

Doing business in Ireland

If you are planning on doing business in Ireland, knowledge of the investment environment and information on the legal, accounting and taxation framework are essential to keep you on the right track.

2011



Foreword

Ireland's low rate of corporation tax, i.e. **12.5%**, holding company regime, research and development tax credit combined with many other tax incentives, makes it a very popular choice for inward investment. These factors, together with a highly skilled and motivated workforce, have resulted in almost 1,000 overseas companies choosing to invest in Ireland as their European base. Companies involved in a wide range of activities in sectors as diverse as engineering, information communications technologies, pharmaceutical and research and development view Ireland as a uniquely attractive location in which to do business.

Ireland remains committed to its tax rate of **12.5%** applicable to Irish trading profits. Recent statements from cabinet ministers have confirmed that the government is absolutely committed to the 12.5% tax rate. Ireland's right to maintain this rate, notwithstanding the requirement to introduce painful measures elsewhere, has been accepted by various senior figures in Europe. In our view, this certainty is a critical development and will help secure our future as a leading destination for FDI (foreign direct investment) in Europe.

To aid companies coming to Ireland, Grant Thornton has prepared this guide "Doing Business in Ireland". It is intended to be user friendly whilst providing guidance on the business and regulatory environment.

This guide has been prepared for the assistance of those interested in doing business in Ireland and includes legislation in force at **1 January 2011**. It does not cover the subject exhaustively but is intended to answer some of the important, broad questions that may arise. When specific problems occur in practice, it will often be necessary to refer to the laws and regulations of Ireland and to obtain appropriate accounting and legal advice.

If you need more information, please contact those listed at the end of this report.

Contents

	Page
Foreword	1
Contents	2
Grant Thornton	1
Tax	2
Business entities	11
Labour	15
Country profile	18
Grant aid assistance	20
Regulatory environment	22
Finance	24
Imports	25
Financial reporting and audit	27
Appendix 1 – Irish tax treaties	30
Appendix 2 – Sample of companies located in Ireland	32
Appendix 3 – Tax facts 2011	33
Appendix 4 – Other publications	37
Appendix 5 – Useful contacts	38
Grant Thornton contacts	39

Grant Thornton

Grant Thornton in Ireland

Grant Thornton Ireland can trace its history back to 1899. Today, the firm comprises over 400 partners and staff operating from offices in Dublin, Limerick, Kildare and Galway. In addition to audit and tax, we provide tax planning, corporate finance, corporate recovery and insolvency, forensic and investigation services, business risk services, computer assurance, IT consultancy, corporate secretarial services, family business consulting and personal tax and financial planning consulting. Our clients include privately held businesses (PHB), public interest entities (PIE) and financial services.

Grant Thornton Ireland was rated in the top 5 accounting firms in Ireland by a recent survey conducted by the International Tax Review to find the top tax advisors across 47 separate international jurisdictions.

Grant Thornton is the fifth largest worldwide organisation of independently owned and managed accounting and professional services firms, operating from over 521 offices in over 100 countries, with combined revenue of \$3.6 billion.

Grant Thornton International

Grant Thornton International is one of the world's leading organisations of independently owned and managed accounting and consulting firms. These firms provide assurance, tax and advisory services to privately held business and public interest entities. More than 2,500 partners provide clients with distinctive, high quality and personalised service in over 100 countries. For more information visit www.gti.org.

Each member and correspondent firm within Grant Thornton International is a separate national firm. These firms are not members of one international partnership or otherwise legal partners with each other (with the exception of certain limited instances), nor is any one firm responsible for the services or activities of any other. Each firm governs itself and handles its administrative matters on a local basis. Although many of the member firms carry the Grant Thornton name, either exclusively or in their national practice names, there is no common ownership among the firms (with the exception of certain limited instances) or by Grant Thornton International.

Tax

Summary

Ireland provides a very favourable tax environment to encourage business development and sustain rewarding investment. Tax reliefs form an important part of the total incentive package available to overseas companies establishing a business in Ireland. These reliefs establish Ireland as a favourable location for multinational corporations to base regional headquarters and holding companies. As multinationals tend to consolidate their financing, regional head office and R&D activities in one location, Ireland is well equipped to cater for all these requirements. Incentives for the establishment of multinational organisations in Ireland include:

- holding company regime;
- research and development (R&D) credit;
- capital allowances for expenditure on intangible assets;
- low (if any) tax on certain foreign dividends;
- tax allowances for Intellectual Property
- EU parent subsidiary directive;
- credit for tax on foreign branch profits;
- Capital Gains Tax (CGT) exemption on share disposal;
- intellectual property stamp duty exemption; and
- no thin capitalisation or CFC rules.

These provisions, combined with Ireland's low corporation tax rate of **12.5%** on trading activities and absence of thin capitalisation and controlled foreign company rules, place Ireland in a very competitive position for attracting international companies to establish their global or European headquarters in Ireland.

Companies

Liability to tax

A company that is tax resident in Ireland is liable to Irish corporation tax on its total profits wherever arising. Companies not tax resident in Ireland are only liable to corporation tax on profits generated by an Irish branch or agency.

A company is tax resident in Ireland if it is an Irish incorporated company or if it is managed and controlled in Ireland (there are certain exceptions to the rule on Irish incorporated companies).

Tax rates

The standard rate of corporation tax in Ireland is 12.5% on trading income. A rate of 25% applies to non-trading income and certain trades.

Start-up companies

New or start-up companies, which were incorporated on or after 14 October 2008 and which commence trading in 2009, 2010 or 2011, are exempt from corporation tax if they meet certain conditions. This relief applies for three years from the commencement of the trade.

Corporation tax liability for the period	Availability of relief
Less than €40,000	Fully exempt
€40,000 - €60,000	Marginal relief
More than €60,000	No relief

Relief does not apply to companies which carry on land dealing, petroleum and mineral activities nor closely held service companies. Relief is restricted to new trades and it does not apply if the trade was previously carried on by another person in the State.

The relief has recently been extended to companies beginning to trade in 2011 and where the relief is claimed from 2011 onwards, it is restricted based on the level of employer's PRSI paid. In a move aimed at encouraging employment, the relief will be linked to employer's PRSI, subject to a maximum of €5,000 per employee and an overall limit of €40,000. The relief will be the lower of the qualifying employer's PRSI or the reduction in the corporation tax liability otherwise applicable.

Employment and investment incentive and seed capital scheme

The existing Business Expansion Scheme (BES) and seed capital reliefs available for certain share investments have been significantly amended.

Historically, the qualifying activities and conditions under the BES and seed capital schemes have been quite restricted and tax relief was granted for investment in certain corporate trades. The BES scheme allowed an individual investor to obtain income tax relief on investments up to a maximum of €150,000 per annum in each tax year up to 2013. Relief was available at the investor's highest rate of income tax where investment has been made in companies engaged in certain manufacturing; service; tourism; R&D; plant cultivation activities; in the construction and leasing of advance factories; or, in certain music recording activities.

It is now proposed that relief will be available for the majority of trading Small and Medium Enterprises (SME's), subject to certain exclusions. In addition, the lifetime limit which a company may raise is increased to €10 million with the annual limit capped at €2.5 million. Relief will be available for all qualifying investments up to 31 December 2013. The holding period required for the investing shareholders has been amended to a three year period, down from the previous five years.

The method of granting relief to the investor has also been amended. Tax relief at 30% will be available in the year of investment with a further 11% available three years later, provided the company satisfies certain employment, or R&D, conditions at that time.

The new rules are dependent on European Commission approval and a Ministerial commencement order. In the meantime the current BES /Seed capital rules will continue to apply.

Expenditure on scientific research and development

Incremental R&D expenditure over that incurred in a fixed base year (2003) will qualify for a 25% tax credit. This credit will be in addition to any existing deductions or capital allowances for R&D expenditure. The following conditions must be fulfilled in order to qualify for this credit:

- R&D activities must be carried out in the European economic area;
- relief is granted provided the expenditure is not deductible in any other territory;
- qualifying expenditure will be reduced by any grant or State Aid received;
- payments to a connected party in respect of tax-exempt patent royalty income will not qualify for the relief; and
- payments made other than at arm's length will not qualify for relief.

R&D is extensively defined to include systematic, investigative or experimental activities in the field of science or technology being one or more of the following:

- basic research;
- applied research; or
- experimental development.

Such activities, however, will not be regarded as research and development activities unless they:

- seek to achieve scientific or technological advancement; and
- involve the resolution of scientific or technological uncertainty.

Where a company incurs expenditure on the provision of specified intangible assets which qualifies for relief as outlined below, such expenditure does not constitute expenditure on plant or machinery for the purpose of the R&D tax credit.

Expenditure on intangible assets

A new scheme of capital allowances for intangible assets has been introduced which will apply to expenditure incurred by a company after 7 May 2009.

In order for capital allowances to be available on expenditure incurred on the acquisition of intangible assets the assets must be:

- recognised as intangible assets under generally accepted accounting standards; and
- included in the definition of 'intangible asset' in a new Section 291A of the Taxes Consolidation Act 1997 e.g. patents, trade marks, brand names, copyrights, licences, computer software, know-how and goodwill associated with the foregoing.

The expenditure can be incurred by a connected party, but payment must represent the amount which would have been payable for the asset in a transaction between independent persons acting at arm's length.

To claim the tax relief, it is noteworthy that companies must actively “trade” with their newly acquired intangible assets, thereby ensuring that there is an active involvement with the assets.

Allowances will be available over a write-down period of 15 years (7% in years 1 to 14 and 2% in year 15) or in accordance with the standard accounting treatment of the intangible asset concerned. A clawback will not occur once the intangible assets are sold 10 years after acquisition, provided that the intangibles are not acquired by a connected company itself entitled to a deduction for the intangibles under this section.

Foreign dividends

Foreign dividends received from a trading company resident in an EU member state or a country with which Ireland has a tax treaty are taxed at 12.5% if the dividend has been received out of trading profits and there should be a credit available for foreign tax.

Double taxation relief is available on dividends to parent companies. The relief makes it more attractive for headquarter operations to be located in Ireland by reducing the shareholding requirement under double tax treaty provisions or under unilateral credit relief provision (where no treaty applies) from 25% to 5%, and by also allowing the company to “pool” the tax credits arising on foreign dividends.

The 2003 EU Parent-Subsidiary Directive extended the list of entities that can avail of the directive’s exemption from withholding tax on distributions made by an Irish subsidiary company to its EU parent company. Its provisions include the following:

- the requisite holding of share capital in the subsidiary is reduced from 25% to 5%;
- credit can be taken for underlying tax in lower tier subsidiaries;
- Irish branches of EU resident companies are entitled to the same reliefs as Irish resident companies;
- the parent/subsidiary directive covers unlimited companies; and
- credit will be available in Ireland for foreign tax suffered by companies that are “transparent” for Irish tax purposes.

Foreign branch profits

The 2007 Finance Act introduced unilateral credit relief for foreign tax paid by a company that has a branch or agency in a country with which Ireland does not have a tax treaty. This allows such a company to reduce its Irish corporation tax liability by the foreign tax suffered on the profits of the branch or agency.

The Act also introduced pooling in the case of foreign branch profits. Where the foreign tax on branch profits in one country exceeds the Irish tax on those profits, the credit is limited to the Irish tax on those profits and no credit can be given for the balance of the foreign tax. However, pooling allows such surplus foreign tax to be credited against tax on branch profits in other countries in the year concerned.

Also, as a result of Finance Act 2010, any foreign tax not credited in the period in which it is paid can be carried forward for credit in subsequent periods.

Other foreign income

Foreign taxes borne by an Irish resident company (or EU branch), whether imposed directly or by way of withholding, may be creditable in Ireland. The calculation of the credit depends on the nature of the income item but, in all cases, the credit is limited to the Irish tax referable to the particular item of income. The credit is computed on an item-by-item basis (except for dividends from 5% subsidiaries) and excess credits can be relieved only by deduction; there is no carry-back or carry-forward of excess credits.

Capital Gains Tax (CGT) exemption on share disposals

There is an exemption from tax on capital gains arising to Irish-based holding companies on disposals of shareholdings in EU/double tax treaty resident (DTA) companies. The exemption will apply where the following conditions are satisfied:

- the parent company must hold a minimum of 5% of the subsidiary's ordinary share capital for a period of over 12 months;
- the investee company must be resident in an EU State (including Ireland) or DTA State; and
- at the time of disposal, the investee must exist wholly or mainly for the purposes of carrying on a trade (or group and investee taken together must satisfy trading test).

Transfer pricing in Ireland

The Organisation for Economic Co-Operation and Development (OECD) principles are to be followed in respect transfer pricing. If profits are understated, there will be an adjustment made to substitute the arm's length consideration for the actual consideration.

Intercompany trading transactions such as the provision of management services, intra-group transfers of trading stock, certain intellectual property licensing and treasury and finance operations such as cash pooling performed centrally for a group will all be affected by the transfer pricing rules. Conversely, non-trading transactions will not be imposed. There is also an exemption for small and medium enterprises. To fall within the exemption the enterprise (including group companies) must have less than 250 employees and either turnover of less than €50 million or assets of less than €43 million.

Effect of treaties

The Irish tax treaty network continues to be expanded and updated. See Appendix 1 for a listing of the jurisdictions with which Ireland has a double tax treaty.

New treaties with Georgia, Turkey, Macedonia, Moldova and Vietnam, and a protocol to the existing treaty with South Africa, have been agreed.

A new agreement with Hong Kong signed on 22 June 2010 came into force on 10 February 2011 and will be effective from 1 January 2012

Legal procedures to bring the new agreement with Bosnia & Herzegovina signed on 3 November 2009 into force were completed by Ireland in April 2010. Legal procedures to bring the new agreements with Albania signed 16 October 2009, Kuwait signed 23 November 2010, Montenegro signed 7 October 2010, Morocco signed on 22 June 2010, Singapore signed on 28 October 2010 and the United Arab Emirates signed 1 July 2010 into force were completed by Ireland in February 2011.

Negotiations for new agreements with Armenia, Panama, Saudi Arabia, Thailand and a new agreement replacing the existing treaty with Germany have been concluded and are expected to be signed shortly

Where a double taxation agreement does not exist, there are provisions within the Irish Taxes Acts which allow unilateral credit relief against Irish tax for tax paid in the other country in respect of certain types of income (e.g. dividends and interest). There is also legislation implementing the EC "Parent-Subsidiaries Directive" (90/435/EEC) (TCA 1997 section 831), the "EU Mergers Directive" (90/434/EEC) (TCA 1997 sections 630-638) and the EU Arbitration Convention (European Communities Mutual Assistance in the Field of Direct Taxation Regulations 1978) (S.I. 334 of 1978).

Islamic finance

Finance Act 2010 included a number of laws to facilitate the development of Islamic finance in Ireland. These designed to ensure that Irish tax and financial law can accommodate growing area of Islamic Finance and allow Islamic finance house to use Ireland as a bas location.

The principles of Shari'a Law, from which the terms of Islamic finance stem, include a ban on charging interest and strict limits on insurance, as well as other restrictions on financial services and trading.

Individuals

Income tax is payable by individuals (and certain non-resident companies on Irish source income) and is charged on an annual basis. The income tax year runs from 1 January to 31 December.

The recent Finance Bill 2010 introduced a new "domicile levy" on individuals who are Irish domiciled but are non-resident and non-ordinarily resident. The new levy will seek to charge a minimum tax of €200,000 on individuals whose Irish income tax liability is less than €200,000; worldwide income is greater than €1 million and whose Irish situated property more than €5 million at 31 December in the year concerned. Shareholdings are excluded from the definition of Irish property.

Tax rates – 2011

A new universal social charge came into effect in January 2011 which replaces the health contribution and income levy. Employers are responsible for deducting the charge from their employee's salaries. Self employed individuals must make a payment of the charge along with their preliminary tax payment and any balance will be collected when their final assessment issues.

Taxable income

Taxable income is the total of income from all sources. Income tax is reduced by tax credits for personal circumstances.

a Residence criteria

An individual is resident in Ireland for tax purposes where he is in Ireland for a total of 183 days in any tax year, or where the total number of days in that tax year (ignoring 30 days or less) and the previous tax year exceed 280 subject to being in Ireland for at least 30 days in the year (known as the look-back rule). An individual shall be deemed to be present in

Ireland for a day if the individual is present in Ireland **at any time during that day**. (Previously up to 31 December 2008, it was necessary for the individual to be present in Ireland **at the end of the day** (i.e. midnight) in order for that day to count for tax residence purposes.)

If an individual does not satisfy these tests, he may still opt, in certain limited circumstances, to be treated as Irish tax resident. Exercising this option would be of benefit to the individual in a limited number of cases, such as where advantage could be taken of a Taxation Treaty.

Where an individual satisfies these tests, but is not domiciled or ordinarily resident in Ireland, he may obtain relief in that his foreign income and gains will only be subject to Irish tax if they are remitted to Ireland.

b Taxation of domiciliaries

Non Irish domiciled foreign executives working for overseas companies in Ireland are taxed under the PAYE regulations. This will ensure that Irish income tax will be assessed on all earnings relating to employment duties in Ireland, irrespective of the residence or domicile position of the employee.

In these situations it will be necessary to distinguish between that part of an individual's income attributable to the performance of duties of employment in Ireland and that part which relates to the performance of duties of employment outside Ireland.

The remittance basis (income and gains will be subject to tax to the extent that the proceeds are remitted to Ireland from abroad) will continue to apply in the following cases:

- non-Irish/non-UK investment income;
- the element of employment income relating to duties performed outside of Ireland/UK in the case of foreign employment; and
- in respect of Capital Gains Tax for non-Irish nationals (where the individual is either resident or ordinarily tax resident in Ireland).

Value Added Tax/sales taxes

Scope

Value Added Tax (VAT) is based on the European System. VAT is chargeable on most supplies of goods and services within Ireland by a taxable person in the course or furtherance of any business carried on by him, and on goods imported into Ireland from outside the EU.

Taxable persons account for VAT on their outputs and they are allowed credit against this liability for tax borne on business purchases and other inputs as evidenced by correctly prepared VAT invoices; therefore, it is a tax ultimately borne by the final consumer.

VAT is also chargeable on the intra-EU acquisition of goods by VAT registered persons and on the intra-community acquisition of new means of transport such as motor vehicles, boats etc. by either a registered or unregistered person. The amount on which VAT is chargeable is the total consideration which the person supplying goods or services becomes entitled to receive.

Exports are zero-rated for VAT purposes except those to unregistered persons in the EU. Companies that export 75% or more of their output can apply to the Revenue Commissioners for authorisation to purchase goods and services without any VAT charge. This reduces administration and the need to get a refund of VAT.

Taxable persons must be registered with the Revenue Commissioners for VAT purposes. This is required where the annual value of the goods supplied exceeds €75,000, the annual value of services exceeds €37,500 or the annual value of Intra – EU acquisitions exceeds €41,000.

Details of the current VAT rates can be found in Appendix 3.

Other taxes

There are other taxes which have to be considered, aside from those mentioned above. These taxes include Stamp Duty, Capital Gains Tax and Gift and Inheritance Taxes. These taxes are very wide in scope and detail, but are outlined below briefly.

Stamp duty

Stamp duty is payable on the transfer of land and buildings and the lease of property as well as on certain legal instruments. See Appendix 3 for rates.

Transfers between companies with a 90% relationship are exempt from stamp duty subject to certain conditions. There is also an exemptions for the sale, transfer or other disposition of intellectual property.

Capital Gains Tax (CGT)

Capital Gains Tax is payable at 25% on chargeable gains made by individuals, trusts and unincorporated bodies. Capital gains made by companies are chargeable to Corporation tax with the exception of the disposal of development land, which is subject to Capital Gains Tax. For rates, see Appendix 3.

Capital gains are determined by the difference between the proceeds of disposal and the original cost of the asset. A disposal takes place whenever the beneficial ownership of an asset transfers. Assets include all forms of property, whether in the State or not.

An Irish domiciled individual who is resident or ordinarily resident in the State is chargeable to Capital Gains Tax on chargeable gains made on the disposal of all assets wherever situated.

An individual who is neither resident nor ordinarily resident in the State for a year of assessment is chargeable to Capital Gains Tax on chargeable gains made on the disposal of the following:

- land or buildings in the State;
- minerals in the State;
- exploration or exploitation rights in the continental shelf;
- unquoted shares deriving the greater part of their value from such assets mentioned above; and
- assets of a business carried on in the State.

A resident individual, who is not domiciled in the State, is liable to Capital Gains Tax on the disposal of assets situated outside Ireland, only to the extent that the chargeable gains are remitted to the State.

Estate tax/inheritance and gift tax

Capital acquisitions tax at 25% is applied to gifts and inheritances. There is a territorial limit to the extent to which gifts and inheritances are taxable for non-residents. As it is a tax on acquisitions, the donee is responsible for the payment of the tax. There are a number of exemptions and reliefs.

Business entities

In considering business entities in Ireland, a distinction needs to be made between unincorporated and incorporated bodies. A significant feature of an incorporated body is that it has a legal status separate from its owners and is capable of suing and being sued in its own name. An unincorporated body may be a sole proprietorship or a partnership. Incorporated bodies include private limited companies, public limited companies and unlimited companies.

Corporations

Formation

The following is a brief summary of the main requirements when incorporating a company:

- a company must have the intention of carrying on an activity in Ireland. This includes any activity that a company may lawfully be formed to carry on and includes the holding, acquisition or disposal of property of any kind;
- details of the place or places in Ireland where it is proposed that the company will carry on its activity and the place where the central administration of the company will normally be carried on (full business postal address) must be provided;
- at least one of the directors is required to be resident within the European Economic Area (“EAA”). The EAA consists of all EU members states together with Iceland, Norway and Liechtenstein. Alternatively, the company may hold a bond to the value of €25,400, for a two year period.

It is likely to take approximately ten working days to incorporate a company and the Registrar will then issue a Certificate of Incorporation. When incorporating a company, it is important to ensure that the company name has not already been used in Ireland or is so unwittingly similar to any existing names as to give rise to confusion in the marketplace. The Registrar will not permit the use of any such similar name.

Types of entities

Private limited companies

Private limited companies are the most common form of business entity used in Ireland. The essential features of a private limited company are that the liability of members is limited to the amount of share capital (common stock) subscribed and that certain obligations imposed on public limited companies do not apply to private limited companies.

To qualify as a private limited company the company must:

- limit the maximum number of members to 99 with a minimum of one;
- restrict the members' right to transfer shares; and
- prohibit any invitation to the public to subscribe for shares or debentures of the company.

A private limited company is required to show the word "Limited" (which may be abbreviated to "Ltd") in its name. Stamp duty is payable at a rate of 1% of the market value on the transfer of shares in all companies.

The constitution of a private limited company is made up of the Memorandum of Association and the Articles of Association which set out the objects and rules of the company.

Public limited company

Public limited companies have the same essential characteristics as private limited companies i.e. the liability of members is limited to the amount of nominal capital subscribed, but the key differences are:

- shares in a public limited company are freely transferable;
- there is no restriction on the maximum number of members but the minimum number is seven;
- shares may be issued to the public and may be listed on a stock exchange; and
- certain additional reporting and capital requirements apply to such companies.

The word "public" refers not to the listing of the company's shares on a stock exchange, but rather to the facility to issue shares under a general public offering. Any limited company that does not qualify as a private company is deemed to be a public limited company. As with private limited companies, the Memorandum and Articles of Association set out the objects and rules of the company. There is no upper limit on the level of the issued share capital, but a minimum of €38,092 of share capital must be issued, of which 25% must be paid up. The name of a public limited company must include the letters "plc". In all other respects, public limited companies are similar in nature and form to private limited companies. In practice, public limited companies are seldom used by inward investors since the facility to issue shares to the public is often not of interest to such investors, while the minimum requirements in relation to the number of members and issued share capital can prove unnecessarily burdensome.

Unlimited company

This is a form of business entity where there is no limit on the member's liability if the company's assets are insufficient to discharge the creditors. As a result of the risk of unlimited liability, inward investors do not often use these companies unless such risk can be eliminated. This can be achieved by having a limited liability company as the parent of the unlimited company. A number of advantages arise from this form of body corporate and these can be summarised as follows:

- an unlimited company may, without formality, purchase its shares from its members and may reduce its share capital without recourse to the courts;
- an unlimited company is generally not required to file a copy of its annual accounts with the Registrar of Companies provided at least one of its members does not have a limit on its liability. However, if all the members of the unlimited company are companies with limited liability, the unlimited company is required to file its accounts with the Registrar of Companies.

On application to the Registrar of Companies, an unlimited company may be converted into either a private or a public limited company and vice versa. However, this process is not reversible. An unlimited company is required to have at least two members, one of which may act as nominee for the other. In all other respects, unlimited companies are similar in form to private limited companies. In practice, the use of unlimited companies is confined to particular situations where greater flexibility is required in terms of share capital movements. In addition, the members may wish to avoid the public disclosure associated with filing of accounts with the Registrar of Companies.

Partnerships: general and limited

A partnership, under Irish law, is defined as the relationship that exists between "two or more persons carrying on business in common with a view to profit". In practice, most partnerships are between individuals but a partnership may exist between individuals and companies and indeed between companies alone. The partnership entity does not have a legal personality separate from that of its partners. In the legal sense, the partnership does not enter into contracts in its own name, but in the names of its partners. Similarly, for legal purposes, the assets of the partnership usually belong jointly to the persons making up the partnership and, subject to the comments below regarding limited partnerships, each partner is jointly and severally liable for the debts of the partnership. A partnership other than a limited partnership is described as a general partnership.

Partnership arrangements are often formalised by way of a written partnership agreement. Where such an agreement is not in place, a general partnership is governed by the provisions of the Partnership Act 1890. It is usual for a partnership to prepare accounts showing the results of the partnership business. Generally, partnerships are not obliged to file these accounts with the regulatory bodies nor are they otherwise obliged to publish these accounts. It is also possible to establish what is known as a limited partnership. A limited partnership is comprised of at least one general partner (who has unlimited liability) and one or more limited partners. Limited partners are liable for partnership obligations only to the extent of the cash and property they contribute. Where no written partnership agreement is in existence, limited partnerships are governed by the Limited Partnership Act 1907. If the general partner is a limited company, the limited partnership is obliged to file its accounts for public record with the Registrar of Companies. A partnership, limited or general, is required to register the business name of the partnership with the Registrar of Business Names.

Sole proprietorship

An individual setting up business as a sole proprietor is the most rudimentary business form. There are few legal formalities or costs associated with the operation of a business as a sole proprietorship and this form of business entity appeals primarily to small enterprises. Because the business is undertaken directly by the owner, he or she is personally liable for the business' obligations and may be required to pledge personal assets as collateral when borrowing funds. However, the owner has absolute managerial control and direct access to profits.

Incorporated in other countries trading in Ireland

Foreign companies (i.e. companies incorporated outside Ireland) may conduct business in Ireland either through a branch or a place of business, depending on the level of independence of the Irish operation.

Branch

For Irish company law purposes, a branch is a division of a foreign company trading in Ireland that has the appearance of permanency, has a separate management structure, has the ability to negotiate contracts with third parties and has a reasonable degree of financial independence. EU regulations have been implemented that impose a similar registration regime on branches to that imposed on local companies.

A foreign company setting up a branch in Ireland is required to file basic information with the Registrar of Companies. This includes the date of incorporation of the company, the country of incorporation, the address of the company's registered office, details regarding the directors of the company and the name and address of the person responsible for the branch's operation within the State. The foreign company's constitution, certificate of incorporation and audited accounts must also be filed with the Registrar of Companies.

A foreign company trading in Ireland through a branch is also required to file its financial statements with the Registrar of Companies within 11 months of the company's year end or at the same time as they are published in the country of incorporation, whichever is the earlier. Separate branch financial statements are not required. As with Irish incorporated entities, changes in previously notified information must be reported to the Registrar of Companies.

Other entities

Place of business in Ireland

A foreign company undertaking business in Ireland from a fixed place of business, not being a branch, must file a copy of its constitution, together with a list of the directors of the company and the address of its established place of business in Ireland, with the Registrar of Companies. Foreign companies which have a place of business in Ireland (not being a branch) and which would be regarded as a public limited company if registered in Ireland are required to file annual accounts with the Registrar of Companies.

Labour

The labour market in Ireland offers inward investors a pool of young, well-educated and highly motivated workers. Irish people have a strong work ethic and this is reflected in a rate of employee turnover which tends to be well below the European average.

In terms of demographics, almost 33% of Ireland's population are currently under the age of 25 which indicates a strong, youthful future workforce. Ireland's workforce was also ranked number one for the flexibility and adaptability in the IMD World Competitiveness Yearbook 2009.

Structure of the labour market in Ireland

The educational system in Ireland ranks among the best in the world. The removal of tuition fees for third level education in 1995 has seen the number of individuals who hold third level qualification grow rapidly in Ireland. This has meant the availability highly educated and qualified potential employees grow making Ireland an even more attractive place to do business. This has been a significant factor in attracting the large number of multinationals which have located operations in Ireland. Over 60% of new entrants to third level education in Ireland undertake business, engineering, computer science or science courses.

Ireland has a comprehensive labour relations structure which aims to find resolutions to labour related disputes efficiently and effectively. This has included the establishment of the Labour Relations Commission (LRC) and also the Labour Court

While Ireland is English speaking, a significant proportion of students and graduates are proficient in more than one language.

Labour migration and employment permits

In general EEA nationals and Swiss Nationals are allowed to work in any European Union country without requiring Work Permits (with the exception of Bulgarian and Romanian Nationals). Non-EEA nationals will require differing types of permission depending on their circumstances. The following are the main rules surrounding Work Permits

- work permits are available for occupations with an annual salary of €30,000 or more.
- work permits for jobs with an annual salary below €30,000 will only be considered in exceptional cases.
- work permits will not be considered for occupations listed as ineligible for work permits.
- the work permit is granted for 2 years initially, and then for a further 3 years and after five years, an individual may no longer need a work permit.

- either the employer or employee can apply for the employment permit, based on an offer of employment and the Work Permit will be granted to the employee

Work permit

A work permit is applied for and issued to an employer as permission to employ a specific, named, non-EEA national, for a specific job, for a specific period of time. Non-EEA nationals working in Ireland on foot of a work permit can change employer and job, so long as the new employer has made a successful application for a new work permit.

In order to receive a work permit employers are obliged to have demonstrated that they have made every effort to employ an EEA national before a work permit will be issued.

All employees are advised that a work permit will entitle them to work for the specific company named and no other for the duration of the permit. When the permit has expired their permission to work in Ireland has expired.

Bulgarian and Romanian nationals may still be required to have an employment permit for a continuous period of 12 months to work in Ireland if certain conditions are not met.

In order for the employee to be granted a work permit, the employer must be trading in Ireland, registered with the Revenue Commissioners and with the Companies Registration Office. A work permit will not be issued to companies where the granting of the permit would mean that more than 50% of the employees would be non-EEA nationals.

Since 16 April 2009 work permits are not available for the following occupations:

- clerical and administrative staff;
- general operatives and labourers;
- operator and production staff;
- retail sales staff, sales representatives and supervisory or specialist sales staff;
- drivers - from 1 June 2009 this includes HGV drivers;
- nursery/crèche workers, child minders/nannies;
- hotel, tourism and catering staff except chefs;
- the following craft workers and apprentice/trainee craft workers: bookbinders, bricklayers, cabinet makers, carpenters/joiners, carton makers, fitters - construction plant, electricians, instrumentation craftspeople, fitters, tilers - floor/wall, mechanics - heavy vehicles, instrumentation crafts persons, metal fabricators, mechanics - motor, originators, painters and decorators, plumbers, printers, engineers - refrigeration, sheet metal workers, tool makers, vehicle body repairers, machinists - wood, plasterers and welders;
- domestic workers including carers in the home and childminders; and
- work riders –horseracing.

Interaction of work permit requirements and tax compliance clearance

The Department of Enterprise, Trade and Employment seeks clarification in relation to the tax compliance status of the employees on whose behalf the work permits are being sought. Work permit applications ask for the employer's tax registration number and the individual's Personal Public Service Number (PPSN), and renewal applications request a copy of the individual's most recent annual certificate of pay and tax deducted (P60).

Visas

All EEA nationals and Swiss nationals may enter into Ireland without a visa. Some non-EEA nationals will require visas to enter into Ireland. The individual must apply for a visa as the visa may not be applied for by the company on behalf of the individual. The employee should apply for a visa in the Irish embassy or consulate in his country of residence. In addition, the employee must specifically apply for an employment visa as opposed to a business or tourist visa. The standard employment visa (single entry) allows only one entry to Ireland. The current exceptions to this rule are individuals who have permission to remain as the spouse or dependent of an Irish or EEA National (except Bulgarian and Romanian nationals) or have been granted refugee status.

Residence permits

Non-EEA Nationals (excluding Swiss Nationals) are required to register with the local police authorities within seven days of their arrival in Ireland, if they plan to stay longer than three months. Their passports will then be stamped and they will receive a residence permit which is renewable annually.

Further information on the permits granted to foreign nationals coming to work in Ireland and the procedures and documentation involved is available on request. Also please see Appendix 5 for useful contacts.

Country profile

The primary focus of Ireland's strategy to attract investment has been to create a favourable economic and fiscal environment, which is supportive of industry. Ireland's strategy has proven successful, as in recent years there has been growing recognition of Ireland as a jurisdiction providing a stable economic environment. Ireland's government policies have continued to provide infrastructure and support conducive to business activity.

In addition to the commercial aspects of investing in Ireland, there are other factors which have seen Ireland become recognised as the pre-eminent jurisdiction for establishing a European foothold for multinational business such as its geographical proximity to neighbouring European Union nations, the competitive advantages it holds in telecommunications and infrastructure, its supply of qualified labour, together with one of the most beneficial tax environments.

Key to creating a beneficial tax environment in Ireland is the corporation tax rate of 12.5% from 1 January 2003 on all trading income, whether manufacturing or not. A low corporation tax rate is an incentive which has been maintained by successive Governments since 1955, an endorsement of their support for private enterprise and industry. This endorsement is also demonstrated by the availability of non-repayable financial grants, which can significantly reduce start-up costs.

Competitive operating costs, low corporation tax and generous financial incentives combine to give investors in Ireland a uniquely high return on their investment. The continued cost competitiveness of Ireland as a business base is ensured through low inflation and a stable currency.

Language

Although the Irish language, as the national language, is the first official language, the country is English speaking.

Business hours/time zone

Time in Ireland is Greenwich Mean Time (GMT).

Offices in Ireland usually open from 9 a.m. to 6 p.m. with an hour for lunch. Keep in mind that some offices will close between 1 p.m. and 2 p.m. for lunch. Factories usually start at 8 a.m. and run to 5 p.m.

Most banks open from 10 a.m. - 4 p.m. Monday to Wednesday and Friday, with later opening on Thursday until 5 p.m.

Government offices generally open between 9 a.m. and 4 p.m. Most will be closed from 1 to 2 p.m. for lunch.

Shops open from 9 a.m. to 6 or 7 p.m. Monday to Wednesday, Friday and Saturday with later opening on Thursday until 8 or 9 p.m. and Sunday opening from 12 to 6 p.m.

Public holidays

Irish statutory holidays/public holidays are as follows:

- New Year's Day - 1st January
- St. Patrick's Day - 17th March
- Easter Monday (date varies)
- May Day - first Monday in May
- June holiday - first Monday in June
- August holiday - first Monday in August
- October holiday - last Monday in October
- Christmas Day - 25th December
- St. Stephen's Day - 26th December.

Cost of living

A report carried out by Mercer Human Resource Consulting measured the cost of a number of items such as housing, clothing and food in 143 cities on six continents. Dublin ranks 42nd of 143 in the 2010 city rankings, down 17 places from 2009 predominantly due to the decline of rental and food prices in Dublin. Although Ireland is regarded as having quite a high cost of living, the quality of living is also high with Dublin ranking highly in Europe for health and sanitation.

Cost of living comparisons in €s – 2008

	London	Dublin	Paris	Rome	Amsterdam
Rent of a luxury two bedroom unfurnished apartment (per month)	3,333	1,300	2,100	1,600	1,550
Bus or subway ride	4	1	2	1	2
Music CD	16	16	18	20	22
1 issue of international daily newspaper	2	2	3	2	3
1 cup of coffee, including service	3	3	5	3	3
Fast food hamburger meal	5	7	6	6	5

*(NB purchases at medium-priced establishments)

**Source: Mercer – Cost of Living Survey 2008

Grant aid assistance

Government incentives

Ireland offers an extremely cost competitive business environment with operating costs among the lowest in Europe. An important part of the incentive package offered is the availability of generous grants towards initial start-up costs. A variety of grants are available which can be specifically tailored to meet the needs of each company. These cash grants are non-repayable and are administered by Enterprise Ireland, the Industrial Development Agency (IDA) or by Shannon Development.

Each proposed investment project is assessed by the IDA against a number of criteria. Grant levels are determined by negotiation and grant payments are structured in a way that best suits the financing requirements of the company. The European Union (EU), as part of its social and regional development policy, contributes towards the funding of industrial development.

Capital grants

Cash grants towards the cost of fixed assets are available to companies to help to defray the cost of setting up an operation. Fixed assets eligible for assistance include site purchase and development, buildings and new plant and equipment. Where a factory building is rented, a grant towards the reduction of the annual rental payments may be available instead.

Employment grants

Employment grants are specifically geared towards companies which create employment but do not need to invest heavily in fixed assets. These grants are non-taxable and are geared to low employment areas. An amount will be approved for each job.

One-half of the agreed amount per job will be paid on certification that the job has been created and the balance one year later, provided the job still exists.

Training grants

Grants are available towards the cost of training workers and management for new industries. The costs that are covered include trainees' wages and travel and subsistence expenses, either in Ireland or abroad. The cost of bringing training personnel to Ireland may also be recovered. The grants also extend to the engagement of instructors, technical advisors or consultants to train or to assist in the training of persons for supervisory or management positions.

Training grants are based on specific training programmes agreed between each investing company, IDA Ireland and FÁS (the Irish Training Authority).

Research and Development (R&D) grants

Cash grants are provided to assist overseas companies to engage in industrial research and development that will result in increased competitiveness and growth.

Product and process development

Grants are available for research into new and improved products and processes. The costs eligible for grant-aid include expenditure on the provision of sites, premises and plant and equipment to set up facilities including wages and salaries, materials, services and consultancy fees.

Feasibility studies

Companies based in Ireland investigating the feasibility of new products or markets may apply for a feasibility grant. The work can include assessing markets, technical work and raw material sourcing. Eligible expenditure includes salaries, travel costs, expenses and consultancy.

Technology acquisition

Grants are provided towards the cost of acquiring new technology which will assist companies in their production operations.

Equity

In some situations, the IDA will take an equity stake in companies, in the form of ordinary or preference shares.

Regulatory environment

Ireland provides a very favourable tax environment to encourage business development and sustain rewarding investment. Tax reliefs form an important part of the total incentive package available to overseas companies establishing a business in Ireland.

There has also been a considerable increase in the level of focus on regulatory and compliance practices in Ireland over recent years. This has been due to both the continuing success of Ireland as an e-commerce hub and also an increased interest in consumer protection. The Financial Regulator is responsible for consumer protection and financial sector regulation. EU and international regulatory developments are also impacting on industry.

Restrictions on foreign ownership

Irish laws are very liberal towards trade and industry. There are no general prohibitions against the acquisition of majority holdings by foreign interests in Irish companies or against foreign ownership of either business entities or real property.

Government approvals and registration

The Central Bank of Ireland (CBI) regulates the Irish Stock Exchange however, the Financial Regulator also now governs financial sectors including funds, banking and insurance as well as consumer protection.

The IDA offers practical assistance for incoming investors and depending on circumstances can put together very favourable support packages including capital grants, training and research grants, subsidised rental agreements, and subsidised interest charges.

NAMA

The Government has recently set up National Asset Management Agency (NAMA), which will operate as an independent commercial entity under the aegis of the National Treasury Management Agency. NAMA will effectively function as a bank, acquiring property development loans from Irish banks in return for government bonds, primarily with a view to improving the availability of credit in the Irish economy.

Competition rules/consumer protection

Competition law is designed to protect competition and consumers by prohibiting anti-competitive business practices. The competition rules of the EC apply in Ireland and are superior to any conflicting Irish rule.

Import and export controls

The Licensing Unit of the Department of Enterprise, Trade and Employment administers European Union (EU) restrictions on the importation into the Union of certain non-EU products. In some instances, it may be necessary to apply to the Licensing Unit for a license to import such products.

Some degree of control of exports from Ireland has to be retained in order to:

- prevent the export of "Dual-Use" items i.e. items which have both civilian and military uses;
- prevent the export of military goods to countries whose behaviour is considered a threat to international or regional peace; and
- to comply with restrictions imposed by the UN, EU and OSCE.

Exporters are strongly advised to consult the legislation where and when queries arise in relation to specific exports and exporting situations. Applications for export licences should be submitted to the Export Licensing Unit of the Department of Enterprise, Trade and Employment.

Price controls

There are no legal price controls in Ireland. Competition law is now based on EU legislation.

Use of land

Building development requires the approval of the relevant local authority. Legislation to protect and maintain the environment is closely modelled on EU Directives and covers matters such as planning and building regulations, public safety and the issue of pollution control licences. This legislation is implemented primarily by local authorities and by the Environmental Protection Agency. This agency is a government body responsible for monitoring and licensing those industrial activities that are considered to carry a significant risk of environmental pollution.

Exchange control

There are no restrictions on the repatriation of earnings, capital, royalties or interest and repatriation payments can be made in any currency. Similarly, there are no restrictions on the import of capital to Ireland. Residents and non-residents can operate bank accounts in any currency and Irish businesses are free to open bank accounts in any location outside Ireland.

Inward investors must, of course, have regard to exchange control regulations in their home countries.

Finance

Ireland is one of the founding Eurozone countries with the Euro offering ease of export and import of goods to and from other countries within the Euro-zone removing the risk factor of fluctuating currency values.

Ireland has a well-developed domestic financial services industry. In general, the banking sector is dominated by a number of domestic banks, particularly in the retail sector. However, a large number of foreign banks also have operations in Ireland concentrating principally, though not exclusively, on the corporate sector. The Financial Regulator is the regulator for banks established in Ireland. It is also the regulator for investment funds domiciled here.

The insurance industry is well developed in Ireland. A number of foreign insurers have a significant market share, mainly through Irish subsidiaries or branches.

Banking system

Irish licensed banks can be classified into three main categories:

- clearing banks;
- merchant and commercial banks; and
- industrial banks.

The main clearing banks are Allied Irish Bank, Bank of Ireland, National Irish Bank and Ulster Bank. These provide a full range of banking services, including foreign exchange dealing and hedging activities. Many international banks are represented in Ireland for commercial lending and foreign exchange facilities.

Capital markets

The Irish Stock Exchange plays a key role in Ireland's financial infrastructure with roots that stretch back to 1793 when the Stock Exchange first began in Dublin. Since that time, the Exchange has brought together those wishing to raise finance (whether business or Government) with those who wish to invest.

The Exchange provides a market place where listed securities can be traded efficiently. This includes maintaining market rules and providing services for market users. While the Exchange lists hundreds of securities, including investment funds, the main markets, from a trading point of view, are in the shares of Irish listed companies and Irish Government bonds.

Imports

International and internal transport services are well developed. EU structural funds have been used to upgrade the network of main secondary roads linking the major population centres. The rail network includes a cross-border rail link with Northern Ireland. Six international airports provide connections to the UK, the rest of Europe and the US. Imports and exports are transported mostly by sea. Dublin is the main port but there are a number of other large ports. Passenger car ferry services provide direct sailing to the UK and France.

Ireland has one of the most advanced telephone systems in Europe. It is the Government's intention to make Ireland the e-commerce hub of Europe.

Import restrictions

The Licensing Unit of the Department of Enterprise, Trade and Employment administers European Union (EU) restrictions on the importation into the Union of certain non-EU products. In some instances, it may be necessary to apply to the Licensing Unit for a licence to import such products. The three types of import restrictions which are applied are:

- quantitative restrictions - a limit or "quota" is imposed on the volume of goods that may be imported from non-EU countries ("third countries"). Quotas may be managed in different ways but the most commonly used method is that of "first come, first served basis".
- single surveillance - a statistical tool which enables the EU to monitor the level of imports of certain goods from third countries. There is no limit on the volume that may be imported.
- double surveillance - the EU monitors the level of imports of a particular product while the supplier country monitors the level of exports to the EU. There is no limit on the volume of goods that may be imported.

In most cases, the decision to issue an individual licence is subject to explicit approval from the European Commission. The system does not allow any margin of indiscretion to the Department.

Customs duties

Ireland is a member of the European Union (EU) and all border controls between member countries have been eliminated. This created the Single European Market, which allows duty-free importation of goods from other EU countries.

Goods imported from outside the EU are subject to customs duty at the appropriate rate specified by the EU's Common Customs Tariff. The rate of duty is based on the International Harmonised

System (HS). The EU has preferential tariff agreements with certain countries and country groupings which will result in the rates being reduced or eliminated.

Excise duty is chargeable on a limited number of goods including petrol, diesel, LPG, beer, spirits, wine, tobacco products and motor vehicles. Excise tax rates vary depending on the goods and are payable in addition to any customs duties payable.

Duty relief

Customs and Excise duties are collected at point of importation. There are, however, some arrangements in operation under which goods may be imported without payment of duty.

- inward processing – approval may be obtained to import goods duty-free from outside the EU for processing and re-exportation to non-EU countries.
- warehousing – businesses can obtain approval to store goods duty-free on their premises until required. If the goods are for processing, the above relief will apply. Where it is a finished product for sale, no duties are payable if the goods are re-exported outside the EU. Where the goods are released into the EU, the appropriate duties are payable.
- special arrangements operate to allow movement of dutiable goods within the EU, with the duty being eventually paid in the country of consumption.

Financial reporting and audit

All Irish companies are required to follow a number of financial reporting and audit requirements as imposed by Irish Company law and EU directives. In summary, the requirements are as follows:

- financial statements must be prepared in accordance with Irish GAAP or IFRS
- Irish incorporated companies are required to have their financial statements audited by a registered auditor each year; however, exemptions are available for private companies who meet certain criteria
- companies with subsidiaries must generally prepare group accounts

Accounting standards

In Ireland, International Financial Reporting Standards (IFRS) are currently only mandatory for Irish listed companies. All other companies have a choice of following IFRS or Irish Generally Accepted Accounting Principles (GAAP), while small companies have the option of using Financial Reporting Standard for Smaller Entities (FRSSE).

Irish GAAP takes the form of Financial Reporting Standards (FRS) and is governed by guidelines issued by the Accounting Standards Board as promulgated by the Institute of Chartered Accountants in Ireland. There are certain differences between these principles and international principles, however, a significant amount of work has been carried out to align FRS with IFRS (the Convergence project) and several Irish standards have been amended to mirror IFRS principles.

The Accounting Standards Board (ASB) is proposing to replace current Ireland and UK accounting standards with a new reporting regime that would incorporate IFRS for Small and Medium-Sized Entities (IFRS for SMEs) into Irish and UK GAAP. The expected adoption date for these standards is years commencing 1 January 2013, from which date all Irish companies will be required to prepare financial statements under full IFRS, IFRS for SMEs or FRSSE.

Filing/publication requirements

Irish companies are required to keep proper books of accounts which give true and fair view of the state of affairs of the company. The directors are also required to prepare accounts once at least in every calendar year. Companies are also required to disclose details of their accounts at the Annual General Meeting (AGM) and to attach a copy of those accounts to the annual return filed with the CRO.

Audit requirements

All Irish incorporated companies are required to have their financial statements audited by a registered auditor, subject to the exemptions listed below. The audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed. If the auditor is satisfied with the above, a formal (unqualified) audit report will be issued.

Certain private limited companies are exempt from having their financial statements audited. To qualify for the exemption the company must meet the following criteria for both the current and previous accounting year:

- turnover less than €7,300,000;
- balance sheet total less than €3,650,000; and
- average number of employees below 50.

This exemption does not apply to the following entities:

- unlimited companies;
- public limited companies;
- parent or subsidiary companies;
- banks and financial institutions;
- insurance companies; and
- financial intermediaries.

This is an exemption from an audit only. It does not obviate the need to prepare financial statements. In both the previous year and the year concerned, the annual return and accounts must be filed at the Companies Registration Office within the time limit specified in the Companies Acts. The company must continue to make all annual returns on time as well as meet the exemption criteria, to ensure the entitlement to exemption is not lost.

Branches of foreign companies operating in Ireland are not required to have accounts audited independent of the company accounts to which they relate, however it should be noted that a copy of the company (not the branch) accounts must be filed with the Registrar of Companies within eleven months of the year end.

Group accounts

In addition to preparing their own accounts, parent undertakings are required to prepare consolidated group accounts and to lay them before the AGM at the same time as their own annual accounts.

Exemption from requirement to prepare group accounts

An exemption from the requirement to prepare group accounts shall apply to a parent company that is a private company in any financial year if, at the balance sheet date of the parent undertaking in that financial year and in the financial year of that undertaking immediately preceding that year, the

parent undertaking and all of its subsidiary undertakings together, on the basis of their annual accounts satisfy two of the following three conditions:

- the balance sheet total of the parent undertaking and its subsidiary undertakings together do not exceed €7,618,428;
- the amount of the turnover of the parent undertaking and its subsidiary undertakings together does not exceed €15,236,857; and
- the average number of persons employed by the parent undertaking and its subsidiary undertakings together does not exceed 250.

However a plc cannot avail of the exemption, as it is expressed to apply only to parent undertakings that are private companies.

Additional exemptions may be claimed where the parent undertaking is itself a subsidiary of another undertaking and certain conditions are met.

Appendix 1 – Irish tax treaties

Source country tax rates in Irish tax treaties for dividend, interest and royalty payments				
Country	Year	Dividends (a)	Interest	Royalties
ALBANIA	Signed 16/10/2009 – not yet in effect	5/10	0/7	7
AUSTRALIA	1984	15	10	10
AUSTRIA	1964	10	0	0/10
BAHRAIN	2009	0	0	0
BELARUS	2009	5/10	0/5	5
BELGIUM	1973	15	15	0
BOSNIA HERZEGOVINA	Signed 03/11/2009 – not yet in effect	0	0	0
BULGARIA	2002	5/10	0/5	10
CANADA	2006	5/15	0/10	0/10
CHILE	2009	5/15	5/15	5/10
CHINA	2001	5/10	0/10	6/10
CROATIA	2004	5/10	0	10
CYPRUS	1952	0	0	0/5
CZECH REP.	1997	5/15	0	10
DENMARK	1994	0/15	0	0
ESTONIA	1999	5/15	0/10	5/10
FINLAND	1990	0/15	0	0
FRANCE	1966	10/15	0	0
GEORGIA	2011	0/5/10	0	0
GERMANY	1959	15	0	0
GREECE	2005	5/15	5	5
HONG KONG	2012	0	10	3
HUNGARY	1997	5/15	0	0
ICELAND	2005	5/15	0	0/10
INDIA	2002	10	0/10	10
ISRAEL	1996	10	5/10	10
ITALY	1967	15	10	0
JAPAN	1974	10/15	10	10
KOREA REP.	1992	10/15	0	0
KUWAIT	Signed 23/11/2010 – not yet in effect	0	0	5
LATVIA	1999	5/15	0/10	5/10
LITHUANIA	1999	5/15	0/10	5/10
LUXEMBOURG	1968	5/15	0	0
MACEDONIA	2010	0/5/10	0	0
MALAYSIA	2000	10	0/10	8
MALTA	2010	5/15	0	5
MEXICO	1999	5/10	0/5/10	10
MOLDOVA	2011	5/10	0/5	5
MONTENEGRO	Signed 07/10/2010 – not yet in effect	0/5/10	0/10	5/10
MOROCCO	Signed 22/06/2010 – not yet in effect	6/10	0/10	10
NETHERLANDS	1965	0/15	0	0
NEW ZEALAND	1989	15	10	10
NORWAY	2002	0/5/15	0	0
PAKISTAN	1968	10/no limit	no limit	0
POLAND	1996	0/15	0/10	10
PORTUGAL	1995	15	0/15	10
ROMANIA	2001	3	0/3	0/3
RUSSIA	1996	10	0	0
SERBIA	2011	5/10	0/10	5/10
SINGAPORE	Signed 28/10/2010 –	0	0/5	5

	not yet in effect			
SLOVAK REP.	2000	0/10	0	0/10
SLOVENIA	2003	5/15	0/5	5
SOUTH AFRICA	1998	0	0	0
SPAIN	1995	0/15	0	5/8/10
SWEDEN	1988	5/15	0	0
SWITZERLAND	1965	10/15	0	0
TURKEY	2011	5/10/15	10/15	10
UK	1976	5/15	0	0
UNITED ARAB EMIRATES	Signed 01/07/2010 – not yet in effect	0	0	0
UNITED STATES	1998	5/15	0	0
VIETNAM	2009	5/10	0/10	5/10/15
ZAMBIA	1967	0	0	0

Appendix 2 – Sample of companies located in Ireland

Companies involved in a wide range of activities in sectors as diverse as engineering, information communications technologies, pharmaceutical and research and development view Ireland as a uniquely attractive location in which to do business. These companies include:

ICT	R&D	Pharmaceutical/ Medical	Group Treasury/ Cash Pooling
Analog Devices Apple Computer Ltd. Dell Google Hewlett Packard Microsoft Yahoo Intel Ireland Ltd	Dow Corning Xilinx IBM Intel CRH	Abbott Ireland Merck Pharmaceutical Johnson and Johnson Tyco Healthcare Schering Plough Boston Scientific Medtronic Ireland Ltd. Smith and Nephew	IBM Ireland Bristol Myers Squibb Proctor and Gamble Newell Rubbermaid Pitney Bowes Lucent
Engineering	Captive Insurance	Financial Services	Shared Service Centres
Allied Signal Pratt and Whitney Altair Engineering	Coca Cola Hertz	Grant Thornton Citibank Europe Paypal JP Morgan Citco Fund Services Ltd PNC Global Investment Servicing Ltd ABN AMRO KPMG PWC	Citibank Dell Xerox Yahoo EMC Ireland

Appendix 3 – Tax facts 2011

INCOME TAX		
Tax credits		
Single person or separated spouse		€1,650
Married person – jointly assessed		€3,300
Widowed person – with dependent children		€1,650
Widowed person – without dependent children		€2,190
One parent family allowance		
i Widowed person *		€1,650
ii Other persons *		€1,650
Age allowance – 65 years or more		
Single/widowed		€245
Married		€490
Incapacitated child credit		€3,300
PAYE Credit		€1,650
Home Carers Credit (max)		€810
Dependent Relative Credit		€70
Rent relief		
	Under 55	Over 55
Single	€320	€640
Married/widowed	€640	€1,280
Blind allowances – one/both spouse(s) blind		€1,650/€3,300
* additional child allowances available for five years after year of bereavement		€1,650 - €3,300
** if maximum credit is to be obtained, the income of the home-carer must not exceed €4,050 in the year.		

EXEMPTION LIMITS		
Age	Single/widowed	Married
65 and over	€18,000	€36,000
Rate for marginal relief 40%		
The exemption limits are increased by €575 for the first and second qualifying child and by €830 for the third and subsequent qualifying child.		

Benefits in kind

Employers are obliged to compute the amount of an employee's BIK and deduct PAYE/PRSI payable on all benefits from the employee's salary at each payday. Where an employer provides an employee with a small non-cash benefit not exceeding an amount of €250, the benefit is exempt. Only one such benefit will be exempt each year.

Cars

Where a company car is made available for private use, the employee is chargeable to PAYE/PRSI in respect of that use. The amount chargeable to PAYE/PRSI is "Original Market Value" (OMV) multiplied by the following percentages.

Annual business mileage Threshold (km)	Cash equivalent (% of OMV)
24,000 or less	30%
24,001 to 32,000	24%
32,001 to 40,000	18%
40,001 to 48,000	12%
48,001 and over	6%

Preferential loans

Specified rate for home loans	5%
Specified rate for other loans	12.5%

Share options

An Income tax liability arises on the BIK arising on the exercise of a share option. The benefit is the difference between the market value of the shares on the date of exercise and the price paid for the shares. The income tax is due 30 days after exercise.

Health expenses

Qualifying expenses are those which are not reimbursed by a medical insurer or the HSE. Other than certain nursing home expenses relief is given at 20%.

PRSI/Levies – Contribution rates**Class A (Most employers)**

Income	Employer*	Employee
All income	10.75%	4%

*Reduced rate of 8.5% if income is under €356 per week.

The first €127 per week is free of PRSI for employees. Employees earning €352 per week or less will be exempt from PRSI

Class S (self-employed)

Income	Rate
All income	4%

UNIVERSAL SOCIAL CHARGE THRESHOLDS		Under 70 Employee RATES	Over 70
Below	€4,004	0%	0%
Up to	€10,036	2%	2%
	€10,036 - €16,016	4%	4%
	Over €16,016	7%	4%
Self employed rates			
First	€10,036	2%	2%
Next	€5,980	4%	4%
Next	€83,9840	7%	4%
Balance		10%	7%

Stamp duty Aggregate consideration	Residential		Non-residential property		
	First time Buyers/	Second hand	Others		
Up to €1m	1%		1%	€0 - €10,000	0%
Excess over €1m	2%	2%	2%	€10,001 - €20,000	1%
				€20,001 - €30,000	2%
				€30,001 - €40,000	3%
				€40,001 - €70,000	4%
				€70,001 - €80,000	5%
				Over €80,000	6%

CAPITAL GAINS TAX (CGT)

Flat rate	25% (22% to 07.04.09)
Exemption limits per individual	First €1,270
Retirement relief exemption Limit	€750,000
CGT payment dates are as follows:	
Chargeable gains made on or before 30 November 2011	15 December 2011
Chargeable gains made in the period from 1 December 2011 to 31 December 2011	31 January 2012

*The rate of Capital Gains Tax is 25%, with the exception of foreign life assurance policies and off-shore funds where the rate is 40%, and a higher rate for certain rezoned land.

CORPORATION TAX				
Manufacturing income*	Trading income	Other income**	Residential land profits	Other capital gains
10%	12.5%	25%	25%	25%

*Includes companies deemed to be manufacturing and operating pre July 1998. Rate available until 2010 only.
 **Additional surcharge of 20% in certain cases.

Dividend withholding tax

A withholding at the standard income tax rate should be deducted from dividends paid by an Irish tax resident company, subject to certain exemptions.

CAPITAL ALLOWANCES		
Plant and machinery	Wear and tear capital allowances	
	Motor vehicles	Industrial buildings
12.5% per annum	12.5% per annum	4% per annum

Maximum allowable capital cost for new and second hand private vehicles is €24,000
 From 1 July 2008 any expenditure incurred on new private vehicles used for business purposes will have the capital allowances linked to the CO₂ emission level of the vehicles.

VALUE ADDED TAX					
Rates	21%	13.5%	5.2%	4.8%	0%

CAPITAL ACQUISITION TAX (CAT)	
Exempt threshold	
1	€332,084 Child, minor child of a deceased child or inheritance by parent
2	€33,208 Lineal ancestor, lineal descendant, brother, sister or a child of brother or sister of the disposer
3	€16,604 Any other relationship
4	Gifts and inheritances between spouses are exempt from CAT

A single tax rate of 25% applies on the balance over the threshold amount. This applies to gifts and inheritances. There is an exemption from CAT for the transfer of a private residence in certain circumstances. There is a provision to reduce the taxable amount of certain gifts and inheritances where they consist of agricultural property or certain business assets.

Registration limits	€75,000 (goods)	€37,500 (services)
Limit for cash receipts basis	€1,000,000	

The 4.8% VAT rate for supply of livestock still applies even though the 'flat-rate' farmer addition is 5.2%.

Tax Rates for individuals

TAX RATES FOR INDIVIDUALS 2011			
Single/widowed person	First €32,800	20%	Balance 41%
Married couple – one spouse with income	First €41,800	20%	Balance 41%
Married couple – both spouses with income	First €41,800	20%	Balance 41%

Preliminary corporation tax

Large companies which are companies with a preceding year corporation tax liability of greater than €200,000 are now required to pay corporation tax in three instalments. The first instalment will be payable in the sixth month of the accounting period (e.g. by 21 June for a company with a 31 December year end) and the amount payable will be the lower of 50% of the corporation tax liability in the preceding accounting period or 45% of the corporation tax liability for the current accounting period. The second instalment will be payable in the 11th month of the accounting period and must bring the total preliminary tax paid to 90% of the corporation tax liability for the current accounting period. The balance of tax remains due when filing the tax return.

Under Section 958 TCA 1997 a small company has the option of basing its preliminary tax payment on 90% of the company's corporation tax liability for the current accounting period ('current year basis') or 100% of the corresponding corporation tax for the preceding accounting period ('preceding year basis'). For preliminary tax purposes, a small company is defined as a company whose corresponding corporation tax for the preceding chargeable period is €200,000 or less. A small company's preliminary tax is payable one month before the end of an accounting period and not later than the 21st day of the penultimate month of the accounting period.

Appendix 4 – Other publications

12.5% Tax rate

Research and Development credits

Intellectual Property Regime Update

Labour market in Ireland

Immigration information

Financial services organisations

Aviation leasing and structured finance

Ireland as a holding company location

Transfer pricing in Ireland

Tax advantages of Ireland

Incorporation of Irish branches of UK companies

Tax credit for foreign dividends and onshore pooling

Share schemes

Tax and cashflow management

Specified reliefs restriction

Corporate pre year end tax planning

For a copy of any of the above please contact

Peter Vale
Partner, Tax
T +353 (0)1 6805 952
E peter.vale@ie.gt.com

Appendix 5 – Useful contacts

IDA Ireland

www.idaireland.com idaireland@ida.ie +353 (0)1 603 4000

Shannon Development

www.shannonireland.com marketing@shannonireland.com +353 (0)61 361555

Department of Enterprise Trade and Employment

www.deti.ie info@deti.ie +353 (0)1 631 2121

Business Access to State Information and Services (BASIS)

www.basis.ie basis@deti.ie +353 (0)1 631 2787

Enterprise Ireland

www.enterprise-ireland.com client.service@enterprise-ireland.com +353 (0)1 808 2000

Companies Registration Office (CRO)

www.cro.ie info@cro.ie +353 (0)1 804 5200

Irish Patents Office

www.patentsoffice.ie patlib@patentsoffice.ie +353 (0)1 631 2603

Department of Foreign Affairs

www.gov.ie/iveagh/ +353 (0)1 478 0822

Irish Revenue Commissioners

www.revenue.ie

Business Directory

www.goldenpages.ie

Estate Agents:

www.myhome.ie

www.propertypartners.ie

www.lisney.ie

www.daft.ie

www.wyse.ie

Grant Thornton contacts

Our tax specialists

Name	Position	E-mail	Telephone
Frank Walsh	Partner	frank.walsh@ie.gt.com	+353 (0)1 6805 607
Bernard Doherty	Partner	bernard.doherty@ie.gt.com	+353 (0)1 6805 611
Leslie Barrett	Partner	leslie.barrett@ie.gt.com	+353 (0)61 312 744
Peter Vale	Partner	peter.vale@ie.gt.com	+353 (0)1 6805 952
Jim Kelly	Director	jim.kelly@ie.gt.com	+353 (0)1 6805 780
Lorcan Hand	Director	lorcan.hand@ie.gt.com	+353 (0)1 6805 770
Finbarr O'Connell	Director	finbarr.oconnell@ie.gt.com	+353 (0)1 6805 771
Paula Keaney	Director	paula.keaney@ie.gt.com	+353 (0)1 6805 769
David Keary	Director	david.keary@ie.gt.com	+353 (0)1 6805 767
Eamonn Murphy	Director	eamonn.murphy@ie.gt.com	+353 (0)61 312 744
Sasha Kerins	Director	sasha.kerins@ie.gt.com	+353 (0)45 448 852
Mark Doyle	Director	mark.doyle@ie.gt.com	+353 (0)1 6805 659
Liam Kenny	Director	liam.kenny@ie.gt.com	+353 (0)1 6805 840
Darragh McCarthy	Director	darragh.mccarthy@ie.gt.com	+353 (0)1 6805 844
Ciaran Cullen	Manager	ciaran.cullen@ie.gt.com	+353 (0)1 6805 762
Denise Donohoe	Manager	denise.donohoe@ie.gt.com	+353 (0)1 6805 768
Breda Fitzmaurice	Manager	breda.fitzmaurice@ie.gt.com	+353 (0)1 6805 892
Emma Meehan	Manager	emma.meehan@ie.gt.com	+353 (0)1 6805 774
Aidan O'Boyle	Manager	aidan.oboyle@ie.gt.com	+353 (0)1 6805 771
Theresa O'Gorman	Manager	theresa.ogorman@ie.gt.com	+353 (0)61 312 744
Geoffrey O'Leary	Manager	geoffrey.oleary@ie.gt.com	+353 (0)1 6805 777
Tom O'Reilly	Manager	tom.oreilly@ie.gt.com	+353 (0)1 6805730

Other contacts

Area	Name	Email	Telephone
Advisory Services	Paul McCann	paul.mccann@ie.gt.com	+353 (0)1 6805 604
Corporate Compliance and Advisory Services	Jillian O'Sullivan	jillian.osullivan@ie.gt.com	+353 (0)1 6805 850
Public Interest Entities	Sinead Donovan	sinead.donovan@ie.gt.com	+353 (0)1 6805 653
Privately Held Business	Patrick Burke	patrick.burke@ie.gt.com	+353 (0)1 6805 650
Business Risk Services	Tony Thornbury	tony.thornbury@ie.gt.com	+353 (0)1 6805 613
Financial Services	Niamh Meenan	niamh.meenan@ie.gt.com	+353 (0)1 6805 614

Offices

Dublin

24-26 City Quay
Dublin 2
T +353 (0)1 6805 805
T +353 (0)1 6805 806
E info@ie.gt.com

Limerick

Mill House
Henry Street
Limerick
T +353 (0)61 312 744
F +353 (0)61 317 691
E limerick@ie.gt.com

Kildare

Suites 3&4
Courtyard House
Newbridge
Co Kildare
T +353 (0)45 449 322
F +353 (0)45 449 324
E newbridge@ie.gt.com

Galway

Mayoralty House
Flood Street
Galway
T +353 (0)91 533 924
F +353 (0)91 562 943
E galway@ie.gt.com

This briefing is provided for general information purposes only and is not a comprehensive or complete Statement of the issues to which it relates. It should not be used as a substitute for advice on individual cases. Before acting, or refraining from acting, in particular circumstances, specialist advice should be obtained. No liability can be accepted by Grant Thornton for any loss occasioned to any person acting or refraining from acting as a result of any material in this briefing. www.grantthornton.ie. © Grant Thornton 2011.



Grant Thornton

Member of Grant Thornton International Ltd

Authorised by the Institute of Chartered Accountants in Ireland to carry on investment business
© Grant Thornton 2011. All rights reserved.