



DAVY

Building National Wealth

Davy Pre-Budget Submission 2027

Executive Summary

Introduction

Davy is Ireland's leading provider of wealth management and investment banking services, advising private and corporate clients in Ireland and the UK and institutional investors globally. Our pre-budget submission is informed by the experience of our Irish clients, the sectoral insights of our research analysts and institutional investor views on the Irish economy. We do not seek to represent their many and divergent perspectives, rather we focus on matters of greatest national significance.

Our priority asks from Budget 2027 are the following:

National Infrastructure Delivery

A renewed commitment to delivering in full on the ambition outlined in the National Development Plan (2026-2035), ensuring that the pace and quantum of infrastructure delivery keep pace with recalibrated forecasts of the size of our population and economy. From a national wealth perspective, it is important that the Irish-owned business is enabled to compete effectively with international players for related contracts. Rigorous public reporting on progress versus plan is welcomed.

Irish-Owned Business

Business ownership is the central pillar of Irish household wealth but has been growing more slowly than the economy and the eurozone average. Structured consultations with Irish business owners speak to a policy and tax system which is constraining their potential. We are calling for an end-to-end review of the tax system as it serves domestically and internationally-trading Irish business, as well as a series of immediate tax changes, including: i) a reduction in the headline rate of CGT; ii) the refinement of related reliefs (e.g. Entrepreneur); and iii) a review of the KEEP scheme. Immediate measures to address the high rates of taxation of middle-income earners should be considered.

Retirement Security

Ireland is facing a very significant retirement funding challenge, with Davy estimating a pension deficit of circa €250 billion for all private sector workers in Ireland at end-2024. We are calling for the full implementation of findings from the 2024 review of the SFT regime; an increase in the BIK limit on employer PRSAs from 100% and a review of mandatory ARF withdrawal limits, among others. Beyond taxation, there is a need for sustained investment in raising national awareness of pensions with access to independent advice critical at all stages but particularly at the point of retirement.

Successful Investing

We continue to advocate for a series of changes to the tax treatment of regulated funds in Ireland, which impede the cost-effective diversification of Irish wealth. Primary asks here are: alignment of fund taxation on the standard CGT rate; removal of the "deemed disposal" rule; and the ability to offset fund losses against gains across regulated funds as is possible for other investment assets.

We have also long advocated for the introduction of a tax-incentivised SIA and are pleased to see this now being given policy priority. It is, however, important that the account is set up for success at launch. We believe that the accounts should be fully tax-exempt, with an annual contribution limit and no lifetime cap. Cash should be permitted in a limited way, with no geographic or other restrictions.

Capital Taxation Equity

We are calling for a series of changes to Capital Acquisition Tax (CAT) to preserve taxpayer equity across the system and the achievement of related policy objectives. Primary asks here are; a review of current inheritance and small gift thresholds and their systemised indexation; addressing higher aggregate rates of taxation on the inheritances of unmarried or childless individuals; and a reduction in the current 35-year aggregation period for CAT which presents real compliance challenges.

The combined effect of the proposals presented would, we believe, make Ireland more resilient to the many challenges now facing our economy and society as well as those likely to present.

Informing our submission this year are structured consultations with a cross-section of Irish business owners, as well as a representative survey of Irish adults on their attitudes to investing and the proposed Government Savings and Investment Scheme (see Annex 1).

National Infrastructure

The Irish economy has continued to flourish this decade despite a series of external shocks. Our competitiveness is grounded in EU membership, the benefits of an English-speaking population, a well-educated workforce, strong governance and institutions and an attractive corporation tax regime.

Our national social and economic infrastructure is, however, underinvested.

Real net capital stock per person in Ireland, adjusted for multinational distortions, is 24% lower than for other high-income countries where comparable data is available. This presents important risks to the sustainability of our economic model, with the consequences of infrastructure shortages falling particularly heavily on Irish-owned businesses and threatening societal cohesion.

We welcome the commitment in the National Development Plan to an expanded programme of investment in our national infrastructure across housing, transport and renewables. The plan, if fully implemented in a timely manner, will place our levels of capital investment comfortably ahead of reference peers elsewhere in Europe. It is, however, critical that we recalibrate continually to revised population and economic forecasts and be rigorous in reporting on progress versus plan.

Related, we need to comprehensively address planning and capacity constraints to infrastructure delivery. We welcome the Critical Infrastructures Bill 2026 in broad terms and ask that further policy consideration be given to means of expanding the capacity of our domestic construction sector as well as accelerating national housing supply. Further consideration needs to be given to opportunities for construction-light supply, including bringing vacant or derelict properties back into use.

Measures which ensure the ability of Irish-owned businesses to compete effectively for the supply of this infrastructure are very important. Related proposals are presented later in this submission.

Irish-owned Business

As Ireland's leading wealth manager, we have a unique perspective on the financial progress, prospects and perspectives of Irish business owners. They are the economic risk takers in our society and the source of a substantial share of national household wealth, directly and indirectly.

In recent years, however, the value of household business wealth in Ireland has grown slowly relative to our economy, other forms of household wealth including property and the eurozone average.

This matters on many levels, not least to the resilience of our economic model in the face of real geopolitical uncertainty and changing global tax rules. Irish business owners surveyed by Davy speak to a series of policy and tax-related factors, working in concert with each other, that are contributing to low rates of household business wealth growth. Primary here are the following:

- Higher business costs, with a combination of infrastructure constraints, international events, public policy initiatives and competitiveness in key input sectors all contributing;
- Depressed demand, particularly for non-essentials, because of cost-of-living challenges and high rates of marginal taxation on modest incomes with no adjustment in Budget 2026;
- Relatively weak incentives to enterprise, reflecting rates of capital gain and dividend taxation which are high by eurozone norms and related reliefs favouring early exit and/or sale;
- High regulatory costs, with small enterprise required to comply with regimes designed for larger enterprises with the associated costs of compliance disproportionately high.

This is a complex interplay of factors which goes to the very heart of the Irish taxation model.

It underscores an ask from Irish business owners surveyed by Davy that the Government clearly articulate a vision for indigenous business and work systematically to create a supportive business environment. A vibrant indigenous business sector not only ensures longer-term economic resilience but also delivers higher levels of Irish household wealth for a given level of national economic activity. This is true for domestically as well as internationally trading businesses.

Based on the above, we are calling for the following changes in Budget 2027:

- A reduction in the headline rate of Capital Gains Taxation (CGT) from 33% to 25%, putting us circa mid-table in a eurozone context reviewing the case for further decreases post-2027;
- An increase in the Entrepreneur Relief lifetime limit to €3 million, as well as a significant simplification of the rules governing access to a 10% rate for external investors;
- A streamlining of the qualifying conditions for Angel Investor Relief, to enable its full benefit to be realised following its very welcome introduction in Budget 2025;
- The abolition or modification of the age limits to qualify for CGT Retirement Relief, avoiding a situation where family succession happens at a less-than-optimal time for the business;
- The refinement of the Key Employee Engagement Programme (KEEP) to support a greater take-up, including a broadening of the types of shares which qualify, the types of employees who can avail of the scheme and the profile of companies who may participate.

A commitment to a broader review of the tax system for Irish-owned business is also sought, with Irish business owners surveyed by Davy highlighting its avoidable complexity and the business-related challenges stemming from the high rates of taxation of middle-income earners in Ireland.

Related, we hold firmly to the view that a vibrant public exchange in Ireland is critical to indigenous enterprise, with public markets the lifeblood of many of Ireland's most successful corporates. We support Euronext Dublin's proposal to exempt stamp duty on share transactions for Irish-incorporated companies that are dual-listed in the US and Ireland. We also support the need for a best-in-class Savings and Investment Account (SIA), with perspectives on account design presented later.

Financial Literacy

We welcome the Government's continued progress in advancing a National Financial Literacy Strategy and its recognition of financial literacy as a critical life skill in an increasingly complex and digital financial environment. However, market research shows that Ireland's average financial literacy score is low at 54% (Bank of Ireland, Red C, 2026) with a wide variation across age and gender.

There remains a clear need for a more coordinated, system-wide approach.

We recommend that Budget 2027 prioritises the implementation and resourcing of a comprehensive, national financial education framework, including the structured integration of financial literacy into the school curriculum. Incorporating financial education into the curriculum will better equip young people with the knowledge, skills and confidence to manage their finances, improve their long-term financial wellbeing and, by extension, support broader economic resilience.

In parallel, consideration could be given to how public awareness campaigns present financial decision-making over the long term. Current messaging appropriately emphasises the risks associated with investing, particularly in protecting consumers from potential capital loss. However, there may be merit in also highlighting, in a clear and balanced way, the potential risks of inaction, including the impact of inflation on savings over time. A more rounded approach of this nature, potentially as part of upcoming initiatives such as the rollout of SIAs, could help individuals to make more informed decisions aligned to their long-term financial wellbeing.

Retirement Security

The number of people aged greater than 55 years in Ireland is growing fast. Their life expectancy continues to rise and the nature of employer provision for their retirement is changing, meaning much higher levels of self-reliance for retirement funding. Levels of public engagement with retirement

planning are, however, low with the situation not helped by relatively high levels of complexity across taxation and pension products. Assuming a target gross income replacement rate of 50%, we estimate the national private pension deficit to be in the region €250 billion for Ireland's working population today. This is more than total household savings with the deficit growing annually.

While significant policy progress has been made here in recent years, including increases in the Standard Fund Threshold (SFT), important financial literacy initiatives and the introduction of Auto Enrolment, further change is needed. Additional measures now needed are the following:

- Fully implement the recommendations of the independent review of the SFT regime, led by Dr. Donal de Buitléir, and published in 2024, to include the following measures:
 - remove annual pension contribution limits and the €115,000 earnings cap;
 - reduce the rate of Chargeable Excess Tax (CET) to 10% and, as necessary, review related changes including multi-annual payment and/or a one-time encashment;
 - change rules for pension adjustment orders to ensure individuals are not constrained in making provision for their own retirement;
 - update the valuation factors used to value Defined Benefit (DB) entitlements.
- Review mandatory Approved Retirement Fund (ARF) withdrawal limits, allowing individuals to align drawdown with their own expectations around life expectancy and related income needs;
- Increase the Benefit-in-Kind (BIK) limit on employer Personal Retirement Savings Account (PRSA) contributions from 100%, recognising the distinct pattern of annual earnings among business owners and restoring fairness with the rules pertaining to occupational schemes;
- Progress the simplification agenda, actioning the following recommendations from the Report of the Interdepartmental Pensions Reform & Taxation Group in 2020:
 - discontinuing buy-out bonds (BOBs)
 - allowing transfers from existing BOBs to PRSAs
 - allowing transfers from existing retirement annuity contracts to schemes
 - review of the requirement for a certificate of benefit comparison
 - standardising drawdown ages across all pension products
- Consideration should be given to the introduction of a pensions dashboard, providing for an integrated view of pensions from all sources, including the State.

Beyond taxation, there is a need for sustained investment in raising national awareness of pensions with access to independent advice critical at all stages but particularly at the point of retirement.

Successful Investing

Davy is Ireland's leading wealth manager, providing an array of planning, pension and investment supports to business owners, professionals and executives from their mid-career stages through retirement. We have an interest not just in the safeguarding and growing of our client assets, but also in the changing quantum and profile of wealth right across Ireland.

Irish household wealth remains concentrated in cash and property, with limited participation in regulated investment funds. This under-diversification not only limits long-term wealth growth potential for households but also poses broader economic risks, particularly as Ireland prepares for the financial challenges associated with a fast-ageing population.

The tax treatment of regulated funds is a key contributor to this situation, with Davy calling for the following changes in our recent pre-budget submissions:

- Align the tax rate on fund investments with the standard CGT rate (noting proposal to reduce headline rate) and apply equivalent annual tax-free allowances across all investment types;

- Remove the “deemed disposal” rule, ensuring tax is only paid when gains are realised;
- Allow loss relief on fund units, enabling investors to offset losses against gains across regulated funds;
- Standardise the tax treatment of spousal transfers, including the application of market value uplifts on inheritance;
- Harmonise the exit tax/CAT offset rules across Irish funds, regulated offshore funds, and life assurance products;
- Enable gross payments to non-taxable entities and introduce a mechanism for tax refunds where applicable;
- Simplify the administrative process by which individuals in receipt of compensation awards can qualify for relief on investment in funds under Section 189 TCA.

We have also long advocated for the introduction of a tax-incentivised SIA and are pleased to see this now being given policy priority. It is, however, important that the account is set up for success at launch, with optimal design features as follows:

- SIAs should be designed around a single, clear, policy objective, namely encouraging public participation in investing to deliver favourable financial outcomes;
- The account structure should be fully tax-exempt, with contributions made from taxed income and no tax on capital gains, income or withdrawals;
- There should be an annual contribution limit like that of the UK with no lifetime cap, accommodating most investors and minimising risks of scheme stagnation;
- There should be no geographic or asset class restrictions, allowing investors to diversify appropriately and avoid concentration risks inherent in domestic markets;
- Cash and cash-equivalent instruments should be permitted but subject to a reasonable cap (20-25% of value) supporting investor liquidity.

Tax complexity (administrative or otherwise) has the potential to heavily constrain participation.

Finally, and beyond SIAs, consideration should be given to the tax incentivisation of responsible investing which has struggled to gain traction in Ireland and elsewhere for a variety of reasons.

Capital Taxation Equity

Ireland’s capital taxation framework plays a crucial role in shaping how families plan, support one another and pass on assets across generations. As the nature of families, property values and the wider investment landscapes evolve, it is essential that our tax system continues to keep pace.

The changes we believe are still required are:

Capital Acquisition Taxation (CAT) Thresholds

CAT is charged at a rate of 33% on the value of gifts or inheritances received by a beneficiary above the applicable tax-free threshold. In 2009, the Group A (parent to child) threshold stood at €542,544, allowing children to receive substantial value from their parents before CAT arose. This threshold has since been significantly reduced. The principal asset typically transferred from parent to child is the family home. In 2012, the national median house price in Ireland was €163,000. By December 2025, this had more than doubled to €387,000. This highlights the significant growth in asset values over time. While the increase in the Group A threshold to €400,000 in Budget 2025 was a welcome development, it does not fully reflect the scale of property price growth and broader inflationary pressures. As a result, more beneficiaries are being drawn into the CAT net, or facing increased tax liabilities, when inheriting what may be considered typical family assets. This undermines the effectiveness of the threshold and the attainment of its original policy intent.

A related issue arises in the context of the Group B threshold (currently €40,000), which applies to gifts or inheritances taken by siblings, nieces and nephews. Individuals without children may wish to pass assets to extended family members, yet the relatively low Group B threshold can result in

significant CAT liabilities. This creates an imbalance between those with direct descendants and those without and penalises intergenerational transfers within wider family structures.

It is recommended that a comprehensive review of all CAT thresholds be undertaken, with particular focus on Group A and Group B, to better reflect economic conditions and evolving family structures.

CAT: Section 69 (2)

Section 69(2) CATCA 2003 allows an individual to receive a gift up to €3,000 per annum from any number of people in a calendar year without having to pay CAT or impacting the CAT tax-free thresholds. The small gift exemption has not changed since Finance Act 2003. Over the intervening period, the real economic value of the exemption has been significantly diminished due to inflation.

It is recommended that the annual small gift exemption be increased from €3,000 to a level that restores its real value in line with inflation since 2003. Consideration should also be given to introducing an automatic indexation mechanism avoiding a need for periodic legislative intervention.

CAT: Aggregation period

Under current CAT legislation, all gifts or inheritances received since 5th December 1991 are aggregated for the purposes of calculating any remaining group threshold. In addition, there is no requirement to deliver a return or otherwise notify Revenue until 80% of the applicable group threshold has been exceeded. For example, with the current Group A threshold being €400,000 an individual may receive taxable gifts or inheritances up to €320,000 from a parent without any obligation to inform Revenue. This approach imposes a significant administrative and compliance burden on beneficiaries and their advisors, who must maintain accurate records across decades. It also raises data protection concerns and increases the risk that records may be lost or unavailable.

The current aggregation period, now extending to approximately 35 years, represents the longest period since the introduction of CAT and is out of line with international practices. For example, under the United Kingdom's Inheritance Tax regime, lifetime gifts generally fall outside the scope of tax where the donor survives for seven years. It is recommended that a defined aggregation period of 10 years be introduced for the purposes of calculating the utilisation of CAT Group Thresholds, replacing the current open-ended aggregation of benefits received since 5th December 1991.

CAT: Age at which a trust becomes subject to discretionary trust tax

Under current rules, a discretionary trust established by a parent on death typically becomes subject to discretionary trust levies once the youngest child reaches the age of 21. In practice, this often leads to trusts being unwound shortly before the youngest child turns 21 to avoid charges. As a result, beneficiaries may receive significant assets at a young age. However, many individuals may not yet be able to manage wealth responsibly, thereby undermining the purpose of the trust.

It is recommended that the age threshold for the application of discretionary trust levies be increased from 21 to 25, such that the levies would only arise once the youngest child reaches 25 years of age.

CAT: Section 82 CATCA 2003

Section 82(2)(a) CATCA 2003 provides an exemption from CAT in respect of payments of money or money's worth received during the lifetime of the donor for the support, maintenance or education of dependent children.

Section 82(4) extends this relief to inheritances, but only in circumstances where both parents of the child are deceased. This condition significantly limits the availability of the relief and can give rise to inequitable outcomes. For example, where a child inherits from a deceased parent, but the other parent remains alive, the relief is not available. This issue is especially evident in cases involving separated or divorced parents, where a child may not benefit from the exemption despite clearly being within the intended scope of the relief. This restriction appears unduly narrow and does not reflect modern family structures or the underlying purpose of the provision, which is to support children in respect of their maintenance and education.

It is recommended that Section 82(4) CATCA 2003 be amended to extend the availability of the relief to all inheritances taken by a child from a parent, regardless of whether the other parent is living.

CAT: Section 79 CATCA 2003

Normally, an absolute inheritance taken by a parent from a child is within the Group A threshold, with any excess taxed at the prevailing CAT rate.

Section 79 CATCA provides that, where certain conditions are satisfied, an inheritance taken by a parent from a child may be exempt from CAT, irrespective of the value of the inheritance. However, to qualify for this exemption, the child must have received a non-exempt gift or inheritance from either or both parents within the five-year period prior to his/her death. This condition significantly restricts the availability of the exemption and may give rise to inequitable outcomes.

In particular, there is no requirement for the inheritance to consist of the same property, nor to be of equivalent value, as the prior gift or inheritance. As such, the link between the prior transfer and the availability of the exemption is unclear. The requirement introduces an arbitrary distinction between cases where a non-exempt benefit was provided within the preceding five years and those where it was not, despite there being no correlation between the value of any such prior transfer and the inheritance subsequently received by the parent(s). This limitation adds unnecessary complexity and does not appear to reflect a clear policy objective.

It is recommended that Section 79 CATCA be amended to remove the five-year prior benefit condition and extend the exemption to all inheritances taken by parents from their children, regardless of prior transfers as these inheritances have often taken in very traumatic circumstances.

About Davy

Established in 1926, the Davy Group sits at the heart of wealth and capital in Ireland, providing a broad range of services to high-net-worth individuals, self-directed investors, business owners, credit unions, corporations, and domestic & international institutional investors. We are 900 people operating across five locations in Ireland and the UK, with our headquarters on Dublin's Dawson Street. Davy is a member of the Bank of Ireland Group. We are regulated by the Central Bank of Ireland and the Financial Conduct Authority in the UK, among others.

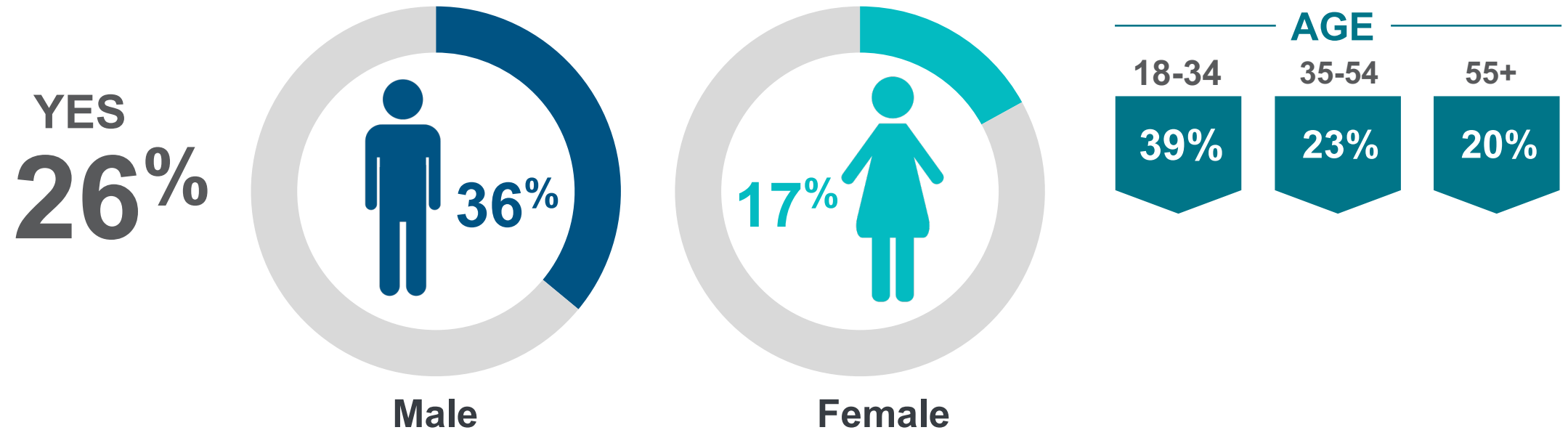
Annex 1: Public Attitudes | Savings & Investing

Representative Sample of 1,000 Irish Adults (Red C Research)

April 2026

Q1.

Do you currently have any investments in company shares, government bonds or investment funds, excluding any pension you might have?



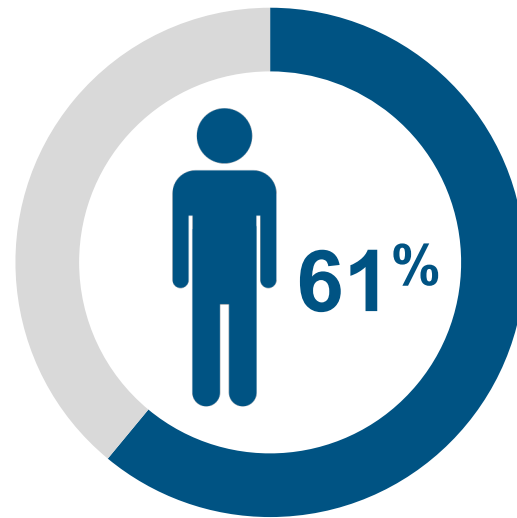
Commentary

More than a quarter of all adults reported having investments beyond those held in their pension, with the highest prevalence among younger males. Ownership of investable assets in Ireland is skewed towards older people who have the lowest incidence of investing.

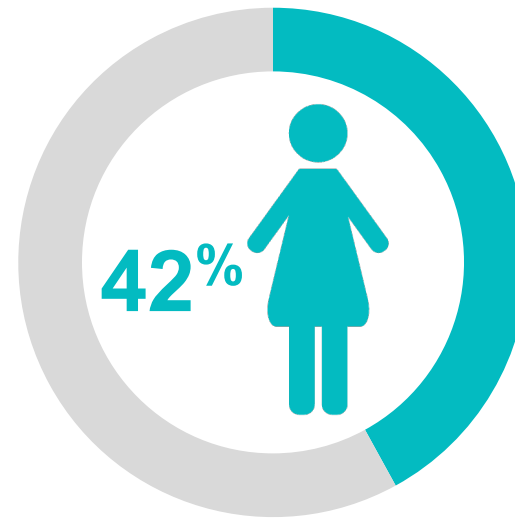
Q2.

How interested or not would you be in investing in company shares, government bonds or investment funds, in the future?

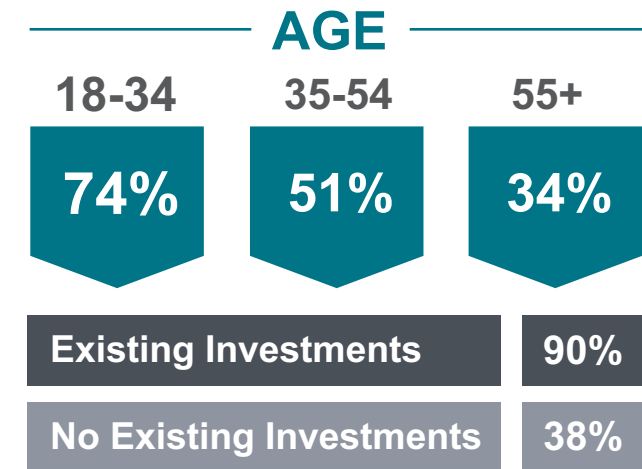
TOTAL INTERESTED
51%



Male



Female



Commentary

Strong evidence of a latent interest in investing, with those planning to invest in the future almost double the share of the population currently investing. The latency is strongest in the youth and mid-life age categories. Latency is least among older people, with 34% interested versus 20% investing today.

Q3.

What reason, if any, would you not invest in company shares, government bonds or investment funds?

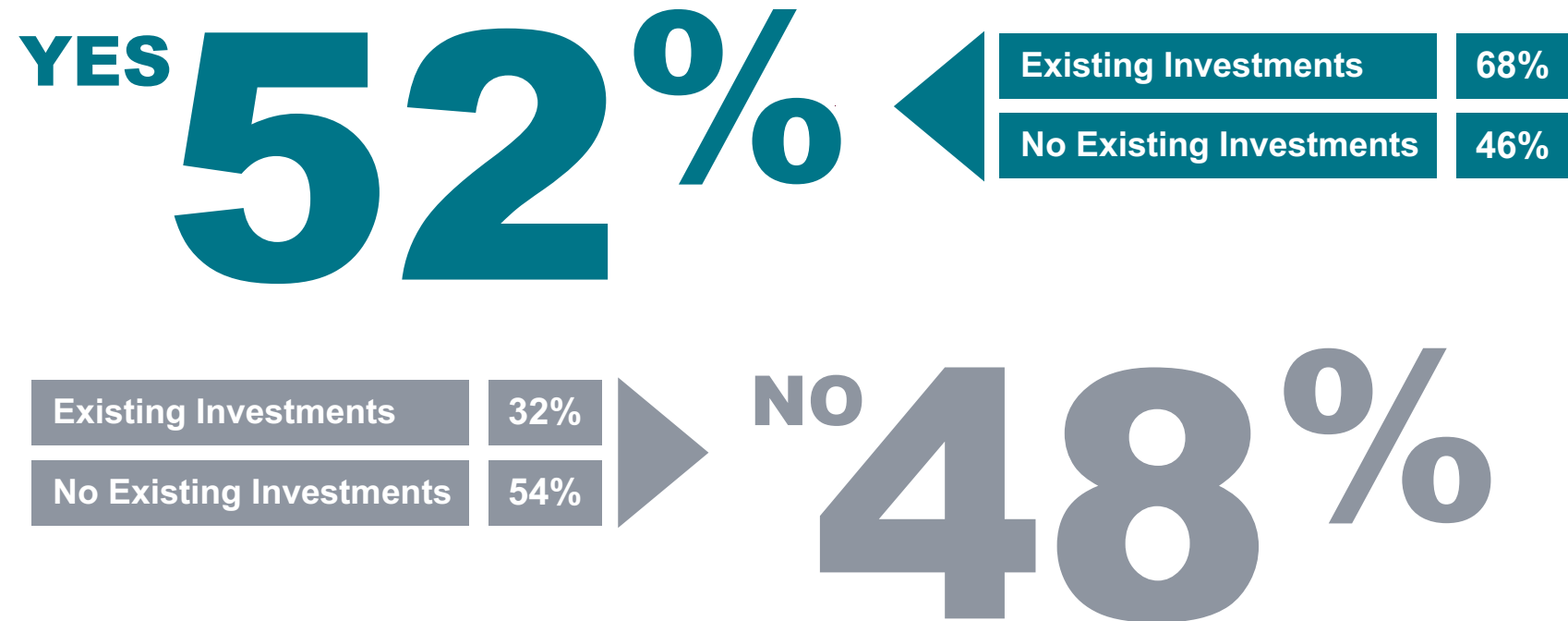


Commentary

The reasons for not investing are layered, with the simple fact of individuals not having sufficient resources prevalent. Findings show important literacy constraints, as well as an embedded fear around losing money. The fear of loss is often narrowly read, with the eroding impacts of inflation on cash not always appreciated or considered to represent a loss.

Q4.

Have you heard of the government proposals to introduce a Savings and Investment Accounts (SIA) which allows people to invest tax-efficiently?

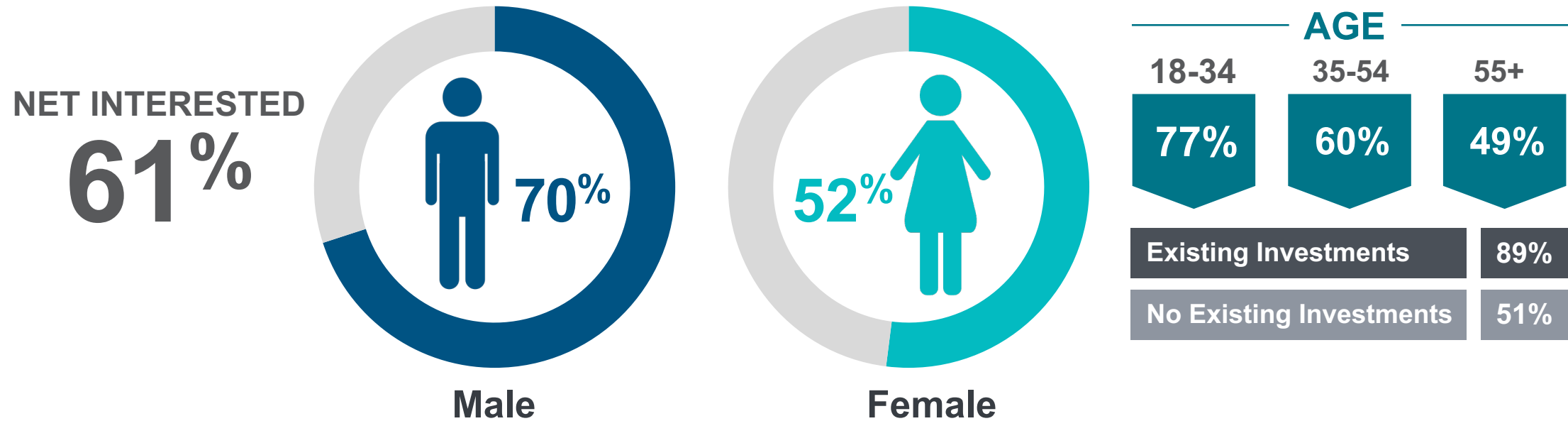


Commentary

There are high levels of awareness of mooted government plans to introduce Savings and Investment Accounts, with a bias towards individuals who are already investing and may have higher levels of overall financial literacy.

Q5.

How interested or not would you be in a Savings and Investment account if it was introduced?

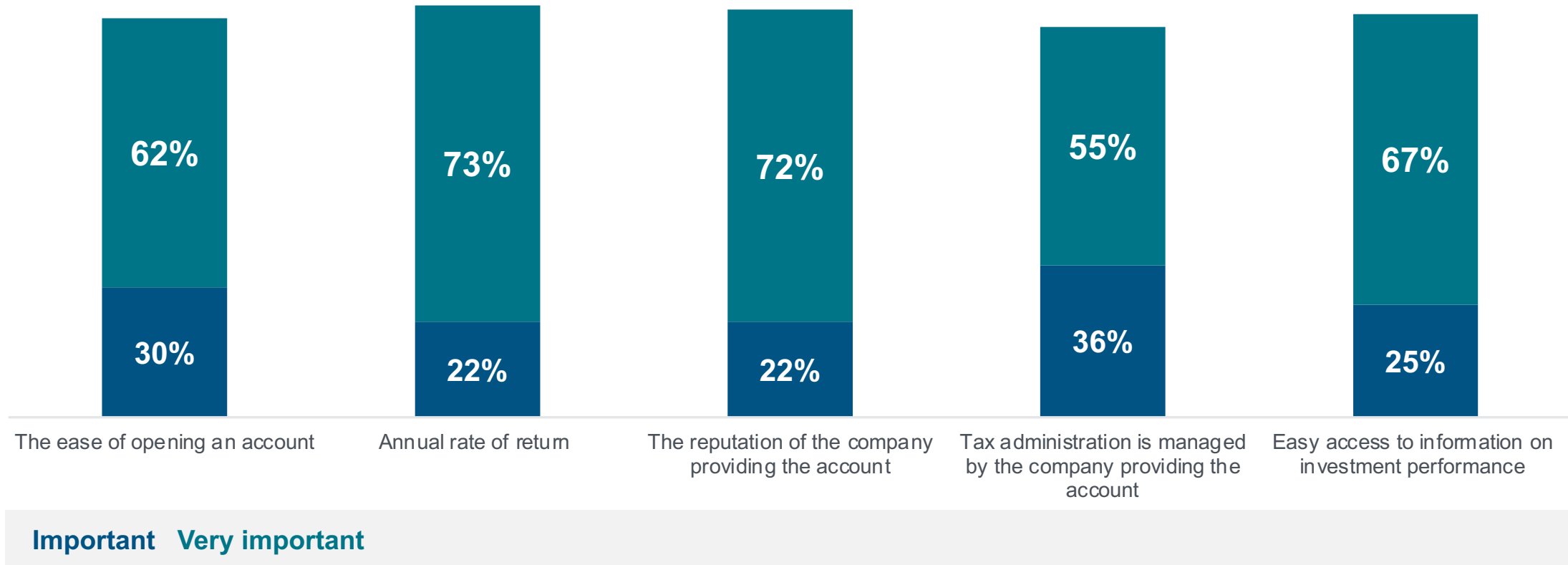


Commentary

Findings speak to the potential for SIAs to transform the incidence of retail investment in Ireland, with more than 60% claiming an interest in SIAs versus 26% investing today. The population aged 55 years and more is particularly interesting, with close to 50% expressing an interest. This is material as ownership of investable assets is skewed towards older individuals.

Q6.

How important or not are each of the following if you were considering opening a Savings and Investment Account?



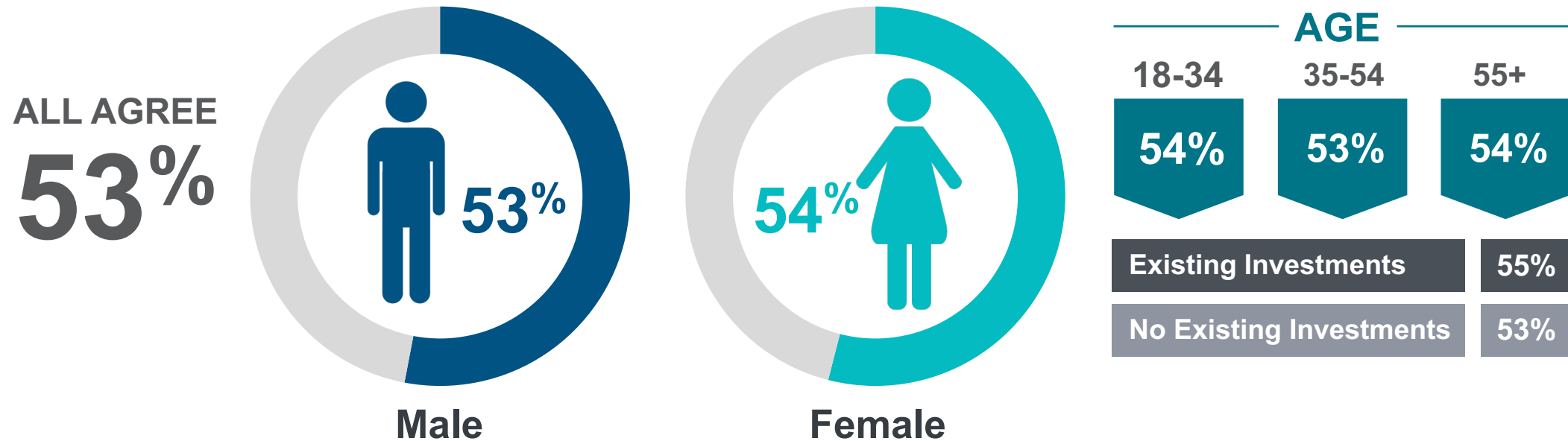
Commentary

While interest levels in SIAs are high, simplicity of design, communication and administration will be critical to achieving high levels of public participation as will the involvement of companies known to, and trusted by, the Irish public.

Q7.

How strongly do you agree or disagree with each of the following statements regarding a Savings and Investment Account?

I would not open an investment account if I had to file my own tax return

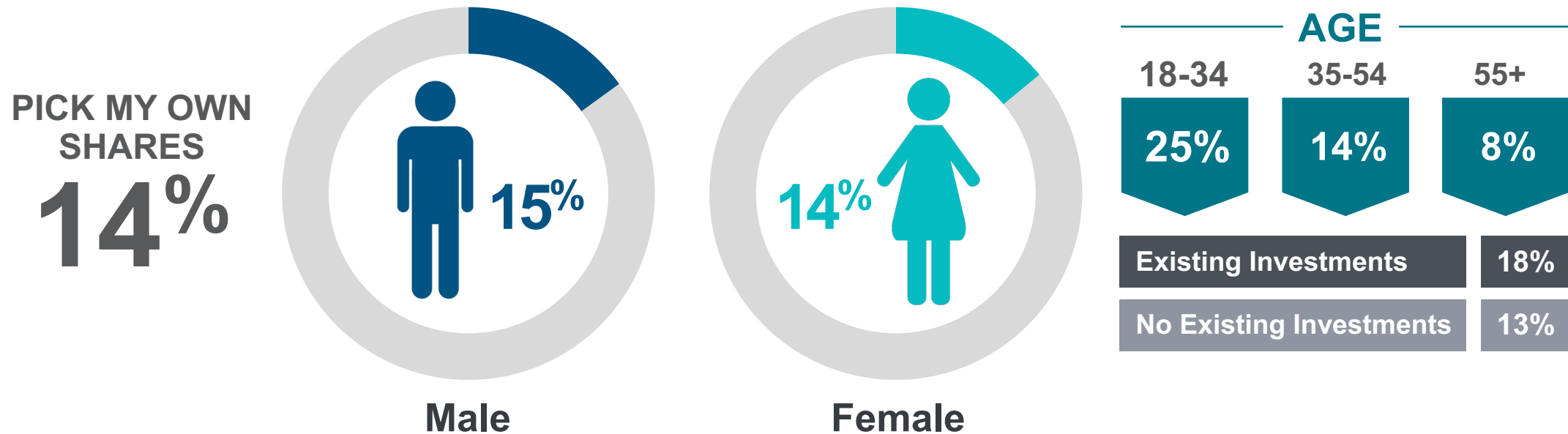


Commentary

Tax complexity and/ or administration is an important potential constraint to SIA participation with a need to consider all associated arrangements carefully. The requirement to file a separate tax return is likely to provide a significant deterrent on a stand-alone basis across all age segments.

Q8.

If investing using an Savings and Investment Account, would you prefer to pick the individual company shares yourself or a fund containing a broad range of pre-selected company shares?

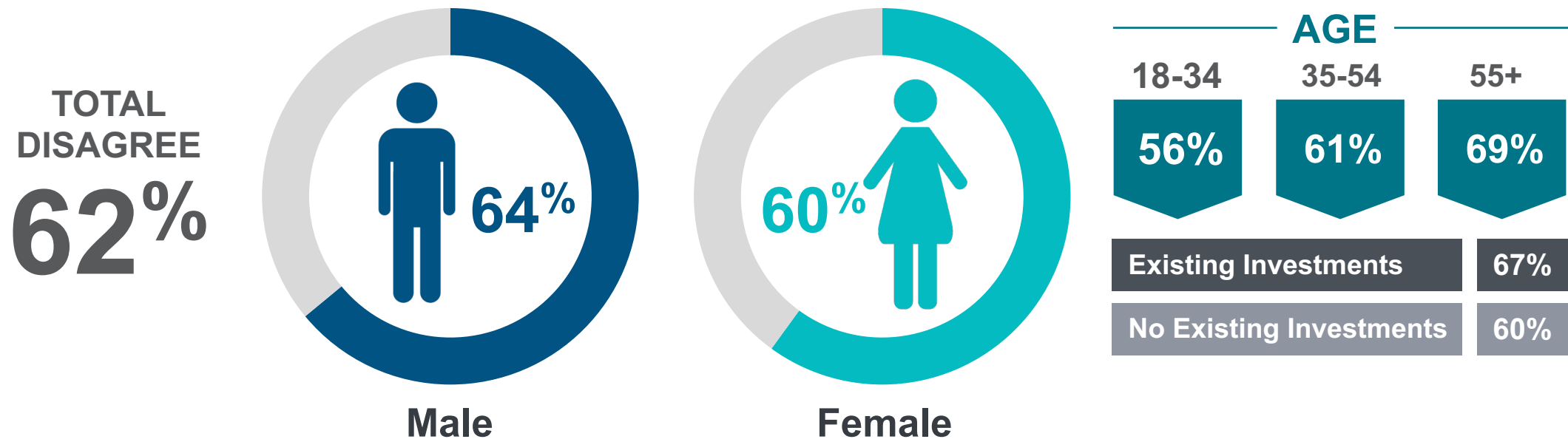


Commentary

For a variety of reasons, low levels of interest in investing in direct stocks with a majority preference for funds or similar. Variable levels of financial literacy mean that information and/ or advisory supports will be important to participation.

Q9.

It feels fair to pay tax on investments even in years when the investment value falls.



Commentary

There is evidence of opposition to a tax treatment of investments where tax is charged in the event that there is no investment gain. Only 17% of the population agreed with this approach, with 62% disagreeing and the balance not expressing an opinion. Of the 62%, 30% disagreed strongly.

Dublin Office

Davy House
49 Dawson Street
Dublin 2
Ireland
T +353 1 679 7788
dublin@davy.ie

Belfast Office

Donegall House
7 Donegall Square North
Belfast BT1 5GB
Northern Ireland
T +44 28 90 310 655
belfast@davy.ie

Cork Office

Hibernian House
80A South Mall
Cork
Ireland
T +353 21 425 1420
cork@davy.ie

Galway Office

1 Dockgate
Dock Road
Galway
Ireland
T +353 91 530 520
galway@davy.ie

London Office

45 Gresham Street
London EC2V 7EH
United Kingdom
T +44 207 448 8870
london@davy.ie

www.davy.ie

J & E Davy Unlimited Company, J & E Davy (UK) Limited, Davy Corporate Finance Unlimited Company and Davy Securities Unlimited Company are part of the Davy Group of companies. J & E Davy Unlimited Company, trading as Davy, Davy Private Clients, Davy Capital Markets, Davy Select, Davy Institutional Consulting, Davy Real Estate and Davy Research, is regulated by the Central Bank of Ireland. J & E Davy (UK) Limited, trading as Davy Private Clients UK, Davy UK and Davy Capital Markets UK, is authorised and regulated by the Financial Conduct Authority. Davy Corporate Finance Unlimited Company is regulated by the Central Bank of Ireland. Davy Securities Unlimited Company is regulated by the Central Bank of Ireland. Davy Securities Unlimited Company is a member of FINRA and SIPC. Davy Group is a member of the Bank of Ireland Group.