



# Taxing Times

Your definitive Finance Bill 2025 guide



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# Welcome

Finance Bill 2025 enacts the legislative changes required to implement the Budget Day announcements from 7 October. Our expert analysis of the Bill provides a comprehensive consideration of measures impacting large corporations, private enterprises, and individuals. If you would like to explore our professional tax services on any matter relating to the Bill, please reach out, we would love to hear from you.

KPMG is Ireland's leading Tax practice with over 700 tax professionals based in Dublin, Belfast, Cork and Galway. Our clients range from dynamic and fast growing family businesses to individuals, partnerships and publicly quoted companies.

KPMG tax professionals have an unrivalled understanding of business and industry issues, adding real value to tax based decision making.

## Contents:

|  |           |
|--|-----------|
| <b>Domestic business tax</b>                   | <b>6</b>  |
| <b>International business tax</b>              | <b>9</b>  |
| <b>Personal tax</b>                            | <b>12</b> |
| <b>Vat &amp; Indirect tax</b>                  | <b>15</b> |
| <b>Financial services</b>                      | <b>17</b> |
| <b>Employment taxes</b>                        | <b>20</b> |
| <b>Green transition</b>                        | <b>22</b> |
| <b>R&amp;D tax credit and other incentives</b> | <b>23</b> |
| <b>Property &amp; construction</b>             | <b>25</b> |



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For further information on Finance Bill 2025  
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# Domestic business tax



**Alan Bromell**  
Partner

Finance Bill 2025 introduces a series of domestic business tax measures aimed at improving compliance, modernising group reliefs, and supporting the agri-business sector. While these provisions are designed to streamline tax administration and encourage investment, particularly through targeted reliefs and extensions, there are concerns that the increased powers granted to Revenue, as well as the complexity of compliance requirements, could place additional administrative and financial burdens on businesses. The true effectiveness of these measures will depend on their practical implementation and the ability of businesses to adapt without undue hardship.

## Estimated assessment to tax

The Bill contains a provision which enables Revenue to raise an estimated assessment for income tax or corporation tax as appropriate, if a tax return is not filed on or before the return filing due date.

Under existing law, when a taxpayer files a tax return under self-assessment principles, Revenue can subsequently issue an amended notice of assessment to the taxpayer. In addition, Revenue can raise a notice of assessment with regard to a period of assessment if no return is filed or if they have reasonable grounds to consider that a tax return is incomplete for the amount of tax which according to the Revenue's best judgment ought to be charged.

The estimated assessment will be the higher of the average tax liability included on the two most recent tax returns delivered by the chargeable person, or €1,000. The chargeable person can displace the estimated assessment if, within 30 days of receipt of the estimated assessment, the taxpayer submits the relevant return to Revenue and pays the tax due, together with any related interest, penalties and surcharges, or informs Revenue that they are not a chargeable person for that period. A similar provision for estimated assessments already exists in VAT legislation.

## Group payments

Irish tax law provides that payments considered charges on income (such as certain interest and patent royalties) may be made without the deduction of withholding tax if they occur between companies within the same group and certain conditions are satisfied. The Bill expands the definition of 'group' for the purposes of this relief.

One of the conditions that must be met requires the companies to form part of a 51% group (i.e. one of the companies is a 51% subsidiary of the another or both are 51% subsidiaries of a third company) and, in determining whether a group exists, it is currently necessary to disregard any share capital held directly or indirectly by a company which is not resident in an EU member state, the UK, Iceland or Norway. The Bill extends the definition of 'group' so that share capital held by a company which is tax resident in a country with which Ireland has a double tax treaty (such as the US) will not be disregarded for the purposes of determining whether a group exists.





# Domestic business tax

The Bill also clarifies that payments within the scope of the group payments relief remain deductible as a charge on income where the relevant conditions are met.

## Agri-business measures

### Capital gains tax

Relief from capital gains tax is available where qualifying agricultural land is sold and the proceeds from the sale are reinvested in acquiring new farmland within 24 months where relevant conditions are met. Qualifying agricultural land is agricultural land (i.e. land used for the purposes of farming excluding buildings on the land) with respect to which a farm restructuring certificate has been issued by Teagasc and not withdrawn.

The Bill extends relief, which was due to expire for farm restructuring where the first transaction in the restructuring is not carried out on or before 31 December 2025 to 31 December 2029. In addition, the definition of agricultural land has been expanded to include land suitable for occupation as woodlands on a commercial basis, and land suitable

for occupation as woodlands (other than on a commercial basis) used for the purpose of conservation.

The amendments are subject to the passing of a Ministerial commencement order.

### Agricultural stamp duty reliefs

Relief from stamp duty is available in respect of transfers of agricultural land to young (i.e. under the age of 35) trained farmers where certain conditions are satisfied. The Bill provides for a four year extension of the relief until 31 December 2029. In the absence of this relief, such conveyances would generally be charged to stamp duty at a rate of 7.5%. The extension is subject to the passing of a Ministerial commencement order.

Farm consolidation relief applies a 1% stamp duty charge (instead of the normal stamp duty rate of 7.5%) on the net consideration where land holdings are consolidated by way of linked disposals and acquisitions of qualifying land within a 24-month period. The Bill extends the relief until 31 December 2029. The scope of the relief is

broadened to include non-commercial woodland. Both the extension and amendment are subject to the passing of a Ministerial commencement order.

### Accelerated capital allowances – farm safety equipment & capital expenditure on slurry storage

Accelerated capital allowances of 50% per annum over two years are available for expenditure on certain eligible farm safety equipment and slurry storage where conditions are met.

The Bill extends the date by which qualifying expenditure on slurry storage must be incurred from 31 December 2025 to 31 December 2029, subject to the passing of a Ministerial commencement order.

The Bill also contains some technical amendments to include references to updated relevant EU regulations in the case of accelerated capital allowances for farm safety equipment.



# Domestic business tax

## Stamp duty

### *Exemption for acquisition of shares*

An exemption from stamp duty applies on a conveyance or transfer of stocks listed on the Euronext Growth market operated by the Irish Stock Exchange trading as Euronext Dublin. As announced in the Budget, the Bill repeals this exemption from 1 January 2026 and replaces it with a broader exemption from stamp duty on the conveyance or transfer of stocks or marketable securities of Irish registered companies admitted to trading on an EU regulated market or multilateral trading facility or a market outside of the EU which is equivalent to an EU regulated market or multilateral trading facility where conditions are met.

To qualify for the exemption, the closing market capitalisation of the Irish

registered company with the relevant securities in issue must not exceed €1 billion on 1 December in the previous year. If the company in question is newly listed after 1 December in the previous year, the exemption will apply if the expected market capitalisation upon listing is less than €1 billion. If the shares in the company in question are listed in a non-Euro currency, the average exchange rate on the appropriate day should be used to calculate the market capitalisation in Euro.

For the exemption to apply, either the company or the stock exchange operator must notify Revenue of the relevant market capitalisation in a form and manner set out by Revenue. Revenue will subsequently publish the information set out in the valid notification and its effective

date. Once a valid notification is made, the exemption should apply to a conveyance or transfer of securities executed during the period commencing on the later of (i) 14 days after the notification is made, or (ii) 1 January of the following year, and ending on 31 December of that following year.

The new exemption comes into operation on 1 January 2026, applying to conveyances to conveyances or transfers of relevant securities executed on or before 31 December 2030.

The extended relief offers more flexibility for companies to list on stock exchanges where their centre of interests are more closely aligned and make investment in equities more attractive to Irish investors. Issuers of relevant securities will need to validate annually whether their securities remain exempt from stamp duty.

## General anti-avoidance rules

Irish tax law contains complex and wide ranging general anti-avoidance rules which can deny or withdraw a "tax advantage" arising from tax avoidance transactions. The provisions can apply where a transaction was undertaken primarily to give rise to a tax advantage.

The Bill amends general anti-avoidance rules to widen the circumstances in which Revenue can remove the tax advantage. Currently, Revenue can do so where a taxpayer has submitted a return, declaration, statement or account or makes claim purporting to obtain the benefit of the tax advantage. Finance Bill 2025 amendments provide that Revenue will also be entitled to deny or withdraw the tax advantage where a taxpayer takes any other action, or fails to take any other action, and that action or failure directly or indirectly purports to obtain the tax advantage.





# International business tax



**Cillein Barry**  
Partner

Finance Bill 2025 introduces a suite of updates that will affect international businesses operating in Ireland. The Bill's technical clarifications and expansions, especially in areas like foreign dividends and Pillar Two compliance, signal a continued commitment to international tax cooperation, but also present fresh challenges for companies seeking clarity and operational certainty in an increasingly complex environment.

## Foreign body corporate

The Bill introduces a new section on the tax treatment of foreign body corporates which provides that where a foreign body corporate has characteristics (including rights and obligations of its members) which are "substantially similar" to those of an Irish partnership established under Irish law, it will be treated as a partnership for Irish tax purposes.

Therefore, each member of the body corporate will be considered a partner in a partnership and chargeable to Irish tax accordingly on their share of income, profits or gains.

The use of the phrase "substantially similar to" in the Bill leaves a degree of uncertainty, as the term is neither defined within the Bill nor referenced elsewhere in the Taxes Act.

## Intangible asset capital allowances

The capital allowances regime for intangible assets provides for a tax deduction for capital expenditure incurred on the acquisition of intangible assets used for the purposes of a trade. The Bill sets out a number of technical clarifications to the regime.

As part of the Financial Resolutions on Budget day, an immediate change was made to provide that balancing allowances arising on the disposal of

qualifying intangible assets fall within the normal rules that restrict capital allowances for intangible assets (and related interest expenses) to 80% of the trading income arising from such assets. Any balancing charge that cannot be offset is carried forward as part of the normal pool of 'excess allowances' available for future years.

The Bill also clarifies that capital allowances which are claimed in the tax return but which are restricted from offset against trading income due to the 80% limitation are treated as 'made' for capital allowance purposes. This means that such restricted allowances cease being part of the tax written value of the intangible asset, but instead form part of a pool of 'excess allowances' carried forward to future years.

The Bill includes a number of clarifications regarding how the intangible asset regime interacts with other company reconstruction reliefs. The Taxes Acts provide that where a trade transfers between companies within the same 75% ownership, the transfer of assets does not trigger balancing allowances or charges, and the successor company 'steps into the shoes' of the predecessor company for the purposes of claiming future tax relief on the assets transferred. The Bill clarifies that the same rules apply to intangible assets that transfer as part of a qualifying reconstruction.

The Bill also includes new rules on how 'excess allowances' and 'excess interest relief' are treated as part of a company reconstruction. Under these new provisions, the successor company is entitled to claim the amount of 'excess allowances' and 'excess interest' of the predecessor company that relate to intangible assets that are transferred from the predecessor company to the successor company on the transfer of the trade.

The new provisions have effect for accounting periods starting on or after 1 January 2026 in respect of a qualifying company reconstruction which occurs on or after 1 January 2026.

Based on the updated provisions, carried forward amounts arising from company reconstructions which have occurred in prior accounting periods are not covered within the new provisions.

The new rules do not provide detail on how companies are to calculate the amount of the relevant 'excess allowances' and 'excess interest' of the predecessor company. In some cases, companies may have 'excess allowances' and 'excess interest' carried forward that relate to assets that have been sold by the business, and it appears that those allowances would not transfer on a qualifying reconstruction.

In other cases, where only some assets of the predecessor company transfer, it states that any 'excess allowances' and 'excess interest' are to be allocated between the assets transferred and the assets retained on a 'just and reasonable basis'.

## Foreign dividends

Finance Act 2024 introduced a dividend participation exemption. Currently the regime applies to subsidiaries resident in the EEA or a country with which Ireland has concluded a Double Taxation Agreement. The Bill includes a number of welcome updates to improve the scope of the exemption. Notable changes, which will apply with effect from 1 January 2026, include:

- Distributions from a company resident in a territory with which Ireland does not have a double tax agreement will be within scope of the exemption where non-refundable withholding tax has been paid on the full amount of the distribution.

# International business tax

- A company resident in a territory with which Ireland has newly-signed a double tax agreement will be able to qualify as a relevant subsidiary from the date the agreement is concluded.
- The definition of “relevant period” is reduced from five years to three years. This reduces the period in which the company making the distribution must be resident in a relevant territory prior to making the relevant distribution. A similar reduction is provided in respect of the “reference period”.
- A distribution will not be excluded from the exemption solely as a result of being deductible for the purposes of calculating a tax similar to the close company surcharge.

There was also a technical clarification to confirm that an exemption for distributions made from profits is not conditional upon the relevant subsidiary meeting the eligibility requirements for the capital gains tax participation exemption.

In addition, the Bill includes changes to provide that distributions from a company will not be excluded from exemption where during the “reference period” that company has acquired shares in a company, moved residence from Ireland, was formed through a merger with an Irish resident company, or acquired a business or business assets from an Irish resident company. These amendments apply retrospectively to distributions made on or after 1 January 2025.

## Country by Country reporting

The Bill provides for amendments to country-by-country reporting (CbCR) to reference revised guidance issued by the OECD in May 2024. The updates provide that CbCR reports shall be prepared in accordance with the



updated OECD guidance, and that Irish CbCR legislation should be interpreted in a manner consistent with the OECD CbCR model legislation and guidance, save where that would be inconsistent with the EU Directive.

In addition, updates have been made for the purposes of assessing whether the €750 million threshold has been met to determine if a group is an MNE group:

- Where the preceding fiscal year is less than 12 months, the €750 million threshold shall be reduced pro rata.
- Where a group (Group A) was part of another group in the preceding fiscal year, and Group A separated from the other group during the current fiscal year, to the extent that Group A then exists as an independent group, Group A will be deemed to have consolidated turnover of less than €750 million in the previous year.
- Extraordinary income and gains arising from a group’s investment activities must be included in the consolidated group revenue, provided such income is included in the consolidated financial statements of the ultimate parent entity. This provision will not apply where the ultimate parent entity is tax resident in a jurisdiction which does not require such extraordinary income

to be included in the consolidated group revenue for determining if a CbCR report must be filed.

## Pillar Two

The Pillar Two Global Anti-Base Erosion (GloBE) rules seek to ensure that large groups with consolidated global revenues in excess of €750 million pay a minimum 15% effective rate of tax in each jurisdiction in which they operate.

The rules were implemented into Irish law in Finance (No. 2) Act 2023, with subsequent technical amendments in Finance Act 2024. The Bill proposes various technical amendments and clarifications to these rules, including:

- Incorporation of the OECD’s administrative guidance issued in January 2025. These provisions address, inter alia, the treatment of deferred tax assets and liabilities, existing prior to a company coming within the scope of GloBE rules.
- The January 2025 administrative guidance also provided for the exchange of information of the GloBE Information Return (GIR) in accordance with DAC 9 and the OECD Multilateral Competent Authority Agreement. The Bill included provision to implement these aspects into Irish law.

# International business tax

- An amendment to the definition of ultimate parent entity (UPE) to clarify that it excludes an orphan entity where that orphan entity is included in the consolidated financial statements of another entity in the group that meets the definition of a UPE.
- The definition of minority-owned constituent entity was also amended to clarify that the definition should include an orphan entity that is a constituent entity of an MNE group.
- Variance provisions regarding the application of the Pillar Two provisions to securitisation entities.

The Committee Amendments amended Irish GloBE rules, which generally require the use of UPE financial accounts rather than local financial accounting standards in certain situations.

Specifically, a new section has been added to allow the continued use of local accounts when an Irish entity is incorporated, liquidated, undertakes a merger or division (cross border or domestic) or acquired during a relevant period. In such circumstances, the accounting period is deemed to align with the group's consolidated fiscal year.

For entities acquired during a relevant period, the accounting period of the entity will be deemed to align with the group's consolidated fiscal year in the year of acquisition and in the subsequent fiscal year. A grace period is therefore effectively provided to allow MNE groups to bring the accounting period of the acquired entity into line with the group's fiscal year.

This is a welcome amendment and should mean that local GAAP can be used to calculate Irish QDIT liabilities in most cases. The amendment also reduces the risk of groups "flip-flopping" between accounting standards for QDIT calculation purposes (e.g., where an entity needs to be liquidated for commercial reasons in a future period). The amendment applies in respect of accounting periods commencing on or after 31 December 2023.

## Company mergers and divisions

The Companies Act 2014 provides for a merger or a division of companies by operation of law in certain circumstances. Tax legislation provides that the relevant successor company or companies succeeds to the tax filing, reporting and payment obligations of

the transferor company and must file returns and make payments in like manner to the transferor company.

The successor company effectively 'steps into the shoes' of the transferor company with regard to the tax filing and reporting obligations of the transferor company.

The Bill includes an update to include any obligations arising to the transferor company under Pillar Two legislation to be transferred to the successor company.

## Time limit on assessments by a Revenue officer

In general, Revenue have five years from the end of the fiscal year in which to make or amend an assessment. The Bill provides for updates to allow for amendments outside of the general time limit to give effect to a Mutual Agreement Procedure (MAP) reached with foreign jurisdictions under a Tax Information Exchange Agreement (TIEA). TIEAs are bilateral agreements entered into by Ireland with foreign jurisdictions under which the territories agree to co-operate in tax matters through exchange of information.

It should be noted that Finance Act 2018 had previously updated the time limit for Revenue to make or amend an assessment to give effect to the conclusion of a MAP under a Double Taxation Agreement. The extension to MAPs formed under TIEA provides certainty for taxpayers currently engaged with MAP within foreign tax jurisdictions with which Ireland has a TIEA.



# Personal tax



**Cian Liddy**  
Partner



Given the minimal changes to personal tax announced in the Budget, it will come as no surprise that there were relatively few specific personal tax measures included in Finance Bill 2025. However, the Bill did include some technical amendments in addition to those measures announced on Budget Day.

Key measures include adjustments to the universal social charge, extensions to rent and mortgage reliefs, changes to investment taxation, and updates to exemptions for charitable and sports bodies, among others.

## Universal social charge

On Budget Day, the minister announced that the minimum wage will increase from 1 January 2026 to €14.15 per hour and that in keeping with prior years, there would be a corresponding increase to the ceiling on the second rate of USC (2%) to ensure that

workers on the new minimum wage do not see the benefit eroded by higher rates of USC. The new upper limit for the 2% rate will be €28,700, an increase of €1,318.

In addition, the concession applying reduced USC for full medical card holders under 70 years of age whose individual annual income does not exceed €60,000 will be extended for a further two years until the end of 2027.

## Rent tax credit

The rent tax credit will be extended for three years to 31 December 2028. The value of the credit, and the conditions to qualify for the relief, remain unchanged.

The rent tax credit is capped at €2,000 per year for jointly assessed married couples or civil partners, and €1,000 per year for single persons.

## Mortgage interest relief

The Bill provides for the extension

of mortgage interest relief until 31 December 2026. This tax credit is for taxpayers who have made interest payments on a mortgage for their principal private residence. The relief is available to homeowners who had an outstanding mortgage balance between €80,000 and €500,000 on 31 December 2022.

For 2025, the relief will be calculated based on the increase in interest paid in 2025 compared with the interest paid in 2022. The amount qualifying for relief at the standard rate of tax (20%) is capped at €6,250 per property i.e. maximum benefit of €1,250.

For 2026, the relief will be reduced and will be calculated based on 50% of the increase in interest paid in 2026 compared with interest paid in 2022. The amount qualifying for relief at the standard rate of tax (20%) is capped at €3,125 per property i.e. maximum benefit of €625.



# Personal tax

## Taxation of certain investments and life assurance policies

The Bill includes the provisions required to effect the reduction in tax rate from 41% to 38% on income and gains from certain investments and life assurance policies from 1 January 2026, including:

- Domestic life assurance policies,
- Certain foreign life policies,
- Irish domiciled investment funds, and
- Equivalent offshore funds in other EU Member States, EEA States and OECD countries with which Ireland has double tax agreements.

In his Budget speech, the minister stated his intention to publish a roadmap early in 2026 to set out his intended approach to simplify and adapt the tax framework to encourage retail investment (referencing recommendations from the European Commission on Savings and Investment Accounts). We look forward to publication of the roadmap and providing input to the resulting measures for future Finance Bills.

## Tax exemptions for charitable and sports bodies

The Finance Bill provides that income arising after 1 January 2026 by charitable and sports bodies will only be considered exempt from tax if Revenue have expressly approved an exemption before the income arises.

Any bodies in this space who have not yet applied for their exemption or have let it lapse would be well-served by making the necessary application to Revenue in early course.

## Donations to certain sports bodies

Various administrative changes are being made to the scheme for tax relief on donations to certain sporting bodies and sports' national governing bodies, including:

- An individual's decision on whether to claim tax relief themselves or allow the sporting body to claim the relief is to be irrevocable,
- Donors must provide the "approved project number" and a "unique receipt number" to Revenue when claiming a deduction, and
- A donation will not impact the calculation of tax relief for pension contributions.

In addition, the Bill aligns the treatment for USC purposes of donations to national governing bodies with donations to other sports bodies i.e. such donations are not deductible for USC purposes.

## Revised entrepreneur relief

The lifetime limit under revised entrepreneur relief is to be increased from €1 million to €1.5 million. Revised entrepreneur relief reduces the CGT rate to 10% on gains from the disposal of qualifying business assets. The increased limit is to apply to disposals on or after 1 January 2026.

Helpfully, the Finance Bill confirms that the revised €1.5 million limit can also benefit those who had previously availed of relief. For example, an entrepreneur who realised a gain in excess of €1 million on a prior disposal but had their relief capped by the then-applicable limit, should be entitled to benefit from a further €500,000 on a future disposal.



# Personal tax



## Business property relief

Business property relief is a CAT relief that reduces the taxable value of relevant business property by 90% where certain conditions are satisfied. The Finance Bill provides for two changes to business property relief for gifts/inheritances taken on or after 1 January 2026. The changes are as follows:

- The value of 'excepted assets' is specifically excluded from benefiting from the relief. Currently, an asset will be an excepted asset where it was not used for the purpose of the relevant business for the whole of the two-year period prior to the gift/inheritance.

Finance Bill 2025 provides that where an asset has not been used for the purposes of the business for that two-year period, relief will be available if, at the date of the gift or inheritance, the asset was required to be used for a specific purpose of the business within a period of six years from the date of the gift/inheritance. A possible scenario in which this measure may apply is

where a business accumulates cash reserves over a period of time for the purposes of funding a future expansion / capital project.

Where the asset is not subsequently used for this business purpose within this six-year period, there will be a rebuttable presumption that the business property relief given in respect of that asset should be clawed back.

- A further change contained in the Bill relates to the clawback provisions applicable to business property relief. A clawback arises where property on which business property relief had been claimed is disposed of without being replaced by other qualifying property within a year of disposal. As an anti-avoidance measure, the Bill provides that if the proceeds for the disposal are less than market value, the clawback calculation will be by reference to the higher market value.

## CAT on life assurance policies

Currently, where a life assurance policy is the subject of a gift or inheritance, a

charge to CAT will not arise until one of the following events occur: (1) the policy matures, (2) it is transferred to the insurer for consideration, or (3) a payment is made under the policy.

Finance Bill 2025 introduces an amendment to provide that where a person receives a gift or inheritance of an interest in a life assurance policy and disposes of it before any of the events above occurs, a charge to CAT will apply at the time of disposal.

## Direct debit payments

The Finance Bill proposes some changes to the provisions for payment of preliminary income tax by direct debit. The measures remove the requirement for the direct debit to consist of a set number of equal monthly instalments and the Explanatory Memorandum which accompanies the Bill explains that this is to facilitate variable direct debits in future.

It is expected that further guidance will be released by Revenue to explain how this will work in practice.

# VAT & indirect tax



**David Duffy**  
Partner



Finance Bill 2025 contains several measures in relation to VAT and other indirect taxes across various sectors. A number of these provide a legislative basis for measures already announced in the Budget, whereas others introduce changes or clarifications to existing legislation including administrative points in relation to VAT registrations. These measures are summarised below.

## VAT rate for sales of apartments

In his Budget 2026 speech, the then Minister for Finance, Pascal Donohue announced the introduction of a 9% VAT rate for the supply of an apartment in an apartment block, as that term is defined in stamp duty legislation, with effect from 8 October 2025 until 31 December 2030. That measure took effect by way of Financial Resolution passed on Budget night.

There have, since then, been further amendments to the scope of the 9% rate for apartments and a further Financial Resolution to give effect to these amendments was passed on 26 November 2025. The relevant provisions of Finance Act 2025 are expected to

mirror the wording of the most recent Financial Resolution.

Consequently, in the period from 26 November 2025 until 31 December 2030, the 9% VAT rate applies to the supply of immovable goods (i.e. land and buildings) that are or, when completed, will be:

- one or more than one apartment, used or to be used for residential purposes, in an apartment block, or
- an apartment block used or to be used for residential purposes but excluding any part of the apartment block that is not used or to be used for residential purposes.

The Financial Resolution dated 26 November 2025 also extended the 9% VAT rate to “*services consisting of the development, until completed*” of apartments or apartment blocks that fall within the above provisions.

A specific definition of an “*apartment block*” was also introduced into the VAT law which is similar to that within stamp duty legislation (but no longer cross refers to the stamp duty legislation).

Consequently, following the 26 November amendments, the 9% rate

should also apply to arrangements involving the sale of a site on which apartments in an apartment block will be developed as well as the development until completion of those apartments, such as under forward funding arrangements (subject to the exclusions of any areas not used or to be used for residential purposes).

## Waiver of exemption on property lettings

The Bill contains measures which, upon the date of passing of the Finance Act, bring the VAT waiver of exemption (‘waiver’) regime for property lettings to an end.

The waiver regime applies where a landlord elected, prior to 1 July 2008, to charge VAT on their lettings of property for a term of 10 years or less and the waiver regime continued to apply to such lettings after 1 July 2008 but only in respect of property acquired or developed before that date.

The rules also provided that if and when the waiver was subsequently cancelled, the landlord was liable to pay to Revenue an amount equal to the excess of any VAT reclaimed over VAT paid in respect of all properties which were subject to the waiver.

However, a taxpayer’s obligation to make this cancellation payment was successfully challenged based on EU VAT principles in the Irish High Court judgment in the Killarney Consortium versus The Revenue Commissioners case which was delivered in December 2024.

Following this judgment, Revenue issued an updated Tax & Duty Manual on 23 June 2025 confirming that, with effect from 20 December 2024, Revenue will no longer seek to collect a cancellation payment when a waiver is cancelled.

# VAT & indirect tax

The Bill contains measures which will result in all remaining waivers being automatically cancelled on the date of passing of the Finance Act and no amount being payable to Revenue in respect of that cancellation.

This will mean that any lettings which are currently subject to VAT as a result of a waiver of exemption applying will default to becoming VAT exempt lettings when the Finance Act is passed, unless the landlord has exercised the landlord's option to tax in accordance with the rules in place since 1 July 2008.

It should also be noted that it is not possible to exercise a landlord's option to tax in some cases, including residential lettings and lettings where the tenant (or any other occupant of the let property) is connected to the landlord and has less than 90% VAT recovery entitlement.

This could have an impact on the VAT recovery position of landlords in cases where lettings which were previously taxable because of a waiver become exempt. Therefore, landlords who continue to have a waiver of exemption should review the VAT treatment of their lettings in order to assess the impact.

## VAT rate for electricity and natural gas

As announced in the Budget, the temporary VAT rate of 9% for supplies of gas and electricity will continue to apply up to and including 31 December 2030. The rate for these supplies had been due to revert to 13.5% from 1 November 2025.

## VAT rate for food hospitality and hairdressing

As also announced in the Budget, the VAT rate for restaurant and catering

services, as well as hairdressing services, will reduce from the 13.5% rate to the 9% rate with effect from 1 July 2026.

The VAT rate cut will apply to most food and certain drinks sold in a restaurant, café, hotel, bar, takeaway or other catering environment. However, exceptions will remain, such as sales of soft drinks and alcoholic drinks which remain subject to the standard 23% VAT rate.

Unlike in prior periods, the reduction in the VAT rate from 13.5% to 9% will not extend to hotel or short-term rental accommodation services or admissions to tourist attractions. The change in VAT rate will also introduce some complexity for businesses that sell combined services, which partly qualify for the 9% rate. For example, a combined bed and breakfast rate may now need to be split between the accommodation and food elements.

## VAT rate for hotel meeting room hire

Currently, the reduced 13.5% VAT rate applies to the letting of immovable goods "where those goods consist of a room in a hotel or guesthouse" and this is generally interpreted as extending to meeting rooms and other facilities within a hotel and guesthouse.

However, the Bill updates this provision to limit the reduced 13.5% rate to the provision of holiday or guest accommodation in a hotel, guesthouse or other similar establishment with effect from 1 January 2026.

## VAT exemption for management of pension funds

The Bill extends the VAT exemption for financial services concerning the management of certain specified investment funds to include the

management of the Automatic Enrolment Retirement Savings System, as provided for under the automatic enrolment rules for employees that will be introduced on 1 January 2026.

## Flat Rate Farmers

The flat-rate addition payable to flat-rate farmers will decrease from 5.1% to 4.5% with effect from 1 January 2026. The flat-rate addition compensates farmers, as defined for VAT purposes, who are not obliged to register for VAT and who have not elected to do so.

In addition, the Bill contains technical updates to the rules for assessing when a farmer is required to register for VAT (for example, if he or she is in receipt of income from non-farming activities which exceeds the relevant VAT registration threshold).

Whereas current legislation requires an assessment of the farmer's income over any continuous 12-month period, the Bill proposes to change that to assessment over both the current and previous calendar year. This measure would take effect from 1 January 2026.

## Excise Duties

The Bill contains various technical measures in relation to various forms of excise duties, including:

- Amendments to reliefs for Natural Gas Carbon Tax and Solid Fuel Carbon tax to comply with Emissions Trading System 2 requirements.
- Insertion of new and clarifying provisions in Finance Act 2002 in relation to the operation of betting duties following enactment of the Gambling Regulation Act 2024.
- Clarifications in relation to Vehicle Registration Tax (VRT).



# Financial services



**Joe O'Mara**  
Partner



Finance Bill 2025 includes a number of positive announcements in relation to financial services which KPMG has been seeking for some time.

These include the introduction of an exemption from dividend withholding tax for certain distributions to investment limited partnerships and amendments to anti-avoidance provisions in relation to the deductibility of interest in situations where certain assets are transferred and refinanced within a group for commercial purposes.

At the same time, the Bill introduces some less favourable measures, such as new reporting obligations for Qualifying Fund Managers.

As expected, the Bill legislates for announcements on Budget Day to extend the bank levy to 2026, with an unchanged scope and target yield, and to reduce the exit tax rate that applies to certain investment products from 41% to 38%.

Most other provisions directly relating to financial services are technical in nature or are required by Ireland to continue to meet international obligations, such as the measures relating to Crypto-Asset Reporting.

## Qualifying Fund Managers

The Bill introduces a new requirement for Qualifying Fund Managers (QFMs) to file an annual return online with Revenue within three months following the end of each year of assessment. This return must cover all Approved Retirement Funds administered by the QFM in that year of assessment.

This new obligation shall apply for the year of assessment 2026, with the first reporting commencing from 1 January 2027. The information required to be reported is set out in the Bill and broadly includes key details about each fund holder such as identity, residency, first acquisition date, asset and transaction data related to the fund, details of distributions made by the fund, and any other information the Revenue may require.

## Life assurance and investment funds

The Bill confirms the Budget Day announcement of a reduction in the tax rate that applies to Irish and equivalent offshore investment funds, as well as domestic and foreign life assurance products, from 41% to 38%. This change is to take effect from 1 January 2026.

## Gain on unit trusts

Under current law, where all the units in a unit trust, which is not an authorised unit trust scheme within the meaning of the Unit Trusts Act 1990, are held by capital gains tax exempt persons throughout a year of assessment, the gains accruing in that year to the unit trust are not chargeable to tax. This does not apply where exemption of the unit holder is by reason of residence or by virtue of the exemption afforded to unit holders of Exempt Unit Trusts (EUTs).

# Financial services



The Bill amends the legislation to provide that the exemption will also not apply to unit holders which are Irish regulated investment undertakings. It is understood that the scope of the exemptions available to most unit holders of such trusts will not be changed.

## Investment limited partnerships

The Bill introduces a welcome exemption, which KPMG has long advocated for, from dividend withholding tax for certain distributions to an investment limited partnership or to an equivalent partnership authorised in the EEA, where the partners are beneficially entitled to not less than 51% of the ordinary share capital of the Irish company making the distribution.

This treatment is subject to the application of the outbound payments defensive measures introduced in last years Finance Act and appropriate declarations must be put in place in advance of a distribution in order to qualify for the dividend withholding tax

exemption. The exemption is to apply to distributions made on or after 1 January 2026.

Provision is also made in the Bill to simplify the filing requirements of investment limited partnerships by exempting them from multiple reporting of the same information through different fora.

For the 2026 year of assessment onwards, certain returns, such as those required by precedent partners, will no longer be required in respect of an investment limited partnership where that partnership has complied with its obligations to submit a statement to Revenue for a year of assessment which provides certain information in respect of the investment limited partnership and its partners.

## Deductibility of interest on certain loans

In a welcome move, the Bill amends a specific anti-avoidance provision in relation to the deductibility of interest in situations where certain assets

are transferred and refinanced with related party debt within a group. This is a particularly welcome move in the context of businesses that, for bona fide commercial reasons, may be required to transfer leveraged assets intra-group, such as in the aviation finance, leasing and property sectors.

Under current rules, a deduction is generally denied for interest payable by a company on a loan from a connected person which is used to purchase assets from a connected company, subject to certain exclusions applying.

The Bill provides for an additional exclusion from the application of the anti-avoidance measures to interest arising on a loan advanced to an acquiring company from a connected lender where several conditions are met, including, but not limited to, the following: the connected seller was entitled to a corporation tax deduction for interest on a loan that it used to fund the acquisition of the asset prior to the transfer to the acquiring company; the connected lender is subject to tax on the interest income in Ireland, the EU or in a jurisdiction that has a tax treaty in place with Ireland; and it is reasonable to consider that the connected loan advanced to the acquiring company is made for bona fide commercial purposes.

Where this exclusion applies, the deductible interest for the acquirer is calculated by reference to the amount of interest arising on the connected party borrowings, provided the principal on such loan does not exceed the principal outstanding on the borrowings of the seller in respect of the asset concerned at the time immediately prior to the intra-group sale.

# Financial services

If only part of the borrowings of the seller relate to the asset being acquired, the seller's outstanding principal should be apportioned on a just and reasonable basis to determine the amount relevant to the asset at the time of acquisition. While this amendment is a positive step, it was hoped that this cap would not have been put in place given the bona fide requirement and the various other interest deductibility safeguards in existing law.

The amendment applies to asset transfers occurring on or after 1 January 2024.

## Permanent Health Insurance policies and Critical Illness policies

The Bill includes some technical amendments to move the stamp duty provisions which currently exempt permanent health insurance policies and critical illness policies issued by the life assurance industry from the €1 per policy stamp duty charge. The stamp duty exemption remains in place but has been moved to a different section of the Stamp Duties Consolidation Act 1999.

## Bank levy

Current law provides for a bank levy on certain in scope financial institutions (AIB, EBS, PTSB and Bank of Ireland) for the years 2024 and 2025. In line with the minister's announcement on Budget Day, the Bill extends the levy for a further year to 2026, applying a rate of 0.001025% for 2026 on the value of deposits held by each bank as of 31 December 2024.

This applies specifically to deposits classified as "eligible deposits" under the European Union (Deposit Guarantee Schemes) Regulations 2015. The levy's intended scope and expected €200 million yield remain unchanged.



## Health levy

The Bill amends current rules which impose a health levy on certain health insurance contracts between insurers and their customers that are entered into or renewed during each quarterly accounting period. The levy is paid by insurers on contracts entered into in the previous 3 month accounting period.

Currently, the levy is calculated by reference to the age of each person insured under a health insurance contract on the first day of the accounting period in which the contract is entered into or renewed. From 1 April 2027, the levy will be calculated by reference to the age of the person insured under the contract on the date the contract is entered into or renewed.

In a positive move for insurers, the health levy will also be amended to provide that where an insured person's health insurance cover ceases within 12 months of the date the contract was entered into or renewed, the health insurer may submit a claim to Revenue for a partial repayment of the levy paid in relation to the insured person. The repayment will be calculated by reference to the number of complete months remaining in the 12-month period.

The amendments are to apply from 1 April 2027.

## Crypto-Asset Reporting Framework

The Bill introduces new legislation to meet Ireland's obligations to transpose into law Part I of the OECD's International Standards for Automatic Exchange of Information in Tax Matters: Crypto-Asset Reporting Framework (CARF) which was published in 2023 and to facilitate its automatic exchange with other competent authorities.

CARF establishes reporting obligations for Reporting Crypto-Asset Service Providers and sets out rules for the exchange of information between tax authorities which closely align with the provisions set out in the EU's Eighth Directive in Administrative Cooperation (DAC 8).

The provisions will apply for reporting periods commencing on or after 1 January 2026, with reporting required by 31 May of the following year.



# Employment taxes



**Olive O'Donoghue**  
Partner

Finance Bill 2025 contained a limited number of measures to help mitigate the rising costs of employment in Ireland and the ability for employers to compete globally. While the extension of the Special Assignee Relief Programme is positive, further enhancements to the relief would help to ensure Ireland can continue to compete for talent at a global level.

## Key Employee Engagement Programme

The Key Employee Engagement Programme ("KEEP") provides for tax advantageous share options for employees and directors of certain qualifying SMEs. KEEP is intended to support SMEs in attracting and retaining key talent in a highly competitive labour market.

The Bill provides for the extension of KEEP, subject to State Aid approval, to 31 December 2028 which is a positive development. However, the Bill does not introduce any changes to the qualifying requirements, which currently pose significant challenges for businesses in terms of understanding how they and their employees can qualify for KEEP.

This complexity has resulted in a low uptake of KEEP since it was introduced and therefore further refinements to the qualifying requirements will be necessary to enhance the attractiveness of the scheme and increase uptake in future years.

## Foreign Earnings Deduction

Introduced in 2012, the Foreign Earnings Deduction ("FED") was designed to assist Irish indigenous businesses to expand internationally, in particular into emerging markets. FED operates by allowing a deduction for income tax purposes calculated by



reference to the qualifying days which an employee spends working in specific jurisdictions.

The Bill confirms that FED, which was due to expire in 2025, will be extended for a further 5 years which is positive. In addition, from 1 January 2026:

- The maximum amount of relevant employment income that may qualify for income tax relief will increase from €35,000 to €50,000.
- The relief will be extended to apply in respect of qualifying time spent working in the Philippines and Türkiye.

The definition of a qualifying day has been amended such that an individual is no longer required to spend three consecutive days working in a relevant state for the day to qualify. This is a welcome change as the requirement to be present in a relevant state for three consecutive days has, in our experience, limited the relief available to some employees.

## Special Assignee Relief Programme

Ireland continues to have one of the most progressive income tax systems across the OECD. However, the entry point to the higher 40% income tax band remains below the average wage - this damages our competitiveness by limiting employers' ability to attract skilled professionals to Ireland, and discourages individuals from upskilling and pursuing higher-paying jobs.

Feedback published following the Department of Finance's recent review of the Special Assignee Relief Programme ("SARP") found that it has led to the creation of additional jobs in Ireland and has had a positive impact on employee retention rates, consistent with its policy objectives. Further the review notes that by facilitating wider investment in Ireland, SARP has positively contributed to the Irish economy.



# Employment taxes



The Bill confirms the extension of SARP to 31 December 2030 as announced in Minister Donohoe's Budget 2026 speech. This extension is very welcome.

Positively the Bill introduces some improvements to certain onerous administrative requirements associated with SARP (set out below), but unfortunately it also confirms an increase in the minimum basic annual salary for the relief from €100,000 to €125,000. This is very disappointing and will have a negative impact on the number of employees who will be eligible for SARP.

As the minimum basic salary requirement disregards incentive payments such as bonuses, commission and share-based remuneration employees with heavily weighted variable remuneration packages may not meet the minimum requirements and therefore will not qualify for SARP.

Relaxation of certain administrative measures provided for in the Bill:

- The deadline for the annual employer SARP return is extended from 23

February to 30 June following the end of the relevant tax year which is positive. This will allow more time for employers to collate the information that they are required to report to Revenue in respect of employees availing of SARP.

- To avail of SARP, employers are required to notify Revenue of an employee's intention to claim SARP within 90 days of their arrival in Ireland. This deadline has been stringently enforced by Revenue and failure to comply with same has resulted in denial of SARP in full for employees who otherwise meet all the qualifying conditions. The Bill has introduced a modest measure of relief in respect of applications which are made after 90 days but within 180 days of an employee's arrival in Ireland. In such cases SARP will still be available, but for a maximum of four consecutive tax years (rather than five), with relief commencing in the year after the year in which the employee arrived.

While the Bill has brought some positive updates, there continues to be

a number of aspects of the relief which limit its effectiveness. For example, the relief is currently not available to new hires and therefore is largely unavailable to indigenous businesses. We had hoped to see more done on this in Finance Bill 2025.

## Company cars and vans

The Bill introduced the following changes to the calculation of the Benefit-in-Kind (BIK) due in respect of certain company provided vehicles:

### Introduction of new vehicle category

A new category for vehicles with zero CO2 emissions will be introduced from 1 January 2026. A reduced BIK rate of between 6% and 15% will apply, depending on business mileage, to vehicles falling within the new A1 category. Category A will be amended to reflect the introduction of the new zero emissions category and will now apply to cars with CO2 emissions above 0g/km but not exceeding 59g/km.

### Original Market Value (OMV) of cars & vans

The temporary universal reduction in the OMV of cars in categories A1 to D, as well as vans (including electric vans), which lowers the amount of BIK payable, is being extended for three more years to 31 December 2028 on a tapered basis.

This relief will remain at €10,000 for 2026, then reduce to €5,000 in 2027 and €2,500 in 2028. The current expectation is that the relief will be abolished in 2029.

Additionally, the lower limit in the highest mileage band is being permanently reduced from 52,001km to 48,001km from 1 January 2026.

# Green transition



**Paul O'Brien**  
Partner

Finance Bill 2025 introduces several measures aimed at supporting Ireland's green transition. The amendments reflect the government's ongoing commitment to reducing carbon emissions, aligning with broader EU objectives, and encouraging sustainability for both businesses and individuals.

## Vehicle registration tax & benefit in kind

The Bill includes measures to implement this year's Budget announcements to extend the vehicle registration tax (VRT) relief and benefit in kind (BIK) relief for electric vehicles.

VRT relief is extended to 31 December 2026 and the BIK relief for cars and vans is extended to 31 December 2028, although the additional discount to original market value (OMV) for BIK purposes tapers down from €10,000 in the 2026 tax year to €5,000 in the 2027 tax year, and to €2,500 in the 2028 tax year.

The Bill also introduces a new vehicle category A1 for zero carbon emission

cars and this new category of cars attracts a lower BIK cost of between 6 and 15 percent of the OMV of the car depending on the business mileage in the year.

## Energy efficient equipment & capital allowances

As announced by the minister in his Budget speech, the schemes for accelerated capital allowances available in respect of certain energy efficient equipment, gas and hydrogen vehicles used for the purposes of carrying on a trade is extended to 31 December 2030.

This is very much in alignment with the EU Clean Industrial Deal which has promoted the use of accelerated capital allowances and tax credits to incentivise investment into energy efficient and green energy expenditure.

## Domestic generation of electricity

The Bill extends the exemption of up to €400 per year from income tax, USC and PSRI for certain profits arising to

an individual from the microgeneration of electricity at their sole or main residence for their own consumption for a further three years to 31 December 2028.

## Interest limitation rules – exemption for certain large scale assets

In an unexpected move, the scope of the current exemption from the interest limitation regime which applies to providing, upgrading, operating or maintaining certain large scale assets (such as renewable energy installations, strategic housing developments and public-private partnership (PPP) roads) where relevant conditions are met is extended. The extensions to the exemption include electricity transmission infrastructure developments, strategic gas infrastructure developments, strategic infrastructure developments and large-scale residential developments, as defined in the Planning and Development Act 2024 where a decision to grant permission for that development has been made under that Act.

This encompasses a broad range of infrastructure assets such as transmission lines, substations and switching stations, electricity interconnectors, downstream gas pipelines, surface storage of natural gas, natural gas terminals, waste-water treatment plants, waste incinerators, certain harbour and port installations, thermal power stations and certain healthcare infrastructure.

This is a welcome development and will give investors and developers of these projects more certainty regarding the tax treatment of their financing costs. The amendment is subject to the passing of a Ministerial Order.



# R&D tax credit and other incentives



**Damien Flanagan**  
Partner

Following the enhancements announced by Minister Donohoe during his Budget speech, Finance Bill 2025 includes proposed updates to the R&D tax credit (RDTC) and other incentives including the digital games tax credit and the film tax credit.

## Research and development tax credit

### *Rate increase*

The rate at which companies can avail of the RDTC is increased from 30% to 35%. This is the second increase in a two-year period following the increase to the rate of relief from 25% to 30% in Finance (No.2) Act 2023. This a welcome enhancement which sends a positive message to both multi-national corporations and Irish indigenous companies that Ireland is a great location to undertake R&D activity.

### *Increase to first instalment threshold*

The threshold for the first RDTC instalment of the credit is increased from €75,000 to €87,500. This is a further extension of the threshold which increased from €50,000 to €75,000 in Finance Act 2024.

### *Allocation of employee emoluments*

The Bill also provides that where an employee performs not less than 95% of their duties of employment in the carrying on of R&D, 100% of the employee's emoluments shall be considered eligible R&D expenditure. Similar to other restrictions in the RDTC legislation, the expenditure will not be eligible where it qualifies for relief, credit or an allowance for the purposes of tax in a territory other than Ireland.

Amendments in relation to the rate increase, increase in the threshold for the first instalment of the credit and provisions in relation to employee



emoluments apply in respect of any accounting period for which the corporation tax return filing date is on or after the 23 September 2027. These amendments will therefore typically apply to companies with an accounting year-end of 31 December 2026 and periods later.

### *Construction of laboratories used for R&D*

Additionally, the Bill provides for an update to the definition of 'relevant expenditure' in relation to expenditure incurred on a qualifying building for the purposes of the R&D Buildings Credit. The Bill provides that expenditure incurred by a company on the construction of a qualifying building shall include expenditure incurred by a company on the construction of a laboratory for use in the carrying on of R&D activities. Expenditure incurred on "any part of the laboratory for use as an office or for any purpose ancillary to the purpose of an office" will not be considered relevant expenditure for RDTC purposes.

This amendment takes effect from the passing of Finance Act 2025.

### *Other updates*

The Bill also clarifies that companies must specify whether each of the RDTC instalments are to be treated as an overpayment of tax (to be set against another tax liability of the company), or paid to the company by Revenue as well as the timing of the third instalment.

## Digital games tax credit

The digital games tax credit (DGTC) provides a valuable credit to companies involved in the development of certain digital games. A credit is available of up to 32% of eligible expenditure up to a limit of €25 million of expenditure.

Finance Bill 2025 provides for an extension of the DGTC for a period of six years to 31 December 2031. This extension will provide certainty regarding the availability of the credit and encourage the continued growth of the digital games sector in Ireland.



# R&D tax credit and other incentives

In addition, the Bill provides for an enhancement to the DGTC to allow for claims in respect of certain expenditure incurred on development of post-release digital content. This includes digital content which is developed subsequent to the game's release date and which is in addition to, and for incorporation into, that game.

Where a company develops and releases a digital game to the public and an interim certificate has been issued in relation to that game, a post-release extension can be applied for by the company. This will allow a claim to be made by the company in respect of expenditure incurred on digital content that is developed after the release of the digital game, where such expenditure is incurred within the period of extension.

The amendments above to the DGTC are subject to European Commission State aid approval and are therefore subject to a commencement order.

The Bill also provides that the definition of qualifying expenditure is to be updated to reflect that expenditure must be allowable as a deduction in computing income of the trade of developing digital games which is chargeable to tax under Case I of Schedule D.

## Film tax credit – visual effects work

Relief in the form of a corporation tax credit of 32% is currently available in respect of qualifying film production costs of up to a maximum of €125 million where the relevant conditions

are met. The Bill introduces an enhanced film corporation tax credit of 40% for qualifying film productions with eligible expenditure of at least €1 million on qualifying visual effects projects.

The enhanced credit applies to qualifying expenditure on visual effects projects and will be capped at €10 million per production. Qualifying expenditure in excess of €10 million will qualify for the 32% standard credit rate where conditions are met.

This measure is intended to increase the competitiveness of the Irish market in attracting visual effects projects from overseas. Implementation will be subject to the passing of a Ministerial commencement order.





# Property & Construction



**Carmel Logan**  
Partner



Housing and related infrastructure challenges are some of the key areas impacting Ireland's competitiveness and continued growth. Budget 2026 tackled those challenges head-on, announcing a suite of wide-ranging tax measures targeted at housing, and large capital investment commitments.

The Government have ambitious targets of 300,000 homes by 2030, so 50,000 to 60,000 homes a year, with industry sources indicating that 50% of these need to be apartments. With the complicated nature of apartment builds, they require a different capital and funding model, and current regulations, costs and timelines mean there are significant viability challenges with their development.

So against that backdrop it was no surprise that Budget 2026 focused on a widespread package of housing measures, targeting apartments, as well as regeneration, retrofits and

reforms, with an aim of increasing supply within the 2030 timeframe and reducing the viability gap that currently exists for apartments.

Finance Bill 2025 contains the legislative provisions for many of the measures already announced in the Budget, as well as a number of other changes which are summarised below.

## Reduced 9% VAT rate for supplies of apartments

A Financial Resolution, passed on Budget night, introduced a 9% VAT rate for the supply of an apartment in an apartment block, as that term is defined in stamp duty legislation, with effect from 8 October 2025 until 31 December 2030.

Following extensive consultations, the measures were updated with effect from 26 November 2025, to extend the 9% VAT rate to also include the sale of a site on which an apartment or apartments (in an apartment block,

as defined) or an entire apartment block will be developed, as well as the development until completion of those apartments, such as under a forward funding arrangement. This is subject to meeting the definition of an "apartment block" in VAT law and the exclusion of any areas of the apartment block not used or to be used for residential purposes (the sale and development of properties not meeting these criteria would remain subject to the 13.5% VAT rate).

We welcome this change and believe it will go some way to addressing the "viability gap" in apartment construction. We expect Revenue to publish further guidance on the precise circumstances in which the 9% VAT rate does and does not apply to help ensure certainty and consistency of approach in the market.

## Waiver of exemption on property lettings

The Bill contains measures which, upon the date of passing of the Finance Act, will bring the VAT waiver of exemption (waiver) regime for property lettings to an end. This confirms the position already adopted in practice by Revenue since December 2024 that the cancellation of a waiver of exemption will no longer result in a payment of the excess of any VAT reclaimed over VAT paid in respect of the waiver.

However, landlords who had been relying on the waiver provisions to apply VAT to lettings should review the VAT treatment as those lettings could become VAT exempt following the passing of the Finance Act with a consequent impact on their VAT recovery position.

For further analysis, please refer to our VAT and Indirect Tax article on the Finance Bill.

# Property & Construction

## Enhanced corporation tax deduction for qualifying apartment construction costs

An enhanced corporation tax deduction is being introduced for qualifying apartment construction costs. This new measure allows an additional deduction of 25% of eligible expenditure, up to a maximum additional deduction of €50,000 per apartment. This equates to a potential net benefit of up to €6,250 per apartment ( $€50,000 \times 12.5\%$  corporation tax rate).

### Eligible expenditure:

- includes expenditure incurred by a property developer in connection with construction operations carried out in respect of the completed development up to the date a Completion Notice is lodged;
- essentially limits the additional deduction to spend on actual construction costs. The definition specifically excludes any capital expenditure incurred, as well as "ineligible expenditure," such as financing costs, taxes, duties, levies, costs associated with acquiring or disposing of the land or rights over the land, and any levies, fees, charges or contributions imposed in respect of the completed development (e.g. development contributions, planning application fees, etc.); and
- is restricted where it is met by grant or State assistance, exceeds an arm's length amount or is part of a scheme or arrangement for the avoidance of tax.

In addition, where an enhanced deduction is claimed by reference to a debt incurred in respect of eligible expenditure, and this debt is subsequently released, a portion of the enhanced deduction is disallowed and treated as a trading (or post-cessation) receipt.

## Definition of an apartment

An apartment for the purposes of this new enhanced deduction refers to a separate and self-contained dwelling in a qualifying apartment block that has exclusive access to its own sleeping, bathroom and kitchen facilities.

In addition, there must be grouped or common access to the apartment (other than for ground floor units). As a result, this introduces a separate definition of apartment than that used in the stamp duty legislation and the new 9% VAT rate, and it seems many co-living developments and most duplexes may not qualify for the enhanced deduction. While we understand the intention is that student accommodation should qualify, this will be dependent on whether the particular scheme meets the definition. We are hopeful this will be clarified in forthcoming Revenue guidance.

The enhanced deduction will be available for projects comprising of 10 or more apartments, for both

new-build developments and for conversion projects where there has been a "material change" (i.e. while not originally constructed for use as a dwelling, or where originally constructed for use as a dwelling, was not suitable for use as a dwelling or was appropriated for other purposes, and becomes suitable for use as a dwelling).

## Who can claim it

The enhanced deduction applies in the first instance where the property developer is the beneficial owner of the completed development on the date the Completion Notice is lodged. However, in this case the enhanced deduction only applies where the property developer's trade consists wholly or mainly of the construction of buildings or structures with a view to their sale, and it does not apply to "excepted" trades. Given that many developers at any one time may hold landbanks, new-build projects, and possible conversion projects, developers wishing to claim the enhanced deduction will need to carefully consider their fact pattern.



# Property & Construction

Based on the original drafting many schemes would not have been able to avail of the enhanced deduction due to the requirement that the property developer (as defined) was the beneficial owner. However, welcome changes were made at the Committee Stage which provide that the beneficial owner is entitled to complete a 'relevant declaration' allowing the apartment builder to claim the enhanced deduction.

The relevant declaration must be in the form prescribed by Revenue, and signed by the beneficial owner. Where there are multiple beneficial owners, each beneficial owner must make a relevant declaration to the same apartment builder. Where a relevant declaration is made to more than one counterparty, then it will be deemed that no relevant declaration has been made.

It will be important for all parties to appropriately consider the availability of the enhanced deduction as part of the contractual arrangements, and where necessary get agreement from the beneficial owner that the relevant declaration will be made.

To avail of the enhanced deduction a Commencement Notice must be submitted between 8 October 2025 and 31 December 2030, and a claim must be made within 12 months of the end of the accounting period in which the Completion Notice was lodged.

## Expanded scope for Residential Development Stamp Duty Refund Scheme

This scheme provides for a partial repayment of the stamp duty paid on the acquisition of land where the land is subsequently developed for residential purposes subject to a number of conditions. The scheme was due to close to new commencements at



the end of 2025, but the Finance Bill extends the scheme to developments that commence, pursuant to a commencement notice, before 31 December 2030.

The Finance Bill includes a number of additional proposed amendments to the scheme, including:

- for large-scale residential developments, the time limits to avail of the relief are to be extended from 30 months to 36 months, for both the period from site acquisition to commencement, and from commencement to completion,
- for multi-phase developments, a refund will be available on commencement of the first phase of development. Where such a claim is made, the time limit from commencement to completion should apply from the date of the last commencement notice, and

- technical amendments to reflect changes due to the new Planning and Development Act 2024.

Unfortunately, there have been no changes in respect of the other key qualifying conditions, the footprint and gross floor space tests. These tests can present significant challenges in claiming the refund in practice.

## New corporation tax exemption for rental profits from Cost Rental Scheme units

The Finance Bill introduces a corporation tax exemption in respect of rental profits or gains from homes that are designated by the minister for Housing, Local Government and Heritage as Cost Rental Scheme properties on or after 08 October 2025.



# Property & Construction

The Bill also provides that any rental losses, relief for pre-letting and retrofitting expenses and industrial buildings allowances and capital allowances related to qualifying Cost Rental Scheme units are to be disregarded.

Persons who are in receipt of rental income in respect of qualifying Cost Rental Scheme units will be obliged to file an annual corporation tax return. The return should disclose the number of qualifying Cost Rental Scheme units which are rented, the total rent receivable from the units and the profits attributable to those units. Where qualifying Cost Rental Scheme units are disposed of, the exemption does not apply to chargeable gains arising from such disposals.

Where the minister revokes the Cost Rental designation of a unit, the minister is obliged to inform the Revenue Commissioners in writing. The exemption will no longer apply from the date of revocation (and any capital allowances which would otherwise be due shall be deemed to have been granted).

## Amendments to certain Residential Zoned Land Tax (RZLT) provisions

RZLT is an annual 3% tax on the market value of land that is both serviced and zoned as suitable for residential development, subject to a number of exclusions. RZLT was originally introduced as part of Finance Act 2021, as part of a range of 'Housing for All' initiatives, specifically as a measure to activate land to increase housing supply.

There have been a number of subsequent amendments and deferrals to the tax since its original introduction and the first RZLT returns were filed in 2025. The Finance Bill proposes a number of additional amendments to the RZLT legislation:

- The Bill proposes to update the criteria for inclusion on the RZLT map to refer to specific provisions in the Planning and Development Act 2024. Certain land zoned in a development plan under the 2024 Planning & Development Act, where development would not conform with the order of priority or phasing for development indicated in the relevant development plan, urban area plan, priority area plan or coordinated area plan for an area within which the land is situated will not be included in the RZLT map. This applies where such order of priority or phasing is based on the timing of the provision of public infrastructure and facilities (such as public lighting, roads and footpaths, and water supply).
- Measures are proposed to give landowners an opportunity from 1 February 2026 to 1 April 2026 to request a change to the zoning of lands included in the RZLT map for 2026 due to be published by 31 January 2026. The local authority will be obliged to acknowledge receipt of requests by 30 April 2026 and to notify the landowner of its decision by 30 June 2026. It is proposed that an RZLT exemption will apply where a request for a change to the zoning of the lands is submitted on or before 1 April 2026, and is acknowledged by the local authority provided that the land is not the subject of a current planning application which proposes, or an extant planning permission which allows residential development of the land in question.





# Property & Construction

- It is proposed that a full exemption from RZLT will be introduced for sites subject to third-party appeals to An Coimisiún Pleanála or judicial reviews in relation to grants of planning permission. The exemption will apply for the period between the date planning permission was granted and the date the appeal or judicial review is resolved. There will no longer be a clawback of RZLT during this period where the appeal or judicial review is unsuccessful for the landowner.
- For wholly or mainly commercial developments, it is proposed that the requirement to submit a notice to the Revenue Commissioners within 30 days of the commencement notice will be amended. The requirement to submit a notice to the Revenue Commissioners will be 30 days from either first becoming a relevant site or 30 days from the date of the commencement notice (if that is subsequent to becoming a relevant site).

- There are a number of updates proposed to the RZLT law to provide for updated references and definitions in the Planning and Development Act 2024.
- There are minor changes to RZLT provisions where the landowner dies.

Unfortunately, there have been no changes to the provisions regarding sales or transfers of sites on which RZLT is currently being deferred where the transfer is to allow the development (for example, forward funding arrangements).

## Extension to income tax deduction for landlord retrofitting for additional three years

The income tax relief for retrofitting rented residential properties has been extended for a further three years to 31 December 2028.

The Finance Bill provides that, from 2026, the deduction can be claimed in the year in which the expenditure

is incurred, and the number of eligible properties will increase from two to three.

## Expansion of the Living City Initiative

The Living City Initiative ("LCI") is a targeted urban regeneration tax relief scheme aimed at encouraging the refurbishment and reuse of older buildings in designated city and town centres. It provides tax relief for qualifying expenditure on both residential and commercial properties.

Under Finance Bill 2025, the LCI has been enhanced to broaden its scope and increase its attractiveness. Key enhancements include:

- The scheme is now extended from 31 December 2027 to 31 December 2030.
- Relief will be available in five additional regional centres designated under the National Planning Framework: Athlone, Drogheda, Dundalk, Letterkenny, and Sligo.



# Property & Construction



- Broadened Eligibility:
  - Residential and commercial properties built before 1975 now qualify (previously 1915).
  - Commercial-to-residential conversions are eligible regardless of property age, supporting adaptive reuse and housing supply.
- The maximum relief cap for qualifying enterprises has been increased from €200,000 to €300,000, aligning with updated EU State Aid De Minimis thresholds.
- For qualifying expenditure incurred on or after 1 January 2026, relief is now granted over two years at 50% per annum, a significant acceleration from the previous 15% per annum

over seven years. However, the tax life has been extended from seven to ten years. Unused relief may now be carried forward for up to ten years.

- The previous prevention on relief claims by property developers or connected parties in certain circumstances has been removed, increasing flexibility and participation.

These changes reflect an effort to stimulate urban renewal, increase housing supply, and support regional development. However, the take up of this relief has been very low to date, given the limited scope to claim it. It remains to be seen whether the enhancements made will see a material increased take up given the number of conditions to claim the relief.

## Other measures

### Stamp Duty Changes

The Finance Bill amends Schedule 1 of the stamp duty legislation to clarify that stamp duty applicable to residential property on a conveyance, transfer or lease (for any indefinite term or definite term of 35 years or more) is charged at rates of 1% (on the first €1 million), 2% (on the next €0.5 million) and 6% (on the excess), other than consideration attributable to three or more apartments in an apartment block which is charged at 1% on the first €1 million and 2% on the balance or a “relevant residential unit” (where 10 or more houses/ duplexes are acquired in a 12-month period), which is charged at a rate of 15%.

# Property & Construction

The Finance Bill also includes technical amendments in respect of the “resting at contract” provisions that apply to contracts for sale or licenses of land and property thereon. These provisions apply where:

at least 25% of the consideration in respect of a contract for sale has been paid, and no conveyance of the property has occurred, or 25% of the market value of the land (in respect of a license) has been paid to the licensor, otherwise than as consideration for the sale of the land.

Where these provisions apply, the agreement is charged with stamp duty as if it were a conveyance or transfer of the land. The technical amendments deem the contract or agreement to be executed on the date the contract or agreement becomes charged with stamp duty.

## *Irish Real Estate Funds (IREFs)*

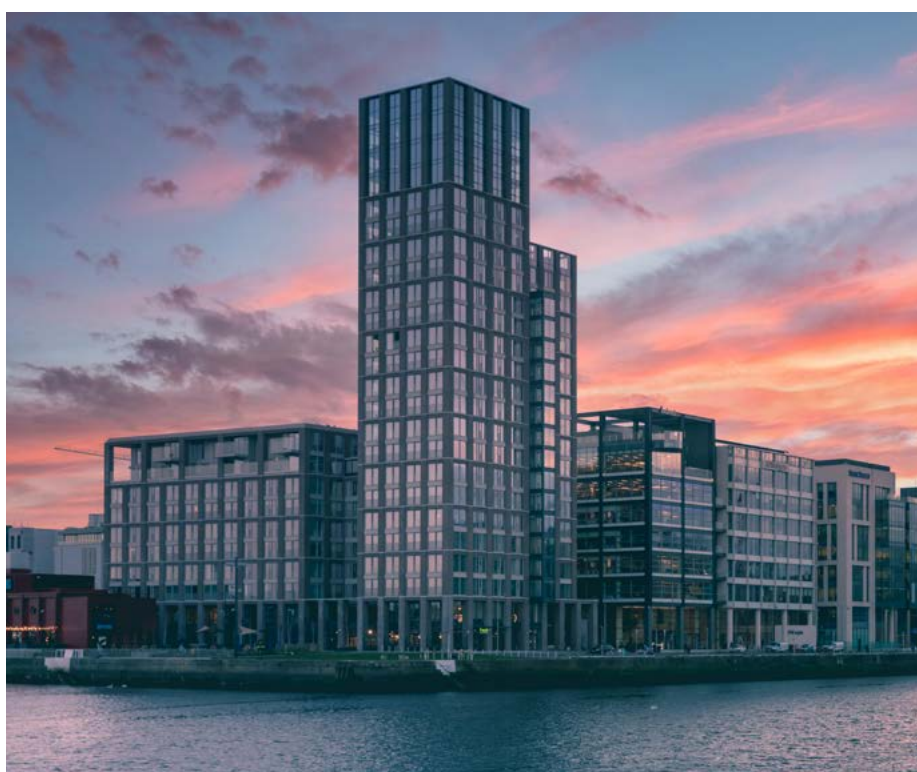
On Budget Day confirmation was provided that the minister does not intend to introduce entity-level taxation measures for Irish Real Estate Funds (IREFs), and he has committed to undertaking a public consultation on proposals to simplify the IREF regime without limiting its effectiveness.

## *Relevant Contracts Tax (RCT)*

The Finance Bill amends the definition of principal contractor for RCT to reflect changes to legislative frameworks for certain housing bodies.

## *Interest Limitation Rules*

The Finance Bill expands the definition of “large scale asset” for the purposes of interest limitation rules to include large-scale residential developments (LRDs), under the Planning and Development Act 2024. The enactment of provision is subject to Ministerial Order.



## *New Derelict Property Tax to replace Derelict Site Levy*

On Budget Day it was announced that a new tax to be administered by the Revenue Commissioners is to be introduced to target dereliction and will replace the existing Derelict Sites Levy.

Legislation is to be brought forward as part of next year’s Finance Bill. Preliminary registers of dereliction are to be prepared by Local Authorities and published in 2027, and the new tax is to be implemented as soon as possible after that date.

The minister noted that it is not intended for the new tax to be levied at a rate lower than the current 7% rate of the Derelict Site Levy.

These Finance Bill 2025 measures, together with the changes already announced by the Government earlier

this year in the areas of rent pressure zone reform, planning system reform, revised apartment design guidelines and instructions to the local authorities to zone more land for housing, show a continued focus on the key issues faced by the industry, and should help with the viability challenges on apartments, and lead to more homes being delivered.

We look forward to further updates under the Government’s revised Housing Plan expected in the coming weeks. We believe that continued engagement between policymakers and stakeholders within the property and construction industry will be essential to support the delivery of homes, infrastructure, and long-term sector resilience.



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