The future of BEPS; Corporate Tax competition; TAC determinations

In this roundtable we have a special focus on the future of BEPS as its viability as the new global tax framework is called into question in the wake of the Trump Administration proclaiming its opposition to the 'Global Tax Deal.' Our panel examines areas of BEPS that could be revisited and improved and outline the role and importance of the UTPR to the project. The prospect of increased corporate tax competition is also examined while TAC determinations and High Court decisions in the areas including income tax, corporation tax, CGT and group relief feature.

The future of BEPS

Following early moves by the Trump Administration there is a great deal of uncertainty about the US' commitment to the OECD's BEPS project. If the US pulls out of the 'Global Tax Deal' do you think, from the basis of assessments made to date, that the BEPS project can remain viable?

Claire Healy, Tax Partner, Forvis Mazars: The recent decision by the United States to withdraw from the 'Global Tax Deal' has raised questions about the future of international tax reform. Despite this setback, the European Union (EU) and other jurisdictions committed to the deal are likely to continue driving the project forward.

Claire Healy

"One possible approach could be expanding … GILTI to cover additional sources of income. By doing so, the US could effectively align with the principles of the Global Tax Deal without formally rejoining it."

One of the key aspects of the Global Tax Deal is its extraterritorial nature. This means that the rules can apply to multinational corporations regardless of where they are headquartered. Advocates for global tax reform argue that the success of the project does not hinge on US participation. The EU and other adopting jurisdictions can implement the rules and enforce them on companies operating within their borders, ensuring that these corporations pay their fair share of taxes.

The March Roundtable Panel consisted of:
Claire Healy, Tax Partner, Forvis Mazars; Peter Reilly, Tax Policy Leader, PwC Ireland; Yvonne Diamond, Director, Financial Services Tax, BDO; Joe Walsh, Tax Director, Forvis Mazars; Aisling Curran, Tax Director, Forvis Mazars; Michelle Adams, Senior Manager, Financial Services Tax, BDO.

If the US remains outside the Global Tax Deal, it could miss out on valuable tax revenue that would instead flow to the EU and other jurisdictions. This scenario might prompt the US to reconsider its stance. One possible approach could be expanding its current minimum tax regime, known as the Global Intangible Low-Taxed Income (GILTI) tax, to cover additional sources of income. By doing so, the US could effectively align with the principles of the Global Tax Deal without formally rejoining it.

Peter Reilly, Tax Policy Leader, PwC Ireland: It is arguable that the United States was never fully in the 'Global Tax Deal' to begin with. Pillar One, with the so-called Amount A which focuses on the creation of new taxing rules for market countries (i.e. where customers and users are based) on some of the world's largest MNEs, was already facing significant challenges with respect to being implemented on a global basis even before the new US Administration entered office, and in particular was never likely to be implemented by the United States (except perhaps Amount B to a limited extent). With respect to Pillar Two, the US was always going to have an uphill battle with implementation given the political divide between the executive and legislative branches of the government during the last administration. Furthermore, the United States already had GILTI in place which has similarities to the Pillar Two IIR (and indeed was the precursor to the IIR).

Nevertheless, the United States' refusal to sign onto the Global Tax Deal does not stop other countries from going ahead with its implementation, bearing in mind that over 50 countries globally have already embedded some form of Pillar Two legislation in their domestic laws, with dozens more in progress. Whilst the Pillar Two train has already left the station (leaving Pillar One's Amount A behind, which has been stalled for years now), the new US Administration's publicly expressed intentions through its Executive Orders will inevitably impact, and potentially modify, the direction of travel this train takes.

Peter Reilly

"It is also worth noting that the BEPS project comprises more than just the Two-Pillar solution. The OECD BEPS Inclusive Framework continues to work on other international tax topics of import…"

Finally, it is also worth noting that the BEPS project comprises more than just the Two-Pillar solution. The OECD BEPS Inclusive Framework continues to work on other international tax topics of import including tax certainty, transfer pricing, tax transparency, tax and inequality, tax and development, and digital transformation. These other components of the BEPS project continue to forge ahead as outlined in the recent OECD Secretary-General Tax Report to G20 Finance Ministers, which shows that other aspects of the BEPS project remain business-as-usual.

Under Taxed Profits Rule (UTPR)

Pascal Saint-Amans, the former Director at the OECD Centre for Tax Policy and Administration who during his time at the OECD spearheaded the BEPS negotiations recently commented that 'if we remove the UTPR we no longer have a global minimum tax' when discussing the Trump Administration's opposition to the rule. Can you explain how the UTPR works and how important its role is for the overall BEPS project?

Yvonne Diamond, Director, Financial Services Tax, BDO: The legislation in Part 4A TCA 1997 provides Undertaxed Profits Rule (UTPR) as well as Income Inclusion Rule (IIR) top-up tax and domestic top-up tax.

Each of these three taxes are included in Pillar Two rules, which provide that income of large groups is taxed at a minimum effective tax rate of 15% on a jurisdictional basis.

Yvonne Diamond

The Minimum Tax Directive provides for a European Union (EU) wide implementation of Pillar Two of the Organisation for Economic Co-operation and Development's (OECD's) Two Pillar solution.

"The UTPR top-up tax rule is a secondary taxing rule designed to operate as a backstop to the IIR top-up tax. It ensures that top-up tax is allocated to group entities in implementing jurisdictions."

The UTPR top-up tax rule is a secondary taxing rule designed to operate as a backstop to the IIR top-up tax. It ensures that top-up tax is allocated to group entities in implementing jurisdictions. The tax may apply if a group does not have a parent company in a jurisdiction that has implemented Pillar Two.

The UTPR comes into effect for fiscal years commencing on, or after, 31 December 2024. However, it may apply on, or after, 31 December 2023 in certain limited circumstances.

The rules apply to Multinational Enterprises groups or large-scale domestic groups. These rules apply where the revenue of the group exceeds €750m in two of the previous four fiscal years. For the purpose of the domestic top-up tax, Part 4A extends the rules to standalone entities that meet the revenue threshold. Certain entities, referred to as excluded entities, are outside the scope of the rules.

Peter Reilly, Tax Policy Leader, PwC Ireland: The UTPR is intended to serve as a backstop to the IIR by encouraging jurisdictions to adopt the Pillar Two rules and discouraging MNEs from structuring in a way that limits their exposure to Pillar Two taxation. This is because any top-up tax that is not levied by way of a QDMTT or IIR is intended to be picked up by the UTPR. From the perspective of an entity located in a UTPR implementing jurisdiction, the UTPR can apply in a group structure both upstream to a parent entity in a low-taxed jurisdiction, and laterally to sister companies in low-taxed jurisdictions. The UTPR is generally applicable as of 2025 for jurisdictions who have a UTPR in force. However, the Transitional UTPR Safe Harbour has delayed the application of the UTPR to Ultimate Parent Entity jurisdictions with a corporate income tax rate of 20% or more, which includes the United States.

Whenever, there is a top-up tax to be levied via the UTPR, this would be levied jointly by all relevant jurisdictions that have implemented a UTPR. This means that the UTPR top-up tax is split up amongst all relevant UTPR implementing jurisdictions based on a formulaic approach. This makes the application of the UTPR even more complicated for taxpayers to comply with when it comes to filing their GloBE Information Return (GIR) and domestic Pillar Two returns, and equally complex for the tax administrations to levy the UTPR in a coordinated fashion. Given that the UTPR has the potential to be incredibly complicated to apply in practice, this is another area where significant simplifications could be made in the Pillar Two framework.

Joe Walsh, Tax Director, Forvis Mazars: The Under-Taxed Profits Rule (UTPR) is a backstop mechanism which applies in jurisdictions which have an effective tax rate (ETR) below 15%, and where no qualifying top up tax (QDTT) or Income Inclusion Rule (IIR) are in place (broadly jurisdictions which have not adopted Pillar 2 rules). This mechanism allows entities in the group which are located in jurisdictions which have adopted Pillar 2 rules, to collect the top up tax due by subsidiaries, another sister company or a parent company located in a non-adopting jurisdiction.

The aim of UTPR is to ensure that the minimum ETR of 15% is indeed applied to all multinational groups worldwide, regardless of where their ultimate parent company is located and whether all such jurisdictions have adopted Pillar 2 rules in their legislation.

Without the UTPR, Pillar 2 rules will only ensure that the minimum tax rate reaches 15% in adopting countries. A mismatch would be created between adopting and non-adopting jurisdictions, with the risk that multinational groups would organise their activities in order to limit or avoid taxes in these jurisdictions. Pillar 2 was put in place to put an end to the competition that existed between countries to lower their tax rates to attract investment. The principle was that by agreeing on a minimum global tax, whether all jurisdictions applied the rules or not initially, eventually all jurisdictions would adopt the rules over time.

Without the back stop mechanism, Pillar 2 will only increase the minimum tax paid and the associated administrative burden in certain jurisdictions, while the competition between non-adopting jurisdictions to lower their tax rates in the hope of attracting new investments may again raise its head. Bringing everyone back to where the tax and corporate world was before October 2021.

Reassessing BEPS

The US Secretary of the Treasury has been ordered to investigate 'whether any foreign countries are not in compliance with any tax treaty with the United States or have any tax rules in place, or are likely to put tax rules in place, that are extraterritorial or disproportionately affect American companies' and to provide a report that will include 'a list of options for protective measures that the United States should adopt or take in response to such non-compliance or tax rules' by 20th March. Considering the US was heavily involved in shaping the BEPS Two Pillar approach, how significant do you think this report might be in relation to BEPS? In your view, are there any aspects or areas of the BEPS' Two Pillar approach that could be improved upon if action is taken to reopen discussions?

Joe Walsh, Tax Director, Forvis Mazars: The Non-Discrimination Article (Article 25) of the Ireland/US double

taxation treaty (the Treaty), based on the US Model Treaty, mandates that Irish companies wholly or partly owned by US residents shall not face any taxation or related requirements in Ireland that are different or more burdensome than those faced by companies owned by Irish residents.

Joe Walsh

Pillar II Implications: An Irish-owned MNE Group would be subject to Pillar II through the Qualified Domestic Minimum Top-up Tax (QDMTT) on domestic undertaxed profits and the Income Inclusion Rule (IIR) on any undertaxed profits of its subsidiaries. Conversely, a US-owned Irish company would be subject to the QDMTT on domestic undertaxed profits, the IIR (as an intermediate parent) on any subsidiary undertaxed profits, and from 2025, the Undertaxed Payments Rule (UTPR) on any undertaxed group profits. The UTPR aims to ensure a level playing field regardless of where a group is headquartered and to prevent MNE Groups from relocating operations to jurisdictions that have not implemented Pillar II to avoid paying top-up taxes.

> **"The Trump Administration may emphasise that the mechanism for collecting the top-up taxes differs depending on the ownership of the MNE. This could be seen as conflicting with the Non-Discrimination Article."**

While the total Pillar II tax payable by the MNE Group should not differ based on whether they are Irish-owned or US-owned and is therefore not more burdensome, the Trump Administration may emphasise that the mechanism for collecting the top-up taxes differs depending on the ownership of the MNE Group. This could be seen as conflicting with the Non-Discrimination Article.

Remedies Under the Treaty: Taxpayers who believe they are not being taxed in accordance with the Treaty can seek remedies under Irish domestic law by taking a case to the Tax Appeals Commission and/or through the Courts. Alternatively, they can seek assistance from the US Competent Authority under the Mutual Agreement Procedure in Article 26 of the Treaty.

Termination of the Treaty: The Treaty does not provide a direct mechanism for the US Government to challenge the Irish taxation system. However, the US can terminate the Treaty by giving at least six months' notice. A recent example is the termination of the US-Hungary tax treaty, effective from January 2024, due to perceived inequities and Hungary's opposition to Pillar II.

Peter Reilly, Tax Policy Leader, PwC Ireland: The Pillar Two framework has arguably become too unwieldy and complicated which has created a significant compliance burden on taxpayers. Therefore, simplification of the Global Minimum Tax rules is the primary action that needs to happen as soon as possible. This should include permanent simplifications in the GloBE rules beyond the transitional phase, and concerted international efforts to simplify reporting requirements. Currently, reporting under Pillar Two requires the collection of hundreds of data points for each entity in a group which is a costly exercise for taxpayers. The Pillar Two framework needs to be significantly simplified to make it easier for MNEs to comply and report under the GloBE rules, with an effective permanent safe harbour to be internationally agreed and put in place as soon as possible.

In terms of the report from the Treasury, we will need to wait to see what it contains. Clearly there are aspects of the rules that the US does not like, including the UTPR, but how far their displeasure goes and the actions that could be taken to satisfy the US is hard to tell at present.

Double Taxation Agreements

The High Court recently overturned the TAC decision on the 'Susquehanna' case. Please comment on the case and the judgment from the High Court.

Michelle Adams, Senior Manager, Financial Services Tax, BDO: The long anticipated High Court judgement in the Susquehanna case was given on the 2nd October 2024. The case involved the entitlement to group relief under S.411 TCA 1997 for losses incurred by Susquehanna International Group Limited and its subsidiaries. Revenue denied the group relief claim on €46.6m of losses incurred in 2010, 2011 and 2012 on the basis that the parent of the group, Susquehanna International Holdings LLC, is a Delaware corporation under the Delaware LLC Act. Revenue advised that the LLC is not a company for Irish tax purposes and is not tax resident in the US on the basis that it is treated as a transparent entity.

Michelle Adams

The case was originally brought to the TAC on 12 April 2019 where the TAC ruled in favour of Susquehanna. The TAC narrowed its considerations into 3 specific questions and ultimately ruled in favour of Susquehanna on the basis that the LLC is a company for the purposes of S.411 TCA 1997 and the LLC is resident for the purposes of tax in the US as it is "liable to tax" in the US by virtue of its members being taxed in the US. The TAC had concluded on its determination by a purposive interpretation of the DTA as opposed to a literal interpretation, which it is intended.

> **"This case should be a reminder of the importance of adhering to the literal interpretation of the DTAs. The case should also assist with future interpretations of the tax treaties when considering the tax position of LLCs."**

Revenue appealed the decision to the High Court. The court concluded that the LLC was not liable to tax in the US under US law by strict literal interpretation of the DTA. It was also concluded that the anti-discrimination provisions of the DTA did not apply to the LLC as a result of its transparent status. The High Court overturned the decision of the TAC and it was concluded that the Susquehanna group was not entitled to group relief under S.411 TCA 1997 as the LLC was not a resident of the US for tax purposes. The court highlighted that the purpose of the DTA is to avoid double taxation and prevent fiscal evasion and not to extend treaty benefits to entities that are not liable to tax in their home jurisdiction.

This case should be a reminder of the importance of adhering to the literal interpretation of the DTA's. The case should also assist with future interpretations of the tax treaties when considering the tax position of LLC's.

Corporation Tax competition

Away from the uncertainties of the BEPS project, what is your overall assessment of the implications for Ireland if the new US administration successfully reduces its federal corporation tax rate to 15%?

Claire Healy, Tax Partner, Forvis Mazars: Following President Trump's return to the Oval Office, his attention will turn to the reduction of the federal corporation tax rate. He started this work in his first term, reducing the federal rate from 35% to 21%, with the passing of the Tax Cuts and Jobs Act (TCJA). Following his inauguration, President Trump announced that the United States would not be adopting the BEPS 15% global minimum tax. Instead, he is looking to reduce the federal corporate tax rate to 15%.

Claire Healy

It is a common occurrence across OECD countries that there is a correlation between the reduction in tax rates and the increase in revenue. A prime example of this is Ireland. Hoping to emulate the success that Ireland had in the 1990s with regards to economic growth and job growth, President Trump is eager to benefit from both higher corporate tax revenue and also to use this reduced federal rate to improve the US balance of payments. This was a cornerstone of Mr Trump's election campaign, as well as protecting and growing American jobs.

With the potential for the reduction in the federal corporation tax rate, as well as increasing tension between the US and the EU, with talks of tariffs being imposed in the US, Ireland will need to stress the benefits of cooperation when it comes to tax matters, for companies based in both Ireland and the US. With so much of Ireland's corporation tax generated by multinationals based in Ireland (the top 10 multinational companies account of over 50% of Ireland's corporate tax receipts), as well as the payroll taxes paid by employees of these companies (50% of overall payroll taxes receipts), maintaining the presence of these companies in Ireland will be key to safeguarding Ireland's economic wellbeing.

Peter Reilly, Tax Policy Leader, PwC Ireland: First of all, the ability of the new US administration to enact a cut in the federal corporation tax rate from 21% to 15% is laden with difficulties. The US federal fiscal outlook has changed considerably since 2017 when the Tax Cuts and Jobs Act was enacted. In that time, the Debt to GDP ratio has risen from 77% to 101% and the annual deficit has almost tripled to $1.9 trillion. In addition, the narrow Republican majorities in the House and Senate could complicate the ability of Republican Congressional leaders to extend Tax Cuts and Jobs Act (JCJA) tax provisions and enact all of President Trump's campaign proposals and reduce the federal corporate tax rate.

> **"Multinational companies typically make strategic plans in long-term cycles and would therefore be unlikely to deviate too drastically from their long-term strategies which are expected to span numerous electoral cycles."**

It is also important to note that in choosing locations in which to invest, tax is but one of many factors which multinationals consider. Ireland's long established track record of political stability, tax certainty and a pro-business agenda remains hugely important to our competitive offering. In addition, Ireland, as the only English-speaking country in the European Union, continues to serve as the perfect gateway for US multinationals who wish to transact in Europe. Our highly educated workforce, attractive tax regime and global connectivity also serve to enhance Ireland's competitive offering further.

Multinational companies typically make strategic plans in long-term cycles and would therefore be unlikely to deviate too drastically from their long-term strategies which are expected to span numerous electoral cycles. If Republicans were to lose control of Congress following the 2026 Congressional elections, then the Trump administration's legislative agenda could be significantly hampered. It is clear that these matters remain in a state of flux, and therefore multinationals may wish to adopt a wait-and-see approach rather than rush into action following an announcement from the Executive branch.

Of arguably greater concern to Ireland is the threat of tariffs. President Trump has most recently threatened to impose 25% tariffs on the European Union, although the extent of these are as of yet unknown. Ireland's goods-trade surplus with the US, amounting to approximately €70bn, is expected to be a feature of Ireland-US bilateral discussions over the course of the new US administration, who view trade deficits as contrary to the best interests of the US. The imposition of blanket 25% on Irish exports would render them less attractive in the US market and potentially weaken Irish economic output. President Trump may also use the threat of such tariffs as a bargaining tool to lure US manufacturing companies back home. US tariffs on all aluminium and steel imports (including the EU) come into effect from 12 March at a rate of 25%. Further tariffs of this ilk could have a significant negative impact on a small open economy like Ireland.

TAC determinations

Can you comment on noteworthy determinations from the Tax Appeals Commission from the final quarter of 2024 and to date in 2025?

Aisling Curran, Tax Director, Forvis Mazars: Some noteworthy Tax Appeal Commissioners include:

Corporation Tax: Tax Determination 165TACD2024: In this appeal, the TAC were asked to consider the refusal of a corporation tax refund by the Revenue Commissions (Respondent).

Aisling Curran

The Appellant operated a business initially as a sole trader and then as a limited company. She commenced voluntary strike off of the company and Revenue raise a query in relation to the relevant period and a corporation tax return was requested.

In March 2024, the Appellant filed her outstanding corporation tax return for the relevant period which resulted in an overpayment of corporation tax in the sum of €4,547. On 22 March, Revenue

advised that they were precluded from making a repayment of corporation tax for the relevant period, as the claim was not made within the relevant 4-year period as set out in legislation, which was on or before 31 July 2021. The Appellant did not file the corporation tax return until 15 March 2024.

Section 865(4) TCA 1997 provides that "... a claim for repayment of tax under the Acts for any chargeable period shall not be allowed unless it made… within 4 years after the end of the chargeable period to which the claim relates."

The Commissioner determined that the claim falls outside of the 4-year time limit prescribed in section 865(4) 1997.

While the monetary amount was small in this case, this case serves us as a reminder of the 4-year time limit and that the Commissioner has no discretion to assist in these circumstances.

Income Tax: Determination 148TACD2024: In these joint appeals, the TAC considered whether payments made to a UK-based entrepreneur and sole director/ shareholder (first Appellant) of an Irish company (second Appellant) constituted a director's loan, or whether they constituted disguised salary payments.

During 2021, the taxpayer withdrew payments from the second Appellant's bank account. While no loan agreements were entered into, the second Appellant recorded these payments as a director's loan in their financial statements. Benefit-in -kind (BIK) at the rate of 13.5% was applied and paid over to Revenue, akin to preferential loans. Dividends were used to repay the loan.

In February 2023 Revenue raised an income tax assessment against the taxpayer and a PREM assessment against the company, recategorising these payments as disguised salary payments.

In arriving in favour of the Appellants, the Commissioner determined the following:

(i) The payments were loans and in line with the treatment adopted in the financial statements and supporting accounting records.

(ii) In applying the five-step test from The Revenue Commissioners v Karshan Midlands Ltd T/A Domino's Pizza case, he rejected Revenue's claim that the first Appellant was an "employee director".

(iii) A tax charge under s122 TCA 1997 (BIK) was triggered due the preferential nature of the loan which the first Appellant had already accounted for and paid the tax.

(iv) He dismissed Revenue's argument that the provision of the loan, if it had occurred, would have been in breach of the Companies Act 2014 (the loans exceeded 75% of the second Appellant's assets and no summary approval procedure was put in place). The Commissioner was satisfied that the "first Appellant incurred a debt to the second Appellant irrespective of the status of the debt under company law."

> **"This case serves as a reminder of the importance of having specific loan documentation which sets whether the provision of monies was for a specific term or repayable on demand..."**

This case serves as a reminder of the importance of having specific loan documentation which sets whether the provision of monies was for a specific term or repayable on demand, or whether there were any other terms and conditions applying, together with the appropriate accounting treatment being adopted in the financial statements and supporting accounting records.

Peter Reilly, Tax Policy Leader, PwC Ireland: Two noteworthy TAC Determinations have emerged in recent months in relation to the application of the Capital Gains Tax (CGT) provisions to asset disposals. The first addresses the application of minority discounts in CGT valuations, whilst the second considers the necessity to apportion sales consideration between separate assets in a property transaction.

Peter Reilly

198TACD2024 - CGT Valuations - Minority Discounts – 11 December 2024: The Appellant disposed of their entire shareholding in a company through multiple deeds of gift on the same date, applying a minority discount to each disposal. Revenue, however, assessed the CGT as if the shares were disposed of in a single transaction, resulting in a significantly higher tax liability. The crux of the case was whether these separate disposals should be aggregated for valuation purposes. The case law cited by Revenue in support of this position concerned estate duty and inheritance tax. The Appeal Commissioner ruled in favour of the Appellant, emphasising that each disposal must be considered separately, as supported by the statutory provisions and relevant case law. This decision highlights the limitations of applying principles from other tax domains, such as inheritance tax, to CGT cases.

30TACD2025 – CGT – Apportionment of Consideration - 3 March 2025

The Appellant was a member of a partnership that disposed of a property comprising land, buildings and integrated plant and machinery. It was treated as the disposal of a single asset for CGT purposes. Revenue, however, contended that the disposal comprised two distinct elements for tax purposes, plant and machinery which attracted capital allowances and land and buildings which did not, necessitating separate computations. The apportionment of the sales proceeds and qualifying costs resulted in a gain on the sale of the land and buildings and a loss on the sale of the plant and machinery. Revenue contended that this loss was restricted and could not reduce the capital gain arising on the land and buildings, resulting in a substantially larger chargeable gain. The Appeal Commissioner ruled in favour of the Appellant, finding that there was no express statutory provision which enabled Revenue to adopt the approach of apportioning the sale consideration into two tranches for separate CGT computations.

Tax base

In its recently released annual Economic Survey for Ireland, the OECD has called on the Irish Government to broaden both the VAT and personal income tax bases to diversify tax revenues. In your view how could Ireland's tax base be effectively broadened while maintaining Ireland's attractiveness for both foreign and domestic investment?

Peter Reilly, Tax Policy Leader, PwC Ireland: Despite healthy budget surpluses in recent years, broadening Ireland's tax base is important given the growing headwinds facing the global economy. Although the Irish Government has had the fiscal space to cut taxes and simultaneously raise

spending in recent budgets, this approach is unlikely to be sustainable in the event of an economic slowdown. The OECD has called for the development of a roadmap to explore how Ireland can diversify its tax receipts - and this is exactly what is needed. A recent report published by the Revenue Commissioners indicated that the foreign multinational sector accounted for 84 per cent of all corporation tax in Ireland in 2022. Amid the zeitgeist of growing protectionism, a move to reshoring, and an increasingly competitive battle for FDI, it is imperative that Ireland enhances the productive capacity of its indigenous sector.

Peter Reilly

In terms of personal taxes, although Ireland has a highly progressive system, the exclusion of a large number of individuals from the tax net should be reconsidered to broaden the tax base as the OECD has suggested. The top 20% of taxpayers in Ireland account for approximately 80% of the personal income tax yield, with 40% of personal income tax receipts linked to salaries paid by multinationals.

> **"A broader personal tax base, in which all taxpayers contribute according to their means, would be more sustainable, and bring Ireland in line with competitor countries."**

Additionally, in 2023, 37% of taxpayers were exempt from USC reflecting increases in the entry threshold over the past few years. This is despite the original purpose of the USC being to broaden the income tax base. A narrowing of the tax base results in the need to apply higher marginal tax rates – currently 40% - to maintain revenue targets. From a competitiveness standpoint, Ireland needs to be wary of being an outlier in terms of high marginal income tax rates which also create disincentives to work more.

Additionally, Ireland's most recent Commission on Taxation recommended reform of the pay-related social insurance base to bring more people into the system and a similar broadening of the VAT base. In respect of the latter, while the standard VAT rate in Ireland is the fourth highest in the EU at 23%, reduced rates are widespread with 0% on food, water, books, and children's clothes, and 13.5% and 9% on heating oil and solid fuels, construction, many hospitality and tourism-related services. Increasing the reduced rates of 9% and 13.5% by just one percentage point could yield additional revenues of EUR 64 million and EUR 519 million per year, respectively, according to Department of Finance calculations.

Aisling Curran, Tax Director, Forvis Mazars: The population is growing fast, and Ireland has never had as high a share of those in their prime working years in employment. According to the February 2025 CSO figures the labour market comprises of a record 2.8 million workers and tax receipts for February are €900 million, 21% ahead of the same month last year. With the economy at, or close to, full employment, improving the medium-term resilience of tax revenues is key to ensuring long-run fiscal sustainability.

Ireland is considered to have an unusually narrow personal tax base. Around one-third of income earners in Ireland do not pay personal income taxes or the universal social charge. Meanwhile, the top 1% of income earners in Ireland contribute a little under one-quarter of all income tax and USC payments. A significant portion of these high earners work for multinational companies. It is well known that Ireland has a high reliance on corporation tax and employment tax revenues from multinationals, which can create risks. A broader personal tax base, in which all taxpayers contribute according to their means, would be more sustainable, and bring Ireland in line with competitor countries.

There has also been steady growth in VAT receipts. The reduced VAT rates could be an area to be examined to diversify tax revenues, effectively broadening Ireland's tax base. We need to ensure the country remains an attractive location for inward investment.

The cost of employment is a key consideration in investment decisions. Current vulnerabilities in Ireland are our housing crisis, the increasing cost of doing business and struggling national infrastructure, all of which our Government assure us policy efforts will focus on these areas which shall support both our foreign and domestic investment.

Irish Tax System competitiveness

What changes are needed to boost the competitiveness of the Irish tax system?

Peter Reilly, Tax Policy Leader, PwC Ireland: Ireland's ability to provide tax certainty and consistency to both domestic and multinational enterprises would be considerably enhanced by taking steps towards simplifying the tax code and decreasing the complexity of tax compliance. The administrative burden of compliance has increased significantly in the last decade. Change is needed to alleviate this burden and make it easier for companies to do business in Ireland.

The Commission on Taxation and Welfare has recommended that a review and consolidation of the Taxes Consolidation Act 1997 be carried out periodically. It is now 28 years since the last consolidation. The current legislation is unnecessarily lengthy, complex, with a patchwork of EU ATAD provisions now rendering their related Irish provisions superfluous to requirements. It is therefore a timely juncture for the simplification and modernisation of the tax code to pave the way for ease of doing business in Ireland in the future. The recent Department of Finance consultation on the tax treatment of interest is a welcome step in the right direction, however, it is imperative that this momentum continues, and the key concerns raised by stakeholders in the consultation are actioned expeditiously.

In addition, many of our key tax reliefs such as the R&D tax credit and the EIIS are too administratively burdensome to claim. Many small and micro businesses report that the complexity involved in availing of either tax relief represents a significant barrier to claiming them. These businesses are already grappling with the increasingly high cost of doing business and do not have the resources to navigate excessively complex administrative procedures necessary to invoke these important tax reliefs.

Simplification of the international tax system is also one of the pressing objectives of the OECD and the EU at the moment. Indeed, we saw a first move from the EU towards reducing this regulatory burden for businesses in February with the proposed Omnibus Simplification Package. It is important that Ireland remains at the vanguard of such reforms given the increasingly competitive battle to attract foreign direct investment.