Working Paper

More revenue and more concentration

How the OECD's minimum effective tax rate will affect Ireland's corporation tax receipts

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Abstract

Ireland's corporation tax receipts have surged in the past decade. Since 2015, they've grown to over a quarter of all tax receipts, having averaged closer to 13% for two decades. They are highly concentrated, with just three firms estimated to account for 38% of receipts in 2023. We show how this concentration could be set to rise. We do so by providing the first in-depth estimate of the impact of the OECD's Pillar II reforms on Irish receipts. The reforms mean a 15% minimum effective tax rate for large corporations in Ireland as compared to the 12.5% statutory rate. We find that these reforms would increase Irish tax revenues, all else equal, but by less than other studies have estimated. Had the 15% effective rate been in place from 2018–2022, we estimate that revenues would have been, on average, 18% higher. Crucially, we find that virtually all of this additional revenue would be "excess". In other words, it cannot be explained by underlying domestic activity. This would lead to Irish corporation tax receipts becoming even more concentrated among a relatively small number of large, foreign-owned multinationals. These receipts could easily disappear. The Government should avoid using them to fund permanent commitments.

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Introduction

Corporation tax receipts have become extraordinarily important for funding public services and supports in Ireland. In 2024, they accounted for 29% of all tax revenue, up from 11% in 2014. This sharp increase has occurred, in part, due to changes in the international tax environment.

In this paper, we focus on the global minimum tax rate. This was introduced as part of the OECD's Base Erosion and Profit Shifting (BEPS) Pillar II reforms. It sets a minimum effective corporation tax rate of 15% on the profits of large corporate groups. These groups will continue to pay corporation tax at the same rates as before. Yet they will make an additional top-up tax payment to reach the 15% effective tax rate.

We undertake the first in-depth analysis that estimates the potential impact on tax revenues in Ireland alone. We use publicly available data to estimate the additional tax revenue yield that would have arisen from 2018–2022 had the top-up tax been in effect in those years. We do not account for how companies or countries might respond to the reforms.

Irish corporation tax receipts could rise further due to the global minimum tax. We estimate they would have been, on average, 18% higher than they were over 2018—2022 had it already been in place. In 2024, Ireland collected €28.1 billion in corporation tax revenues.[1] Therefore, an 18% increase would equal €5 billion in top-up tax revenue. The public finances would only begin to benefit from the extra revenues from 2026.

Virtually all of this additional tax revenue would be "excess". That is, it would be beyond what is explained by underlying domestic economic activity. Corporation tax receipts look set to become even more concentrated among a few large US tech and pharma multinationals whose profits come from their sales in foreign markets. This makes them sensitive to shifts in global—and, in particular, US—tax, trade, and industrial policy.

The Government should avoid using these unreliable receipts to fund long-lasting commitments. Ireland could do three things to protect itself from the risk that these receipts reverse: save more of its corporation tax revenues, diversify its economy, and prioritise investment in areas which boost long-term potential growth and make the wider economy more competitive.

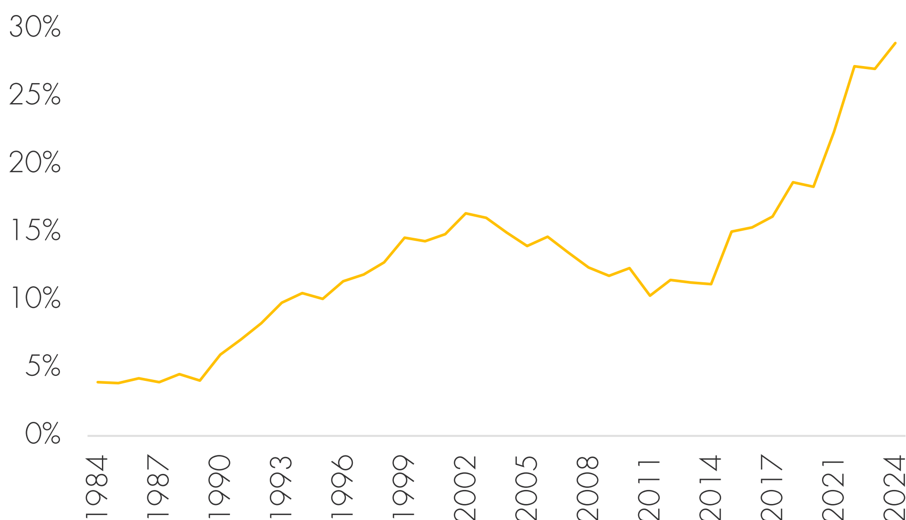
[1] Excluding receipts linked to the Court of Justice of the European Union ruling.

Background

Ireland's public finances are increasingly reliant on corporation tax revenues. In 1984, corporation tax receipts comprised 4% of total tax revenues (Figure 1). The equivalent share reached a record 29% in 2024 (Department of Finance, 2025).[2]

Figure 1: Corporation tax accounts for almost a third of all tax revenues

% of total tax receipts



Sources: Department of Finance (2025) and own workings. The 2024 figure excludes the €10.95 billion in corporation tax revenues arising from the Court of Justice of the European Union ruling in the Apple State-Aid case.

The importance of corporation tax revenues to the public finances has grown substantially since 2014. Corporation tax receipts have grown more than six-fold, from €4.6 billion in 2014 to €28.1 billion in 2024 (Department of Finance, 2025).[3] To put this in perspective, total receipts now equate to over €5,000 for every person in Ireland.[4]

There are two main reasons for the sharp increase in receipts.

First, the global profits recorded by foreign multinationals in the manufacturing and information/communication technology (ICT) sectors have risen substantially during this time. Large firms from these sectors have an outsized presence in Ireland. The sharp increase in these profits has resulted in a large increase in the corporation tax paid by these firms.

[2] The 2024 share excludes any one-off receipts linked to the Court of Justice of the European Union ruling in the Apple State-Aid case.

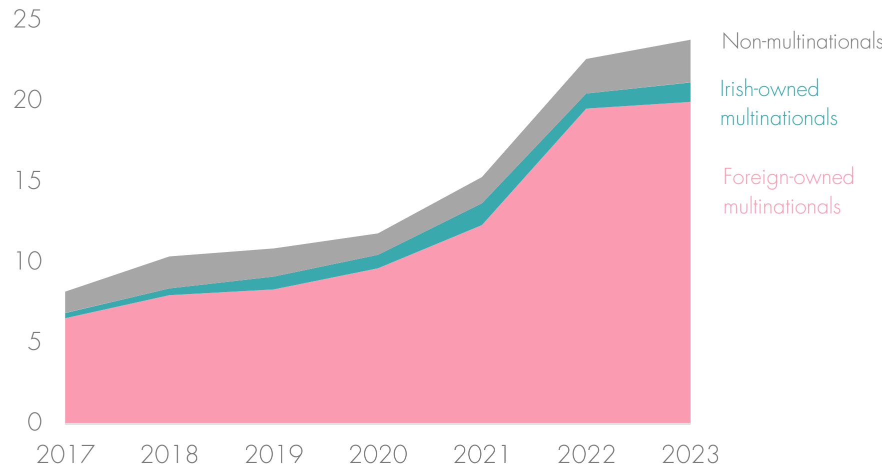
[3] The 2024 figure excludes the €10.95 billion in corporation tax revenues arising from the Court of Justice of the European Union ruling in the Apple State-Aid case.

[4] Ireland's population was estimated to be 5.38 million in 2024 (CSO, 2024a).

Figure 2 shows how foreign-owned multinationals accounted for 84% (€20 billion) of all corporation tax revenues in 2023. The bulk of these firms' profits are generated from sales which take place outside of Ireland.

Figure 2: Foreign-owned multinationals drive corporation tax growth

€ billion, corporation tax revenues



Sources: McCarthy and Hayden (2024) and previous publications.

Second, structural changes to both the Irish and, in particular, international tax systems have contributed to the rising tax take. The OECD's first round of BEPS measures, agreed in 2015, comprised a significant package of international tax reforms.[5] These reforms sought to align the location in which a company's profit was recorded with the location of the economic substance that generated that profit.

As a result, multinationals "onshored" their intellectual property (IP) assets to countries, such as Ireland, where the economic substance existed (Coffey, 2017; Tarrant and de hÓra, 2024). These IP assets included hugely valuable patents, trademarks, brands, and software licences. Given these onshored IP assets generate significant profits, the initial OECD BEPS measures have contributed to the exceptional growth in Irish corporation tax revenues since 2015 (Coffey, 2020; Department of Finance, 2022).

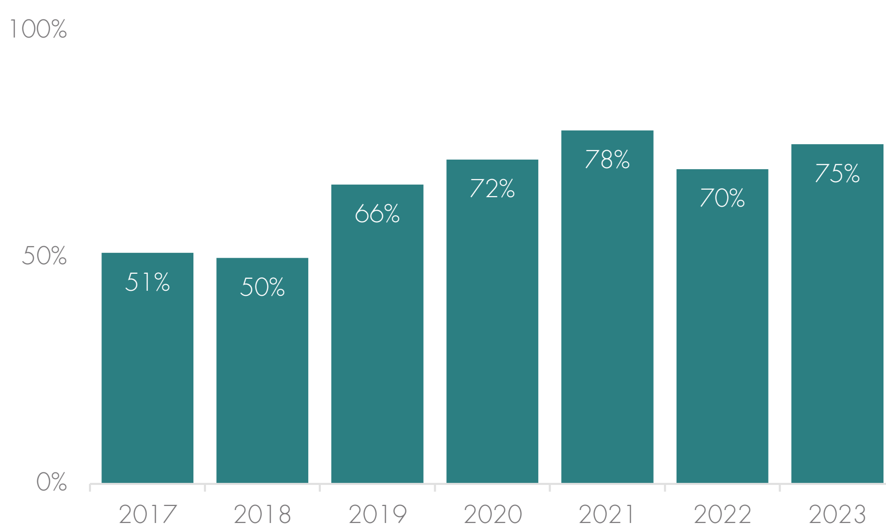
US multinationals are the largest corporation taxpayers in Ireland. We estimate they account for around three-quarters of all corporation tax revenues (Figure 3). These receipts are linked to significant levels of economic activity. US multinationals directly employ around 220,000

[5] Base erosion refers to when a company reduces its taxable income in a jurisdiction through deductible payments like interest or royalties. Profit shifting refers to when a company moves its taxable income from a high-tax jurisdiction to a low-tax or no-tax jurisdiction where they have little or no economic activity (Coffey, 2017; OECD, 2024b).

people in Ireland, with thousands more jobs depending on their presence here. The US is also Ireland's single biggest bilateral trading partner, accounting for around one-fifth of all Ireland's goods and services exports (Department of Finance, 2025). Major changes to US policy could have a major impact on corporation tax receipts in Ireland.

Figure 3: US firms account for bulk of Ireland's corporation tax revenue

% of Ireland's corporation tax receipts



Sources: Department of Finance (2025), Inland Revenue Service (2025) and author's workings. Notes: The Inland Revenue Service publishes the corporation tax paid by large US multinationals in Ireland for each July-June period. For example, the year '2023' refers to the 12-month period from July 2022 to June 2023. Ireland's Department of Finance publish monthly corporation tax receipts, which we adjust to align with the July-June year. To ensure consistency, we apply the average annual USD to EUR exchange rate for the same period. June 2023 is the most recent year for which US data is available.

The sustainability of corporation tax inflows is a key fiscal risk for Ireland. It is both a large share of total taxation and it is highly concentrated among a small number of large foreign-owned multinationals. This has been noted by the main economic institutions that monitor Ireland over many years (Department of Finance, 2014; Fiscal Council, 2015; National Treasury Management Agency, 2018; IMF, 2023; European Commission, 2024; Central Bank of Ireland, 2024; ESRI, 2024; OECD, 2025).

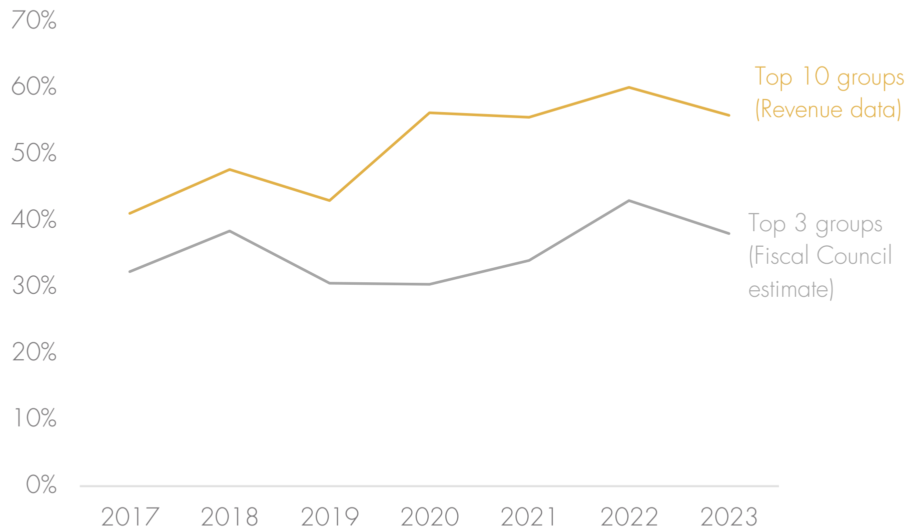
Ireland's corporation tax revenues have become more concentrated, even as total corporation tax receipts have risen. The top-ten highest paying corporate groups accounted for 56% of total corporation tax receipts in 2023, up from around a third in 2008 (McCarthy and Hayden 2024; Cronin 2023).[6] Cronin (2023) estimated the top-three highest paying

[6] The concentration of corporation tax revenues has generally been rising since 2008. It peaked in 2022 when the top-ten corporate groups contributed 60% (Cronin, 2023). Although there was a slight dip in 2023, the overall trend has been increasing.

corporate groups accounted for around a third of all corporation tax revenues from 2017 to 2021. The identities of these groups did not change during this time. These revenues were even further concentrated in 2022 and 2023 (Figure 4). Using the same approach, these three corporate groups are estimated to account for 38% of all corporation tax receipts in 2023 (Fiscal Council, 2024).

Figure 4: The concentration of corporation tax has increased over time

% of total corporation tax receipts



Sources: McCarthy and Hayden (2024) and previous publications, Cronin (2023) and Fiscal Council (2024). Notes: A corporate group consists of "individual companies or affiliates that are members of the same corporate entity grouped together" (McCarthy and Hayden, 2024). The composition of the top-ten highest paying groups may change from one year to another.

The future path for corporation tax receipts carries huge uncertainty. The concentration of receipts in a few firms leaves Irish corporation tax revenues prone to sudden upswings and sharp reversals. Therein lies the risk posed by over-relying on these unpredictable revenue flows to fund permanent tax or spending measures.

Despite this, one thing is certain: Ireland's minimum effective corporation tax rate is now 15% for most large firms. This means many of Ireland's largest corporation taxpayers will pay corporation tax at higher effective tax rates. This provides the motivation for this paper: to estimate the potential tax revenue yield arising from this new minimum 15% effective tax rate.

Pillar I and Pillar II reforms

In October 2021, Ireland was among 137 countries to agree on a landmark reform of international corporation tax rules (OECD, 2021). The agreement reflected a collective effort to update tax rules for the digital economy and curb global tax competition through a "two-pillar" solution. Pillar I seeks to reallocate the taxing rights of some company profits to where the end-consumer is located, while Pillar II sets a minimum corporation tax floor of 15% for multinational companies.

The October 2021 agreement laid out the broad principles of both pillars. In the following years, work focused on creating detailed rules and guidance for their implementation. Here, we provide a brief overview of each pillar and their implementation progress.

Pillar I — location of sales

Pillar I seeks to reallocate some profit of the largest and most profitable multinationals to countries where they sell their goods and services. This would ensure corporation tax is paid based more on the location of sales or end-consumer rather than on where profits are ordinarily recorded (Baraké, 2024). At present, the location of customers can have no bearing on where corporation tax is paid, where a firm lacks a physical presence. Pillar I aims to change this.

Pillar I reforms would likely result in a fall in corporation tax receipts in Ireland. The Irish consumer market is relatively small in global terms, while large quantities of intellectual property assets are located here (Coffey, 2017; Tarrant and de hÓra, 2024).[7] Therefore, Ireland would likely see revenue losses due to direct impacts of the Pillar I reforms.

However, it is unclear if and when full agreement on Pillar I will be achieved. It will not come into force without ratification by the United States, which appears extremely unlikely (Bunn, 2024).[8] Pillar I is not the focus of this note, but Appendix A explores it further.

[7] Ireland's net (post-depreciation) capital stock of intangible R&D fixed assets was €338 billion in 2023, up from €34 billion in 2014 (CSO, 2024b). While this figure includes R&D services, the vast majority of the category is composed of transactions in intellectual property assets. Therefore, it is considered the best measure of the stock of intellectual property assets in Ireland.

[8] The U.S. Constitution requires a two-thirds majority — 67 votes — in the U.S. Senate to ratify a treaty. This makes adopting Pillar I Amount A challenging without broad, bipartisan support in the US (Bunn 2023).

Pillar II — global minimum effective tax rate

Pillar II introduces a global minimum tax.[9] This involves a minimum effective tax rate of 15% on the profits of corporate groups with annual global revenues of at least €750 million in two of the previous four years. This minimum effective tax rate applies to profit in each country that the relevant group operates.

The global minimum tax consists of three interlocking top-up taxes (Appendix B). The Qualified Domestic Minimum Top-up Tax gives Ireland the most scope to raise additional corporation tax revenue and is the focus of this paper.

The Qualified Domestic Minimum Top-up Tax could lead to additional tax revenue for Ireland. The trading profits of all companies will continue to be subject to the 12.5% headline corporation tax rate. However, large groups that meet the revenue threshold but pay below the minimum effective rate will have to make a top-up tax payment to bring them up to the 15% effective rate. Ireland introduced a Qualified Domestic Minimum Top-up Tax applying to accounting periods beginning on or after 31 December 2023 (Revenue Commissioners, 2024d).

Unlike Pillar I, which has yet to be agreed, Ireland has signed the Pillar II minimum tax rules into law.[10] As a result, Ireland would see additional tax revenue from this source as soon as June 2026, with the full-year impact being seen from 2027.[11] Further detail on Pillar II is available in Appendix B.

[9] Pillar II also established the Subject to Tax Rule (STTR) which applies on some undertaxed payments (Baraké et al., 2022). However, the STTR component of Pillar II is not expected to impact Ireland (Oireachtas, 2023). It is not analysed in this paper.

[10] The EU Minimum Tax Directive, which ensures a consistent application of Pillar II across member states, was agreed in December 2022. This Directive was then transposed into Irish law in December 2023, giving effect to the new rules for accounting periods commencing 31 December 2023.

[11] The first top-up tax return must be filed no later than 18 months after the end of the first accounting period. In other words, the first filing deadline will be 30 June 2026 for groups with a December year-end. After the first year, the top-up tax return must be filed no later than 15 months after the end of the relevant accounting period.

Literature review

The existing literature on the revenue impacts of a global minimum tax has a very broad focus and do not look at any one country in much depth. Instead, the focus is on estimating the global tax revenue yield. These estimates require standardised approaches, often applied uniformly to dozens of countries.

Only a handful of papers have estimated the corporation tax revenue impacts of a global minimum tax since its design elements were finalised in December 2021. To our knowledge, there are no papers that explore the detailed potential impacts on Ireland when estimating the potential tax revenue yield from the global minimum tax (GMT).

Hugger et al. (2024) assessed the potential impact of a global minimum tax on corporation tax revenues. Their estimates accounted for both direct and indirect revenue gains.[12] Their central estimate assumed that some jurisdictions do not implement a global minimum tax. Hugger et al. (2024) did not publish country-specific estimates. Instead, they classified jurisdictions into five different groups. Ireland was classified as an "investment hub".[13] The analysis availed of country-by-country reporting data for each year from 2017 to 2020, as well as other data sources to enable comparisons to be made between different groups.[14]

Their results suggest that revenue gains will accrue to all types of jurisdictions. However, investment hubs are set to gain most. They estimate that corporation tax revenues could increase by between 14% and 34% in investment hubs.

The wide range reflects the fact that the corporation tax rates in these countries differ widely. Indeed, in some of these jurisdictions, corporation

[12] Direct revenue gains arise when countries apply a top-up tax, resulting in additional corporation tax receipts. Indirect revenue gains arise by increasing the taxation of previously shifted profit. The GMT imposes top-up taxes on profit previously taxed below an effective rate of 15%. This reduces the incentive to shift profit to countries with lower effective tax rates, since the difference in tax rates between higher and lower tax countries has been reduced. Less profit shifting increases the amount of profit reported in higher tax countries, thereby boosting their tax revenues (Hugger et al., 2024).

[13] Investment hubs are defined as jurisdictions with a total inward foreign direct investment above 150% of GDP on average across 2017-2020 (Hugger et al., 2024).

[14] Since 2016, a multinational group with worldwide revenue greater than €750 million in the previous accounting period has had to file a country-by-country report. These reports include a breakdown of the amount of revenue, profits, taxes paid and other indicators of economic activity for each jurisdiction in which the group operates (Hugger et al., 2024; McCarthy and Hayden, 2024).

tax is not applied to any profits.[15] Therefore, firms in some investment hub jurisdictions would need to make much higher top-up tax payments to reach the minimum 15% effective rate. Ireland, on the other hand, already collects large amounts of corporation tax revenue. Therefore, it would seem likely that revenue gains in Ireland will be at the lower end of this range.

Reitz (2023) and Baraké et al. (2022) publish country-specific estimates of the direct revenue gains arising from the top-up tax. Their data is largely based on aggregated country-by-country reporting for the years 2016 to 2017, complemented with information from other sources. To make their analysis more up to date, both papers grow the relevant values in line with nominal growth rates of GDP.

Both studies forecast very large increases in corporation tax revenue for Ireland. Reitz (2023) estimates the top-up tax would have generated between €5.2 billion and €7.7 billion in additional corporation tax revenue in Ireland in 2019. In other words, Irish corporation tax receipts would have been between 47% and 71% higher than they actually were. Baraké et al. (2022) estimate that a top-up tax would have generated an additional €4.5 billion in corporation tax revenue in Ireland in 2021. This would equate to a 29% increase in corporation tax receipts for that year.

What is novel about this paper?

The introduction of a global minimum tax is set to impact Ireland more than most other countries for the following reasons:

a. Corporation tax is an unusually large government revenue source in Ireland. They have risen more than sixfold since 2014, accounting for almost one-third of all tax receipts in 2024 (Department of Finance, 2025).

b. Ireland's corporation tax receipts are incredibly concentrated. It is estimated that just three multinationals accounted for 38% of these receipts in 2023 (Fiscal Council, 2024). Moreover, foreign-owned multinationals accounted for 84% of all corporation tax receipts in 2023 (McCarthy and Hayden, 2024).

[15] For example, Bermuda and the Cayman Islands are also classified as 'investment hubs' (Hugger et al., 2024). There is no corporation tax in these jurisdictions (PwC, 2024a).

c. Ireland's corporation tax revenues are heavily exposed to changes in the international tax environment. The sharp increase in these receipts since 2014 has been, in part, due to previous OECD BEPS reforms.

d. Ireland's headline corporation tax rate is 12.5%. Moreover, it has introduced a Qualified Domestic Minimum Top-up Tax. This means Ireland is first in line to tax low-taxed profits arising in Ireland at the 15% minimum effective tax rate.

Therefore, Ireland is a very useful case study to examine the potential tax revenue impact of a global minimum tax.

This paper differs from the existing literature in terms of its methodological approach. Other studies look at a wide range of countries without examining any single country in detail. Instead, they focus on estimating the global tax revenue yield using standardised methods that can be applied to many countries in the same way.

We estimate the tax revenue impact for just one country: Ireland. We estimate the yield using far more detailed, country-specific data for profits, payroll costs, tangible assets and taxes paid than has been used elsewhere.

Methodology

In this section, we provide a high-level overview of our methodological approach. More detail on our approach is contained in Appendix D.

We use publicly available data to estimate the additional tax revenue yield that would have arisen each year from 2018-2022 had the top-up tax been in effect in those years.[16]

We estimate around 1,000 corporate groups are likely to be impacted by the reforms (Appendix C).[17] Most of these groups are foreign-owned multinationals with at least one subsidiary in Ireland. Around half of these have their headquarters in the US. In 2021, 61 of the relevant groups were Irish-owned multinationals (OECD, 2024a).[18]

The calculation of the top-up tax payment is not straightforward. Ideally, it would be as simple as adding an extra 2.5% (the difference between 15% and 12.5%) to the existing tax payments of the relevant multinationals. However, the effective tax rate may be higher or lower than the statutory 12.5% tax rate. Various tax reliefs, credits and deductions can reduce a company's effective tax rate. By contrast, the 25% tax rate on non-trading income may result in an effective rate that is greater than 12.5% (Coffey and Levey, 2014). Nevertheless, prior to Pillar II, the effective rate has tended to be below the statutory rate.[19]

There are two unknowns when looking to estimate the additional yield arising from the top-up tax (Hugger et al., 2024; Reitz, 2023; Baraké et al., 2022). The first is the tax base or 'excess profit'. This is the income that will be subject to the top-up tax rate. Pillar II rules use their own tax base, calculated by reference to financial accounting rules with some adjustments (Revenue Commissioners, 2025). The second unknown is the

[16] We concentrate solely on this five-year period because reliable data on multinationals utilising double taxation relief and additional foreign tax credits is only available from the Revenue Commissioners from 2018 onwards.

[17] A corporate group consists of "individual companies or affiliates that are members of the same corporate entity grouped together" (McCarthy and Hayden, 2024). Therefore, while around 1,000 corporate groups are likely to be impacted by the new top-up tax, the number of individual companies impacted will be much higher.

[18] 2021 is the most recent year for which OECD country-by-country reporting data is available.

[19] Coffey (2017) found that the effective corporation tax rate for all firms ranged from 11.1% to 12.1% between 2003 and 2015. These effective tax rates were calculated by dividing the tax burden by the taxable income. The tax burden is the tax due on taxable income plus any relief granted for foreign tax paid abroad. This relief provides credit for taxes already paid in other jurisdictions, which would otherwise have been due in Ireland (Coffey, 2017; Coffey and Levey, 2014).

top-up tax rate itself. This is the difference between the minimum 15% effective rate and a group's effective tax rate in the jurisdiction.

Once we estimate these two unknowns, we can calculate the tax revenue yield as follows:

Excess profit × Top-up tax rate

Estimating excess profit

There are four key variables required to estimate 'excess profit'. These are labelled from 1 to 4 in the stylised table below. Accurate outturns of each of these amounts are not publicly available. Therefore, we must estimate all four of these figures.

Table 1: How we estimate 'excess profit'

			€
1	Financial accounting net income		XX
2	plus or less adjustments	-	XX
	Net qualifying income		XX
3	less carve-out for eligible payroll costs[20]	-	XX
4	less carve-out for eligible tangible assets[21]	-	XX
	Excess profit		XX

Source: Author's workings

Estimating the top-up tax rate

We estimate the top-up tax rate as follows:

Top-up tax rate = 15% – Effective corporation tax rate

In theory, an effective corporation tax rate is straightforward to calculate (Coffey and Levey, 2014). It is:

[20] 'Eligible payroll costs' refer to employee compensation expenditures, including— (a) salaries, (b) wages, (c) other expenditures that provide a direct and separate personal benefit to the employee, including health insurance, pension contributions and stock-based compensation, (d) payroll and employment taxes, and (e) employer social security contributions (Finance (No. 2) Act 2023).

[21] 'Eligible tangible assets' refer to: (a) property, plant and equipment located in the jurisdiction, (b) natural resources located in the jurisdiction, (c) a lessee's right of use of tangible assets located in the jurisdiction, or (d) a licence or similar arrangement from the government for the use of immovable property or exploitation of natural resources that entails significant investment in tangible assets (Finance (No. 2) Act 2023).

$$\frac{\text{Tax Liability}}{\text{Company Profit}} \times 100$$

However, Pillar II rules use their own measures of the tax liability and company profit. The numerator is called 'adjusted covered taxes'. It refers to a firm's current tax charge in its financial statements, with some adjustments (Revenue Commissioners, 2025).[22] The denominator is net qualifying income, shown in Table 1.

Under Pillar II rules, the effective tax rate is calculated as follows:

$$\frac{\text{Adjusted Covered Taxes}}{\text{Net Qualifying Income}} \times 100$$

Our approach

In broad terms, our approach is as follows:

1) We estimate the taxable income of the companies which are likely to be impacted by the reforms. This amounts to our estimate of financial accounting net income (Appendix D1).

2) We adjust this income measure for a number of items to arrive at the net qualifying income. One key adjustment is that foreign dividend income received by Irish entities will be excluded from net qualifying income, with two specific exceptions (Appendix D2). This is the tax base required to calculate the effective tax rate under the new rules.[23]

3) We subtract from net qualifying income the so-called "substance-based income exclusion". This involves subtracting 10% of the groups' eligible payroll costs and 8% of the carrying value of their eligible tangible assets.[24] This gives us the "excess profit" – the income that will be subject to the top-up tax rate (Appendix D3).

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[22] These adjustments may increase or decrease the tax expense. One such adjustment is for a 'total deferred tax adjustment' (Revenue Commissioners, 2025).

[23] Other examples of adjustment items include net tax expenses and certain equity gains or losses. See section 111P(2) of the Finance (No. 2) Bill 2023 for a list of the different adjustments required to arrive at net qualifying income.

[24] Pillar II rules allow certain income to be excluded from the top-up tax. The excluded income is known as a 'substance-based income exclusion'. In effect, a percentage of both the eligible payroll costs and the carrying value of eligible tangible assets are not subject to the top-up tax. In year 1, 10% of a group's payroll costs and 8% of a group's tangible assets are excluded. However, both percentages gradually decline each year over a ten-year period, such that both rates are 5% in 2033.

4) We estimate the average effective tax rate. To do this, we divide adjusted covered taxes by net qualifying income (Appendix D4).

5) We estimate the top-up tax rate by subtracting the average effective tax rate from the minimum 15% effective tax rate (Appendix D5).

6) We multiply the excess profit by the top-up tax rate to get our estimate for the additional yield that would have arisen for each year, had the top-up tax been introduced (Appendix D6).

It is possible that multinationals and governments might change their behaviour in response to the GMT. We do not account for potential behavioural responses in this paper. These could impact corporation tax receipts. However, it is hard to predict what individual groups and governments will do.

Results

In this section, we present our estimates for excess profit, the top-up tax rate, and the additional yield arising from top-up tax revenues.

Excess profit

Excess profit increased significantly over time, from €65 billion in 2018 to €158 billion in 2022 (Table 2). This reflects two things: higher profits for large corporate groups and the "onshoring" of hugely valuable intellectual property assets, from which significant profits are generated.

Table 2: 'Excess profit' increased significantly between 2018 and 2022

€ billion

	2018	2019	2020	2021	2022
Taxable income	77.8	88.3	95.6	135.6	186.5
less adjustment*	-5.2	-7.4	-8.6	-21.4	-17.6
Net qualifying income	72.6	80.9	87.0	114.2	168.9
Less carve-outs					
Eligible payroll costs**	-3.3	-3.6	-3.8	-4.0	-4.9
Eligible tangibles assets**	-4.1	-4.4	-4.6	-5.2	-6.2
Excess profit	65.3	73.0	78.6	105.0	157.9

Sources: McCarthy and Hayden (2024), CSO (2024c), Revenue Commissioners (2024c), and Author's workings.

*The adjustment equals gross foreign dividend income and other foreign dividend income (Revenue Commissioners, 2024c). Under the Pillar II rules, foreign dividend income is typically excluded from the tax base with two specific exceptions (Appendix D2).

**A substance-based income exclusion provides that a percentage of both the eligible payroll costs and the carrying value of eligible tangible assets are excluded from the top-up tax. Initially, 10% of payroll costs and 8% of the carrying value of tangible assets are excluded. These are the rates applied in this table. However, both percentages gradually decline each year over a transition period of ten years, such that both rates are 5% in 2033.

Top-up tax rate

Our estimated effective tax rate remained relatively stable, ranging from 12.0% in 2022, to 12.9% in 2018 (Table 3).

Table 3: Top-up tax rate ranged from 2.1% to 3.0%

%

	2018	2019	2020	2021	2022
Minimum effective rate	15.0%	15.0%	15.0%	15.0%	15.0%
less average effective tax rate	-12.9%	-12.5%	-12.2%	-12.0%	-12.0%
Top-up tax rate	2.1%	2.5%	2.8%	3.0%	3.0%

Source: Author's workings.

Our estimated top-up tax rate is also fairly steady. This is because the top-up tax rate equals the difference between our estimate of the effective tax rate and the minimum 15% effective rate. It ranged from 2.1% in 2018 to 3.0% in 2021 and 2022 (Table 3).

Our estimates are averages, blending high and low effective tax rates across groups in Ireland. This approach provides an overall effective tax rate and top-up tax estimate but does not account for firm-level differences due to limited data. In reality, only groups with effective tax rates below the 15% rate would owe a top-up tax, while those meeting the threshold would not.[25]

Tax revenue yield arising from the top-up tax

We multiply excess profit by the top-up tax rate to get the additional top-up tax revenue yield in each year.

In 2018, we estimate corporation tax revenues would have increased by €1.4 billion. In 2022, our equivalent estimate is €4.7 billion (Table 4). While the top-up tax rate remained relatively steady, excess profit increased significantly during the period. Given Ireland's corporation tax revenues have increased by 24% since 2022, excess profit is likely to have increased during that time too.

Table 4: The top-up tax could have raised almost €5 billion in 2022
€ billion unless stated

	2018	2019	2020	2021	2022
Excess profit	65.3	73.0	78.6	105.0	157.9
multiplied by top-up tax rate (%)	2.1%	2.5%	2.8%	3.0%	3.0%
Top-up tax revenue	1.4	1.8	2.2	3.1	4.7

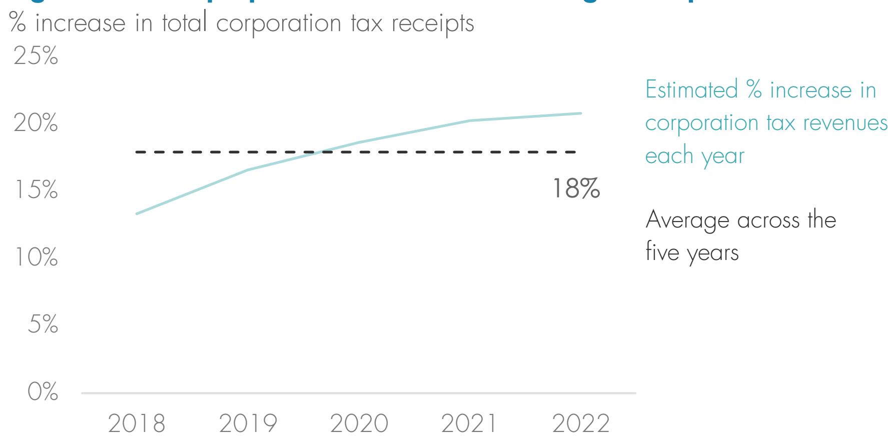
Source: Author's workings

We estimate that, on average, the top-up tax would have increased Ireland's corporation tax receipts by 18% over 2018–2022 (Figure 5). In 2024, Ireland collected €28.1 billion in corporation tax receipts. An 18% increase would have yielded an additional €5 billion at that level of receipts. Had the top-up tax been in effect, we estimate that corporation

[25] The Office of the Comptroller and Auditor General (2017) ranked the top 100 companies in Ireland according to their tax due in 2015. They found that 79 of these firms had an effective tax rate of 10% or more. These effective tax rates did not account for taxes paid outside of Ireland. Therefore, it is possible their effective tax rates, if calculated under Pillar II rules, would be higher.

tax receipts could have been 13% to 21% higher between 2018 and 2022.

Figure 5: The top-up tax would have led to higher corporation tax revenues



Source: Author's workings.

Situating the results within the existing literature

Our estimate of the additional tax yield is in line with the findings of Hugger et al. (2024). They estimated that corporation tax revenues could increase by between 14% and 34% in investment hubs. Ireland already collects large amounts of corporation tax revenue. Therefore, it is likely that Ireland would be among the countries at the lower end of this range.

However, our estimate is much lower than Reitz (2023) and Baraké et al. (2022). Both studies forecast very large increases in corporation tax revenue for Ireland. However, their results likely overstate the additional tax revenue yield to Ireland.

One key reason is that both studies likely understate the average effective tax rate paid by in-scope firms in Ireland and hence over-estimate the top-up tax rate to be applied. Reitz (2023) estimates the effective tax rate paid by in-scope firms in Ireland was 6.7% in 2019. Baraké et al. (2022) classify Ireland as a 'tax haven', alongside a number of other jurisdictions. They then assume all tax havens have an effective corporation tax rate of 10% in 2021.

However, we find the average effective tax rate is likely to be higher. We estimate the effective tax rate for in-scope firms ranged from between 12.0% and 12.9% between 2018 and 2022. This results in lower top-up tax rates and, thus, lower top-up tax revenues than Reitz (2023) and Baraké et al. (2022) had estimated, holding all else equal.

Discussion: A state of super-saturation

Corporation tax revenues are set to become even more concentrated

Our findings suggest that the Pillar II reforms would likely lead to Ireland collecting more corporation tax revenues than it otherwise would. However, virtually all of the additional tax revenue we estimate would be "excess". That is, it will be beyond what is explained by underlying domestic economic activity. The biggest taxpayers are foreign multinationals in the tech and pharma sectors (Cronin, 2023). Most of their profits are from sales in foreign markets. Furthermore, almost all these firms are headquartered in the US. This means they will continue to be sensitive to changes in the global tax environment, along with political decisions in the US itself, with a risk being that they move their operations elsewhere.

The implementation of the global minimum tax will likely lead to Ireland's corporation tax revenues becoming even more concentrated. The top-ten highest paying corporate groups accounted for 56% of total corporation tax revenues in 2023 (McCarthy and Hayden, 2024). Virtually all of Ireland's largest taxpayers will be subject to Pillar II rules, with many required to pay a top-up tax in Ireland. As a result, the top-up tax would push up corporation tax receipts, all else equal. But they would also become even more reliant on a small number of very large US-owned multinationals.

Ireland's corporation tax revenues have risen sharply over the last decade, largely for reasons outside of its control. First, the global profits recorded by foreign multinationals in the manufacturing and ICT sectors have risen substantially. Second, international tax reforms have resulted in hugely valuable intellectual property assets being shifted to Ireland from no-tax jurisdictions. Now, it would appear that Ireland is set to benefit once again, this time due to the global minimum tax.

However, Ireland's corporation tax revenues will remain highly unreliable. There is a risk these receipts could suddenly rise or fall if a handful of multinationals in just a couple of sectors were to experience sudden shifts in fortunes or if international tax policies were to change.

Consider the example of a large pharmaceutical group headquartered in the US. The firm's profitability could be impacted by changes to senior management, key products coming off patent, supply-chain disruptions,

group restructurings, or failures to get approval for new drugs. It might also face increased government regulation or could suffer from shortages of skilled labour. Lastly, its operational structures could be shaped by changes in US or international trade or taxation policies.

The tech sector faces similar risks. Multinationals there are exposed to the tax environment, how specific products perform, key personnel changes, and the risks of a regulatory backlash.

A “super-saturation” state

With this increased concentration, we can think of Ireland’s corporation tax receipts as having entered a state of “super-saturation”. In chemistry, this describes how a solution can be brought to a highly concentrated state, but with the result that this state is far less stable.

In a similar way, Ireland’s corporation taxes are already highly concentrated among a small number of multinational firms. By becoming more concentrated, this magnifies the risks around this revenue stream. These receipts are inherently unstable: firm- and sector-specific shocks or further changes to the international tax environment could cause these excess receipts to reverse. Relying on such unpredictable taxes to fund essential supports and services would be dangerous. While the corporation tax revenues could disappear swiftly, the spending commitments would be much more difficult and painful to reverse.

Narrowing of the tax base

The emerging super-saturation of Ireland’s corporation tax receipts comes as other parts of its tax base are being narrowed.

Ireland’s income tax base has narrowed over recent budgets bringing it closer to levels that prevailed in the mid-2000s (Fiscal Council, 2024). In 2025, some four-fifths of income tax receipts are expected to be paid by just over one-fifth of taxpaying units (Revenue Commissioners, 2024a). This level of concentration is similar to that seen in 2006.

This narrowing of the income tax base is concerning. Income tax is Ireland’s largest tax head, accounting for almost €2 in every €5 of all tax revenues raised over the past decade (Department of Finance, 2024a). Yet it is increasingly being paid by Ireland’s highest earners. In 2022, the

bottom 49% of taxpaying units paid 2.4% of all income tax (Revenue Commissioners, 2024b).[26]

Income tax, which includes the Universal Social Charge (USC), had been widened after the financial crisis. The USC was introduced in 2011 and helped broaden the income tax base. Initially, just over 12% of income earners were exempt from the charge (Department of Finance, 2016). However, successive governments have gradually increased the entry threshold and decreased rates. Estimates by the Revenue Commissioners (2024a) suggest that, after Budget 2025 measures, at least 33% of taxpaying units will be exempt from the USC.

By narrowing the income tax system, the Government risks magnifying the concentration risks around corporation tax. Many of Ireland's largest income taxpayers are likely to be employed by some of the highest corporation taxpaying firms. A negative shock would primarily hit Irish corporation tax revenues, but income tax receipts would also be affected.

Consider a hypothetical large multinational operating in the ICT sector.[27] Drawing on representative firms, total payroll costs could amount to €150,000 per direct employee.[28] This could entail tax revenues for an average employee of around €60,000 when considering income tax, employees' PRSI, and the USC. Adding employers' PRSI, total payroll-related taxes could amount to around €75,000.[29] If the firm were to employ say 6,000 workers in Ireland, that would entail a payroll-related tax bill of €450 million. These estimates do not account for the knock-on impacts on other firms whose business models may depend heavily on the presence of these multinationals.

How can we protect ourselves from these risks?

The sensible response to receipts that are highly unpredictable and at risk of disappearing is to treat them differently. A good example of how countries have learned to deal with this type of situation relates to the idea of "Dutch Disease".

[26] Income tax statistics are published based on taxpayer units, where married couples or civil partners opting for joint assessment are treated as one unit.

[27] The figures provided are not specific to any one multinational. Rather, they are representative of a number of firms operating in the ICT sector in Ireland.

[28] Payroll costs include wages and salaries, PRSI, pension costs, and share-based remuneration.

[29] This estimate is for a single person with gross income of €150,000 and accounts for income tax changes announced in Budget 2025. Income tax, employees' PRSI, and USC amounts were estimated with an income tax calculator (PwC, 2024b). Estimates for employers' PRSI assume firms pay 11.15% Class A PRSI on each employee's gross income (Citizen's Information, 2025).

The term comes from the Netherlands' experience in the 1970s when large natural gas reserves were discovered in the North Sea. Initially, the newfound wealth boosted the economy, making Dutch people better off without the pain of taxation.

However, this reliance on a single commodity or sector can have significant negative side effects (Mien and Goujon, 2022). It can drive up prices and wages relative to other countries, leading to competitiveness losses when productivity increases do not match wage growth.[30] This in turn harms exporters in other areas of the economy (IMF, 2023). In the case of the Netherlands, many traditional businesses could no longer compete for workers with the booming energy sector and had to shut down. In the early 1980s, when recession struck, the jobs these firms once provided were greatly missed (FitzGerald, 2024).

Ireland’s corporation tax receipts show signs of a resource curse: substantial revenues, with high volatility, concentration, and risks of not lasting forever (Fiscal Council, 2024).

To protect itself from these risks, Ireland should try to do three things: save more of its corporation tax revenues, diversify its economy, and prioritise investment in areas which boost long-term potential growth and make the wider economy more competitive.

The National Spending Rule previously tied spending to sustainable increases in funding rather than taxes that could prove temporary.

Saving more of its corporation tax receipts

Ireland has begun to save some of its excess corporation tax receipts. This excess is the part of corporation tax that cannot be explained by the growth of domestic enterprises and is instead linked to the exceptional performance of foreign multinationals.

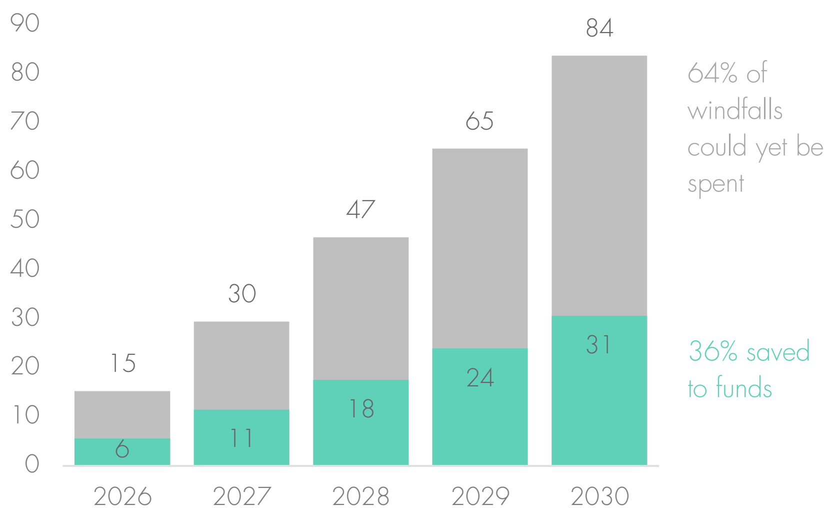
However, just over one-third of the forecast excess corporation tax receipts are set to be saved from 2026 (Fiscal Council, 2024). A risk is that the rest is pumped into an already strong economy. The latest *Budget 2025* forecasts estimate that Ireland will collect €84 billion of excess corporation tax receipts cumulatively between 2026 and 2030 (Department of

[30] Typically, this happens through the appreciation of the real exchange rate. In other words, a country's currency becomes stronger relative to others, making its goods and services more expensive internationally. However, as Ireland is in a monetary union, the more relevant channel would be through higher domestically generated prices and wages (Fiscal Council, 2024).

Finance, 2024c). The Government plans to set aside €31 billion in two savings funds (Figure 6).[31]

Figure 6: Ireland plans to save just over one-third of 'excess receipts'

€ billions, cumulative windfalls and net transfers



Sources: Fiscal Council (2024) and Department of Finance, Budget 2025.
Notes: Based on *Budget 2025* plans, with withdrawals from the Infrastructure, Climate and Nature Fund accounted for in net transfers to funds.

A more prudent approach would be to save a larger share of excess corporation tax receipts, creating a stable future stream of income for public services.

In many ways, Ireland's corporation tax receipts mirror Norway's oil revenues. Much like oil, corporation tax revenues are volatile, hard to predict, and are subject to idiosyncratic factors outside of Ireland's control, often unrelated to the rest of the domestic economy (Fiscal Council, 2021).

It makes sense to treat Ireland's excess corporation tax receipts as Norway treats its oil revenues: as a finite and risky resource. By contrast, Norway saves all its risky resources, spending only the investment returns (Fiscal Council, 2024). However, Ireland continues to fund a large part of its recurrent spending with its risky resources.

Saving now will also help to reduce the burden on future generations from a predictable rise in ageing-related costs. In most areas, tax revenues and spending evolve broadly in line with the growth of the economy. As a

[31] The Government set up two funds in 2024. The Future Ireland Fund is the more long-term focused and could grow to €100 billion by 2040. It aims to generate a savings pot with annual investment returns used to offset future costs such as ageing. The Infrastructure, Climate and Nature Fund is capped at €14 billion. Its dual purpose is to provide for countercyclical investment in the economy and to help achieve climate and nature goals (Fiscal Council, 2023; Department of Finance, 2024d).

result, they tend to track one another. However, the ageing of the population will lead to predictable increases in pension and healthcare spending relative to national income (Carroll and Barnes, 2023).

The Future Ireland Fund can offset some of these future costs. The Government has suggested that the annual contributions and re-invested returns could see the Fund grow to €100 billion by 2035 (Oireachtas, 2024).[32] Assuming contributions continue after 2035, the Fiscal Council (2023) estimate with a 90% probability that roughly 10% to 50% of additional ageing costs could be covered by 2050 using the returns generated by the fund.

However, the Government could choose to save more of the excess corporation tax receipts. These excess receipts could be expected to grow further and become more concentrated. Therefore, it would be wise to follow the Norwegian approach and save a much greater share. By covering more of the additional costs associated with an ageing population, the Government could further reduce the need for tax increases and spending cuts for future generations (Fiscal Council, 2023).

Focusing any investment of resources on productive areas

If the Government is to use some of the excess corporation tax receipts it will collect, then it should use these to help improve wider productivity and make the economy more competitive. Conroy and Timoney (2024) estimate that Ireland's infrastructure is around 25% behind other high-income European countries, with the biggest gap in housing. Ireland's infrastructure in health, transport, and energy is also lagging behind.

To catch up, Ireland will need to do three things (Fiscal Council, 2024):

First, it will need to sustain a high level of investment in these sectors. In housing, additional public investment may be required, depending on how much policy enables private sector delivery. This could be achieved by re-allocating some existing current spending to capital; Ireland's public spending on housing is already the second highest in the Eurozone as a share of national income (Conroy and Timoney, 2024).

Second, Ireland will need to boost productivity in the construction sector. Employment is at record highs and unemployment is close to record lows (CSO, 2025). Productivity in Ireland's construction sector is about a third

[32] This would be in line with annual returns of roughly 5% each year and nominal GDP growth averaging just over 4% annually (Fiscal Council, 2023).

below European peers. If output per hour worked improved to the European average, less than 20,000 extra workers would be needed to address infrastructure deficits. However, at current productivity levels, around 80,000 extra workers will be needed. A greater uptake of modern methods of construction, such as off-site manufacturing, could help raise productivity in the construction sector (Conroy and Timoney, 2024).

Third, the planning and objection process should be simplified, as delays and uncertainty are increasing costs and affecting project delivery. It remains to be seen how significant an impact the new Planning and Development Act (2024) will have.

One other area to consider is the green transition. A substantial portion of spending will ultimately have to fall on imports of electric vehicles to reduce emissions and meet Ireland's transition (Casey and Carroll, 2023). This relies more on financial incentives and providing some charging infrastructure. By contrast, retrofitting comes with more substantial domestic labour needs.

If the State does not achieve a timely green transition, it will face substantial costs associated with international legal commitments. The Fiscal Council and Climate Change Advisory Council (2025) recently flagged how costs could range from €8 to €27 billion if timely action is not taken to achieve Ireland's climate targets. This could be reduced to between €3 and €12 billion if the Government follows through on the additional measures it has set out.

Diversifying its economy

Another option is to further diversify Ireland's economy. The concentration of corporation tax mirrors Ireland's success in attracting high-value pharmaceutical and tech sectors to Ireland, especially a few key players in these sectors. Encouraging more productivity outside of these sectors would reduce Ireland's reliance on corporation tax receipts and make it less vulnerable to shocks.

By taking these steps, Ireland can reduce its risk of Dutch Disease and ensure that its economy is more resilient.

Conclusion

Ireland's corporation tax receipts have grown rapidly over the past decade. They now account for almost one-third of all tax revenues.

This sharp increase can be attributed, in part, to changes in the international tax landscape. This paper explores the potential effects of the latest major international tax reforms, specifically the global minimum tax introduced under the OECD's BEPS Pillar II rules.

These reforms introduce a minimum effective corporation tax rate of 15% for large corporate groups. We use publicly available data to estimate the extra tax revenue that would have been collected from 2018 to 2022 if the top-up tax had been in place during those years. We do not consider how companies or countries might react to the reforms once introduced.

We find that Irish corporation tax revenues would increase further due to the global minimum tax, all else equal. Our central estimate is that corporation tax revenues would have been, on average, 18% higher than they were over 2018–2022. The public finances would only start to benefit from the additional top-up tax revenues from 2026.

Virtually all of this additional tax revenue would be "excess". This means it cannot be explained by underlying domestic economic activity. The biggest taxpayers are US firms in the tech and pharma sectors. Most of their profits come from their sales in foreign markets. Their activities are sensitive to shifts in the global tax landscape, as well as changes in tax, trade and industrial policy in the US.

These excess receipts could easily disappear, and the Government should avoid using them to fund permanent commitments.

Now is the time to plan seriously. The Fiscal Council (2024) has argued that Ireland should treat its exceptional corporation tax receipts more like Norway treats its oil — as a high-risk, finite resource. It notes that doing so would involve three things. First, Ireland should set out a sustainable spending rule and stick to it, hence saving more of its excess corporation tax receipts. Second, it should make realistic plans for health, housing, and climate challenges. Third, it should diversify its economy and encourage greater levels of productivity outside the tech and pharma sectors.

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Appendix A: More detail on Pillar I

Pillar I is a package of reforms comprised of Amounts A and B. Pillar I seeks to reallocate 25% of the residual profits of certain companies to the jurisdiction where the consumer is based (Department of Finance, 2024b).[33] The aggregate amount of profit reallocated each year is known as Amount A (Baraké and Le Pouhaër, 2024). In effect, it shifts some taxing rights away from countries such as Ireland to bigger countries where more end-users are based.

Pillar I, Amount A applies to a relatively small number of the biggest and most profitable multinationals. It only affects groups with annual global revenue in excess of €20 billion and before-tax profits that are more than 10% of revenues (OECD, 2023).[34] O'Reilly et al. (2023) estimate that 106 groups would have been impacted globally by the reforms in 2021 had they been in effect.[35] They estimate that roughly $200 billion in profit would have been shifted to jurisdictions different from where the profits are currently being taxed. These changes would have yielded between $17 billion and $32 billion in additional tax revenue globally. This is because taxable profit would have, on average, been shifted from jurisdictions with relatively lower tax rates to those with higher tax rates.

Pillar I, Amount A cannot come into force unless it is implemented by a critical mass of jurisdictions. Many of the world's largest and most profitable companies likely to be impacted by Amount A are headquartered in the US (Baraké and Le Pouhaër, 2024; Joint Committee on Taxation, 2024; OECD, 2023). Therefore, without US ratification, this critical mass cannot be achieved.[36]

It appears unlikely the US will ratify Pillar I at this juncture. The Joint Committee on Taxation in the US Congress has estimated that the US would have lost out on $1.4 billion in tax revenue, had Pillar I, Amount A been in effect in 2021 (Joint Committee on Taxation, 2024).[37] What's

[33] Residual profit is profit greater than 10% of revenue (Department of Finance, 2024b).
[34] The €20 billion revenue threshold may fall to €10 billion after seven years (Bunn and Bray, 2024).

[35] Given the revenue thresholds remain fixed, the number of groups impacted will increase over time.

[36] Pillar I, Amount A has been negotiated by nearly 140 jurisdictions worldwide, and it requires a multilateral treaty to be implemented. The draft treaty has a scoring system that determines when the treaty has garnered enough signatories to be implemented (OECD, 2023). The threshold for several provisions is set at 600 points, from a total of 999 available. The United States has been allocated 486 points. This means the 600-point threshold without the US. As a result, ratification by the US will determine whether the treaty comes into force (Bunn, 2024).

[37] This view is not universally shared. Baraké and Le Pouhaer (2024) estimate that the United States would benefit the most from the implementation of Pillar I.

more, the U.S. Constitution requires a two-thirds majority — 67 votes — in the U.S. Senate to ratify a treaty. This makes adopting Pillar I, Amount A challenging without broad, bipartisan support in the US (Bunn, 2024).

Pillar I also includes "Amount B". This aims to simplify and streamline how companies calculate the taxes on foreign activities such as marketing and distribution (Bunn and Bray, 2025). This simplified approach intends to prevent transfer pricing disputes from arising and help resolve those that do arise in a more efficient manner (OECD, 2024d). It may apply to relevant transactions between Irish entities and entities in so-called 'covered jurisdictions' with which Ireland also has a double tax treaty.[38] Unlike Amount A, Amount B applies to all MNE groups, regardless of size (KPMG, 2024).

Ireland legislated for Pillar I Amount B in Finance Act (2024). Where applicable, Amount B may apply for accounting periods beginning on or after 1 January 2025. However, as trade flows are likely to be limited with the covered jurisdictions, the changes are expected to have little impact on Irish corporation taxpayers (Deloitte, 2025).

[38] The OECD's list of covered jurisdictions includes over 60 low- and middle-income countries. It is available here. Ireland has signed double tax agreements with over 70 countries. A list of these is provided here. Examples of countries on both lists include Albania, South Africa, and Mexico.

Appendix B: More detail on Pillar II

The global minimum tax consists of three interlocking top-up taxes (Revenue Commissioners, 2025). These top-up taxes are applied based on an agreed approach that seeks to ensure the global minimum tax is implemented effectively (Hugger et al., 2024).

The rules involved are ranked in order of priority as follows:

1. The Qualified Domestic Minimum Top-up Tax: this allows a jurisdiction to collect the top-up tax due, where a firm it applies to pays less than the minimum 15% rate in that jurisdiction. This gives Ireland the right to increase the tax rate applying to profit located here that is taxed at a lower effective rate.

   Ireland will likely collect almost all its additional tax revenue under Pillar II through the QDMTT. For example, if a relevant firm pays an effective tax rate of 12% in Ireland, then Ireland may apply a top-up tax of 3% to excess profit.[39] We estimate the potential tax revenue yield from the QDMTT in this paper.

2. The Income Inclusion Rule: this applies where a group's subsidiary pays less than the minimum 15% effective tax rate in a foreign jurisdiction, and where that foreign jurisdiction does not apply a QDMTT. The jurisdiction in which the ultimate parent of the group is located may then apply the top-up tax.

   Take the example of a corporate group headquartered in Ireland. If it has a subsidiary abroad where the profits are taxed at an effective tax rate below 15%, then the foreign jurisdiction has the right to apply a QDMTT top up. If it opted not to do this, Ireland itself could then charge a top-up tax, given that the group parent is located in Ireland.

3. The Under-Taxed Profit Rule: if any top-up tax still remains, this can be imposed by multiple jurisdictions. The Under-Taxed Profit Rule is a backstop provision. It applies when neither the jurisdiction in which the subsidiary firm operates nor any jurisdiction where a direct or indirect parent company is located applies a top-up tax. Each jurisdiction which has adopted the rule can collect a top-up tax based on the

[39] This is the difference between the minimum effective tax rate of 15% and 12%.

share of the relevant group's substance in the jurisdiction (Hugger et al., 2024).[40]

The QDMTT and the Income Inclusion Rule came into effect from 31 December 2023. The Under-Taxed Profit Rule generally came into effect from 31 December 2024 (Department of Finance, 2024b).[41]

As of 2 April 2025, 65 countries have either introduced draft legislation or adopted final legislation to incorporate the Pillar II rules into their national laws. These include the vast majority of EU member states and a number of large jurisdictions outside of the EU, including the UK, Australia, South Korea, Japan, South Africa, and Canada (EY, 2025). However, several large jurisdictions such as China and India have yet to indicate that they will implement the Pillar II minimum tax rules.[42] Moreover, it now appears the new US administration will not implement the GMT.

Pillar II also introduced a treaty-based rule, the Subject to Tax Rule. It applies to certain cross-border payments between related companies, such as interest and royalty payments. The rule ensures these payments are taxed at a minimum rate of 9% (Department of Finance, 2023). It is not envisaged that the Subject to Tax Rule will have a material impact on Irish corporation tax revenues (Oireachtas, 2023).[43]

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[40] Substance is measured by the amount of tangible assets and employees a firm has in each jurisdiction (Hugger et al., 2024).

[41] The Under-Taxed Profit Rule comes into effect one year later, giving the QDMTT and the Income Inclusion Rule time to bed in before the backstop rule is implemented (Revenue Commissioners, 2025).

[42] Despite this, Hugger et al. (2024) estimate that around 90% of in-scope multinationals globally will be subject to the 15% minimum effective tax rate by 2025.

[43] The Subject to Tax Rule has had an impact on Ireland's Knowledge Development Box (KDB) regime. Previously, the KDB provided an effective rate of corporation tax of 6.25% on certain income from qualifying intellectual property assets. This effective tax rate increased to 10% from 1 October 2023 to comply with the Subject to Tax Rule. However, uptake of the KDB has been very low to date. In 2022, just 16 companies claimed the relief at a cost of €23.9 million (Department of Finance, 2024a). Therefore, changes to Ireland's KDB regime will not materially impact future Irish corporation tax revenues.

Appendix C: How many firms might be impacted by the minimum effective tax rate?

It is not yet clear how many entities of large corporate groups might be impacted by the 15% minimum effective rate in Ireland.

Since 2016, large multinational groups have had to file country-by-country reports with their home tax authority each year.[44] These reports include a breakdown of the amount of revenue, profits, taxes paid and other indicators of economic activity for each tax jurisdiction in which the group operates.

The OECD publishes a database with this information on its website.[45] While useful, this OECD database has certain drawbacks. It currently only goes up to 2021 while many countries receive too few country-by-country reports to publish the statistics under their confidentiality standards.[46] All in all, it likely understates the number of large corporate groups that might be impacted by the GMT. Nevertheless, this database provides a useful place to start.

We begin at the level of the subgroup. A subgroup comprises all the entities of a multinational group operating in one tax jurisdiction (Hugger et al., 2024). For example, most of Ireland's largest corporation taxpayers have multiple subsidiaries based here (Cronin, 2023). A multinational's Irish subgroup refers to all its subsidiaries operating in Ireland.

Importantly, we only consider those subgroups that record positive profits. It is only these subgroups on whose profits the top-up tax may be due (Reitz, 2023; Hugger et al., 2024). Therefore, we need to remove those subgroups that record losses.

We estimate that 997 subgroups recorded positive profits in Ireland 2021. This represents a modest year-a-year increase (Figure A1).

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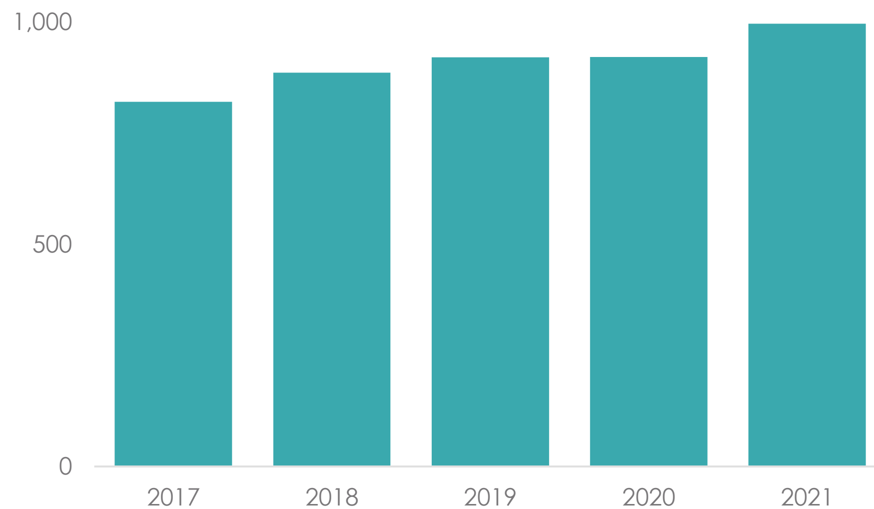
[44] Since 2016, a multinational group with worldwide revenue greater than €750 million in the previous accounting period has had to file a country-by-country report (Hugger et al., 2024; McCarthy and Hayden, 2024). This definition differs slightly to those groups impacted by the GMT who must meet the €750 million revenue threshold in at least two of the previous four years (Revenue Commissioners, 2025).

[45] This database can be found here.

[46] Each country has its own confidentiality standards when deciding whether or not to publish country-by-country data (OECD, 2024a). For example, there is no data available on the number of subgroups in Ireland whose headquarters are in the UK.

Figure A1: 15% tax rate would have applied to around 1,000 groups in 2021

Estimated number of subgroups with positive profits in Ireland



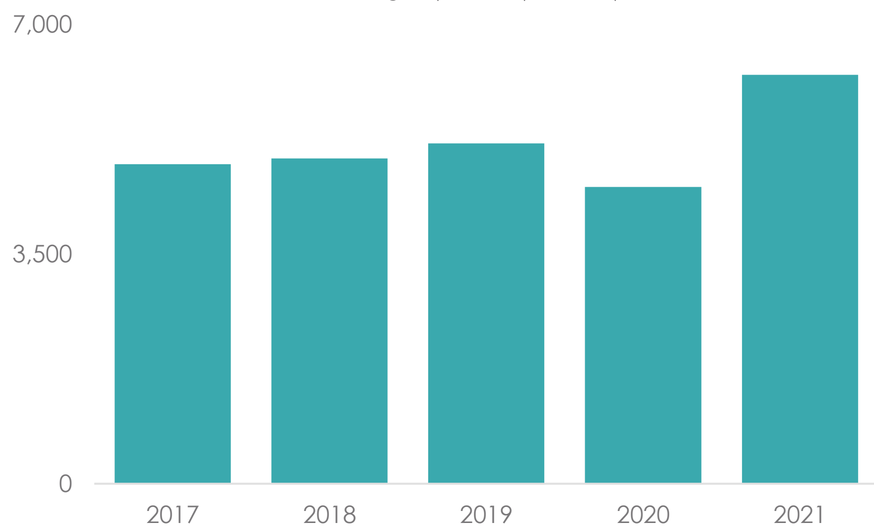
Sources: OECD (2024c) and Author's workings. Note: OECD country-by-country reporting data likely understates the number of subgroups that could be impacted by the minimum 15% effective tax rate as some jurisdictions do not provide country-level data due to confidentiality constraints (OECD, 2024a).

We then turn to the number of entities within these subgroups with positive profits. This is useful when comparing with Revenue data.

We estimate that just over 6,200 entities were within subgroups with positive profits in Ireland in 2021 (Figure A2). Most of these entities are part of foreign-owned multinationals. The modest year-on-year decline in 2020 may be due to the COVID-19 pandemic (Hugger et al., 2024).

Figure A2: 15% tax rate would have applied to over 6,200 entities in 2021

Estimated number of entities in subgroups with positive profits in Ireland



Sources: OECD (2024c) and Author's workings. Note: OECD country-by-country reporting data likely understates the number of subgroups that could be impacted by the minimum 15% effective tax rate as some jurisdictions do not provide country-level data due to confidentiality constraints (OECD, 2024a).

It should be noted that these are likely to be lower-bound estimates. First, the OECD's database is incomplete; for example, there is no data available on the number of subgroups in Ireland whose headquarters are in the UK. In addition, the revenue threshold is fixed at €750 million. Therefore, more companies are going to fall within the scope of the Pillar II rules in the coming years.

Appendix D:
An in-depth look at the methodology

This Appendix takes a more detailed look at the methodology underpinning our estimates of the top-up tax revenue yield.

There are several steps involved:

D1. Estimating the financial accounting net income or loss

We first need to look at how many companies might fall under the new Pillar II reforms. We estimate that over 6,200 entities will be impacted (Appendix C). Over two-thirds of these firms are likely to be subsidiaries of foreign-owned multinationals.[47]

There is no publicly available firm-level information on the financial accounting net income of these companies. As a result, we use aggregate tax revenue data to estimate their net income.

Irish corporation tax receipts are highly concentrated. In 2022, 21,405 foreign-owned multinational firms had a combined corporation tax liability of €18.6 billion. This equates to 87% of the total €21.4 billion corporation tax liability recorded in 2022. However, over 92% of the €18.6 billion came from just 168 entities, despite this representing less than 1% of the total number of foreign-owned multinationals. Similarly, just 37 Irish-owned multinationals (less than 2% of the total) were responsible for 81% of the total corporation tax liability for all Irish-owned multinationals in 2022 (McCarthy and Hayden, 2024).[48] This concentration has deepened in recent years.

Reflecting the concentration of receipts, we assume that the taxable income reported by all multinationals in Ireland will be impacted by the reforms. While the Revenue Commissioners do not produce taxable income data at the level of the firm, they do publish the aggregate corporation tax liability and effective tax rate for both foreign-owned and Irish-owned multinationals each year (McCarthy and Hayden, 2024).[49]

[47] A foreign-owned multinational is a company operating in Ireland but ultimately owned abroad by a multinational group that operates in more than one country (McCarthy and Hayden, 2024).

[48] An Irish-owned multinational is a company operating in Ireland and ultimately owned by a multinational group in the Republic of Ireland. This group operates in more than one country (McCarthy and Hayden, 2024).

[49] As an example, see page 23 here.

Using this information, we estimate the taxable income for both foreign-owned and Irish-owned multinationals in a given year as:

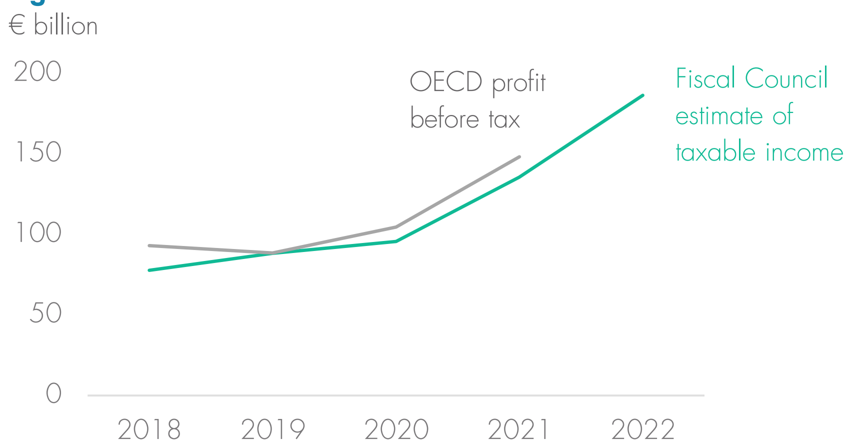
$$\frac{\text{Corporation Tax Liability}}{\text{Effective Tax Rate}} = \text{Taxable Income}$$

Let's use 2022 as an example. The total corporation tax liability for foreign-owned multinationals was €18.6 billion, with an average effective tax rate of 10.6%. Using the formula above, we estimate total taxable income of foreign-owned multinationals as equal to €175.2 billion. Turning to Irish-owned multinationals with a corporation tax liability greater than €500,000: the total corporation tax liability was €0.9 billion. The average effective tax rate was 8.2%. Therefore, we estimate their total taxable income as €11.3 billion. Combining both, the total estimated taxable income for all multinationals in 2022 amounts to €186.5 billion. We apply this approach each year from 2018 to 2022 (Figure A3).

This approach is, by necessity, simpler than we would like. However, given the level of concentration in the receipts, we believe these aggregate totals are the best possible estimate in the absence of data on the profits of individual multinational groups in Ireland.

We also verify our estimates against other publicly available sources. Our income estimates are close to the total profit before tax reported by multinationals in Ireland, per the OECD's country-by-country reporting data (OECD, 2024c).[50]

Figure A3: Our income estimates are close to official data



Sources: OECD country-by-country reporting data (OECD, 2024c), Author's workings.

[50] In the OECD's country-by-country data, we only consider those subgroups that record positive profits. It is only these subgroups on whose profits the top-up tax may be due (Hugger et al., 2024).

Importantly, our estimate is of taxable income, while the new GMT rules focus on financial accounting net income. The key differences between these two measures are discussed in Box 1 below.

Box 1: Key differences between accounting profit and taxable profit

Accounting profit is the profit recorded in a company's financial statements. It is calculated according to established accounting standards. Most financial statements are audited in line with these standards (Coffey and Levey, 2014).

Taxable profit differs from accounting profit. Tax rules require a number of adjustments be made to the accounting profit figure to arrive at taxable profit. The rate of tax is then applied to taxable profit (Coffey and Levey, 2014).

Crucially, accounting profit is the starting point for the GMT rules (Hugger et al., 2024). However, there is no publicly available firm-level information on the accounting profit booked by multinational groups in Ireland. As a result, we use aggregate tax revenue data to estimate their taxable profit.

Taxable profit is likely to be a useful proxy for accounting profit. However, the two measures are different. Here, we explain what the key differences are:

Depreciation and capital allowances

Buildings, machinery and other assets gradually wear out in the course of earning business income. Accounting rules and tax rules differ in how they treat this loss of value. Accounting rules allow companies a deduction for depreciation. This expense reflects the loss in value of the assets during the course of the accounting year.

However, tax rules do not allow a deduction for capital costs. Instead, the tax code provides for capital allowances for certain fixed assets. These capital allowances are calculated using a standardised approach that differs from accounting depreciation. For example, in Ireland, capital allowances are typically applied on a straight-line basis over eight years. That is, the value of the asset is reduced in equal parts over eight years (Coffey and Levey, 2014).

The value of a capital allowance may differ from the accounting depreciation expense. When the capital allowance is greater, taxable profit will be lower than accounting profit, holding all else equal. When the capital allowance is smaller, taxable profit will be greater than accounting profit.

Loss Relief and Group Relief

For accounting purposes, losses are recorded only in the year in which they arise. Under Irish tax law, a company with a trading loss in an accounting year can carry that loss back to offset profits from the previous year. Companies can also carry forward unused trading losses to offset trading profits in future years, provided the losses are from the same trade. This can continue until all losses are fully offset or until the trade is discontinued.

Loss relief is a long-established feature of corporation tax law. It recognises that business cycles span many years. It would be unbalanced to tax profits in one year without allowing deductions for losses in another. Ireland follows the international norm by considering prior losses when determining a company's tax liability (Coffey and Levey, 2014).

Loss relief may result in taxable profit being lower than accounting profit. Previously unused trading losses may be carried forward to offset current year trading profits and, thus, reduce taxable profit. Conversely, accounting profit would not be impacted by this carry forward.

Group relief is another standard part of modern tax systems. It treats a group of companies as one economic unit and provides relief for trading losses and related items within the group. The relief may be passed to another group entity, once certain strict criteria are met.

D2. Estimating the adjustments to taxable income

We must adjust this taxable income for a number of items to arrive at the net qualifying income. This is the tax base used to calculate the effective tax rate under the Pillar II rules.

The adjustments should include:

- net tax expenses,
- certain equity gains or losses,
- currency gains or losses, and
- certain dividend income.[51]

However, due to limited data, it is difficult to make reliable estimates for many of these items. We suspect that the first three items adjustment items are small or at least over time they won't systematically be in any one direction.

One key adjustment is that foreign dividend income received by Irish entities will be excluded from net qualifying income, with two specific exceptions.[52] The Revenue Commissioners (2024c) publish aggregate gross foreign dividend income and other foreign dividend income data for all companies in Ireland each year.[53] For simplicity, we assume the full amounts are excluded from taxable income under the new rules.[54]

In 2022, gross foreign dividend income amounted to €16.7 billion and other foreign dividend income amounted to €0.9 billion. We subtract these amounts from our estimated taxable income of €186.5 billion to arrive at net qualifying income of €168.9 billion.

D3. Estimating the substance-based income exclusions

Some income may be excluded from the top-up tax under Pillar II rules. A substance-based income exclusion provides that a percentage of both the eligible payroll costs and the carrying value of eligible tangible assets are

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[51] See section 111P(2) of the Finance (No. 2) Bill 2023 for a full list of the different adjustments required to arrive at net qualifying income.

[52] The first exception arises where the dividend income arises from a short-term portfolio shareholding. The second exception relates to the Taxable Distribution Method Election. The election may be applied where it can reasonably be expected that the owner of an Investment Entity is subject to tax on distributions from the Investment Entity at a rate that equals or exceeds the minimum rate. Where the election applies, the owner of the Investment Entity will include the distributions in its net qualifying income or loss (in other words, the owner's net qualifying income or loss).

[53] Gross foreign dividend income refers to dividend income taxable at 12.5%. Other foreign dividend income refers to dividend income taxable at the higher 25% rate.

[54] Some foreign dividend income may come from smaller firms outside Pillar II rules. However, the bulk likely belongs to large multinational groups whose global revenues mean they are subject to Pillar II rules. Without firm-level data, we assume all foreign dividend income belongs to in-scope groups.

not subject to the top-up tax.[55,56] The percentage of payroll costs to be excluded starts at 10%. The percentage of the carrying value of tangible assets to be excluded starts at 8%. However, both percentages gradually decline each year over a transition period of ten years, such that both rates are 5% in 2033.

The purpose of these carve-outs is closely aligned with the original aim of the OECD BEPS project: to ensure the location where a company reports its profit more accurately reflects the location of its economic substance. This substance refers to the activities, functions, assets, and risks that are responsible for a company's profit (Coffey, 2022). Companies with no substance in a jurisdiction are more exposed to the top-up tax relative to those companies with large numbers of employees and physical buildings (Baraké et al., 2022).

Estimating the carve-out for eligible tangible assets

The Central Statistics Office (CSO) publishes annual data on the capital stock of fixed assets. The gross capital stock of fixed assets reflects the value of the stock still in use and valued at the price of new capital goods. The net capital stock adjusts the gross total for the decline in value over time due to factors such as wear and tear, and obsolescence (CSO, 2024b).

This net value closely matches the definition of eligible tangible assets under the Pillar II rules. Therefore, we use this data as the basis for the estimate of the carve out for eligible tangible assets.[57]

Unfortunately, the CSO does not distinguish between foreign- and Irish-owned multinationals in its net capital stock data. Instead, it publishes the relevant data by sector. Since Ireland's largest corporate taxpayers mainly

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[55] 'Eligible payroll costs' refer to employee compensation expenditures, including— (a) salaries, (b) wages, (c) other expenditures that provide a direct and separate personal benefit to the employee, including health insurance, pension contributions and stock-based compensation, (d) payroll and employment taxes, and (e) employer social security contributions (Finance (No. 2) Act 2023).

[56] 'Eligible tangible assets' refer to: (a) property, plant and equipment located in the jurisdiction, (b) natural resources located in the jurisdiction, (c) a lessee's right of use of tangible assets located in the jurisdiction, or (d) a licence or similar arrangement from the government for the use of immovable property or exploitation of natural resources that entails significant investment in tangible assets (Finance (No. 2) Act 2023).

[57] The net capital stock of fixed assets includes: (a) property, plant, and dwelling structures, (b) machinery and transport equipment, (c) farm livestock, and (d) intangible fixed assets, such as computer software (CSO, 2024b). We can remove intangible fixed assets from the total and assume the remainder is tangible. The net capital stock of fixed assets only includes assets which result from human effort. Therefore, they exclude natural assets such as land and mineral deposits.

operate in the ICT and pharma-chem sectors (Cronin, 2023), we focus on Manufacturing and ICT in the CSO's data.

We estimate the carve-out for eligible tangible assets as follows:

i. We get the net capital stock of fixed assets from the CSO for two foreign-dominated sectors: Manufacturing and ICT. This includes both tangible and intangible assets.

ii. We then strip out the intangible component in each sector and assume the remainder is 'tangible'. This is straightforward for the ICT sector. However, for confidentiality reasons, the CSO has not published the value of intangible fixed assets for two sectors since 2015: Manufacturing and Administrative & Support Service Activities. The latter mainly consists of aircraft leasing fleets and, thus, the intangible component is likely quite small.

   Intangible fixed assets accounted for, on average, 1.4% of the net capital stock of fixed assets in the Administrative and Support Service Activities sector from 2005-2014. We assume this trend continues from 2015 and attribute the remaining intangible fixed assets to Manufacturing.

iii. We then get the sum of our estimates of the net capital stock of tangible fixed assets in the Manufacturing and ICT sectors. We multiply this by 8%, which equates to the year 1 carve out rate. In 2022, this equates to €77.4 billion * 8% = €6.2 billion.

   We use country-by-country reporting data to check if our estimates are plausible.[58] The OECD publishes the net book value of tangible assets that multinationals have in each country, including Ireland (OECD, 2024c).[59] We compare our estimates of eligible tangible assets with the figures reported by U.S.-owned multinationals in Ireland.

   We focus on the U.S. firms for two main reasons. First, US-owned multinationals account for a large share of corporation tax revenues in Ireland—roughly, three-quarters of the total. Second, the Inland Revenue Service (2025) publishes a sectoral breakdown of the US data, showing that most tangible assets owned by US firms in Ireland are held by firms in

[58] In the OECD's country-by-country data, we only consider those subgroups that record positive profits. It is only these subgroups on whose profits the top-up tax may be due (Hugger et al., 2024).

[59] The tangible assets variable in the OECD's country-by-country reporting data includes property, plant and equipment, but it can also include inventories. However, this is not consistent with the definition of eligible tangible assets in the Pillar II rules which excludes inventories. Therefore, this likely represents an overestimate of the tangible assets eligible under the Pillar II rules (OECD, 2020).

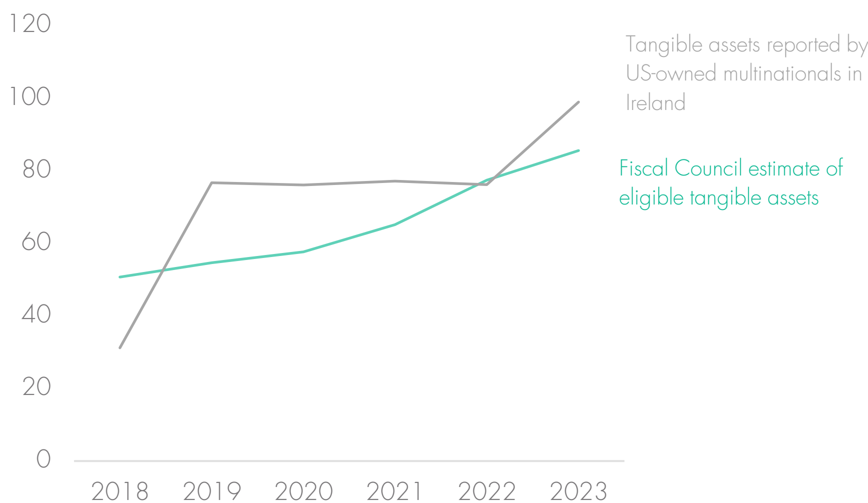
the manufacturing and ICT sectors, with little impact from aircraft leasing firms.[60]

Negotiations remain ongoing at OECD level to determine whether leased aircraft is considered an eligible tangible asset under Pillar II rules. Ireland is a global centre for aircraft leasing; over 60% of the world's leased aircraft are owned and managed from Ireland, representing over $100 billion of assets (Aircraft Leasing Ireland, 2025). We take the conservative option and exclude the aircraft leasing sector from our estimates of eligible tangible assets.

Our estimates of eligible tangible assets look plausible when compared with the tangible assets reported by US-owned multinationals (Figure A4).

Figure A4: Estimate of eligible tangible assets looks plausible

€ billion, carrying value of tangible assets



Sources: OECD country-by-country reporting data (OECD, 2024c), CSO (2024b), Inland Revenue Service (2025), and author's workings.
Notes: The Fiscal Council's estimate equals the net capital stock of tangible fixed assets in two foreign-dominated sectors: Manufacturing and ICT. It is based on calendar year data published by the CSO. We compare this to the net book value of tangible assets reported by U.S.-owned multinationals in Ireland, based on country-by-country reporting. The US data corresponds to each July-June period. For example, the year '2023' refers to the 12-month period from July 2022 to June 2023. To ensure consistency, we apply the average annual USD to EUR exchange rate for the same period.

Estimating the carve-out for eligible payroll costs

Eligible payroll costs include the expenditures for salaries and wages, including employer social security contributions, pension contributions and other employee benefits (Finance (No. 2) Act 2023). The Revenue

[60] For example, the manufacturing and ICT sectors accounted for over 90% of the net book value of tangible assets of US-owned multinationals in Ireland from July 2022 to June 2023 (Inland Revenue Service, 2025).

Commissioners and the CSO both publish data, which is useful when estimating these costs, in the absence of firm-level data.

First, the Revenue Commissioners publish annual earnings data. Earnings refers to gross earnings before deductions for income tax, employee Pay-Related Social Insurance (PRSI), and the Universal Social Charge (USC). They provide a breakdown for foreign- and Irish-owned multinationals, categorised by corporation tax liability.[61] However, this data does not cover employee benefits such as pension contributions which are included in 'eligible payroll costs' under Pillar II rules.

Second, the CSO publishes annual data on the Compensation of Employees; this reflects the cost to the employer of having employees, as opposed to the amount the employee receives. Compensation of Employees includes the expenditures for salaries and wages, including bonuses, pension contributions and other employee benefits (CSO, 2024c). Therefore, this measure appears to closely match the definition of 'eligible payroll costs' under the Pillar II rules. However, the CSO does not provide data on Compensation of Employees that is specific to Irish-owned multinationals.

We estimate the eligible payroll costs for foreign- and Irish-owned multinationals separately. For foreign-owned multinationals, we:

i. get the sum of Compensation of Employees for all foreign-owned financial and non-financial corporations.

ii. assume this sum equates to the 'eligible payroll costs' for all foreign-owned firms.

For Irish-owned multinationals, we:

i. begin with the Revenue Commissioners' earnings data. We add the earnings and the Employer PRSI for all Irish-owned multinationals with a corporation tax liability greater than €500,000.

ii. estimate the value of the other benefits. We add the earnings and Employer PRSI for all foreign-owned multinational entities. We get this as a share of Compensation of Employees for all foreign-owned multinationals. We assume this share is the same for Irish-owned multinationals. This allows us to estimate the value of the other employee benefits for Irish-owned multinationals.

[61] See, for example, Table 21 in McCarthy and Hayden (2024).

We then add our estimates for both foreign- and Irish-owned multinationals together. This gives us our estimate of the 'eligible payroll costs'. In 2022, this amounted to €48.7 billion. We then multiply this estimate by 10%, which equates to the year 1 carve out rate of €4.9 billion.

D4. Estimating the average effective tax rate

We estimate the average effective tax rate as follows:

$$\frac{\text{Adjusted Covered Taxes}}{\text{Net Qualifying Income}} \times 100$$

To estimate adjusted covered taxes, we:

i. get the total corporation tax due in Ireland by all foreign-owned multinationals. In 2022, this amounted to €18.6 billion (McCarthy and Hayden, 2024).

ii. get the total corporation tax due in Ireland by all Irish-owned multinationals with a corporation tax liability greater than €500,000. In 2022, this amounted to €0.9 billion (McCarthy and Hayden, 2024).

iii. add back some of the double taxation relief and the additional foreign tax credit claimed by some multinationals.

Under Irish tax rules, a company resident in Ireland is liable to corporation tax on its worldwide profits. Whether or not these profits are brought into Ireland is irrelevant for this purpose. A tax relief or credit is granted to prevent double taxation on income already taxed abroad up to the amount of Irish tax payable on the income (Coffey and Levey, 2014).[62]

However, Pillar II rules differ in their approach. The tax base—net qualifying income—typically excludes foreign dividend income but includes other foreign-sourced income, such as interest and royalty income.[63] Other foreign income is equal to total foreign income less

[62] This worldwide or "tax and credit" system often results in no or negligible incremental tax arising in Ireland, given the competitive corporation tax rate and comprehensive double tax relief provisions available here. At the same time, it places a large administrative burden on firms. Finance Act (2024) introduced a participation exemption for foreign-sourced dividends and other distributions received from subsidiaries in the EU, European Economic Area, or double tax treaty partner jurisdictions. From January 1, 2025, foreign distributions received by Irish resident companies may choose to claim the participation and be exempt from Irish corporation tax, subject to certain conditions. Companies can opt into the participation exemption on an annual basis (Coffey and Levey, 2014; Maguire, 2024; Mason, Hayes and Curran, 2024).
[63] Foreign dividend income is excluded from net qualifying income subject to two exceptions. These exceptions are discussed in further detail in Appendix D2.

foreign dividend income. In 2022, other foreign income amounted to €5.5 billion, or 24% of total foreign income (Table A1).

Table A1: Other foreign income varied as a share of total foreign income

€ billion

	2018	2019	2020	2021	2022
Foreign income	12.2	14.4	10.5	23.5	23.1
less gross foreign dividend income	-4.5	-6.8	-5.3	-19.2	-16.7
less other foreign dividend income	-0.7	-0.6	-3.4	-2.3	-0.9
Other foreign income	7.0	7.0	1.9	2.1	5.5
Other foreign income as a % of foreign income	58%	49%	18%	9%	24%

Sources: Revenue Commissioners (2024c) and Author's workings.

For Pillar II purposes, adjusted covered taxes include the taxes incurred abroad on foreign-sourced interest and royalty income by Irish-resident companies. These taxes are difficult to estimate. We know the value of the double taxation relief and the additional foreign tax credit granted to all foreign- and Irish-owned multinationals each year with respect to taxes paid abroad. However, we do not know what portion of this relief specifically relates to other foreign income.

To address this, we calculate other foreign income as a share of total foreign income —24% in 2022 (Table A1). We then apply this percentage to the sum of the double taxation relief and additional foreign tax credits claimed by all foreign- and Irish-owned multinationals in Ireland.

In 2022, foreign- and Irish-owned multinationals availed of €3.1 billion in double taxation relief and €0.2 billion in the additional foreign tax credit.

We get 24% of the double taxation relief and additional foreign tax credit granted to foreign- and Irish-owned multinationals. This amounted to €0.8 billion.

iv. get the sum of these three items. In 2022, we add €18.6 + €0.9 + €0.8 to get €20.3 billion. This represents our estimate of adjusted covered taxes.

The denominator is net qualifying income. We rely on our previous estimate for this measure (Appendix D2). In 2022, this amounted to €168.9 billion. Our estimate of the actual effective tax rate in 2022 is €20.3 billion divided by €168.9 billion, equalling 12.0%.

D5. Estimating the top-up tax rate

We subtract the average effective tax rate from the minimum 15% effective tax rate. As a result, we estimate the top-up tax rate as 3.0% in 2022 (15% less 12.0%).

D6. Estimating the top-up tax revenue yield

We multiply the excess profit by the top-up tax rate to get our estimate for the additional yield that would have arisen for each year, had the top-up tax been in effect. For 2022, this equates to €157.9 billion * 3.0% = €4.7 billion.