



Rialtas na hÉireann
Government of Ireland

Public Consultation on the Research & Development Tax Credit and on Options to Support Innovation

April 2025

Prepared by the
Department of Finance
[gov.ie/finance](https://www.gov.ie/finance)

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1. Background

The Research and Development (R&D) tax credit is an important feature of the Irish Corporation Tax (CT) system. The credit is available to all companies within the charge to Irish tax that carry out qualifying R&D activities. The primary policy objective underpinning the credit is to increase business R&D in Ireland, as R&D can contribute to higher innovation and productivity thereby increasing economic activity and contributing to high value-add employment. More broadly, the R&D tax credit forms part of a suite of CT measures that ensures Ireland remains an attractive location for both domestic and inward investment.

The new scientific and technological developments arising from R&D are critically important in finding solutions to challenges that are being faced across the globe. Medical advancements help individuals to live longer, healthier lives. New technology is facilitating decarbonisation to address the critical concern of climate change and driving the digital transition across the economy and wider society.

As one of the primary incentives in the CT system, the R&D tax credit is reviewed regularly under the Department of Finance's Tax Expenditure Guidelines, to ensure that it is effective and delivering on the intended policy objective. As part of this process, the Department invites submissions from interested parties in relation to the R&D tax credit, with questions to guide responses set out in Section 6 of this paper.

The 'new to world' discoveries arising from R&D can, in turn, create opportunities for innovation by other businesses. In today's competitive environment, businesses must be innovative and adapt to new technologies and process improvements in order to survive and grow into the future. The need to keep pace in fast-evolving sectors can be challenging, and the Programme for Government 2025 recognises the value of supporting innovation by domestic and international companies. Therefore, while it is not the main focus of this review, Section 6 also contains some questions on innovation in order to inform consideration of options to incentivise innovation in a targeted manner and in line with government objectives.

2. Introduction

A tax credit regime for Research and Development (R&D) was introduced in Ireland in Finance Act 2004. The credit is available to all companies within the charge to Irish tax that carry out qualifying R&D activities as defined by section 766(1)(a) Taxes Consolidation Act (TCA) 1997.

As set out in section 766(1)(a) TCA 1997:

“research and development activities means systematic, investigative or experimental activities in a field of science or technology, being one or more of the following –

- (i) basic research, namely, experimental or theoretical work undertaken primarily to acquire new scientific or technical knowledge without a specific practical application in view,*
- (ii) applied research, namely, work undertaken in order to gain scientific or technical knowledge and directed towards a specific practical application, or*
- (iii) experimental development, namely, work undertaken which draws on scientific or technical knowledge or practical experience for the purpose of achieving technological advancement and which is directed at producing new, or improving existing, materials, products, devices, processes, systems or services including incremental improvements thereto:*

but activities will not be research and development activities unless they –

- (I) seek to achieve scientific or technological advancement, and*
- (II) involve the resolution of scientific or technological uncertainty;”*

Further detail on qualifying research & development activities was set out in *Statutory Instrument Number 434/2004 – Taxes Consolidation Act 1997 (Prescribed Research and Development Activities) Regulations 2004*, set out in Appendix I.

As with all tax expenditures, the R&D tax credit is regularly evaluated to assess its continuing relevance, cost, impact, and efficiency of expenditure. In line with the Department’s Tax Expenditure Guidelines¹, and as announced in Budget 2025, an evaluation of the R&D tax credit will take place this year.

¹ <https://assets.gov.ie/306446/2646abd7-afe7-4e9c-b2d4-508332ef58c3.pdf>

2.1 Evolution of the regime

The R&D tax credit has now been in place for over 20 years. It has grown and evolved since its first introduction in 2004, in response to business and stakeholder feedback.

There have been significant changes to the regime since its introduction, including:

- the introduction of the ‘repayable credit’ in Finance (No. 2) Act 2008,
- the introduction of the key employee relief in Finance Act 2012,
- the removal of the base year in Finance Act 2014, and
- the increase of the outsourcing limit to third level institutes of education from 5% to 15% in Finance Act 2019.

The most recent evaluation of the R&D tax credit took place in 2022, with stakeholder feedback and economic analysis contributing to the overall review. Developments in the international tax landscape were also considered, following the recognition in the OECD Pillar Two rules of the valuable economic role played by tax credits such as those for R&D activities. This resulted in new definitions of Refundable Tax Credits, and Finance Act 2022 therefore provided for a restructuring of the payment provisions for the R&D tax credit, to ensure that the incentive maintained its effectiveness and aligned with agreed new definitions.

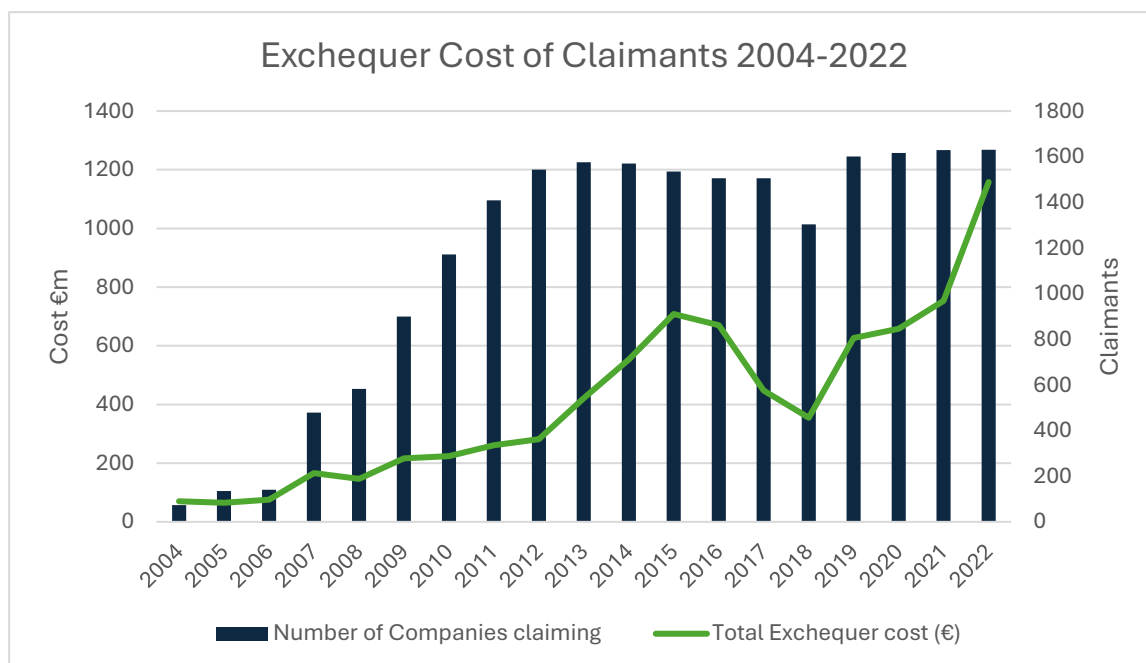
Recent Finance Acts have continued to enhance the regime, to the benefit of all qualifying claimant companies. For example:

- Finance Act 2022:
 - introduced the new fixed three-year payment system in respect of R&D tax credit claims,
 - removed the caps on the payable element of the credit, and
 - provided for the first €25,000 of a claim to be payable in full in year one.
- Finance (No.2) Act 2023:
 - increased the rate of the credit from 25% to 30%, and
 - doubled the first-year payment threshold from €25,000 to €50,000.
- Finance Act 2024:
 - increased the first-year payment threshold amount from €50,000 to €75,000.

3. Research and Development Tax Credit

3.1 Statistics

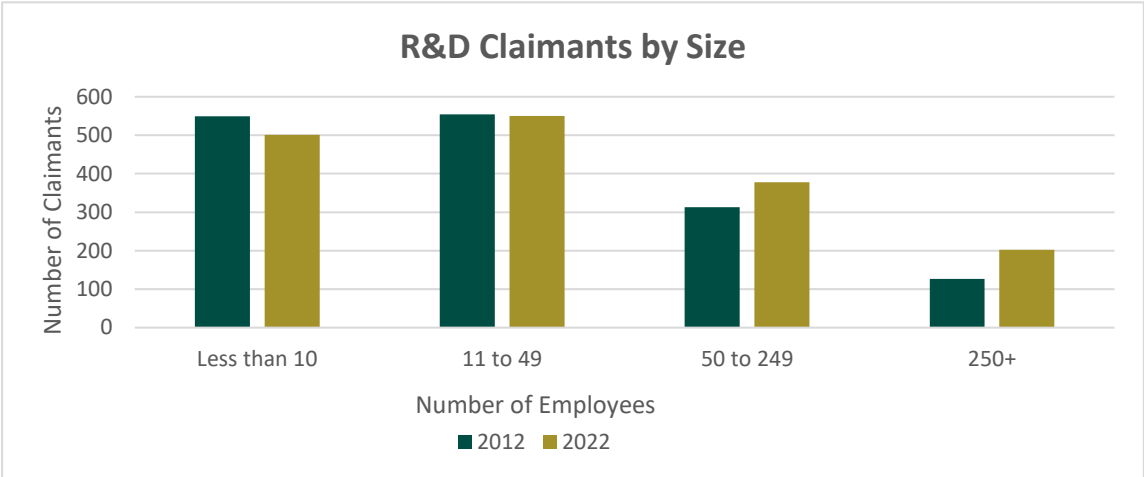
The uptake and cost of the R&D tax credit to the Exchequer has increased significantly since its introduction in 2004. In the first year, 73 companies claimed the credit at a cost to the Exchequer of €70 million. Subsequent years saw a steady increase in the number of claimants to the point where, in 2012, 1,543 companies claimed the credit at a cost of €282 million. While claimant numbers have remained relatively stable since that time, the annual cost can fluctuate significantly, reflecting the project-based nature of R&D activities. A cost peak of €708 million occurred in 2015, falling back to €355 million in 2018, before increasing significantly again in recent years. In 2022 (the most recent year for which statistical data are available²) there were a total of 1,631 claimant companies, at a cost of €1,158 million.



Revenue's 2022 Research and Development (R&D) Tax credit statistics report also provides details of the R&D tax credit based on the size of the claimant companies as determined by the number of employees ([Chart 1](#)) and the sectors of the claimant companies ([Chart 2](#)).

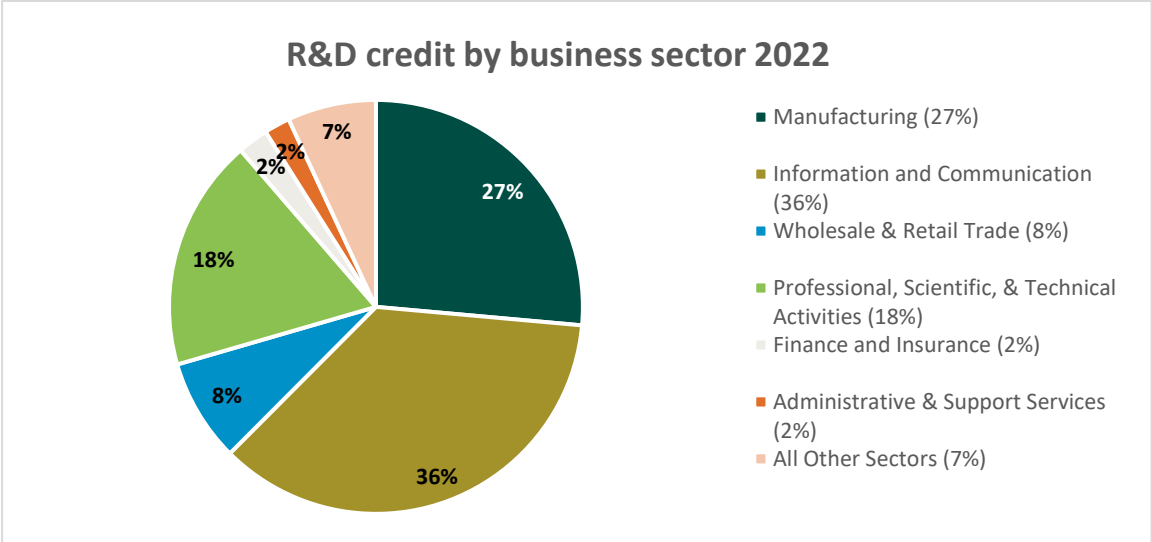
² <https://www.revenue.ie/en/corporate/documents/statistics/tax-expenditures/r-and-d-tax-credit-statistics.pdf>

Chart 1 – Breakdown of R&D claimants by size (based on employee numbers)



The chart above compares claimant companies by size (based on employee numbers) in the years 2012 (when there was a total of 1,543 claimants) and 2022 (1,631 claimants). The comparison shows a fall in the number of companies with less than 10 employees claiming the credit – a reduction from 549 (2012) to 501 (2022). However, looking at the SME group overall (companies with less than 250 employees), the numbers increased from 1,416 claimants to 1,429 claimants. The number of large companies (more than 250 employees) engaging in the regime increased from 127 to 202 in the same period. This suggests that, while claimant numbers from smaller companies have remained broadly stable in recent years, the overall growth in claimant numbers has been driven by increases in claims from medium to large companies.

Chart 2 – Breakdown of the R&D credit by sector



The two largest sectors in which R&D activity is carried on are manufacturing and information & communication. When data on the claimant numbers is combined for both manufacturing and information & communication, the number of claimant companies increased from 954 in 2012 to 1,019 in 2022.

4. Innovation

Ireland is a small, open and adaptable economy. It has relied on, and benefitted from a strong enterprise focus, competitiveness, and openness to trade and investment. However, there are risks for small, open economies which must be recognised and considered when formulating future policy decisions against the backdrop of trade tensions and greater de-globalisation.

The Programme for Government 2025 “Securing Ireland’s Future” highlights the requirement for a strong enterprise and fiscal framework which will prioritise economic and employment growth, competitiveness, fiscal responsibility, and investment in innovation, energy and decarbonization. There is a commitment to examine options to enhance the R&D tax credit, reward innovation and digitalisation and to encourage innovation by domestic and international companies.

The R&D tax credit is a broad-based measure, available to all companies irrespective of company size, location or sector, that undertake qualifying activities meeting the strict definition of research and development. By contrast, “innovation” is a broad concept that will, by its nature, change over time. A key first step in considering support options for innovation will be to develop a clear and robust definition of innovation. The potential scope also requires consideration, having regard to the breadth of the concept of innovation and the potential cost, impact and efficiency of any such measure. In addition, any targeted measure would be required to align with a State aid framework or receive State aid approval before commencement.

Taking account of feedback regarding the complexity of the R&D tax credit, and the potential for different policy approaches to scope, it is not believed that amending or expanding the definition of research and development in the R&D tax credit to include a provision for innovation would be the most appropriate approach. It would introduce additional complexity and the potential for uncertainty into the R&D tax credit and remove the policy flexibility that could be available through treating the concepts separately.

The questions in this consultation focus predominantly on the current R&D tax credit regime. However, with a view to considering and formulating potential policy in respect of innovation, the views of stakeholders on initial key scoping issues are also being sought.

5. Consultation Period

The Department of Finance is inviting replies from interested parties to the questions set out in Section 6. Respondents are not obliged to respond to every question, however as the questions have been designed to be informative as to the policy considerations that will form part of the review, all questions outlined should be borne in mind in responding.

The consultation period will run from 2 April to Monday 19 May 2025. Any submissions received after this date may not be considered.

5.1 How to Respond

The preferred means of response is by email to: businesstaxpolicy@finance.gov.ie. Please include *R&D Public Consultation* in the subject box. Submissions received will be acknowledged within one working day. If you do not receive a confirmation of receipt, please contact the Department to ensure your submission has been received.

Alternatively, you may respond by post to:

Research & Development Tax Credit – Public Consultation,
Department of Finance,
Government Buildings,
Upper Merrion Street,
Dublin 2, D02 R583

Please include contact details if you are responding by post.

When responding, please indicate whether you are contributing to the consultation process as a professional adviser, representative body, business representative or member of the public.

5.2 Freedom of Information

Responses to this consultation are subject to the provisions of the Freedom of Information Acts (FOI). Parties should also note that responses to the consultation will be published on the website of the Department of Finance. Parties should clearly indicate where their responses contain personal information, commercially sensitive information or confidential information which they believe may be exempt from release under FOI or would prefer not to be published.

5.3 Meetings with key stakeholders

The Department of Finance and Revenue may also invite key stakeholders to meet with them, including representative bodies, tax professionals and other interested groups or individuals.

5.4 After the Consultation

Tax policy issues from this public consultation will form part of the Minister for Finance's considerations in relation to policy and relevant legislation.

6. Consultation Questions

In responding to this consultation, you are invited to:

- Give your views on the specific questions set out below. You do not have to answer every question or section – you can choose to answer any or all of the questions.
- Provide details of any alternative approaches or options you feel might be beneficial in dealing with the issues being addressed. In doing so, please consider potential impediments to such approaches and provide consideration of how issues might be overcome.
- Comment generally on the direction you would like to see tax policy in this area develop, and/or provide details of any additional issues you consider to be relevant.
- In your responses we would ask that you provide as much information as possible. Specific examples or evidence in respect of issues being raised can be of particular value to the policy-making process.
- Provide some analysis of the potential Exchequer cost/yield of any proposed changes.

The Department of Finance would particularly like to receive feedback from the SME sector, and it would be appreciated if responses would indicate, where relevant, any points raised which are specific to smaller claims or claimants.

In respect of responses from an advisory firm or representative body, please provide some information as to the population of R&D clients or members in respect of whom you are responding. Where relevant, please specify where individual responses are particular to any sector or cohort of companies, and provide details of specific points in individual case studies (anonymised if required).

The questions below refer to a company, however we are aware that R&D may be undertaken within a group and, where this scenario applies and is relevant, please refer to this in your responses.

6.1 R&D tax credit – consultation questions

SECTION 1 – GENERAL QUERIES

- For R&D-active companies, please provide a general overview of your company (sector, headcount, size) and the role that the R&D tax credit has played in supporting your company to survive, thrive, or to grow.
- Have the recent measures which were introduced in Finance Act 2022, Finance (No.2) Act 2023 and Finance Act 2024 encouraged additional spending on R&D in your organisation? Please provide some detail in your answer.
- What is the R&D outlook for the company over the short to medium term, both in terms of currently ongoing projects and potential future projects, and what are the key challenges to continuing R&D activities in Ireland?
- Is R&D a continuing activity every year, or an intermittent activity?
- Are you undertaking R&D activity for the benefit of your company or for an unconnected third-party?
- Are there instances where a claim for the credit has not been submitted in respect of potentially qualifying activities, and if so, what considerations informed this decision?
- What proportion of R&D activity and expenditure undertaken to date would have been incurred by the company / group in Ireland in the absence of the R&D tax credit?

SECTION 2 - SUBCONTRACTED R&D ACTIVITIES TO A UNIVERSITY OR INSTITUTE OF HIGHER EDUCATION

“A company which incurs expenditure in the carrying on by it of qualifying R&D and pays a sum to a university or institute of higher education to carry out qualifying R&D activities in a relevant Member State, can claim relief. Relief will be restricted to 15% of the expenditure incurred by the company itself on R&D activities or €100,000, whichever is the greater, subject to the company incurring at least the same level of expenditure on qualifying activity which it carries out itself”.³

As part of overall policy to develop, sustain and promote growth of our economy into the future, the importance of a highly-skilled workforce and of continuing education with a view to upskilling the workforce is often cited. Collaboration between universities or institutes of higher education and companies actively undertaking R&D has been noted as playing an important role in developing a knowledge-based ecosystem and supporting quality education and employment prospects for students and graduates.

³ <https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-29/29-02-03.pdf>

- During the period in which R&D activities were undertaken by the company, did the proportion of the company's overall headcount with STEM⁴ qualifications increase? If so, what specific areas of STEM were of relevance?
- Where elements of R&D activity were outsourced to a university or institute of higher education, please provide information on relevant considerations. For example, was outsourcing required to access particular expertise or equipment? Was it a standalone project or did it result in longer-term collaboration?
- Are there instances where the current cap has specifically limited outsourcing plans to universities or institutes of higher education?
- Are there any factors other than the cap which would be relevant in encouraging additional collaboration on R&D between companies and universities or institutes of higher education?

SECTION 3 – SPILL-OVER EFFECTS OF COLLABORATION WITH UNIVERSITIES AND INSTITUTES OF HIGHER EDUCATION

It is recognised that a cornerstone of Ireland's economic success has been our highly skilled and talented workforce. The Programme for Government sets out the aim to improve our education system to equip students with the skills they require to succeed in a rapidly changing world. The importance of fostering the interest of students in STEM subjects at primary and secondary levels is recognised, and the presence of R&D-active businesses in local economies can contribute to this process.

- Does your company have engagement with any university or institute of higher education other than for the outsourcing of elements of R&D activity, for example offering work placement opportunities to students; input into curriculum development, sponsorship of programmes at PhD level or at another level, etc?
- Does your company have any engagement on STEM initiatives with schools at primary or secondary level, or with other civil or social groups?

SECTION 4 - SUBCONTRACTED R&D ACTIVITIES TO OTHER UNCONNECTED THIRD PARTIES

In addition to the provision for outsourcing to third-level institutions, *“a company which incurs expenditure in the carrying on by it of qualifying R&D and pays a sum to another person (not to a university or institute) who is not a connected person, in order for that person to carry out qualifying R&D activities for the company, can claim relief. Relief will be restricted to 15% of the expenditure incurred by the company itself on qualifying R&D activities or €100,000, whichever is*

⁴ Science, Technology, Engineering and Mathematics

the greater, subject to the company incurring at least the same level of expenditure on qualifying activity which it carries out itself.”⁵

- Where elements of R&D activities were outsourced to unconnected third parties, please provide detail on the impetus for this action – for example was outsourcing required to access particular expertise, equipment or services?
- Having regard to the credit’s policy objectives of supporting high value-add employment and economic activity, are there amendments to the outsourcing provision that you believe would be beneficial and cost-efficient for the Exchequer.
- Are there instances where the existing cap has limited plans to outsource activities, resulting in an overall reduction in R&D activities?

SECTION 5 - GRANT FUNDING

Has your company undertaken R&D which qualified for the R&D tax credit and which has also qualified for grant funding as set out below? If so:

- During the period in which R&D activity was carried on by the company, what proportion of R&D projects undertaken received grant support from:
 - the IDA or Enterprise Ireland;
 - the European Union (such as Horizon Europe, Horizon 2020, European Framework Programmes etc); and/or
 - Other sources (such as the UK or from a body/institution/agency outside the European Union).
- Are there any impediments to identifying and/or claiming grant supports?

SECTION 6 - THE FUTURE OF RESEARCH AND DEVELOPMENT

As we look to the future of the R&D tax credit and the economy, where do you believe the focus of future R&D in your sector will be and what emerging technologies or areas should be considered.

- What is the company’s biggest threat or competitor to growth and in attracting R&D investment in the future?
- Are there specific categories⁶ or areas of R&D which are currently being undertaken in your sector which you believe may not currently qualify for the R&D tax credit? If yes, please indicate why such R&D activities are not encompassed in the existing definitions.
- How will decarbonisation and digitalisation play a role in your company and what opportunities are there more broadly for R&D in these areas?

⁵ <https://www.revenue.ie/en/tax-professionals/tadm/income-tax-capital-gains-tax-corporation-tax/part-29/29-02-03.pdf>

⁶ S.I. No. 434/2004 - Taxes Consolidation Act 1997 (Prescribed Research and Development Activities) Regulations 200

- Other than amendments to the rate or scope of the tax credit, are there any measures or amendments to the current regime which you feel would encourage greater engagement with the R&D tax credit?

SECTION 7 - OTHER OBSERVATIONS OR FEEDBACK

We welcome any other comments or observations that you may have about the R&D tax credit regime that you feel would be beneficial to us as we review and look to shape future policy regarding the regime. Please provide specific examples and details, bearing in mind that the submission is subject to the Freedom of Information Acts. In any responses we ask that you are cognisant of the policy objectives of the regime, the need to deliver value for money to the taxpayer, and State aid implications.

6.2 Innovation – consultation questions

As set out above there is a commitment within the Programme for Government 2025 ‘Securing Ireland’s Future’ to examine options to reward innovation and digitalisation and encourage innovation by domestic and international companies.

While we explore and consider policy in this area and consider how it might align with government objectives such as the green and digital transitions, we would like to understand from your company:

- How would you define innovation, having regard to the need for definitions for policy purposes to be specific, unambiguous, and focused on delivering real additionality?
- Given the potentially broad scope of “innovation”, are there specific government objectives that a support should target to ensure it is cost effective to the taxpayer, adds value to the economy, drives growth and ensures high quality employment?
- If an innovation support were to be targeted, for example at a specific sector, location or type of company, State aid considerations would arise. Is there a particular State aid framework or provision that you believe would be of relevance?
- What administrative oversights do you believe would be necessary to ensure that any incentives being claimed are for true innovation?

Appendix I

Statutory Instrument Number 434/2004 – Taxes Consolidation Act 1997 (Prescribed Research and Development Activities) Regulations 2004

“I, MARY HARNEY, Minister for Enterprise, Trade and Employment, in exercise of the powers conferred on me by section 766 of the Taxes Consolidation Act 1997 (No. 39 of 1997) (inserted by section 33 of the Finance Act 2004 (No. 8 of 2004)), and having consulted with the Minister for Finance, hereby make the following regulations:

1. These Regulations may be cited as the Taxes Consolidation Act 1997 (Prescribed Research and Development Activities) Regulations 2004.
2. These Regulations shall be deemed to have come into operation on 1 January 2004.
3. Without prejudice to Regulation 4 of these Regulations, an activity shall not be a research and development activity for the purposes of section 766 of the Taxes Consolidation Act 1997 (No. 39 of 1997) (inserted by section 33 of the Finance Act 2004 (No. 8 of 2004)) unless it is a research and development activity falling within one or more of the following categories:

(1) an activity undertaken in the field of natural sciences, namely—

- (a) mathematics and computer sciences, including mathematics and other allied fields, computer sciences and other allied subjects and software development,
- (b) physical sciences, including astronomy and space sciences, physics, and other allied subjects,
- (c) chemical sciences, including chemistry and other allied subjects,
- (d) earth and related environmental sciences, including geology, geophysics, mineralogy, physical geography and other geosciences, meteorology and other atmospheric sciences, including climatic research, oceanography, vulcanology, palaeoecology, and other allied sciences, or
- (e) biological sciences, including biology, botany, bacteriology, microbiology, zoology, entomology, genetics, biochemistry, biophysics and other allied sciences, excluding clinical and veterinary sciences,

(2) an activity undertaken in the field of engineering and technology, namely —

- (a) civil engineering, including architecture engineering, building science and engineering, construction engineering, municipal and structural engineering and other allied subjects,
- (b) electrical engineering, electronics, including communication engineering and systems, computer engineering (hardware) and other allied subjects, or
- (c) other engineering sciences such as chemical, aeronautical and space, mechanical, metallurgical and materials engineering, and their specialised subdivisions, forest products, applied sciences such as geodesy and industrial chemistry, the science and technology of food production, specialised technologies of interdisciplinary fields, for example, systems analysis, metallurgy, mining, textile technology and other allied subjects,

(3) an activity undertaken in the field of medical sciences, namely—

- (a) basic medicine, including anatomy, cytology, physiology, genetics, pharmacy, pharmacology, toxicology, immunology and immunohaematology, clinical chemistry, clinical microbiology and pathology,

- (b) clinical medicine, including anaesthesiology, paediatrics, obstetrics and gynaecology, internal medicine, surgery, dentistry, neurology, psychiatry, radiology, therapeutics, otorhinolaryngology and ophthalmology, or
- (c) health sciences, including public health services, social medicine, hygiene, nursing and epidemiology,

(4) an activity undertaken in the field of agricultural sciences, namely—

- (a) agriculture, forestry, fisheries and allied sciences, including agronomy, animal husbandry, fisheries, forestry, horticulture, and other allied subjects, or
- (b) veterinary medicine.

4. Without prejudice to the generality of clauses (I) and (II) of the definition of “research and development activities” in section 766 of the Taxes Consolidation Act, an activity falling within any of the following categories shall not be a research and development activity for the purposes of that section:

- (a) research in the social sciences (including economics, business management and behavioral sciences), arts or humanities,
- (b) routine testing and analysis for the purposes of quality or quantity control,
- (c) alterations of a cosmetic or stylistic nature to existing products, services or processes whether or not these alterations represent some improvement,
- (d) operational research such as management studies or efficiency surveys which are not wholly and exclusively undertaken for the purposes of a specific research and development activity,
- (e) corrective action in connection with break-downs during commercial production of a product,
- (f) legal and administrative work in connection with patent applications, records and litigation and the sale or licensing of patents,
- (g) activity, including design and construction engineering, relating to the construction, relocation, rearrangement or start-up of facilities or equipment other than facilities or equipment which is or are to be used wholly and exclusively for the purposes of carrying on by the company concerned of research and development activities,
- (h) market research, market testing, market development, sales promotion or consumer surveys,
- (i) prospecting, exploring or drilling for, or producing, minerals, petroleum or natural gas,
- (j) the commercial and financial steps necessary for the marketing or the commercial production or distribution of a new or improved material, product, device, process, system or service,
- (k) administration and general support services (including transportation, storage, cleaning, repair, maintenance and security) which are not wholly and exclusively undertaken in connection with a research and development activity.

GIVEN under my Official Seal, this 14th day of July, 2004.

MARY HARNEY,

Minister for Enterprise, Trade and Employment.”



Rialtas na hÉireann
Government of Ireland

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