Pre-Budget 2025 Submission

Tax policy proposals for a dynamic economy

May 2024

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

CONTENTS

Introduction 05

Key Recommendations 09

Appendix I - IV 17

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Introduction

Ireland, as a small open country, has a coherent and successful tax policy of being a location of choice for global businesses. As countries implement the OECD BEPS 2.0 Pillar Two GloBE Rules, it is critical that Ireland differentiates itself from its competitors by enhancing its value offerings to businesses and individuals. The changes in the international landscape re-emphasise the need to develop a vibrant and successful domestic enterprise sector.

In deciding how best to deploy the financial resources available, we recognise that the Government will have difficult decisions to make and that there is an overarching imperative to engage in prudent financial management. However, we do believe that there are a number of key areas where urgent actions are required to sustain the economy, stimulate growth and position Ireland for long term success.

Budget 2025 should focus on some key challenges facing the Irish economy, including the housing crisis, the cost of employment, the global competition for talent, the need to develop more Irish businesses of international scale and our climate change commitments.

Our key recommendations are as follows:

Reduce the cost of employment

Increase the entry point to the marginal income tax rate and cap the amount of income subject to PRSI

Stimulate investment in SMEs

Individuals should be encouraged to put some of their savings to productive use, helping SMEs to finance growth, innovation and the creation of new employment opportunities

Green technology

Incentivise the development and use of green technology

Tax simplification

Establish an Office of Tax Simplification to advise on reform of complex tax law

Incentives for employer developed accommodation

Incentivise employers to develop employee accommodation and allow a corresponding BIK exemption where the employee earns less than €50,000

Re-introduce "Section 23" relief

A controlled and targeted relief would encourage conversion of commercial properties for residential use and encourage individuals to finance the development of new residential units for letting

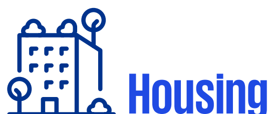
Abandon the cap on retirement relief

The planned introduction of the €10 million cap on retirement relief next year should be cancelled or paused and given further detailed consideration and analysis

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

In this submission, we have also made a broad range of other recommendations for inclusion in Budget 2025 and Finance Bill 2024, focused on the areas set out below. These recommendations are summarised on pages 9 to 15 with further detail set out in the Appendices.



Housing

Ireland's ongoing housing crisis creates substantial challenges for Irish society and business, and its timely resolution is a matter of the utmost importance.

The shortage of affordable housing increases the risk of a brain drain with young professionals feeling the need to emigrate. The lack of availability of accommodation at affordable prices also has an adverse effect on the attractiveness of the country as a location for investment. Our housing crisis may well become the primary factor which will prevent certain workers and businesses from locating here.

In this submission, we have proposed measures to increase supply, help with affordability issues and support the rental sector.

Maintaining Ireland's competitive edge

The implementation of the OECD BEPS 2.0 Pillar Two GloBE Rules will fundamentally reshape the global tax landscape for the world's largest businesses. While Ireland's 12.5% rate of corporation tax will remain an attractive feature for many investors, it will be less important for some, who currently contribute a proportionally higher amount of tax revenues to the Exchequer. Therefore, it is important that other parts of Ireland's value offering are best in class.

It is also critical that the cost of doing business in Ireland is minimised and that the administrative burden on businesses is low. We would like to see steps taken to streamline the corporation tax regime through the removal of obsolete tax measures, the introduction of the ability to file a group return and the adoption of a territorial regime.

Supporting enterprise and the green transition

The contribution of foreign direct investment to the Irish economy cannot be understated. However, the changing international tax landscape re-emphasises the importance of having a vibrant and successful domestic SME sector.

Access to risk finance and talent are significant constraints for entrepreneurs in building businesses of scale. Ireland's tax policy can better support Irish indigenous businesses and SMEs by implementing targeted, pro-growth tax policies. The imminent capping of retirement relief which was legislated for in last year's Finance Act was a backward step and should be revisited. We need to introduce measures to encourage entrepreneurship, if we are to develop more Irish businesses of international scale.

Domestic businesses and the FDI sector require high performing employees for their businesses to thrive. Ireland has made a virtue of having available a deep pool of highly skilled workers with an excellent work ethic. We have made several recommendations that we consider will assist companies in recruiting and retaining highly skilled individuals.

Tax policy can also be a powerful tool to promote sustainable behaviour – one has to look no further than the plastic bag levy introduced in 2002. As Ireland is striving to limit climate change and achieve ambitious emissions goals within the next few years, now is the time to deploy all available tools. We have identified tax measures which we believe should be introduced to mobilise private finance for green investment and incentivise the development and use of green technology and transport.

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Housing

Ireland's housing crisis continues to pose significant challenges both for Irish society and the business community. Affordability issues and a lack of supply of suitable residential homes continue to be a pressing issue for many.

While the reported decrease in the residential property vacancy rate and the increase in the number of residential buildings under construction in 2023[1] are welcome, it remains critically important that Ireland pursues a housing policy that will meet the housing needs of its citizens and not discourage investors and skilled workers from locating here.

In this submission, we have proposed measures to increase supply, help with affordability issues and support the rental sector.

Measures to help with affordability

The purchase of a home remains unaffordable and out of reach for many. The ESRI noted in July 2023[2] that the gap in home-ownership rates in Ireland between those aged over 40 and those aged under 40 is one of the largest in Western Europe. In 2005, the average age of a first-time home buyer was 29. By 2023, it had increased to 35.

This affordability challenge is not confined to home ownership. In Q3 of 2023, average rents in new tenancies increased nationally by 11% year-on-year[3].

As a result, we believe that additional tax measures are required to make housing more affordable:

- Extend mortgage interest relief to the 2024 and 2025 tax years
- Remove the rent credit sunset date in 2025
- Introduce a BIK exemption for employer provided accommodation for staff with income of less than €50,000

Measures to increase supply

Constraints in the supply of residential property have fuelled the housing crisis. Recent research by Knight Frank[4] suggests that 58,000 new homes will be required each year to 2027 to meet demand. This number far exceeds the 33,000 units that commenced construction during 2023[5].

We have suggested below a range of measures aimed at encouraging landowners to undertake residential development projects and/or release land to others who will:

- Introduce capital allowances for residential accommodation constructed by employers and rented to employees
- Reform Section 83D SDCA 1999
- Permit developments subject to forward funding arrangements to qualify for the 12.5% tax rate
- Reform and reinstate CGT rollover relief
- Reform Residential Zoned Land Tax
- Amend the interest limitation rules to address the treatment of capitalised interest
- Support apprenticeships and training in the construction sector

Measures to help the rental market

The challenges in the housing market extend to the rental sector where there is a lack of properties available for rent, with many landlords choosing to exit the sector. According to the Daft.ie Rental Price Report for Q4 2023, average rents increased by 6.8% nationally last year[6]. Our recommendations include:

- Reform the taxation of rental income
- Eliminate the close company surcharge for active residential landlords
- Extend CAT Business Property Relief (BPR) to active property rental businesses
- Extend the share buyback provisions to rental businesses
- Reintroduce a controlled and targeted Section 23 style relief

Additional details on these recommendations are contained in Appendix I.

1 GeoDirectory Residential Buildings Report Q4 2023
2 esri.ie/system/files/publications/RS164.pdf
3 Residential Tenancies Board; Rent Index Q3 2023
4 Knight Frank (2024): Ireland Living Sectors Market Report
5 gov.ie/en/press-release/814ac-record-number-of-new-homes-commenced-in-2023/
6 2023-Q4-rentalprice-daftreport.pdf

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Supporting Enterprise and the Green Transition

Encouraging and supporting domestic entrepreneurship should be a key focus of Irish tax policy. The adoption of targeted pro-growth tax policies would assist domestic enterprises to scale and grow, thereby fostering growth in the economy.

Ireland should complement that approach with tax policies focused on the reduction of our carbon footprint. This should have the added benefit of making Ireland an attractive location for businesses and individuals striving to improve their carbon profiles.

There is an opportunity for Ireland to become a global hub for climate innovation

It is also vital in the years ahead that Ireland matches its ambition for continued FDI expansion with a focus on strengthening Irish-owned firms.

We have proposed below measures to support domestic entrepreneurship, promote employment, reduce the compliance burden for business and encourage sustainable behaviour.

Supporting domestic entrepreneurship

Increasing challenges in the international tax landscape serve to highlight the importance of the Irish indigenous sector.

One of the barriers to SMEs scaling their businesses is access to finance, particularly risk finance. Incentives have been introduced over the years to assist SMEs in this regard. However, there is more that can be done.

- Enhance and simplify the Employment Investment Incentive Scheme (EIIS) to increase its uptake
- Introduce changes to Ireland's CGT rules to encourage investment in SMEs by:
  - Amending the new relief for angel investment in innovative enterprises
  - Introducing CGT rollover relief for investments in innovative enterprises
  - Enhancing CGT entrepreneur relief
- Remove the 3% USC surcharge on self-employed individuals
- Limit taxation of dividends paid by active SMEs
- Enhance CGT retirement relief

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Promoting employment

Domestic businesses and the FDI sector require the services of high performing employees for their businesses to thrive. Ireland must continue to retain and attract these critical workers.

Irish domestic firms need to be supported in recruiting and retaining highly skilled employees and Ireland's income tax system must continue to encourage individuals to upskill and reskill. In this regard, we recommend:

- Reform of the key employee engagement programme (KEEP)
- Extension of Special Assignee Relief Programme (SARP) to Irish indigenous businesses
- Introduction of a tax incentive to encourage recruitment of top tech talent in Ireland

Supporting the Green Transition

Ireland has set itself ambitious climate goals which will undoubtedly present challenges and opportunities for individuals, communities and businesses. While the achievement of these targets is imperative to combat climate change, it presents an opportunity to make Ireland a more attractive location for businesses and individuals striving to reduce their carbon profiles.

We have set out some measures which we believe should be introduced to encourage sustainable behaviour.

Mobilise private finance for green investment

There is an opportunity for Ireland to become a global hub for climate innovation by providing incentives and support for innovators and investors in the green economy. A fundamental challenge faced by early and growth stage enterprises is accessing risk capital. To address this, we propose the following measures:

- Increase the tax-free lump sum payable on retirement where some or all of the lump sum is derived from approved ESG funds
- Attract senior ESG fund managers to locate in Ireland by broadening the relief for carried interest provided for in S541C, TCA 1997
- Reintroduce relief under S486B, TCA 1997
- Introduce a tax exemption for interest earned by individuals on "green" bonds
- Enhance EIIS and CGT Entrepreneur Relief for investments in green economy enterprises

Incentivise the development and use of green technology

Irish tax policy should promote innovation in green technologies to meet climate targets, aiming to establish Ireland as an international hub for R&D activities in the areas of sustainability and carbon emissions reduction. To date, Ireland has failed to attract substantial research investment in these areas. The measures which we propose are as follows:

- Introduce a super deduction for expenditure on green technology and green buildings and/or provide grants to assist in the purchase of green technology
- Increase the R&D Tax Credit (RDTC) rate to 50% for R&D carried out on green technologies

Supporting green agriculture

The agriculture sector presents some of the biggest challenges and opportunities for climate action in Ireland, with the sector accounting for 38.4% of Ireland's greenhouse gas emissions according to the EPA[7]. Irish farmers (particularly those nearing retirement) should be supported where they decide to adapt their businesses and land in ways that contribute to Ireland's sustainability goals. Measures that merit consideration include:

- Enhance CGT retirement relief to ensure relief remains available in circumstances where a farmer makes their land available to deliver renewable energy
- Remove the restriction on the proportion of agricultural land on which solar panels can be installed while remaining eligible for CAT agricultural relief

Accelerate the transition to sustainable transport

Fuel combustion emissions from transport accounted for 19.1% of total greenhouse gas emissions in 2022[8]. As such, reducing emissions in this area will be key to achieving the Nation's broader climate goals. In this regard, we propose the following:

- Reform the TaxSaver Commuter Ticket scheme to take account of hybrid working practices
- Introduce a partial income tax credit for EV charging costs
- Apply a reduced rate of VAT to bicycles and electric bicycles, as allowed under the new VAT Directive approved in April 2022
- Delay the phasing out of the BIK exemption on electric vehicles to 2030

Additional details on these recommendations are contained in Appendix II.

7 Transport | Environmental Protection Agency - https://www.epa.ie/

8 https://www.epa.ie/our-services/monitoring--assessment/climate-change/ghg/transport/

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Maintaining Ireland's Competitive Edge

Ireland must continue to be considered a location of choice for mobile talent and substantial business to remain competitive on the global stage. Our tax regime plays a vital role in this regard and must be attractive and free from unnecessary complexity.

In this submission, we have proposed measures to simplify the tax system to make it more efficient to conduct business in Ireland.

We have also proposed enhancements to the corporation tax and personal tax regimes to help maintain Ireland's position as a location of choice for businesses and highly skilled individuals.

Simplification of Ireland's Tax Code

It is important that every effort be taken to streamline and simplify the Irish corporation tax system to maintain Ireland's attractiveness and competitiveness as a location of choice for global businesses.

In recent years an extensive range of complex changes have been made to the Irish corporation tax rules as a result of the OECD BEPS 1.0 and 2.0 projects. We believe that it is now necessary to streamline the Irish tax code by eliminating provisions that are no longer necessary as a result of those changes.

To that end, we have identified several steps which should be taken:

- Remove obsolete measures
- Establish an Office of Tax Simplification
- Early engagement with drafting tax legislation
- Adopt a territorial regime
- Simplify Schedule 24, TCA 1997
- Simplify taxation of the funds sector
- Apply the 12.5% tax rate to gains arising on the disposal of trading assets
- Introduce an option to file consolidated corporation tax returns
- Extend the Dividend Withholding Tax (DWT) treatment applied to American depositary receipts (ADRs) under Section 172F(3)(d), TCA 1997 to shares held via the Depository Trust Company (DTC)
- Amend Section 138, TCA 1997
- Simplify the corporation tax and VAT compliance process for SMEs
- Disapply Ireland's transfer pricing regime to transactions between domestic taxpayers
- Continue to exempt SMEs from transfer pricing
- Remove the 1% stamp duty on share transfers
- Reform the taxation of personal investments
- Improve the fairness of the tax appeal process
- Introduce an alternative mediation process for tax disputes

Ireland's attractiveness for foreign investment will be impacted by our ability to attract and retain talent and executives from across the globe

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Enhancements to the corporation tax regime

Ireland has had a clear industrial policy of a low corporation tax rate since the 1950s. The global implementation of the OECD Pillar Two GloBE Rules, in accordance with the EU Minimum Tax Directive[9], will fundamentally reshape how Ireland, as a small open economy, competes on the global stage as a place to do business.

It is important now more than ever that we refocus on ensuring that the other features (beyond the 12.5% tax rate) that make Ireland attractive for investment are best in class. There are a number of steps which should be taken to enhance the attractiveness of Ireland as a location to do business:

- Allow greater flexibility in respect of capital allowances
- Amend the leasing provisions to ensure Ireland remains a location of choice for leasing groups
- Amend the recently introduced rules for financing companies in Section 76E, TCA 1997 to ensure the rules operate as intended
- Targeted improvements to the RDTC
- Amend the Knowledge Development Box
- Increase support for businesses in the semiconductor industry

Enhancements to the personal tax regime

In a post-BEPS 2.0 environment and with an increasingly mobile workforce, Ireland's attractiveness for foreign investment will be impacted by our ability to attract and retain talent and executives from across the globe. As a result, our success at attracting business will be closely tied with how successful we are in attracting individuals to relocate and work here. Therefore, we need a personal tax regime which compares favourably to our competitors.

We have made a number of recommendations to enhance the attractiveness of the regime:

- Reduce tax on employment by:
  - Increasing the entry point to the marginal income tax rate
  - Capping the amount of income subject to PRSI
- Simplify taxation of share-based remuneration
- Enhance tax relief for personal pension provision
- Rebase the Standard Fund Threshold to 2024 levels
- Enhance the SARP regime

Additional details on these recommendations are contained in Appendix III.

9 Council Directive (EU) 2022/2523

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

We believe that using a dynamic model which takes into account these behavioural changes would provide a better picture of the impact of tax expenditures on the Irish economy and provide the Government with valuable information needed to make informed tax policy decisions

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Development of tax policy

We appreciate the opportunities that we have had to engage with the Department of Finance, via our responses to public consultations, on a number of important tax policy matters over the past year. However, most tax legislation remains unavailable for public comment prior to its initiation in the Dáil. While we acknowledge that it is not practicable to engage in a pre-legislative consultation process in all cases, appropriate time should be built into the legislative process to allow an opportunity for taxpayers to provide meaningful input.

Public consultations

We welcome the expanded use of public consultations by the Department of Finance with respect to various tax matters. These consultations are an important mechanism for ensuring that newly implemented tax measures operate in the manner intended, with improved ease of application for taxpayers and practitioners as a result.

We hope that the Department has found our submissions to the recent consultations useful, and hope our recommendations made in the following submissions are reflected in the measures included in Finance Bill 2024:

- Introduction of a participation exemption(s) to the Irish corporation tax system
- Examination of the Standard Fund Threshold
- Ireland's Taxation of Share Based Remuneration
- Funds Sector 2030: A Framework for Open, Resilient & Developing Markets

Dynamic modelling

It is important that the costing of tax expenditures takes into account the broader impact on the economy to facilitate informed tax policy decision making by the Government.

Currently, the costing of tax expenditures is estimated based on the tax foregone. This method of costing and reviewing the impact of tax expenditures does not take into consideration the behavioural changes associated with these tax expenditures i.e., this costing and review process uses static, rather than dynamic modelling.

We believe that using a dynamic model which takes into account these behavioural changes would provide a better picture of the impact of tax expenditures on the Irish economy and provide the Government with valuable information needed to make informed tax policy decisions.

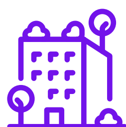
There are several ways in which one could do this. One could look at changes in a narrow sense such as only looking at the change of behaviour of those directly affected by the taxation law change or one could look more broadly at all the changes in the economy resulting from the taxation law change.

For example, SARP is intended to attract employees and businesses of substance to Ireland which may not otherwise have arisen without the regime. To apply a static analysis in determining the value of the relief would be to entirely ignore that some of the individuals availing of the relief would not have come to Ireland without the regime, the additional allocation of profits to their Irish employer as a result of their employment in Ireland, the Irish jobs created by the individuals, the income tax collected as a result of these employments and the increase in Exchequer income tax, PRSI and VAT yields and so on. Ignoring the broad and dynamic impact of tax expenditures runs the risk of one completely underestimating the benefits of the expenditure.

Similarly, the myriad of benefits arising from our R&D tax credit regime, both in terms of attracting and retaining valuable R&D investment in Ireland, as well as promoting innovation in businesses based in Ireland, may not be captured in a review of the regime using just static modelling. Rather, any meaningful review of the regime would need to include dynamic modelling in order to reflect the substantial benefits delivered to the broader economy under the relief with higher skilled jobs and the opportunity to attract new projects and create new businesses, including any related downstream manufacturing and supply businesses, with resultant increases in corporate, income and consumption taxes.

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



Appendix I: Housing

Measures to help with affordability

Extension of mortgage interest relief beyond 2023

While we welcome the temporary Mortgage Interest Tax Credit provided for in Finance (No.2) Act 2023, we recommend that consideration be given to extending the relief to interest paid in 2024 and 2025.

Remove the rent credit sunset date of 2025

The high cost of rent remains a significant burden for many households. We suggest that the rent tax credit introduced in Finance Act 2022 be made available on an indefinite basis by removing the current sunset in 2025.

Introduce a BIK exemption for employer provided accommodation for staff with income of less than €50,000

Given the current issues within the housing sector, some employers have found it necessary to make subsidised accommodation available for their employees. We suggest that an exemption from BIK be introduced in respect of employer provided accommodation for staff with income of €50,000 or less, where it is provided free of charge or subsidised.

Consideration could be given to broadening the scope of the relief in the future.

Measures to increase supply

Introduce tax relief for residential accommodation constructed or purchased by employers and rented to employees

Consideration should be given to incentivising employers to develop housing for occupation by their employees by allowing industrial building allowances (IBAs) at an annual rate of 10% on the development cost.

Reform of Section 83D SDCA 1999

The refund mechanism provided for in Section 83D, Stamp Duties Consolidation Act (SDCA) 1999 currently serves as a barrier to the acquisition of land for smaller professional landlords to undertake residential development.

We suggest that the 2% stamp duty rate be reinstated to avoid the unnecessary funding requirement. A clawback could be applied if the land is not subsequently developed into residential property within five years of purchase. At a minimum, additional time should be allowed under Section 83D, SDCA 1999 for the completion of the residential units, in recognition of resource constraints in the construction industry.

Permit developments subject to forward funding arrangements to qualify for the 12.5% tax rate

Section 21A, TCA 1997 provides that the higher rate of corporation tax (25%) applies to sales of undeveloped land in the course of a trade. However, where land is fully developed and sold, the standard 12.5% rate of corporation tax may apply.

Forward funding arrangements are becoming an increasingly common feature of the Irish property market. Typically, a developer will enter into an agreement to sell unfinished development land to an investor, while also entering into an agreement to develop units on the land after the sale is completed for the new owner. Commercially, such transactions result in the same outcome as a sale of the land after its development has been completed, but are structured as forward funding arrangements to address financing constraints which would otherwise make many such developments unviable for the developer.

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

However, unlike the sale of fully developed land, a corporate developer who completes a sale of land prior to its development under a forward funding arrangement will have the profits arising on the land sale taxed at the higher corporation tax rate of 25%. This seems unfair and is not aligned with the Government's policy in this area.

To resolve this anomaly, we suggest that the definition of "excepted operations" in Section 21A(1)(a) be amended by the addition of a new subparagraph (iii) which would provide that a sale of land as part of a "forward funding arrangement" will not be treated as an excepted operation. For this purpose, a "forward funding arrangement" would be defined by reference to a transaction where the parties intend that the vendor of the land (or a connected party) will fully develop the land on behalf of the purchaser within 5 years of the sale. In the event that the development requirement is not met, a clawback could arise.

Reform and reinstate CGT rollover relief

CGT rollover relief should be available to businesses when they dispose of real estate and re-invest the disposal proceeds in a replacement property to be used in the trade of the enterprise.

Not only would this free up prime land in city centre locations, ideal for residential development, it would also enable businesses to move to more suitable locations.

Reform Residential Zoned Land Tax

RZLT as currently enacted poses severe challenges for many residential developments, undermining the policy objective behind the measure.

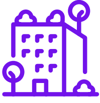
Homebuilders continue to face significant delays within the planning system and unprecedented challenges with respect to the viability of residential developments, particularly new medium and high-density developments.

We recommend that RZLT be reformed to reflect the reality of the current planning system and the viability challenges faced by homebuilders in order to achieve the stated policy objective.

Amend the interest limitation rules to address the treatment of capitalised interest

Property developers typically capitalise interest incurred on building projects on their balance sheet throughout the course of the project, with the capitalised interest subsequently unwound to the income statement when the project is completed. Under the interest limitation rules, where the unwind of the interest expense exceeds €3 million

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



in that accounting period, a restriction may apply to the amount of deductible interest expense notwithstanding that not all of the interest was incurred in that accounting period.

We believe that the rules should therefore be amended to provide that the deduction of such interest will not be restricted by the ILR in the year of unwind to the extent that the restriction would not have applied in the accounting period during which the interest was capitalised.

Support apprenticeships and training in the construction sector

We strongly support proposals to provide additional incentives and supports to assist in training and apprenticeships in the construction sector.

Measures to help the rental market

Reform the taxation of rental income

We recommend the following reforms to taxation of residential landlords:

(i) Apply Schedule D, Case I principles to the taxation of professional landlords.

This would allow corporate landlords to deduct a broader range of rental expenses than is currently provided for under Section 97, TCA 1997 (including Local Property Tax).

(ii) Amend the new landlord relief to ensure it operates as intended.

We welcome the introduction of the new relief for individual landlords in Finance (No. 2) Act 2023. However, under the legislation as currently drafted, where a claimant dies or transfers the property to their spouse or civil partner, the relief is clawed back at the individual's marginal rate in respect of all qualifying premises owned by the individual.

We believe this to be an unfair and unintended outcome. Accordingly, we recommend that the law should be amended to provide that a property will retain its status as a "qualifying premises" in the event that it is transferred to a spouse / civil partner, provided that the property remains rented / available to rent and that no clawback will arise on the death of the claimant. Furthermore, in the event of a clawback, we believe that the clawback should only be computed using the standard rate (i.e. the rate at which the relief is granted) rather than the individual's marginal rate as currently legislated.

Eliminate the close company surcharge for active residential landlords

The application of the close company surcharge to rental profits incentivises corporate landlords to distribute such profits. As a result, the surcharge discourages corporate landlords from reinvesting profits in the acquisition of additional rental units.

We recommend that the close company surcharge be disapplied for rental income arising to active residential landlords.

Extend CAT Business Property Relief (BPR) to active property rental businesses

The scope of CAT Business Property Relief (BPR) should be extended to include active property rental businesses. This would enable the creation of multi-generational rental businesses and encourage families to remain invested in the sector over a longer period. This change should bring additional stability to the rental sector.

Extend the share buyback provisions to rental businesses

Generally, the redemption, repayment or purchase by an unquoted company of its own shares is treated as giving rise to a distribution (similar to a dividend) in the hands of the shareholder, which is subject to income tax where the shareholder is an individual. However, where the provisions of Section 176, TCA 1997 are met by a trading company or the holding company of a trading group, the transaction is treated as a capital disposal liable to CGT. To encourage the development of sustainable multi-generational property rental business, we recommend that Section 176 be extended to active rental companies and holding companies of active rental companies.

Reintroduce a controlled and targeted Section 23 style relief

We recommend a Section 23 style relief be reintroduced for expenditure incurred on projects involving the conversion of commercial buildings for residential use. This would permit landlords to claim relief for expenditure incurred on the purchase, construction, conversion or refurbishment of a qualifying rental property against the rent received from that property and other Irish rental income. This could be particularly attractive to stimulate the conversion of properties above shops into residential units.

Appropriate safeguards should be introduced with respect to the size, type, quality and location of property which would qualify. Appropriate sunset provisions could be defined at the outset to avoid the issues which arose with the previous iteration of the scheme.

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix II: Supporting Enterprise and the Green Transition

Supporting domestic entrepreneurship

Enhance and simplify the Employment Investment Incentive Scheme (EIIS) to increase its uptake

At present, the EIIS provisions are very complex for SMEs seeking to raise capital and the penalties for getting it wrong are material. Improving certainty for participating companies could substantially increase uptake of the relief. In this regard, we recommend that:

- The EIIS provisions be amended so that where a company has provided correct and complete information to Revenue, a confirmation that it is eligible for EIIS can be issued to the company. This would be similar to the operation of the equivalent UK EIS (Enterprise Investment Scheme) rules.
- The holding company rules should be amended to allow subsidiary companies in a group to avail of the relief. This would enable groups to attract minority investors into specific subsidiaries that form part of a wider group.
- The connected party rules should be relaxed (in line with the UK approach) so that they only apply where the individual holds a 30% interest in the EIIS company. This would ensure that Ireland remains competitive in this space and help ensure that individuals are not prevented from availing of EIIS due to unduly strict rules.

Additional reforms are required to make the scheme more attractive to investors. In this regard, we support the recommended enhancements to EIIS suggested in the Report of the SME Taskforce, including:

- Allowing CGT losses for loss making EIIS investments[10].
- Offering full CGT relief on profits on EIIS investments made for a year[11].

Remove the 3% USC surcharge on self-employed individuals

The 3% USC surcharge that applies to non-PAYE income above €100,000 should be abolished, in line with the Programme for Government commitment[12]. This recommendation is particularly important as Ireland seeks to position itself as a location of choice for enterprise and entrepreneurship.

The surcharge unfairly penalises entrepreneurs and self-employed individuals who have assumed the risks associated with starting businesses that account for 94,000 jobs in the Irish economy[13]. Retention of the surcharge is at variance with the Government's enterprise policy.

Introduce changes to Ireland's CGT rules to encourage investment in SMEs

The Irish CGT regime plays a vital role in supporting the creation and growth of new enterprise by appropriately rewarding risk and encouraging the re-investment of entrepreneurial capital. To ensure a level playing field for SMEs seeking to raise finance, we recommend that the Irish CGT rules as they apply to SMEs be enhanced. In particular, we recommend:

- Amending the new relief for angel investment in innovative enterprises

We welcome the introduction of a new CGT relief for investment in innovative enterprises in Finance (No. 2) Act 2023. The aim of the relief is to encourage angel investment in innovative startups by applying a reduced CGT rate on gains arising on the disposal of qualifying shares.

However, the rules as currently drafted are unduly complex and difficult for SMEs to comprehend. Many potential investors have been put off by the level of complexity involved and the penalties for getting it wrong. Furthermore, many of the qualifying conditions are not aligned with the commercial structures typically used by start-ups and SMEs.

10 Report of the SME Taskforce – Action 1.6.1
11 Report of the SME Taskforce – Action 1.6.2
12 Programme for Government – Our Shared Future: https://www.gov.ie/pdf
13 According to a report prepared by the Labour Market Advisory Council in June 2022, self-employed individuals with employees accounted for 94,000 of the total employment in 2020

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

We recommend that the rules be amended as follows:

i. Extend the definition of "qualifying subsidiary" to include a subsidiary where less than 51 per cent is held by the qualifying company. Otherwise, groups that have entered into joint ventures would be disqualified.

ii. A "qualifying subsidiary" should include a subsidiary that is resident in a jurisdiction with which Ireland has a tax treaty.

iii. The connected party rules should be amended to extend the relief to allow an individual that already holds an interest in the company, e.g., a loan, to qualify. Given the goal of the relief which is to encourage investment in start-ups, the stringent connected party rules could act as a barrier to further investment by such individuals.

iv. Remove the "wholly" test that applies to holding companies. To align the relief with the commercial structures typically used by start-ups and SMEs, it is necessary to amend the holding company definition to allow such companies to carry on other activities other than the holding of shares in or lending to "qualifying subsidiaries". For example, holding companies may be in receipt of some interest income where monies are put on deposit for short periods of time prior to use within the business. Where this is the case, the rules as currently drafted mean that a holding company cannot raise funds using the relief.

v. The definition of "initial risk finance investment" should be amended to ensure that a company is not precluded from qualifying for the relief where the first issue of eligible shares, as required under Section 493, TCA 1997, is on incorporation of the company.

- Introducing CGT rollover relief for investments in innovative enterprises

To encourage investment in SMEs, angel investors who reinvest capital gains in innovative SMEs should not be subject to CGT on the amount reinvested.

France has already introduced a similar regime, the 'SME Innovation Account', in 2017 to increase funding to innovative entrepreneurs and SMEs.

- Enhancing CGT Revised Entrepreneur Relief

The following enhancements should be made to entrepreneur relief:

i. Increase the lifetime limit: We believe that increasing the lifetime limit to €5 million would reduce the risk of Irish entrepreneurs locating themselves and their businesses abroad.

ii. Permit passive investors to qualify for relief: Extending availability of the relief to passive investors would, in our view, incentivise private investors to invest capital in start-ups, enable entrepreneurship and support growth in Ireland's SME sector.

Limit taxation of dividends paid by active SMEs

Currently, an individual is subject to tax (including USC and PRSI) at a marginal rate of up to 55% on dividend income. At a time when Ireland is looking to stimulate the domestic sector and position itself as a place for entrepreneurs, a 55% marginal tax rate on dividends does not reward risk appropriately.

In many cases, promoters of SMEs have invested their life savings in their company. Often, long before the company has reached its full potential, a financial need will arise for a promoter to take something off the table (whether to buy a home or otherwise).

Where a gain arises on an exit event involving a share disposal, the entrepreneur relief rules ensure that a 10% rate of CGT would apply. The differential between this CGT rate and the marginal rate of tax often tips the scales towards a sale. As a result, SMEs are often sold before they maximise their potential. This issue is also holding back the indigenous SME sector from producing more companies of international scale. To address these issues, we recommend that:

- a flat income tax rate of 20% be applied to dividends received from SMEs that exist wholly or mainly to carry on a trade; and
- a special reduced tax rate of 10% be introduced for dividends received by shareholders of SME companies who would otherwise qualify for entrepreneur relief on a sale of their shares. On a subsequent sale of the shares, the amount of the gain qualifying for entrepreneur relief could be reduced by the amount of dividends received by the individual that qualify for the 10% rate.

Enhance CGT retirement relief

CGT retirement relief is available where an individual aged 55 or over disposes of business or farming assets. The level of relief available varies depending on the age of the individual making the disposal and their relationship (if any) to the acquirer.

The availability of CGT retirement relief is vital to the longevity and development of Irish domestic and family-owned businesses. These businesses are the bedrock of the Irish economy accounting for 70% of private sector employment in Ireland[14].

Unfortunately, Finance (No.2) Act 2023 introduced significant changes to retirement relief which will

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

have a very detrimental impact on the sector once they come into force for life-time inter-generational disposals made on or after 1 January 2025:

- A limit of €10 million will apply to the market value of assets that can qualify for the relief where the disposal is made to a child and the disponer is aged between 55 and 69; and
- A €3 million cap will apply from age 70 onwards (instead of 66).

In our view, the introduction of the €10 million lifetime cap will operate as a barrier to the life-time transfer of Irish businesses to the next generation. Many business owners will be reluctant to jeopardise the sustainability of their businesses by burdening them with capital gains tax liabilities. An unfortunate by-product of this strategy is that affected businesses will be deprived of the injection of entrepreneurial energy and vision that arises on the inter-generational transfer of a business. Furthermore, in some cases, key family members may become disillusioned and not commit to a business.

We believe that the introduction of a €10 million cap is not aligned with the Government's stated policy of encouraging development and growth of the domestic economy and Irish business[15]. Its introduction will restrict the growth potential of many Irish businesses and reduce the capacity of the Irish economy to develop additional businesses of international scale. Accordingly, we believe that the introduction of the €10 million cap should be abandoned or at least paused and given further detailed consideration and analysis.

Promoting employment

Reform of the key employee engagement programme (KEEP)

KEEP is a focused share option programme intended to help SMEs attract and retain talent in a highly competitive labour market. One of KEEP's aims is to help level the playing field between small and large enterprises in terms of the hiring and retention of staff. As currently drafted, KEEP does not properly reflect the commercial structures used by SMEs or the working arrangements of their employees.

In our submission to the consultation on share-based remuneration in January 2024, we set out a number of recommendations which we believe would improve the effectiveness of KEEP. These include:

- Provide that a disposal of KEEP shares would qualify for Revised Entrepreneur Relief.
- Remove the annual limits that apply to KEEP options and increase the lifetime limit from the current limit of €300,000.
- Remove the non-trading requirement for holding companies.
- Introduce safe harbour provisions in relation to valuations of KEEP shares.

We request that these reforms be reflected in the forthcoming Finance Act.

14 Ibec's submission on 'Sustaining SME's' – July 2020 Stimulus Plan

15 https://enterprise.gov.ie/en/publications/publication-files/white-paper-on-enterprise-2022-2030.pdf

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Extension of SARP to Irish indigenous businesses

Ireland has the potential to become a hub for global talent across a wide range of fields. We believe that the SARP regime offers employers a powerful tool to attract talent to Ireland.

However, the SARP regime is currently closed to many Irish indigenous businesses as it does not apply to new hires. Unlike multinationals, SMEs are generally unable to source talent internally from other international offices. We strongly agree with the recommendation in the Report of the SME Taskforce that the SARP regime be opened to new hires[16].

Introduction of a tax incentive to encourage recruitment of top tech talent in Ireland

To complement the Tech/Life Ireland[17] initiative, we recommend the introduction of a new incentive (for example a super deduction for payroll costs) for Irish indigenous companies hiring tech experts. This would help level the playing field for smaller Irish companies to compete with larger multinational enterprises who can provide higher salaries and equity incentives to attract the best talent. Also, additional grant aid could be provided to such companies to assist with the cost of employment.

Supporting the Green Transition

Mobilise private finance for green investment

Increase the tax-free lump sum payable on retirement where some or all of the lump sum is derived from approved ESG funds

Pension funds have the potential to exert significant influence on the businesses that they invest in. Therefore, we recommend increasing the tax-free lump sum payable on retirement where some or all of the lump sum is derived from approved ESG funds. This would provide a strong incentive for scheme members and managers to include ESG funds in their portfolios.

Attract senior ESG fund managers to locate in Ireland by broadening the relief for carried interest provided for in S541C, TCA 1997

To attract senior ESG fund managers to locate in Ireland, consideration should be given to reforming the taxation of carried interest for senior managers of ESG funds. Carried interest is a common feature of the private equity industry and is designed to align the interests of managers with the performance of funds under management.

In line with our response to the December 2023 public consultation[18] on Ireland's taxation of share-based remuneration, we recommend that the existing provisions under Section 541C, TCA 1997, which apply CGT treatment to carried interest arising in very limited circumstances, be extended to apply to carried interest earned by Irish resident employees of an ESG fund manager in respect of qualifying "green" funds.

Reintroduce relief under S486B, TCA 1997

Relief under Section 486B, TCA 1997 (which provides tax relief for companies that invest in qualifying renewable energy projects) should be reintroduced and targeted at the renewable energy sector and other important green economy sectors.

Introduce a tax exemption for interest earned by individuals on "green" bonds

This should apply to "green" bonds issued by enterprises to fund initiatives which contribute to meeting Ireland's ambitious carbon emissions targets.

Enhance EIIS and CGT Entrepreneur Relief for investments in green economy enterprises

Ireland's existing tax reliefs for investors, principally EIIS and CGT Entrepreneur Relief, should be enhanced for investments made in enterprises in the green economy. At a minimum, CGT Revised Entrepreneur Relief should be extended to allow passive investors in qualifying green projects to avail of the relief.

In addition, the rate of EIIS relief available for qualifying green investments should be increased. The EU State aid rules allow for enhanced relief where certain conditions are met, for example, where the investment is made in certain regions of the country.

Incentivise the development and use of green technology

Introduce a super deduction for expenditure on green technology and green buildings and/or provide grants to assist in the purchase of green technology

This could extend to expenditure on plant and machinery used to develop and improve the energy efficiency of a building, expenditure on IT equipment for remote working, expenditure on commercial hybrid and electric vehicles and charging stations, etc.

Increase the RDTC rate to 50% for R&D carried out on green technologies

This could include activities undertaken in relation to solar, wind, hydro, or biomass energy technologies, as well as other green technologies.

16 sme-taskforce-national-sme-and-entrepreneurship-growth-plan.pdf (enterprise.gov.ie): SME Taskforce Report Action 2.6.4

17 Tech/Life Ireland | Where tech and life come together https://techlifeireland.com/

18 KPMG response to the consultation submitted on 22 January 2024

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Supporting green agriculture

Enhancements to CGT retirement relief to ensure relief remains available in circumstances where a farmer makes their land available to deliver renewable energy

This should include where a farmer makes their land available to deliver renewable energy through solar, wind or anaerobic digestion, or re-wilds their land, increases wetlands or plants native trees.

Removal of the restriction on the proportion of agricultural land on which solar panels can be installed while remaining eligible for CAT agricultural relief

At present, Section 89(1B)(d)(i), CATCA 2003 provides that land will not be regarded as "agricultural land" where solar panels are installed on more than half the total area. This obstacle to adapting land usage to the production of renewable energy should be removed.

Accelerate the transition to sustainable transport

Reform the TaxSaver Commuter Ticket scheme to take account of hybrid working practices

The TaxSaver Commuter Ticket scheme has been an effective incentive for encouraging commuters to avail of public transport. However, it needs to be reformed to cater for hybrid workers if it is to continue to encourage greater use of public transport. We would suggest that an income tax deduction against total income be introduced for an employee's cost of commuting to and from work where the individual uses public transport.

Introduce a partial income tax credit for EV charging costs

The transition of Ireland's existing transport fleet to EVs could be incentivised by offering a partial income tax credit for EV charging costs.

Applying a reduced rate of VAT to bicycles and electric bicycles as allowed under the new VAT Directive approved in April 2022

A reduced rate of VAT should be applied to bicycles and electric bicycles, as permitted by the new VAT Directive approved in April 2022.

Delay the phasing out of the BIK exemption on electric vehicles to 2030

Finance (No.2) Act 2023 made provision for the phasing out of the partial BIK exemption for employer provided electric vehicles by 31 December 2027.

Given Ireland's ambitious climate goals, the BIK exemption should be maintained at the current level and the sunset deferred until 2030 to align with the deadline to halve Ireland's emissions. The recently reported decline in EV sales in 2023, demonstrates the continued need for incentives to support the transition to EVs.

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix III: Maintaining Ireland's Competitive Edge

Simplification of Ireland's Tax Code

Remove obsolete measures

We recommend that a review be undertaken to identify tax measures that have become unnecessary or obsolete as a result of the implementation of measures under BEPS and the EU Anti-Tax Avoidance Directive (ATAD).

In the first instance, the review should focus on the extraordinarily complex interest deductibility rules which are very difficult for businesses to navigate. With the introduction of the EU ATAD interest limitation measures, many of the complex interest deductibility provisions in Irish tax law have become redundant.

Without such a review, Ireland's tax regime risks becoming uncompetitive. In this regard, we welcome the Minister's announcement in last year's Budget speech that he will be engaging with stakeholders with respect to Ireland's complex interest deductibility rules over the coming period.

Establish an Office of Tax Simplification

It is essential for both FDI and indigenous business that Ireland leads in maintaining a simple, clear and efficient tax system.

While a TALC sub-committee has been established with a focus on simplifying reliefs for SMEs, we propose the establishment of a broader Office of Tax Simplification. We would highlight the success of a similar initiative in the UK, which has streamlined various areas of UK tax, including inheritance tax; employee benefits and expenses; CGT; and everyday tax for small businesses.

Engagement on draft legislation

The Department of Finance has substantially expanded its public consultation initiatives on tax matters. We welcome this approach and believe that it has resulted in better law where it has been used.

However, most tax legislation remains unavailable for public comment prior to its initiation in the Dáil. As a result, taxpayers and practitioners are given very little opportunity to review and consider very technical draft legislation (often running to hundreds of pages) and provide meaningful input. The window between the publication date of the Bill and the deadline for submission of proposed technical amendments for consideration at Committee and Report Stages is far too short. While we acknowledge that it is not practicable to engage in a pre-legislative consultation process in all cases, appropriate time should be built into the legislative process to allow an opportunity for taxpayers to provide meaningful input.

Adopt a territorial regime

Ireland's existing worldwide basis of taxation, under which credit is given for underlying foreign taxes, is administratively burdensome and unattractive. The requirement for companies with international subsidiaries or operations to navigate the very complex foreign tax credit rules is burdensome and results in little by way of tax yield for Ireland. At present, Ireland is the only EU Member State and one of only four OECD countries[19] without a participation exemption for foreign dividends. In addition, many of our international peers have already introduced a foreign branch exemption.

As multinational enterprises review their international operations in light of the Pillar Two GloBE Rules, we strongly believe that now is the time to introduce both exemptions.

We welcome the publication of the strawman proposal, which represents an important step towards ensuring that a foreign dividend participation exemption is introduced from 1 January 2025. In line with our response to the public consultation[20] on the Roadmap to the Introduction of a Participation Exemption, we propose the:

- introduction of a foreign dividend participation exemption that would apply automatically, with the taxpayer granted the option to opt-out, and,
- introduction of a foreign branch exemption that would also apply automatically with an opt-out option.

19 Chile, Korea, and Mexico (Tax Foundation (2021): files.taxfoundation.org/

20 KPMG response to the consultation submitted on 13 December 2023

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

We also believe that it would be opportune to review the eligibility criteria for the existing capital gains tax substantial shareholding exemption under Section 626B, TCA 1997.

Unfortunately, the existing regime is not as competitive as the regimes on offer in the UK and a number of key EU countries.

Simplify Schedule 24, TCA 1997

Schedule 24, TCA 1997 contains the rules for administrating foreign tax credits on doubly taxed foreign income.

The adoption of the foreign dividend and foreign branch exemptions mentioned earlier should greatly simplify the Irish tax system for international companies with foreign operations. However, it will be important that the foreign tax credit system is retained as a backstop for companies that elect not to avail of the exemption. We recommend that the foreign tax credit provisions in Schedule 24, TCA 1997 be simplified as they will continue to be important for taxpayers who elect out of the dividend exemption as well as taxpayers in receipt of royalties, interest, lease rental income, gains etc. Detail on how Schedule 24 can be simplified is contained in our December 2023 submission to the public consultation on the introduction of a participation exemption to the Irish corporation tax system.

Simplify taxation of the funds sector

We note that the Department of Finance is conducting a wide-ranging review of the funds sector. In our response to the consultation paper, we highlighted the following tax issues which should be addressed in any legislative response:

IREF regime

IREFs in their present form play an important role in supporting housing policy objectives and have contributed to attracting foreign investment into Irish real estate. Further adverse changes to Ireland's tax and investment environment would be very damaging to the attractiveness of Ireland as an investment location for international real estate investors.

We recommend that the leverage limits that apply under the IREF regime be aligned with the Central Bank's macroprudential rules.

Simplify the REIT regime

REITs play a significant role in the ownership, supply and proper running of efficient rental markets. The changes to the REIT regime introduced in 2019 with regard to: (i) the capital reinvestment conditions and (ii) the exit rules, fundamentally damaged the attractiveness of the Irish REIT regime and has led to the de-REITing of all but one REIT.

If Ireland wishes to have a vibrant, functioning REIT system, we recommend that these Finance Act 2019 changes be reversed.

Section 110 regime

The Section 110 regime is a very important feature of the Irish tax regime and Section 110 SPVs play a vital role across a wide range of sectors.

We believe that the rules as presently drafted, while complex, are generally well understood by businesses and practitioners. The current rules also strike a reasonable balance between facilitating the necessary flexibility in the regime to support the commercial requirements of its users, while also preventing the misuse of the regime. However, there are opportunities for improvements to be made to the Section 110 regime that would improve its effectiveness for its users.

We recommend the following refinements to the Section 110 regime:

i. Removal of the anti-avoidance provisions introduced by Finance Act 2011. The introduction of the anti-hybrid and interest limitation rules has rendered these rules redundant.

ii. The exemption that generally applies to Irish companies on the receipt of dividend income from other Irish companies (the "franked investment income" exemption) should also apply to the dividend income of a Section 110 SPV. Given that there is no apparent policy rationale for such a differentiation, we recommend that a technical amendment be made to ensure that the franked investment income exemption also applies to Section 110 SPVs.

iii. Extension of the 8-week election deadline for the submission of an election to be treated as a qualifying Section 110 company. This short timeframe is arbitrary and needlessly punitive in scenarios where human error results in notifications being submitted beyond this date. We recommend that the deadline for submission of the election be aligned with the filing deadline for the company's corporation tax return for the first period to which the election relates.

Further details on these recommendations can be found in our September 2023 response to the public consultation[21] on the Funds Sector 2030.

Apply the 12.5% tax rate to gains arising on the disposal of trading assets

Currently, corporate trading profits are taxed at a rate of 12.5% while gains arising to companies on the disposal of capital assets employed in a trade are taxable at an effective rate of 33%. It would simplify

21 KPMG response to the consultation submitted on 15 September 2023

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

the operation of the corporation tax regime if the 12.5% rate also applied to such gains. Applying the 12.5% rate to the disposal of trading assets would also encourage and promote investment in, and development of new asset technologies.

Filing of consolidated corporation tax returns

Significant complexity and uncertainty is arising in relation to the trading treatment of certain entities within groups. For banking and security reasons in the main, groups are often required to hold assets or conduct business in separate entities. This can also increase intragroup activity. The separation of the business in this way can create uncertainty as to whether each company is considered trading even though the combined activity would be trading. The consequences of a company being considered non-trading are very material and have a very negative impact on the attractiveness of Ireland for investment. While there were some changes made in Finance (No.2) Act 2023 to address the trading treatment of certain non-trading finance companies, they are of limited application.

A feature of tax systems in other countries, such as the US, France and Germany, is the ability for companies to elect into a filing group. We already have this for VAT and interest limitation grouping. It is also a feature in Pillar Two calculations. We therefore recommend that consideration be given to allowing companies within a tax group the option to elect into a consolidated filing group with other group entities. Intragroup transactions will be disregarded for corporation tax purposes, allowing entities to aggregate their activities in determining whether they are trading.

Amend Section 138, TCA 1997

It is important that the Irish tax system does not unduly restrict the ability of companies to raise capital.

Generally, dividends received by an Irish resident company from another benefits from the franked investment income exemption. While the exemption does not extend to certain preference dividends, there is an exception for dividends paid on shares which carry rights comparable to fixed rate preference shares quoted on a stock exchange in the State.

Given that many of the Irish public companies which previously served as comparators have transferred their listings to exchanges located outside of Ireland, a technical amendment should be made to the definition of preference shares in Section 138, TCA 1997 to reference "fixed-rate preference shares quoted on a recognised stock exchange".

Simplify the corporation tax and VAT compliance process for SMEs

The corporation tax compliance process has become increasingly complex in recent years. A clear illustration of this increase in complexity is the

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

lengthening of the Form CT1, from 24 pages in 2012 to 56 pages in 2023.

Minimising compliance costs and the administrative burden of tax compliance on businesses, particularly SMEs, should be a key focus in the years ahead.

With respect to VAT compliance, changes agreed at an EU level[22] allow Member States to increase their VAT registration thresholds for SMEs to a maximum of €85,000 domestic turnover per annum with effect from 1 January 2025. Ireland can more than double its current VAT registration threshold of €40,000 for businesses supplying services, thereby allowing such businesses to achieve greater scale before coming within the VAT system.

In the interim, greater flexibility should be afforded to businesses to reduce the VAT compliance burden. This should include increasing the thresholds under which businesses can report and pay VAT less frequently than the default bi-monthly periods.

Disapply Ireland's transfer pricing regime to transactions between domestic taxpayers

The imposition of transfer pricing on certain transactions (including trading transactions) undertaken between related parties in Ireland gives rise to an unnecessary administrative burden and cost. Given that some other EU countries do not impose this burden for domestic transactions (e.g., Germany), we recommend that the Irish transfer pricing regime be simplified by removing domestic transactions from the scope of the transfer pricing rules.

Continue to exempt SMEs from Transfer Pricing

We are strongly of the view that the provisions introduced in Finance Act 2019 extending the scope of transfer pricing to SMEs should never be commenced. There is no obligation on Ireland to do so under EU law or under commitments given to the OECD. Doing so would impose costly compliance burdens on largely domestic businesses with limited (if any) additional revenue to the Exchequer. It could, in fact, reduce revenue to the Exchequer by increasing costs to SMEs and limiting their ability to invest and grow. Also, it would be in direct conflict with the Government's stated objective of supporting growth in SMEs and ensuring that the "tax system remains supportive of the SME sector"[23].

Remove the 1% stamp duty on share transfers

The application of stamp duty to the transfer of shares in Irish incorporated companies which are traded on Euronext Dublin has adversely impacted the attractiveness of such shares to investors and the attractiveness of maintaining a local stock market listing.

Given the importance of maintaining access to a

22 VAT: Council adopts simplified rules for small businesses - Consilium - www.consilium.europa.eu/

23 Programme for Government – Our Shared Future (2020)

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

vibrant local stock market for high potential Irish companies, we recommend that transfers of shares in listed companies be exempted from the charge to Irish stamp duty.

Reform the taxation of personal investments

The taxation of personal investments in Ireland is very complex and has increasingly been raised as a negative by skilled individuals looking to relocate and take up employment here. At present, each investment product must be analysed individually to consider and determine its tax status. This adds considerably to the compliance burden for individual taxpayers.

Many of the differences between the tax treatment of Irish and non-Irish products were conceived when we had a very different tax environment, and in particular prior to the introduction of AEOI, FATCA, etc. We have now reached a point where there is no economic or policy reason why differential treatment should continue to apply.

Simplification of the tax treatment of such products is essential given the ever-increasing popularity of retail investment globally.

In line with our response to the public consultation[24] on the Funds Sector 2030: A Framework for Open, Resilient and Developing Markets, we recommend the following:

- Loss relief should be introduced for losses that arise on the disposal of investment products.
- Simplification of the taxation of investment products for Irish retail investors by:
  - Option A: Maintain the existing distinction between capital and income, a fundamental and longstanding principle in Irish taxation. In this scenario, all income should be taxed as a single source of income under Case III and all capital items, whether gains or losses, should be subject to the general capital gains tax regime.
  - Option B: Tax all of the realised income and gains annually from investment products as a single source of income under Schedule D, Case III. For example, this would allow for the taxation of net income and gains after allowance for losses.
- Application of the self-assessment basis of taxation for investment products where all income is taxed at a person's marginal rate. Withholding tax at source, while playing its part in simplifying collection, should not be applied as a final tax.
- There should, at a minimum, be an alignment of rates applied to returns of collective investment products and direct holdings with consideration given to reducing the rates further to stimulate investment in diversified investment products in an effort to move investors away from overconcentration / non-diversification of investment risk.

Improve the fairness of the tax appeal process

An effective and efficient dispute resolution process is essential to fostering confidence in the tax system. Fairness is a key characteristic of an effective dispute resolution process.

Finance Act 2020 introduced two amendments to the appeal process which are unbalanced and manifestly unfair to taxpayers:

i. Interest on tax refunds

Section 960GA, TCA 1997 introduced by Finance Act 2020 denies the payment of interest on the refund of tax where a taxpayer successfully appeals an assessment, having paid the disputed tax to Revenue.

In contrast, if a taxpayer loses an appeal after not paying the disputed tax, the taxpayer is subject to interest at a rate of c. 8% per annum on the amount of the underpayment. A fairer approach would be to apply the same rate of interest to both Revenue and taxpayers.

ii. An Appeal Commissioner's power to dismiss an appeal

Finance Act 2020 amended Section 949AV, TCA 1997 to permit an Appeal Commissioner to dismiss an appeal where either party to the appeal fails to comply with a direction for a Statement of Case or an Outline of Arguments.

While affording the Appeal Commissioners such powers where the taxpayer has failed to comply with a relevant direction is reasonable, where a case is dismissed due to Revenue's inaction, the taxpayer will still have to pay the tax assessed. As this provision lacks balance, we recommend that Section 949AV be amended to empower an Appeal Commissioner to uphold an appeal where Revenue fails to comply with a relevant direction.

Introduce an alternative mediation process for tax disputes

We support the comments made by the Chairperson of the Tax Appeals Commission, Ms. Marie-Claire Maney, regarding the creation of a mediation and alternative dispute resolution process for disputes between Revenue and taxpayers[25]. We agree with Ms. Maney's comments that such a process could only assist and facilitate in bringing more appeals to a conclusion at an earlier stage. In this regard, we would welcome further consideration of the proposal by Government.

24 KPMG response to the consultation submitted on 15 September 2023

25 Committee of Public Accounts debate, Thursday, 8 July 2021

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Enhancements to the corporation tax regime

Allow greater flexibility in respect of capital allowances

Encouraging businesses to invest in capital equipment is crucial for driving productivity in the Irish economy. Therefore, the capital allowance regime should offer flexibility for Multinational Enterprise (MNE) Groups affected by the Pillar Two GloBE rules. Such optionality would be fully consistent with EU Minimum Tax Directive and the GloBE Rules in that the core objective of both is to ensure that in-scope MNE Groups pay an effective rate of tax of at least 15%. Thus, Ireland should facilitate in-scope MNE Groups which have a preference to pay more domestic corporation tax rather than a Qualified Domestic Top-up Tax (QDTT).

The reasons for such preferences include ease of administration and certainty and the ability to obtain a credit under the foreign CFC regime for domestic corporation tax payable in Ireland.

Providing flexibility as to whether in-scope MNE Groups are subject to more domestic corporation tax or a QDTT should not alter the aggregate amount of tax they ultimately pay. However, providing this flexibility may help Ireland remain attractive and competitive compared to other jurisdictions with higher corporation tax rates, as those jurisdictions do not have to impose a QDTT[26].

In terms of how an in-scope MNE Group may decide to pay more corporation tax, a possible approach would be for it to choose not to claim (all of the) capital allowances to which it is entitled. This choice is already available under existing law and is subject to certain legislative provisions (discussed below). However, some minor modifications to the tax legislation may be needed to ensure that the desired flexibility is effectively achieved.

We would recommend that an amendment to Section 288, TCA 1997 is enacted permitting taxpayers who disclaim capital allowances to elect (if they so choose) to disapply the saving provision in the balancing charge rules such that they may be subject to tax on the amount by which the consideration exceeds the tax depreciated value of the asset even where that is more than the allowances actually claimed[27].

Amend the leasing provisions

Finance (No.2) Act 2023 introduced changes to the taxation of leasing arrangements, placing historic Revenue leasing practices on a legislative footing. While these changes are generally welcomed, a number of significant issues have not been addressed and may result in considerable uncertainty for lessors, negatively impacting Ireland's attractiveness as a location of choice for leasing groups.

Improve the R&D Tax Credit

The implementation of the OECD BEPS Pillar Two rules will limit competition between countries based solely on corporation tax rates. However, it also presents new potential areas for countries to compete. One such area is that of incentives, specifically the R&D tax credit.

We welcome the enhancements made to the R&D tax credit in the most recent Finance Act. However,

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

if Ireland is to be considered an "innovation leader", similar to the likes of Denmark and Sweden[28], further enhancements to the R&D tax credit is required. In this regard, we recommend the following amendments to the credit:

- An increase in the rate of relief to at least 35%. We welcome the increase in the rate of the relief to 30% in the recent Finance Act. However, to achieve Ireland's Enterprise Policy goal of doubling business expenditure on R&D (BERD) by 2030[29], we recommend a further increase.
- Increase the RDTC rate to 50% for R&D carried out on green technologies.
- Introduction of an automatic refund of cash claims by compliant taxpayers for claim amounts below a de minimis threshold of, say, €300,000. This would particularly benefit SMEs, who are most vulnerable to cashflow challenges.
- Increase the limit on the amount of allowable expenditure on outsourced activities to third parties to the greater of 25% of a company's non-outsourced R&D expenditure or €250,000.
- Expand the list of qualifying fields beyond the traditional science and technology categories to include research into technologies such as artificial intelligence, machine learning, blockchain and other emerging areas.
- A technical amendment is required to S766(1)(a), TCA 1997 to insert: "wholly and exclusively for the purposes of R&D activities", in place of: "wholly and exclusively in the carrying on by it of R&D activities". The amendment is required to align the definition of "expenditure on R&D" with the original policy intention. This amendment would also provide greater clarity and certainty to claimants with respect to qualifying costs.

Amendments to the Knowledge Development Box

The Knowledge Development Box (KDB) was introduced by Finance Act 2015 to incentivise companies to commercially exploit intellectual property developed from R&D activity in Ireland.

With the advent of the OECD Pillar Two GloBE Rules, the KDB relief needs to be restructured to remain relevant to MNE groups. Consideration should be given to restructuring the benefit of KDB to be a refundable tax credit (similar to the R&D tax credit).

Increase support for businesses in the semiconductor industry

Ireland already has significant prominence in the European semiconductor industry[30]; and is well positioned to exploit the opportunities presented by the EU Chips Act and the EU's ambition to double its market share in the global semiconductor industry by 2030[31].

The EU Chips Act, which aims to bolster Europe's competitiveness and resilience in semiconductor technologies, allows for public support for microchip manufacturing facilities under State aid rules. Some EU countries[32] have already initiated collaborations with global leaders in the semiconductor industry. It is imperative that Ireland strongly considers embarking on similar projects in order to maintain our competitive advantage in this area.

Enhancements to the personal tax regime

Reduce the tax on employment

The Irish personal tax system imposes a high personal tax burden on employees. While our dual rate income tax system is one of the reasons why Ireland has one of the most progressive income tax systems in the EU and OECD, the entry point to the higher 40% income tax band, at a level of income that is lower than the average wage[33] has a negative impact on employers seeking to attract high-value talent to move to Ireland and the desire for individuals to upskill and seek out higher paying jobs.

We recommend that steps be taken to reduce the marginal rate of tax borne by employees and the cost of employment for employers by implementing income caps for PRSI:

- Many countries achieve a more competitive marginal rate of tax for higher earners by capping the earnings base subject to social security[34]. We recommend that an earnings contribution cap of €75,000 be reintroduced for employees' PRSI.

26 As in-scope MNE Groups operating in those jurisdictions would pay corporation tax at a 15%+ effective tax rate

27 We have included suggested legislative wording in Appendix I

28 Ireland currently rated as a "strong innovator" according to the European Innovation Scoreboard 2023: European Innovation Scoreboard is published by the European Commission and provides a comparative analysis of innovation performance in EU countries and regional neighbours

29 https://enterprise.gov.ie/

30 Tyndall National Institute Report on the semiconductor industry in Ireland

31 https://ec.europa.eu/commission/presscorner/detail/en/IP_21_983

32 France recently obtained approval for an aid measure and Germany is also awaiting a decision from the Commission regarding a collaboration with Intel involving aid of up to €9.9 billion.

33 Based on average weekly income of €921.81 in Q4 of 2023 and the standard rate cut off of €42,000: CSO: Earnings and Labour Costs Q3 2023 (Final) Q4 2023

34 Austria, Canada, Germany, Greece, Luxembourg, and the Netherlands apply a monetary cap on contributions.

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

- Many countries also reduce the cost of employment for employers by capping the employer's contribution. We recommend that an earnings contribution cap of €100,000 be reintroduced for employers' PRSI.

Simplify the taxation of share-based remuneration

Given the importance of share-based remuneration in the FDI sector and the importance of that sector to Ireland's prosperity as a small open economy, it is crucial that our current system of taxation is best-in-class. Share-based remuneration also plays an important role for SMEs and privately owned companies in recruiting the talent needed to grow and scale such companies.

In our response[35] to the recent consultation on share-based remuneration, we made a number of recommendations aimed at increasing the effectiveness of, and accessibility to share-based remuneration for a broader cohort of employers across all business sectors. The key recommendations include:

- Measures to maximise the use of existing share schemes, such as extending the definition of "restricted share" in Section 128D, TCA 1997 to include notional shares and expanding the CGT Entrepreneur's Relief to all shares acquired under KEEP, APSS and SAYE by removing the 5% shareholding requirement.
- Measures to make the use of share-based remuneration more accessible and attractive to privately owned companies.
- Measures to reduce the costs and administrative burdens associated with share-based remuneration.

Further detail on the above is available in our January 2024 response to the consultation on share-based remuneration.

Enhance tax relief for personal pension provision

It is important that the personal income tax system continues to support individuals in making provision for their retirement.

The CSO found that 32% of persons in employment in Q3 of 2023 had no pension arrangements in place[36]. Of persons with no pension coverage, almost six in ten (59%) cited the State pension as the only expected source of income on retirement. If individuals fail to achieve adequate levels of supplementary pension coverage, this will inexorably lead to overdependence on the State pension and welfare provision.

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

While the planned Government Auto-Enrolment Retirement Savings Scheme should help to increase the level of pension coverage, the existing limitations on tax relief for personal pension contributions make it difficult to achieve a meaningful supplementary pension in retirement.

We have made a number of recommendations below that should increase pension provision:

- Adopt a "whole of life approach" to the pension contribution limit. The current non-cumulative basis for pensions contributions is very inflexible and does not take account of diverse working patterns and financial commitments of individuals over their working life. We recommend a whole of working life approach by permitting unused pension relief capacity to be carried forward.
- Increase the pension earnings limit to account for wage inflation and socio-economic developments since 2011 (the date of the most recent reduction in the earnings limit). This would see the earnings limit increasing to approximately €200,000.
- Introduce tax relief for spousal contributions. At present, an individual is only entitled to income tax relief in respect of pension contributions made to their own pension scheme or arrangement. To increase pension coverage, consideration should be given to the introduction of tax relief for contributions made by an individual to the pension scheme or arrangement of their spouse or spousal equivalent. For example, where the annual income of the spouse (or spousal equivalent) does not exceed €33,000[37], it should be possible for the other spouse to obtain tax relief for pension contributions made on their behalf.

We welcome the examination of the Standard Fund Threshold (SFT). The SFT is a very significant feature of the Irish pension regime, which has a profound behavioural impact on the level of provision made for private pensions. It places a lifetime limit on the total capital value of pension benefits that an individual can draw from tax relieved pension products. During the financial crisis, this lifetime limit was reduced from €5 million to €2 million, where it has stood for the last decade. In line with our response to the public consultation[38] on the SFT regime, we propose:

- Rebasing the SFT to 2024 levels to take account of, increases in: (i) inflation and wage levels; (ii) changes in interest and annuity rates; (iii) changes in life expectancy and mortality rates and; (iv) socio-economic developments.

Adjusting the SFT for these factors would necessitate an increased SFT of €3.475 million. This would incorporate an increased retirement lump sum amount between €460,800 and €500,800.

Further detail on these recommendations can be found in our February 2024 submission to the Department of Finance consultation on the examination of the SFT.

Enhancement of the SARP regime

Internationally mobile executives play a crucial role in job creation and economic activity in Ireland, but our high personal tax burden may deter them.

A key element of Ireland's offering to this group of taxpayers is the Special Assignee Relief Programme (SARP). We believe that aspects of the relief need to be enhanced:

- Remove the €1 million cap on the amount of income that can benefit from the relief. Currently, this is limiting the effectiveness of the regime in attracting senior executives to live in Ireland, relative to other locations.
- For non-Irish domiciled individuals, SARP relief should be extended to include USC and PRSI, as well as income tax. These individuals are significantly less likely to substantially avail of Ireland's social welfare, health or free education benefits.
- Increase the qualifying period from 5 years to 8 years for non-Irish domiciled individuals. In addition, the CAT exclusion for non-Irish domiciled individuals should be extended to 8 years to ensure coordination between the reliefs.
- Extend the deadline to notify Revenue of an employee's intention to claim SARP relief. The deadline is currently within 90 days of their arrival in Ireland. This is unnecessarily restrictive and should be increased.

35 KPMG response to the consultation submitted on 22 January 2024

36 Key Findings - CSO - Central Statistics Office

37 The current amount a married individual that is jointly assessed will have to earn to be entitled to the full standard rate band of €84,000.

38 KPMG response to the consultation submitted on 12 February 2024

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix IV: legislative amendments

Section 288, Taxes Consolidation Act 1997 should be amended by the insertion of a new subsection

(7)

a) Where a person elects to disclaim wear and tear allowances, balancing allowances, or initial allowances in respect of any item of machinery or plant under this subsection, then notwithstanding subsection (4)(b), the amount on which a balancing allowance or charge is to be made on that person in respect of an event or occurrence to which subsection (1) applies, may exceed the amounts of allowances referred to in subsection (4)(b) insofar as those amounts relate to wear and tear allowances, balancing allowances or initial allowances disclaimed under this subsection.

b) An election under this section may be made by a person during the chargeable period or basis period concerned or as part of the filing of its income tax return or corporation tax return, as applicable, in respect of that chargeable period or basis period.

c) An election to disclaim wear and tear allowances, balancing allowances, or initial allowances under this subsection may be made –

(i) in respect of a monetary amount, or

(ii) on the basis of a methodology or computational basis

specified in the election. In the case of an election to which (ii) applies, the election shall specify whether it is to apply only in respect of the first chargeable period or basis period to which the election applies or to that chargeable period or basis period and all subsequent chargeable periods or basis periods until such time as the election may be withdrawn.

Amendments to Section 284, Taxes Consolidation Act 1997

In addition to the above change, while the current legislation and existing case law allow for a taxpayer to disclaim capital allowances on expenditure, it is not explicitly clear that a taxpayer has the flexibility to partially claim allowances on individual items of expenditure. While it is arguable that they can, it would be beneficial to eliminate any uncertainty by amending the relevant legislation to confirm that a taxpayer can claim up to the full allowance that they would be entitled to in a given year. This could be readily achieved by modifying Section 284(2)(ad) TCA 1997 as follows:

> Notwithstanding any other provision of this subsection but subject to subsection (4), where capital expenditure is incurred on or after 4 December 2002 on the provision of machinery or plant, the amount of the wear and tear allowance to be made shall be an amount equal of up to 12.5 per cent of the actual cost of the machinery or plant, including in that actual cost any expenditure in the nature of capital expenditure on the machinery or plant by means of renewal, improvement or reinstatement; but this paragraph shall not apply in the case of—
>
> (i) machinery or plant to which subsection (3A) relates,
>
> (ii) machinery or plant which consists of a car within the meaning of section 286, used for qualifying purposes, within the meaning of that section, or
>
> (iii) machinery or plant provided under the terms of a binding contract evidenced in writing before 4 December 2002 and in respect of the provision of which capital expenditure is incurred on or before 31 January 2003.

We believe that providing this flexibility to in-scope MNE Groups will help ensure that Ireland remains competitive as an investment jurisdiction for those groups while adhering to the principles and spirit of the EU Minimum Tax Directive.

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

kpmg.ie

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are registered trademarks of KPMG International Limited ("KPMG International"), a private English company limited by guarantee.

If you've received this communication directly from KPMG, it is because we hold your name and company details for the purpose of keeping you informed on a range of business issues and the services we provide. If you would like us to delete this information from our records and would prefer not to receive any further updates from us please contact unsubscribe@kpmg.ie.

Produced by: KPMG's Creative Services. Publication Date: May 2024. (10352)