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Recent Developments in International Taxation

Ireland

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Introduction

Changes to Ireland's tax regime are announced as part of the budget for each year and legislative changes are implemented through the Finance Act. Ireland's budget for 2025 was announced on 1 October 2024. Changes to the Irish tax regime announced in the budget typically take effect from 1 January of the following year.

The budget included a range of tax cuts and expenditure measures worth €10.6bn and was based on a record surplus.

International taxes

Participation exemption

The Finance Act 2024 introduced a long-awaited and much anticipated corporation tax exemption for certain foreign dividends received by a parent company.

The aim of the legislation was to provide administrative simplification and greater certainty for businesses. However, as implemented, the participation exemption has faced criticism for its geographical restrictions and anti-avoidance provisions. Feedback on the new legislation will be provided by stakeholders as part of submissions being made ahead of the next budget and the Minister for Finance has indicated that a review of the geographical scope of the participation exemption will be undertaken in 2025.

The participation exemption provides an alternative exemption method for foreign dividends to the old 'tax and credit' system of double taxation relief. A taxpayer can elect to avail of the participation exemption in a given accounting period for all relevant dividends.

The participation exemption covers distributions received by a parent company from a subsidiary resident in a European Union/European Economic Area (EEA) country or a jurisdiction with which Ireland has a double tax treaty (a 'relevant territory') at the date of the distribution and it must not be generally exempt from foreign tax in respect of that relevant territory (a 'relevant subsidiary'). Whether a company is a relevant subsidiary is subject to several additional conditions, including a five-year look-back period for residence and certain anti-avoidance provisions.

The participation exemption applies to distributions from a relevant subsidiary in respect of its shares that are made either:

1. out of profits; or
2. out of assets

to a parent company on or after 1 January 2025 (a 'relevant distribution').

The parent company must hold at least five per cent of the ordinary share capital of the relevant subsidiary or be beneficially entitled to not less than five per cent of the profits available for distribution to equity holders or be beneficially entitled to not less than five per cent of the assets available to equity holders on a winding up, for a continuous 12 months (a 'qualifying participation').

The participation exemption does not apply where the relevant distribution arises in respect of an arrangement or part of an arrangement that:

- has been put in place for the main purpose of obtaining a tax advantage or where one of its main purposes is to obtain a tax advantage; and
- is not genuine, taking into account the relevant facts and circumstances, meaning that it is not put in place for valid commercial reasons that reflect economic reality.

Where the distribution is made out of assets, there is an additional requirement that the shares held in the relevant subsidiary meet the criteria under the holding company exemption for capital gains tax (CGT) purposes.

Where the conditions are met, the recipient company can elect to apply the exemption so that: (1) corporation tax is not chargeable on the relevant distribution; and (2) the relevant distribution is not taken into account in computing income for corporation tax purposes.

Pillar Two updates

The Finance Act 2024 updated Ireland's Pillar Two legislation to further align with the EU directive on global minimum taxation ('Pillar Two'). These changes affect multinational groups with a presence in Ireland within the scope of Pillar Two. The updates primarily reflect the Pillar Two Global Anti-Base Erosion ('GloBE') Administrative Guidance¹ issued by the Organisation for Economic Co-operation and Development (OECD) since the enactment of the Finance Act in 2023.

Anti-avoidance provisions were introduced to prevent the misuse of the country-by-country reporting safe harbour rules,² particularly in relation to 'hybrid arbitrage arrangements' (arrangements that exploit differences in how countries treat certain financial instruments or entities for tax purposes, resulting in tax avoidance). The new rules apply in respect of accounting periods commencing after 31 December 2024.

Changes were introduced in relation to elections for gains and losses in respect of assets and liabilities that are subject to fair-value or impairment accounting such that these gains and losses are determined in accordance with the realisation principle in the calculation of qualifying income or loss. Updates were also made in relation to the order of utilisation of loss deferred tax assets.

Pillar Two rules applicable to securitisation entities have been updated with a view to balancing the implementation of minimum taxation with the integrity of the purpose of securitisation entities. A securitisation entity is defined in the legislation and may not include all special purpose vehicles (SPV) and section 110 companies. From fiscal years starting on or after 31 December 2023, two scenarios are covered by the new rules:

1. if a securitisation entity is part of a group that also has other Irish group entities that are not securitisation entities, the securitisation entity itself won't have to pay the Irish qualified domestic top-up tax (QDMTT).³ Instead, the QDMTT is allocated proportionately between the non-securitisation Irish group entities; and
2. if there are no non-securitisation entities in the Irish group, the securitisation entity is subject to the normal rules for the calculation and payment of QDMTT.

There is significant work underway on preparing for and implementing Pillar Two, including engagement at the Tax Administration Liaison Committee (TALC)⁴ Base Erosion and Profit Shifting (BEPS) Subcommittee. This includes the development of IT systems to facilitate and support Pillar Two registrations, returns filing, payments and exchange of information. Revenue launched its Pillar Two registration hub in August 2025. All registrations for relevant companies with a 31 December 2024 year end must be completed online by 31 December 2025.

DAC7⁵ joint audits

DAC7 was partially introduced into Irish law in the Finance Act 2022 and was implemented on 1 January 2024. Irish legislation has been amended by the Finance Act 2024 to provide that the rights and obligations of a Revenue officer participating in a joint audit in another Member State is determined in accordance with the laws of that Member State. This is subject to the proviso that the Revenue officer cannot exercise any powers that would exceed the scope of the powers conferred on that officer under Irish law.

¹ OECD/G20 Base Erosion and Profit Shifting Project Administrative guidelines published in December 2023 and June 2024.

² Safe harbour rules were introduced to ease the transitional administrative burden on multinationals within the scope of Pillar Two.

³ QDMTT applies to low-taxed profits arising in a particular jurisdiction to a multinational company within the scope of Pillar Two.

⁴ The function of TALC is to review and make recommendations to achieve a more effective and efficient administration of Irish taxes.

⁵ Council Directive 2021/514EU (DAC7) introduced new reporting obligations for digital platform operators.

Business taxes

Research and Development Corporation Tax Credit ('R&D Tax Credit')

The R&D Tax Credit has been amended, with the first payment threshold being increased from €50,000 to €75,000. This change follows a trend of enhancing the R&D Tax Credit in recent years to incentivise investment in Ireland.

The Department of Finance opened a public consultation on the R&D Tax Credit in April 2025 with a view to ensuring that the R&D Tax Credit is effective in its policy objective of increasing business in Ireland and contributing to higher innovation and productivity in Ireland.⁶ The R&D Tax Credit will be reviewed throughout 2025 following feedback on the public consultation.

Relief for listing expenses and equity investment

Relief is now available for expenses incurred with a first listing on an Irish or European stock exchange. The measure applies to expenses wholly and exclusively incurred for the purposes of the listing in the year of the listing and the three preceding years, subject to a €1m cap. The new measure applied to listings completed on or after 1 January 2025.

Small and medium-sized enterprises

The Finance Act 2024 introduced a range of measures to support small and medium-sized enterprises (SMEs), including startup and scaling businesses.

The Employment Investment Incentive Scheme (EIS), the Startup Relief for Entrepreneurs (SURE) scheme and the Startup Capital Incentive Scheme have each been extended for a further two years until the end of 2026. The limit on the amount an investor can claim relief on for Employment Investment Incentive Scheme investments has increased from €500,000 to €1m. The relief available under the SURE scheme has increased from €700,000 to €980,000.

Finance Act 2023 introduced a new relief to encourage angel investment⁷ for innovative startups. The relief allows angel investors to benefit from a reduced CGT rate when they dispose of a qualifying investment. The Finance Act 2024 increased the lifetime limit on gains to which the reduced rate of CGT applies from €3m to €10m.

Small company startup relief from corporation tax

Startup relief from corporation tax is available to certain new 'small' companies and provides relief of up to €40,000 per year against corporation tax liabilities in the first five years of trading, where trading commenced on or after 1 January 2018.

The relief is currently calculated by reference to employer Pay Related Social Insurance (PRSI) paid up to €5,000 per employee. To support owner-managed startup companies, Class 'S' PRSI contributions,⁸ subject to certain caps, are allowed when calculating the amount of relief available.

VAT registration thresholds

From 1 January 2025, the VAT registration thresholds for goods and services increased from €80,000 to €85,000 for supplies of goods and from €40,000 to €42,500 for supplies of services.

The Finance Act 2024 also clarified that the VAT exemption for the management of EU Alternative Investment Funds (AIF) is applicable to all EU AIFs, including where the AIF manager is registered with a relevant competent authority.

⁶ Public Consultation on the Research & Development Tax Credit and on Options to Support Innovation, April 2025.

⁷ Early-stage, often high-risk investment in startup companies.

⁸ PRSI Class S refers to the category for self-employed individuals, including company directors and those with income from investments and rents, where their income from self-employment is €5,000 per year.

Tax measures to support climate action

The Accelerated Capital Allowances scheme for gas and hydrogen-powered vehicles has been extended for another year to 31 December 2025.

The CO₂ maximum thresholds for claiming capital allowances on business cars will be adjusted downward from 1 January 2027.

An increase in carbon tax by €7.50 per tonne applied from 9 October 2024 for petrol and diesel. All other fuels were impacted by the increase from 1 May 2025.

Property taxes

Stamp duty

The Finance Act 2024 brought changes to the stamp duty rates applicable to transfers of residential property. The existing stamp duty rates continue to apply to conveyances of residential property: one per cent on the first €1m; and two per cent on the portion between €1m and €1.5m. A new six per cent rate of stamp duty has been introduced and applies to the portion of a residential property's value in excess of €1.5m. The new six per cent rate also applies to conveyances with consideration of over €1.5m, which is attributable to two or less apartments in an 'apartment block' (one that has three or more apartments in it).

A higher rate of ten per cent stamp duty was introduced in 2021 in respect of bulk acquisitions of ten or more residential properties (other than apartments) in a rolling 12-month period. The Finance Act 2024 increased this higher rate from ten per cent to 15 per cent. This higher rate of stamp duty also applies to certain acquisitions of interests deriving their value from Irish immovable property. The intention of the higher rate is to discourage the purchase of multiple residential units by any one person in the context of the ongoing shortage of housing for owner-occupier purchasers in Ireland.

The stamp duty rate applicable to the transfer of non-residential property remains at 7.5 per cent, unchanged since the Finance Act 2020.

The increased stamp duty rates applied to all relevant instruments of transfer executed on or after 2 October 2024, with transitional measures providing that the increased rates do not apply to any instruments executed before 1 January 2025 that contain a statement certifying that the instrument is being executed in pursuance of a binding contract entered into before 2 October 2024.

Vacant homes tax (VHT)

A new VHT was introduced by the Finance Act 2023. It applies to residential properties occupied for less than 30 days in a 12-month period. The VHT was initially three times the property's base local property tax (LPT) liability before being increased to five times the basic rate of LPT for 2024.

The Finance Act 2024 has further increased VHT to seven times that property's base LPT liability. This change took effect from 1 November 2024.