An Roinn Airgeadais
Department of Finance

Business Tax Stakeholder Forum

Department of Finance
20 October 2025

Agenda

- **Introduction**
- **Domestic Developments**
    - ✓ *Budget 2026 & Finance Bill 2025 - general overview*
    - ✓ *Update on Participation Exemption Regime*
    - ✓ *Update on the R&D Tax Credit Review*
    - ✓ *Update on Funds Review follow-up*
    - ✓ *Action plan for the reform of Ireland's taxation regime for interest*
    - ✓ *Update on SARP/FED*
- **Upcoming Irish Presidency of the European Council**
    - ✓ *Presentation by EU Presidency Planning Unit*
    - ✓ *Presentation of consultation questions*
- **EU & International Tax Developments**
    - ✓ *EU Tax Policy Developments*
    - ✓ *OECD (Pillar One and Pillar Two)*
    - ✓ *United Nations*
    - ✓ *Tax Treaties*
- **AOB**

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Introduction

Sinéad Ryan, Department of Finance
October 2025

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Domestic Developments

Gary Hynds, Ellie Cuffe, Deirdre Donaghy, Ciara Lonergan, Sorsha Foran
Department of Finance
October 2025

General Overview of Budget 2026 and Finance Bill 2025

Business Supports

- **Participation Exemption:**
- Rules updated to enhance and extend the scope. Key updates include extending the geographic scope, reducing the 5 year look back period to 3 years, and clarifications to improve the operation of the rules.
- **R&D Tax Credit:**
- Number of enhancements to the regime including increasing the rate from 30% to 35%, increasing the first-year threshold from €75,000 to €87,500, and introducing a simplification measure to allow 100% of an R&D employee's emoluments as qualifying costs where at least 95% of their time is spent on qualifying R&D activities.
- R&D Compass will be published in the coming weeks, to set out the future considerations and direction of travel for the regime.
- **Section 481 TCA 1997 (Film Tax Credit)**
- Enhanced to provide for a new 40% rate for productions with a minimum of €1 million of eligible expenditure on relevant VFX work. This rate will be available on eligible expenditure up to a maximum of €10 million. This enhancement is subject to the approval of the European Commission.
- **Section 481A TCA 1997 (Digital Games Tax Credit)**
- Extended by six years to 31 December 2031. The credit is also being enhanced to allow for claims in respect of Post-Release Content work, subject to certain conditions. This is being done to better align the credit with modern business practices in the sector.

Investor Supports

- **CGT Revised Entrepreneur Relief:** lifetime limit for CGT Revised Entrepreneur Relief will be increased from €1 million to €1.5 million from 1 January 2026

Update on Participation Exemption Regime

Participation Exemption for Foreign Dividends

Updates/Enhancements to rules include;

- Extension of Geographic Scope - to include non-DTA jurisdictions with non-refundable withholding tax
- Reduction in lookback rule from 5 years to 3 years
- Participations from deductible dividends where deductibility is for purposes akin to the Irish close company surcharge
- Distributions included from newly signed tax treaty jurisdictions
- Jurisdictions where no concept of tax residency exists
- Clarification on acquisition of shareholdings
- Clarification Ireland is a relevant territory for participations post mergers and acquisitions, and relocations out of Ireland

Update on R&D Tax Credit

R&D Tax Credit

- 26 responses received from a range of respondents, including companies engaged in R&D activities, advisory firms, representative bodies and Government Departments.
- Published on the website.
- Engagement with stakeholders throughout the year through meetings, roundtable discussions and prebudget submission meetings.
- Common themes emerged such as:
    - Increase in rate
    - Review of subcontracting limits in relation to third party and university or institute of higher education
    - Call for connected party subcontracted costs to qualify
    - Expand definition of R&D to include innovation
    - Expand definition of ‘expenditure on research and development’ to replace ‘in the carrying on by it’ with ‘for the purposes of’ to allow more ancillary expenditure to qualify.
- The consultation process provided valuable input into policy considerations for enhancing the regime in Budget 2026.

R&D – Compass

- R&D consultation process, together with pre-Budget submissions received across the year, has informed the development of the R&D Compass.
- Will provide stakeholders with information on potential future enhancements and areas of focus of the R&D Tax Credit, to better align with industry practices.
- Will set a pathway for development of innovation supports.
- Standalone publication that focusses specifically on the R&D Tax Credit and potential supports for innovation.
- Forms part of the Department's wider approach to policy development.
- Compass recognises the importance of ensuring that Ireland remains attractive as a location for quality employment and investment in high value R&D.

Funds Sector 2030 - A Framework for Open, Resilient and Developing Markets

Funds Sector 2030 Report

- *Funds Sector 2030* set out recommendations to ensure that Ireland's funds sector framework remains resilient, future-proofed, supportive of financial stability and a continued example of international best-practice.

- 30 of the 42 recommendations are either completed or in progress, while 12 remain under consideration.


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Funds Sector 2030:
A Framework for Open, Resilient & Developing Markets

Implementation Plan
7 October 2025

Tax Recommendations : Funds Sector 2030 Report

Investment Limited Partnerships (ILPs)

- Recommendation 3 - Finance Bill 2025 includes a Dividend Withholding Tax exemption for ILPs and equivalent EEA funds
  - *applies to dividends made, on or after 1 January 2026, by Irish companies to an ILP which owns at least 51% of the ordinary share capital of the company*
  - *Includes an amendment to simplify the filing process for ILPs*

Irish Real Estate Funds (IREFs)

- Recommendation 34 - public consultation on potential options for an entity-level tax will not be progressed
  - *A public consultation will be held in 2026 on proposals to simplify the IREF regime without limiting its effectiveness, leading to amendments in Finance Bill 2026*

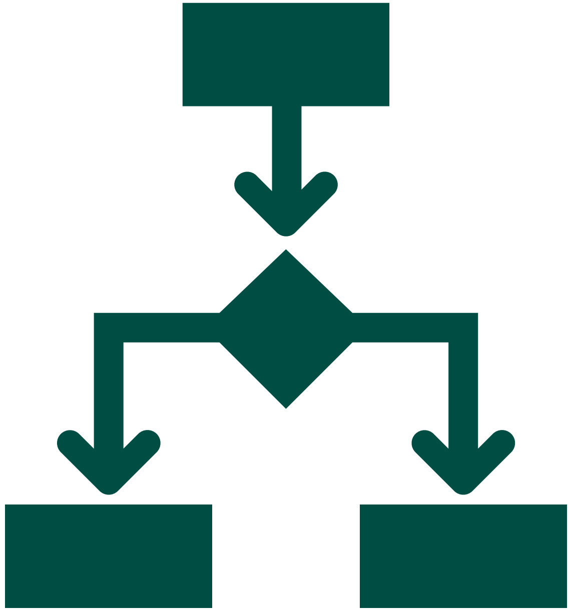
Special Purpose Entities

- Recommendations 30-31 - transparency and publication for S110's under consideration as part of a wider review of the S110 regime
  - *includes policy discussion on simplified interest deductibility as part of the reform of Ireland's taxation regime for interest*

Tax Recommendations : Funds Sector 2030 Report

Retail Investment

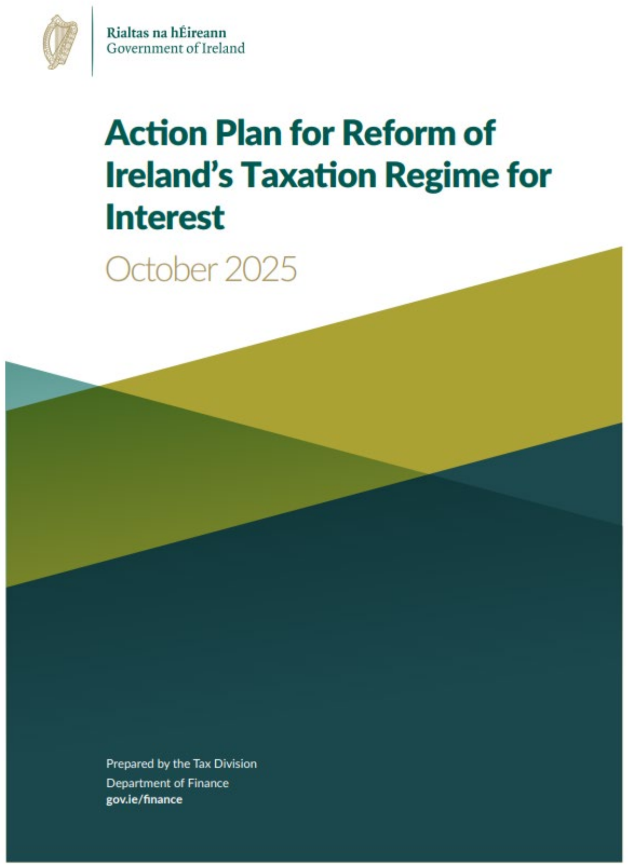
- 8 recommendations to encourage retail investment – 4 relate to taxation
- Report acknowledged complexity of existing system and the need for appropriate guardrails where changes are made:
    - *ETFs currently subject to the offshore regime with self assessment*
    - *Different approaches for different types of investor?*
- European Commission Recommendation for Savings and Investment Accounts
- Roadmap – broad outline of plans to simplify and adapt the current framework over the coming Finance bill cycles, supporting investment while maintaining anti avoidance protections
- Finance Bill 2025 changes to rates



Action Plan for Reform of Ireland's Taxation Regime for Interest

A Phased Approach to Reform of Ireland's Taxation Regime for Interest

- Action Plan sets out timeline for phase one of the Interest Reform
- Feedback statement to be published in November 2025 and consultation open until mid-January 2026
- Phase one will focus on priority issues, with additional areas addressed under subsequent phases
- Legislative changes expected in Finance Bill 2026


Rialtas na hÉireann
Government of Ireland

Action Plan for Reform of Ireland's Taxation Regime for Interest

October 2025

Prepared by the Tax Division
Department of Finance
gov.ie/finance

Update on SARP / FED

2025 SARP Review

Key Findings

- **The annual cost and number of beneficiaries continue to grow**. SARP was claimed by 2,925 employees in 2023, who were linked with 600 employers. The estimated Exchequer cost was €56.3m.
- The **Cost-Benefit Analysis** undertaken indicated an overall positive cost return.
- Employment tax relief schemes for inbound workers are a popular mechanism **used by many countries** as part of their efforts to attract highly skilled workers.
- **Stakeholder feedback** suggested that SARP has played an important role in helping attract workers and investments to Ireland and has supported business growth. The main issue raised was a need for more flexibility regarding the 90-day employer certification requirement. There were calls for various enhancements to the relief and there were also calls for an extended deadline of the annual SARP Employer return.

Key Recommendations

1. **Extend SARP**

In the context of the current global economic environment and global labour market, policy objectives remain valid and are aligned with Government strategy.

2. **Consider practical amendments to the 90-day Employer Certification**

However, it is appropriate that deadlines are in place for the submission of documentation to Revenue. It also ensures alignment of the relief with objectives.

3. **Extend the deadline for the Annual Employer Return**

In view of making administrative requirements more practical.

4. **Increase the minimum salary threshold from €100,000**

To ensure the bar for eligibility is appropriate for targeting high-calibre talent.

2025 FED Review

Key Findings

- **The annual cost and number of beneficiaries are on the rise** following a decline during the COVID-19 period. In 2023, there were 632 claimants, with an estimated Exchequer cost of €4.4m.
- Ireland's **highly-globalised economy** means that it is particularly exposed to disruptions in international trade and to external vulnerabilities, and especially, shocks in key sectors or partner countries. Government has recognised a more balanced export performance should help safeguard long-term prosperity.
- **Stakeholder feedback** suggested that FED has helped encourage and motivate employees to undertake business trips which have, in turn, facilitated the development of new export markets and expansion of operations internationally. The most common proposals put forward were expanding the list of qualifying countries to promote further diversification and to increase the level of relief available under FED.

Key Recommendations

1. Extend FED

In the context of Ireland's economic model, policy objectives remain valid and are aligned with Government strategy.

2. Ensure that FED is appropriately calibrated

Review the level of benefit available and assess the conditions of the measure to ensure they are appropriately calibrated for achieving policy objectives.

3. Review the list of qualifying countries

To consider whether there are potential further opportunities for the years ahead. Any new updates should be in line with the policy objectives of the relief and wider Governmental trade, exports and international policies.

SARP & FED - changes in Finance Bill 2025

SARP

- 5 year extension to 31 December 2030.
- From 1 January 2026, an annualised base salary of €125,000 or above will be required to qualify.
- New entrants to the scheme from 2026 onwards may then benefit from an Income Tax exemption on 30% of annualised employment income between €125,000 and €1m.
- Existing claimants who continue to avail of SARP in 2026 or further years will not be impacted by this change.
- Employees can qualify for the relief where employer certification is made after 90 days but within 180 days from the employee's date of arrival in the State. Relief will not be available for the year in which the employee first arrives in Ireland, but for the 4 subsequent years.
- Annual employer return deadline extended to 30 June.

FED

- 5 year extension to 31 December 2030.
- From 1 January 2026, the maximum amount of relevant employment income that may qualify for relief will increase from €35,000 to €50,000.
- The relief will be extended to apply in respect of qualifying time spent working in two additional countries: the Philippines and Türkiye.
- Removal of the requirement to spend 3 consecutive days working in a relevant country.
- Stipulation that time working in a relevant country must be reasonably required for the purposes of the performance of the employment duties.

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Upcoming Irish Presidency of the European Council

Peadar O'Broin, Robert O'Donnell
EU & International Division, Department of Finance
October 2025

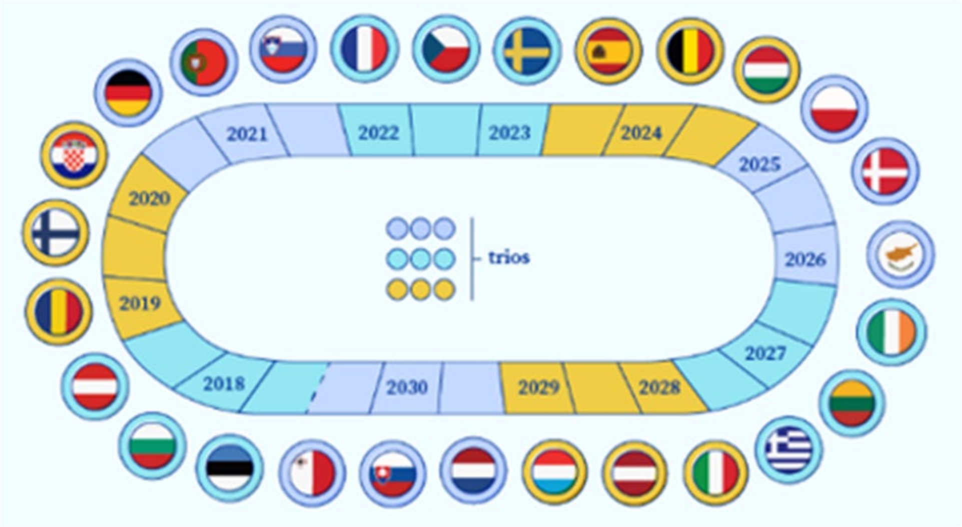
Presidency Mode incoming

Ireland takes over the Presidency of the Council of the EU on 1 July 2026, following Denmark and Cyprus.

8.5 months to go!

What does this involve?

- *Minister to Chair Ecofin and Budget Council*
- *Officials to chair working parties*
- *To represent the Council at Trilogue negotiations*
- *To host informal events in Ireland*
- *Ireland to represent the Council externally*
- *& A range of other roles*



Conclusion

- Preparations are well underway
- We look forward to hearing your views today on the upcoming Presidency and will be happy to clarify any questions you may have.

Irish Presidency H2 2026

- Stakeholder engagement. In respect of direct tax and indirect tax:
- Developing key themes and priorities;
    - ***What do you consider as the top EU tax policy priorities for the Irish Presidency?***
    - ***What key themes should guide the Irish Presidency in its work on both Direct and Indirect Tax policy?***
- We welcome written feedback from you.

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Department of Finance

Update on EU and International Tax Developments

Department of Finance
October 2025

OECD Global Minimum Tax Agreement

State of Play

20 January 2025

US Executive Order

28 June 2025

G7 Statement

US withdrew proposed section 899 ‘retaliatory measures’ from the One Big Beautiful Bill Act (OBBBA)

4 July 2025

President Trump signed OBBBA

18 July 2025

G20 Communiqué

31 December 2025

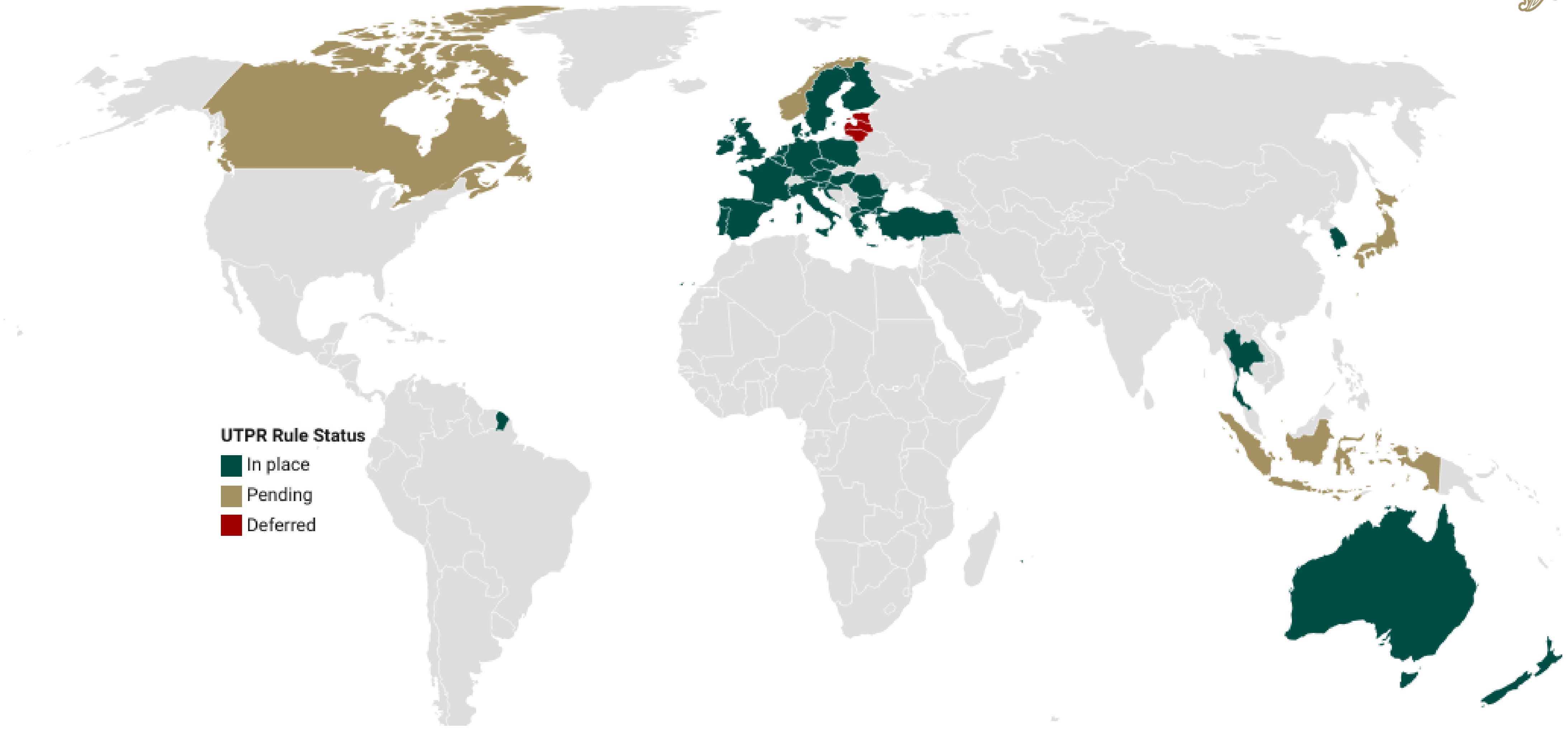
Expiration of the UTPR Safe Harbour

Pillar Two

- Ireland legislated for Pillar Two in FA23, via transposition of EU Minimum Tax Directive.
- Pillar Two in effect for fiscal periods beginning 31 December 2023 and later.
    - *QDTT implemented to top-up undertaxed domestic subs to 15%.*
    - *IIR then applied by Ultimate Parent Entities.*
    - *UTPR backstop rule levies top-up tax on constituent entities in respect of group members in non-implementing jurisdictions - safe-harboured until 2025 to allow for US implementation.*
- First Pillar Two tax returns (separate system of compliance and information exchange) due in mid-2026 (18 months after end of fiscal period to end-2024).
- Updated estimated impact to the Exchequer provided in Budget 2026 of c. €3 billion.

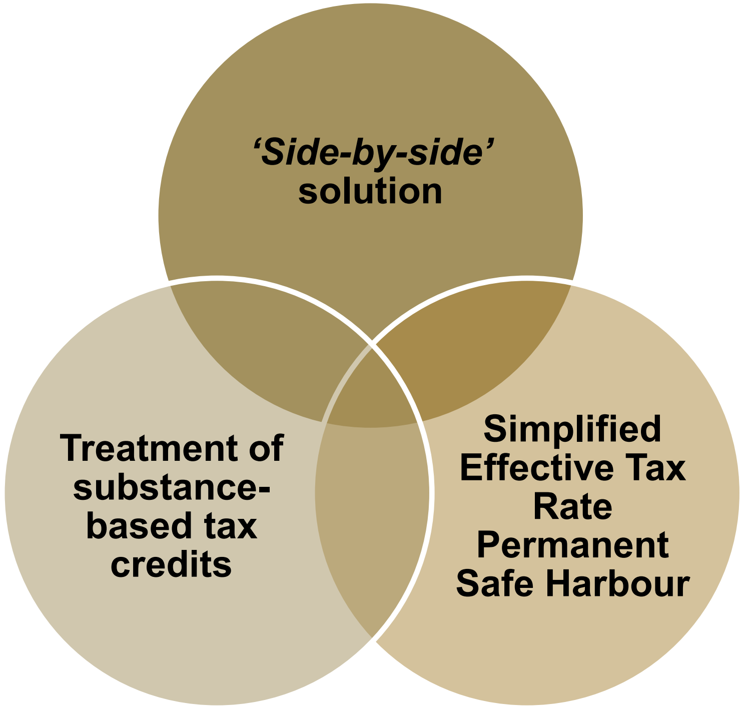
Pillar Two – UTPR

UTPR Implementation October 2025



‘Side-by-Side’ solution

- Technical work ongoing to devise a mechanism for co-existence of US Minimum Tax Rules and Pillar Two rules *‘side-by-side’*.
- Issues - Eligibility, BEPS/LPF risks, implementation.
- Negotiations continue at OECD technical level:
  - *Working Party 11 & Steering Group of the OECD/G20 Inclusive Framework.*
- Timeline for policy formation – technically complex and politically sensitive package.



Key considerations:
- UTPR Safe Harbour expiration 31 December 2025.
- EU Minimum Tax Directive.
- Uncertainty regarding future US policy actions e.g. retaliation measures.

OECD Administrative Guidance

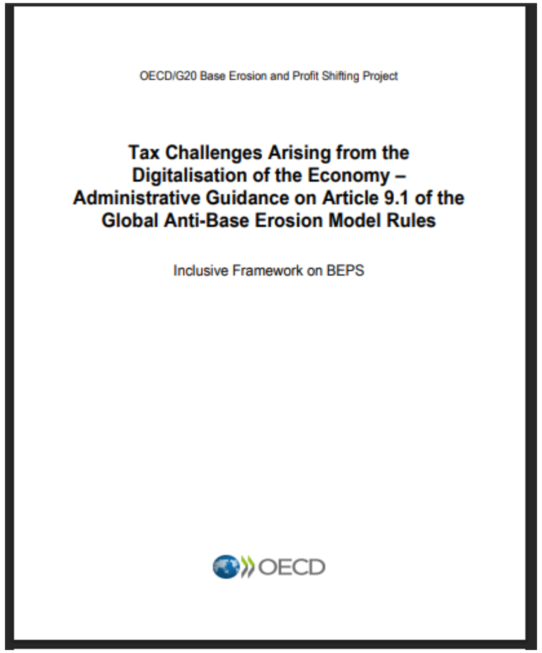
5th Package of OECD Administrative Guidance Published in January 2025

Finance Bill legislates for aspects

- *Clarifications on Article 9.1 treatment of Deferred Tax Assets arising from tax benefits provided by General Government.*
- *Clarifications on Article 8.1.4 and 8.1.5 and the Globe Information Return.*
- *Amendments to provide for the exchange of information aspects of Pillar Two in accordance with DAC 9 and the MCAA.*
- *Other technical amendments to ensure rules operate as intended.*

Upcoming Ministerial Order will provide for

— *The remaining aspects of the AG are more illustrative in nature and will be reflected in Revenue guidance as forming part of the OECD Pillar Two guidance for purposes of Irish Pillar Two legislation.*


OECD/G20 Base Erosion and Profit Shifting Project

Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on Article 9.1 of the Global Anti-Base Erosion Model Rules

Inclusive Framework on BEPS

OECD

UN Tax Cooperation

UN Tax Overview

- **2021 OECD Agreement** – dissatisfaction amongst developing countries with OECD process.
- **Nov 2022** - G77 tabled a resolution on deepening international tax cooperation at the UN.
- **2023** - UN Sec Gen's report on '*Promotion of inclusive and effective international tax cooperation at the United Nations*' published & majority vote in the General Assembly to establish a ***Framework Convention*** on International Tax Cooperation.
- **Dec 2024 / Feb 2025** - Terms of Reference and topics for priority protocols adopted.
- **April 2025** - Roadmap published
- **June 2025** - Publication of issues notes
- **August 2025** - First and Second Sessions of the Intergovernmental Negotiating Committee.

Framework Convention on International Tax Cooperation

RoadMap

- Milestones for the three workstreams
- Intergovernmental Negotiating Committee (INC) convenes three sessions annually
- Provides for stakeholder consultation
- Intersessional meetings of Workstreams

Process

Member State-led, open-ended intergovernmental INC to draft Framework Convention & Protocols.

- **Framework Convention (Workstream I)**
  - Development of this workstream will be informed by the nature of the “framework protocol approach” and specifically the ToR outlining the structure and future content of the framework convention.
  - Focus will be on drafting of text relating to commitments.
  - Coordination with WSII and WSIII.
- **Early Protocol on the taxation of income derived from the provision of cross-border services in an increasingly digitalised and globalised economy (Workstream II)**
  - During early workstream discussions, Member States identified challenges faced when taxing non-residents on income earned from services provided to its residents.
  - Workstream participants acknowledged that current source State taxation rules, which rely on physical presence, no longer fully reflect how all services are provided today in determining taxing rights.
- **Early Protocol on the prevention and resolution of tax disputes (Workstream III)**
  - Diverse views on the scope.

Next Steps

2025

4 - 8 Aug | New York

Intergovernmental Negotiating Committee (INC) First Session

11 - 15 Aug | New York

Intergovernmental Negotiating Committee (INC) Second Session

10 - 19 Nov | Nairobi

Intergovernmental Negotiating Committee (INC) Third Session

2026

2 - 3 and 6 - 13 Feb | New York

Intergovernmental Negotiating Committee (INC) Fourth Session

3 - 14 Aug | New York

Intergovernmental Negotiating Committee (INC) Fifth Session

30 Nov - 11 Dec | Nairobi

Intergovernmental Negotiating Committee (INC) Sixth Session

2027

Dates TBC

- Three substantive sessions
- Submission of the final text of the framework convention and of the two early protocols

Sep 2027

Consideration of the framework convention and of the two early protocols by the General Assembly

Framework Convention on International Tax Cooperation

Double Tax Agreements (Update)

- Ireland's Treaty Policy Statement continues to inform our on-going treaty priorities.
- Twin approach of economic priorities and specific policy for developing countries. Economic Priorities include:
    - G20,
    - EU and OECD Members and Accession Countries,
    - Renegotiation of Older treaties.

Much work on-going across the diplomatic system to pursue opportunities.

- In October 2024, Ireland signed a tax treaty with Liechtenstein.
- Currently, Irish officials are engaging with prospective Priority Countries in order to expand and update our treaty network.


Ireland's Tax Treaty Policy Statement
June 2022

Prepared by the Tax Division,
Department of Finance
www.gov.ie/finance

EU Tax Policy Developments

EU Tax Simplification

- **Draghi Report** and Commission focus on “simplification” to enhance competitiveness.
- **Tax simplification** – at EU and national levels.
    - *ECOFIN agreed Council Conclusions in March 2025*
    - *Has already had an impact (e.g. Unshell).*
- **Ongoing process.** Commission and Member State discussions.

Legislative Proposals: Expected and Existing

- Two legislative proposals are expected from this work:
  - A **recast of the Directive on Administrative Cooperation (DAC)** that will aim to simplify the previous nine iterations of the AEOI Directive.
  - A **Tax Omnibus Directive aiming** to simplify ATAD, IRD, PSD and TMD.
- Expected in H1 2026 and active during the Irish Presidency.
- Business in Europe: Framework for Income Taxation (BEFIT).
- Tax in Non-Tax Areas: e.g. Commission Work Programme 2026 and subsequent communications.

Questions and answers

An Roinn Airgeadais
Department of Finance

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