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TAX ON INBOUND INVESTMENT

Ireland



LEXOLOGY

Tax on Inbound Investment

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Generated on: October 9, 2026

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Contents

Tax on Inbound Investment

ACQUISITIONS (FROM THE BUYER'S PERSPECTIVE)

Tax treatment of different acquisitions
Step-up in basis
Domicile of acquisition company
Company mergers and share exchanges
Tax benefits in issuing stock
Transaction taxes
Net operating losses, other tax attributes and insolvency proceedings
Interest relief
Protections for acquisitions

POST-ACQUISITION PLANNING

Restructuring
Spin-offs
Migration of residence
Interest and dividend payments
Tax-efficient extraction of profits

DISPOSALS (FROM THE SELLER'S PERSPECTIVE)

Disposal methods
Disposals of stock
Mitigating and deferring tax

UPDATE AND TRENDS

Key developments of the past year

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ACQUISITIONS (FROM THE BUYER'S PERSPECTIVE)

Tax treatment of different acquisitions

What are the differences in tax treatment between an acquisition of stock in a company and the acquisition of business assets and liabilities?

In stock acquisitions, the purchaser acquires some or all of the stock (more usually referred to in Ireland as shares) in the target company and the target company is largely unaffected by the transaction.

The acquisition cost of the shares (assuming the acquisition is between unconnected parties and on arm's-length terms), together with any related costs of acquisition, will become the purchaser's tax basis in the shares. The target company will not gain any step-up in basis in respect of its assets. Accordingly, the target company could be carrying significant latent gains, which a purchaser should be aware of if it foresees disposing of the target company's assets in future.

The purchaser is liable to pay stamp duty at a rate of 1% on the value of the shares acquired (or the market value of the shares, if greater). Share transfers are exempt from value-added tax (VAT) and, as a consequence, a purchaser cannot recover any VAT incurred by it in connection with the share acquisition.

On a share acquisition, it is possible for the target company to retain the benefit of any losses carried forward from previous tax periods for use in subsequent tax periods. However, this is subject to strict conditions to prevent "loss buying". Where, within a three-year period before or after a sale of the company, there is a significant change in the nature of the business, the company will not be able to carry forward losses from pre-sale periods for set-off against post-sale profits.

The target company may be liable to tax as a result of a sale of its shares if that sale triggers a clawback of previously claimed reliefs. This can arise where group relief has been claimed in respect of capital gains tax (CGT) in the previous 10 years or group relief from stamp duty has been claimed in the previous two years, and the relevant group is broken as a result of the sale.

An asset acquisition is quite different from a tax perspective. In an asset acquisition, the purchaser can select which assets and liabilities they would like to acquire from the company. The consideration paid for those assets (assuming the acquisition is between unconnected parties and on arm's-length terms), together with any related costs of acquisition, will be the purchaser's tax basis in those assets.

The purchaser will be liable to stamp duty at a rate of 7.5% on the acquisition of business assets, which is significantly more than the 1% rate on shares. However, there are a number of categories of assets that are outside the charge to stamp duty, which may mean the stamp duty liability on an asset acquisition is lower than if it were structured as a share acquisition. Where there is a mix of stampable and non-stampable assets transferring, it will be necessary for the purchase price to be accurately apportioned between the assets to enable the correct stamp duty liability to be applied. This apportionment will also be relevant for the seller to determine its CGT liability (if any), so cooperation between the parties on this issue is important.

The following categories are not liable to stamp duty:

- movable assets that transfer by delivery;
- intellectual property and any goodwill directly attributable to that intellectual property;
- contracts that are novated rather than assigned;
- many categories of debt instruments; and
- non-Irish shares and real estate (subject to additional conditions).

A transfer of assets can be subject to VAT (at rates of up to 23%). However, where the assets being transferred comprise a business, "transfer of business" relief may apply to disregard the supplies of those assets, thus removing any VAT liability.

Law stated - 24 July 2026

Step-up in basis

In what circumstances does a purchaser get a step-up in basis in the business assets of the target company? Can goodwill and other intangibles be depreciated for tax purposes in the event of the purchase of those assets, and the purchase of stock in a company owning those assets?

In the case of an acquisition of the assets of the business, the purchaser's tax basis in the assets will be equal to the consideration paid for those assets (assuming the acquisition is between unconnected parties and on arm's-length terms), together with any other costs of acquisition of those assets.

Similarly, on a share acquisition, the purchaser's tax basis in the shares will be the consideration paid for the shares. The target company in a share acquisition will not get any step-up in basis on its assets as a result of the sale.

Transfer of assets or shares between members of the same corporate group may be deemed to occur at tax basis, resulting in no step-up in basis for the purchaser.

Accounting depreciation is generally disregarded for tax purposes. Instead, capital allowances (ie, tax depreciation or tax amortisation) can be claimed for capital expenditure incurred on eligible plant and machinery (P&M).

Capital allowances recognise the decreasing value of an asset through wear and tear. Broadly, a company that is carrying on a trade may avail of a wear and tear allowance where the P&M is used wholly and exclusively for the purposes of the relevant trade and the end of the relevant taxable period (and where certain other conditions are met).

A company can ordinarily claim capital allowances for P&M over eight years at a rate of 12.5%. The total allowances claimed over the tax life of an asset cannot exceed the actual cost of the P&M (including any expenditure on renewal, improvement or reinstatement).

"Plant and machinery" is not defined in Irish tax legislation. There is no approved list of assets that qualify for capital allowances in the legislation or any guidance published by the Irish tax authority, so it must follow its usual meaning.

P&M that is included on the list of "energy efficient equipment" prepared by the Sustainable Energy Authority of Ireland is eligible for accelerated capital allowances; where a taxpayer acquires any of the listed equipment, they can claim a deduction for the full value of the acquisition in the year it is acquired.

Capital allowances can also be claimed in respect of expenditure incurred on certain intangible assets ("specified intangible assets") acquired wholly and exclusively for the purposes of a trade and for bona fide commercial reasons. The definition of specified intangible assets is broad and includes patents, copyrights, brands and trade names. In addition, goodwill can itself qualify as a specified intangible asset to the extent it is recognised as an intangible asset under generally accepted accounting practice and is directly attributable to another specified intangible asset.

These allowances can only be used against income from relevant trading activities in which the assets are used and not against any other income. Such relevant activities include managing, developing or exploiting the relevant intangible assets, the sale of goods that derive the greater part of their value from the relevant intangible assets, or activities that contribute to the value of goods and services by using the relevant intangible assets.

The allowances can be claimed in line with the accounting depreciation or companies have the option to choose a fixed write-down period of 15 years, which amounts to an annual rate of 7% of qualifying expenditure for 14 years and 2% in the final year. However, the combined deduction for all such allowances and related interest in any period is subject to a cap equal to 80% of income from the relevant trading activities.

Capital allowances are also available in respect of new and (in certain cases) second-hand industrial buildings in the form of the "industrial building allowance". The types of buildings that can qualify are set out by legislation and include factories, mills, airports, nursing homes, hospitals and structures used for the purposes of growing fruit, vegetables or other produce in the course of a trade of market gardening. An office block would not be considered an industrial building for this purpose.

Typically, the industrial building allowance in respect of a new building is claimed at 4% annually for 25 years. However, certain types of buildings will be written down over a shorter period.

Capital allowances may also be available in respect of buildings used to provide childcare or fitness facilities to employees.

Law stated - 24 July 2026

Domicile of acquisition company

Is it preferable for an acquisition to be executed by an acquisition company established in or out of your jurisdiction?

There is no particular reason to prefer a locally established or foreign-established entity for an acquisition. Instead, it will be relevant for the purchaser to consider how this might fit with the rest of its corporate group and what its longer-term plans are for extracting profits from the target or ultimately disposing of the target (if such a disposal is envisaged).

In stock acquisitions of Irish companies, the purchaser will be charged stamp duty at a rate of 1%, regardless of where the purchaser is established.

In identifying whether a local or foreign acquisition vehicle should be used, it may be relevant to consider how profits will be extracted and returned to shareholders. Distributions made by an Irish company are subject to dividend withholding tax (DWT) at a rate of 25%. However, distributions made to Irish tax resident companies are exempt from DWT and due to the wide-ranging exemptions under Irish domestic legislation, it is usually possible to pay distributions to companies resident in the European Union or a double tax agreement (DTA) jurisdiction free of DWT.

If a future sale of the shares in the target company is envisaged, it may be relevant to consider whether such a sale will be within the charge to Irish tax. While an Irish resident seller will be within the charge to Irish CGT, a non-resident seller should not be liable to CGT unless the shares derive at least half of their value (directly or indirectly) from Irish real estate, minerals or mining rights in Ireland, or exploration rights within the Irish continental shelf. Ireland's taxing rights on such disposals are generally retained under the terms of DTAs entered into by Ireland.

By contrast, if it is anticipated that an exit by way of asset sale may be pursued, the location of the entity is unlikely to change the Irish tax outcome as both resident and non-resident sellers of the assets of an Irish business are generally subject to Irish CGT.

Law stated - 24 July 2026

Company mergers and share exchanges

Are company mergers or share exchanges common forms of acquisition?

An acquisition by merger or share exchange is not uncommon in Ireland, although they are less frequently used than a simple share or asset transfer.

There are a number of regimes that apply rules under which a merger can be effected, depending on factors including the forms of companies involved and whether the merger is domestic or cross-border.

In broad terms, there are three types of mergers that can be entered into by Irish companies (either with other Irish companies or non-Irish companies):

- merger by absorption: occurs where an existing company acquires all of the assets and liabilities of its wholly owned subsidiary;
- merger by acquisition: occurs where one company (the acquiring company) acquires all the assets and liabilities of another company (the target company) in exchange for the issue, to the members of the target company, of shares in the acquiring company (with or without a cash payment); and
- merger by formation of a new company: occurs where two or more companies (the target companies) transfer all their assets and liabilities to a third company formed for that purpose (the acquiring company), in exchange for the issue to the shareholders of the target companies of shares in the acquiring company (with or without a cash payment).

It should be possible to effect each of the above in a tax neutral manner, provided the transferred assets remain within the Irish tax net following the merger (eg, the assets continue to be used for a business carried on in Ireland or the assets transferred are Irish real estate or other assets in respect of which a person is liable to CGT regardless of their residence). Relief from stamp duty will also usually apply to a merger.

A share exchange will arise where one company (the transferor) transfers shares in another company (the target company) to a third company (the transferee) in exchange for an issue of shares by the transferee to the transferor. For CGT purposes, relief should apply that disregards the disposal by the transferor and deems the shares issued by the transferee to be the same asset, acquired at the same time and for the same value, as the transferor's shares in the target company. In effect, this relief defers any CGT liability until the newly issued shares are disposed of by the transferor. It is a condition of this relief that the transferee has control of the target company as a result of this transfer.

Relief from stamp duty is also available on a share exchange, but it can be subject to a clawback if, within a period of two years, depending on the terms of the transfer, either the shares in the target company or the shares issued by the transferor are disposed of.

Law stated - 24 July 2026

Tax benefits in issuing stock

Is there a tax benefit to the acquirer in issuing stock as consideration rather than cash?

It is a condition to certain reliefs for tax-neutral reorganisations that the consideration for the transfer of the shares or business in question is wholly or mainly in the form of an issue of shares by the purchaser.

Where such reliefs are not being relied on, there is no advantage (or disadvantage) to issuing shares as consideration.

Law stated - 24 July 2026

Transaction taxes

Are documentary taxes payable on the acquisition of stock or business assets and, if so, what are the rates and who is accountable? Are any other transaction taxes payable?

On stock acquisitions, the purchaser is liable to pay stamp duty at a rate of 1% of the value of the shares acquired (or, if greater, 1% of the market value of the shares).

Share transfers are exempt from VAT.

The acquisition of the assets of a business can create a stamp duty liability for the purchaser. Depending on the nature of the assets being acquired, stamp duty at a rate of up to 7.5% can apply. However, certain categories of assets are exempt from stamp duty, including the following:

- movable assets that transfer by delivery;

- intellectual property and any goodwill directly attributable to that intellectual property;
- contracts that are novated rather than assigned;
- many categories of debt instruments; and
- non-Irish shares and real estate (subject to additional conditions).

A transfer of assets can be subject to VAT (at rates of up to 23%). However, where the assets being transferred comprise a business, "transfer of business" relief may apply to disregard the supplies of those assets, thus removing any VAT liability.

Law stated - 24 July 2026

Net operating losses, other tax attributes and insolvency proceedings

Are net operating losses, tax credits or other types of deferred tax asset subject to any limitations after a change of control of the target or in any other circumstances? If not, are there techniques for preserving them? Are acquisitions or reorganisations of bankrupt or insolvent companies subject to any special rules or tax regimes?

On a share acquisition, the target company is largely unaffected, so, in principle, losses and other deferred tax assets should continue to be available for carry forward and use in future periods against profits of the same trade or business, in the same way as would be allowed if the target company's shares had not been sold.

However, there are anti-avoidance provisions that apply in the case of a change of ownership to prevent "loss buying". Losses are not available for carry-forward or offset in either of the following scenarios:

- within a period of three years, there is both a change in the ownership of the company and (before or after that change in ownership) a major change in the nature or conduct of the trade carried on by the company; or
- at any time after the scale of the activities of a trade carried on by a company has become small or negligible, and before there is any considerable revival of the trade, a change in the ownership of the company occurs.

A change of ownership for this purpose means a change in the beneficial ownership of more than 50% of the company's ordinary share capital.

A "major change in the nature or conduct of a trade" includes a major change in the type of property dealt in, or services or facilities provided, in the trade, and a major change in customers, outlets or markets of the trade. Such a major change can be regarded as occurring even if the change is the result of a gradual process that began outside the three-year period.

There are no particular rules that alter the above in respect of bankrupt or insolvent companies.

Law stated - 24 July 2026

Interest relief

Does an acquisition company get interest relief for borrowings to acquire the target? Are there restrictions on deductibility generally or where the lender is foreign, a related party, or both? In particular, are there capitalisation rules that prevent the pushdown of excessive debt?

Interest that is incurred wholly and exclusively for the purposes of a trade is generally deductible.

In the case of an asset acquisition, interest incurred on related-party borrowings to acquire the assets (other than trading stock or qualifying intangible assets from a connected company) is generally not deductible.

Interest incurred on a loan to acquire shares will generally not be deductible as a trading expense. However, it is possible for such interest to be treated as a charge on the income of the acquiring company (and, therefore, deductible in computing the company's corporation tax liability) provided certain strict conditions are satisfied. Where the conditions are satisfied, a company is entitled to take a deduction for the amount of interest actually paid in each taxable period against its profits for that period.

The first condition that must be satisfied for this treatment to apply is that the proceeds of the loan in respect of which the interest arises must be used for a "qualifying purpose". A qualifying purpose includes:

- acquiring any part of the ordinary share capital in:
    - a company that exists wholly or mainly for the purpose of carrying on one or more trades (a trading company);
    - a company whose income consists wholly or mainly of profits or gains arising in respect of rental income that is subject to tax in Ireland (a property company);
    - a company whose business consists wholly or mainly of the holding of shares in a trading company or a property company (a holding company); or
    - a company whose business consists wholly or mainly of the holding of shares in a trading company indirectly through one or more intermediate holding companies (an ultimate holding company); and
- lending to a trading company, a property company, a holding company or an ultimate holding company money that is used wholly and exclusively by that company (or, other than in the case of an ultimate holding company, a connected company):
    - where the company (or the connected company, as applicable) is a trading company, for the purposes of that trade or trades;
    - where the company (or the connected company, as applicable) is a property company, for the purchase, improvement or repair of premises in respect of which it receives that rental income;
    - where the company (or the connected company, as applicable) is a holding company, for the purposes of holding those shares; and
    -

where the company is an ultimate holding company, for the purposes of acquiring and holding such shares; and

- lending to an ultimate holding company money that is on-lent by that ultimate holding company to a connected company and that is wholly and exclusively used by that connected company:
    - where that connected company is a holding company of a trading company, for the purposes of acquiring and holding any part of the ordinary share capital of a trading company; or
    - where the connected company is an ultimate holding company, for the purposes of acquiring and holding any part of the ordinary share capital of a holding company of a trading company; or
- paying off another loan that would satisfy the conditions under these rules in order for the interest on such loan to be deductible.

Additionally, where the borrowing company is using the funds borrowed to subscribe for ordinary shares in a trading company or a property company, the funds subscribed for must be used by the trading company or property company wholly and exclusively for the purposes of its trade or Irish rental business, as applicable.

Additional considerations to obtain this deduction include the following.

- The borrower must hold at least a 5% interest in the relevant company or connected company.
- At least one director of the borrower must also be a director of the company acquired or the connected company (as the case may be).
- There must be no actual or deemed recoveries of capital during the period in question from either the company or connected company. The recovery of capital rules are complex and care is needed to ensure they are not inadvertently triggered during the term of the loan.
- The interest must not be deemed to be a distribution under Irish tax rules.

Further conditions apply where the loan is between connected parties.

Restrictions on the deductibility of interest payments also arise under the interest limitation rule (ILR) and the anti-hybrid rules, each of which was introduced in compliance with the EU Anti-Tax Avoidance Directive.

The ILR restricts the amount of interest that can be treated as deductible for tax purposes for an affected company by limiting the maximum net interest deduction to 30% of EBITDA (earnings before interest, taxes, depreciation and amortisation). Any interest above this amount is not deductible in the current year and will be deferred until such time as it can be deducted. A number of exclusions apply to the ILR, including for standalone companies or the case of interest on legacy debt (ie, where the terms were agreed on or before 17 June 2016). There is also a de minimis exemption in cases where a group's total net interest expense does not exceed €3 million.

The anti-hybrid rules were introduced to counteract tax mismatches arising from cross-border hybrid arrangements. Broadly, the measures seek to counteract non-taxation

outcomes from payments made under cross-border arrangements between associated enterprises that result in a deduction without a corresponding inclusion or a double deduction outcome. There are a number of measures that can apply to counteract such payments, the primary one being the denial of a deduction for the payor.

Since 1 April 2024, additional defensive measures apply to deny a deduction on outbound payments of interest where the recipient is associated with the payor and is located in a jurisdiction that is on the EU list of non-cooperative jurisdictions or a no-tax or zero-tax jurisdiction.

Law stated - 24 July 2026

Protections for acquisitions

What forms of protection are generally sought for stock and business asset acquisitions? How are they documented? How are any payments made following a claim under a warranty or indemnity treated from a tax perspective? Are they subject to withholding taxes or taxable in the hands of the recipient? Is tax indemnity insurance common in your jurisdiction?

The accepted market practice in Ireland on share acquisitions is for the seller to give protection to the purchaser in the form of tax warranties and a separate tax indemnity. Tax warranties are documented in the overall purchase agreement, while a tax indemnity is usually given in the form of a standalone tax deed.

The tax indemnity is the primary source of recovery for buyers in Irish transactions as, by contrast to a contractual claim for a breach of warranty, proof of loss is not required. The tax indemnity guarantees payment to the purchaser if the specific tax liability provided for arises.

In broad terms, the tax indemnity will cover all tax liabilities of the target company for taxes arising prior to the completion of the sale. Where the purchase price is determined by reference to accounts prepared to a date earlier than the date of the sale, tax liabilities arising in the ordinary course of business since the date of those accounts will generally be excluded.

Tax warranties remain an important feature of protection for purchasers in Irish transactions as they are an effective way of obtaining information about a company's overall tax position prior to acquisition. Recovery can be more limited as the loss must be proven and the purchaser cannot claim under a tax warranty where the matter has been properly disclosed by the seller. Disclosures are typically made in the form of a disclosure letter issued to the purchaser and the disclosures meet a standard of fairness to be effective against a warranty. Disclosure will not prevent recovery under the tax indemnity.

Tax warranties are often less extensive in business asset acquisitions as the purchaser is only acquiring the tax liabilities attached to the relevant assets that are limited. Where the asset purchase constitutes a transfer of the business, the purchaser may seek a warranty regarding the seller's interaction with relevant tax authorities.

Depending on the terms of the contract and who is indemnified, the payment made for a breach of warranty or under a tax indemnity may be deemed to be a chargeable gain of the recipient. For this reason, payments under a warranty or indemnity are usually classified in

the purchase agreement as adjustments to the purchase price and the indemnity should be made in favour of the purchaser rather than the target company.

A purchaser will often insist on the inclusion of a gross-up clause to protect their position, meaning that the seller is required to pay an additional amount to the purchaser in respect of any tax payable by the purchaser on any compensation payments.

Tax warranty and indemnity insurance (W&I) has become an anticipated feature in Irish transactions. The buyer-side policy is most common. Policies have become broader in scope and now often include specific tax risks that arise in routine business transactions. The terms of the W&I policy can vary from the warranties and indemnities contained in the purchase agreement. Therefore, these documents must be read together.

There is a level of uncertainty around the tax treatment of payments made under a W&I policy. For this reason, insurance policies may also include a gross-up provision.

Law stated - 24 July 2026

POST-ACQUISITION PLANNING

Restructuring

What post-acquisition restructuring, if any, is typically carried out and why?

Any post-acquisition restructuring will depend on the particular facts and there are no typical steps that are usually taken; it is not necessarily the case that post-acquisition restructuring will typically be undertaken at all.

Where a group is acquired, a purchaser may want to reorganise that group to fit better within its own existing group structure – this may be of particular relevance for groups that are subject to minimum tax rules in accordance with Pillar Two.

Law stated - 24 July 2026

Spin-offs

Can tax-neutral spin-offs of businesses be executed and, if so, can the net operating losses of the spun-off business be preserved? Is it possible to achieve a spin-off without triggering transfer or degrouping taxes?

A tax-neutral spin-off of a business is usually achievable.

This is most commonly done by transferring the business (either the assets of that business or the entire share capital of the company carrying on that business or of a holding company holding one or more companies carrying on that business) to a newly incorporated company (the SpinCo) outside of the corporate group, in consideration for an issue of shares by that SpinCo to the seller or the seller's direct shareholders. If the relevant conditions are satisfied, it should be possible to effect this transfer without triggering any charge to Irish stamp duty or capital gains tax (CGT).

As with any share sale, preservation of the losses of the business is possible, but requires careful management.

CGT relief is available on a transfer of the whole or any part of a business from one company to another as part of a "scheme of reconstruction or amalgamation", provided that the scheme can be shown to be effected for bona fide commercial reasons and does not form part of a scheme or arrangement the main purpose (or one of the main purposes) of which is the avoidance of a tax liability.

Where there is a transfer of assets, the conditions for this relief require that:

- the transfer is between companies that are tax resident in Ireland, another EU member state, an EEA member state or the United Kingdom;
- the transferor does not receive any consideration for the transfer, other than the assumption of the liabilities of the transferred business; and
- the assets being transferred must be "chargeable assets" (ie, assets used for the purposes of a business carried on in Ireland).

The relief does not extend to the transfer of trading stock between companies (although it should separately be possible to transfer trading stock at cost so that no tax arises on its disposal).

Where this CGT relief applies, the assets are deemed to be transferred for a consideration that secures neither a gain nor a loss for the transferor and the transferee is deemed to have acquired the assets on their original acquisition date and at the original acquisition cost. In effect, the taxation of any gain on the transferred assets is deferred.

Where the consideration includes an issue of shares to the shareholders of the transferor, this should be treated as a share exchange and the treatment should be as outlined below.

Where the spin-off is done by way of a share transfer in consideration for an issue of shares by the transferee either to the seller or the shareholders of the seller (a share exchange), the shares transferred must give control of the company to the transferee.

On a share exchange, the shareholder who receives the newly issued shares should be treated as if those newly issued shares are the same asset as:

- where the shares are issued to the transferor, those transferred shares; or
- where the shares are issued to the shareholder of the transferor, the shares held by the shareholder in the transferor.

The effect of this is that the disposal of the shares by the shareholder (if there is such a disposal) should be disregarded and, therefore, the shareholder should not have a CGT liability. The newly issued shares, together with the shareholders' remaining shares in the transferor (if any), are treated as the same asset, acquired at the same time and for the same cost, as the transferred shares or the shares in the transferor (as the case may be). As a result, any gain on the disposal of the shares, is deferred.

Relief from stamp duty on a transfer of assets or shares as part of a reorganisation should be available under section 80 of the Stamp Duties Consolidation Act 1999. This section provides for relief from stamp duty where there is a scheme for the bona fide reconstruction or amalgamation of any company or companies and, in connection with such a scheme, a

company (the acquiring company) is newly incorporated or increases its capital, with a view to the acquisition of either the business of, or not less than 90% of the issued share capital of, another company (the target company).

At least 90% of the consideration for the transfer (other than any consideration in the form of the assumption of the liabilities of the target company where a business is acquired) must be in the form of an issue of shares to the target company or the shareholders of the target company.

The acquiring company must be a limited liability company incorporated in Ireland or another EU or EEA member state or the United Kingdom. There are also conditions relating to the company's constitutional documents or the corporate approvals for the transaction that must be carefully complied with.

Law stated - 24 July 2026

Migration of residence

Is it possible to migrate the residence of the acquisition company or target company from your jurisdiction without tax consequences?

A company that is incorporated in Ireland will be tax resident in Ireland, unless it is resident elsewhere under the terms of a double tax agreement (DTA) entered into by Ireland. The rules for establishing residence in another jurisdiction can vary, but often a company can become resident in a jurisdiction by locating its central management and control in that jurisdiction. Where a company is resident in two jurisdictions, Irish DTAs typically operate a tie-breaker that looks to the company's place of effective management.

A company that is not incorporated in Ireland can, nonetheless, be resident in Ireland if its central management and control is located in Ireland. Such a company could migrate its residence outside of Ireland by moving its central management and control out of Ireland.

Upon migrating tax residence outside of Ireland, a company may be liable to an exit tax. The exit tax can also be triggered where assets are transferred from an Irish business (whether carried on by an Irish resident company or an Irish permanent establishment of a foreign company) to the head office or another permanent establishment in another jurisdiction.

Ireland's exit tax rules were changed in 2018 to comply with the requirements of the EU's Anti-Tax Avoidance Directive (ATAD). As currently constituted, the tax covers unrealised chargeable gains where a business migrates or transfers assets offshore, such that they leave the Irish tax net. The provisions deem the company to have disposed of (and immediately reacquired) all of its assets for their market value. The company will then be liable to tax on any gain deemed to arise as a result of this deemed disposal.

The rate of the exit tax is set at 12.5% but anti-avoidance measures increase the rate to 33% where the event giving rise to the exit tax arises as part of a transaction to dispose of the assets with the purpose of securing the lower 12.5% tax rate.

In line with ATAD, there is an option for payment of the exit tax to be deferred where the assets are transferred to an EU or EEA member state. Where the company elects to defer the exit tax, it will instead be payable in six equal instalments, the first of which is due nine months after the event triggering the exit charge where the disposing company is subject

to Irish corporation tax or, in any other case, on 31 October in the year following the year in which the exit tax event occurs. Statutory interest (currently at a daily rate of 0.0219%) is chargeable on a deferral. The deferral option will cease to apply if:

- the business assets are disposed of or are transferred outside of the EU or EEA; or
- the transferee company ceases to be resident in an EU or EEA jurisdiction, becomes insolvent or is liquidated.

Law stated - 24 July 2026

Interest and dividend payments

Are interest and dividend payments made out of your jurisdiction subject to withholding taxes and, if so, at what rates? Are there domestic exemptions from these withholdings or are they treaty-dependent?

Irish withholding tax at the rate of 20% generally applies to payments of yearly interest by:

- a company to a person who is an Irish tax resident; or
- any person to another person who is not an Irish tax resident.

"Yearly interest" refers to interest in respect of a debt with a term capable of exceeding one year. However, there are wide-ranging exemptions under Irish domestic legislation to relieve this charge. Irish tax legislation excludes the following payments (among many others) from this charge to withholding tax:

- payments of interest to an Irish bank;
- payments made by a company in the ordinary course of its business to a company that is resident for tax purposes in an EU member state (other than Ireland) or a jurisdiction with which Ireland has signed a double tax treaty (each a "relevant territory") provided that that relevant territory generally taxes interest receivable by companies from foreign sources and provided that the interest is not paid in connection with a trade or business that is carried on in Ireland by the recipient through a branch or agency; and
- payments made by a company in the ordinary course of its business to a company where such interest is exempt from the charge to tax as a result of a double tax treaty that has been entered into by Ireland, provided that the interest is not paid in connection with a trade or business that is carried on in Ireland by the recipient through a branch or agency.

Ireland has also implemented the EU Interest and Royalties Directive, which removes the withholding tax charge from certain intra-group interest (and royalty) payments.

In addition to the exemptions included in the Irish legislation, relief may also be available under a double tax treaty; Ireland currently has 75 such treaties in effect, with a further three awaiting final implementation at the time of writing.

Irish tax resident companies are required to operate withholding tax (DWT), currently at a rate of 25%, on distributions.

In addition to any relief that may be available under the terms of a double tax treaty, there is an extensive range of exemptions from DWT provided for under Irish domestic legislation.

Distributions paid to an Irish tax resident company are not subject to DWT. In addition, DWT generally will not apply to distributions paid to residents of relevant territories (as defined above) and companies (wherever resident) that are either ultimately controlled by persons that are resident in a relevant territory or whose shares are traded on a recognised stock exchange in a relevant territory, provided that the shareholder provides the necessary information and declarations. A return must be filed by the distributing company in respect of the distributions made, even where no DWT arises.

From 1 January 2026, an exemption from DWT is available for distributions paid to an Irish investment limited partnership or an equivalent EEA partnership. This is subject to a minimum ownership stake in the paying company, asset holding requirements and other procedural requirements.

Notwithstanding the above exemptions, withholding tax will continue to apply to payments of interest or distributions paid to recipients in a jurisdiction that is on the EU list of non-cooperative jurisdictions or a no-tax or zero-tax jurisdiction. These provisions also impose withholding tax on payments to such persons of "short" interest (ie, interest paid in respect of a debt with a term of less than one year).

Law stated - 24 July 2026

Tax-efficient extraction of profits

What other tax-efficient means are adopted for extracting profits from your jurisdiction?

Share buy-backs and share redemptions can be used as a profit-extraction mechanism. While a transfer of shares in an Irish-incorporated company is usually liable to stamp duty at a rate of 1% of the consideration for the transfer or the market value of the shares (whichever is greater), provided the buy-back or redemption is effected without the creation of a stock transfer form or equivalent transfer document, this stamp duty charge does not arise.

For the shareholder, a buy-back or redemption should usually be taxed as a capital disposal. An Irish tax resident individual shareholder would be taxed at 33% rather than their marginal rate of income tax, which will often be above 50%. For an Irish tax resident corporate shareholder, a capital disposal is taxed at an effective rate of 33%, while a distribution from an Irish resident company would usually be outside the charge to tax. However, corporate shareholders may be able to avail of the participation exemption that would remove the charge, provided they hold (or have, in the previous two years, held) at least 5% of the distributing company's ordinary share capital and the activity of the distributing company (or the shareholder and its entire group) is wholly or mainly trading.

Law stated - 24 July 2026

DISPOSALS (FROM THE SELLER'S PERSPECTIVE)

Disposal methods

How are disposals most commonly carried out – a disposal of the business assets, the stock in the local company or stock in the foreign holding company?

The structure used for a disposal will depend on a number of factors, including whether there is a desire to dispose of the whole or only part of a business, the comparative tax costs for the buyer and seller, and how the purchaser wishes to incorporate the business into its own corporate structure.

On a sale of business assets, the selling entity will be liable to capital gains tax (CGT) on any gain arising on the disposals. If the selling entity will then distribute the proceeds to its shareholders, those shareholders may also be subject to tax on those amounts. Accordingly, this can create a double charge to tax and so sellers may prefer to sell the shares of the target entity (and, therefore, only suffer tax on that disposal).

A person who is not tax resident in Ireland will be liable to Irish CGT on a disposal of any assets situated in Ireland that, at or before the time of disposal, were used in or for the purposes of a trade carried on by such person in Ireland through a branch or agency. Accordingly, an asset sale in respect of assets of a business carried on in Ireland should always be subject to Irish CGT.

In the case of a share sale, if the seller entity is not tax resident in Ireland, they will be liable to Irish CGT only if the shares being disposed of, directly or indirectly, derive at least half of their value (directly or indirectly) from Irish real estate, minerals or mining rights in Ireland, or exploration rights within the Irish continental shelf.

The seller may be able to avail of an exemption from CGT under what is referred to as the "participation exemption" or "substantial shareholding exemption". This exemption applies to disposals of shareholdings in trading subsidiaries or of subsidiaries in the trading subgroups. For the exemption to apply, the subsidiary whose shares are disposed of (the investee company) must be tax resident in Ireland, an EU member state or a country with which Ireland has signed a double tax treaty.

To qualify for the participation exemption, the company making the disposal (the investor company) should hold (directly or indirectly) at least 5% of the ordinary share capital of the investee company (including the right to profits and to assets on a winding-up) for a period of 12 months, or have held (directly or indirectly) at least 5% of the ordinary share capital of the investee company (including the right to profits and to assets on a winding-up) for a period of at least 12 months ending within the 24 months preceding the date of disposal.

In certain cases, the ownership period of shares can be extended to include a period during which those shares were held by another company within the same CGT group.

A further condition of the exemption is that, at the time of the disposal of the shares:

- the investee company's business consists wholly or mainly of the carrying-on of a trade or trades; or
- the business of the investor company, its subsidiaries, the investee company and any of its subsidiaries, taken as a whole, consists wholly or mainly of the carrying on of a trade or trades.

The exemption does not apply to the disposal of shares that derive at least half of their value (directly or indirectly) from Irish real estate, minerals or mining rights in Ireland, or exploration

rights within the Irish continental shelf. There are anti-avoidance rules that prevent the taking of artificial steps to distort the value of the shares in order to fall outside of this charge.

Stamp duty arises on a transfer of shares at a rate of 1% (although transfers of shares in foreign-incorporated companies are usually exempt) and on other assets at a rate of 7.5%. The following categories of assets are not liable to stamp duty:

- movable assets that transfer by delivery;
- intellectual property and any goodwill directly attributable to that intellectual property;
- contracts that are novated rather than assigned;
- many categories of debt instruments; and
- non-Irish shares and real estate (subject to additional conditions).

Stamp duty is generally a liability of the purchaser.

Law stated - 24 July 2026

Disposals of stock

Where the disposal is of stock in the local company by a non-resident company, will gains on disposal be exempt from tax? Might a disposal of stock in a foreign holding company trigger taxes in the local company in your jurisdiction? Are there special rules dealing with the disposal of stock in real-property, energy and natural-resource companies?

On a disposal of stock by a non-resident company, CGT will generally not apply unless those shares derive more than 50% of their value from Irish real estate, minerals or mining rights in Ireland, or exploration rights within the Irish continental shelf (specified assets). This provision applies regardless of the jurisdiction of incorporation or tax residence of the company the stock in which is being sold. Accordingly, a sale of a non-Irish holding company that (indirectly through its subsidiary) derives more than 50% of its value from specified assets can be subject to Irish CGT.

Most of the double taxation agreements entered into by Ireland give taxing rights in respect of gains on such shares to Ireland.

In addition, on the purchase of shares that derive more than 50% of their value from specified assets for a consideration of at least €500,000, the purchaser must operate a 15% withholding tax, unless the seller provides a CGT tax clearance certificate (known as a CG50).

A seller can obtain a CG50 if it meets one of the following three conditions:

- the seller is tax resident in Ireland;
- the seller has demonstrated that no CGT is due on the disposal of the shares (eg, because the shares are being sold at a loss); or
- the seller has paid to the Irish Revenue the amount of any CGT that will arise on the disposal of the shares.

Law stated - 24 July 2026

Mitigating and deferring tax

If a gain is taxable on the disposal either of the shares in the local company or of the business assets by the local company, are there any methods for deferring or mitigating the tax?

Where a disposal occurs as part of an intra-group transfer, reorganisation, merger or spin-off, there are reliefs that can apply to enable such transactions to be effected in a tax-neutral manner. The effect of these reliefs is generally to defer any liability to CGT until the transferred assets or shares (as the case may be) are subsequently disposed of.

It is also possible to claim "rollover" treatment where the proceeds of the disposal of business assets are used to acquire other assets for the business. Again, this permits the taxpayer to defer the CGT liability until the subsequent disposal of those new assets.

Outside of those regimes, there is no ability to defer any CGT liabilities that may arise.

Law stated - 24 July 2026

UPDATE AND TRENDS

Key developments of the past year

Are there any emerging trends or hot topics relating to tax on inbound investment?

Changes required by the Organisation for Economic Co-operation and Development (OECD)'s base erosion and profit shifting project, the EU's Anti-Tax Avoidance Directive, and the new OECD Pillar Two global minimum tax have resulted in significant changes to the Irish (and international) tax rules over the past decade. Despite these changes, many of the key reliefs that are relied on for reorganisations, mergers and spin-offs have remained consistent, which offers great certainty for taxpayers undertaking these forms of transactions.

To increase Ireland's attractiveness as a holding company jurisdiction, in 2025, a participation exemption for foreign distributions was introduced.

Prior to the introduction of this exemption, Ireland operated a complicated credit system; foreign dividends were subject to corporation tax at a rate of either 12.5% (subject to conditions, where the distribution was paid out of trading profits of a company tax resident in the European Union or a jurisdiction with which Ireland has a double tax treaty) or 25%, but a credit was available for withholding taxes and underlying taxes suffered on the profits out of which the distribution was paid. While the effect of this credit system was that it was very rare for an Irish company to have a liability to pay tax in respect of foreign distributions received, the system was complex and administratively burdensome to apply.

The participation exemption exempts from the charge to corporation tax the receipt by Irish resident companies of relevant distributions. A "relevant distribution" is one that is received from a company that is tax resident in an EU member state (other than Ireland, an EEA member state or a jurisdiction with which Ireland has a double tax treaty provided that the recipient holds, directly or indirectly, at least 5% of the ordinary share capital of the paying company. In addition from 1 January 2026, the exemption is extended to cover distributions

from non-treaty countries where that other country imposes withholding tax on the whole amount of the distribution, and that withholding tax is non-refundable.

Any distribution received by an Irish company that is not a relevant distribution will not qualify for the new participation exemption and will be subject to corporation tax, but with relief available for withholding taxes and underlying taxes suffered under the credit system as outlined above.

In 2026, to promote investment in Ireland, a new exemption from dividend withholding tax (DWT) was introduced for investment limited partnerships (ILPs), or EEA equivalent partnerships. This new exemption is subject to certain minimum ownership stakes, asset holding requirements and certain procedural requirements. Crucially, however, its introduction removes the prior requirement to operate DWT on distributions from lower tier Irish companies to ILPs.

Law stated - 24 July 2026