

Minutes of TALC Direct and Capital Taxes Sub-Committee Meeting

Thursday, 27 November 2025 via MS Teams

2.30pm to 3.30pm

Minutes

Item 1: Minutes from meetings of 11 September 2025

The minutes of the meeting of 11 September 2025 were agreed as final

Item 2: Minutes from the Joint Main TALC and TALC Direct & Capital Taxes Sub-Committee Finance Bill 2024 meeting of 23 October 2025.

The minutes of the meeting of 23 October 2025 will be finalised by way of email.

Item 2: Matters arising from meeting of 11 September 2025:

- a. **TDM on short lived assets:** Following a request from practitioners at the September meeting, Revenue revised the wording in the draft TDM relating to the application of section 80A TCA to reflect the legislative requirement that regard must be given to the purpose for which the asset was acquired when determining the predictable useful life of such asset. At the meeting, Revenue confirmed the TDM should be published shortly with the updated wording.
 - b. **Dividend withholding tax deductions and S110 companies:** There was a brief discussion on the status of the deductibility of foreign dividends withholding tax and qualifying companies for section 110 TCA purposes at the September meeting. At this meeting, Revenue reminded committee members that the various alternative approaches and arguments on the application of Schedule 24 TCA to qualifying companies for section 110 purposes had already been dealt with at the TALC meetings during 2021. Revenue agreed to share examples on application of Schedule 24 TCA with committee members before 16 January 2026. Item to remain on the agenda.
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Item 3: Items that are to remain on the Agenda

- a. **CT1 form - Transfer Pricing documentation requirements for an Irish Branch:** In advance of the meeting, practitioners shared additional feedback in respect of the proposed updates to TDM (previously circulated by Revenue to committee members) in respect of transfer pricing documentation requirements for an Irish Branch. At the meeting, as the income of an Irish branch includes any income from arrangements with connected parties and third parties, practitioners explained that it may be inferred from the wording of the proposed updates to the TDM that transfer pricing documentation would be required for arrangements with third parties (which is not required by legislation). Revenue agreed to internally review the proposed wording with their transfer pricing team and clarify documentation requirements of an Irish branch. Item to remain on the agenda.

- b. TAC Determination 44TACD2024 and the requirement to provide a breakdown of distributions from an ARF into income, gains and capital in order to claim a refund of Irish tax deducted:** Practitioners confirmed they have no further comments on the updated ARF Refund Form (which includes clarification requested at prior meetings). Item not to remain on the agenda.
- c. Leasing Guidance:** In advance of the meeting, practitioners provided written feedback to Revenue in respect of the draft draft TDM 09-02-01 'Leasing of Machinery and Plant – Scenarios where Section 299(1) Applies.' At the meeting, Revenue confirmed they are in the process of reviewing the feedback. Item to remain on the agenda.
- d. Interaction of Knowledge Development Box ("KDB") and Pillar Two:** At the September meeting, as the current legislation does not allow for companies to discontinue claiming the KDB incentive, practitioners requested for either (i) legislative amendment to allow companies discontinue making a claim under the KDB or (ii) the KDB guidance is updated to allow companies make a 'nil' KDB claim on their corporation tax return (Form CT1). At the meeting, in light of the sunset clause in the KDB legislation (being 31 December 2026), Revenue outlined there will be a wider review of the KDB by the Department of Finance during 2026 and this issue will be part of such review. Item not to remain agenda pending such review.
- e. Filing requirements for investment limited Partnerships:** Following updates in the Finance Bill and discussions at previous meetings on completion of the Form 1 by investment limited partnerships, Revenue outlined they intend to publish a new TDM for investment limited partnership which is to provide guidance on a number of issues including filing requirements for such entities. Revenue noted that their aim is to circulate a draft copy of the TDM in January to members of this committee. Item to remain on the agenda.
- f. Partnerships and association for the purposes of certain ATAD measures:** At the meeting Revenue confirmed they had published an updated TDM Part 35C-00-01 (Guidance on the anti-hybrid rules) today with amendments relating to the application of the associated enterprises test to Irish partnerships as discussed at previous meetings. Revenue noted plans to update a number of other TDMs for commentary regarding partnerships including corporation tax loss relief, transfer of assets within a group, interest limitation rules and outbound payment rules. Revenue noted that updates to the TDM on outbound payment rules is expected to be an agenda item at the next meeting of the TALC BEPS Implementation Sub-Committee. Revenue are also considering updates to guidance on application of section 130 TCA and section 247 TCA to partnerships. Item to remain on the agenda.
- g. UK Limited Liability Partnership and meaning of partnership for purposes of the TCA:** At the meeting, Revenue noted a legislative amendment was included in the Finance Bill to insert section 1009A TCA to provide clarity on this matter (this legislation has subsequently been enacted). Revenue will take account of the new legislative provision in an update to be included in TDM 35C-00-02 Foreign Entity Classification for Irish Tax Purposes in due course.. Item to remain on the agenda.

- h. Application of RCT to a contract where a part of the contract is for a construction operation:** In advance of the meeting, Revenue provided written feedback to a submission from practitioners on application of relevant contracts tax to 'mixed contracts'. Practitioners confirmed they are currently reviewing such feedback from Revenue. Item to remain on the agenda.

Furthermore, in respect of installation and supply contracts, Revenue confirmed at the meeting that RCT is only applicable to the installation element and apportionment required if there is a single payment for the installation and supply of materials or goods under a 'mixed contract'. Revenue to consider whether any updates to the TDM are necessary in this regard.

- i. Income tax relief on medical insurance premiums where a blended rate:** An updated TDM Part 15-01-14 - Income Tax Relief for Health Insurance Covering Medical and/or Dental Benefits was published on 3 November which provides guidance on tax relief at source (TRS) on health insurance policies that cover both eligible and ineligible health expenses. The TDM confirms that, with effect from 1 January 2026, Revenue will accept that the 20% rate will apply to all health insurance policies providing medical cover, applied to the lesser of the premium paid or the applicable cap. The TDM notes that this administrative practice seeks to recognise that most health insurance premiums providing medical cover are in excess of the current caps and that the premium available for tax relief is, in most cases equal to the cap.

In respect of TRS up to 31 December 2025, the TDM states that “where a health insurance policy covers health expenses both eligible for and not eligible for income tax relief under section 469 TCA 1997 a rate of tax relief less than the standard rate (20%) may apply. This rate is referred to as a 'blended rate' and is based on the information provided to Revenue by health insurance providers. The rate of tax relief applicable to a particular health insurance policy up to 31 December 2025 is available from the respective health insurance provider.”

At the meeting, practitioners sought to clarify the approach which would be adopted by Revenue to policies pre- 1 January 2026 where the portion of the premium attributable to eligible health expenses exceeds the current caps, i.e., would the 20% rate apply in such circumstances rather than a lower blended rate. Practitioners queried the basis in legislation for the blended rate. Revenue confirmed, as set out in the TDM, there was no retrospective change in position. Item not to remain on the agenda.

Direct Tax Issues:

Item 4: Auto-enrolment

Practitioners raised a number of queries regarding auto-enrolment at the October joint TALC Finance Bill meeting. At that meeting, practitioners requested that a representative from the Department of Social Protection attend the next meeting of the Sub-committee and Revenue

requested that a formal request be submitted to them in this regard. A written request was submitted by practitioners to Revenue.

At the meeting, Revenue outlined that, although the Department of Social Protection was not in a position to attend this meeting, the Department of Social Protection had provided a written response to queries previously submitted by practitioners (which Revenue will shortly forward to the relevant committee members). Department of Social Protection to provide email address for further queries from practitioners.

Item 5: Interaction of VAT, RCT and PSWT

In advance of the meeting, practitioners submitted a written submission (which was previously submitted to Revenue via the TALC Indirect Taxes Sub-Committee) on the interaction of VAT, RCT and PSWT to a contract to supply design and build services to a state or semi-state body. In the submission, on the basis that RCT is applicable to the construction services but not the design services, practitioners sought confirmation that PSWT would apply to the design services.

At the meeting, Revenue noted that the issue had not previously arisen but provided the confirmation sought from practitioners and noted apportionment may be required if there were a single payment for the design and build services. Revenue agreed to expand existing published guidance to include such confirmation.

Revenue Guidance

Item 6: Draft Tax and Duty Manual 26-00-02 – ‘Taxation of Life Assurance Companies - Old Basis Business and New Basis Business: Revenue confirmed work on this TDM is ongoing and noted no timeline for review is currently available. Item to remain on the agenda.

Item 7: Tax and Duty Manual Part 04-06-13 Tax Treatment of Stocklending / Sale and Repurchase (repo) Transactions: Revenue review of additional feedback from practitioners is ongoing. Item to remain on the agenda.

Item 8: TDM Part 02-02-07 ‘Deposit Interest – Whether a Trading Receipt’: Revenue confirmed, following a meeting with the Central Bank, only minor amendments are to be made to paragraph 3.2 (Capital which is integral to the trade) of the TDM. Revised TDM to be published as soon as possible.

Item 9: Mandatory Disclosure Guidance Notes: Revenue noted their work on this TDM is ongoing and aim to provide an update at the next meeting of this Committee. Item to remain on the agenda.

Item 10: Anti-Hybrid TDM Part 35C-00-01: Revenue confirmed revised TDM was published on 27 November 2025.

Item 11: Outbound Payments Defensive Measures TDM Part 33-05-01: Prior to the meeting practitioners queried if example 5.1.4 in the TDM, which refers to a payment to a partnership that is

in a "specified territory", may be broadened to apply to an investment limited partnership. At the meeting, Revenue noted they were happy to consider an example for investment limited partnerships (and request practitioners to submit such examples to Revenue) but noted legislation does not allow extension to investment limited partnerships.

Furthermore, Revenue noted the following::

- The outbound payment defensive measures were amended in the Finance (Local Property Tax and Other Provisions) (Amendment) Act 2025 in order to update the definition of associated entities with regard to entities that are associated with the same individual.
- When applying the association test, in general, the ownership rights of persons connected with the individual are aggregated with those of that individual.
- An exemption to the general rule is provided whereby an individual who is a partner in a limited partnership, and whose interest in the ownership rights in the limited partnership is not greater than 5% (that is a 'portfolio investor'), will not be considered to be connected with the other partners in the limited partnership where they would not otherwise be connected under section 10 TCA97.
- A limited partner, in this context, includes a limited partner in a limited partnership registered in accordance with the Limited Partnerships Act 1907, but not a limited partner in a partnership registered in accordance with the Investment Limited Partnerships Act 1994.
- Example 5.1.4 of TDM Part 33-05-01 has been updated to reflect the update in law.

Lastly, as Revenue are currently working on making other updates to this TDM, Revenue noted they are happy to include an example for investment limited partnerships in the next draft of the TDM which will be circulated to the committee members of the TALC BEPS Implementation Sub-Committee.

Item 12: Update from Residential Zoned Land Tax (RZLT) Subgroup

Chairperson of the RZLT Subgroup confirmed there were no meetings of the subgroup since September.

Item 13: Update from the Research and Development Subgroup

Chairperson of the Research and Development Subgroup noted there was a meeting on 19 November.

Chairperson outlined a number of policy items were raised by practitioners at the meeting. An official of the Department of Finance attended the meeting and outlined that the Research and Development Tax Credit and KDB are currently under review. It was confirmed that the Research and Development 'Compass' (announced as part of Budget 2026) is to be published shortly and feedback on the Research and Development Tax Credit is to be published prior to 31 December 2025.

Furthermore, in advance of the meeting, practitioners made a written submission to obtain clarity from Revenue on the treatment of grants in an R&D tax credit claim where there is uncertainty as to

when the grant is received or the amount to be received and clarification if the grants receipt basis of accounting for grants for the purpose of the R&D tax credit may be accepted. At the meeting, although noting this issue did not warrant an update to existing published guidance, Revenue acknowledged there can be uncertainties with the grant process and encouraged taxpayers to engage with Revenue regarding such issues.

Next meeting of the subgroup is scheduled for 18 February 2026.

Item 14: AOB:

- i. At the meeting, practitioners raised a technical issue concerning the application of the interest limitation rules to qualifying companies for the purposes of section 110 TCA, whereby the exceeding borrowing costs of the qualifying company is greater than its income. Practitioners outlined that:
 - a. Sections 835AAD(7) and (8) TCA generally operate so that where an amount of deemed borrowing costs arise from a disallowable amount and, if not for the interest limitation rule, the deemed borrowing costs would have resulted in the relevant entity incurring a loss or a greater loss, then that deemed borrowing cost is to be treated as a loss.
 - b. Relief for losses arising in a qualifying company is provided for in Section 110(3)(b) TCA. However, section 835AAD(8) only contemplates loss relief under certain provisions and does not mention that relief is available under section 110(3) TCA.

As a result, section 835AAD(8) does not appear to allow a qualifying company to treat a deemed borrowing cost as a loss in accordance with section 110(3) TCA, even if the conditions in section 835AAD(7) are satisfied. Practitioners appreciate this may be an oversight.

Revenue agreed to review the technical issue in advance of the next meeting. Item to remain on the agenda.

- ii. The Law Society noted this meeting was the final meeting under its chair, and the chair of this Subcommittee will transfer to the CCAB-I in 2025. CCAB-I confirmed it intended to host the first meeting of the Committee in February 2025 and would be in touch in the coming weeks to confirm dates for the year.

Revenue thanked the chairperson and practitioners for their input during the year.

Attendees at this meeting:

Revenue	ITI	CCAB-I	Law Society
Tom James	Clare McGuinness	Gearóid O'Sullivan	Maura Dineen (Chair)
Lucy Whelan	Stephen Ruane	Enda Faughnan	Aidan Fahy
Anita Cassidy	Lorraine Sheegar	Ken Garvey	David Lawless
Aisling Dooley	Tom Maguire	Noreen Lehane	Caroline Devlin
Rory Noone	David Fennell	Peter Vale	John Cudigan
Aine Gorman	Cillein Barry	Laura McKeown	Deirdre Fox
Mary Treacy			
Clare Lucey			
Lynda O'Keefe			
Michelle Mangan			
Caroline Kennedy			
Alan Carey			
John Quigley			
John McGorry			
Aimee O'Regan			
David Macauley			
Karen Drake			
Sinead McNamara			
Ken Fleming			
Deirdre Fahy			
Karen Carey			
Jacqueline O'Callaghan			
Keith Noonan			
Liam Smith			
Irene Clancy			
Fainsia Concannon			

Apologies: Laura Lynch