



Levelling the Playing Field: The Exchange Traded Fund Opportunity for Irish Retail Investors

Exchange Traded Funds - The Benefits of ETF Investing for Irish Savers and Investors

Ireland: Europe's Leading ETF Hub

Ireland is the leading hub for European exchange-traded funds (ETFs) and remains the domicile of choice for new and established issuers launching products.

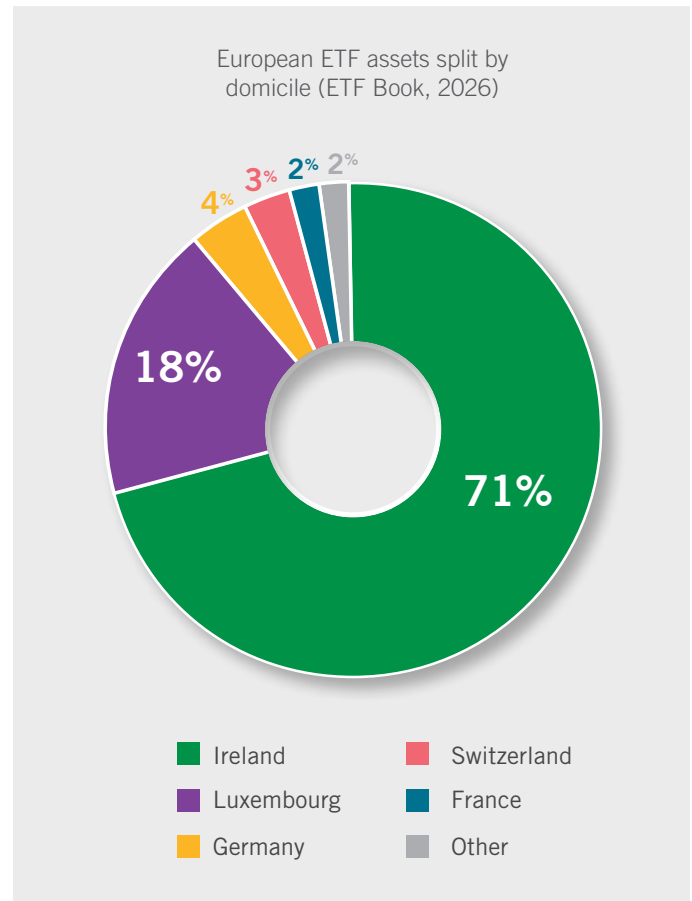
As of the beginning of April 2026, assets invested in Europe's ETF industry reached a record high of €2.89 trillion, with more than €2.01 trillion in ETFs domiciled in Ireland, representing approximately 71% of the European ETF market (ETF Book, 2026).¹

Ireland offers a highly favourable environment for ETF domiciliation, supported by a deep and experienced ecosystem of service providers, including custodians, administrators, legal firms, management companies, and ETF issuers. The Central Bank of Ireland is deeply engaged with both the domestic funds industry and international regulatory bodies, including Irish Funds, IOSCO, EFAMA, and ESMA, and brings a sophisticated understanding of ETFs to its supervisory role.

As retail investing grows across Europe - driven by savings plans, neo-brokers, and digital platforms - ETFs are becoming central to how households access capital markets. Given Ireland's outsized role in the European ETF industry, it is timely to consider whether Ireland's current approach to the treatment of ETFs for domestic retail investors remains fit for purpose.

The Savings and Investment Union

In March 2025, the European Commission launched the Savings and Investment Union (SIU), an evolution of the Capital Markets Union (CMU) initiative. The SIU aims to significantly increase



retail participation in Europe's capital markets and portion of the approximately €14 trillion (EFAMA, 2024) currently held in cash and deposit accounts across the region.²

In Ireland, the value of uninvested cash and deposits stands at approximately €171 billion and is growing by more than €10 billion per year, according to Central Bank of Ireland data. This indicates substantial household wealth that, for various reasons, remains idle rather than flowing into productive, risk-bearing assets such as UCITS ETFs.

¹ ETF Book (2026) Flows summary [online database]. ETF Book. Available at: <https://www.etfbook.com/analyze/flows/summary> (Accessed: 8 April 2026).

² EFAMA (2024) Households continue to keep a disproportionate amount of money in bank deposits in most European countries (Press release, 22 January). EFAMA. Available at: <https://www.efama.org/newsroom/news/households-continue-keep-disproportionate-amount-money-bank-deposits-most-european> (Accessed: 23 March 2026).



The Commission has begun to build the SIU framework, but key challenges persist: fragmented markets, low retail participation, and uneven financial education and literacy. If the EU wants more competitive capital markets that work for citizens and enterprises alike, it needs to make it easier to access simple, low-cost, pan-European investment products. ETFs are well suited to that goal because they offer:

- **Accessibility and inclusion.** ETFs help bridge the gap between saving and investing by enabling households to start with small amounts, invest regularly, and access markets through digital platforms. Savings plans and fractional investing can bring first-time investors, younger savers, and lower-income households into the market, turning savers into long-term investors.
- **Diversification and risk management.** A single ETF can provide diversified exposure across companies, sectors, regions, and asset classes, reducing concentration risk and supporting more resilient retail portfolios.
- **Cost efficiency and transparency.** ETFs are typically low cost and transparent. Daily holdings disclosure and continuous pricing make it easier for investors to understand their investment exposures and how they are performing.
- **Flexibility, liquidity, and investor control.** Because ETFs, like shares, trade on exchange, investors can adjust portfolios efficiently and generally benefit from liquidity even during times of market volatility.
- **Support for disciplined long-term investing.** ETF savings' plans encourage automated, regular contributions, helping investors avoid market timing concerns and benefit from cost averaging over time.

Domestic Tax for Irish Investors: Aligning Policy with Ireland's Position as Europe's Premier ETF Hub

Ireland has long been the domicile of choice for global ETF issuers to launch international products. However, the experience for retail investors domiciled in Ireland is markedly different. Ireland applies one of the more stringent tax regimes on retail ETF holdings, including a 38% tax rate on both income and gains (reduced from 41% in the most recent Budget), restrictive loss relief rules, and an eight-year "deemed disposal" rule that taxes unrealised gains. There is no clear policy rationale for deemed disposal, which is not applied elsewhere internationally, and it acts as a barrier to offering more Irish-domiciled ETFs to Irish retail investors.

From a horizontal equity perspective, similar forms of investment income should be taxed similarly. The Commission on Taxation (2009) supported aligning the taxation of deposit interest, funds, capital gains, and dividends. In contrast, the current Irish ETF regime is complex, inconsistent, and frequently inequitable. More efficient and fairer tax treatment of ETFs is central to incentivising greater retail investment in Ireland and ensuring existing investors are not left behind as part of wider government tax reforms. Aligning ETF taxation with DIRT and CGT, both at 33%, would improve coherence and perceived fairness.

Loss relief is another significant gap. Losses on ETF holdings cannot currently be offset against gains on other funds or capital assets, making ETFs less attractive relative to direct equity holdings. Allowing such offsets would bring ETFs in line with broader investment norms and remove a material deterrent for retail investors.

Because Irish ETFs do not operate a practical mechanism to withhold Investment Undertakings Tax (IUT), Irish investors must self assess their tax liabilities. From 2016–2023, €221 million in income tax was collected in relation to self assessed ETF and offshore fund investments, compared with €717 million withheld through IUT on non-exchange traded Irish-domiciled funds (Oireachtas, 2025).³

A reformed regime - removing deemed disposal, enabling loss relief, and reducing the tax rate on ETF income and gains - would materially improve the retail proposition and could increase overall tax receipts over time as participation expands.



³ Oireachtas (2025) Dáil Éireann debate: Tax data — Exit tax on domestic funds (Question No. 617), Tuesday, 29 April. Written answers (Deputy Emer Currie; Minister for Finance Paschal Donohoe). Available at: <https://www.oireachtas.ie/en/debates/question/2025-04-29/617/> (Accessed: 2 April 2026).



How Retail Investors Are Embracing ETFs Across Europe

Ireland lags many European peers in retail participation in capital markets⁴ and subsequently ETF adoption, historically reflecting a stronger preference for deposits, a more cautious investing culture, and less favourable tax treatment. In contrast, countries such as Germany, France, and the Netherlands have seen broader uptake of ETFs (and mutual funds generally), supported by policy choices (e.g., tax-incentivised accounts in Sweden; commission bans in the Netherlands) and product innovation like ETF savings plans that make investing routine and accessible.

Two case studies illustrate the contrast:

- **Germany.** Retail ETF adoption has grown strongly via ETF savings plans (Sparpläne), driven largely by private-sector innovation. Many plans allow small regular contributions with minimums as low as €1. Neo-brokers and digital platforms have accelerated this trend, and more than 14.5 million or 21% of retail investors in Germany now hold ETFs.
- **Sweden.** Retail ETF adoption has been driven primarily by the widespread use of the Investment Savings Account (ISK), a tax advantaged wrapper

introduced in 2012. The ISK simplifies taxation by applying a low annual tax on account value rather than capital gains tax, making ETFs easy to buy, hold and rebalance. As a result, ETFs are commonly accessed through mainstream banks and digital platforms without dedicated savings plans. Around 16% of Swedish retail investors—approximately 1.3 million individuals—now invest in ETFs, typically within ISK accounts.

In the United Kingdom, many retail investors use Individual Savings Accounts (ISAs) to hold ETFs, as these wrappers exempt investment gains and income from tax, creating a strong incentive for long term saving and portfolio building. ISAs are widely accessible and can be used flexibly alongside pensions, making them a core part of household investment behaviour. ETFs held within a Self Invested Personal Pension (SIPP) benefit from similar tax advantages, although access is restricted until retirement age. Even outside these tax advantaged wrappers, capital gains on ETF investments are generally taxed at a maximum rate of 20%, depending on an individual's overall income, which remains low by international standards and supports continued retail participation in ETF markets.

⁴ [Retail Investor Participation in Ireland Consumer Research and Analysis - December 2025](#)

Table: Ireland vs UK - After-Tax ETF Investment Comparison
Simplifying Assumptions: total value of investment is reduced by 38% deemed disposal tax every 8 years and at the end of the investment period (Irish investor)

	Irish Investor	UK Investor
Total Invested	€ 68,000	£ 68,000.00
Gross at end of 20 years	€ 168,713	£ 184,960,11
Taxation Paid	€ 38,271	£ 23,392.02
Net at end of 20 years	€ 130,442	£ 161,568.09
Net Gain at end of 20 years	€ 62,442	£ 93,568.09
Net Return on Investment	92%	£ 138%

A practical comparison illustrates the divergence. Consider a retail investor in Ireland and the UK each investing directly into an ETF on the following terms: an initial investment of €20,000; regular monthly contributions of €200 for 20 years; annual growth of 7%; a maximum UK tax rate of 20% on total gains at the end of the term; and an Irish tax rate of 38% with deemed disposal every eight years. Under these assumptions, the UK investor benefits by an additional 46% on the same overall investment compared with the Irish retail investor, solely as a result of differing tax treatment.

It is therefore a meaningful positive that the Irish Government is focusing on reforming ETF taxation for retail investors. In particular, removing the eight-year deemed disposal rule is critical if investors are to capture the full benefit of long-term compounding. Deemed disposal creates recurring tax liabilities on unrealised gains throughout the holding period, materially eroding the efficiency of long-term, regular investing.

Financial Literacy: A Foundational Requirement for the SIU to Succeed



The success of the Savings and Investment Union does not rest on regulatory reform and tax harmonisation alone. Financial literacy is the essential connective tissue between policy ambition and investor action, and it must be treated as a priority in its own right across Ireland and the broader EU.

A recent study completed by BlackRock (BlackRock, 2025) highlighted that 70% of adults in Ireland either have never heard of an ETF or have no understanding of ETFs. The disconnect between Ireland's position as home to 71% of European ETF assets and this near-total absence of domestic retail awareness represents both a significant challenge and a considerable opportunity.⁵ Addressing this knowledge gap is central to the SIU's goal of converting idle household cash and deposits into long-term, productive investment.

In this context, financial literacy means more than recognising product names. It includes understanding risk, charges, taxation, diversification, and compounding so people can make informed choices across savings and investment options. Without these foundations, households are more likely to remain in low-yield deposits and may be more exposed to poor decision-making or mis-selling.

Experience elsewhere shows the link between literacy and participation. In Germany, the growth of ETF savings plans reflects not just tax and platforms, but sustained consumer education that has normalised regular, automated investing.

If Ireland wants to close the participation gap, it needs a similar effort.

That requires a coordinated, multi-stakeholder approach across Government, the Central Bank of Ireland, financial institutions, and the wider funds industry - reaching people through schools, workplaces, public campaigns, digital platforms, and advice channels. Just as importantly, literacy initiatives must move in step with the removal of structural barriers: promoting ETFs while maintaining a 38% tax rate and deemed disposal is inherently contradictory. As reforms progress, clear public communications will be essential so households understand and can act on the changes.

Ireland's EU Presidency from 1 July 2026 provides a strong platform to champion financial literacy as a core SIU priority. Ireland can push for measurable literacy objectives in the SIU action plan, promote cross-country sharing of best practice, and use the EU Market Integration and Supervision Package's (MISP) emphasis on regulations (rather than directives) to embed more consistent literacy expectations across the EU.

The Irish Government has recently made a significant step in targeting financial literacy with the Tánaiste Simon Harris announcing openings for financial literacy ambassadors in Ireland to support communicating key messages around financial literacy and enhance the empowerment of Irish citizens to take control of their finances. The financial literacy ambassadors will be supported in their role by the Department of Finance.

⁵ BlackRock (2025) *People & Money: The next wave of ETF investors in Europe*. iShares, November. Available at: <https://www.ishares.com/uk/individual/en/literature/brochure/people-and-money-etf-europe.pdf> (Accessed: 2 April 2026).

DLT and Tokenisation: Enabling ETF Evolution for the SIU



Delivering the ambitions of the Savings and Investment Union will also depend on the ability of Europe's investment products to evolve in line with how households and institutions now save, trade and invest. For ETFs in particular, Distributed Ledger Technology has the potential to act as a critical enabler, bridging the gap between policy ambition and practical market participation. Tokenisation and DLT-based infrastructure can support more efficient issuance, settlement and distribution of ETF units, reduce cross-border frictions, and enable greater operational harmonisation across the EU. For a product explicitly designed to deliver low-cost, diversified exposure at scale, these efficiency gains are central to the SIU's objective of mobilising savings and channelling them into productive, long-term investment.

Europe already hosts a globally significant ETF ecosystem, yet its post-trade infrastructure for funds remains fragmented, nationally configured, and operationally complex. As ETFs increasingly sit at the intersection of markets and funds, failure to adapt infrastructure risks constraining their ability to scale cross-border and reach new investor segments. Acting on the evolution of DLT for ETFs, in a regulated, interoperable and investor protective

manner, would help future proof a cornerstone SIU product. It would allow ETFs to fully reflect the integrated capital market the SIU seeks to build, rather than being held back by legacy processes designed for a more fragmented era.

At a national level, Ireland has an opportunity to position itself as a credible, EU aligned enabler of DLT evolution for ETFs, building on the Department of Finance's Ireland for Finance strategy's⁶ emphasis on innovation, sustainability and long term competitiveness and the Central Bank of Ireland's Discussion Paper 12⁷. Readiness in this context requires confidence that existing legal and regulatory frameworks can accommodate new technological forms in a genuinely technology neutral manner. A coordinated approach across Government, the Central Bank of Ireland and industry, supported by structured engagement and alignment with EU level initiatives, would allow innovation to develop in a controlled and proportionate way. By ensuring that Ireland's framework is clear, predictable and consistent with EU law, Ireland can remain an attractive domicile for ETFs as infrastructure evolves, while supporting the broader SIU objective of integrated, resilient and future ready capital markets.

⁶ Department of Finance Ireland for Finance strategy which will be relaunched in 2026 (Last updated on: 29 July 2025) Available at <https://www.gov.ie/en/department-of-finance/publications/ireland-for-finance-strategy/>

⁷ Discussion Paper 12 - Distributed Ledger Technology (DLT) & Tokenisation in Financial Services Available at [Discussion Paper 12 - Distributed Ledger Technology \(DLT\) & Tokenisation in Financial Services](#)

Several developments suggest momentum is building.

The Irish Government has stated its intent to introduce an incentivised savings and investment scheme to help shift significant household cash and deposits into capital markets and improve long-term outcomes for Irish savers.

At EU level, the MISP is moving toward more regulations and fewer directives, supporting harmonisation while preserving appropriate national discretion. While ETFs are widely available cross border, execution quality, fragmented liquidity, and post trade complexity can reduce transparency and confidence for smaller investors, particularly those relying on intermediated access. Recent EU initiatives under the MISP, including proposals to expand the consolidated tape, improve trading data quality, and advance post trade harmonisation and interoperability are therefore directly relevant. By lowering information asymmetries and enhancing settlement efficiency, these reforms could materially improve outcomes for retail ETF investors, complementing efforts to address tax and financial literacy barriers.

Domestically, there is clear commitment to reduce tax rates applied to ETFs held by retail investors. The rate has already fallen from 41% to 38%, though it remains higher than the 33% applied to direct equities. The Funds Sector 2030 Implementation Plan, published as part of the 2026 Budget, identifies the removal of the eight-year deemed disposal rule as an item for active consideration - an important signal for current and future retail investors.

On 31 March 2026, the Minister for Finance, Simon Harris, set out further details of a proposed “special account” structure. The core idea is to apply a modest annual flat-rate tax on the value of assets held above a tax-free threshold (with the threshold to be determined in the Budget later this year). Under this approach, investments held within the account would receive consistent tax treatment, with account providers administering and remitting

the tax - aimed at reducing complexity for investors. The model could potentially operate as the single, comprehensive tax charge within the account, including the possibility of removing capital gains taxation on in-account growth and disposals. The proposal is expected to draw on Sweden’s investment account model, where the effective rate is linked to benchmark government bond yields (Department of Finance, 2026; Brennan, 2026).⁸

The proposal of such a product for retail investors here is a clear signal of intent by the government to address the adverse treatment of retail investors in Ireland compared to other countries. It could also provide an excellent platform for ETFs to form a significant part of the proposed savings product, as is the case in Germany and the UK. As Europe’s largest domicile for ETFs, the industry would champion extending the benefits of ETFs not just to the savings product, but also removing the 8 year deemed disposal applied to ETFs for Irish retail investors, and also reducing the overall tax rate from 38% to 33% as it is for equities. This would apply to all ETF holdings by Irish-domiciled investors and not just the proposed savings product.

Alongside tax reform, Ireland needs a sustained push on financial literacy. ETFs are well suited to retail investors due to diversification, transparency, cost efficiency, and ease of access - but these benefits must be widely understood and easy to act on.

In parallel with tax and product reforms, the Government is progressing the National Financial Literacy Strategy and is actively recruiting “financial literacy ambassadors” to work with the Department of Finance to develop and support its implementation - helping ensure households can confidently engage with long-term investing as access improves.

With Ireland holding the EU Presidency, there is an opportunity to drive EU-wide engagement on harmonising retail outcomes, while ensuring Irish residents are not disadvantaged relative to other member states on the taxation of ETFs and similar products.

⁸ Department of Finance (2026) Tánaiste convenes first Annual Savings and Investment Forum. gov.ie, 31 March (Last updated: 31 March 2026). Available at: <https://www.gov.ie/en/department-of-finance/press-releases/t%C3%A1naiste-convenes-first-annual-savings-and-investment-forum/> (Accessed: 2 April 2026). Brennan, J. (2026) ‘Simon Harris outlines more details on new savings scheme to encourage Irish households to invest’, The Irish Times, 31 March. Available at: <https://www.irishtimes.com/business/2026/03/31/new-savings-and-investment-plan-will-only-carry-small-flat-tax/> (Accessed: 2 April 2026).

The prize for getting this right is substantial.

Increasing retail participation in capital markets through ETFs and incentivised savings plans would channel significant funds into productive investment, providing additional non-bank funding to SMEs and the broader economy. Better access to ETFs and savings plans would also deliver improved returns for investors beyond reliance on bank deposits and State pensions in retirement.

Higher participation would also reinforce Ireland's position as Europe's leading ETF domicile and support the broader trajectory toward a projected €5 trillion in ETF assets by 2030 (EY, 2026).⁹ The next generation of investors is increasingly using ETFs as a default wrapper, supported by robo-advisors, digital banks, and neo-brokers. Ensuring that Irish investors can access ETFs efficiently—and understand how to use them—will be central to capturing that opportunity.

Recommendations

I. Make retail investing simpler and easier to access.

Support ETF savings plans, fractional investing, simplified advice frameworks, and more consistent tax treatment of regulated investment products to reduce barriers and broaden participation across the EU. The Funds Sector 2030 report recommended that the work to reform the tax regime for Irish-domiciled funds and offshore funds is prioritised. We endorse this action as part of the Finance Bill 2026 including removal of the deemed disposal requirement, alignment of the Investment Undertaking Tax (IUT) rate with the capital gains tax rate (currently 33%) and the other outstanding recommendations.

II. Facilitate innovation in ETF products.

Ensure regulatory frameworks accommodate innovation—including active and outcome-oriented ETFs—while maintaining strong investor protections to expand choice and improve fit for investor needs.

III. Prioritise retail investors in market structure developments.

Design market infrastructure with retail investors in mind, including better transparency, execution quality, and post-trade harmonisation to strengthen trust, liquidity, and resilience.

IV. Drive solutions for increased financial literacy across the Irish population,

especially throughout schools, colleges and universities to ensure the next generation of investors are equipped with the tools to get the best return for their investments.

V. Enable DLT and tokenisation to support ETF scale and integration.

Prepare Ireland's legal and regulatory framework for technology neutral adoption of DLT in fund issuance, settlement and distribution, with a particular focus on ETFs. This should prioritise coordinated engagement with policymakers and industry, and alignment with emerging EU level SIU initiatives.

⁹ EY (2026) European ETF market surges 41% to over €2.7 trillion in 2025, on track to hit over €5 trillion by 2030. Press release, 27 February. Available at: https://www.ey.com/en_ie/newsroom/2026/02/europe-etf-market-surges-to-2-7trn-2025 (Accessed: 2 April 2026).