

# Tax ideas for the design of Ireland's SIA; what the side-by-side deal means for Irish MNEs; Ireland's carried interest regime

With recent changes to the tax treatment of carried interest in Luxembourg the panel looks at the changes, how 'carry' is treated currently in Ireland and what changes could be made to help attract greater levels of private equity activity. As Ireland prepares to develop and introduce a Savings & Investment Account (SIA) the panel outlines the key tax characteristics of a well-designed SIA, from a compliance and administrative perspective, taking examples from established regimes in other jurisdictions. Other topics featured include the implications of the 'Side-by-Side' deal for Irish headquartered multinationals, the next for e-invoicing, withholding taxes in the aviation sector, a review and outlook of Ireland's R&D tax credit and the implications of the US Supreme Court's tariffs ruling.

## The tax treatment of Carried Interest in Private Equity

**L**uxembourg has recently established a permanent regime for Carried Interest, a topic of particular interest for general partners in private equity, strengthening its attractiveness for front office alternative investment fund activity. By contrast, the UK Government has increased the taxation of private equity general partners in recent Budgets. Can you summarise the main features of the new Luxembourg regime? Can you outline how 'carried interest' is treated in Ireland currently and suggest changes that could be made to Ireland's regime to make it more attractive for private equity?

Angela Fleming, Partner & Head of Financial Services Tax, BDO: In Luxembourg, an updated carried interest regime adopted on 22 January 2026 modernises the regime and introduces a mechanism to reward (i) individuals performing management functions (as employees, partners, managers or directors of AIFMs, management companies or AIFs); and (ii) individuals having a role in the management of an AIF performed in the context of a service agreement in line with the results they deliver.



Angela Fleming

### The March Roundtable Panel consisted of:

Angela Fleming, Partner & Head of Financial Services Tax, BDO; Joe Walsh, Director, Financial Services Tax, Forvis Mazars; Deirdre Barnicle, partner, McCann FitzGerald; Robert Dever, Partner, Head of Tax, Eversheds Sutherland (Ireland) LLP; John Burke, Director, R&D Tax Credits, Forvis Mazars; Emilie Sibi, Senior Manager, International Tax, Forvis Mazars; Emma Galvin, VAT Director, BDO; Oonagh Carney, Partner and Head of Indirect Tax, Forvis Mazars; Khatuna Baratashvili, Senior Manager, Financial Services Tax, Forvis Mazars.

The new rules, which apply to carried interest received as from tax year 2026, expand the scope of eligible beneficiaries and funds and make a clear distinction between two categories of carried interest:

- Purely contractual carried interest, i.e. not linked to a direct or an indirect investment in the fund: Such carried interest, which is currently taxed at a rate of up to 45.78% (+1.4% dependence insurance contribution) will in the future be taxed at ¼ of the beneficiary's global tax rate, i.e. a maximum of 11.45% (+1.4% dependence insurance contribution);
- Carried interest linked to an investment: The latter will be taxed according to regular capital gains rules, i.e. not taxable if held for more than 6 months and the beneficiary does not hold a substantial participation (more than 10% of the shares/quote of the underlying vehicle)

Furthermore, the new regime enables the inclusion of a wider scope of AIF

such as debt funds. It also no longer requires investors to be repaid first and will thus include deal-by-deal arrangements.

In Ireland, carried interest which qualifies under section 541C of the Taxes Consolidation Act 1997 ("TCA 1997") is treated as a capital gain taxable at a rate of 15% (for individuals and partnerships) or 12.5% (for companies). The regime only applies for "qualifying venture capital funds" (QVD Funds) which meet the following conditions:

- They must be structured as a partnership;
- They must be established for the purpose of making long-term (3+ years) investments in "relevant investments", defined as unquoted shares and securities of private trading companies engaged in research and development activities or the development of new technological, telecommunication, scientific, or business processes; and

**"The new [Luxembourg] rules, which apply to carried interest received as from tax year 2026, expand the scope of eligible beneficiaries and funds and make a clear distinction between two categories of carried interest."**

- The partners, including the general partner, must be legally obligated to provide capital sums for investment purposes over a period of time.

The regime only applies to the proportion of carried interest derived from relevant investments in EEA states (including Ireland) and the United

Kingdom. Additionally, the carried interest must not exceed 20% of the total profits of the QVD Fund.

The tax treatment of carried interest which falls outside of this regime depends on whether the income arises in the course of a trade or not. Income arising in the course of a trade may be subject to income tax, or corporation tax, with income arising in non-trading circumstances more likely to be subject to CGT at the standard rate (currently 33%). The specific treatment is dependent on the facts and circumstances of each case.

### Joe Walsh, Director, Financial Services Tax, Forvis Mazars:

Luxembourg has ushered in a revised carried interest regime, effective 1 January, aimed at strengthening its position as a hub for alternative investment fund managers (AIFMs). The overhaul is designed to enhance the tax treatment of carried interest and further cement the country's competitiveness in the global funds industry.



Joe Walsh

Under the new framework, the regime applies to employees of AIFMs, AIF management companies and affiliated group entities (collectively, 'Managers'). Notably, the legislation introduces a clearer distinction between two categories of carried interest:

- Participation Linked Carried Interest This applies where the Manager's return is tied to their own investment in the fund. Such income is fully tax-exempt provided the investment represents less than 10% of the fund's capital and is held for more than six months.
- Contractual Carried Interest Awarded once investment performance surpasses an agreed-upon hurdle, this category is taxed at 25% of the Manager's standard tax rate, providing a materially lower effective burden.

Crucially, the regime does not require investors to be fully returned their capital before carried interest can be paid, opening the door to deal-by-deal carry models, which are increasingly favoured in private equity and real assets. The regime applies broadly, covering both transparent and opaque structures and any fund qualifying as an

alternative investment fund, irrespective of asset class.

### Ireland's Carried Interest model: room for reform?

Ireland's carried interest framework, set out in Section 541C TCA, is similarly designed to align fund managers' incentives with those of investors, offering preferential capital gains treatment. Under the Irish regime, carried interest arising from qualifying activities is taxed as capital gains rather than income, resulting in significantly lower rates:

- 12.5% for companies
- 15% for individuals or partnerships

To qualify, however, funds must meet narrow criteria. A "qualifying venture capital fund" must:

- Be structured as a partnership
- Invest on a long-term basis (minimum three years) in "relevant investments", i.e. unquoted shares or securities of private companies engaged in R&D or innovation
- Require partners, including the general partner, to commit capital over time

The tax relief applies only to carried interest generated from relevant investments located in the EU, EEA, or the United Kingdom, and the carried interest itself must not exceed 20% of overall fund profits.

**"Expanding the definition of relevant investments to include a broader range of sectors – such as infrastructure or housing – could channel investment into areas of acute national need."**

Industry voices argue that Ireland's regime, while attractive on paper, is too restrictive in practice. Expanding the definition of relevant investments to include a broader range of sectors – such as infrastructure or housing – could channel investment into areas of acute national need. Similarly, the territorial limitation has been criticised as unnecessarily narrow and potentially at odds with certain double taxation agreements' anti-discrimination clauses.

There are also calls to open the regime to opaque structures, such as ICAVs, to simplify cross-border withholding tax issues and better reflect international fund structuring norms.

## Tax design of SIAs

**A**dministrative simplicity can be one of the most important advantages of the Irish SIA, mooted by the Minister for Finance, on foot of earlier suggestions regarding the improvement of investment opportunities for Irish taxpayers such as the Government's Funds 2030 Report.

What could be some of the key characteristics of a well-designed SIA, from a compliance and administrative perspective? In response please refer to any aspects of other SIA regimes (e.g. Sweden's and Canada's) that could be referenced in modelling the Irish SIA.

Deirdre Barnicle, Partner, McCann FitzGerald: It is positive that the improvement of investment opportunities for Irish taxpayers is on the Minister for Finance's radar and the experience of countries who have introduced SIAs has shown what an effective tool they can be.



Deirdre Barnicle

One of the most important characteristics of a well-designed SIA is tax treatment that is investor friendly. Under the Canadian TFSA, any amount contributed as well as any income earned in the account (for example, investment income and capital gains) is generally tax-free, even when it is withdrawn. Administrative or other fees in relation to a TFSA, and any interest or money borrowed to contribute to a TFSA, are not tax deductible. This appears to be a sensible approach to encourage first-time investors to participate.

Other forms of tax incentive (as is the case for the Swedish Investeringsparkonto (ISK)) could include a reduced tax rate on income and capital gains, a deferral of tax until funds are withdrawn, or applying a nominal tax on assets held in the account.

From an administrative perspective, new tax treatments usually require more domestic legislation and as a result, they increase complexity. Consequently, it appears that the most straightforward option i.e. blanket exemptions from income tax and CGT, while removing any possibility for tax deductibility, may be the most straightforward approach.

One feature that is often described as the most attractive feature of

the Swedish ISK is the fact that the provider manages the tax reporting of the account. Not only does this encourage greater participation on the part of individuals, but it also makes SIAs more appealing to tax authorities, who are assured of greater tax compliance. The same approach is taken in Finland, while in Norway, tax liable withdrawals and assets are pre-filled in individuals' tax returns. Streamlined procedures to establish accounts would also lend to enhancing the design of an Irish SIA.

**“It appears that the most straightforward option i.e. blanket exemptions from income tax and CGT, while removing any possibility for tax deductibility, may be the most straightforward approach.”**

Although the use of ‘holding periods’ may facilitate favourable tax treatment based on models that already exist in Irish tax legislation, research has shown that participation rates generally and amongst those on lower and irregular incomes (who are less able to commit to saving) improves when there are no time restrictions on SIAs; thus, these limitations should also be avoided.

Finally, while from a consumer safety perspective, it may make sense to restrict access to investments in high-risk financial instruments like cryptocurrencies, it should be remembered that drafting narrow definitions of permitted investments could also pose problems as it risks increasing administrative complexity for providers and as a result, participation in the market could be discouraged.

**Joe Walsh, Director, Financial Services Tax, Forvis Mazars:** Ireland is preparing to roll out new state-backed Savings & Investment Accounts (SIAs), a move designed to push households beyond low-yield bank deposits and into long-term investing. The initiative aligns with the EU's wider push to broaden retail investment participation through the Savings and Investment Union (SIU).

#### Why change is needed — and slow

Irish savers have long relied on bank deposits that barely keep pace with inflation. In 2025, banks paid an average of 0.25% interest while inflation sat around 2.7%, meaning the real value of savings was shrinking.

But shifting national habits won't happen fast. The European Commission notes that limited financial literacy and complex investing processes remain major barriers for everyday savers. Experts warn the new scheme will be a long-term wealth-building tool, not a quick win.

#### Why Sweden's ISK model matters

The government is expected to base the tax design on Sweden's highly successful ISK investment account, which the EU cites as best practice. The model includes:

- A tax-free annual allowance
- A low, predictable tax rate on balances above that threshold which is deducted at source.
- The account provider (Bank or Broker) handles all the calculations and reporting.

This simplicity is key to encouraging first-time investors, especially compared with Ireland's current 33% tax on capital gains and 38% on fund returns.

**“One feature that is often described as the most attractive feature of the Swedish ISK is the fact that the provider manages the tax reporting of the account; not only does this encourage greater participation on the part of individuals, but it also makes SIAs more appealing to tax authorities, who are assured of greater tax compliance.”**

#### Why children should be included

Financial habits form early, and the EU emphasises literacy as a core life skill. Opening SIAs to children would give them a head start, longer investment horizons, and exposure to positive savings behaviour, helping create a more financially confident generation. The Commission also stresses the importance of expanding retail investor bases across Europe.

#### The bottom line

Ireland's SIAs could be one of the most important financial reforms of the decade, modernising how households save and invest. But success will depend on simple, Swedish-style tax rules and early engagement, including giving children access. With accounts potentially opening as early as 2027, the journey toward a more investment-savvy Ireland is only just beginning.

## R&D Tax Credit – Review & Outlook

**The Department of Finance recently published its Review of the R&D Tax Credit regime and a new R&D Tax Credit and Innovation Compass which together provide a Review and Outlook on a cornerstone of Ireland's corporation tax policy since 2004. Can you please discuss the findings and the future options for Ireland to further enhance its support of innovation in the Irish economy?**

**Robert Dever, Partner, Head of Tax, Eversheds Sutherland (Ireland) LLP:** The recent publications from the Department of Finance not only evidence the importance of the R&D tax credit regime for the Irish economy and our FDI offering, but also further strengthen the justification for continued investment in, and development of, this key incentive. The R&D tax credit, which has been a feature of the Irish corporate tax code for over 20 years now, has been subjected to a number of amendments in more recent years. Many of these amendments sought to adapt the regime in response to the changes in the Irish corporate tax code made on foot of our international commitments at both an EU and OECD level. The challenging circumstances in which many R&D companies are operating at present, including the ongoing threat of tariffs which can disrupt investment plans and trade patterns and create global tensions, means that the need to ensure that the tax system continues to support investment and employment in the Irish economy is as strong as ever.

The Review of the R&D Tax Credit regime was carried out during 2025 and the report was published in January this year. The review sought to take a fresh look at the contribution which the R&D tax credit has on the Irish economy and the impact of the changes made to the regime in recent years. The glaring message arising from the review is that the R&D tax credit is a key driver for the attraction and retention of FDI, with over 85% of R&D expenditure in 2023 being conducted by foreign-owned companies, but that it is also an important support



Robert Dever

for domestic enterprises looking to grow in the international market. The cost of the R&D tax credit has increased substantially in the last decade with R&D expenditure accounted for by a relatively small number of multinational companies, although those companies are also significant contributors to the Exchequer in terms of corporation tax receipts. The review also notes that while the availability of the R&D tax credit is important, access to specialist talent is also a critical consideration for companies deciding whether to locate their R&D activities in Ireland.

**“The R&D tax credit is a key driver for the attraction and retention of FDI, with over 85% of R&D expenditure in 2023 being conducted by foreign-owned companies...”**

The R&D Tax Credit and Innovation Compass, published last month, had been promised as part of the Budget 2026 announcement and sets out a medium-term pathway for further work in respect of the R&D tax credit and tax supports for innovation. In this regard, the compass should be seen as setting out the areas for future consideration rather than a roadmap of specific commitments. The compass highlights that the recent enhancement to the R&D tax credit have resulted in an increase in the number of claimant companies, particularly SMEs with micro, small and medium sized companies accounting for 89% of the total number of claims in 2023. However, the remaining 11% of claimant companies representing large companies accounted for 76% of the cost to the Exchequer that year. Echoing the review, the compass also notes that claimant companies are a significant contributor to the Exchequer with such companies accounting for 44% of total corporation tax liabilities in 2023.

The compass confirms that three broad areas for future policy work specific to the R&D tax credit regime will be reviewed in 2026 and beyond, as follows:

- **Qualifying expenditure** – An in-depth review will be undertaken during 2026 on the sub-contracting provisions of the regime, to include an examination of associated expenditure to third parties, associated expenditure to universities and institutes of higher education, and options to develop a new category of sub-contracting to allow activities between connected

companies which will qualify for the R&D tax credits in certain situations. Other aspects of the qualifying expenditure rules to be reviewed include the types of expenditure which are not currently within scope and the policy rationale for any expansion of the current definition of qualifying expenditure.

- **Capital expenditure** – Consideration will be given to changes to the rules relating to expenditure on the construction or refurbishment of a building for qualifying R&D activities which several stakeholders had suggested as part of the consultation process. It is expected that this will include a review of the 35% de minimis usage test and the four-year period over which the de minimis usage must be met. Changes in relation to capital expenditure will be a medium-term priority having regard to the focus which is likely to be placed on qualifying current expenditure as mentioned above as well as the significant Exchequer cost which changes to the capital expenditure rules are likely to result in.
- **Administration and simplification** – There are a number of aspects of this heading which will need to be considered, most notably the impact of the transposition of the substance-based tax incentive safe harbour as part of the Pillar Two Side-by-Side package announced by the Inclusive Framework in January, a potential acceleration of payments of the R&D tax credit either for all claimants or for smaller R&D projects and a further increase to the first-year payment threshold, the interaction of the second and third instalments for the purpose of calculating preliminary tax obligations, and developing a list of qualifying overhead expenditure or allowing a qualifying overhead cost as a fixed percentage of wage costs.

Other areas to be considered which are not specific to the R&D tax credit include work on the development during 2026 of a tax-based support for innovation. This will occur in tandem with a proposed review of the Knowledge Development Box regime.

**Deirdre Barnicle, Partner, McCann FitzGerald:** Both the Review of the R&D Tax Credit Regime (the “Review”) and R&D Tax Credit and Innovation Compass (the “Compass”) are comprehensive reports which

highlight the attractiveness of Ireland's R&D regime, as well as the areas that are ripe for further improvement. A key point noted in both reports is that most R&D expenditure is carried out by a relatively small number of large MNEs. Although it is a testament to Ireland's success as a commercial hub that it has attracted so many large innovative foreign-owned companies to carry out their research and business activities here, it is important not to let one of the other key aims of our R&D regime fall by the wayside i.e. to foster the growth of indigenous businesses who will hopefully be the MNEs of the future.

Especially as Ireland approaches its EU Presidency term, the references made in the Review to Draghi's Competitiveness Report and the underinvestment across the EU in software, computers and biotechnologies are particularly pertinent. Care would have to be exercised to avoid introducing a sector-specific element in the R&D credit (as this could be considered a targeted measure for State aid purposes). However, given Ireland's strong R&D track record, its EU presidency could offer an opportunity to develop measures which foster high-technology research investment, both in Ireland and across the EU.

**“The decision to conduct an in-depth review of sub-contracting as a whole, rather than looking at each element individually, to ensure a coherent approach to any further development of this aspect of the R&D tax credit is a positive development.”**

A key issue identified by the Review and the Compass is the appetite for extending the applicability of the R&D regime to activity that is not carried on by the claimant company itself. In light of this, the decision to conduct an in-depth review of sub-contracting as a whole, rather than looking at each element individually, to ensure a coherent approach to any further development of this aspect of the R&D tax credit is a positive development. In particular, the proposals put forward



Deirdre Barnicle

to curb any potential abuse of the extension appear both practical and feasible e.g. the suggestion to introduce a geographic limitation so that sub-contracting is only included where it is with connected parties in the European Economic Area or a country with which Ireland has a Double Taxation Agreement, and to require the claimant company to own any IP arising from the R&D activities.

One suggestion noted in the Review is that penalties and interest should not apply in cases of technical disagreements, to encourage SMEs to participate in the R&D regime. Care would need to be taken to ensure that any such change would not be abused. However, it is certainly an astute observation that smaller businesses without the legal and professional support that larger companies enjoy are likely to be dissuaded from participating in the regime by the resources that are required to succeed in a Revenue technical challenge and the potentially negative consequences that can stem therefrom.

**John Burke, Director, R&D Tax Credits, Forvis Mazars:** The Department of Finance's recently published Review of the R&D Tax Credit regime and the Compass provide an updated assessment of a long-standing cornerstone of the country's corporation tax architecture. The analysis reaffirms the central role the R&D tax credit



John Burke

has played since 2004 in attracting high-value foreign direct investment and supporting the expansion of domestic innovation capacity. The Review highlights that the regime remains highly effective in anchoring globally mobile R&D activity, with more than 84% of Ireland's R&D expenditure in 2023 undertaken by foreign-owned enterprises, an indication of Ireland's continued competitive position in an increasingly challenging global landscape.

The 2025 stakeholder consultation process confirms that recent legislative enhancements have materially improved the regime's usability. The increase in the R&D tax credit rate and the uplift in the first-year payment threshold have delivered

meaningful cash flow benefits, particularly for smaller and early-stage claimants. These refinements have also strengthened the ability of Irish operations of multinational groups to secure internal funding for new mandates, while broadening engagement among SMEs. At the same time, stakeholders noted that administrative complexity, including documentation requirements and audit uncertainty, remains a barrier to wider SME participation, reinforcing the need for clearer guidance and more predictable processes.

**“Areas such as the green transition, digital transformation, post-R&D commercialisation and cybersecurity infrastructure are identified as priority themes for future policy development.”**

A significant theme emerging from the Review concerns the limitations of current outsourcing rules. The requirement that R&D be largely performed in-house, combined with the restrictive cap for outsourced activities to universities or unconnected third parties, is viewed as misaligned with modern collaborative R&D models. Stakeholders have called for revisions of the caps currently in place and for the inclusion of research institutes within the permitted scope. The Department has signalled that these proposals will be examined, recognising the potential to support more flexible innovation models while safeguarding Exchequer exposure.

The Innovation Compass further broadens the forward policy lens by highlighting the growing need for a complementary incentive to support innovation activities beyond strict R&D definitions. Areas such as the green transition, digital transformation, post-R&D commercialisation and cybersecurity infrastructure are identified as priority themes for future policy development.

Overall, the Review and Compass suggest a measured evolution rather than a fundamental redesign of the regime. Targeted refinements combined with exploration of a new innovation-focused incentive offer practical opportunities to strengthen Ireland's position as a competitive, innovation-driven economy in a rapidly shifting global tax environment.

## US Tariffs

**Please comment on the essential implications of the US Supreme Court's Feb 20th ruling on tariffs, from an Irish and EU trade perspective as the White House seeks alternative remedies, as the ruling is of such a fundamental nature.**

**Deirdre Barnicle, Partner, McCann FitzGerald:** On 20 February 2026, the US Supreme Court concluded that the US International Emergency Economic Powers Act (IEEPA) of 1977 does not allow the US President to impose tariffs; this power is reserved to Congress, and the ruling invalidated all tariffs imposed by President Trump under IEEPA on US trading partners e.g. the EU. Following this, on 4 March 2026, the US Court of International Trade confirmed that Customs and Border Protection (CBP) must issue refunds to the businesses who paid the illegal levies. However, the refund process remains unclear, and businesses are now burdened with the dual responsibility of navigating repayments while also preparing for incoming replacement tariffs.

**“In the wake of the chaos, it is worth noting that it has been reported that nearly 85% of Irish goods exports to the US are still exempt and that the effective rate for Ireland is one of the lowest across OECD countries.”**

Although the Supreme Court's rejection of Trump's tariffs may at first glance seem like a positive development, the President's reaction and subsequent threat of further tariffs has brought significant uncertainty to the future of transatlantic trade. While CBP has announced the imposition of a 10% rate on all goods not covered by exemptions, Trump initially mooted a 15% tariff and it is feared that this threat of a higher rate will still come to fruition, following the US Treasury Secretary's recent statement to that effect. The 10% tariff imposed under section 122 of the Trade Act of 1974 is a blunter instrument than the IEEPA - the Act requires measures to be 'applied consistently' to all countries and thus limits the possibility for carve-outs.

Moreover, there is a possibility that additional national security-related tariffs will be imposed under the Trade

Expansion Act of 1962; these levies were not challenged in the court case and are thus unaffected by the Supreme Court's ruling. If increased tariffs were levied against steel and aluminium, we can expect further consequences for transatlantic trade in this area. While the European Parliament's Trade Committee has decided to suspend its work ratifying the EU-US tariff deal agreed with the Trump administration, as was observed by the European Parliament in its statement on the matter, the change of the US legal basis is unlikely to alleviate the economic impact of the tariffs on businesses and consumers; uncertainty is here to stay and the US still has many options for achieving the same results.

In the wake of the chaos, it is worth noting that it has been reported that nearly 85% of Irish goods exports to the US are still exempt and that the effective rate for Ireland is one of the lowest across OECD countries.

## Pillar Two / Global Minimum Tax – The ‘Side-by-Side’ Deal

**What are the implications of the ‘Side-by-Side’ deal for Irish headquartered multinationals?**

**Emilie Sibi, Senior Manager, International Tax, Forvis Mazars:**

For the last year, following the White House executive order that warned jurisdictions applying the backstop mechanism to US companies could face retaliation, the future and integrity of the Global Minimum Tax Framework were in question.

The new safe harbours introduced by the agreement signed in January 2026 will be particularly beneficial for groups with ultimate parent entities based in the US. These multinational groups would have been within scope of the backstop mechanism (UTPR – entities based in Pillar 2 jurisdictions collect the top up tax due, if any, by a parent or any other entities based in a jurisdiction which has not adopted Pillar 2) and were facing doubt on the interactions between the US tax rules (GILTI regime) and the Pillar 2 rules.



Emilie Sibi

As a large number of Irish multinationals have US-based parents, the application of UTPR represented a significant challenge (especially in terms of coordination of effort within the group). This new deal, with the introduction of the new safe harbours, simplifies the management of UTPR obligations, both in terms of the computation of top-up tax due and future filings.

**“It provides practical simplifications, reduces tensions between major tax systems, and offers Irish multinationals greater certainty as they move into their first Pillar 2 filings in June next”**

The agreement ensures that the domestic top-up tax (QDMTT) continues to apply in jurisdictions, such as Ireland, that have adopted Pillar 2. Therefore, the time and money invested by Irish multinationals to date in preparing for Pillar 2 (through system changes, data gathering, and process design) remain relevant and valuable.

Overall, the Side-by-Side agreement represents a constructive step forward. It provides practical simplifications, reduces tensions between major tax systems, and offers Irish multinationals greater certainty as they move into their first Pillar 2 filings in June next.

**Deirdre Barnicle, Partner, McCann FitzGerald:** The agreement of the Side-by-Side deal is welcome news for Irish-headquartered multinationals with US subsidiaries, who will no longer be hit by Pillar Two taxes. Essentially, the safe harbour created by the Side-by-Side deal deems the US tax system compliant with Pillar Two and exempts US MNEs from particular 'top-up' taxes (on the basis that the US tax regime has similar policy objectives and the same overall impact as the global minimum tax regime). Moreover, Irish-headquartered MNEs with US branches may now be able to benefit from US research and experimentation credit, which previously may have been caught by Pillar Two if it were not for the new safe harbour.

The risk of double-taxation has shrunk significantly for Irish-headquartered MNEs with US subsidiaries; compliance should also become much more straightforward for these groups. On a further positive note, the agreement allows other countries to benefit from

the safe harbour once they meet the relevant conditions i.e. that there is an eligible domestic tax system (e.g. a statutory corporate tax rate of at least 20% is applied), an eligible worldwide tax system (e.g. significant unilateral mechanisms are used to prevent BEPS risk), and tax relief is provided for foreign qualified domestic minimum top-up taxes (QDMTTs) on the same terms as other creditable covered taxes.

The Side-by-Side deal also contains simplification measures which should reduce administrative burdens for both MNEs and tax authorities. However, MNEs should be aware of the ongoing GloBE information return reporting obligations and QDMTTs that remain in place despite the safe harbour. Moreover, for Irish-headquartered MNEs with US subsidiaries, FY2024 and FY2025 continue to be governed by the original Pillar Two rules.

## E-Invoicing

**The introduction of e-invoicing, (the automated, secure exchange of invoice data in a structured, machine-readable format (e.g., XML) between supplier and buyer), forms a key part of the EU ViDA Directive. As part of this the Irish Revenue Commissioners have confirmed that large corporates will be required to issue e-invoices from 1st November 2028. What steps should in-scope companies now be taking to meet the new obligations?**

**Emma Galvin, VAT Director, BDO:** On 8 October 2025, the Irish Revenue released a publication setting out details of the work it is undertaking to prepare for the implementation of the EU's VAT in the Digital Age (ViDA) requirements, an initiative to modernise EU VAT systems to better support

how businesses trade, while bolstering the fight against VAT fraud. “VAT Modernisation: Implementation of e-invoicing in Ireland” is effectively a roadmap for the introduction of domestic e-invoicing and real-time reporting in Ireland.

E-invoicing and real-time reporting will be phased in to give businesses and Revenue adequate time to learn from early adopters and prepare systematically in



Emma Galvin

advance of 1 July 2030, the date the EU ViDA requirements for e-invoicing and real-time reporting become mandatory.

An e-invoice is an invoice which is issued, transmitted, and received in a structured electronic format that enables automatic processing. The e-invoice must comply with the European Standard EN 16931, and unstructured formats such as PDFs or scanned paper documents will not meet the e-invoicing requirement.

**“Modernising the administration of VAT will have a significant impact on numerous parts of Irish businesses, including tax, finance, IT, procurement, etc... as the transition to mandatory e-invoicing will require significant time and resource investment, businesses need to start familiarising themselves with the measures.”**

A three-phase implementation timeline will provide businesses with sufficient preparation time while building on Ireland’s strengths in digital innovation:

- Phase 1 - November 2028: VAT-registered large corporates will be required to implement e-invoicing and real-time reporting for domestic B2B transactions.
- Phase 2 - November 2029: Domestic B2B e-invoicing and real-time reporting will be extended to all VAT-registered businesses engaged in intra-EU B2B trade.
- Phase 3 - July 2030: Full implementation of EU ViDA requirements for all cross-border EU B2B transactions becomes mandatory in all 27 EU Member States. As such, all Irish VAT-registered businesses already operating under the domestic system will transition to meet these EU obligations.

On 10 February 2026, Revenue confirmed the definition of a “large corporate” for Phase 1, namely:

- a VAT-registered business whose tax affairs are managed by the Large Corporates Division in Revenue and
- is established or has a fixed establishment in Ireland.

It was further advised in this publication that Revenue will write to “large corporates” in the coming weeks to confirm their inclusion in Phase 1.

As e-invoicing is an end-to-end digital process, for the system to operate effectively, all businesses will need to be able to receive e-invoices from the above-mentioned suppliers, regardless of whether they are obliged to issue them.

Modernising the administration of VAT will have a significant impact on numerous parts of Irish businesses, including tax, finance, IT, procurement, etc.

Although there is a proposed 3-year lead in time from the publication date, as the transition to mandatory e-invoicing will require significant time and resource investment, businesses need to start familiarising themselves with the measures now so they can assess the impact on their business, and should begin to action the following steps:

- Reviewing their ERP systems and/or invoicing software to determine the extent to which existing systems will be able to cope with the new digital requirements or whether additional tools/add-ons are required.
- If software updates are required, engage with software suppliers early as software updates can have long lead in times, to ensure that any required updates will be operational on time.
- Review current digital record-keeping to ensure that the system/s will be capable of storing structured invoices securely and to ensure that structured invoices can be produced to Revenue, if required.
- Ensuring that employees are adequately trained and supported in the transition to e-invoicing to ensure that the business is compliant.
- Stay informed and monitor any future developments both locally in Ireland and at EU level (where applicable).

**Oonagh Carney, Partner and Head of Indirect Tax, Forvis Mazars:**

To prepare for the introduction of mandatory e-invoicing in Ireland, companies should review their current invoicing and ERP systems to identify any upgrades required to comply with the e-invoicing requirements. This includes ensuring compatibility with the Pan European Public Procurement Online (PEPPOL) network for e-invoice exchange and adopting the EN 16931 European e-invoice standard. Traditional PDF and scanned invoices will no longer



Oonagh Carney

satisfy compliance requirements. Given these changes, many businesses may require a full system review and ERP enhancements to support the new e-invoicing requirements.

In addition, companies must prepare for real-time VAT reporting, where Revenue will automatically receive invoice data once an invoice is created and finalised. This requires ensuring customer information is complete and up to date, communicating upcoming changes to affected customers and confirming that systems can generate VAT-compliant invoices that meet all mandatory requirements.

**“Given these changes, many businesses may require a full system review and ERP enhancements to support the new e-invoicing requirements.”**

In summary, in scope companies should:

- Undertake a comprehensive assessment as to how the changes will affect their operations.
- Have the necessary technical infrastructure and data management capabilities to capture, store, exchange and report e-invoices.
- Ensure early engagement with IT, finance teams and external advisors to ensure a smooth transition.

**Deirdre Barnicle, Partner, McCann FitzGerald:**

From 1 November 2028, all VAT-registered large corporates will be required to issue e-Invoices in respect of domestic business-to-business transactions and report specified data from those e-Invoices to the Revenue Commissioners. On the same date, every business in Ireland must have processes in place to receive structured e-Invoices. While the change will reduce compliance burdens in the long run, in-scope businesses should begin the process of readying themselves for the update.

E-Invoice formats must be compliant with European Standard EN16931 and there are plans to rely on the PEPPOL framework to guarantee secure electronic document exchange. Any in-scope businesses should take the time now to review their systems, processes and ERP/invoicing platforms and to ensure internal IT, invoicing and tax-compliance functions are prepared for the change.

The Revenue Commissioners have recommended that businesses within

scope begin preparations now to ensure their systems can support the e-Invoicing requirements ahead of the 1 November 2028 deadline. Businesses who carry out VAT-exempt activities should be aware that they will still be within the scope of Phase One where they are managed by Revenue’s Large Corporates Division. Large corporates can expect correspondence from the Revenue Commissioners in the coming weeks to confirm their inclusion in Phase One.

Businesses should keep a keen eye on the Revenue website for the publication of any further guidance on e-Invoices, as the Revenue Commissioners continue to update their systems and operational processes in advance of the change.

## Aviation finance and WHT

**T**he imposition of withholding taxes on aircraft and engine leases was the subject of a recent policy statement from the Aviation Working Group, the global body representing major aviation manufacturers, leasing companies and financial institutions. It pointed to the negative implications of WHT being imposed on leases for both airlines and lessors. How might these be mitigated against?

**Deirdre Barnicle, Partner, McCann FitzGerald:**

The Aviation Working Group’s suggestion that there should be greater use of the OECD model income tax treaty is sensible. As is outlined in the policy statement, the model treaty offers a total exemption from withholding taxes on aircraft and engine lease payments and underlines that equipment lease payments should be taxed only in the lessor’s home jurisdiction. Greater global cohesion on the tax treatment of these lease payments would level the playing field for businesses in this area and uniform international adoption of the OECD treaty position would facilitate this.

Ireland does not impose withholding tax on lease rentals paid to non-resident lessors, and other aircraft leasing hubs such as Hong Kong and Singapore take a similar approach. Nevertheless, Ireland should ensure that the OECD model provisions in relation to withholding taxes on aircraft and engine lease payments are included in any new or revised double taxation treaties with other countries.

Positively, the Indian Income Tax Appellate Tribunal (ITAT) recently confirmed that, subject to fulfilment of certain requirements (e.g. the establishment of a bona fide commercial enterprise), rental income on aircraft leases is not subject to withholding tax.

**“Ireland should ensure that the OECD model provisions in relation to withholding taxes on aircraft and engine lease payments are included in any new or revised double taxation treaties with other countries.”**

Further clarity from other jurisdictions where the position is currently less clear would be helpful for airlines and lessors, by offering the much-needed certainty the Aviation Working Group’s policy statement called for in February.

**Khatuna Baratashvili, Senior Manager, Financial Services Tax, Forvis Mazars:** In February 2026, the Aviation Working Group (AWG) – the international association representing major aircraft manufacturers, global lessors and aviation financiers – published a policy statement addressing the persistent



Khatuna Baratashvili

challenges created by withholding tax (WHT) in cross-border aircraft and engine leasing. The document raises substantial concerns about the impact of withholding tax on lease payments on the economics of international aviation financing.

In several tax systems, payments made by airlines to overseas aircraft owners or financiers are automatically subject to withholding tax, regardless of the commercial nature of the lease. This typically requires airlines to hold back a portion of each rental instalment and transfer that amount directly to the domestic revenue authority.

Because lease agreements generally guarantee the lessor a net return, carriers frequently have to increase the amount they pay so the tax deduction does not erode the lessor’s income – a mechanism that effectively shifts the tax burden back onto the operator.

Withholding tax introduces friction into an already complex financial chain, adding administrative cost, undermining predictability, and reducing the overall efficiency of international aircraft funding structures. These pressures compound the operational challenges faced by airlines operating within narrow margins and volatile macroeconomic conditions.

Ireland has cemented its status as the global epicentre of aircraft leasing, with roughly half of the world’s leased fleet under the oversight of companies headquartered in Dublin. The strength of Ireland’s leasing sector is closely linked to its ability to operate across borders with minimal friction, supported by a deep treaty network and a tax framework that offers reliability and clarity.

Aircraft finance demands extraordinary levels of long-term capital investment, far beyond that seen in most other industries. If international WHT regimes become more restrictive or inconsistent, they risk introducing new barriers to capital flows that Irish lessors rely upon. For Ireland to maintain its leadership position, continued alignment with global tax standards and policy certainty is essential.

*AWG’s key recommendations for reform*

- Clear Legislative Exemptions for Cross-Border Leasing  
AWG encourages governments to introduce explicit statutory exemptions removing WHT on aircraft and engine lease payments. Clear statutory carve-outs for international leasing align with prevailing global norms and significantly ease compliance pressures for both businesses and tax administrations. For Ireland – where the tax framework is already regarded as stable and predictable – the recommendation reinforces the need to maintain a transparent legislative environment that supports long-term investment.
- Strengthening Double Taxation Treaty Networks  
Bilateral tax treaties are often the primary legal tool through which countries mitigate or remove withholding obligations on cross-border lease payments. AWG urges jurisdictions to expand, modernise, or renegotiate treaty networks to ensure consistency. Ireland’s broad, strategically negotiated treaty network remains a critical pillar underpinning its

attractiveness as a global leasing hub. Ongoing investment in treaty development is therefore essential to preserving competitive advantage.

- Alignment with OECD BEPS, GAAR, and MLI Frameworks  
OECD-aligned rules help define who genuinely earns the income, what level of local activity is required, and which structural arrangements are considered compliant and sustainable. AWG supports these frameworks as they modernise tax systems without disrupting legitimate leasing activity. Ireland's early adoption and integration of BEPS and MLI standards has positioned the country as a jurisdiction of substance, an increasingly important factor for global lessors.
- Structuring Leases to Optimise Tax Efficiency  
Effective lease structuring remains crucial for managing cross-border tax exposure. This includes:
  - Using dry lease arrangements where appropriate.
  - Locating lessors in jurisdictions with robust aviation tax regimes.

- Maintaining compliance with transactional taxes, including U.S. federal excise tax where applicable.

Such structures help ensure the resilience and stability of multijurisdictional leasing operations.

**“As other countries push to expand their aviation finance sectors, reducing tax-related barriers becomes vital to ensuring uninterrupted capital movement and enabling Irish lessors to operate seamlessly across global markets.”**

*Implications for Ireland's leasing sector*

Where withholding regimes are unclear or unevenly applied, they can distort competitive dynamics, increase the cost base for market participants, and limit access to internationally sourced capital. For Ireland, the message is clear: preserving leadership in global leasing requires legislative

clarity, robust treaty networks, and continued alignment with international best practices.

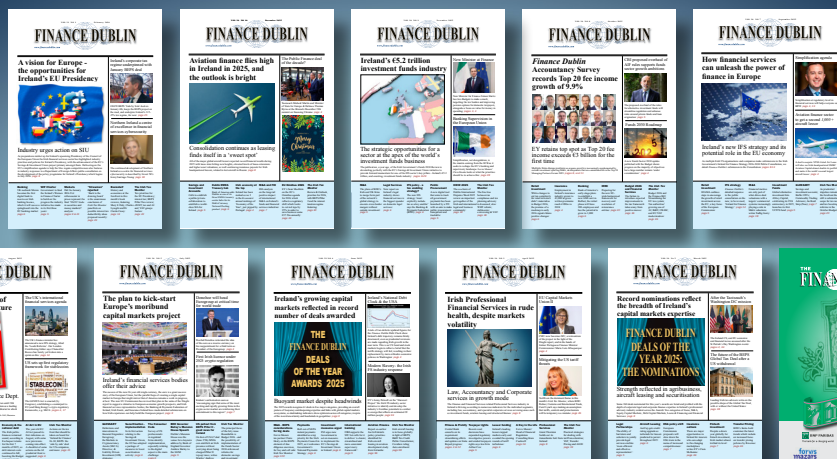
As other countries push to expand their aviation finance sectors, reducing tax-related barriers becomes vital to ensuring uninterrupted capital movement and enabling Irish lessors to operate seamlessly across global markets.

As jurisdictions modernise their tax codes, easing or eliminating withholding taxes on leases will be a decisive factor in strengthening the aviation industry's financial resilience. Ireland is uniquely positioned to influence international policy directions, given its dominance in the leasing market and its long-standing commitment to transparent, globally aligned tax practices.

Effective tax systems should facilitate - not hinder - the smooth movement of capital and fleet assets around the world. With a balanced mix of legislative reform, treaty-level cooperation, and adherence to international tax standards, Ireland can safeguard its position at the forefront of global aviation finance.

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