

## **Taxation of unit trusts for pension schemes and charities – Exempt Unit Trusts (EUTs)**

### **Part 27-01-01**

This document should be read in conjunction with section 731(5) Taxes Consolidation Act (TCA), 1997.

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## Introduction

Section 731(5) TCA 1997 provides for tax exemptions for certain unit trusts. Unit trusts that can avail of these exemptions are commonly referred to as exempt unit trusts or EUTs. An EUT is a unit trust that is not an 'authorised' unit trust scheme within the meaning of the Unit Trust Act 1990 (if it was an authorised unit trust, then it would be an investment undertaking, as defined in section 739B TCA 1997<sup>1</sup>). The tax exemptions for an EUT are predicated on the unit holders being wholly exempt from Capital Gains Tax ('CGT') on the disposal of the unit throughout the year of assessment. For the purposes of section 731(5) TCA 1997, a unit holder is not considered wholly exempt from CGT on the disposal of their units by reason of residence or by virtue of section 739(3) or section 739C(1) TCA 1997.

The reference to section 739C(1) TCA 1997 was introduced in Finance Act 2025 and confirms that a gain on the disposal of units in an EUT by an investment undertaking is not treated as wholly exempt from CGT. Therefore, if an investment undertaking acquires units during any part of a year of assessment, the tax exemptions are not available for the unit trust for that year and each subsequent year of assessment that the investment undertaking holds the units. This amendment applies for the year of assessment commencing 1 January 2026 and subsequent years of assessment.

Therefore, through a combination of the requirement to be wholly exempt from CGT and the requirement not to be an 'authorised' unit trust, unit holders in EUTs can only be certain approved pension schemes and charities.

## 1. Background

EUTs have existed since the 1960s and were specifically formed for investment by approved pension schemes and charities. At that time there was no taxation regime in place for unit trusts and they were exempted from income tax by concession. When CGT was introduced in 1975, specific provision was made in section 31 Capital Gains Tax Act 1975, to exempt such unit trusts from CGT. Exemption from income tax for EUTs continued as a concession. Section 71 Finance Act 2001 provided a legislative basis for that exemption from income tax and Deposit Interest Retention Tax ('DIRT'). Section 47(1) of Finance Act 2005 provided an exemption from Dividend Withholding tax ('DWT') on dividends or distributions received by an EUT, subject to a declaration process.

## 2. Tax exemption

The tax exemption provided by section 731(5) TCA 1997, covers CGT, Income Tax and DIRT. Additionally, section 172C(2)(db) TCA 1997 provides an exemption from DWT, where the EUT has provided a declaration to the relevant person in accordance with paragraph 11 of Schedule 2A TCA 1997. This exempt treatment for a unit trust is contingent on all of the

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<sup>1</sup> Please refer to Tax and Duty Manual [Part 27-01a-02](#) for more detail.

units being assets such that if they are disposed of by the unit holder, any gain would be wholly exempt from CGT on the disposal (other than by reason of residence or under section 739(3) or section 739(C)(1) TCA 1997).

The holding of units by any other category of person will prejudice the “exempt” status of the unit trust.

### 3. Form EUT1

Section 30 Finance Act 2010 amended section 731(5) TCA 1997 to provide that the trustees of the EUT, or a person authorised to act on their behalf, must return a statement ([Form EUT1](#)) to the Revenue Commissioners for each year of assessment by no later than 28 February in the year following that year of assessment.

The Form EUT1 contains a declaration by the EUT that it meets the conditions to avail of the tax exemption outlined above in Paragraph 2. Section 37 Finance Act 2022 introduced additional provisions requiring disclosure of information in relation to the assets held by, and the business activities carried on by, EUTs.

An EUT may file the Form EUT1 on the basis of its accounting year or the calendar year, but it must be consistent year on year as to which basis it applies.

Section 731(5)(a)(iv) TCA 1997 provides that the trustees of an EUT (or any person duly authorised to act on their behalf) shall be liable to a penalty of €3,000 for failure to provide the required statement or for the making of an incorrect or incomplete statement.