PKF Brenson Lawlor

Quarterly Tax Update

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Contents

Pillar Two

Time to submit return and pay tax!

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Pillar Two comprises of a number of interlinked rules, know as the Global Anti-Base Erosion "GloBE" rules which provide that companies will pay a minimum effective tax of 15% on their profits in respect of each country in which they operate.

The Pillar Two provisions and the 15% rate will apply to domestic and multinational businesses that have a turnover of €750m or more in at least two of the preceding four years.

In Ireland it is expected that the 15% rate will apply to approximately 56 Irish multinationals and approximately 1500 foreign owed multinationals, employing circa 500,000 in total.

The 12.5% rate will continue to apply to the vast majority of businesses which fall outside the Pillar Two rules.

In relation to Pillar Two rules there are three charging provisions contained in Irish Legislation:

1. Income Inclusion Rule "IIR"
2. Undertaxed Profit Rule "UTPR"
3. Qualified Domestic Top-Up Tax "QDTT"

It is envisaged that most Irish companies are expected to opt to apply the QDTT. The QDTT is applicable for accounting beginning on or after 31 December 2023.

Submission of GloBE tax return and payment of top-up tax- 30 June 2026

In Ireland the GloBE return will normally refer to QDTT. The GloBE tax refers to the domestic top-up tax in Ireland.

For companies with 31 December 2024 year end the due date for filing and paying any top-up tax under Pillar Two is 30 June 2026. In most instances Irish entities will apply the Qualified Domestic Top-Up Tax (QDTT).

Irish entities which are subject to the QDTT with 31 December 2024 year end must file and pay the relevant tax by Tuesday 30 June 2026.

Even if the top-up tax is nil a nil return is still required to be filed.

Therefore, post 30 June, Revenue will see the real impact of the top-up tax.

SARP Relief

SARP is a valuable income tax relief that may be available for certain individuals assigned to work in Ireland by their foreign employers between 2012 and 2030. Provided that the relief applies, 30% of the employee's relevant qualifying employment income is disregarded for income tax purposes by way of the SARP relief.

The following conditions must be satisfied in order for a relief to apply:

- An employee must have worked full-time for their foreign employer for at least 6 months prior to being assigned to Ireland.
- An employee must have been assigned to work in Ireland at their employer's request to work for that employer or their associated company in Ireland.
- The assignment must be at least 12 consecutive months.
- An employee must not have been a resident in Ireland during the previous 5 years.
- Employee's basic salary must meet the relevant income thresholds (please see below).
- An employee must obtain a personal public service number (PPSN) within 90 days of arrival in Ireland.
- An employee must be tax resident in Ireland for all years that they claim the relief.
- An employer must complete and submit form SARP 1A within the required time period (please see below)

Finance Act 2025 brought certain changes applying to the relief from January 2026 onwards:

-Minimum qualifying salary requirement increased from €100,000 to €125,000 for the years 2026 to 2030.

-Employer certification: where an employer completes the certification within the first 90 days of employee's arrival, full relief is available and claimed from year 1 subject to the above conditions being satisfied. However, the Finance Act 2025 provides for an extension of this period up to 180 days in 2026 and following years. Where the employer certification is completed within the period from 90 days to 180 days from employee's arrival, the relief cannot be claimed in respect of the first year that employee is entitled to the relief, however, the employee would still be entitled to the relief in respect of the following 4 years.

Therefore, provided the above conditions are satisfied, employees assigned to work in Ireland receive income tax relief on 30% of the qualifying employment income from €125,000 to €1,000,000. In addition, the following expenses can be reimbursed free of tax to the employee availing of the relief:

-reasonable costs associated with one return trip for the employee and their spouse and children from Ireland to the country of employee's residence prior to the assignment (or a country in which an employee is a national).
-The costs of school fees not exceeding €5,000 per annum per child.

Capital Acquisitions Tax
Reporting Requirements

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Gifts and Inheritances

CAT is an Irish tax which applies in general to gifts and inheritances received by an individual who is resident in Ireland for tax purposes or where the provider is so resident.

- The rate of CAT is currently 33%
- The tax is calculated on the value of a benefit received which exceeds certain tax free thresholds which apply to how the provider of the benefit is related to the individual
- The tax free thresholds are lifetime limits and apply to benefits received from a parent (Group A) , a blood relative (Group B) or a stranger in blood (Group C)
- The current Group A threshold is €400,000, Group B €40,000 and Group C €20,000
- Certain tax reliefs can apply to benefits received e.g. business assets or shares in a trading company
- Where a CAT liability arises or the value of the benefit exceeds 80% of the tax free threshold that applies to the gift or inheritance, a CAT return must be filed.

Filing and Payment Deadlines

-For gifts or inheritances received prior to 31 August in any calendar year, the due date for filing and payment of the CAT liability due is 31 October in that year,

-If received after 1 September in any calendar year, the due date is 31 October in the following year

Certain Family Loans

A new CAT filing obligation now applies for certain family loans (specified loan). This being any loan, advance or any form of credit that is:

- Received from a close relative (being someone related under CAT Group A or Group B thresholds);
- Received from a company of which a close relative is beneficial owner;
- Provided by a relative to a company of which the individual is the beneficial owner, or;
- Made between two companies where beneficial owners of both are close relatives

For the year 2025 onwards a CAT return is required where:

- The individual is deemed to have taken a gift in respect of a specified loan set out above, and;
- The combined balance of the loan or any other specified loans exceeds €335,000

For year 2024, an individual is required to file a CAT return where:

- The individual is deemed to have taken a gift in respect of a specified loan set out above;
- No interest was paid on the loan within 6 months of the end of the year of that gift, and;
- The combined balance of the loan or any other specified loan exceeds €335,000

Capital Acquisitions Tax
Reporting Requirements

Deemed gift: In the context of a loan, a person will be deemed to take a gift in respect of that loan if they have not paid full consideration for the benefit of the loan, for example, where no interest is paid on the loan or interest is paid but at a below-the-market rate. For CAT purposes, the gift is the interest-free element of the loan, rather than the loan itself. Where a loan is interest-free, the person will take a gift of an amount equal to the best price obtainable for use of the loan capital. If interest is paid but at a below market rate, the person will take a gift equal to the difference between the interest paid and the best price obtainable for use of the loan capital. In practice, Revenue accepts the highest rate of return the person making the loan could obtain on investing the funds on deposit as the best price obtainable for use of the loan capital.

Filing Deadlines

The following dates are important to keep in mind when filing the relevant CAT return:

- For loans in place at the end of a tax year, the due date for filing the required return is 31 October in the following year
- For loans repaid during a tax year, if repaid prior to 31 August, the due date is 31 October in that year, if repaid after 1 September, the due date is 31 October in the following year.

Family loans - Information Required

The following information is required on filing the relevant CAT return:

- Name, Address & tax reference number of the person the loan was received from
- The market value of the free use of the loan
- The balance outstanding on the loan

Irish R&D Tax Credit

Updates, Pitfalls & Key Dates

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The Irish R&D tax credit remains one of the most valuable corporate tax incentives, designed to reward companies undertaking qualifying scientific or technological innovation. However, there is often a reluctance for companies to claim this relief due to the administrative compliance requirements and Revenue scrutiny which often accompany such claim. In this article we summarise the changes to the relief over the last few years and the common pitfalls and key dates to be aware of when making a claim for the R&D tax credit.

1. Overview and recent changes

Ireland's R&D credit has undergone significant reform since Finance Act 2022 with increases in the rate of qualifying expenditure that qualifies for refund and the timing of payouts.

Increased credit rate

- The credit increased from 25% to 30% for accounting periods starting on/after 1 January 2024.
- A further increase to 35% effective for later filing periods, (typically 2026 year-ends and beyond).

This significantly enhances the overall benefit (up to c. 47.5% when combined with the trading deduction) and can be extremely beneficial to companies carrying on qualifying R&D activities.

Move to refundable tax credit

A major change has been made over the last few years as to how the claim applies:

- Conversion to a payable/"qualified refundable" credit,
- Paid in three instalments (typically 50%/30%/20% profile),
- Removal of limits on payable credits, improving access for SMEs and loss-making businesses.

Increased first instalment thresholds

Recent budgets have progressively increased early cash access:

- First-year cash threshold increased (e.g. €50k → €75k → €87.5k proposed).

This provides faster liquidity for SMEs making smaller claims.

Pre-filing notification requirement

Introduced from 1 January 2024:

- First-time claimants (or those inactive for 3 years) must submit pre-notification at least 90 days before filing

This is a significant change and can lead to claims being rejected if this pre-filing notification period is not adhered to.

Broader technical clarifications

Recent Finance Bills also:

- Clarify treatment of employee costs (e.g. 95%+ R&D time → 100% eligible).
- Expand qualifying capital expenditure (e.g. laboratories).

2. Common Pitfalls

The following are the most common pitfalls incurred by taxpayers:

- Missing the 90-day deadline can invalidate the claim entirely.
- Errors or omissions in the CT1 filing can render claims invalid, with limited ability to correct later.
- Claims must be made within 12 months of the accounting period end, with no Revenue discretion for late claims.
- Underclaiming eligible costs due to inadequate record keeping
- Including costs which have been covered by grants
- Weak technical documentation

Irish R&D Tax Credit

Updates, Pitfalls & Key Dates

This last issue of weak technical documentation is common especially where the R&D tax credit requirements are not considered at an early stage. This can lead to failure to retain adequate records of meetings, failed trials or tests, etc.

To qualify for the relief, the activities must involve the following:

- Scientific or technological advancement,
- Resolution of uncertainty,
- Systematic investigative approach.

Clearly documenting the scientific or technological advancement being sought is a fundamental part of this process. Adequate records should be kept of the uncertainty arising and why existing processes or methodologies do not resolve the uncertainty. Revenue often engage industry experts to review this documentation so there should be significant input from the technical staff who carry out the R&D activities in preparing and maintaining the records required. Revenue's R&D manual sets out in Appendix III a suggested file layout setting out what records they would expect to be maintained by taxpayers to support R&D claims.

3. Key dates & deadlines

Understanding the timeline is critical, as missing deadlines typically results in permanent loss of the credit.

3.1 Corporation tax (CT1) filing deadline

- Standard deadline: 9 months after accounting period end,
- Due by the 23rd day of that month (e.g. 23 September for a 31 December year-end).

3.2 Final deadline for R&D claim

- Absolute deadline: 12 months after the end of the accounting period.
- Claims can be made or amended within this window.

Example:

- Year-end: 31 Dec 2025
- CT1 deadline: 23 Sept 2026
- Final R&D claim deadline: 31 Dec 2026

3.3 Pre-filing notification (if applicable)

- Must be submitted at least 90 days before the claim is filed.

Example:

- Latest claim date: 31 Dec 2026
- Pre-notification deadline: 2 Oct 2026 (latest)

Advisors recommend submitting earlier in line with CT1 timelines.

3.4 Payment timeline

Credit paid in three annual instalments, starting in the year after the claim.

4. Conclusion

Recent developments have made the Irish R&D tax credit both more generous and more structured. The relief is subject to close scrutiny by Revenue and strict reporting deadlines. However, increased rates, enhanced refunds, and removal of caps have significantly improved cashflow benefits, particularly for SMEs.

Companies that have robust processes—linking technical teams with tax functions—are best placed to maximise claims and withstand Revenue scrutiny.

Please contact us if you would like to discuss this relief and to ensure you are maximising the tax benefits available to your company.

Reduction in VAT Rate

Effective from July 1, 2026

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As announced in the Budget last October, the second reduced rate of VAT (9%) is now applicable to food and catering services, as well as to hairdressing, effective from 1 July 2026.

This is a permanent reduction in the VAT rate applicable to such supplies – unlike previous reductions in the VAT rate, which were temporary in nature and were introduced for specific policy purposes.

It is important to note that the reduction does not apply to hotel or similar accommodation (which continues to be subject to VAT at 13.5%) or to alcoholic or soft drinks (which are subject to the 23% VAT rate) but does apply to food and catering provided by such hotels.

The different VAT rates applicable to businesses that provide a bundle of services (such as a fixed price for bed and breakfast) will have to be considered, are such packages treated as composite or multiple supplies, and how does this impact the VAT arising.

The 9% VAT rate now applies to a broad range of goods and services, such as:

-electricity and gas bills have been subject to this reduced rate for some time now (this is scheduled to expire at the end of 2030, when such supplies revert to the 13.5% rate),

-sporting facilities,

-electric vehicle charging facilities,

-the sale of new apartments (this is also scheduled to expire at the end of 2030, when the 13.5% rate will apply).

Whilst the VAT rate applicable to such supplies has been reduced, there is no obligation on hospitality or hairdressing businesses to pass on the saving to end-users. In fact, it has been speculated by representative bodies that inflationary pressures over recent months will result in such businesses retaining the VAT saving on inputs, rather than reducing prices for customers.

Any business that is impacted by the change in the VAT rate should be aware of their obligations to their customers:

-what rate of VAT is applied to certain supplies, such as:

- business customers, where date of invoice determines VAT rate, and
- private customers, where date of supply determines VAT rate,

-how is VAT accounted for in the event of a credit note,

-how to account for VAT on payments in advance, or on ongoing supplies (both before and after the change in VAT rate).

If you require any support with the scope of or impact of the change in VAT rate, please do not hesitate to contact our team.

Our tax and payroll team

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Our tax and payroll services

We offer comprehensive tax compliance and advisory services to a range of clients, both in Ireland and globally, helping them find their way in the increasingly complex world of tax.

We find practical solutions that we use to our clients' advantage. Our team of experts supports individuals, and businesses ranging from start-ups and SMEs to large international groups, both listed and privately owned.

Where understanding of our clients' sector makes the difference, our experts invest their in-depth industry expertise to provide invaluable support and insights.

We also provide a first-class payroll service run by a fully IPASS trained team of professionals. Our experienced team offer comprehensive and cost-effective payroll service to businesses of all sizes.

Corporate & business taxes

Our Business Tax Team work with our clients to ensure their business is structured in the most tax efficient manner and allows all available tax reliefs to be availed of by both the company and the shareholders.

We advise local & international based companies on Ireland's key tax incentives such as the competitive corporation tax rate of 12.5%. Ireland also has tax reliefs for holding company structures and tax incentives for R&D activities. Our services include corporate tax structuring & group tax matters, capital allowances, intangible asset relief, R&D credits/refunds, transfer pricing, compliance matters

Personal tax & payroll taxes

Our team provide a comprehensive personal tax planning service, so the client's future income is protected from unnecessary personal tax liabilities. The preparation and submission of tax returns supported by a tax advisor to correctly reflect the tax position of the taxpayer is very important.

Processing of payroll for employees has become increasingly complex and we provide comprehensive end to end processing of all payrolls including statutory submissions.

VAT services

Our VAT tax team will support you in meeting your VAT compliance objectives and advise you on any VAT issues that your business faces.

We can ensure that your VAT risk is assessed and managed, and that your VAT recovery is optimised. We can also provide advice and compliance services on other indirect taxes,

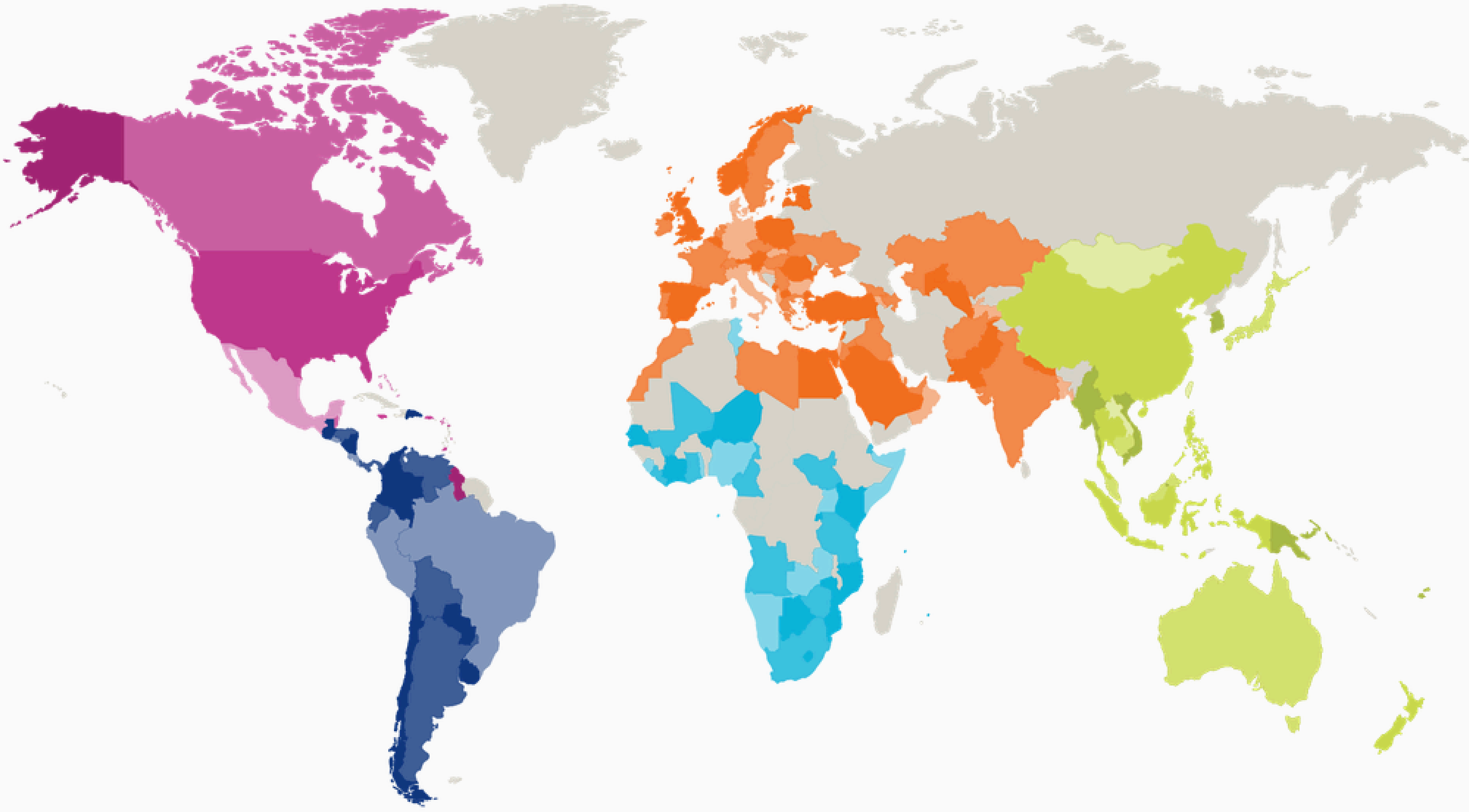
Transactional advisory

We have advised many domestic and international companies on all aspects of the sale and purchase of businesses. This includes general and specific due diligence assignments and vendor due diligence projects.

Our tax team work with our clients and their professional advisors to ensure that their property investment or development is structured in the most tax-efficient manner.

About PKF

Proudly part of the PKF global family



15th
Largest International Accountancy Network

€2 Bn
Aggregate global revenue

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Partners and Staff

We operate from over 440 locations in 150 countries across the globe. We are ranked in the top 20 of global networks with more than 21,100 PKF partners and staff supporting private and listed businesses.

International sharing of knowledge

We work closely with firms from the PKF Global network to deliver international engagements. Our approach is equally collaborative no matter who we're working with and our goal is to provide a streamlined and cohesive service across all of our clients' locations.

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