortgage on or after 7 October 2026.

Relief for renters

The annual tax credit available on principal private residences will be increased for the 2027 and 2028 years of assessment. The value of the credit will increase to a maximum of €1,150 per single individual and €2,300 for married couples.

Relief for landlords

The income tax exemption in respect of the Rent-a-Room Relief has increased to a maximum of €16,000 from 1 January 2027.

The relief has also been extended to newly installed detached auxiliary dwellings (such as backyard cabins) that are between 32m² and 45m². The change applies retrospectively from 27 July 2026 when the

new planning rules came into force and will be in place until 31 December 2030.

Derelict Property Tax

Derelict Property Tax is an initiative being introduced to support housing supply and regeneration (although please note that its introduction is subject to a commencement order). The tax will be introduced on a phased basis, first applying to towns with a population of at least 4,000 and expanding to include towns with a population of at least 2,000 from the second year of operation. The tax will apply to residential and non-residential properties, with a rate of tax of 7% being applied on the self-assessed value of the property.

Local authorities will be responsible for compiling and maintaining a register of derelict properties based on a number of criteria, such as a property not in use or not suitable for use as a dwelling, commercial, social, or communal facility.

A preliminary register of derelict properties will be published on 1 September 2027. Property owners will have a right to request

a review of their property's inclusion on the register until 31 October 2027. Final registers will be published on 28 February 2028 in advance of the first pay and file deadline arising on 23 June 2028. A similar annual cycle is expected to apply thereafter.

A credit will be available to reduce the derelict property tax payable where the same property has suffered local property tax or vacant homes tax in the prior year.

The draft legislation contains certain deferral provisions in respect of the tax such as a change in ownership or a claim of completion of remediation works. Potential deferrals should be reviewed and considered.

Capital Gains Tax reduction

The standard rate of Capital Gains Tax has been reduced to 31% for disposals made on or after 7 October 2026. This excludes disposals in respect of development land, which continue to be chargeable to Capital Gains Tax at the rate of 33%.

Key actions

The Irish tax system, especially in the context of Irish real estate, is complex and requires careful consideration in all transactions. Please reach out to your PwC contact to find out how we can help.

Residential Zoned Land Tax

Landowners should assess whether their sites are zoned correctly and ensure that the necessary rezoning application is submitted to the relevant local authority in advance of the 30 April 2027 deadline.

Derelict Property Tax

Landowners, whether residential or non-residential, should consider whether their property portfolio(s) could be regarded as derelict under the proposed rules. Early assessment will provide time to assess the impact of the property (or properties) being considered derelict, gather professional/ supporting evidence regarding a property's condition or challenge inclusion on a preliminary register before the first filing obligations arise.

Landowners should also consider the availability of certain deferrals provided for in the draft legislation and consider whether a deferral(s) is applicable to their circumstances.

First-time buyers

First-time buyers planning to purchase a new home should assess how the increase in the Help to Buy Scheme affects their funding requirements. Buyers who have already submitted a help to buy application, or who have received approval but not yet drawn down relief or received vendor verification, should monitor updates to Revenue guidance closely to determine whether they can benefit from the increased relief and if further action is required.

Consider the impact on your business

The proposed legislative changes will likely have an impact on your organisation. PwC's tax team is available to help you and your business understand how these changes will impact your business.

We are here to help you

The Bill introduces a number of important changes for the real estate sector. Whether you are a property developer, investor, or asset manager, our real estate tax specialists can help you understand the implications for your business and identify the actions you need to take. Get in touch with our team today.



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Energy Transformation and Climate Change

10

Finance (No. 2) Bill 2026 - Energy Transformation and Climate Change measures

Finance (No 2) Bill 2026 (“the Bill”) focuses on short term measures to cushion the impact of energy price volatility due to ongoing instability in the Middle East. While this is welcome, it is disappointing that more strategic tax measures were not introduced to accelerate investment in renewable energy sources and wider decarbonisation of our economy

The key climate measures introduced in the Bill include:

- The income tax, USC and PRSI exemption for household micro-generation income will increase from €400 to €600.
- The carbon tax on kerosene and natural gas will reduce to €48.50 per tonne of CO2 from 14 October 2026.
- The planned increase in carbon tax on auto-fuels to €78.50 per tonne of CO2 is deferred until 1 May 2027.
- The reduced mineral oil tax rates will remain in place in full until 28 February 2027.
- The diesel rebate scheme for qualifying road transport operators has been

extended from 1 October 2026 to 1 January 2027.

- The €5,000 remission or repayment of Vehicle Registration Tax for battery electric vehicles, has been extended to 31 December 2028

Income tax disregard for the micro-generation of electricity

The Micro-generation Support Scheme (MSS) allows homeowners to sell any excess electricity they produce from renewable or sustainable sources, including solar panels, back to the grid. Previously, in line with section 216D TCA 1997, an income tax, PRSI and USC exemption was available for the first €400 of income earned in this manner.

This threshold has now been increased to disregard the first €600 of income. The MSS remains in place until 31 December 2028.

Reduction in carbon tax on kerosene and natural gas

The Bill reduces the carbon tax on kerosene and natural gas to €48.50 per tonne of CO2 from 14 October 2026, with this rate maintained until 2030. These rates had been legislated to rise to €78.50 per tonne by May 2027 but have instead been reduced to 2023 rates.

Deferral of carbon tax increase on auto-fuels

The Bill defers the planned increase in carbon tax on auto-fuels to €78.50 per tonne of CO2 from 14 October 2026 until 1 May 2027.

Phased restoration of mineral oil tax rates

The reduced mineral oil tax rates, which were due to expire in November, remain in place

in full until 28 February 2027. The previous rates will be restored in four phases from that date, with full restoration by 30 June 2027.

Diesel rebate scheme extended to 1 January 2027

The diesel rebate scheme for qualifying road transport operators has been extended from 1 October 2026 to 1 January 2027.

VRT relief for electric vehicles and revised VRT bands

The Bill extends the €5,000 remission or repayment of Vehicle Registration Tax (VRT) for battery electric vehicles, including electric motorcycles, to 31 December 2028. In addition, from 1 January 2027 a revised table of VRT rates based on CO2 emissions applies, ranging from 7% (minimum €140) for vehicles up to 50g/km to 42% (minimum €840) for vehicles above 190g/km.

Key actions businesses can take today

Decarbonisation should be a priority area for all businesses. Companies should consider the following actions today:

Measure your carbon footprint and exposure to environmental taxes

Carry out carbon pricing and environmental tax impact assessments. Measure where you are today and use this information to set meaningful short, medium- and long-term decarbonisation targets.

Put processes in place to enable ongoing collaboration between decarbonisation teams and tax and finance teams

It is important to include tax at all stages of decarbonisation projects, from planning to implementation. Understand the tax costs, the tax opportunities and any conditions that must be met for all options under consideration. This includes direct taxes (including the potential application of Pillar Two rules and securing tax deductions for funding costs), indirect taxes, carbon



and environmental taxes, tax incentives, subsidies and transfer pricing.

Keep up-to-date on tax costs, incentives and subsidies

The global tax landscape is constantly changing and becoming increasingly complex. It is important to keep up-to-date with tax policy developments and understand how taxes and incentives can significantly impact investment decisions in all jurisdictions where your company operates.

Technology

The ability to extract and report relevant tax data is becoming increasingly important. Tax authorities and other regulatory bodies increasingly demand more disclosures and information. Technology solutions should be considered to monitor and track all taxes and incentives, including carbon taxes, environmental taxes and green tax incentives and subsidies.

We are here to help you

Finance (No. 2) Bill 2026 comes at a time where there is still considerable uncertainty and volatility in the global energy market. The Bill contains measures targeted at addressing some of the short-term issues from an energy transition/affordability perspective.

While the focus on shorter-term measures to address energy affordability is welcome, the Bill missed an opportunity to develop a more ambitious coordinated package of supports that converts Ireland's renewable energy potential into long-term industrial advantage.

Our energy transition tax team is available to help you understand how these changes will impact your business. Get in touch today.



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Stamp Duty

11

The main stamp duty amendment in Finance (No.2) Bill 2026 (‘the Bill’) is the introduction of a new exemption for transfers of assets from unincorporated sporting bodies to newly formed companies limited by guarantee, upon incorporation. The Bill also contains some changes to Further Farm Consolidation Relief, the Levy on Authorised Insurers, and changes to the Bank Levy and the Life Insurance Levy, both of which are covered in the Financial Services section.

The key stamp duty measures included in the Bill are:

- A new exemption for the transfer of assets from an unincorporated sporting body to a newly formed company limited by guarantee upon the incorporation of the new company.
- Changes to the Levy on Authorised Health Insurers, including a refund provision where a health insurance contract is cancelled during the term of the policy.
- Technical changes to the Further Farm Consolidation Relief, which place current Revenue administrative practice in relation to the relief on a legislative basis.

Exemption for transfers of assets by sporting bodies to newly incorporated companies limited by guarantee

The Bill introduces a new Section 82BA to the Stamp Duties Consolidation Act, 1999 (‘SDCA’), which contains a stamp duty exemption to go hand-in-hand with the CGT and CAT exemptions contained in Sections 35 and 63 of the Bill, respectively.

The exemption will apply to the transfer of assets from an unincorporated “relevant sports body” (known as the “transferor body”) to a relevant sports body that is a company limited by guarantee (known as the “successor body”).

A “relevant sports body” is defined as “any body of persons established for and existing for the sole purpose of promoting athletic or amateur games or sports”.

The conditions for the exemption to apply are:

- the transfer must comprise the entire undertaking, assets and liabilities of the transferor body;
- the transfer may be effected by multiple instruments of transfer, but all instruments required to effect the transfer must be executed within 12 months of the first instrument;
- the transfer must be made for the purposes of, or in connection with, the incorporation of the successor body as a company limited by guarantee;
- the objects of the successor body must be the same as, or substantially similar to, the objects of the transferor body as set out in the governing document of the transferor body;

- the successor body must be required, by its constitution, to apply all of its property in the furtherance of the objects referred to in the above bullet;
- the successor body must be prohibited by its constitution from distributing to its members, either directly or indirectly, any of its assets or profits, other than by way of bona fide remuneration for services rendered or reimbursement of expenses properly incurred; and
- the transfer must form part of a reorganisation of the transferor body carried out for bona fide purposes and must not be undertaken for the purpose of, or must not have as one of its main purposes, the avoidance of a liability to tax or duty.

The new exemption also contains certain clawback provisions which will apply where an asset that has been transferred to the successor body ceases to be used for promoting athletic or amateur games or sports, where the asset is disposed of as a

gift, or where it is sold and the proceeds are not re-applied for the promotion of athletic or amateur games or sports.

Specifically:

- There is a clawback where there is a disposal by the successor body of land in respect of which the transferor body had availed of the stamp duty exemption for transfers of land to approved sports bodies under Section 82B SDCA (referred to as “specified land”) upon acquisition of that land, if the proceeds are not fully applied to the sole purpose of promoting athletic or amateur games or sports. The amount of the clawback will be the proportion that the proceeds not re-applied bears to the market value of the land, multiplied by the stamp duty previously relieved under Section 82B.
- There is a clawback where the asset disposed of is not specified land, and if the proceeds from the disposal are not fully applied, directly or indirectly, to the

sole purpose of promoting athletic or amateur games or sports. The amount of the clawback will be the proportion that the proceeds not re-applied bears to the market value of the land, multiplied by the stamp duty previously relieved under Section 82BA SDCA.

- With regard to both of the above clawbacks, the market value of any asset disposed of by way of gift will be treated as proceeds not re-applied.
- Lastly, there is a clawback where the transferred asset ceases to be used for the sole purpose of promoting athletic or amateur games or sports. In respect of specified land, the clawback will be the amount of stamp duty relieved under Section 82B SDCA on the original acquisition of the land by the transferor body, and, in respect of other assets, the clawback will be the amount that was relieved under Section 82BA.



One thing to note in relation to the clawbacks is the distinction between the application of sale proceeds in respect of specified land versus other assets. The proceeds from disposals of specified land must be directly applied to the sole purpose of promoting athletic or amateur games or sports, whereas the proceeds from disposals of other assets may be applied directly or indirectly.

As with all other clawback provisions, interest will apply from the clawback date to the date of payment of the clawback.

Levy on Authorised Health Insurers

The Bill contains two changes to the Levy on Authorised Health Insurers contained in Section 125A SDCA.

Firstly, the Bill introduces a refund mechanism where a health insurance contract is cancelled during the 12-month contract term. The insurer can apply for a partial repayment of the levy that had been paid on the contract, and this will then be repaid to the insured person.

Secondly, the age by reference to which the levy is calculated is to change from the age of the insured person on the first day of the accounting period in which the contract is entered into or renewed to their age on the date the contract is entered into or renewed.

Technical changes to the Further Farm Consolidation Relief

The Bill contains two technical changes to the Further Farm Consolidation Relief contained in Section 81C SDCA. The changes are purely technical in nature (to limit the relief where a calculation results in a negative value and to ensure the order of disposals and acquisitions does not lead to an inequitable outcome) and merely place current Revenue administrative practice on a legislative basis.

Sporting bodies looking to incorporate as companies limited by guarantee

Thus far stamp duty has been a significant barrier to transferring the undertaking of an unincorporated sporting body to a company limited by guarantee, so this new exemption is very welcome. Any bodies that have

previously considered the possibility, but discounted it due to stamp duty, or other taxes, can now give this matter renewed consideration.

Levy on Authorised Health Insurers

Authorised health insurers should consider what updates will be required to their systems to capture the changes being introduced by the Bill.

We are here to help you

Many of the stamp duty changes introduced over the last few years, including the changes in this year's Bill, are complex and nuanced, requiring detailed consideration. Our stamp duty team would be happy to help guide you through this difficult area of tax, and we have significant experience in dealing with the Revenue Commissioners on complicated stamp duty matters.



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Pensions

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Finance (No.2) Bill 2026 Pension Changes

Finance (No. 2) Bill 2026 as initiated introduces one change in relation to termination payments where the pension lump sum to be deducted has been extended to other approved pension products. We are expecting a further change as the Bill progress to incorporate the Budget 2027 announcement in relation to an adjustment to the age-related valuation factor for defined benefits schemes for the purposes of the Standard Fund Threshold regime.

Change to Termination Payments

The Bill introduces a new definition meaning that any pension lump sum benefits from the current employment will impact on the calculation of termination payments that can be paid tax free. Prior to the change, only lump sums from occupational pension plans were included. This will mainly impact termination payments where the individual is entitled to a lump sum from a Personal Retirement Savings Account (PRSA) or from MyFutureFund (the Irish Government's auto-enrolment pension arrangement).

Changes to the Standard Fund Threshold

Following the recommendations in Dr Donal de Builéir's Examination of the Standard Fund Threshold, the Minister has announced on Budget Day an adjustment to the valuation factors for defined benefit pension plans. These changes would reduce the value placed on defined benefit pension entitlements when testing them against the Standard Fund Threshold, which is €2.2 million in 2026. The Bill does not currently include the above changes, but it is expected they will be introduced as the Bill progresses through the various stages.



We are here to help you

PwC's blend of actuarial, taxation, investment and pensions expertise can support you to navigate this complexity in relation to pension lifetime limits and the impact of waiving the right to a pension lump under the termination payments rules.



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VAT

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What Finance (No.2) Bill 2026 means for VAT

Finance (No. 2) Bill 2026 (“the Bill”) sets out the legislative requirements for e-invoicing and real-time digital reporting, along with a number of other targeted VAT measures.

Key measures introduced include:

- Mandatory structured e-invoicing and real-time digital reporting for domestic business-to-business (B2B) and business-to-government supplies from:
 - 1 November 2028 for companies administered by Revenue’s Large Corporates Division as of 1 January 2027 and
 - 1 November 2029 for companies administered by Revenue’s Large Corporates Division as of 1 January 2028 as well as all Irish-established businesses engaged in intra-EU trade.
- New invoicing rules, including removal of the customer consent requirement and a new requirement to apply business controls to every e-invoice.
- A requirement for every e-invoice to show the customer’s VAT number or, for taxable persons and public bodies that are not VAT-registered, a tax reference number assigned by Revenue.
- Structured electronic documents for domestic reverse charge supplies, plus matching rules for credit notes, debit notes and self-billing.
- An increase in the flat-rate addition for farmers from 4.5% to 4.8% from 1 January 2027.
- Application of the 9% VAT rate to non-oral respiratory vaccines used for livestock.
- A tax clearance requirement for intermediaries registered in Ireland for the import one-stop shop (IOSS).



- Updated wording of the VAT exemption for transactions concerning accounts, payments and transfers, aligning it with the EU VAT Directive (with no change in Revenue practice).

VAT modernisation: e-invoicing and digital reporting

Revenue issued a paper in October 2025 setting out its plans for VAT modernisation, including the implementation of e-invoicing and real-time digital reporting, in line with the EU VAT in the Digital Age (ViDA) Directive.

Finance (No. 2) Bill 2026 is an important step in the implementation of these changes, as it sets out the legal framework for mandatory domestic business-to-business (B2B) e-invoicing and real-time VAT digital reporting in Ireland. The legislative amendments to the Value-Added Tax Consolidation Act 2010 are introduced from 1 January 2027, with the obligations phased in from 1 November 2028 based on the categories of businesses set out below.

Who is in scope and when?

The Bill introduces the concept of a “specified person”. This is an accountable person established in Ireland who must issue invoices in a structured electronic format. The obligation will be phased in as follows:

Phase	Period	Businesses in scope
Phase 1	From 1 November 2028	Irish-established businesses dealt with by Revenue’s Large Corporates Division on 1 January 2027
Phase 2	From 1 November 2029	Irish-established businesses dealt with by Revenue’s Large Corporates Division on 1 January 2028
		Any Irish-established accountable person that makes or receives intra-Community supplies or acquisitions of goods or services

The **first phase** of e-invoicing and digital reporting is limited to companies administered by Revenue’s Large Corporates Division (as of 1 January 2027). Whereas the **second phase** reaches well beyond large corporates, to also include any Irish-established accountable person that makes or receives intra-Community supplies or acquisitions of goods or services, including services on which it accounts for VAT under the reverse charge, irrespective of its size.

E-invoicing and reporting obligations

- **Mandatory e-invoicing:** For each taxable supply in Ireland to an Irish-established taxable person or a public body, a specified person must issue an invoice in a structured electronic format that complies with the European e-invoicing standard (EN 16931). Other accountable persons may opt in on the same basis. The required particulars will be set out in regulations.

- **Digital reporting:** From 1 November 2028, a specified person must send data on each transaction to Revenue electronically at the time the e-invoice is issued, or at the time it should have been issued. Businesses that opt into e-invoicing may also report. A third party, such as a service provider, may report on a business’s behalf, and the data required will be set out in regulations.
- **No customer consent needed:** As prior customer consent will no longer be required for e-invoicing, businesses will need to ensure they can receive and process invoices in the required structured electronic format.
- **Monthly summary invoices:** Where several supplies become chargeable in the same calendar month, one summary e-invoice may be issued for that month.
- **Customer identification numbers:** Each e-invoice must include the customer’s VAT number or, if the customer is a taxable person or public body that is not VAT-registered, a tax reference number assigned and notified by Revenue.

Customers must give this number to suppliers on request. Suppliers will therefore need to hold valid customer numbers in their master data to enable them to issue compliant e-invoices.

- **Business controls:** Anyone who issues or receives structured e-invoices must apply business controls to ensure their authenticity, integrity and audit trail, and that they are issued, received and **retained** in the structured electronic format. Businesses must provide evidence of these controls to Revenue on request.

Related changes

- **Credit and debit notes:** Where a structured e-invoice is later amended by an invoice, credit note or debit note, that document must be issued in the same structured electronic format as the original invoice.
- **Reverse charge supplies:** Specified persons must issue structured electronic documents for domestic reverse charge supplies, such as construction services (including services under relevant

contracts), scrap metal, emission allowances, and gas, electricity and gas and electricity certificates supplied to taxable dealers. These must state that the recipient accounts for the VAT and include the usual invoice particulars, other than the VAT rate and amount.

- **Self-billing:** Where a customer who is a specified person self-bills an Irish-established supplier, the e-invoicing rules apply to the customer, who must report the invoice data within five days. Other Irish-established customers may opt in for domestic supplies. Where both parties agree, self-billing is also available for all reverse charge supplies other than emission allowances. The registration condition is simplified so that both parties need only be VAT-registered.

Other VAT measures

- **Flat-rate farmers:** As outlined in the Budget, the flat-rate addition that unregistered farmers charge to VAT-registered customers increases from 4.5% to 4.8% from 1 January 2027.

- **IOSS intermediaries:** From the passing of the Act, an intermediary registered in Ireland for the Import One Stop Shop (IOSS) must hold a Tax Clearance Certificate throughout the period of registration and notify Revenue if it ceases to hold one.
- **Payments, transfers and account transactions:** The wording of the VAT exemption for transactions concerning current, deposit or savings accounts, payments, transfers, debts, cheques and other negotiable instruments is more closely aligned with the EU VAT Directive. There is no change in Revenue practice.
- **Livestock vaccines:** As outlined in the Budget, the supply of non-oral vaccines used to prevent respiratory illnesses in livestock will be subject to the 9% VAT rate from the passing of the Act.

What happens next

The legislative amendments in the Bill will assist businesses in preparing for the introduction of e-invoicing, as they provide some additional detail on how e-invoicing

will work in practice. However, it is notable that many of the finer operational details, including invoice particulars, the data to be reported and the conditions for business controls, will be set out at a later date in regulations. Businesses will therefore need to stay informed as the detailed requirements are finalised.

Key actions businesses can take today

Businesses should consider the following steps:

- Confirm which phase of e-invoicing applies, with particular attention to intra-EU trade.
- Assess whether ERP and invoicing systems can issue and receive EN 16931-compliant e-invoices and report invoice data to Revenue within the stipulated timelines.
- Cleanse master data so that customer VAT numbers or tax reference numbers are captured.

- Review self-billing and reverse charge processes so that the five-day reporting deadline for self-billed invoices can be met.
- Design and document business controls that can be evidenced to Revenue on request.
- Update purchase processes for flat-rate farmers to reflect the 4.8% addition from 1 January 2027.

We are here to help you

Our Indirect Tax and Tax Technology & Transformation teams can help you prepare for e-invoicing and digital reporting, whether you fall within the first phase from 1 November 2028 or the wider second phase from 1 November 2029. We can also advise on how the other VAT changes in the Bill affect your business. Please contact us to discuss your next steps.



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Trade and Customs

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Finance (No. 2) Bill 2026 - Trade and Customs measures

Finance (No.2) Bill 2026 sets out updates regarding carbon tax reductions, extensions to the previous mineral oil tax reductions, tobacco products tax increases and betting duty modernisation. The key measures introduced include:

- Reduced carbon tax on kerosene and natural gas from 14 October 2026.
- An increase of €1 (inclusive of VAT) on a packet of 20 cigarettes from 7 October 2026, with pro rata increases for other tobacco products.
- E-liquid products tax at €700 per litre (€0.70 per ml) from 1 January 2027.
- A recast 25% betting intermediary and pool betting duty from 1 January 2027.

Reduction in carbon tax on kerosene and natural gas

Finance (No.2) Bill 2026 ('the Bill') reduces the carbon tax on kerosene and natural gas to €48.50 per tonne of CO₂ from 14 October 2026, with this rate maintained until 2030. These rates had been legislated to rise to

€78.50 per tonne by May 2027 but have instead been reduced to 2023 rates.

Deferral of carbon tax increase on auto-fuels

The Bill defers the planned increase in carbon tax on auto-fuels to €78.50 per tonne of CO₂ from 14 October 2026 until 1 May 2027.

Phased restoration of mineral oil tax rates

The reduced mineral oil tax rates, which were due to expire in November, remain in place in full until 28 February 2027. The previous rates will be restored in four phases from that date, with full restoration by 30 June 2027.



Tobacco Products Tax rate change

The Bill confirms the increases to Tobacco Products Tax set out in Budget 2027 that entered into effect from 7 October 2026. These increases amount to an equivalent of €1 (inclusive of VAT) on a standard pack of 20 cigarettes. Pro rata increases apply to other tobacco product categories.

E-liquid products tax rate change

The Bill increases the e-liquid products tax to €0.70 per ml with effect from 1 January 2027.

Diesel rebate scheme extended to 1 January 2027

The diesel rebate scheme for qualifying road transport operators has been extended from 1 October 2026 to 1 January 2027.

Recast betting intermediary and pool betting duty

A recast betting intermediary and pool betting duty of 25% will apply to remote betting intermediaries and pool betting operators from 1 January 2027. Certain related betting duty provisions have also been repealed.

VRT relief for electric vehicles and revised VRT bands

The Bill extends the €5,000 remission or repayment of Vehicle Registration Tax (“VRT”) for battery electric vehicles, including electric motorcycles, to 31 December 2028. In addition, from 1 January 2027 a revised table of VRT rates based on CO2 emissions applies, ranging from 7% (minimum €140) for vehicles up to 50g/km to 42% (minimum €840) for vehicles above 190g/km.

We are here to help you

The Bill primarily reiterates the Budget changes introduced to address the current cost of living challenges. PwC’s customs and trade experts are happy to chat through the impacts that these changes may have on your business and the practical steps that can be taken to mitigate risk and improve excise compliance.



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Tax Administration and Revenue Powers

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What does Finance (No. 2) Bill 2026 mean for Tax Administration and Revenue Powers?

Finance (No. 2) Bill 2026 (“the Bill”) introduces a number of changes to the administration of corporation tax. While many of the measures are technical in nature, the changes to preliminary corporation tax and bilateral Advance Pricing Agreements should provide greater certainty and flexibility for businesses in managing their tax liabilities.

Changes to the Preliminary Corporation Tax Regime

The Bill introduces a number of welcome changes to the preliminary corporation tax rules, which should provide greater flexibility for companies in managing their tax payments. The changes apply to accounting periods beginning on or after 1 January 2027 and include an increase in the threshold for small companies, a broader mechanism for mitigating interest on preliminary tax underpayments, and changes to the first instalment rules for large companies.

Firstly, the threshold below which a company is regarded as a ‘small company’ for preliminary tax purposes will increase from €200,000 to €350,000. Small companies

can generally calculate preliminary tax by reference to either 100% of the previous accounting period’s liability or 90% of the current period’s liability, with the amount payable in a single instalment. Increasing the threshold to €350,000 will therefore extend this simplified regime to a broader range of companies. The ability to base preliminary tax on the previous period’s liability should provide greater certainty when forecasting payments and reduce exposure to interest where the current year liability is difficult to estimate accurately.

Another welcome change enables companies that have paid at least 80% of their tax liability in accordance with the preliminary

tax rules applicable to them (either small or large company) to make a top up preliminary tax payment. Importantly, this measure is broader than the existing top up provisions, which generally apply only in specific circumstances, typically where certain chargeable gains and fair value movements arise. Under the new provisions, where a top-up payment is made within four months of the accounting year end and discharges the total corporation tax liability in full, then a company will be deemed to have satisfied their preliminary tax requirements. This provision should provide companies with a valuable opportunity to correct forecasting shortfalls without an associated interest charge.

Finally, the Bill intends to change how interest is calculated on the first instalment of preliminary corporation tax. Currently, where a large company underpays preliminary tax, interest on the first instalment is calculated on the basis that 45% of the current period’s tax liability was due. Under the proposed

change, interest will arise on the first instalment only where the amount paid is less than either 45% of the current period’s liability or 50% of the prior period’s liability.

Overall, the changes should provide companies with greater flexibility in managing preliminary tax obligations and reduce some of the interest exposure associated with forecasting uncertainty. Companies should consider how the revised €350,000 threshold will affect their classification for accounting periods beginning in 2027 and review their preliminary tax processes to ensure they can take advantage of the new top-up mechanism where required.

Improved certainty for Advance Pricing Agreements (APAs)

The Bill provides greater certainty on the payment of additional tax arising from bilateral Advance Pricing Agreements.

APA negotiations between competent authorities can take time to conclude and,

once an agreement is reached, it may be necessary to amend corporation tax assessments for earlier periods to reflect the agreed transfer pricing treatment. Under the existing rules, additional tax arising from an amended assessment can generally be treated as due from the original payment date, potentially resulting in late payment interest accruing in respect of earlier periods.

The Bill provides greater certainty in this area by expressly providing that, where an assessment is amended to give effect to a bilateral APA and the original return contained a full and true disclosure of all material facts, the additional tax will be due within one month of the amended assessment. This should significantly reduce the potential interest exposure associated with implementing an APA, particularly where the agreement results in adjustments across a number of earlier periods.

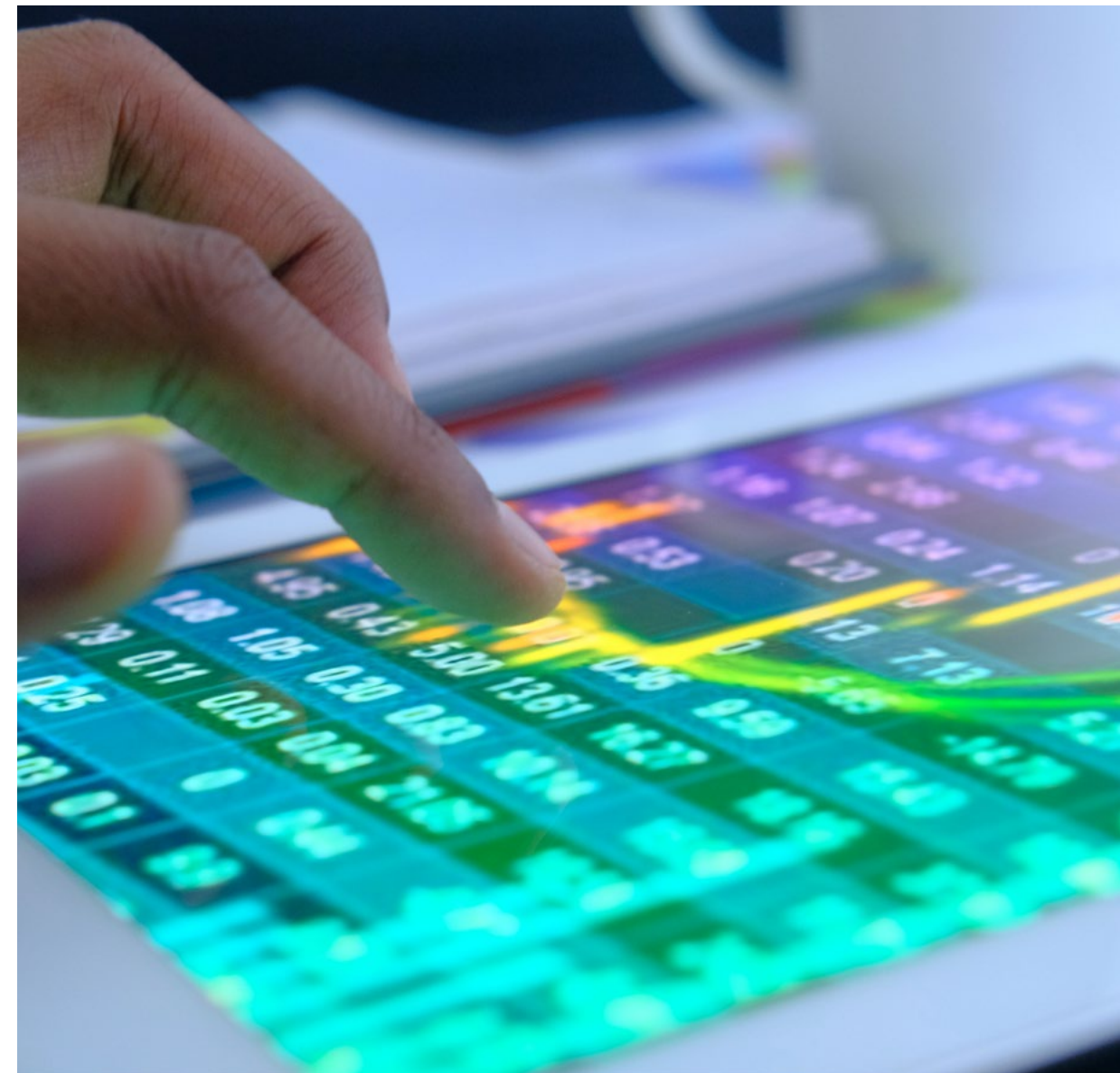
The amendment is therefore a positive development for businesses entering into bilateral APAs. However, the availability of the relief places additional importance on ensuring that relevant transactions and

transfer pricing positions are appropriately disclosed in the original corporation tax returns to ensure the “full and true disclosure” threshold has been met. Businesses with APAs underway should therefore consider their existing return disclosures and ensure they are prepared to settle any additional tax within the one-month payment window.

Key actions businesses can take today

Review preliminary tax status

Companies should assess whether the increased €350,000 small company threshold will change their preliminary tax classification for accounting periods beginning on or after 1 January 2027. Businesses falling within the revised threshold should consider whether calculating preliminary tax by reference to the prior year’s liability could provide greater certainty and simplify payment forecasting.



Build the new top-up mechanism into tax processes

Companies should review their preliminary tax forecasting and payment processes to take advantage of the new four-month top-up mechanism. Where at least 80% of the current year liability has been paid by the final instalment date, businesses should ensure any shortfall is identified and settled within four months of the accounting period end to mitigate potential interest.

Review APA disclosures and plan for the payment window

Businesses with bilateral APAs underway or under consideration should review their corporation tax return disclosures, particularly for relevant transactions and transfer pricing positions. Ensuring that full and true disclosure of material facts is made will be important in accessing the revised payment treatment where an assessment is subsequently amended to give effect to an APA.

Prepare for Revenue compliance activity

Businesses should ensure that processes supporting new or amended tax measures are appropriately documented and capable of withstanding Revenue scrutiny. This should include maintaining relevant records, monitoring Revenue guidance and published practice, and preparing for information requests or interventions, while continuing to assess tax obligations primarily by reference to the underlying legislation.

We are here to help you

Our Tax Risk & Controversy team supports individuals and businesses across all aspects of tax risk management, including Revenue interventions and audits, tax appeals and Mutual Agreement Procedures.

We work with clients to identify and manage tax risks proactively, as well as providing support when a formal Revenue intervention arises.

If you would like to discuss a Revenue audit, tax appeal, Mutual Agreement Procedure or any other tax risk concerns affecting your business, please contact a member of our team.



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