



Pre-Budget 2027 Submission

Strengthening Ireland's
competitiveness through
tax policy

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About the Irish Tax Institute

The Irish Tax Institute is the leading educational and representative body for Ireland's Chartered Tax Advisers (CTA) and is the country's only professional body exclusively dedicated to tax.

The Chartered Tax Adviser (CTA) qualification is the gold standard in tax and the international mark of excellence in tax advice. We benchmark our CTA programme against the very best in the world. The continued development of our syllabus, delivery model and assessment methods ensures that our CTAs have the key skills and knowledge needed to meet the evolving demands of their work.

The Institute is, first and foremost, an educational body but since its foundation in 1967, it has played an active role in the development of tax administration and tax policy in Ireland. We are deeply committed to playing our part in building an efficient and innovative tax system that serves a sustainable economy and a fair society. We are also committed to the future of the tax profession, our members and our role in serving the best interests of Ireland's taxpayers in an ever-changing international world order.

Our membership of over 6,400 is part of the international CTA network. It includes the Chartered Institute of Taxation UK, the Tax Institute of Australia, the Taxation Institute of Hong Kong and the South African Institute of Taxation. The Institute is also a member of the CFE Tax Advisers Europe (CFE), the European umbrella body for tax professionals.

Our members provide tax advice and business expertise to thousands of Irish-owned and multinational businesses as well as to individuals. They are employed in the public sector, corporates and private practice both here in Ireland and in over 30 countries around the world. Many hold senior roles in professional service firms, multi-national companies, Government, Revenue, state bodies and the European Commission.



Introduction



Despite global economic headwinds, the Irish economy is continuing to experience faster growth than most of its European neighbours. Employment levels are very strong, the country remains a leading destination for foreign direct investment (FDI) and public finances are healthy as the State continues to benefit from a robust corporation tax take from a small number of multinational companies. Obvious and entrenched challenges remain in terms of housing and infrastructure delivery which the Government has said it will continue to prioritise in Budget 2027.

Geopolitical instability casts a long shadow over the global economy and the conflict in the Middle East has introduced a new volatility. While Ireland is in a relatively good position to absorb some of the initial shock, a sustained period of high energy and transportation costs, inflationary pressure and market volatility would be far more challenging. It is against this context that Budget 2027 will be shaped.

Taxation remains one of the most effective policy levers available to the Government. By strengthening the competitiveness of the tax system—through expanding key reliefs, supporting innovation, simplifying administration, incentivising investment and protecting taxpayers—it can reinforce Ireland’s position as a leading location for business and talent. These are the levers within the Government’s grasp and are ones that other European countries are using in pursuit of growth. The German Finance Minister recently announced proposals for income tax reform which will “*significantly ease the burden on 95% of employees by several hundred euro a year*”.¹ Portugal is continuing to reduce its corporate income tax rate in stages. By pulling tax policy levers effectively, Ireland can not only maintain current success but also build resilience against external shocks.

¹ <https://www.bundesfinanzministerium.de/Content/EN/Reden/2026-03-25-reforms-for-a-strong-germany.html>

Budget 2026 saw some welcome steps forward in terms of enhancements to the R&D Tax Credit, changes to Entrepreneur Relief and the extension of schemes aimed at attracting and retaining talent and investment. These initiatives reflect a recognition by the Government that Ireland must remain agile in an increasingly competitive global environment and continue to position itself as an attractive place to do business. **However, Budget 2027 must build further on these measures.**

The recent announcement that the Government is developing an Investment Account for Ireland to make investing simpler, clearer and more accessible is welcome. The tax system can and should be tailored to encourage savings into productive investments.

Ireland will hold the Presidency of the Council of the European Union from July 2026 and an area of focus for the Government is reducing regulatory burdens for businesses, particularly SMEs. Simplification is at the heart of the EU's Strategic Agenda for 2024-29 and as the Tánaiste and Minister for Finance, Simon Harris TD said at the Irish Tax Institute's Annual Dinner in February, *"Simplification will help reduce red tape, cut regulatory costs, and unlock the potential of firms and institutions to support European competitiveness."*

Competitiveness cannot be taken for granted. It must be continually reinforced through policies that encourage investment, reward innovation, support entrepreneurship, and attract and retain talent. Tax policy is central to achieving these objectives.

In Budget 2027 the Irish Tax Institute is urging Government to:

- strengthen Ireland's competitiveness,
- support the growth of the indigenous sector,
- encourage retail investment, and
- ensure adequate safeguards for taxpayers.

Ultimately, Ireland's ability to thrive in a changing world will depend on its willingness to act decisively and strategically. By controlling the controllables and maintaining a clear focus on competitiveness, Ireland can continue to deliver economic prosperity and stability.

This submission sets out a series of targeted and practical measures designed not only to sustain the performance of the economy in the short term but also to underpin long-term, sustainable growth in an increasingly uncertain world.

Strengthen Ireland's Competitiveness



Ireland is a small and highly globalised economy which has greatly benefited from significant inward investment. The 12.5% corporation tax rate has been a key component in Ireland's success in attracting FDI but in a post-Pillar Two world of global minimum taxation, the Government must find other ways to improve the competitiveness of the Irish tax system. We outline below tax measures which we believe would strengthen Ireland's competitiveness and help to protect Ireland's position as an attractive place to do business.

Enhance the R&D Tax Credit

We are encouraged by the recent publication of the R&D Compass and establishment of an R&D Tax Credit and Innovation Working Group by the Department of Finance, on which the Institute has been an active participant. Ireland has built a strong reputation as a hub for research and development (R&D) intensive activity, however, in a global environment where many jurisdictions are actively competing to attract high-value investment, it is essential that Ireland's offering remains best-in-class. Enhancing the R&D Tax Credit - through improvements to its subcontracting provisions - would send a clear signal that Ireland is committed to maintaining its competitive edge. The development of a tax-based support for innovation must continue in 2026 with careful consideration given to its design and parameters.

Amend subcontracting provisions

Ireland's subcontracting provisions in the R&D Tax Credit are more restrictive than many competitor countries. The rules which apply for subcontracting to related parties, universities/institutes of higher education, third parties and agency/temporary staff should be broadened to ensure the credit remains a competitive incentive and continues to encourage additional R&D investment in Ireland.

In particular, we believe that consideration should be given to permitting subcontracting of R&D to a related party in circumstances where Ireland is the owner and has played an active role in managing and developing internally generated intellectual property arising from R&D activities. This would ensure that the value of the outputs and associated returns would accrue to the Irish entity. A cap on the amount of related spend which qualifies could be set by reference to the Irish company's own internal spend on R&D.



In keeping with Government policy to foster collaboration between academia and private businesses, the restriction on qualifying R&D expenditure subcontracted to universities/institutes of higher education should be removed to encourage the development of STEM skillsets. Qualifying R&D expenditure subcontracted to third parties should be capped by reference to the company's qualifying internal R&D spend rather than the existing limits.

Legislate for agency/temporary staff

The existing Revenue concession which allows expenditure on agency/temporary staff for R&D activities to qualify should be put on a legislative basis and the current conditions should be amended to reflect the commercial realities of R&D projects.

Reward innovation

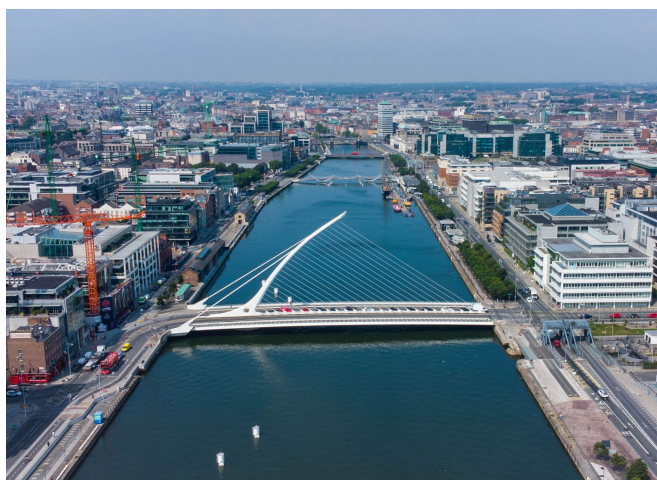
It is important that consideration of a tax measure which supports innovation is progressed. Potential options for such an incentive related to digitisation and decarbonisation should be examined. It is important that any new tax incentive would be considered compliant with the Pillar Two GloBE Rules and the US Foreign Tax Credit Regulations. It is also critical that any new incentive would not in any way impact on the existing R&D Tax Credit.

Simplify the Corporation Tax Code

While Ireland's headline corporation tax rate remains a cornerstone of its attractiveness, the increasing complexity of the broader corporation tax system can act as a barrier to investment and growth. Simplification would reduce compliance costs, improve certainty for businesses and enhance the overall efficiency of the tax system. In a world where investors have a wide range of choices, clarity and ease of administration are critical factors in attracting FDI.

Interest deductibility rules

The current patchwork of complex interest deductibility rules must be reformed. We understand the Department of Finance is working on proposals with a view to legislate for changes in Finance Bill 2027. We outline below five key recommendations which must be considered based on the concerns raised by members:



- Sections 247 and 249 Taxes Consolidation Act (TCA) 1997 should be streamlined to remove conditions that do not have a clear policy rationale. A reformed, principle-based section 247 and section 249, which enables companies to claim relief for interest as a charge for interest paid on borrowings incurred for valid commercial purposes, would significantly reduce the complexity faced by companies operating in Ireland.
- An interest deductibility rule for Schedule D Case III and IV should be introduced. A deduction should be allowed for interest equivalent incurred, to the extent that the related debt is employed during the relevant period for a purpose intended to give rise to income chargeable under Case III or IV, or which would be so chargeable, but for a relief or exemption provided for in the Taxes Acts.
- Taxpayers should be permitted to offset Case III and IV losses against both Case III and IV profits on a current year and carry forward basis so that these losses are not stranded and the regime can operate in a coherent manner.
- The rules governing the Interest Limitation Rule (ILR) €3 million *de minimis* threshold should be amended to allow the first €3 million of exceeding borrowing costs to be excluded from the ILR, rather than imposing the ILR on all net interest expense where the threshold is breached.
- The period within which a company may elect to form an ILR interest group should be extended to four years after the end of the accounting period to which the election relates to allow taxpayers more time to assess the merits of electing into an interest group. It would also align with the four-year time limit contained in section 959V TCA 1997.

It is vital that continued consultation takes place with stakeholders to ensure that meaningful simplification of the interest regime is achieved in Finance Bill 2027. In the meantime, we believe the proposed amendments to section 247 TCA 1997 outlined in the Department's Feedback Statement should be legislated for in Finance Act 2026. These include removing the common director requirement and the requirement to flow money through the bank account of intermediate group entities, where funds are used by connected companies.

Exemption for foreign branch profits

Ireland is somewhat of an outlier compared to its EU and OECD peers in not having an exemption for foreign branch profits. While the Government has consulted on introducing such a measure, we understand from the Business Tax Stakeholder Forum that the Department of Finance considers significant work is necessary to progress the proposed legislative amendments. We strongly believe this work should take place, in conjunction with stakeholders, throughout 2026 with a view to legislating for the exemption in Finance Bill 2027.

Section 626B TCA 1997 - capital gains exemption

In line with the position adopted in other jurisdictions and given that both provisions are broadly trying to achieve the same policy objective, we believe that the criteria applicable to the participation exemption for foreign distributions and the exemption for gains under section 626B TCA 1997 should be more closely aligned.

We consider the exemption in section 626B should not be limited to gains on shares of companies which are tax resident in EU or Double Taxation Agreement (DTA) countries. Section 626B should be extended to include gains on shares of companies which are tax resident in non-DTA countries that generally impose foreign withholding tax on distributions (other than a country on the EU list of non-cooperative jurisdictions) and are not generally exempt from foreign tax, like the conditions which apply for the participation exemption for foreign distributions.

In addition, the trading requirement should be removed as this requirement artificially imposes an Irish tax concept (that is the distinction between trading and non-trading activities) which does not apply in other jurisdictions.

Reduce the Personal Marginal Tax Rate

Ireland's marginal tax rate is 52.2% (including PAYE, USC and PRSI). Setting the rate at 50% would not only make Ireland more attractive for internationally mobile workers but would also somewhat ease cost-of-living pressures and support household consumption. To ensure that taxpayers are not subjected to increased tax because of rising inflation, credits and bands should be automatically adjusted annually.



We also endorse the view of the Commission on Taxation and Welfare that the tax treatment for all income earners should be aligned. Therefore, the additional 3% USC surcharge which applies to self-employed income over €100,000 should be removed, as it does not comply with the principle of horizontal equity.

Reduce the CGT Rate

Ireland's 33% Capital Gains Tax (CGT) rate remains among the highest in Europe and restricts external investment in Irish businesses, discourages owners from scaling or exiting firms, and limits SME productivity and export growth.

Reducing the CGT rate to 25% for active business assets would support innovation, enhance productivity, attract investment and may increase Exchequer returns, as evidenced by previous rate reductions.

Every individual that is chargeable to CGT for a given tax year is entitled to an annual exemption for chargeable gains of €1,270. When CGT was introduced in 1974, the annual exemption was IR£500. The indexed value of that amount today is €6,812. The exemption was last adjusted in 1992 when it was set at IR£1,000. The indexed value of that amount today is €2,577. To ensure that taxpayers are not subjected to increased tax because of rising inflation, the annual exemption should be automatically adjusted annually.

Support the Growth of the Indigenous Sector



Domestic businesses are the backbone of the Irish economy, providing employment, driving innovation and sustaining communities across the country. Yet many face significant barriers to scaling and accessing capital and are navigating an increasingly complex business environment. The Institute believes that targeted amendments and supports for entrepreneurship, business expansion and reinvestment are essential to allow Irish-owned enterprises to grow, compete internationally and contribute fully to long-term economic development.

Reduce ERR Administrative Burden

In recent years, there has been a consistent rise in the level of regulation of businesses, with an increased number of forms to be completed and new processes to be implemented by businesses. The cumulative administrative burden associated with such regulation places a significant strain on the scarce resources available to many SMEs.

Enhanced Reporting Requirements (ERR), introduced on 1 January 2024, have added materially to this burden by requiring real-time reporting of certain non-taxable payments and benefits. This requirement is unnecessarily onerous. Permitting reporting after month-end would reduce the compliance burden while ensuring Revenue continues to receive timely data and the policy objective remains intact. Such a change would also align with the Government's Action Plan on Competitiveness and Productivity, which commits to reducing unnecessary regulation for SMEs.

Although recent amendments to the Small Benefit Exemption and updated Revenue guidance on staff meals have addressed some issues, significant practical concerns remain. We are increasingly aware of small businesses and local restaurants losing trade as employers avoid providing modest staff gestures such as retirement lunches

or flowers/chocolates for special occasions, due to concerns around ERR compliance. This undermines wider Government measures introduced in Budget 2026 to support small businesses and hospitality.

The fixed €4,000 penalty for failing to report a non-taxable benefit or reimbursed expense in real-time, even where no tax underpayment arises, is disproportionate and excessive. A more appropriate and proportionate sanction should apply.

Simplify Share-based Remuneration Schemes

Share-based remuneration plays an important role in rewarding key employees and reducing fixed labour costs. Despite this, take-up of the Key Employee Engagement Programme (KEEP) has been low, largely due to practical limitations that undermine its feasibility.

The most significant of these limitations is share valuation. SMEs need certainty that the option price is not less than market value at the date of grant. The June 2024 Tax Administration Liaison Committee (TALC) Sub-committee Report recommended that Revenue review its guidance on unquoted share valuations to provide this clarity. However, Revenue confirmed in December 2025² that no substantive updates would be made, leaving companies exposed to the risk that options may be deemed non-qualifying under section 128F TCA 1997, with the consequence that no exemption from income tax, USC and PRSI applies on exercise.

Given Revenue's position, we urge policymakers to legislate for a safe harbour approach to share valuation. Where options are granted at an undervalue within say a certain percentage of the Revenue determined value (for example 75%), a more proportionate sanction would be for a charge to income tax to arise on the exercise of the options on the difference between the market value at the date of grant and the option price. This would preserve qualifying KEEP status while Revenue could collect tax on the undervalued portion such as that collected under the existing section 128 TCA 1997 mechanism.

More broadly, the obstacles to share-based remuneration for SMEs and start-ups must be addressed, particularly the upfront tax cost associated with share-based remuneration for employees. Consistent with Indecon's recommendation, implementing one of the following measures would make a material difference:

- deferring tax on share option exercise until the employee can dispose of the shares so that the employee can fund the tax liability; or
- reducing the 13.5% interest rate on employer loans used to fund the purchase of shares to a more commercial rate.

² <https://www.revenue.ie/en/tax-professionals/talc/main-talc-minutes/2025/talc-minutes-120225.pdf>

Encourage Retail Investment



Ireland must foster a culture of long-term saving and investment by ensuring that the tax system incentivises individuals to deploy their capital productively. Supporting retail investment will not only help individuals build financial resilience and plan for their future but will also unlock additional sources of funding for Irish enterprises and economic growth. Reform in this area would create a more balanced and dynamic investment landscape, benefiting both households and the wider economy.

Implement the Proposed New Savings and Investment Account

Both the EU Savings and Investment Union and the Programme for Government recognise the importance of growing retail investment. In this regard, we welcome the recent announcement by the Tánaiste and Minister for Finance of a proposed new Investment Account for Ireland. The Institute recently participated in the first Annual Savings and Investments Forum and we look forward to continued engagement with the Department of Finance on the tax aspects of this scheme.

We firmly believe that by taking account of the retail investor's needs and preferences, the tax system can be tailored to encourage retail investors to channel savings into productive investments which will in turn play a pivotal role in bridging the funding gap for the future.

Implement the Recommendations in the Funds Sector 2030 Report

The Institute has previously made recommendations on the changes needed to the taxation of fund investments in our **response** to the Funds Sector 2030 public consultation. We support the recommendations in the Funds Sector 2030 Report to prioritise the simplification and consolidation of the tax regime for offshore funds, and to reform the taxation of Irish-domiciled funds and life products with similar amendments to be made to the equivalent products in EU, EEA and OECD territories. These changes will bring the regime into closer alignment with the taxation of other savings and investment products. Full implementation of these important recommendations is needed to grow retail investment in Ireland.

Ensure Adequate Safeguards for Taxpayers



As the tax system evolves, it is critical that adequate safeguards are in place for taxpayers. A fair and trusted tax system depends not only on effective administration and compliance but also on transparency, proportionality and robust taxpayer protections. Taxpayers must have confidence that the system operates fairly, that their rights are respected and that obligations are administered in a balanced and equitable manner. Strengthening these safeguards will reinforce trust in the tax system and support voluntary compliance.

The four-year time limit is an important safeguard for taxpayers as it provides finality and closure in respect of their tax affairs. Without this safeguard, taxpayers could face the possibility of assessments from Revenue many years later with interest accumulating at a rate of 8% or 10% per annum. Additional exclusions to the four-year time limit were introduced in 2012. Those changes, compounded by recent High Court decisions interpreting the pre-2012 regime, demonstrate that the legislation underpinning the four-year time limit is unfairly balanced against taxpayers and we strongly urge that it is reviewed.

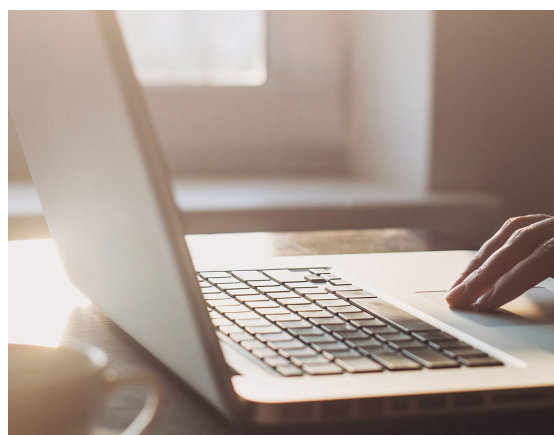
Thoroughly Scrutinise eWHT Proposals and Ensure Resilience of Existing Tax Compliance Architecture

In January, the Institute submitted its **response** to the joint public consultation by the Department of Finance and Revenue on a proposed new eWithholding Tax (eWHT) regime.

A major reform of withholding taxes proposes to abolish the current Relevant Contracts Tax (RCT) and Professional Services Withholding Tax (PSWT) rates including the 0% RCT rate; extend withholding tax to the platform economy;

and replace existing rates with an as yet undisclosed single flat rate for corporates and Personalised Deduction Rates for self-employed individuals.

In our response we warned that the proposals as they currently stand risk damaging Ireland's competitiveness and we urged that further consideration be given to the scope, design, cost and economic impact of the proposal before it proceeds any further. The proposed changes represent a fundamental change to the self assessment system by front loading payments from certain taxpayers. It is difficult to determine why such a change is necessary to a system which is functioning well.



We outline below six key recommendations based on the concerns raised by members regarding the scope and implications of the reform envisaged:

- Further work by the Department of Finance and Revenue is needed to clarify the scope of the eWHT proposal and what tax leakage it is attempting to address. Based on the preliminary information made available with the consultation, we would question whether such a substantial reform at this juncture is warranted or wise.
- The application of eWHT to the platform economy should be paused until the specific compliance issues in question, DAC7 implications and VAT in the Digital Age (ViDA) commitments are fully defined. If policymakers decide to proceed, a detailed Strawman Proposal should be developed to outline the intended design and scope of eWHT for platform operators.
- The use of a personalised rate rather than a flat rate of withholding tax could result in the unintended disclosure of an individual's personal circumstances. The GDPR implications of such a measure would need to be fully considered.
- It is imperative the 0% RCT withholding tax rate is retained for compliant resident and non-resident subcontractors. Its removal would have serious implications for the cost and delivery of critical housing and infrastructure projects, which would be at odds with the Government's National Development Plan.
- A full review of PSWT should be conducted to determine whether the regime remains appropriate before expanding its scope or altering its operation.
- A cautious approach should be adopted to expanding withholding tax, mirroring the approach taken in modernising Ireland's administration of VAT. It is important that international experience is reviewed first so that Ireland can learn from any mistakes in the design and implementation of withholding taxes before taking policy decisions which would have far reaching consequences for Ireland's competitive position. Providing a long lead-in time and financial supports for businesses to adapt to any new regime would also be necessary.

While the Institute supports modernising tax administration, any steps to do so in Ireland should focus first on ensuring that the existing tax compliance architecture is efficient, effective and robust before embarking on creating a new compliance model which would require extensive IT investment.

Retain the Option for Private Hearings at the Tax Appeals Commission

The Institute appeared before and made **two detailed submissions** to the Joint Oireachtas Committee on Finance who are currently examining the Revised General Scheme of the Finance (Tax Appeals and Fiscal Responsibility) Bill 2025 at the pre-legislative scrutiny stage.

Currently where a taxpayer desires a private hearing, they can apply to the Tax Appeals Commission (TAC) and the Appeal Commissioners must accede to this request. The proposed legislation will fundamentally change this by granting the Appeal Commissioners the discretion to decide if a tax appeal hearing should be held in public or in private and by limiting the redaction of TAC determinations to cases where there are “special and limited circumstances”.



Our submissions included a summary of more than 220 detailed member responses to a survey which was undertaken in December 2025 and found profound concerns among members about privacy and the effective functioning of the tax system should the proposed amendments in relation to public hearings proceed. We also included a legal opinion received by the Institute from Senior Counsel which confirms that nothing in the Supreme Court decision in *Zalewski*³ mandates the proposed changes, and comprehensive comparative research on the tax dispute resolution processes which exist in other EU Member States, demonstrating that Ireland’s current regime sits comfortably within the European norm.

We firmly believe that the proposed changes risk fundamentally undermining the tax appeals system and urge policymakers not to proceed with the proposed changes.

Provide Certainty Regarding Preliminary Tax Payment Obligations for Large Companies

The preliminary tax (PT) rules require larger companies to pay their PT in two instalments with the second instalment, due over a month before the period ends, bringing the total PT paid to 90% of their corporation tax liability for the period—a difficult target given the inherent uncertainty in forecasting. Where a company underestimates its liability despite best efforts, the full tax becomes due earlier with statutory interest applied regardless of whether the profits had actually been earned by that date. This treatment is inequitable and reform is needed.

³ *Zalewski v. Adjudication Officer & Ors* [2021] IESC 24

We recommend four changes:

- If the second instalment of preliminary tax (PT2) falls short of the 90% threshold, interest should apply to the shortfall only and no look-back should apply where the first instalment of preliminary tax (PT1) was correctly paid based on 50% of the prior-year liability.
- Companies should be permitted to make a top-up payment to PT2 within a defined period after the period end – once actual profits are known – without incurring interest.
- A company is a large company for the purposes of preliminary tax if its corporation tax liability was above €200,000 in the previous accounting period. The €200,000 threshold has not been indexed in 18 years, inadvertently pulling many SMEs into the large company regime. Increasing it to €1 million would materially reduce the compliance and cashflow burden on the SME sector.
- Companies crossing the threshold for the first time should only become subject to the large company preliminary tax rules from year two, avoiding penalising those unaware they had exceeded the threshold before PT1 fell due.

Conclusion




Ireland enters the 2027 Budget cycle from a position of economic strength. However, this strength should not obscure the reality that Ireland remains highly exposed to a range of external vulnerabilities. Heightened geopolitical instability, including the current conflict in the Middle East, persistent inflationary pressures, supply chain disruption, global tax reform complexity and an increasingly uncertain international trading environment all present significant risks to Ireland's future prosperity.

In this submission the Irish Tax Institute has set out a series of practical and targeted tax measures focussed on strengthening competitiveness, fostering indigenous enterprise, broadening investment participation and protecting taxpayer rights. Collectively, these measures will ensure that Ireland remains an attractive place to live, work, invest and do business, while supporting a balanced and inclusive economy.

Irish Tax Institute

South Block
Longboat Quay
Grand Canal Harbour
Dublin 2

 www.taxinstitute.ie

 +353 1 663 1700

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