Institute of Directors Ireland

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Briefing: Investment Limited Partnerships to Benefit from DWT Exemption

The Finance Bill 2025 will, when enacted, provide that distributions to investment limited partnerships ("**ILPs**") are exempt from Dividend Withholding Tax ("**DWT**") where certain conditions are met. The new exemption will apply in respect of relevant distributions made on or after 1 January 2026. The provisions also apply to an "equivalent partnership" authorised in the EEA.

Exemption Criteria

In order to be an "excluded person" under s.172C of the Taxes Consolidation Act 1997 ("**TCA 1997**") (as amended), the ILP that is beneficially entitled to the "relevant distribution" must satisfy certain requirements as set out below. The Finance Bill 2025 includes certain amendments which provide that an ILP that receives a relevant distribution will meet the 'beneficially entitled' criterion for this purpose. The relevant conditions are:

i. The partners of the ILP must be beneficially entitled to not less than 51% of the ordinary share capital of the company making the relevant distribution.

ii. The ordinary share capital of the company making the distribution must be an asset of the ILP; and

iii. The partnership must have made a declaration to the company making the distribution in a prescribed form.

The exemption remains subject to the provisions of the Outbound Payment rules which disapply the DWT exemption where payments are made to associated persons in certain zero-tax and non-cooperative territories. Further consideration will be required as to how the new exemption will interact with the Outbound Payment rules in the context of widely held funds.

Separately, the Finance Bill confirms that ILPs will no longer have to file a separate partnership tax return, provided they have filed a Form ILP1 with the Revenue Commissioners which contains details of the income, gains and losses of the ILP, together with certain partnership details and details of the net asset value of the ILP.

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This is a very welcome development for the Irish funds sector generally, and particularly for ILPs holding private assets. The introduction of this exemption greatly enhances the attractiveness of the Irish ILP regime and removes a competitive disadvantage to other fund domicile jurisdictions that previously existed. ILPs are also now more likely to use Irish asset holding companies (rather than companies in other jurisdictions) as a result of the reduced administrative burden arising from the introduction of the exemption.

The Finance Bill 2025 is available here and a detailed briefing on the modern ILP regime can be found here. For further information, please contact the team below or your usual McCann FitzGerald LLP contact.

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