

Alliance for Innovation **Budget 2027 Submission**



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1. Introduction

ALLIANCE FOR INNOVATION

This submission is being collectively made on behalf of the Alliance for Innovation (Alliance) - a coalition of five national organisations, all of whom have a shared interest in supporting the success of the indigenous high-growth tech start-up and scale-up sector in Ireland.

The Alliance comprises of **Scale Ireland**, which represents indigenous tech start-up and scaling companies; **HBAN**, Ireland's largest network of business angel groups and syndicates; **IVCA**, the representative body for venture capital and private equity firms on the island of Ireland; **Euronext**, the leading pan-European stock exchange group, covering Belgium, France, Greece, Ireland, Italy, The Netherlands, Norway and Portugal, and **TechIreland**, an independent not-for-profit, on a mission to promote Irish and Ireland based innovation to the world, through data, content and community activities.

The Alliance is committed to ensuring that Ireland delivers as a great location to start, build and

scale a business. Achieving this is predicated on enabling investment and ensuring that Irish companies have access to the required capital and supports to continue to grow, while staying independent. This will enable them to remain based in Ireland and promote employment, innovation skills and capital gains for the country as a whole. It is recognised that companies of scale that are well capitalised are more resilient to shocks in the economy, and ultimately, less reliant on state supports and are net contributors to the taxation intake, employment and wider ecosystem in Ireland. The success of these companies will ensure that our economy is more balanced and reduce our over reliance on the FDI sector.

Recognising this, the Alliance comprises representatives of the Irish ecosystem and funding escalator - Scale Ireland, TechIreland, HBAN, IVCA and Euronext to address key issues and advocate on behalf of scaling Irish enterprises.

BUDGET 2027 - BACKGROUND

Budget 2027 will take place against a continued challenging environment for Irish start-up and scaling firms. Annual venture capital funding into Irish tech SMEs fell for the first time last year since 2018, according to the Irish Venture Capital Association (IVCA). Their VenturePulse report, for 2025 found that funding in 2025 was down by 23% to €1.1 billion. This decline accelerated during the year, with funding in the fourth quarter of 2025 falling 46% to €291.4 million. This compounds the challenge already identified by the state with respect to funding gaps, particularly with regard to scaling investment.

Funding gives companies the fuel required to scale, innovate, compete and accelerate their growth. The Alliance welcomed moves by the government to address funding gaps through an increased allocation (from €175m to €250m) to the Enterprise Ireland Seed and Venture Capital Scheme announced last year and the confirmation

in January this year of an allocation of €100m to Enterprise Ireland's new Scaling Fund. However, with **a scaling funding deficit already of over €1.1bn** confirmed by a report for the government, we clearly have some way to go.

Unsurprisingly then, the funding challenge features prominently, for the fifth year in succession, in **Scale Ireland's State of Start-Ups survey for 2026. Almost 75% of respondents to the survey reported it being either difficult or very difficult to raise private capital, a small reduction on the preceding year's figure.** Due to this ongoing funding challenge, the Alliance prioritised the need to leverage investment into Irish companies from domestic pension funds in its submission last year. **This is strongly supported by founders in this year's State of Start-Ups survey with 75% supporting this measure.** The Alliance also welcomes the current discussions around incentivising Irish savings into investing in Irish SMEs.

In our response to the funding challenge identified last year, the Alliance focussed on three particular themes:

- 1. State Funding:** Ensure that scaling finance is available by introducing and promoting a suite of Government-backed scaling instruments.
- 2. Private Funding:** Investigate options for pension fund and institutional investor participation in scaling equity funds and encourage corporate venturing in Ireland.
- 3. Tax Incentives:** Review the State's tax model and design instruments that incentivise investment into scaling companies.

A further worrying development is the survey findings around the challenges being faced by early stage companies in accessing tax based state supports in particular. Again this is a recurring finding in the survey and is undermining confidence in the state's capacity to support Irish companies. Two thirds of respondents are not confident that Ireland is moving in the right direction to support start-up and scaling companies. **Use of schemes like KEEP and even the R&D tax credit are not performing at optimal levels.** This is particularly disappointing in light of the emphasis placed on simplification by the government. Indeed the Department of Enterprise, Tourism and Employment has initiated a new SME test for new regulations and legislation which we support. But this will not tackle the complexity issues with existing schemes.

Despite this, follow through has not always been at the level that the Alliance seeks and that Irish companies need. For example, in addition to the already mentioned simplification issue as part of our submission last year, the Alliance focused on another overarching commitment made by the Government - the review of Capital Gains Tax indicated in the White Paper on Enterprise and also recommended by the Commission on Taxation.

The Alliance is disappointed that the Capital Gains Tax Review has not yet taken place and would urge the Government to progress this issue. **However, we welcome the recent comments by the Taoiseach on capital gains tax, which we also believe is 'too high' compared to most countries in the OECD. We also agree with the Taoiseach that if people sell their companies, that money will be reinvested into smaller companies, new products and new technologies.**

We previously welcomed the application of targeted lower CGT rates, such as the initiative recently commenced for angel investors, but remain of the view that adopting this approach introduces further complexity into the tax system. In addition, Budget 2026 introduced amendments to existing reliefs, including an increase in the Revised Entrepreneur Relief lifetime limit, but did not include a fundamental review of CGT rates or thresholds.

Similarly, the Alliance participated in the review of share-based remuneration initiated in 2024, resulting in a report by Indecon Consultants published in October of that year. **That report included a recommendation that the Key Employment Engagement Programme, the share based scheme designed for SMEs and start-ups needs to be reviewed in light of poor take-up figures.** No progress was made on the issue last year and as we indicated the KEEP scheme has fallen in the **Index Ventures global rankings of share option schemes with 10 EU countries now ranking higher than Ireland.** Further changes to the Employment Management Incentive Scheme announced in the UK in their Autumn Budget, make the Irish position all the more challenging.

Last year the **Alliance welcomed the commitments in the Government's New Action Plan for Competitiveness and Productivity.** Of particular interest to our sector are:

- The specific commitment for policy actions that will incentivise pension fund and institutional investor participation into scaling equity funds, the establishment of a SME Scaling Fund, and a review of tax measures to incentivise investment into start-up and scaling companies.
- Explore options to further incentivise VCs to invest in local companies to attract more international capital, positioning Ireland as a prime location for venture capital investment
- Continue to review and simplify the current Business and Enterprise Tax system.
- Maintain support for the Angel Investment Scheme and monitor efficacy over the next year.
- Work closely with the Irish Stock Exchange to ensure future growth, focusing particularly on small-to medium-sized fast-growing companies.
- Examine options to enhance the R&D Tax Credit.

As we can see there has been particular progress on the issue of the R&D tax credit in particular with the publication of the R&D Compass and the measures announced in the Budget, which were welcomed by almost 50% of founders in the Scale Ireland 2026 State of Start-ups survey.

As indicated in our previous Budget submissions, the Alliance cautioned that GBER-driven changes to Ireland's EIS scheme risked dampening investor participation. While established fund managers continued to raise capital through their 2025 cycles, activity took place within a more cautious investment environment and several funds indicated they were negatively impacted by the changes and uncertainty by a third. Clarifications in the 2025 Finance Act regarding follow-on investments were welcomed and improved certainty. However, given the importance of EIS in attracting private capital into high-potential, higher-risk companies, and noting that the scheme is currently legislated to operate only until 31 December 2026, its performance and future direction require continued attention to ensure stability and investor confidence.

The Alliance notes the review of the GBER rules taking place at EU level and recognises that SME and start-up friendly changes to GBER could have a significant impact on the Government's capacity to make supports more effective. We will be monitoring progress on this issue during the year. We note too that the Draghi and Letta reports have injected some urgency into European policies for the sector. The new EU Start-up and Scaling Strategy has initiated moves for a new fund to support the Union's scaling ambitions.

In addition, a new policy on the Savings and Investment union is, as we've already noted, influencing the policy discussions here in Ireland. We also recognise the announcement by Commissioner McGrath on the 28th regime, a single optional EU wide company law framework to facilitate simplified market access for scaling companies in particular.

The Alliance also welcomed Budget 2026

which contained a number of announcements:

- Increase in the rate of the R&D tax credit from 30% to 35%
- Increase in the amount reimbursed in year one under the R&D Tax Credit scheme from €75k to €87,500k;
- Increase the lifetime limit threshold for qualifying capital gains from €1 million to €1.5 million;
- The introduction of a Stamp Duty exemption for Irish SMEs (<€1bn market valuation) listed on financial trading platforms to encourage the growth of scaling companies and access their ongoing funding requirement through public markets; and
- Extension of the sunset clause with respect to the KEEP scheme to end year 2028.

We hope to see, and believe it is essential, further progress this year.

The Alliance welcomes the Government's engagement with the sector. We firmly embrace the ambitious targets for our sector as envisaged in a series of both Government position papers and the Enterprise Ireland statement of strategy.

Developments in recent weeks have driven cost of living issues once more to the forefront of the political agenda. Company founders remain concerned about issues like the cost of housing and childcare which make it difficult to recruit and retain staff and impact on our competitiveness. The delivery of Government commitments in these areas remain crucial for the start-up and scaling sector.

However, if we are to meet those targets we need speedy and focussed policy initiatives. We need more urgency. Budget 2027 can deliver on this.

2. Summary of Key Proposals

OVERARCHING OBJECTIVES

Mobilising Private Capital

Despite strong indigenous innovation Ireland remains undercapitalised relative to comparable EU states. Domestic pension assets are under-allocated to Irish private markets. Ireland, and Europe generally, continues to face a relatively limited pool of domestic private capital and an underdeveloped base of institutional limited partners investing in venture and growth equity. Compared to more mature markets, the participation of pension funds and insurers remains low, constraining the availability of long-term, risk capital for scaling firms. International comparisons highlight the scale of the gap — in the United States, approximately 70 per cent of venture capital comes from institutional investors (primarily large public pension funds and university endowments), while in the UK this figure is closer to 10 per cent. Unfortunately, in Ireland, public sector pensions are paid from current government income, while university endowments are small, insofar as they exist at all. Initiatives such as those led by the British Business Bank, including publishing commitments to venture funds to help crowd in private investment, demonstrate practical steps to deepen participation. As has been noted, more developed ecosystems have had decades to evolve, and Ireland must take a steady, deliberate approach to building a stronger domestic investor base over time.

Private funding is the bedrock of every successful start-up and scale-up ecosystem. This can be delivered in many forms from angel investment, venture capital, venture debt, revenue growth capital to IPOs. The Draghi report has highlighted the comparative lack of venture capital to support European Scaling companies. Domestically the Finance for Scaling Working Group is the latest report to indicate a scaling funding gap in the Irish eco-system.

Ireland should follow Denmark's lead by launching a state-backed growth fund to mobilise institutional investment, scale rapidly to €1bn, and unlock long-term capital for Irish innovation. In this context, the Government's Action Plan for Competitiveness and Jobs, including its ambition to increase pension fund participation in productive investment, could be operationalised through such a structure,

with the Fund-of-Funds acting as a practical and scalable vehicle to channel institutional capital into the domestic economy. We recommend the establishment of a State Aid compliant Irish Fund-of-Funds (FoF) incorporating public and private capital, structured explicitly to comply with Article 107 TFEU, the Market Economy Investor Principle (MEIP), and the risk finance provisions of the current General Block Exemption Regulation (GBER). If structured on *pari passu* commercial terms, such a vehicle would not constitute unlawful State aid, would count as private capital for market purposes, and could crowd in institutional investment while strengthening Ireland's domestic scaling ecosystem.

The Alliance welcomes the government's publicly stated commitment to offer Irish citizens better saving and investment options, recognising that Ireland is lagging behind other countries with supports to generate returns on the €170bn+ in domestic retail bank accounts. Implementing a scheme to support and incentivise an investment culture by Irish citizens would be a hugely positive development for creating household wealth, supporting the growth of Irish enterprise and enhancing financial literacy in a very practical way. It can support the European Union's initiative to create a vibrant capital market and reduce the bloc's funding reliance on the US. Being a leader in the implementation of the Savings and Investment Union and shaping how it can support domestic businesses as well as retail investors should be key focus in the upcoming EU Council presidency and in the domestic budgetary process.

The Alliance is pleased to see a commitment to a scaling fund in Enterprise Ireland's new 5 year strategy and also in Budget 2026. We also need to recognise that existing funding supports, such as EIS, may not be performing as they once did. Internationally other countries such as France, Denmark and the UK are moving ahead of Ireland in devising mechanisms to deploy institutional and pension fund capital into indigenous business, including through Ireland's equity capital market. If we are to make progress towards the Government's and Enterprise Ireland's ambitious targets, this is an issue we have to get right.

The Alliance remains concerned about Ireland's EIS scheme, the primary vehicle for incentivising private monies into start-up and scaling companies. It remains a challenging environment.

Under the General Block Exemption Regulation (GBER), venture capital and private equity funds receiving public support must demonstrate that they are not solely reliant on state funding. A key requirement is the 30% private matching capital rule, which requires that at least 30% of a fund's capital be committed by private investors. In recent years, meeting this threshold has become more difficult due to tighter fundraising conditions, greater investor caution following macroeconomic shocks, valuation corrections in venture markets, and increased competition for private capital from a growing number of publicly supported funds. As many GBER-supported funds focus on early-stage and innovative companies, which are perceived as higher risk, securing the required level of private investment has become a significant challenge in the current market environment.

In this context, the recently launched European Commission open public consultation on a draft revision of the GBER is very welcome and we hope that the Government takes this opportunity to make the case for the streamlining of administrative requirements, the improvements needed on flexibility in the rules. We want to work together with Government to ensure that State aid instruments do not block access to capital for Irish SMEs.

Legislative Action and Review of the effectiveness of state supports

The issue of the simplification of state support schemes has been on the political agenda for some time - the issue was recognised as a problem by the Commission on Taxation and Welfare - and led to a review conducted by the Revenue's Tax Advisory Liaison Committee to simplify tax supports. However, the committee's review was confined to administrative issues within Revenue's control. While welcome, the Alliance has always believed that substantial change would require a review of the legislative framework governing these supports. The sectoral study on the KEEP scheme conducted by Indecon confirms the problem. The latest Government policy to recognise this problem as an issue is the

Action Plan on Competitiveness and Productivity which was published last year. The Department of Enterprise, Tourism and Employment has also set up an initiative to ensure any new measures are SME friendly which we welcome. However this will not address existing schemes and supports.

This year the Alliance is renewing its call for the Government to make this issue a priority.

The Scale Ireland State of Start-ups survey 2026 shows that founders are pessimistic about Ireland's direction of travel with respect to state supports. This issue undoubtedly contributes to this perspective. It is time to see concrete action from the Government.

Reform of Capital Gains Tax

Ireland's headline CGT rate remains high relative to competitor jurisdictions, undermining the overall attractiveness of key growth incentives such as EIS and KEEP. While we acknowledge the introduction of a reduced CGT rate for angel investors, the Alliance believes that broader CGT reform remains essential. We welcome the Taoiseach's recent comments recognising that the 33% rate is too high and trust that this will now be translated into concrete policy action. In this regard we recommend a CGT rate of 20% on gains arising on the disposals of investments in start-up and scaling companies for founders, investors and staff to increase our competitiveness. For instance, the introduction of a lower CGT rate on gains on investments in SMEs, whilst leaving the higher rate in place for gains in investment property, should encourage private capital to invest in productive assets capable of delivering greater employment and economic benefit to the state.

If this is not possible, the Alliance favours the application of targeted relief within schemes such as EIS and KEEP such as a reduced rate of CGT, as well as a substantial increase in the CGT annual exempt amount to €6,000. In addition, while Budget 2026 increased the lifetime limit for Revised Entrepreneur Relief, the Alliance continues to advocate for reform of the structure of the relief. Specifically, we recommend replacing the €1.5 million lifetime cap with a €1.5 million per-venture limit. This would better support and incentivise serial entrepreneurship. The current lifetime-based structure, in our view, acts as a disincentive to founders who go on to build and scale multiple businesses.

Mobilising Private Capital

Ireland should follow Denmark's lead by launching a state-backed growth fund of funds to mobilise institutional investment, scale rapidly to €1bn, and unlock long-term capital for Irish innovation. Equity finance plays a pivotal role in Ireland's economic growth, particularly in supporting start-ups and scaling innovative businesses across key sectors such as technology, life sciences, and renewable energy. The Draghi report, titled "The Future of European Competitiveness" outlines that the EU must close its innovation gap with global leaders by investing heavily in technology, AI, and digital infrastructure. The Letta report published last year highlights the urgency of adapting to global shifts and ensuring that Europe remains competitive in the face of the rising influence of economies outside of Europe. The Government's Action Plan for Competitiveness and Productivity, includes an ambition to increase pension fund participation in productive investment. This policy could be implemented through such a structure, with the fund-of-funds acting as a practical and scalable vehicle to channel institutional capital into the domestic economy. A strong local funding environment is essential if we are to capitalise on the huge opportunity for Ireland to participate in the key sectors of the future. Access to public capital for VCs from the likes of EI and ISIF in Ireland and EIF in Europe has never been better.

However there is now a severe shortage of matching private capital in Ireland from investors such as pension funds, family offices and corporates. This is an area where government policy can have a significant impact. Other EU Member States — including France, Germany, and Nordic jurisdictions — have implemented large-scale FoF structures blending public and private capital without breaching EU State aid rules.

A.1: Leveraging Pension Fund Investment in Domestic Firms

The Alliance recommends that Budget 2027 include a commitment to establish an Irish Growth Fund-of-Funds, supported by an initial €100m–€200m public anchor commitment. The vehicle should be explicitly structured in accordance with the Market Economy Investor Principle (MEIP) to ensure *pari passu* participation between public and private investors. In parallel, the Government should facilitate the development of an initiative similar to the Danish Dansk Vækstkapital or the French Tibi initiative. These approaches have successfully mobilised domestic pension funds, insurance companies and other institutional investors in their respective countries. An Irish scheme would commit a defined allocation of capital to Irish and European venture and growth equity funds. Finally, a clear multi-annual capital roadmap should be established to scale the Fund-of-Funds to achieve at least €1bn within a short period. A state-anchored Fund-of-Funds would reduce perceived risk for investors, provide diversification across underlying funds, create a professionally managed access vehicle for institutional capital, and facilitate long-term participation by domestic institutional investors in venture and growth equity markets.

A.2 Saving and Investment Accounts

The Alliance supports the introduction of a Savings and Investment Account (SIA) in Ireland. Different models have been cited as potential blueprints, notably the Swedish "ISK" and UK "ISA" regimes. The Alliance is of the opinion that a simple model, where the provider looks after the administration of any tax obligations arising above a generous threshold for individuals would be the most appropriate. This would encourage smaller retail investors into the market, knowing that they will not be exposed to tax below a set threshold or have the administration of tax filings. If a small annual tax was levied over any balance above a certain threshold in the SIA, this would still be positive versus the current regime of exit taxes and capital gains that arise on the disposal of security holdings of risk assets and would divert more money to productive resources.

There is also an opportunity for the new SIA regime to give retail investors in Ireland the opportunity to invest in private asset classes, potentially through Venture Capital Trust (VCT) type vehicles common in the UK, or through the Irish Growth Fund-of-Funds. VCT's are publicly listed vehicles, where at least 80% of a VCT's assets must be invested in "qualifying" small, unquoted, or listed companies on SME markets and this could provide a new funding source to the domestic scale-up community as well as providing retail investors with broader access to this asset class.

There is an opportunity for a SIA product to catalyse a new investment culture in Ireland. The Alliance recognises that the European Commission positions SIAs within the wider Savings and Investments Union (SIU) as a lever to make European capital markets globally competitive, not as an SME-only tool. The objective is to channel household savings into productive investments to reinforce EU competitiveness at scale. This global-facing market deepening is expected to benefit EU firms, including SMEs, by improving access to funding and market depth, without imposing EU-only investment constraints. Commissioner Albuquerque has repeatedly framed SIU reforms in the context of global competition, highlighting the need for deeper, more integrated markets and stronger IPO conditions to keep innovative companies scaling in Europe. By broadening access to SIAs and deepening capital markets, the initiative is expected to help companies of all sizes, including SMEs, by improving their access to funding and supporting market growth.

A.3 Funding for Scaling Companies

The Government's White Paper on Enterprise initially identified a funding gap for Irish scaling companies in the €3-10m range and the report commissioned by the Department of Enterprise, Tourism and Employment entitled '*Market Demand for and Supply of Scaling Finance in Ireland*' published last year estimated a €1.1 billion scaling finance gap in Ireland over the next 3-5 years i.e. 2028-2030. We believe that some urgency is needed to address this gap if we are to meet Enterprise Ireland's ambitious targets in its Strategy published last year. Obviously, there is some overlap between this point and our proposals with respect to leveraging pension fund savings.

The Alliance calls for:

- The speedy establishment of the new €100million Enterprise Ireland Scaling Fund as set out in EI's new five year strategy and announced in Budget 2026. It is vital that the fund is quickly allocated and deployed.
- Continued focus by the Ireland Strategic Investment Fund (ISIF) on deploying its full suite of investment structures to improve the funding options for scaling companies including fund commitments and direct investment, as appropriate for companies at seed, venture and growth stages.
- Further support an expansion of the Strategic Banking Corporation of Ireland's risk sharing programme to facilitate it supporting lending in this range (€3-10m), with a particular focus on providing debt to scaling companies.
- Support Euronext's new Euronext Access market in Ireland to support small-cap companies seeking to list and raise capital at a lower cost.

A.4 Reform of the Employment Investment Incentive Scheme (EIS)

Budget 2025 introduced a number of changes to the Enterprise Investment Incentive Scheme (EIS), including a welcome increase in the individual investment limit to €1 million. However, amendments to the EU General Block Exemption Regulation (GBER) state aid rules introduced in 2024 initially had an adverse impact on the operation of some EIS funds, with some reporting declines of up to 33% in 2024. While official data is pending, there is anecdotal evidence that some recovery occurred in 2025. The Commission on Taxation and Welfare previously recognised EIS as an important source of finance for small and scaling companies and identified the need for reform and simplification. The current EIS scheme is due to expire on December 31st 2026. In this context, an extension to the scheme with targeted changes is required to ensure the scheme can continue to support the provision of early-stage risk capital.

The Alliance proposes:

- Extension of EIS beyond 31st December 2026
- Introduce loss relief for investments made under EIS
- Provide for Enterprise Ireland certification of EIS eligibility
- Permit the use of Convertible Loan Notes (CLNs) and Simple Agreements for Future Equity (SAFEs) within EIS
- Introduce a pro-rata approach to EIS clawbacks where the required holding period is not fully completed
- Reform rules relating to connected parties and founder holding companies
- Further simplify the EIS scheme and application process
- Ultimately, the Alliance seeks a notified scheme, outside of the GBER Rules due to the adverse impact the changes have had already on investments

A.5 Stamp Duty Reform to Support Local Capital Markets' Infrastructure

In order to ensure that Ireland has a funding ecosystem to support companies at all stages of development we need to ensure we have a vibrant local stock market and ecosystem. The changes to the stamp duty regime for listed SMEs made in Budget 2026 were significant and went some way to address the issue but further action is required.

The Alliance supports Euronext Dublin's call for issuers which are dual-listed in the US and Ireland to be stamp duty exempt. This would mean that businesses that seek or have already attained a US-listing, could retain a listing in their home market. As a result they would be more likely to keep their centres of operation, employment and IP here in the future, thus benefiting the domestic economy. The status quo is that companies which seek a US-listing, cancel their European listing, so the change would have no cost to the exchequer but would benefit Irish companies, investors and the broader Irish economy.

B. REFORM OF KEEP AND SHARE OPTIONS SCHEMES

Irish scaling companies compete with FDI for talent. The use of share options is an important tool for attracting and retaining key employees; however current schemes are not designed to do this. The Minister for Finance announced the extension of the KEEP scheme to year end 2028 in last year's budget. However, the Budget did not contain any reforming measures despite the Department of Finance initiating a consultation process in 2024 and a subsequent report being prepared by Indecon Economic Consultants which the Minister published on Budget Day 2024. Having participated in that process, the Alliance is disappointed that no additional progress was made in advance of Budget 2026.

The Indecon Report was clear that the Key Employment Engagement Programme, the share options scheme designed to work for SMEs and start-ups, requires substantial reform to facilitate easier use by these companies. The most recent statistics available indicate that the scheme is failing to attract users. Issues like share price valuation and complexity are yet to be addressed. In particular, the Alliance has been calling for what are called 'safe harbour' facilities, to derisk use of the scheme for early stage companies. Ireland's place in the Index Ventures rating system has declined to 15th and in her Autumn Budget 2026, Britain's Chancellor of the Exchequer made substantial reforms to the UK's comparable EMI scheme. For Ireland to be competitive in this space, we need to see a substantial package of measures in Budget 2027.

The Alliance calls for:

- Changes to the eligibility for the KEEP scheme to allow participation by companies up to 15-20 years old as is the case in France and Germany certain other jurisdictions as the current Irish scheme penalises the growth of companies
- Allow companies to award options up to 20% of total equity of the company or at least to increase the value of the issued but unexercised shares from €6 million to €12 million
- Allow standard industry practices for market valuation such as the most recent round of financing or replace with a limit of 20% of the equity of the company that could be granted (on the date of granting) to employees
- Removing the link between equity ownership and salaries under the KEEP scheme (S.128F, TCA 1997) and raise the cap on share options
- Introduce a safe harbour process for applicants to determine eligibility and secure certainty around share valuation and discount.
- Narrowing the list of excluded activities
- Amending the holding period and allow companies to buy back/redeem shares being commenced from the grant of the option
- Change eligibility criteria around company structures and disqualifying events
- Restructuring the penalty for failure to file a KEEP return on time to be a monetary penalty only

Other Share Options Schemes

For other share schemes, we also propose removing the possibility of options being taxed at grant or exercise stages and we propose taxation is always at point of sale. This would ease the application and administration of share options in Ireland to address the 7 year limit in Ireland. Consideration should be given to a refund of related income tax rather than the use of a Capital Gains Tax loss when shares are subsequently disposed of.

C. R&D TAX CREDIT SCHEME

The Alliance warmly welcomed the changes to the R&D Tax Credit announced in Budget 2026. The five percent increase in the rate of the credit (from 30 to 35%) and the increase in the allowable first year claim from €75,000 to €87,500 represent significant steps forward for the indigenous tech sector and were seen as such by founders in the Scale Ireland 2026 *State of Start-ups* survey. We would like to see further progress with regard to the first year claim this year. We also welcomed the publication of the R&D compass earlier this year, both as a contribution to guide policy formulation and for many of the issues identified for progress. In particular the issues of administrative simplification, capital expenditure with regard to R&D facilities and subcontracting rules are areas that the Alliance has been raising for a number of years. The Programme for Government commitment with regard to the treatment of Innovation in the Compass however, appears somewhat muted. The Alliance looks forward to working with the Government to advance this proposal in a realistic and constructive fashion.

The Alliance calls for:

- Increase the cash reimbursement cap in year one from €87,500 to €150,000 in year one.
- Removal of the restriction to internal spend for subcontractor costs.
- Amend Section 766, TCA 1997 to ensure appropriate overhead and other relevant costs are permitted in the calculation of R&D tax credit claims.
- An increase from €50,000 to €125,000 in the science test exemption for companies in receipt of EI/IDA grants. Unless there are exceptional circumstances, failing this test should not lead to the subsequent application of penalties.
- Increase the outsourcing limit for scaling companies from 15% to 50%.
- A review of the timeliness of R&D credit refunds as some of our members have experienced significant delays.

D. SUSTAINABILITY

Each year Scale Ireland's State of Start-ups survey measures the attitude of founders of start-up companies to sustainability issues.

This year's survey reports that 39.2% of companies have a sustainability plan - a small fall off of the progress made last year. However, the number of companies that believe they make a contribution to our SDG goals remains relatively high at nearly 40%. The number of companies who do not recognise the issue as a priority for them has also given up the gains on last year's improved position. This is regrettable but perhaps reflective of a wider attitude to sustainability issues, which the Alliance believes we can ill afford.

The Alliance believes that this is an area that the Government and the lead state agencies like Enterprise Ireland have to continue to focus on in 2027.

The Alliance proposes:

- Enterprise Ireland and the LEOs should continue to promote the benefits of sustainability planning in direct engagement with companies and in public advertising.
- The potential contribution of technological progress to Ireland's climate action does not feature strongly in Ireland's Climate Action Plan.
- The introduction of a specific tax credit to help meet the costs and time commitments (both consulting and software) of producing approved sustainability plans with KPIs.
- Enterprise Ireland should allocate a fixed percentage of its early stage investing to support companies offering climate and sustainability solutions
- Enterprise Ireland should carry out and publish a review of existing sustainability supports to assess what further support is needed by start-ups and scaling companies to help them become operationally more sustainable.

3. Detailed Proposals

A. Mobilising Private Capital

For the fifth successive year, Scale Ireland's State of Start-up Survey has identified the difficulties faced by innovative start-ups and scaling companies in raising funding. This is amplified by the uncertain geopolitical climate, and the impact on capital markets.

A.1. Leveraging Pension Fund investment in domestic firms

The Alliance seeks the establishment of a taskforce to look at unlocking pension fund savings into indigenous companies.

Option 1: Denmark - Vækstfonden is the Danish Sovereign Wealth Fund. In 2011, the Danish Government reached an agreement with a number of the largest pension funds in the country to establish Dansk Vækstkapital I which, among other things, gives new and smaller companies access to new risk capital. Vækstfonden is the secretariat for Dansk Vækstkapital. Pension funds were mandated to contribute to the fund based on the proportion of their assets under management. While 100% of the fund was invested in underlying assets, pension funds were only exposed to 50% of the fund. The other 50% had a guaranteed coupon rate applied, similar to a government bond. This was a useful way to get Danish pension funds familiar with the asset class. Dansk Vækstkapital is a "fund of funds", which invests in funds run by professional private managers who, then, invest in companies within their respective competence area. Around 40% of the fund's capital is in Venture and around 60% in Private Equity. In 2015 Vaekstkapital II was set up and in 2019 Vaekstkapital III fund was established, and this is a continuation of the cooperation on risk capital that was initiated by the Government and the pension funds in 2011. While participation in the first fund was mandated by the Danish Government, successive funds have had optional and high levels of participation, with returns based on investment in 100% of the underlying assets of the fund.

Option 2: France - Opt-in The French LME Law in 2008 mandated that Corporate Employee Savings Schemes must offer a Solidarity Investment Funds option. This resulted in significant growth in the amount of capital allocated to French funds from €200m to €6bn between 2002 and 2016. Introducing an "opt-in" requirement in pension documents for new entrants into pension schemes, including auto-enrolment, would attract pension fund investment into indigenous enterprises. These schemes offer members an option to allocate a small proportion of their pension to a fund supporting Irish industry. This policy intervention would mobilise a small percentage of this pool of private capital to support Irish industry and would have a long term and far reaching impact on the availability of funding for Irish companies. It would also necessitate the creation of a fund vehicle which could receive additional institutional investment.

Option 3: UK - In July 2024 the UK Chancellor of the Exchequer announced the "Mansion House Compact" and this was signed on the day of the speech by nine defined contribution (DC) pension providers, committing to allocate a minimum of 5% of defined contribution funds to unlisted equities by 2030, with the aim of unlocking over £50 billion of new capital by the end of the decade. Following this, the Chancellor of the Exchequer announced in his 2023 Budget the abolition of the Lifetime Allowance for pension savers from 6th April 2024. It is likely that the thresholds were moved in order to secure commitment from pension fund providers to invest in UK Venture Capital and Private Equity.

These options could be implemented jointly or separately to unlock a wave of investment to Irish SMEs and ensure that Irish pension savings are used to invest in the Irish jobs of the future.

A.2 Saving and Investment Accounts

Problem	The lack of a retail investment culture in Ireland is impeding household wealth creation and reduces the amount of capital available for scaling businesses looking for investment.
Solution	<p>There is an opportunity for a SIA product to catalyse a new investment culture in Ireland. The objective is to channel household savings into productive investments to reinforce EU competitiveness at scale. This global-facing market deepening is expected to benefit EU firms, including SMEs, by improving access to funding and market depth, without imposing EU-only investment constraints. By broadening access to SIAs and deepening capital markets, the initiative is expected to help companies of all sizes, including SMEs, by improving their access to funding and supporting market growth.</p> <p>It is important to note that the SIAs could provide retail investors with the opportunity to invest in private asset classes, potentially through Venture Capital Trust (VCT) type vehicles common in the UK (publicly listed vehicle, where at least 80% of a VCT's assets must be invested in "qualifying" small, unquoted, or AIM-listed companies). Target companies must typically be less than 7 years old (10 years for "knowledge-intensive" firms) and have fewer than 250 employees. While the exact VCT structure is a UK government construct from 1995, other countries have established similar tax-advantaged investment vehicles to encourage funding for small and innovative businesses.</p> <p>Looking back at the evolution of the UK regime (up to £20k investment per year with no income or capital gains tax on returns), uptake tended to be strongest in periods when their Individual Savings Accounts (ISAs) had a single, clear purpose and the product structure was at its simplest, supporting the UK ambition of creating a broader shareholder culture. From the provider perspective, the regime only really scaled once administration and reporting were simplified, as earlier complexity discouraged operators from actively promoting it. In the UK, moving savers from purely "Cash ISAs" into investment products historically required strong public communication, including campaigns designed to show that ordinary citizens could be investors. Overall it is important to note that simplicity, clarity and education are the three elements that consistently drive participation, especially for first-time investors.</p>

A.3 Measures to Increase Funding in the €3-10m range

<p>Problem</p>	<p>The Government's <i>White Paper on Enterprise</i> identifies a funding gap in the €3-10m range and makes the following three key recommendations:</p> <ul style="list-style-type: none"> - Ensure that scaling finance is available by introducing and promoting funds that will provide scaling finance options to founders and startups, - Investigate options for pension fund and institutional investor participation in scaling equity funds and encourage corporate venturing in Ireland, - Review the State's tax model and design instruments that incentivise investment into scaling companies. <p>Furthermore a report '<i>Market Demand for and Supply of Scaling Finance in Ireland</i>' by SQW consultants which was commissioned by the Department of Enterprise, Tourism and Employment was published last year and estimated a €1.1 billion scaling finance gap in Ireland over the next 3-5 years. The report stated the estimated gap was broadly in line with the views of several fund managers and perhaps is on the conservative side given the growth in uncertainty in the supply of capital over the next few years. It states it is driven on the supply side issues and by the small size of funds.</p>
<p>Solution</p>	<p>The Alliance recognises that this is a complex issue and that there is not a single silver bullet that will meet all of these challenges. We believe diverse funding options and ecosystem is vital to support a wide range of entrepreneurial and scaling companies. We also believe that there is capacity for solutions involving both equity investments and venture debt. The Alliance is asking the Government at this critical time to progress solutions to these serious funding challenges, as well as introducing policies to incentivise private capital into the sector to help scaling companies remain in Ireland. These include:</p> <ul style="list-style-type: none"> • The speedy establishment of the new €100m Enterprise Ireland Scaling Fund as set out in EI's new five year strategy and announced in Budget 2026. It is vital that the fund is quickly allocated and deployed. The new EI Scaling Fund will provide capacity for EI to both directly invest in scaling companies, and also for the allocation of funding to privately backed VCs funds for scaling companies. • Continued focus by the Ireland Strategic Investment Fund (ISIF) on deploying its full suite of investment structures to improve the funding options for scaling companies including fund commitments and direct investment, as appropriate for companies at seed, venture and growth stages. • Further support an expansion of the Strategic Banking Corporation of Ireland's risk sharing programme to facilitate it supporting lending in this range (€3-10m), with a particular focus on providing debt to scaling companies. • Support Euronext's Euronext Access market in Ireland to support small-cap companies seeking to list and raise capital at a lower cost. <p>Given the challenging funding environment, resolving this issue is critical to ensuring a scaling path for Irish companies which are expanding. Different solutions may suit different companies but a healthy Irish ecosystem should be in a position to address these varied needs. Financing is always the key priority of start-up and scaling companies. We need to ensure that there is finance available for every stage of a growing company's journey at this critical time.</p>

A.4 Reform of EIS

As indicated in our previous Budget submissions, the Alliance cautioned that GBER-driven changes to Ireland's EIS scheme risked dampening investor participation. Since the 2024 amendments to the General Block Exemption Regulation, certain EIS funds have reported materially reduced fundraising, with some experiencing declines of up to one third in 2024. While clarifications in the Finance Act regarding follow-on investments were welcomed, which helped to recover some ground in 2025, EIS is now functioning within a more restrictive risk-finance framework. Given the importance of the scheme in attracting private capital into high-potential, higher-risk Irish companies, and noting that it is currently legislated to operate only until 31 December 2026, its performance and future direction require continued policy attention to ensure stability, competitiveness and investor confidence. We are calling for the following:

Proposal (i): Provide loss relief on investments made under EIS

Problem	<p>Venture investing at seed stage remains one of the riskiest investment asset classes. Investors understand that where an EIS investment is successful, gains arising on disposal are subject to tax. However, unlike other shareholdings, there is generally no relief available for losses arising on the disposal of EIS shares where the investment is unsuccessful. As a result, EIS shares are treated less favourably from a capital gains tax perspective than other equity investments. This creates an asymmetry of risk and return, which is particularly acute given that EIS is explicitly designed to channel capital into high-risk early-stage enterprises.</p> <p>Following changes to the scheme and the removal of certain structural flexibilities previously available to direct investors, including the inability to utilise preference shares to mitigate downside risk, the absence of loss relief is contributing to smaller angel rounds and reduced syndication activity. It penalises early-stage investors relative to other asset classes. The UK's Enterprise Investment Scheme (EIS) provides CGT loss relief on qualifying investments, reflecting the inherently higher risk profile of such capital.</p>
Solution	<p>Introduce capital gains tax loss relief on failed or loss-making EIS investments. This would remove the differential treatment between EIS and other equity investments and would recognise the genuine risk capital nature of EIS investment. It would materially improve the risk-reward balance for potential investors, including angel investors and increase the supply of capital to Irish-based start-ups and scaling companies. Alternatively, eligible shares could be expanded to permit non-participating standard preference shares for angel investors to alleviate some of the downside risk taken.</p>

Proposal (ii): Allow for CLN and SAFE within EIS

<p>Problem</p>	<p>Frequently used early-stage investment instruments such as Convertible Loan Notes (CLNs) and Simple Agreements for Future Equity (SAFEs) are not currently permitted within the EIS scheme. This places EIS out of alignment with standard investment practice in the start-up and scaling ecosystem. There is no express prohibition within GBER preventing conversion-based instruments from qualifying, provided the ultimate investment constitutes risk capital equity. From a company perspective, these instruments allow capital to be raised efficiently without prematurely setting a valuation, which is particularly important for companies with limited track record.</p> <p>SAFE instruments, in particular, are widely used internationally as they do not accrue interest, do not have a fixed maturity date and do not carry repayment rights. They represent a flexible and cost-effective mechanism for early-stage fundraising. The current exclusion of these instruments limits optionality for both companies and investors and reduces the number of start-ups capable of accessing EIS support.</p>
<p>Solution</p>	<p>Allow for the specific inclusion of Convertible Loan Notes and Simple Agreements for Future Equity to become eligible for EIS relief at the point of conversion into qualifying equity. If concerns exist regarding the repayment features or duration of CLNs, the next most favourable option would be to permit SAFEs only, and not CLNs, to qualify for EIS relief, given their non-repayable and non-interest-bearing nature. Eligibility should crystallise at the point of conversion into ordinary qualifying shares. In this context, the application of TCA97 s128C should not apply in a manner that restricts eligibility. A modern investment incentive scheme should reflect prevailing investment instruments used in the start-up ecosystem. Allowing these instruments would increase participation in EIS and improve capital formation without undermining the underlying risk-finance policy objective.</p>

Proposal (iii): A Fairer Clawback provision

<p>Problem</p>	<p>The existing clawback provisions within EIS result in the full withdrawal of relief if the required holding period conditions are not met. This creates a cliff-edge outcome for investors. In many cases, projected employment or growth outcomes may be achieved in a shorter timeframe than the full compliance period. Moreover, angel investors frequently have limited control or veto rights in the event of a company acquisition or early exit. The current structure penalises investors even where the broader policy objectives of enterprise growth and job creation may have been substantially achieved.</p>
<p>Solution</p>	<p>Introduce a pro-rata clawback mechanism. Instead of full clawback applying where the holding period is not fully completed, relief should be reduced proportionately based on the period of ownership. For example, where shares are held for three of the four required years, only 25% of the relief should be clawed back. This preserves the integrity of the scheme while removing the disproportionate penalty associated with early exits outside the investor's control. A fairer structure would incentivise greater participation by early-stage investors.</p>

Proposal (iv): Reform of rules around connected parties/ holding companies

<p>Problem</p>	<p>The current EIS rules provide that an investee company cannot be controlled by another company. Control is defined by reference to share capital, voting rights, or entitlement to assets on winding-up. In practice, founders frequently receive tax advice to establish a holding company to hold their personal shareholding. Where such a holding company owns a majority stake in the trading company, even where the founder owns 100% of the holding company, the trading company may be deemed ineligible for EIS investment. This outcome is unintended and disproportionate. It restricts access to EIS relief for companies that are otherwise engaged in qualifying trading activities and whose ownership structure reflects standard tax planning advice rather than any attempt to circumvent scheme rules.</p> <p>Further, the use of a CLN or debt instrument by an investor, subsequent to their initial qualifying EIS equity investment, serves to disqualify the original EIS relief granted to that investor, if done within the qualifying period - the act of putting in a CLN deems you connected. This is problematic in bridge funding scenarios which are very common. It results in EIS investors being prevented from providing interim funding solutions to companies. The use of a CLN in bridge rounds is the industry instrument of choice globally.</p>
<p>Solution</p>	<p>Introduce a look-through or see-through provision for holding companies wholly owned by an individual founder. Where the founder owns 100% of the holding company, that holding company should not be treated as a controlling company for EIS eligibility purposes. Similarly, a person should not be regarded as connected with the investee company as a result of having or acquiring a CLN or other instrument. These targeted reforms would remove an unnecessary barrier to EIS access without undermining the policy intent of the EIS rules.</p>

(v) Simplification of EIS

<p>Problem</p>	<p>EIS remains overly complex for many companies and investors. The Commission on Taxation previously noted that the scheme can act as a deterrent for potential claimants. Although Revenue restructured and updated EIS guidance in December 2025, the scheme remains compliance-heavy and costly to access. Advisory costs in Ireland remain significantly higher than comparable schemes internationally. Investors also lack certainty that investee companies will retain EIS status, as compliance is assessed and may be reviewed in subsequent years. This uncertainty increases perceived risk and reduces investor appetite. The amended GBER framework has introduced additional constraints and technical complexity, reinforcing the need for administrative clarity and certainty.</p>
<p>Solution</p>	<p>Introduce a streamlined and simplified EIS application process focused on confirming company eligibility at the outset. Companies should receive final confirmation of eligibility where sufficient information has been provided to the Revenue Commissioners. A more robust advance confirmation mechanism would provide certainty to investors and reduce the cost of capital. A simplified process with proportionate conditions should apply to early-stage companies raising limited amounts of capital. Revenue guidance should be concise, user-friendly and updated on a timely basis to reflect legislative and regulatory changes. Simplification and certainty would materially increase uptake and improve the effectiveness of EIS as a capital formation tool.</p>

A.5 Stamp Duty Reform to Support Local Capital Markets' Infrastructure

Problem	<p>With a number of high-profile stock market departures on Euronext Dublin in recent years, it is important that government supports Irish equity capital markets as an important funding mechanism to support the funding needs of Irish enterprise and to create a level playing field with other international markets. This is critical as capital is mobile and will flow to efficient markets if Ireland fails to take action and domestic companies are not supported. The imposition of stamp duty, particularly on dual-listed companies which are listed in the US, is an anomaly and drives capital flows out of Ireland and Europe towards US capital markets.</p>
Solution	<p>In order to ensure that Ireland has a funding ecosystem to support the growth and funding of Irish companies at all stages of development we need to ensure we have a vibrant local stock market and ecosystem. The Alliance supports Euronext Dublin's call for issuers which are dual-listed in the US and Ireland to be stamp duty exempt. This would mean that businesses that seek or have already attained a US-listing, could retain a listing in their home market. As a result they would be more likely to keep their centres of operation, employment and IP here in the future, thus benefiting the domestic economy.</p> <p>Stamp duty is not paid on share transactions in Irish incorporated companies that happen in the US. For an Irish incorporated company with a dual US/Irish listing, the imposition of stamp duty on trading in Ireland but not in the US drives liquidity to the US and penalises investors buying shares in the company here in Ireland. The status quo is that companies which seek a US-listing, cancel their European listing, so the change would have no cost to the exchequer but would benefit Irish companies, investors and the broader Irish economy.</p>

B. Share Options / Reform of the KEEP Scheme

Proposal (i): Determine eligibility by company age

Problem	KEEP's eligibility limits (up to SME) present a possible cliff edge and uncertainty to scaling companies seeking to utilise a share options scheme. A time bound provision which allows companies to scale successfully is becoming a preferred option in Europe.
Solution	Allow companies up to 15 years to avail of KEEP. Other countries have used this model time bound limit to determine eligibility for their share options scheme targeted at start-up and scaling companies. A similar mechanism has been introduced in Germany. Provide certainty that KEEP is a long-term option for scaling companies.

Proposal (ii) Allow companies to award options up to 20% of total equity of the company or increase the value of the issued but unexercised shares from at least €6 million to €12 million

Problem	The successful implementation of the KEEP scheme is hindered by the narrow parameters in which it operates. While it might notionally work for early stage start-ups, it becomes problematic for scaling companies very quickly. These companies are then propelled into the same stock option environment as large multinational companies where the risk versus reward environment is entirely different.
Solution	There are two options being put forward by the Alliance. The first seeks to double the threshold from €6m to €12m, in a manner consistent with the existing legislative framework. However, a preferred option might be to allow the awarding of share options in line with the growth in company equity, allowing companies to award options up to 20% of total equity of the company, thereby avoiding the cliff edge that applies to a denominated figure approach. Stock options are critical in allowing start-up and scaling companies to be competitive in a difficult hiring environment. A functioning stock option environment is essential to a healthy ecosystem. Continued reform of KEEP until it meets the needs of the start-up and scaling companies is essential.

Proposal (iii): Allow standard market practice to set valuation prices

Problem	One of the greatest difficulties facing companies seeking to use KEEP is uncertainty around share price valuation. Companies fear making an error or applying a valuation that is unacceptable after the fact to the Revenue Commissioners and this constitutes a real risk to their standing with Revenue and consequently to their businesses.
Solution	Allow accepted market valuation practices apply such as the pricing of previous fundraising round. The Alliance believes that greater certainty around this issue would boost take up of KEEP and help fulfil an important Government policy goal.

Proposal (iv): Remove the link between equity ownership and salaries under the KEEP scheme (S.128F, TCA 1997) and raise the cap on share options

Problem	Cash-constrained start-ups already pay below market salaries and cash compensation. Offering equity ownership is how they compensate for relatively low cash remuneration. Tying the market value of KEEP share awards to already low cash compensation and capping annual awards only ensures that the equity awards will also be below market, and therefore ineffective in helping start-ups compete for top talent. By enacting this rule, Irish companies will never be able to compete for talent on a level playing field with bigger companies.
Solution	It is recognised that KEEP brings about reduced taxation for the employee and therefore an unlimited amount of remuneration in the form of KEEP compensation would not be appropriate. Therefore, consideration should be given to introducing a greater cap, ultimately limiting share options to 20% of the total equity of a company for employees, and 2% of the total equity of a company for individuals, that could be granted (on the date of granting) to employees under the KEEP scheme. It should not be linked to annual remuneration. This would allow companies to utilise the scheme to attract the services of NEDs and key advisors. This should allow Irish start-ups to compete for technical and management talent at home and abroad. Further it would bring about a simplicity of explanation of compensation structures in attracting talent. Under the current KEEP scheme rules, the government has put domestic start-up enterprises at a disadvantage in their ability to compete for critical talent both inside and outside Ireland.

Proposal (v): Introduce Safe Harbour process to determine KEEP eligibility

Problem	Early-stage start-ups do not have the appropriate staff, or the appropriate legal and accounting budgets to set up and implement a complex scheme like KEEP. For example, determining the market value of the shares is critical to the implementation of KEEP, but there is no clear or safe harbour guidance about how a start-up can determine the value.
Solution	A safe harbour process similar to the one which applies in the UK would allow start-up and scaling companies confirm their eligibility for participating in KEEP and secure agreement around share Valuation. The Alliance is a strong supporter of the KEEP scheme and believes that it has the potential to be an effective solution for start-up and scaling companies. However, it is currently too complex and puts off potential applicants. The introduction of a process where advanced assurance of eligibility and valuation price would be a significant step forward.

Proposal (vi): Narrow the scope of 'excluded activities' under KEEP

Problem	The current definition excludes companies engaged in defined 'professional services', which appears to conflict with policy intent to promote Ireland as a location of higher value services, e.g. FinTech, InsurTech, and more generally trading activities which draw upon the skills of employees with professional services qualifications.
Solution	Narrow the scope of excluded activities to align with the Government's understood policy intent of promoting Ireland as a location for higher value services, e.g. FinTech, InsurTech, BioTech, professional services, etc. Allows a wider scope of businesses to be eligible to provide KEEP shares to employees, and compete with international employers for talent.

Proposal (vii): Holding Period

Problem	The company buyback amendment in the 2022 Finance Act was an important innovation in the KEEP regime. The current tax rules which allow buybacks/redemptions to be taxed at capital gains rates are complex and require a holding period of five years. An absence of liquidity at early stage scaling companies is an acknowledged feature of these companies.
Solution	We support the 5-year time limit commencing from the grant of the option thereby meaning that no cash needs to be available to fund the purchase of the shares until a liquidity event. Increased capacity of early stage companies to avail of KEEP.

Proposal (viii): Company structures/disqualifying events

Problem	The current legislation does not provide for the continuing availability of CGT treatment if the SME undergoes a corporate reorganisation during the period in which the KEEP share options are still unexercised.
Solution	We believe that the KEEP provisions should allow for the CGT treatment available under KEEP to continue to apply where the SME undergoes a corporate reorganisation. There should be provisions facilitating the “roll-over” of the options into a new company in a similar way in which this is facilitated for Entrepreneur Relief (ER). Facilities the inclusion of scaling companies in KEEP.

Proposal (ix): Penalties

Problem	The filing of an incorrect KEEP application currently comes with the penalty of disbarring a company from participation in the scheme. This acts as a disincentive to early stage start-ups from considering participating in the scheme, as a Revenue finding of this nature will have significant implications for the company’s capacity to scale.
Solution	Replace the current penalty with a monetary penalty which has less long term consequences. This will help remove a further obstacle for companies participating in the scheme and for which it is designed to assist.

Unapproved Share Options Schemes

Problem	Unapproved share options that can be exercised more than 7 years after they are granted (i.e. long options) may trigger a charge to income tax both at the grant of the share option and at the exercise. The requirement to address the 7-year limit incurs additional costs and administrative burdens as companies must implement specific rules to comply with the Irish tax rules. This complexity can deter companies from offering certain share options.
Solution	Remove the possibility of options being taxed at grant. The legislation should be amended to allow share options to be exercised beyond 7 years without triggering a tax charge at grant. Consideration to be given to a refund of related income tax rather than the use of a Capital Gains Tax loss when shares are subsequently disposed of. Tax should only be imposed at point of sale.

C. R&D Tax Credit Scheme

Proposal (i): Increase the cash reimbursement cap in year one to €150,000

<p>Problem</p>	<p>Monetisation of the tax credit is an important part of the R&D tax credit regime for start-up companies. The changes introduced in last year's Budget allow companies to claim up to €87,500 in year one. The Alliance believes that the cash threshold has been set too low to be of substantial benefit to scaling companies. Many other countries such as the UK, Canada and Australia, all pay out the entire R&D tax credits earned in the year where the necessary conditions are met. We believe having to wait 3 years to have the full R&D tax credit paid out, is simply too long a period for companies to wait, especially SMEs and start-up and scaling companies which require the funding immediately, especially as they have incurred and paid for the R&D costs related to the R&D tax credit claimed. Some of our members have experienced significant delays in respect of such reimbursements and we would ask for a review of timeliness of such refunds.</p>
<p>Solution</p>	<p>Increase the limit to €150,000 in year one. This would act as a further incentivisation of R&D in line for SMEs with stated government policy. It would also facilitate start-ups which are concentrated on R&D, but often have cashflow difficulties as they invest their solutions.</p>

Proposal (ii): Cap on eligible subcontractor costs

<p>Problem</p>	<p>The 2019 OECD review identifies the limits on credits for spending on third party subcontractors and third level institutions as mitigating against SME involvement. The allowable credit in this respect was increased to 15% in the 2019 Finance Act. However, this increase only benefits large companies with an internal R&D spend of greater than €666k and does little to incentivise the majority of claimants who fall way below that threshold. For SMEs, the cap is in reality €100k or, if their internal spend is less than that, the cap is the internal spend. While we acknowledge that the purpose of the regime is to promote employment in STEM across the state, for SMEs, it is very difficult to compete.</p> <p>Multinationals availing of the credit can offer far greater salary and job security to the specialist R&D staff required. Quite often SMEs need to develop at least a minimum viable product to get funding and then be able to commit to full time employees. They spend a far greater amount on contractors as a result, in the earlier stages of their life, and the regime needs to be adjusted to ensure these companies are given the opportunity to achieve those employment targets as time goes on.</p>
<p>Solution</p>	<p>Remove the restriction to internal spend and replace the cap of €100k of subcontractor costs. Given the nature of scale-up companies, the founders and core technology specialists often draw no salaries. Therefore although their effort is 100% R&D their internal spend can be close to zero resulting in them being excluded from the regime entirely. This would improve the regime for the SME sector while resulting in no claim increases among larger claimants. The Alliance sees no intrinsic reason why such a limitation should apply to subcontracting credits, as long as the activity subcontracted is consistent with the underlying purpose of the scheme. Once again this change would incentivise additional R&D activity in the sector in line with the Government's ambition for greater levels of innovation.</p>

Proposal (iii): An increase to €125,000 in the science test exemption for companies in receipt of EI/IDA grants

<p>Problem</p>	<p>The existing provision within Revenue guidance that allows companies in receipt of IDA or Enterprise Ireland innovation grants up to the value of €50,000 is a valuable and possibly underused provision of the R&D code. We believe there is potential to considerably reduce the administrative burden on scaling companies and help de-risk the R&D scheme from their perspective.</p>
<p>Solution</p>	<p>To further enhance the value of these provisions and to support companies growth potential in the sector, we would like to see the cap pertaining in this area increased to €125,000 which would bring it in line with the average relief amount afforded to companies. Unless there are exceptional circumstances, failing this test should not lead to the subsequent application of penalties. This would simplify the application process enormously for a cohort of companies and encourage additional R&D activity which has been identified by the government as a key target in its White Paper on Enterprise.</p>

Proposal (iv) Amend Section 766, TCA 1997 to ensure appropriate overhead and other relevant costs are permitted in the calculation of R&D tax credit claims

<p>Problem</p>	<p>Revenue has taken the position that rent and many other overheads do not necessarily qualify in calculating the R&D Tax Credit. The concern appears to stem from the reference in S.766, TCA 1997, to qualifying expenses being expenses “incurred wholly and exclusively in the carrying on of R&D”. This position has developed over time and it is now necessary to address the matter as it is inconsistent with the treatment over a long-standing period of time. It is also inconsistent with the Department of Finance’s references as part of the prior R&D tax credit consultation processes on how the Irish R&D tax credit regime allows indirect costs incurred wholly and exclusively in the carrying on of R&D including building costs.</p>
<p>Solution</p>	<p>Delete the reference in S.766, TCA 1997, to expenses “<i>incurred wholly and exclusively in the carrying on of R&D</i>” and replace it with “expenses incurred in performing R&D”. This change would introduce an important clarification in the R&D scheme and reflect the real cost of R&D undertaken.</p>

D. SUSTAINABILITY

Proposal (i): Increased Public Advertising of Sustainability Supports

Problem	The Alliance is pleased to see progress in the Scale Ireland State of Start-ups Survey 2025 with regard to the increased number of companies with a sustainability plan, albeit from a very low base. We welcome too the survey's findings with regard to the increased role of state agencies acting as a driver in this regard. We believe that early adoption of sustainability planning will smooth the way for start-up companies' future compliance requirements and investor readiness.
Solution	The evidence from the Survey would suggest that previous advertising and promotion campaigns from EI and the LEOs are gaining traction. Ambitious targets should be set for programmes like Green for Business.

Proposal (ii): Climate Tech and State Action Plans

Problem	The integration of tech based climate and sustainability solutions into Ireland's emissions and adaptation planning is not particularly advanced. The Alliance believes that technological progress in addition to posing a challenge to our climate ambitions, is also capable of contributing significant assistance. We believe our current climate planning does not reflect this potential.
Solution	The Alliance is calling for Enterprise Ireland and other stage agencies investing in climate tech to harness the activity taking place in the climate tech space and to assess its capacity to assist the state meet the targets set out in our national climate emissions and adaptation plans. Enterprise Ireland and/or the Department of Further and Higher Education should prepare and publish data for that plan and broader public use of the state of climate tech innovation taking place in Ireland. Consideration should be afforded to benchmarking a fixed percentage of state investment in companies offering climate and sustainability solutions.

Proposal (iii) The introduction of a tax credit scheme geared towards micro and SMEs to have a sustainability plan with KPIs

Problem	Despite the range of supports being offered by state agencies to companies to develop sustainability action plans, the importance of sustainability planning is still difficult for time challenged founders. This clearly is not good for the environment. It is also not helpful to the companies at a later stage when investors focus on these key issues.
Solution	The Alliance believes that a carrot of a tax credit should be offered to companies which have put goal orientated sustainability plans in place. Whether a company has availed of the credit could become a useful test for investors to apply in making investment decisions. The plan must be put in place within 3 years of the company being set up. However, companies already established beyond that time period will be eligible to apply for the credit within a 2 year period of its introduction. Early adoption of sustainability planning will be of benefit to companies in an increasingly green focused economic landscape and to broader public policy sustainability goals.

Proposal (iv): Enterprise Ireland should ringfence dedicated funding under its HPSU scheme for companies with sustainable solutions

Problem	Climate tech is one of the fastest growing sectors in the tech sector. The 2024 'The State of European Tech Report', produced by Atomico, suggests that investment in climate tech in Europe is running at double the level of the US - a rare leadership position for Europe. There is real scope for Irish leadership in this context. The Alliance acknowledges the work already being done by state agencies like Enterprise Ireland and the Irish Strategic Investment Fund. We believe that additional support for climate focused entrepreneurship at an early stage sends a strong signal to founders that Ireland is ambitious about leading in this space.
Solution	The Alliance seeks increased investment in climate impact companies as a core element of the EI HPSU programme with investment of an additional 10% dedicated to climate impact companies within the programme in 2025. We would also propose additional reporting by Enterprise Ireland of the climate and sustainability impact of its investment programme. This approach will help embed climate mitigation (and adaptation) at the heart of Ireland's innovation strategies.

Proposal (v): Review of the existing support mechanisms

Problem	Notwithstanding the various supports available from state agencies from Enterprise Ireland to the Sustainable Energy Authority of Ireland, the Alliance remains concerned at what it sees as a lack of awareness in sustainability grants and schemes. While we have welcomed some progress, there is still a considerable road to travel in this regard.
Solution	The Alliance believes there is a need for a cross agency review of the available supports to companies and their effectiveness. The report would focus on identifying obstacles to take-up and make recommendations that would more effectively incentivise early stage companies and SMEs to avail of these supports. The goal is to achieve a more effective support system achieving better outcomes than those currently being recorded.

4. Conclusion

The Action Plan on Competitiveness and Productivity is the latest Government policy report to promise support for the indigenous tech sector. The prominence of the sector in discussions about the future of the Irish economy is both welcome and appropriate. But if we are going to meet the Government's ambitious targets for the sector, more urgency and ambition is required.

The Alliance's ongoing identification of a funding gap for scaling companies in particular, has been confirmed by a series of Government reports. Founders have been clear - this is the greatest challenge facing the sector. What they require now is action. The €100m to be afforded to Enterprise Ireland's new scaling fund is a start, but only a start. We require incentives to invest private money, either saved or tied up in pensions, into building our indigenous tech sector. Similarly, our EIS fund needs to be reinvigorated, not tied back by red tape identified as long ago as the Commission on Taxation and Welfare. Hopefully, reform of the GBER rules in the EU, will remove stated obstacles to making Government interventions more effective. But if and when they do, then the Government needs to respond expediently.

The request to simplify supports for early stage founders and companies has been around for too long. The Revenue Commissioners have indicated that they can do no more on an administrative basis. The Alliance has been clear for some time that legislative action is required. Let 2027 be the year that we finally make substantial progress. On foot of the EU's Draghi and Letta reports there is a lot of activity at European level. We've a new start-up policy, a new Scaling Fund is being put in place, a new policy on savings and investments and the single company law regime (the 28th regime) to facilitate pan European scaling has been announced. As stated GBER state aid exemptions are being looked at specifically from the perspective of SMEs. We need to see a similar focus on our domestic policy environment.

The Alliance is conscious too of broader issues that impact on the capacity of early stage companies to scale and grow. Problems like the cost of housing and childcare in particular, impact on our sector as much as any other. Securing government solutions to these difficult problems remains a central challenge to the Irish economy.

The Alliance looks forward to discussing these issues with the Ministers for Finance and Enterprise, officials and members of the opposition in the months ahead with a view to making Budget 2027 a turning point for Irish companies.

Alliance for Innovation

