



PwC's Pre-budget Submission 2027



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An aerial photograph of a public square with a large, curved set of stone steps. Several people are sitting on the steps, some in small groups. The square is paved with large, light-colored stone tiles. The overall scene is a public gathering space.

Introduction



Paraic Burke
Tax Partner
Head of Tax

Ireland enters this next Budget cycle from a position of real strength: employment is high, investment remains robust and the economy continues to outperform many of its peers. But success is now colliding with capacity. Housing shortages, infrastructure constraints, grid congestion, energy availability, skills gaps and cost-of-living pressures are no longer future risks. They are shaping outcomes today.

Ireland's economic model has delivered extraordinary progress, and it has done so by being intentional: choosing openness, backing talent, and building a reputation for stability. Yet the environment around us is changing quickly. Global trade and investment conditions remain unpredictable, and international tax reform continues to reshape how mobile capital and high-value activity are competed for. In this context, Budget 2027 is more than an annual fiscal event. It is a chance to make practical choices that expand Ireland's productive capacity, strengthen resilience, and ensure opportunities are shared across regions and generations.

Ireland has also reached a point where resilience depends on diversification. Building on our strengths in technology, life sciences and financial services, the priority now is to develop new, future-focused areas of activity, and to ensure the domestic enterprise base can capture more of that value over time. A stronger and more inclusive savings and investment culture also has a role to play in this next phase of growth. Mobilising household savings in a productive, well-regulated way can support capital formation, deepen domestic investment markets and reinforce Ireland's position as a leading international financial services location.



PwC's vision is that Ireland's next phase of growth should be consciously built. Budget policy should be less about short-term management and more about enabling delivery: accelerating investment in the fundamentals that allow businesses and communities to thrive and supporting the next wave of Irish enterprise and innovation. Ireland can continue to attract world-class global investment, but we also need to grow a stronger second engine of indigenous, scaling firms that create high-quality jobs and anchor prosperity at home.

Backing innovation and translating it into growth

For Ireland to achieve better living standards over time, productivity must rise, which is ultimately driven by innovation. Ireland already hosts many frontier businesses, but the gap between world-leading performance at the top end, and the reality across much of the domestic economy remains a strategic vulnerability. Budget 2027 is an opportunity to narrow that gap by making it easier for companies to innovate, adopt new technology and commercialise research, especially indigenous firms with the ambition to scale.

A key priority is ensuring that Ireland's support for research and development (R&D) keeps pace with how innovation is done today. Modern R&D is increasingly collaborative and networked, often involving group teams and specialist third parties. Where the system does not reflect that, Ireland's attractiveness as a place to manage and build R&D capability is weakened. Our proposals therefore include targeted reforms to better accommodate outsourcing models and remove restrictive limitations, that can strengthen Ireland's proposition as a

location capable of delivering complex, end-to-end R&D programmes at scale.

We also highlight an important "missing middle" in the policy toolkit: investment in innovation activities that do not meet the strict parameters required for traditional R&D supports, but which are essential in driving operational efficiency, effectiveness and productivity. We recommend introducing a new separate innovation incentive to help companies expand these activities and sustain Ireland's edge as a leading technology and innovation location.

Supporting indigenous Irish firms to start, stay and scale

Ireland's economic model has benefited hugely from international investment, but resilience also depends on Irish companies growing into global competitors, while anchoring high-quality jobs and decision-making in Ireland. This is not simply a business ambition; it is a national competitiveness imperative in a world of tighter talent markets, more active industrial policy and increased geopolitical uncertainty.

Budget 2027 can help by improving the conditions for long-term investment, reinvestment, and long-term ownership. In that context, we emphasise reforms that encourage entrepreneurs to build for the long run and make succession and ownership transition simpler and more predictable. Practical clarity also matters. Where genuine commercial exits and succession steps become difficult due to uncertainty or administrative friction, it can unintentionally push businesses toward premature sales or moving activity offshore. Our recommendations therefore include measures to

strengthen the environment for Irish-owned firms to transfer ownership, retain value domestically and reinvest in future growth.

A stronger domestic economy also benefits from a wide range of high-growth sectors. Ireland can build momentum in areas such as green and renewable energy technologies, advanced manufacturing, and health and digital innovation. The role of policy is not to pick winners, but to make it easier for businesses to invest, build capability and scale in industries that are being reshaped by technology and the net-zero transition.

Just as importantly, simplification is a competitiveness measure for indigenous firms. Smaller businesses do not have the same resources to navigate complex processes and frequent reporting burdens. A system that is overly onerous in practice can reduce take-up of supports that are designed to help businesses and can divert management time away from growth. We therefore support steps

that reduce unnecessary administrative friction for smaller companies and employers, including more proportionate reporting obligations and simpler, more streamlined filing approaches where appropriate.

Establishing a culture of savings and investment

We support the proposed introduction of an Irish savings and investment account (SIA) as a simple, accessible way to help households turn savings into long-term investment that supports economic growth. To achieve broad take-up, the scheme should encourage long-term savings, apply appropriate tax-free limits to focus support on low and middle income savers, and allow investment across a wide, well-regulated range of products so individuals can choose options that suit their needs. The SIA should complement existing personal savings and investment products, supported by aligned tax reform, to create a stable framework that encourages long-term investment for young investors.

Delivering the homes and essential infrastructure needed

Ireland's capacity constraints are no longer abstract. Housing shortages, infrastructure bottlenecks and cost pressures are increasingly shaping decisions for employers, investors and employees today. Housing, in particular, is both a social priority and an economic necessity: when people cannot find a home near work opportunities, employers struggle to attract and retain talent, and the attractiveness of regions and cities erodes over time.

Government action remains essential, but funding alone will not be sufficient to meet the scale and urgency of delivery. That is why our proposals focus on measures that can improve viability, mobilise private capital and accelerate delivery, while keeping the overall framework predictable and stable. Budget 2027 is an opportunity to make practical changes that support delivery across the housing lifecycle, from new build to retrofit and renewal, enabling supply to respond faster to demand.

Clean energy to drive Ireland's competitiveness

Access to clean, secure and affordable energy is now fundamental to economic growth. It influences where investment lands, whether industry can expand, and how costs evolve for households and employers. While short-term supports may be necessary in volatile markets, Ireland also needs a longer-term perspective that mobilises investment to strengthen energy independence, scale renewable infrastructure and reduce reliance on fossil fuels over time.

“Budget 2027 is more than an annual fiscal event. It is a chance to make practical choices that expand Ireland's productive capacity, strengthen resilience, and ensure opportunities are shared across regions and generations.”



With the right conditions, Ireland can build momentum in clean energy and related supply chains, while supporting regional development and strengthening the resilience of the wider economy. Our recommendations therefore focus on targeted fiscal measures that help stimulate investment and make delivery more investable, including incentives that support energy efficiency and the infrastructure needed to enable electrification and clean fuels at scale.

Maintaining certainty in a changing international tax environment

International tax reform remains a defining feature of the landscape, and businesses are still adapting to an environment post the OECD's Global Minimum Tax reforms. In that context, Ireland's reputation for certainty, stability and coherence is an advantage that must be protected. While Ireland is not the ultimate arbiter of global change, it can continue to refine domestic rules so that they are clear, workable and aligned with business realities.

Ireland's internationally recognised financial services sector is a key contributor to employment, exports and tax revenues. To sustain and enhance this position, the tax framework must continue to evolve in a way that supports innovation in financial products and investment structures, facilitates new sources of capital, and enables Irish savers

to access regulated, long-term investment vehicles efficiently. This includes ensuring that policy design keeps pace with market developments, while preserving simplicity, certainty and consumer protection.

That is why we emphasise measures that improve certainty, reduce friction and keep Ireland competitive for high-value activity, including innovation-led investment. Ireland's tax system has been one of the State's most effective strategic tools when it is predictable and aligned to national objectives. Used well, it can accelerate delivery and reinforce confidence; used poorly, it can become an avoidable constraint.

Confidence in the tax system is a key element of a country's competitiveness. Ireland remains one of the few developed economies without a dedicated, independent Revenue Ombudsman, which can limit the options available to taxpayers where disputes arise. Introducing an independent Ombudsman would support transparency, reinforce trust in the system and further strengthen Ireland's reputation for certainty and good governance.

A focused agenda for Budget 2027

In this publication, we set out ideas that are practical, targeted and achievable. They are rooted in the priorities we believe matter most to business: investment certainty, productivity and innovation, enterprise growth, talent and skills, and the fundamentals that will determine whether Ireland can expand capacity in the years ahead.

“Confidence in the tax system is a key element of a country's competitiveness.”

01

Embedding a savings and investment culture



Colin Farrell
Tax Partner



Munro O'Dwyer
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We welcome the proposed introduction of an Irish savings and investment account (SIA). Allowing retail investors to put otherwise unutilised savings to work in a productive way should benefit both households and the wider economy. For the scheme to achieve meaningful uptake from investors and providers alike, it must be fit for purpose from the outset and designed with simplicity and ease of operation in mind. We have set out below our recommendations for the scheme.

Long-term broad focus

The SIA should have a long-term, broad focus, encouraging long-term saving and investing across as many people as possible. Its success should be measured by participation and changes in behaviour, rather than by the total level of assets accumulated.

Balanced tax-free limits

Any tax relief should be capped to balance two objectives: encouraging broad-based savings among low and middle income earners, while limiting fiscal cost and reducing the risk that the product is disproportionately used

by higher-income individuals. Any limits should be reviewed regularly, including to keep pace with inflation.

Broad but prudent investment options

The SIA should allow savers to invest in a wide range of products, so they can choose options that match their risk tolerance, investment timeline and financial goals. As well as buying shares in individual companies or bonds, savers should be able to use pooled investment funds (where many people's money is combined and managed together), exchange-



“Successful implementation of an Irish SIA should result in a lasting shift in savings behaviour.”

traded funds (ETFs), long-term investment funds, and insurance-based investment products. These types of investments are already well-regulated across the EU, meaning they come with built-in protections for everyday investors, such as rules that spread risk across different assets, safeguards to make sure people can access their money when needed, and clear information about what they are investing in.

One pillar of a wider ecosystem

The SIA should be promoted as one pillar of a broader savings and investment ecosystem, rather than as a substitute for pensions and other existing products. Critically, the

current tax treatment of funds and life assurance products remains a significant barrier to long-term retail investment outside of pension and SIA structures. Reform should be pursued in parallel with introducing the SIA, to ensure a coherent and consistent framework that supports the wider ambition of building a long-term investment culture.

Encourage young investors

Finally, the design of the SIA should include features that encourage participation among younger investors at the earliest possible stage, recognising that good savings and investment habits are most effectively built early.

02

**Strengthening
R&D and
innovation**



Stephen Merriman
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Thomas Fleming
Tax Director

Ireland's R&D tax credit regime is a central pillar of the State's competitiveness and has played a critical role in attracting and anchoring high-value investment in research-intensive activities. Recent enhancements have further elevated the regime, with Ireland's headline R&D tax credit rate of 35% now among the most competitive in Europe and compares well on a global scale.

As Ireland enters its next phase of growth, competitiveness can no longer be taken for granted. Global investment decisions are increasingly influenced not just by headline rates, but by the flexibility, certainty and effectiveness of tax frameworks in supporting modern innovation models. To remain an attractive location for current and future R&D investment, targeted reforms are required to ensure that the regime evolves in line with how R&D is undertaken in practice.

Modernising R&D outsourcing rules

The current R&D tax credit outsourcing provisions are increasingly misaligned with modern R&D delivery models. Effective R&D operations are increasingly global, collaborative and specialised, with outsourcing often required to access niche expertise, certain equipment / services or scarce talent that cannot be efficiently employed in-house. Restrictive rules risk undermining the efficiency, productivity and competitiveness of the regime.

Tax incentive regimes must be sufficiently flexible to support these models while maintaining appropriate safeguards. Outsourcing is frequently essential where expertise is unavailable internally or where scale, speed or cost efficiency are critical.

To enhance Ireland's competitiveness and ensure that Irish R&D operations can continue to operate as effectively as possible, reforms are needed across three key areas of R&D outsourcing:

- Allow connected party R&D outsourcing to qualify for the R&D tax credit, subject to appropriate safeguards and thresholds.
- Increase the current 15% cap to 30% on eligible third-party outsourcing to better reflect modern R&D delivery models.
- Remove or significantly increase the existing limits on outsourcing to Universities and Institutes of Higher Education, alongside broadening the definition of qualifying institutions, to support stronger collaboration between industry and the research sector.

Together, these measures would strengthen industry-academia collaboration, improve operational efficiency and ensure Ireland's tax framework continues to support productivity and resilience, reinforcing Ireland's position as a leading location for R&D.

Supporting innovation beyond traditional R&D

While the R&D tax credit is effective in supporting high-value research and development activity, it does not capture a growing range of innovation investments that are increasingly critical to productivity and competitiveness.

A new expenditure-based refundable tax credit should be introduced, focusing on a broader definition of "innovation" aligned with the OECD's Oslo Manual, which includes all developmental, financial, and commercial activities a firm undertakes to achieve innovation.

This new incentive should target the outcomes of innovation efforts (knowledge and value creation) as a separate regime from the existing Irish R&D tax credit. It should focus on companies that retain and exploit IP in Ireland developed through innovation activities to ensure the continuity of high-value decision-making and commercialisation activities in Ireland. It should also help maintain Ireland's international competitiveness in this space.

Example of innovation tax incentive: digitalisation & decarbonisation

Digitalisation and decarbonisation activities are central to sustaining and transforming current Irish operations. These activities are typically investment-intensive and are critical to productivity, resilience and competitiveness, yet many fall outside the scope of the traditional R&D tax credit.

A refundable innovation tax incentive focused on these areas would help to ensure that our high-value operations in Ireland continue to evolve at the pace required by technological change, global competition and climate commitments. The incentive should focus on two areas of innovation:

- **Digitalisation:** Activities that involve the analysis, selection, and implementation of established technological solutions that advance existing products and processes.
- **Decarbonisation:** Decarbonisation is a core part of government policy as Ireland is continually challenged to achieve its 2030 carbon emissions targets. Additionally, it is an increasing strategic imperative for companies, shaped by regulatory requirements, cost pressures, market expectations and supply-chain resilience.

A refundable innovation tax incentive would boost investment in digitalisation and green technologies, support centralised innovation hubs and enhance Ireland's competitiveness. It would modernise tax policy to capture emerging innovation, bridge the gap between R&D and commercial deployment and drive productivity while ensuring strong governance and value for the Exchequer.

“Current R&D tax credit outsourcing provisions are increasingly out of step with modern R&D delivery models - reform is now essential.”

03

**Clean energy for
a competitive
Ireland**



Sinead Lew
Tax Partner



Sinead Kelly
Tax Director

Access to clean, secure and affordable energy is a critical priority for the Irish economy, particularly in the context of heightened geopolitical tensions. While short-term supports have been necessary to address elevated energy and fuel prices, it is essential that Ireland adopts a longer-term perspective. Strategic fiscal measures will be key to mobilising the investment required to scale up renewable energy infrastructure, strengthen energy independence, and progressively reduce reliance on fossil fuels.

Building green ports and energy parks

Ireland's future competitiveness depends on the timely delivery of large-scale infrastructure for electrification and clean fuels, with green ports and green energy parks playing a central role. Green ports are needed to support the build-out of offshore wind, to strengthen supply chains and enable the decarbonisation of maritime logistics activity through shore power and alternative fuels. In parallel, green energy parks support a plan led approach and can accelerate investment by co-locating large energy users with renewable generation,

storage and grid infrastructure, thereby reducing connection constraints, lowering long-term energy costs and improving security of supply.

Ireland is competing for capital in an increasingly crowded global landscape for the private capital required to deliver this infrastructure. Many European countries are already deploying targeted tax incentives and direct subsidies to attract investment. With the introduction at EU level of the Clean Industrial Deal, there is now a time-bound window (to the end of 2030) to introduce targeted, time-limited tax incentives in this



“Ireland’s future competitiveness depends on the timely delivery of large-scale infrastructure for electrification and clean fuels, with green ports and green energy parks playing a central role.”

area. Practical measures, such as accelerated capital allowances for green infrastructure, regional development incentives and support for domestic supply chains, can help stimulate private investment.

Unlocking the potential of district heating

District heating offers Ireland a scalable, low-carbon alternative to individual fossil fuel boilers and enables the integration of waste heat, large scale heat pumps, thermal storage and renewable energy sources. However, Ireland’s district heating infrastructure remains significantly underdeveloped, with less than 1% of national heating demand met by district systems. With progress constrained by structural and financial barriers, Ireland continues to lag far behind European peers in renewable heat deployment.

As Ireland accelerates housing delivery, district heating has the potential to provide an efficient and affordable heat solution at scale. However, current incentives favour individual heating technologies, such as heat pumps, rather than network-based solutions. Establishing a level playing field is essential if district heating is to compete effectively within new residential developments and attract the long-term investment required. We recommend measures such as a reduced VAT rate of 9% for the supply of district heat from renewable or waste heat sources; a reduced rate of taxation for electricity supplied to industrial scale heat pumps and electric boilers used to generate heat for district heating networks; and provision of additional grant support to help subsidise the construction costs of district heating networks.

Encouraging energy-efficient investment

The extension of the accelerated capital allowances scheme for energy efficient equipment to 30 December 2030 has provided further certainty. However, further reform of this scheme is required to deliver greater carbon emission reductions and to increase uptake. In particular, we recommend expansion of the scheme and simplification of the existing provisions. Additionally, we recommend reviewing the policy objective for accelerated capital allowances to better prioritise the energy or emissions outcomes of the overall investment, rather than focusing primarily on whether individual expenditures meet the existing eligibility criteria. Proposals include adding new product

categories; replacing SEAI registration with performance based and whole building assessments; introducing a refundable tax credit for loss-making companies investing in energy efficient equipment and allowing leased or rented equipment to qualify to encourage landlord and lessor investment.

A stronger, more secure energy system

Clean energy is a strategic enabler of Ireland's next phase of growth. By treating energy as core economic infrastructure and focusing on delivery, Ireland can reduce vulnerability to external shocks, crowd in long-term investment and strengthen productivity, resilience and competitiveness for the years ahead.



04

**Growing
indigenous
enterprise**



Colm O'Callaghan
Tax Partner



Nicola Quinn
Tax Partner

Against a backdrop of ongoing geopolitical uncertainty and its sustained impact on business costs, supply chains and investment confidence, Budget 2027 should prioritise targeted measures to stimulate growth and support private Irish businesses. The following proposals would meaningfully assist in addressing these challenges and positioning Ireland as the best place for indigenous businesses to start, scale and succeed.

Capital Gains Tax (CGT) rate

Ireland's CGT rate remains among the highest in Europe. We reiterate previous calls for a phased reduction of CGT to 20% over a clearly defined period (for example, three to five years). A phased reduction would encourage investment activity, and support reinvestment in Irish businesses. Decisive action is needed for the government to reduce Ireland's CGT rate and bring the regime close in line with comparable jurisdictions. Lowering the CGT rate would also help retain ownership, capital and strategic decision-making within Ireland, while improving the attractiveness of Irish real estate to international investors.

Supporting entrepreneurs and discouraging premature exits

Ireland's tax system should better support entrepreneurs who choose to grow and scale their businesses over the long term rather than exit prematurely. We propose the introduction of a targeted "scale-up" relief for entrepreneurs that could provide enhanced CGT outcomes for shareholders who retain a significant shareholding as their business scales. Eligibility could be linked to measures such as revenue growth and valuation thresholds. In addition, we strongly recommend increasing the lifetime limit under Revised Entrepreneur Relief from €1.5 million to €5 million.

Simplifying the tax system for smaller companies

Reducing administrative burdens and compliance costs remains a priority for smaller companies. We recommend the introduction of short-form and pre-populated corporation tax returns to make compliance more cost-effective. More broadly, a comprehensive “root and branch” review of all returns and reliefs available should be undertaken to ensure that the tax system is “small company friendly”.

Ownership and succession planning

Clear and reliable tax treatment is essential to support business succession and ownership transactions. In our experience, bona fide shareholder exits and share buybacks are increasingly being challenged as income events rather than capital events. This matters because income tax treatment can result in a higher tax bill and less favourable reliefs, making these transactions less attractive and discouraging business owners. We recommend clearer legislative provisions and Revenue guidance to ensure CGT treatment applies to genuine commercial exits. This clarity would significantly facilitate management buy-outs and family succession planning.

Employee ownership trusts (EOTs)

We continue to support reform in this area, with particular regard to the UK model. EOTs offer a proven mechanism to transfer ownership to employees, retain Irish jobs, keep businesses and wealth in Ireland, and support sustainable long-term growth. For Ireland, facilitating the use of an EOT structure would represent a significant opportunity to keep Irish businesses onshore, retain employment and expertise within local communities, and ensure that wealth generated by Irish enterprise continues to circulate within the Irish economy. It would also provide business owners with a genuine alternative to a third-party sale or private equity exit, particularly where they wish to protect the legacy of the business and reward the employees who have contributed to its success.

Short-term business supports

Given the rising cost of inflation and ongoing uncertainty, we propose the introduction of a time-limited rebate of up to 50% of employers' PRSI for employees earning up to €26,000 for an initial 12-month period. This measure would help offset wage inflation pressures while supporting workforce retention during challenging periods.

“Ireland’s tax system should better support entrepreneurs who choose to grow and scale their businesses over the long term rather than exit prematurely.”

05

**Supporting
housing and
infrastructure
delivery**



Paul Moroney
Tax Partner



John Walsh
Tax Director

The housing crisis remains one of Ireland's most pressing economic and social challenges. Housing supply has consistently failed to keep pace with population growth, pushing rents and house prices beyond the reach of many households. Increasingly, businesses cite the lack of affordable and available housing as a major barrier to attracting and retaining talent. This has knock-on effects for Ireland's competitiveness and long-term growth.

At the same time, much of Ireland's housing stock is ageing and energy-inefficient. Thousands of homes have poor Building Energy Ratings (BER), leading to higher energy bills, carbon emissions and, increasingly, concerns about long-term habitability. While grant supports exist, many homeowners and landlords struggle with high upfront retrofit costs, labour shortages and a lack of clear information. To meet its housing targets and climate commitments, Ireland needs to take further action to unlock supply and support sustainable investment.

A targeted package of tax and policy measures can play a crucial role in accelerating housing delivery, revitalising existing properties and unlocking major infrastructure projects.

Building homes faster through modern construction methods

Modern Methods of Construction (MMC), such as modular and off-site building, can significantly speed up housing delivery while improving environmental performance and build quality. Encouraging wider adoption of these methods would help address current capacity constraints in the construction sector. Targeted tax supports for investment in modular construction technology could help developers to adopt these approaches at scale, reducing build times and costs and accelerating the supply of new homes.



Reducing costs to accelerate housing delivery

Upfront development costs remain a major constraint on housing supply. Reintroducing a development levy waiver for homes commenced within a defined period could help ease these costs and encourage stalled projects to proceed. Such a measure would support faster delivery without compromising planning or quality standards.

Helping more people access home ownership

The Help-to-Buy scheme has played an important role in supporting firsttime buyers, but its impact could be broadened through the inclusion of second-hand dwellings and the 'fresh start principle', which already applies to other schemes. This would broaden the scope of the scheme and enhance its overall impact.

Supporting retrofitting and energy efficiency

Improving the energy efficiency of Ireland's housing stock is essential for affordability, sustainability and climate action. Introducing a retrofit tax credit, linked to genuine improvements in BER ratings, would complement existing grants and help reduce the burden of upfront costs. This would make retrofitting more accessible for owner-occupiers, lowering energy bills while future-proofing homes.

Bringing derelict homes back into use

Derelict and vacant properties represent an untapped source of housing supply in towns and cities across Ireland. A time-limited tax exemption on the sale of refurbished derelict homes would provide a strong incentive for developers to bring these properties back into use quickly, increasing supply for owner-occupiers and supporting urban regeneration.

Providing certainty for major infrastructure projects

Large-scale housing and infrastructure developments often face delays due to uncertainty around costs and approvals. A system providing upfront certainty on key tax and capital allowance treatment for major projects, similar to models used internationally, would reduce delivery risk and investment uncertainty for complex projects. This would align with the recommendations and ongoing work of the Infrastructure Task Force to unlock barriers and accelerate infrastructure delivery.

By supporting housing delivery, certainty and more sustainable homes, Ireland can accelerate housing supply and the infrastructure needed to underpin Ireland's future growth.

“Modern Methods of Construction (MMC), such as modular and off-site building, can significantly speed up housing delivery while improving environmental performance and build quality.”

06

Attracting and retaining foreign direct investment



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As stakeholders begin adapting to the OECD's Pillar Two Global Minimum Tax rules, which introduced a coordinated 15% minimum effective tax rate for large multinational enterprises across all implementing jurisdictions, Ireland must focus on safeguarding its competitiveness as a location for multinational investment. While the 12.5% rate remains a core feature of Ireland's tax regime, additional measures will be necessary to maintain Ireland's competitiveness. Targeted incentives and simplification measures can support both existing and emerging businesses in navigating the new global tax landscape while preserving Ireland's ability to attract and retain high-value economic activity.

Incentivise activities outside the scope of the R&D tax credit

The enhanced R&D tax credit regime supports a range of research and development activities in the fields of science and technology within strict parameters. However, Ireland should also consider a new separate innovation incentive designed as an expenditure-based qualifying refundable tax credit to help companies scale broader innovation

efforts, boost productivity, and maintain Ireland's competitive position as a leading technology and innovation hub.

This new innovation incentive should focus on a broader definition of "innovation", for example by leveraging the Organisation for Economic Co-operation and Development's "Oslo Manual", which defines "innovation activities" as all developmental, financial and commercial activities undertaken by a firm intended to result

“Ireland should introduce a broader innovation incentive for activity that falls outside the traditional R&D tax credit.”

in innovation for that firm. This broader scope is critical if Ireland is to support the full lifecycle of innovation, not just activities that meet strict R&D criteria.

The incentive should focus on the outcomes of innovation efforts, specifically knowledge and value creation, and operate as a standalone regime separate to the existing Irish R&D tax credit. Targeting this incentive at companies that retain and exploit intellectual property developed through innovation activities in Ireland will help ensure the continuity of high-value decision-making and commercialisation activities, thereby supporting Ireland's international competitiveness in this area.

Lower rate for non-Pillar Two companies

For startup and early-stage companies not yet subject to the OECD Global Minimum Tax rules (also known as “Pillar Two”), introducing a reduced corporate tax rate of 6.25% linked to new or incremental investment and expenditure would provide a strong incentive to these companies to expand operations in Ireland. Such a measure would stimulate economic activity and job creation while remaining aligned with international tax reforms.

Emerging industries

Ireland has successfully attracted and sustained the pharmaceutical and technology industries, which have provided significant investment and employment. Similarly, a focus should be placed on emerging sectors, such as AI. It is important to engage proactively with the stakeholders in those sectors to ensure that

relevant and attractive incentives can be introduced, helping Ireland remain competitive in attracting new investment in these sectors.

To position Ireland at the forefront of AI development and industries of the future, such companies should benefit from enhanced capital allowances. Providing 100% first-year allowances for qualifying related equipment would encourage investment in cutting-edge technologies, support innovation and maintain Ireland's competitive edge in ultra-high-growth sectors.

Irish holding company regime

We recommend that the participation exemption for foreign dividends be expanded by broadening the geographic scope of the participation exemption regime for certain foreign distributions and introducing the long-awaited branch exemption. This would complete the modernisation agenda, reduce complexity for multinational groups, enhance Ireland's attractiveness as a holding company location and bring our regime into line with our key competitor jurisdictions.

Withholding tax

The domestic withholding tax exemptions relating to royalties and interest should be reviewed following the introduction of Pillar Two. In particular, these provisions should be expanded to include payments made to entities that are part of an in-scope group for Pillar Two, for the purpose of satisfying the “generally subject to tax” requirement contained in both provisions.



Reform of interest regime

We welcome the Feedback Statement for Phase One of the reform of Ireland's taxation regime as an opportunity to consider options for the simplification of the interest regime and, safeguarding Ireland's international competitiveness. However, the interest deductibility approach proposed in the 2025 Strawman does not enhance Ireland's competitiveness relative to other international locations. We recommend further stakeholder engagement before any legislative interest reform is introduced.

Digital games development

We recommend targeted enhancements to expand the scope of the digital games tax credit to include co-development activities and porting projects. Such changes would enable Ireland to compete more effectively for high-value projects, and generate skilled employment opportunities for professionals such as programmers, engineers and AI specialists who are vital to the broader digital economy.

Global minimum tax

In January, the OECD released the Side-by-Side package which fundamentally changes the operation of the OECD Global Minimum Tax rules in respect of US MNE groups as well as introducing a number of new safe harbours. The Department of Finance has indicated that this package will be incorporated into the Irish legislation via Finance Bill 2026. We would encourage the Department to continue to engage with stakeholder groups on the legislative amendments arising out of the Side-by-Side package to ensure a smooth transition of this package into the Irish Pillar Two legislation.

As part of the Side-by-Side package, the new Simplified ETR (Effective Tax Rate) safe harbour was introduced, providing a mechanism for certain groups to demonstrate that they meet the 15% minimum tax rate using simplified calculations rather than the full Pillar Two compliance framework. There are optional provisions to allow jurisdictions to introduce this safe harbour with effect for a fiscal year that commences on or after 31 December 2025. Given the complexity of the Global Minimum Tax rules, we would encourage the Department of Finance to avail of this optional provision and give effect to this safe harbour from the earliest possible date.

The Side-by-Side package also includes provisions for a new Substance-based Tax Incentive

“Enhancing the digital games credit would help Ireland attract more high-value development activity and skilled talent.”

“Ireland’s Global Minimum Tax framework must remain competitive, aligned with international standards and straightforward to comply with.”

(SBTI) Safe Harbour which reduces or eliminates top up tax that would otherwise be attributable to qualified tax incentives. This safe harbour recognises that incentives that are provided in relation to substantive activities in a jurisdiction are less susceptible to base erosion and profit shifting risk and provides the parameters for such tax incentives to be considered qualifying. We would encourage the Department of Finance to use these parameters when contemplating its R&D roadmap and future plans with respect to tax incentives, as other countries are also beginning to scope and introduce new tax incentives with respect to the SBTI safe harbour.

It is imperative that Ireland’s Global Minimum Tax framework remains competitive, in line with international standards, and promotes ease of compliance. As the OECD releases further Administrative Guidance, we would encourage the Department to consult with stakeholders with respect to the implementation of such guidance into Irish legislation. The Department of Finance should also consider the current state of penalties for filing, as there are concerns that these render Ireland’s regime less competitive than other jurisdictions.



07

Future-proofing Ireland's financial services sector



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Rachel Devlin-Judge
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Ireland's International Financial Services (IFS) sector remains a cornerstone of our economy, supporting highly skilled employment across asset and wealth management, aviation finance, insurance, banking and capital markets. However, as global capital flows shift and competing jurisdictions modernise their tax regimes, Ireland cannot afford complacency. We have set out below a series of cross sectoral targeted measures that we believe would reinforce Ireland's attractiveness as an IFS location and simplify an increasingly complex code.

Simplification of the tax code Domestic tax treatment of Irish investors

Complexity has become one of the most frequently cited barriers to investment in the IFS sector. We propose targeted simplification of provisions most relevant to the IFS industry, in particular, the rules on interest deductibility and the tax treatment of interest more generally. A simpler, more coherent regime would reduce compliance cost, support certainty, and free up capacity for growth-oriented investment.

We recommend that the rates of Life Assurance Exit Tax (LAET) and Investment Undertakings Tax (IUT), currently set at 38%, be aligned with the general Capital Gains Tax (CGT) rate of 33%. In parallel, we encourage Government to remove the "deemed disposal" requirement, which treats investors as having disposed of their investments every eight years and the 1% life assurance levy. These features of the current regime are out of step with international norms and act as a material disincentive to long-term retail



“Ireland is uniquely positioned to lead in sustainable finance and green aviation.”

investment in Ireland. Their reform, as proposed in the Funds Sector 2030 report would support the development of a domestic investor base, improve household financial resilience, and enhance Ireland’s attractiveness as a location for funds. This would also complement the introduction of an Irish SIA, as discussed previously.

A tax framework fit for the digital age

The adoption of fund tokenisation is accelerating internationally. We would encourage the Department of Finance to ensure that Ireland’s tax framework is fit for purpose to support tokenised fund structures, providing certainty for issuers, investors and service providers. Early action here will protect Ireland’s first-mover advantage as a leading funds jurisdiction.

Enhancement of the Irish holding company regime

We welcome the recent introduction of a participation exemption for foreign dividends. The regime and our competitiveness would benefit greatly from a few final additions, as discussed previously. In addition, further enhancements to the withholding tax regime to allow for efficient repatriation through partnership structures would be welcomed to improve Ireland’s competitiveness for multinational groups.

Supporting sustainable finance and aviation

Ireland is uniquely positioned to lead in sustainable finance and green aviation. We recommend that the tax regime evolve to reflect the unique characteristics of sustainable finance, including enhancements to the Irish holding regime for structures that prioritise investments with significant positive environmental impacts, and the introduction of incentives for Irish investors in “green” companies.

Given the strategic importance of the aviation sector to the Irish economy, we also recommend the introduction of targeted tax incentives to support the use of sustainable aviation fuel (SAF). Such measures would reinforce Ireland’s leadership in aviation finance while contributing meaningfully to our climate commitments.

08

**Supporting
talent & reducing
administrative
burden for
employers**



Pat Mahon
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Attracting and retaining skilled talent is critical to Ireland's competitiveness in an increasingly mobile workforce. As labour markets tighten and compliance obligations expand, targeted reforms can help reduce unnecessary administrative burden while ensuring the tax system continues to support investment, mobility and employee participation. We see scope for a number of pragmatic improvements, highlighted below.

Approved profit-sharing schemes

This scheme continues to support employee participation and long-term alignment between employers and employees. It allows an employer to allocate shares to employees, held in a trust, with the possibility of receiving those shares free from Income Tax when certain retention conditions are met. However, the annual investment limit of €12,700 per individual has remained unchanged for many years. Consideration should be given to increasing this long-standing cap to reflect inflation, wage growth and the increased role of equity participation in attracting and retaining talent.

Modernising this limit would help ensure that the scheme remains an attractive option and supports the alignment of employee and shareholder interests in driving the company's success.

Enhanced employer reporting

The introduction of Enhanced Reporting Requirements (ERR) has significantly increased real-time compliance obligations for employers, as they must now report certain non-taxable payments (i.e. remote working allowances, travel and subsistence items) to Revenue on or before the date they are made, requiring tighter

“A more proportionate reporting model would enable businesses to focus resources on productive activities.”

internal control, updated systems and more frequent data submissions. While transparency is important, the current real-time reporting model has proven onerous and operationally challenging for many businesses.

We recommend instead moving to annual reporting, which would continue to satisfy Revenue's information requirements while substantially reducing unnecessary monthly administrative burdens and compliance risk for employers. A more proportionate reporting model would enable businesses to focus resources on productive activities, potentially increasing profitability and in turn, generating a higher Exchequer tax take in the long run.

Small benefit exemption

The small benefit exemption allows employers to give employees up to five small benefits, tax-free, each year. These benefits must not be in cash and the combined value of the five benefits cannot exceed €1,500. This exemption has been widely used and well understood, but the current restriction limiting employers to the first five benefits per year per employee creates unnecessary administrative complexity without delivering meaningful Exchequer protection. Removing this numerical cap, while retaining the existing value limits, would simplify administration, and give employers greater flexibility to recognise employee contribution.

Loan benefit in kind

A preferential loan can arise where an employer lends money to an employee at a rate of interest that is lower than the specified rate set by the Department of Finance (currently 4% for qualifying home loans and 13.5% for all other loans). These rates have for many years been significantly higher than prevailing commercial interest rates. This misalignment has resulted in benefit in kind charges that do not reflect economic reality, particularly in a fluctuating interest rate environment. A review of the applicable rates is warranted to ensure they remain fair, proportionate, and reflective of market conditions, while preserving the integrity of the BIK regime.

Special assignee relief programme (SARP)

We welcomed the extension of this important tax incentive that is designed to attract key talent to Ireland to 31 December 2030 as part of Finance Act 2025. However, longer-term certainty remains critical for employers making strategic talent and investment decisions. Removing the sunset provision entirely would provide that certainty and reinforce Ireland's position as a stable location for globally mobile talent. We also recommend streamlining the relief (currently only providing income tax relief) by extending it to include USC, to enhance its effectiveness; and simplifying the administration of the regime to reduce compliance burdens. This would serve to improve accessibility of SARP and ensure the relief operates as a practical tool to support high-value investment and skills transfer.



Thank you

We would be pleased to provide any additional information, insights, or support that may be helpful.



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