Grant Thornton
An instinct for growth™

Investing in Ireland

A dynamic, knowledge-based economy

2019

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Foreword

Ireland represents a strategic European base due to our pro-business, low corporate tax environment and skilled workforce. As a result of these and other factors, more than 1,200 multinational companies have chosen Ireland as their investment platform.

Ireland's low rate of corporation tax - 12.5%, holding company regime, Research and Development (R&D) tax credit, Knowledge Development Box (KDB) and Intellectual Property (IP) relief makes it a very popular choice for inward investment. Companies based in Ireland and involved in a wide range of activities view it as a uniquely attractive location in which to do business.

Ireland remains committed to its corporation tax rate of 12.5%, applicable to Irish trading profits. Our right to maintain this rate, notwithstanding the requirement to introduce stringent measures elsewhere, has been consistently acknowledged in Europe. In our view, this certainty is a critical development and will help secure Ireland's future as a leading destination for **Foreign Direct Investment (FDI)**.

In our view, changes in the global tax landscape, with an increasing alignment between taxable profits and real substance, will make Ireland an ever more compelling location in which to do business.

Ireland has also won a resounding vote of confidence from Forbes, which named it one of the Best Countries For Business. The magazine placed Ireland eleventh in its 2019 ranking of 161 nations.

Grant Thornton has prepared this guide to set out the tax advantages of Ireland as an investment platform and a jurisdiction which facilitates FDI.

This guide has been prepared for the assistance of those interested in doing business in Ireland and includes legislation in force at **1 January 2019**. It does not cover the subject exhaustively but is intended to answer some of the important and broad ranging questions that may arise. When specific issues occur in practice, it will often be necessary to refer to the laws and regulations of Ireland and to obtain appropriate accounting, tax and legal advice.

Peter Vale
Partner, Head of International Taxes

A new landscape

With the OECD's BEPS tax anti-avoidance package, EU developments and US tax reform, the last few years have been particularly busy on the international tax front. That trend looks likely to continue in 2019.

This presents both opportunity and threat for Ireland. Overall, we believe that Ireland is exceptionally well placed to benefit from many of the changes, with the closer alignment of taxable profits and real substance acting in our favour.

In the current climate, we are seeing many groups alter their tax structure, with a shift away from traditional tax havens to 'onshore' locations. This reflects the increasing focus on value creation as a driver of taxable profits. Where a company actually creates value is where its taxable profits are more likely to sit, not simply where its valuable IP sits from a legal perspective.

In the new landscape, we have seen recent changes introduced by the EU aimed at tackling tax avoidance. While these are primarily a result of the BEPS project, they also go a step further in some cases, making them essential reading for tax professionals. The EU changes are also mandatory. In 2018, Ireland implemented both exit tax and Controlled Foreign Company (CFC) legalisation, driven by binding EU Directives. In 2019, we will likely see further legislative provisions, which while requiring careful consideration, should not adversely impact Ireland's FDI offering.

As a follow on to the Anti-Tax Avoidance Directives (ATAD), the EU's latest proposal for a digital tax involves taxing certain companies on the basis of where their customers are located. The rationale for this is that consumers themselves, through online activity, produce valuable data and should be considered in the value creation equation. We can expect to see some significant activity in this space throughout 2020, with the EU proposals now effectively set aside in anticipation of progress at OECD level. We also expect to see countries continuing to take unilateral action in respect of digital tax measures.

In June 2017, government representatives from 68 jurisdictions signed up to the Multilateral Instrument (MLI) which is designed to efficiently update the worldwide tax treaty network in line with certain of the OECD's BEPS recommendations. It is expected that the MLI will result in amendments to more than 2,000 treaties worldwide and is likely to have a significant impact on existing and future international tax planning. Ireland has signed up to the MLI and we can expect the new treaty provisions to take effect shortly.

Country by Country (CbC) reporting is now in place and aimed at increasing transparency.

The Common Consolidated Corporate Tax Base (CCCTB) proposals remain active but have not progressed. The CCCTB would fundamentally change how a group allocates its taxable profits between member states, with location of assets, employees and sales driving the allocation. In such an environment, the benefit for a small open economy such as Ireland of having a low tax rate could be significantly diluted. While CCCTB debate remains active, we would assess the risk of implementation as low, particularly in light of the BEPS progress.

Regarding US tax reform, Ireland's 12.5% rate of corporation tax remains attractive when compared with the new US federal rate of 21% which, together with state tax rates, is likely to see US businesses taxed at more than double the Irish tax rate. In our view, as the vast majority of US groups set up in Europe for commercial reasons, having a low corporate tax rate will continue to make Ireland an attractive place for investment.

In summary, we continue to live in an ever-changing global tax environment. Our view is that while that new environment offers more opportunity than threat, we will need to be responsive to any changes to remain competitive.

Why invest in Ireland?

Ireland has an attractive tax, regulatory and legal regime, which when combined with its open business environment and dynamic, knowledge based economy culminates in Ireland being regarded as a world class location for international business.

Ireland represents a strategic European base due to our pro- business, low corporate tax and skilled workforce. As a result, more than **1,200 multinationals companies** have chosen Ireland as their investment platform.

As a committed member of the Eurozone and the EU single market, Ireland's reputation as a destination of choice for Foreign Direct Investment (FDI) is unrivalled. Ireland is the fastest growing economy in the Eurozone and continues to be one of the best countries in the world to do business.

Ireland has a highly skilled, educated, young and multi-cultural population. Ireland has one of the most educated workforces in the world. The share of 25-34 year olds in Ireland with a third level qualification is 52%, compared to an OECD average of 43%.

Ireland has a very favourable holding company regime and a number of high profile groups have recently moved their European and global headquarters to Ireland to access the benefits here including Twitter, LinkedIn, Facebook and Pfizer. In 2018 Barclays, JP Morgan, Bank of America Merill Lynch, GoAhead, Lidl and Aldi made significant investments. 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 their regional headquarters and holding companies.

Multinational Companies (MNCs) 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.

The Irish advantage

12.5%
corporation tax and extensive treaty network

Stable
political environment and respected regulatory regime

Highly skilled
knowledge - based economy

Flexibility,
responsiveness and innovation

Experience
delivering global business services

14/15
world's top medtech companies

Experienced
and innovative leaders

Excellent
research facilities and capabilities

Irish
government partnering

Attractive IP
tax regime including KDB

1,200+
home to 1,200+ overseas companies

7/10
top global software companies

Tax advantages of Ireland

There are many tax benefits for companies investing in Ireland, either with fully fledged trading operations or with global holding company structures.

Some of these include:

- low corporate tax rate of 12.5% for active businesses;
- a tax exemption on capital gains from the disposals of qualifying shareholdings;
- attractive R&D tax credit regime;
- capital allowances for expenditure on intangible assets;
- reduced corporate tax rate of 6.25% on profits arising from patented inventions, copyrighted software and certain other specific asset classes;
- low (if any) tax on foreign dividends and flexible onshore pooling of foreign tax credits;
- tax free sales of most subsidiaries (participation exemption);
- EU approved stable tax regime with access to an extensive and expanding treaty network and EU directives;
- credit for tax on foreign branch profits;
- generous domestic law withholding tax exemptions;
- preferential tax regimes in place for regulated collective investment funds and securitisation vehicles;
- no capital duty on equity investments;
- IP stamp duty exemption;
- a **Special Assignee Relief Programme (SARP)** to reduce the cost to employers of assigning skilled individuals from abroad to take up positions in the Irish based operations of their employer;
- a foreign earnings deduction for employees working temporary in certain countries; and
- share benefits for qualifying employee share schemes.

Taxation of 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.

From 1 January 2015 all Irish incorporated companies are considered tax resident in Ireland, unless they are considered tax resident in another location by virtue of a tax treaty, which Ireland has with that other territory.

In addition, any company which is considered to be managed and controlled in Ireland will be considered Irish tax resident.

The changes to the tax residence rules were introduced in Finance Act 2014 and the changes took effect from 1 January 2015 for companies incorporated on or after 1 January 2015. For companies incorporated prior to that date, the provisions will apply from 1 January 2021 (or earlier in certain circumstances e.g. where there is a change in the nature or conduct of the business).

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. The lower rate represents one of the lowest 'onshore' statutory corporate tax rates in the world. The Irish government continues to be committed to retaining this rate and the Minister for Finance and Public Expenditure and Reform, Paschal Donohoe, reaffirmed this in his Budget 2019 speech.

Ireland's 12.5% tax rate, along with a number of other incentives and tax reliefs, result in Ireland being regarded as an extremely attractive location in which to do business.

In order for a company to avail of the 12.5% tax rate, it must be both trading and tax resident in Ireland.

The statutory definition of a trade for Irish tax purposes is vague – a trade "includes every trade, manufacture, adventure or concern in the nature of a trade". Thus, the question of whether a trade exists should be reviewed in light of the six badges of trade (as drawn up by the UK HMRC on the taxation of profits and income), along with the Irish Revenue Commissioners (Revenue) precedent and case law.

Broadly, the higher the level of activity and number of transactions, the more support there is to assert that a trade exists.

Revenue has also indicated that the following factors would be important when considering whether or not a trade exists:

- commercial rationale;
- real value added in Ireland; and
- level of employees in Ireland.

If requested, Revenue will issue advance opinions as to whether proposed operations will constitute a trade for Irish tax purposes. It is critical that this is requested in advance of any activity commencing.

It is also important to ensure that a company is not regarded as tax resident in another territory other than Ireland. A company may be subject to taxation in another jurisdiction at higher rates than those prevailing in Ireland, if it is considered tax resident in that other jurisdiction. While the question of whether or not a company is tax resident solely in Ireland can be complex, there are a couple of key points to note. Firstly, the location of all board meetings of the company should be Ireland. Key strategic decisions should be made at these meetings. Secondly, a majority of the directors should be Irish tax resident.

To conclude, Irish tax resident trading companies may avail of the 12.5% tax rate in respect of trading profits.

Broadly, the level of substance in Ireland will determine whether the company is trading. In this regard, the presence of employees actively engaged in the business of the company will be a key determinant of trading status.

Start-up companies

New or start-up companies, which are incorporated on or after 14 October 2008 and which commence trading between 1 January 2009 to 31 December 2021, are exempt from corporation tax on their trading income and certain gains if they meet certain conditions. This relief applies for three years from the commencement of the trade. 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 also allows any unused relief (arising from a shortage of profits) to be carried forward for use in future years. However, the relief will continue to be limited by the amount of employer's PRSI paid in the year.

12.5%

lower rate represents one of the lowest 'onshore' statutory corporate tax rates in the world.

Holding company regime

Ireland has a very favourable holding company regime and a number of high profile groups have recently moved their headquarters to Ireland to access the benefits here. The following features underpin the appeal of locating a holding company in Ireland from a tax perspective and many of the features are explained further in later sections.

Participation exemption

There is an exemption from Capital Gains Tax (CGT) on the disposal of shares by a company resident in Ireland, where a number of conditions are met. The shares being disposed of must be in a company which is resident in an EU or treaty country. There is further detail on this within the section *CGT exemption on share disposals* on **page 24.**

Foreign dividends

There is an effective exemption from Irish tax for foreign dividends. Qualifying dividends are taxable at the 12.5% tax rate and a flexible foreign tax credit system permits deduction, in respect of taxes paid on foreign profits and other foreign withholding taxes. Other non-qualifying dividends may be taxable at 25%, with the credit system also applying to such dividends.

In addition to the above, the amount of double taxation relief for certain dividends from EU and EEA sources is increased. The credit for foreign tax can now be calculated by reference to the nominal rate of tax in the source country, where this gives a larger double tax credit than would otherwise be applicable. The additional tax credit is not eligible for pooling of credits for foreign tax or for carry forward of relief for excess foreign tax credits.

There is also a system of onshore pooling of tax credits to deal with situations where foreign tax on some dividends exceeds the Irish tax payable, while on other dividends the foreign tax is below the Irish tax liability. The pooling provisions allow excess credits to be offset against Irish tax on the other foreign dividends received. Unused credits may also be carried forward indefinitely for future use subject to the exceptions noted above.

Foreign branches

Double tax relief is available for tax suffered by foreign branches and the pooling provisions referred to above, apply for unused foreign tax credits relating to foreign branches. Where there is an Irish trade also profits on foreign branches are taxed at a rate of 12.5%.

Intellectual Property (IP) relief

Under Ireland's IP regime, amortisation of specified intangible assets is tax deductible in line with the accounting treatment, against the income derived from such IP. Alternatively, an election can be made to spread the expenditure over a 15 year period in the form of an allowance. By availing of this scheme, the effective tax rate can be significantly reduced Please see Intellectual Property (IP) regime on **page 17**.
In addition, a stamp duty exemption is available on the sale, transfer or other disposition of qualifying IP.

Further to the above, the KDB, which took effect 1 January 2016, allows companies to avail of a 6.25% tax rate on profits arising on certain IP assets which are the result of qualifying R&D activity in Ireland.

Therefore, holding IP in Ireland can effectively complement an Irish holding company structure. See IP section for further details on this, together with the KDB on **page 19.**

Withholding taxes

There are exemptions available in respect of withholding tax on dividend repatriations and interest payments made to EU or treaty countries. Also, patent royalty payments to EU or treaty countries should be exempt from withholding tax subject to satisfying certain conditions.

Access to treaties and EU directives

Ireland has an extensive treaty network with 74 different countries, 73 of which are in effect The agreement with Ghana is not yet in effect. These agreements allow the elimination or mitigation of double taxation. Where a double tax agreement does not exist with a particular jurisdiction, unilateral provisions within domestic Irish tax legislation, may result in credit relief against Irish tax for any foreign taxes paid. Furthermore, Irish companies may access the EU directives, which can be beneficial from a tax perspective.

Controlled Foreign Company (CFC) regime in Ireland

In line with Ireland's obligation to comply with the EU's Anti-Tax Avoidance Directive (ATAD), Finance Act 2018 introduced Controlled Foreign Company (CFC) rules into Irish tax legislation. These rules are an anti-abuse measure designed to prevent the diversion of profits to low/no tax jurisdictions, with the principal objective being to change behaviour as opposed to being a revenue generating measure. Irish CFC rules will be effective for accounting periods commencing on or after 1 January 2019.

These rules are complex, containing many definitions and targeted anti-avoidance rules. In this regard, at Grant Thornton, we would recommend specific tax advice be sought in relation to structures/arrangements currently in place. However, we have set out the main principles within this update.

What is a CFC?

A CFC is a company, which is not resident in Ireland, but is **controlled** by a company or companies resident in Ireland. The proposed legislation has adopted a wide definition of control, which extends beyond the minimum requirement set out in the ATAD.

How does a CFC charge arise?

A charge arises where a CFC has undistributed income **and** a chargeable company performs relevant Irish activities in relation to the CFC group. A chargeable company is an Irish company which performs, either itself or through a branch or agency, relevant Irish activities on behalf of a CFC group.

Relevant Irish activities are significant people functions or key entrepreneurial risk taking functions performed in Ireland on behalf of the CFC. Broadly, these functions are relevant to legal/beneficial ownership of assets or the assumption and management of risks.

Undistributed income is calculated as distributable profits for a period less any relevant distributions made in respect of that period. It is worth noting that capital gains are excluded from the CFC charge.

In terms of the rate that would be applied to the undistributed income, the CFC charge will be computed at 12.5% where the income arises from the conduct of a trade while in other scenarios it would be 25%.

Exclusions and exemptions

There are a number of exclusions and exemptions from the CFC charge, which have been outlined below.

Essential purpose exemption

If the CFC did not hold assets or bear risks under an arrangement where the essential purpose was to secure a tax advantage, no CFC charge should apply in the period.

Non-genuine arrangements tests

CFC legislation only applies to non-genuine arrangements. Therefore, a CFC charge only arises where:

- the CFC would not own the assets or would not have borne the risks which generate all/part of its undistributed income, but for the significant people functions performed in Ireland in relation to those assets and risks; and
- it would be reasonable to consider that the relevant Irish activities were instrumental in generating that income.

Effective tax rate exemption

If the tax **paid** by a CFC is more than 50% of the tax that would have been paid if the CFC was Irish tax resident, then no CFC charge should apply. These calculations should be computed by reference to Irish tax rules, incorporating chargeable and capital gains and applying the relevant Irish tax rate to the undistributed income. In practice, they may be complex to work through.

Transfer pricing exemption

A CFC charge should not apply to transactions subject to Irish transfer pricing rules or priced on an arm's length basis. Consequently, transfer pricing is expected to become of increasing importance and we would stress the importance of having robust transfer pricing documentation in place.

Other exemptions include:

- low margin profit exemption (where the margin on operating costs is less than 10%); and
- low accounting profit exemption (where profits are less than €75,000).

Grace period for newly acquired subsidiaries

No CFC charge arises for the first 12 months from the acquisition of a CFC. This provides corporations with time to restructure the operations. However, where that CFC continue to be a CFC for the second period, the CFC charge from that initial 12 month period will fall due in the later period. Conversely, if a restructuring takes place whereby it ceases to be a CFC in the second period, the initial CFC charge is permanently negated.

Recommendations

At Grant Thornton we would strongly recommend that all groups with Irish entities be reviewed, particularly Irish headquartered groups, in order to ascertain whether an Irish company may have a CFC. The hallmarks of a CFC would typically be non-Irish subsidiaries with low effective tax rates and significant reserves/profits. In tandem with this, a review of the significant people functions relevant to the assets and risks generating the income would be required. There will be future reporting requirements, in conjunction with a charge to tax where a CFC is in existence, hence increasing the necessity to conduct this analysis in a timely manner.

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Research and Development (R&D) tax credit

The R&D tax credit is a very significant tax break given that it represents a potential 25% refund of costs incurred, regardless of whether any corporation tax has been paid.

Combined with the standard corporate tax deduction for R&D expenditure (valued at 12.5%), companies incurring qualifying R&D can claim a tax benefit of €37.50 for every €100 expenditure. The purpose of the R&D tax credit is to encourage both foreign and indigenous companies to undertake new or additional R&D activity in Ireland. This is a very valuable relief for qualifying entities.

The R&D credit can be used as follows:

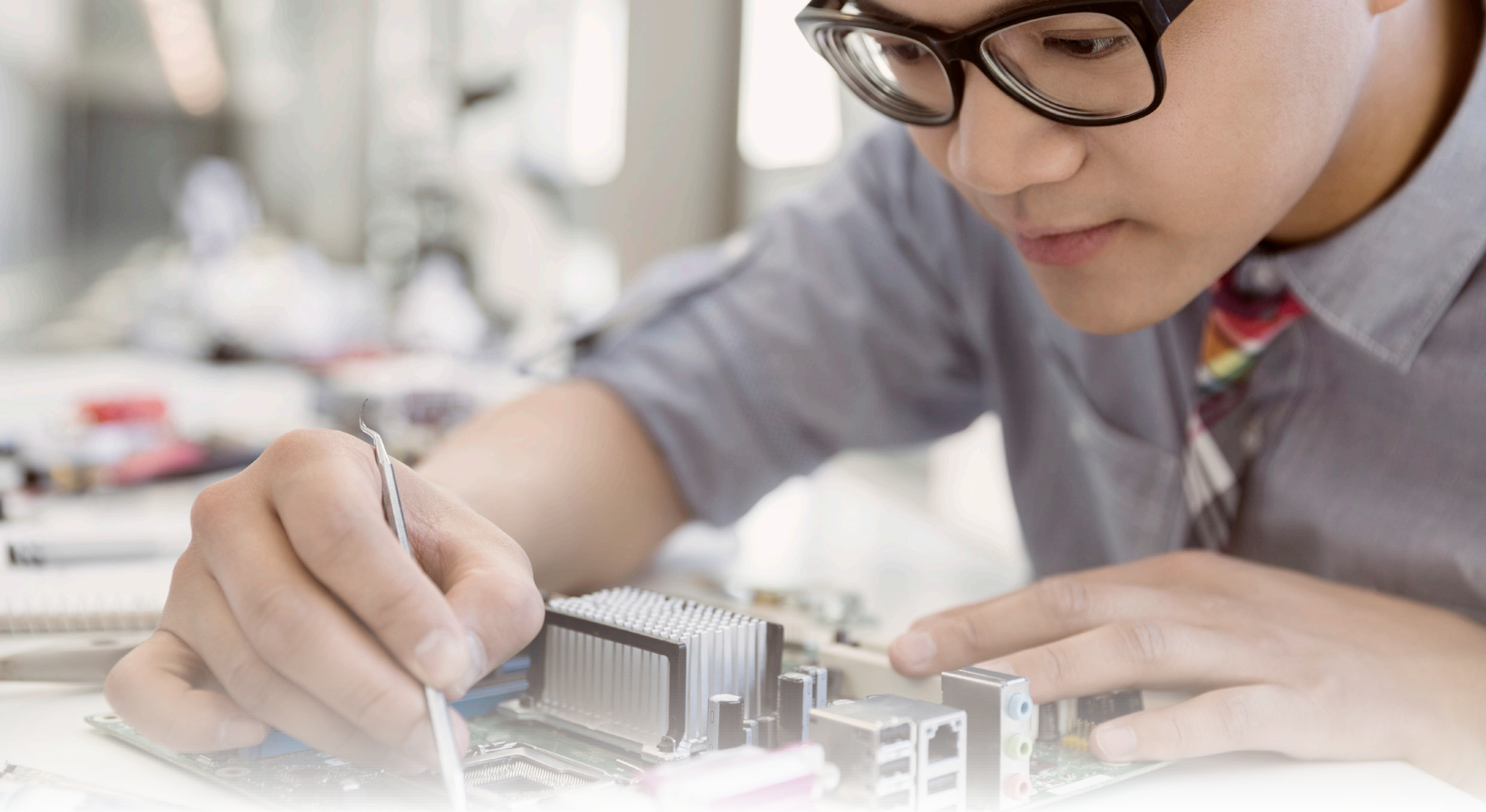
- credit offset against corporate tax in the first instance;
- available as a cash refund (subject to a limit of the remitted payroll taxes) where there is an insufficient corporation tax liability; and
- key employee reward mechanism – R&D staff effectively receive part of remuneration tax free (certain criteria apply, see below).

A significant change introduced in 2012, permits companies which are in a position to offset their R&D tax credit against their corporation tax liabilities, to surrender a portion of the credit to reward 'key employees' who have been involved in the development of R&D. In essence, these key employees may receive part of their remuneration tax-free and their effective rate of income tax may be reduced to a minimum of 23%. Broadly, the employee may not be a director or hold more than 5% in the company, at least 50% of their duties must pertain to R&D and the amount of the R&D tax credit that may be surrendered is capped at the corporation tax liability of the company.

In our experience, while many companies are carrying out qualifying R&D work, only a limited amount are actively claiming the credit. The main reason for companies not claiming the credit is the persisting misconception that it relates solely to laboratory work.

Many companies across all sectors are involved in some form of innovation or process improvement and look to achieve or resolve a scientific or technological advancement or uncertainty. In many cases, the related costs will qualify for the R&D tax credit. The R&D tax credit is available in respect of expenditure such as salaries, consumables used in the R&D process, plant and machinery used wholly or partly for R&D purposes. The credit is also available in respect of buildings used wholly or partly for R&D purposes, subject to certain conditions. The range of activities to which the R&D tax credit can apply is extremely wide. Scientific or technological improvements to plant performance, production output and existing processes are examples of activities carried out by many companies, which can qualify for the R&D tax credit.

The R&D tax credit claim must be filed within 12 months of the company's year-end, thus there is an incentive to consider whether any immediate action is required. Having the appropriate documentation in place is critical.



Expenditure on scientific R&D

In the past, only qualifying R&D expenditure in excess of the 2003 R&D spend qualified for the R&D tax credit. However, from 2015 onwards, the full amount of qualifying R&D expenditure will be eligible for the R&D tax credit, regardless of the 2003 base year spend.

This credit will be in addition to any existing deductions or capital allowances for R&D expenditure excluding IP relief. It should be noted that the R&D activities must be carried out in the **European Economic Area (EEA)**.

Outsourcing R&D

Expenditure incurred on R&D activities outsourced to a third party or third level institution can be included in an R&D tax credit claim to the extent that:

- payment to the third party is limited to 15% of the company's overall R&D spend (5% for a third level institution);
- the third party to whom the R&D is outsourced does not claim an R&D tax credit for the work it has been contracted to carry out. The company must notify the third party provider in writing that it cannot also claim the R&D tax credit for the relevant R&D;
- for periods ending on or after 1 January 2014, companies can claim the greater of the current percentage based limits (15% or 5% of the company's in-house spend) or €100,000; and
- the total amount claimed must not exceed the qualifying expenditure incurred by the company itself in the period.

Accounting for R&D

A very positive aspect of the R&D tax credit is that under FRS102 it may be recognised 'above the line'.

25%

potential refund of costs incurred

Intellectual Property (IP) regime

This relief was introduced with effect from 7 May 2009 to provide tax relief for expenditure incurred by companies on “specified intangible assets”. These provisions are clearly a further attempt to increase Ireland’s attractiveness as a knowledge-based economy.

To claim the tax relief, companies must actively ‘trade’ with their newly acquired intangible assets, thereby ensuring that there is an active involvement with the assets and presumably a resultant increase in learning/knowledge in Ireland.

What types of intangible assets are covered?

The definition of specified intangible assets is quite broad and includes patents, patent rights, design rights, trademarks, brand names, licences, copyright, computer software, know-how and goodwill associated with the foregoing. This definition was extended in Finance Act 2014 and the relief also applies to customer lists (except where acquired in connection with the transfer of a business as a going concern) from 1 January 2015.

What is the relief?

The allowances available for tax purposes will generally follow the standard accounting treatment applicable to the amortisation of intangible assets however, an election can be made to spread the expenditure over a 15 year period (7% in years one to 14 and 2% in year 15), where shorter.

No balancing allowance/charge event will occur once the intangible assets are sold five 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.

Is there a cap on the allowances available?

Finance Act 2017 includes a change to Ireland’s existing capital allowances regime for intangible assets acquired after midnight on 10 October 2017. The change introduces a restriction on the amount of allowances available, together with a restriction on interest incurred to acquire the intangibles used in the trade. The aggregate of the allowances and any related interest incurred on acquisition of the intangibles cannot exceed 80% of the trading income from the ‘intangibles’ trade (which in certain cases is treated as a separate trade).

The 80% restriction was in place up to 31 December 2014 and removed with effect from 1 January 2015. As noted, Finance Act 2017 reimposed the 80% restriction.

Where either allowances or interest are restricted, the excess can be carried forward and treated as incurred in the following period, with any excess in that period carried forward to the next period and so on for each succeeding accounting period.

Can the intangibles be acquired from an existing group company?

Expenditure on specified intangible assets acquired from a group company will qualify for the new allowances. It is worth noting that intangible assets, acquired from another Irish group company will only qualify for the new allowances, if the companies jointly elect to dis-apply the CGT group relief provisions, thereby triggering a potential CGT event for the transferor. However, if there are losses available in the group, it could be possible to mitigate the CGT exposure.

Anti-avoidance

The section provides that the acquisition of the intangible assets must be for an arm's length amount and must be done for bona fide commercial reasons. The acquisition of the intangibles must not have the avoidance of tax as its main purpose or one of its main purposes.

Restriction on interest for investing companies

There is a restriction in respect of interest incurred on borrowings used by a company to invest (by way of loan or equity) in another company, which itself uses the funds to acquire specified intangible assets. The restriction is calculated by reference to the interest that would have been allowed if the company acquiring the intangible assets had itself taken out the loan.

Some observations on the rules

Where it fulfils commercial objectives, both companies and individuals holding specified intangible assets, should consider the merits of transferring the intangible assets to an appropriate trading company, in order to access the benefits of the regime. If there are tax losses available, there may be little or no tax cost associated with such a transfer, while there will be on-going tax deductions in the transferee company.

The regime complements the new KDB (see **page 19** for further details). Thus, there are now both cost and income based IP regimes, resulting in Ireland being a compelling choice for FDI.

As a results of the above, we are seeing an increasing amount of IP move from traditional off-shore tax havens to on-shore locations, such as Ireland.

Knowledge Development Box (KDB)

Finance Bill 2015 provided for the introduction of the KDB. The broad objective of the KDB is to promote innovation and provide an incentive whereby profits arising from patented inventions, copyrighted software and certain other specific asset classes can effectively be taxed at a reduced rate of 6.25%.

Any royalty or other sum in respect of the use of a qualifying asset or income reasonably attributable to a qualifying asset, can benefit from the reduced rate. Broadly the relief is linked to the qualifying R&D expenditure incurred by the Irish company as a proportion of its overall global R&D expenditure. This makes the KDB very attractive to companies that carry on a significant element of their R&D activities in Ireland.

The KDB will also be attractive to large groups that are capable of isolating individual qualifying assets, the R&D for which is carried on in Ireland.

What is a qualifying asset?

For the purposes of the KDB, a qualifying asset is copyrighted software, certain patented inventions, plant breeders' rights, protection certificates for medicinal products, plant protection certificates and computer programs within the meaning of the Copyright and Related Rights Act 2000. To ensure the KDB includes patents granted by the Irish Patent Office, legislation was enacted to ensure Irish patents include a substantive examination for novelty and inventive steps. Unexamined patents which are certified before 1 January 2017 may also be included.

Small and Medium Sized Enterprises (SMEs) benefit from an expansion of the definition of IP to include inventions that are certified by the Controller of Patents, Designs and Trademarks as being novel, non-obvious and useful. For the purposes of the KDB relief, SMEs are companies with annual income from IP not exceeding €7.5 million and group turnover not exceeding €50 million.

What income qualifies for the relief?

The following income generated from the qualifying assets qualifies for the relief:

- royalty income;
- licence fee income; and
- where a sales price includes an amount which is attributable to a qualifying asset, a portion of the income from those sales calculated on a just and reasonable basis.

Any marketing related IP such as trademarks, brands, image rights and other IP used to market goods or services cannot be a qualifying asset.

How does the relief work?

The mechanics of the KDB relief are to allow a tax deduction of 50% of the qualifying profits from the R&D activities, thereby resulting in an effective tax rate of 6.25%.

In arriving at the qualifying profits figure, there is a calculation required which broadly looks at the percentage of the R&D activities carried on by the Irish company, including third party outsourced costs ('qualifying expenditure'), as a proportion of the overall expenditure incurred on the qualifying asset (including acquisition costs and outsourcing costs, both group and third party).

The formula can be summarised as follows:

$$\frac{QE+UE}{OE} \times QA$$

QE = Qualifying Expenditure on qualifying asset
UE = Uplift Expenditure
OE = Overall Expenditure on qualifying asset
QA = profit from relevant Qualifying Asset

How is qualifying expenditure and overall expenditure defined?

Qualifying expenditure is expenditure incurred by the company, wholly and exclusively in the carrying on of R&D activities in an EU member state, the consequences of which lead to the development, improvement or creation of the qualifying asset.

Outsourcing costs incurred in relation to a person which is not a member of the group/company, wherever the location of that R&D activity, which is engaged to carry on R&D activities on behalf of that company will be treated as if it were expenditure incurred by the company. However, any group outsourcing costs are specifically excluded as qualifying expenditure.

Overall expenditure refers to the company's overall expenditure on R&D in respect of the qualifying asset, including all outsourced costs (including to group companies) together with any acquisition costs incurred by the company in relation to the qualifying asset (either from a group company or a third party).

It should be noted that in establishing the amount of tax relief each year under the KDB, the expenditure figures, both qualifying and overall, will include amounts of historic expenditure. The rules in relation to this key aspect are set out at the end of this page.

The exclusion of group outsourcing costs and acquisition costs will dilute the benefit of the KDB for many multinational corporations. To partially mitigate this, there is a provision for an uplift in the amount of qualifying expenditure.

What is "uplift expenditure"?

An additional "uplift expenditure" is allowed to increase the qualifying expenditure on the qualifying asset. The uplift expenditure is the lower of:

- 30% of the qualifying expenditure; or
- the aggregate of the acquisition costs and group outsourcing costs.

How does this calculation appear in my corporation tax return?

The 6.25% rate will not appear on the face of the corporation tax return. The KDB qualifying activities are treated as a separate specified trade. The profits of this specified trade should be calculated separately from the other activities of the company. The relief is obtained in the form of an additional trading expense against the profits of the specified trade, which will equal 50% of the qualifying profits (12.5% x 50% = 6.25%).

What happens if I have a number of qualifying assets but it is not possible for me to identify the overall income and expenditure on each qualifying asset?

Owing to the interlinked nature of many qualifying assets, it is not always possible to identify the breakdown of income and expenditure on each asset. This scenario is overcome using the "family of assets" approach. A family of assets permits the smallest grouping of identifiable qualifying assets for which income and expenditure is reasonably identifiable, to utilise the KDB as if the "family of assets" was one qualifying asset.

What happens if I have not started trading, but have incurred expenses relating to qualified assets?

Any pre-trading expenditure which is qualifying expenditure shall be deemed to have been incurred in the first accounting period of the company, therefore allowing the expenditure.

When is it effective?

The relief is available to companies for accounting periods beginning on or after 1 January 2016 and before 1 January 2021.

How many years of expenditure are included in the formula?

For accounting periods beginning on or after 1 January 2016, but on or before 31 December 2019:

- acquisition costs shall include both current costs and historic costs incurred prior to 1 January 2016;
- group outsourcing costs include costs incurred prior to1 January 2016 and where such costs relate to more than one qualifying asset, those costs shall be apportioned on a just and reasonable basis; and
- qualifying expenditure (as referenced above) incurred during the three years prior to the year in which the first claim is made, together with the current year (restricted). However periods prior to that may be included where there is sufficient supporting documentation.

For accounting periods beginning on or after 1 January 2020:

- acquisition costs shall include costs incurred prior to 1 January 2016;
- group outsourcing costs include costs incurred prior to 1 January 2016 and where such costs relate to more than one qualifying asset, those costs shall be apportioned on a just and reasonable basis; and
- qualifying expenditure may include any amount incurred prior to 1 January 2016 where there is sufficient documentation.

What documentation must I have?

A company must have records available which track:

- overall income from the qualifying asset;
- qualifying expenditure on qualifying assets; and
- overall expenditure on the qualifying asset.

The company must also show how such expenditures and income are linked to the qualifying asset.

Other provisions:

- the KDB provisions should have no impact on claiming capital allowances on IP;
- the KDB may impact on cash refund claims made under the R&D tax credit regime. Broadly, the R&D tax credit is calculated as if the KDB regime was not in place. This should only present a cashflow timing issue;
- should there be a trading loss in respect of a qualifying asset in an accounting period, 50% of the loss will be available for offset in the normal manner; and
- if a company is subject to transfer pricing rules, the apportionment and application of all qualifying income and qualifying expenditure must be in line with transfer pricing rules. For smaller companies, income and expenses should be apportioned on a just and reasonable basis.

Employee tax incentives

Special Assignee Relief Programme (SARP)
Finance Act 2018 amended SARP such that from 2019 there will be a €1 million limit on earnings for SARP relief for those eligible. The employer reporting obligations were extended from 30 days to 90 days.

Such a scheme aims to improve the quality of human capital and provide incentives for employees to settle in Ireland, as income tax rates have been recognised as a stumbling block for senior members of multinational corporations in moving to Ireland. The SARP offers a significant tax reduction and could lead to a greater number of employee transfers to conduct new ventures and operations in Ireland.

There are various conditions which need to be satisfied to avail of relief under the SARP. Broadly, these are as follows:

- the employee must arrive between 2012 and the end of 2020;
- it applies to employees of companies incorporated and tax resident in double tax treaty countries, tax information exchange agreement countries or associated Irish companies;
- the employees must not have been tax resident in Ireland for the five tax years immediately preceding the tax year in which the relief is claimed. The relief is then available for five consecutive tax years;
- the employee must have a minimum base salary of €75,000 per annum; and
- remuneration such as Benefits-In-Kind (BIK), bonuses and stock options are excluded when calculating the minimum salary base of €75,000.

For individuals arriving from 1 January 2015, the requirement to be tax resident in Ireland only has been removed, which will allow employees to avail of the relief even if they retain tax residence in their home country.

The provisions have also been relaxed where employees are required to perform duties outside of Ireland.

The employee must be hired by the relevant employer six months prior to moving to Ireland. Relief cannot be sought if the Foreign Earnings Deduction (FED), cross border relief or R&D relief are already applicable. Relief under the SARP is available through the payroll.

There are certain administrative requirements to avail of the SARP relief. The employer must deliver an annual return to Revenue and certify that the person complies with SARP conditions within 30 days of the employee's arrival in the state to perform their duties.

Foreign Earnings Deduction (FED)
The FED as introduced in Finance Act 2012, applies to any tax resident who is working temporarily in certain qualifying countries (such as Brazil, Russia, India, China, South Africa, Singapore, Chile and Mexico) for the tax years up to 2020.

The FED results in a deduction against an individual's income tax liability and the maximum deduction permitted is €35,000. For an employee to qualify they must spend at least 30 days abroad during a continuous 12 month period and trips must be at least three days in length (to include travel days) to be considered part of the 30 days required. The relief is calculated in the following manner:

- number of qualifying days abroad multiplied by net employment income divided by the number of days in the tax year in which employment was held; and
- state and semi-state employees may not avail of the FED, along with those involved in other tax relief programmes such as SARP, trans-border relief and split-year relief. Claims are filed in the yearly income tax return.

Key Employee Engagement Programme (KEEP)

Under the KEEP incentive, gains realised on the exercise of qualifying share options granted between **1 January 2018** and **31 December 2023** by employees and directors, will not be subject to income tax, USC or PRSI. In order to qualify for KEEP, an option must be exercised within ten years of the grant. However, the gain will be subject to Capital Gains Tax (CGT) on subsequent disposal of the shares.

Subject to enactment, Finance Act 2018 doubled the ratio of share options to salary and increased the total value of options the company can now grant to the particular employee, up to a maximum of €300,000 (previously €250,000) in any period.

An employee or director will cease to be a qualifying individual for the purposes of the scheme, if they acquire beneficial ownership of more than 15% of the ordinary share capital of the qualifying company. A limit of €3 million applies on the market value of issued, but unexercised KEEP share options that a company may have on issue at any given time. The €3 million overall KEEP limit remains for companies and employees and are not restricted from entering into future KEEP arrangements with future employers. This measure will be subject to a commencement order as it will be necessary, in accordance with state aid rules, to notify the European Commission of the change.

Together with the proposed changes to the Employment Investment Incentive (EII)/Startup Refunds for Entrepreneurs (SURE), the amendments to KEEP contained in the Act are aimed at enhancing the degree of support provided to enterprises through the tax system, as well as improving the effectiveness of the measures.

Capital Gains Tax (CGT) exemption on share disposals

Capital Gains Tax (CGT)

CGT is payable at 33% on chargeable gains made by individuals, trusts, unincorporated bodies and companies. 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.

Participation exemption

There is an exemption from tax on capital gains for 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 over the preceding 24 months;
- the investee company must be resident in an EU state (including Ireland) or treaty country; and
- at the time of disposal, the investee must exist wholly or mainly for the purposes of carrying on a trade (or the group and investee taken together must satisfy the trading test).

The exemption doesn't apply to the disposal of shares in a subsidiary, where that subsidiary derives the greater part of its value from relevant assets. Broadly, relevant assets are Irish land, Irish minerals or mineral rights and certain exploration or exploration rights.

Entrepreneur's relief

From 1 January 2017, a CGT rate of 10% (rather than the standard rate of 33%) shall apply to the net chargeable gain arising on the disposal by an individual of chargeable business assets. For gains on qualifying assets disposed of 1 January 2016 to 31 December 2016, the rate of CGT was 20%. The lower rate of 10% (or 20% for disposals in 2016) shall be subject to a lifetime limit of €1 million. Thus based on current CGT rates, the maximum tax benefit is €230,000.

To qualify for the relief, a number of conditions must be satisfied including conditions in respect of the assets, period of ownership and working time in the business.

Foreign dividends

Taxation of foreign dividends in Ireland

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 as an Irish corporate at 12.5% provided the dividend has been received out of trading profits.

There should also be a credit available for foreign tax paid on the dividend. From 1 January 2013 the amount of double taxation relief for certain dividends from EU and EEA sources has increased and this follows developments in EU law. The credit for foreign tax can now be calculated by reference to the nominal rate of tax in the source country, where this gives a larger double tax credit than would otherwise be applicable.

The additional tax credit under these new provisions will not be eligible for pooling of credits for foreign tax or for carry forward of relief for excess foreign tax credits.

The 12.5% rate extends to foreign dividends paid from non-treaty countries where the company is owned directly or indirectly by a publicly quoted company. This treatment has been extended to non-EU, non-treaty partner states that have ratified the OECD convention on mutual administrative assistance in tax matters.

Where foreign dividends are sourced from non-trading profits or are from a company not resident in an EU member state, tax treaty country or OECD country that has ratified the convention referred to above, such dividends are generally taxed at 25%.

Where part of a dividend is paid from non-trading profits with the balance being paid from trading profits, the non-trading balance will generally be taxed at 25%. However, there is a de minimis rule such that where over 75% of the dividend is paid from trading profits, the entire dividend may be taxed at 12.5%.

Double taxation relief

Ireland operates a system whereby credit relief is available in respect of foreign tax paid on underlying profits out of which dividends are paid. Broadly, if foreign profits are taxable at a higher rate of tax than the Irish tax rate applicable to the foreign dividends, no further Irish tax should arise upon receipt of the foreign dividends in Ireland.

Tax credit pooling

Onshore pooling allows withholding taxes and underlying taxes to be pooled together and they may then be offset against any Irish tax arising on foreign dividends. However, excess tax on foreign dividends taxable at 12.5%, may not be offset against foreign dividends taxable at 25%. The excess tax credits may be carried forward indefinitely against Irish tax arising on future foreign dividends.

EU parent subsidiary directive

The 2003 EU parent subsidiary directive deals with parent companies with subsidiaries in other EU member states. Effectively it seeks to eliminate withholding tax and reduce double taxation of the profits out of which the dividends arose. The directive applies to parent companies and their 5% subsidiaries.

Where dividends are paid from a subsidiary to a qualifying parent company, the following reliefs should apply:

- no withholding tax is to be deducted from the distributions by the subsidiary's country of residence;
- no withholding tax is to be deducted by the parent company's country of residence; and
- the parent company's country of residence is to exempt the parent company from corporation tax or allow a credit for the underlying corporation tax or foreign tax suffered by the subsidiary. The credit method is used in Ireland.

Withholding taxes and FATCA

Dividend withholding tax

A withholding tax of 20% applies to dividends and other profit distributions made by an Irish resident company. However, there are extensive exemptions available to include dividend payments to:

- Irish resident companies;
- companies resident in an EU or tax treaty country;
- pension funds;
- individuals resident in an EU or tax treaty country; and
- companies controlled by tax treaty residents.

There is a self-assessment basis for withholding tax exemption dividend payments to corporates and this has alleviated administrative obligations. The EU parent subsidiary directive may also eliminate dividend withholding tax obligations.

Royalties

Withholding tax at 20% may apply to patent royalty payments but where the recipient is resident in an EU or treaty country, such withholding taxes may be eliminated. Even in cases where the recipient is resident in a non-treaty country, the withholding tax is generally exempt subject to obtaining advance clearance from Revenue.

Interest

A 20% withholding tax may apply to interest payments made on loans and advances capable of lasting 12 months or more. However, if such interest is paid in the course of a trade or business to a company resident in the EU or a treaty country in which that income is normally taxed, no withholding tax should apply. Even where the interest is not taxed in the recipient country, relief for withholding tax may still be available. In this case, certain disclosures may be required.

To summarise, there are a number of domestic exemptions, treaty provisions and provisions of the EU directives which provide for an exemption from withholding taxes in Ireland. In practice, withholding tax of any description is rarely an issue in Ireland.

FATCA

Ireland has concluded an **Inter-Governmental Agreement (IGA)** with the US in relation to the US **Foreign Account Tax Compliance Act (FATCA)**. FATCA is a new tax information reporting and withholding tax regime introduced to minimise tax leakage in the US.

Broadly, FATCA requires non-US financial institutions to report details of US account holders to the IRS or suffer high levels of US withholding tax (at 30%). Under the new agreement, Irish financial institutions may now report directly to Revenue rather than being required to report to the IRS. Under the agreement, Irish financial institutions will be treated as FATCA compliant and will not be subject to the 30% withholding tax on US source income/proceeds, provided they comply with the requirements of the implementing Irish legislation. This is a very positive development for the Irish funds and broader financial services industry.

Common Reporting Standard (CRS)

CRS is the OECD's automatic exchange of information framework that has now been enacted in Irish domestic tax law. CRS creates a multi-lateral reporting regime which mandates that financial institutions must report information to Revenue relating to account holders, that are tax resident in any of the jurisdictions that are adopting CRS.

The key difference between FATCA and CRS is that, where FATCA is primarily focused on identifying US persons, the requirements of CRS require due diligence of nearly all of a financial institution's account holders and a greatly increased reporting burden.

Over 90 jurisdictions (including all jurisdictions in the EU and nearly all other major jurisdictions) have signed agreements to implement CRS into domestic legislation. The earliest adopters, including Ireland, have legislated that CRS commenced on 1 January 2016 with other jurisdictions joining in subsequent years. A deadline of 30 June 2017 was imposed by Revenue for reporting CRS obligations for 2016.

CRS does not contain the threat of withholding tax being applied to payments (as with FATCA) but Irish domestic legislation will allow Revenue to charge significant penalties for non-compliance.

Foreign branch profits

Trading profits earned by an Irish resident company in a foreign branch or agency are taxable in Ireland at 12.5%, with a credit available for any foreign tax paid on the branch profits.

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. Where the foreign tax on branch profits in one country exceeds the Irish tax on those profits and no credit can be given for the balance of the foreign tax, it may be possible to rely on pooling provisions. The pooling provisions allow such surplus foreign tax to be credited against tax on branch profits in other countries in the year concerned. Also, any foreign tax not credited in the period in which it is paid, can be carried forward for credit in subsequent periods. There is also 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.

Other foreign income (including royalties)

Foreign taxes borne by an Irish resident company (or EU branch), whether imposed directly or by way of withholding, may be available for credit relief 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.

VAT

Albeit the EU has standard rules on VAT, these rules may be applied differently in each EU member state. The following points are important from an Irish VAT perspective.

VAT compliance

All Irish VAT returns are filed electronically through Revenue's On-line System (ROS). The ROS system in operation in Ireland is viewed as efficient and relatively straightforward when compared with those in operation in other European countries.

VAT groups

Ireland operates an extensive VAT grouping system, which can be very useful where entities which are closely bound by financial and economic links make supplies to each other (for example, group charges or management fees).

The use of VAT groups generally allows charges to be made between the various members of the VAT group, without an obligation for VAT to be charged. This can be very important where holding companies are involved or where Special Purpose Vehicles (SPVs) exist which hold IP or other intangible assets.

Cash flow incentives for exports

Cash flow incentives exist for entities located in Ireland that supply goods in excess of 75% of their turnover to other EU locations or export to jurisdictions outside the EU.
These entities may qualify for authorisation to purchase most goods and services at the 0% rate of VAT. This can provide a significant cash flow advantage for companies establishing their Europe, the Middle East and Africa (EMEA) region operations in Ireland.

Financial services

Ireland has a well-developed financial services sector. Many funds and similar investment vehicles are domiciled in Ireland. Ireland provides for an exemption from VAT for a wide variety of management services received by such entities. This is important, as most of these entities would not be in a position to recover any VAT paid to a supplier and this would therefore represent an absolute cost to the entity.

The recovery of VAT in respect of share transactions is a complex area. However, VAT incurred by a holding company raising capital from a third party, which is used to fund the acquisition of shareholdings in subsidiaries and the management of those subsidiaries may be recoverable, provided the transaction is structured appropriately.
There is also a "VAT-friendly" regime in Ireland in respect of aircraft leasing companies. There are a significant number of such companies located in Ireland.

Supply of electronic-services within the EU

Ireland is the preferred choice of location for a range of companies which provide electronic services within the EU. Previously, some providers of such services (whose customers are private individuals) located their businesses in jurisdictions with lower VAT rates. However, since 1 January 2015, the relevant VAT rules have changed to make those services subject to VAT at the local rates where the consumer is located. Instead of registering for VAT in multiple jurisdictions, it is possible to register in one country under a scheme called the Mini One Stop Shop (MOSS) and pay the appropriate liability to each country through an online portal.

No deal Brexit and WTO tariffs

As members of the EU, any goods imported into Ireland are in free circulation within the EU where customs duty has been paid on importation. By contrast in the event of a no deal Brexit, goods imported into the UK would be subject to World Trade Organization (WTO) tariffs unless the UK based business can avail of inward processing relief. Customs duty would also arise on the subsequent import of the goods into the EU from the UK.

Non-EU businesses face significant regulatory barriers to providing cross-border banking and investment services in the EU. This has resulted in some UK based financial services companies setting up Irish regulated entities to avail of passporting provisions to sell services across the EU with minimal additional authorisation.

Hospitality sector rate change

A recession time measure to help the hospitality sector by reducing their rate of VAT to 9%, is no longer in place and the rate has returned to the pre-recession level of 13.5%. Many traders are now making the case to government, that the standard rate of VAT of 21% had been raised to 23% during the recession and now should return to 21%. Especially when they compete with the Northern Irish standard VAT rate of 20%. Finance Act 2018 did not make any changes in this regard.

Transfer pricing

A transfer pricing regime was introduced in Ireland from 2011, which provides for arm's length pricing to apply to intra-group, domestic and international trading transactions. The OECD principles are to be followed in this respect.

What transactions will be affected?
Inter-company trading transactions such as the provision of management services, intra-group transfers of trading stock, certain IP 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 are not currently impacted.

Are there any exemptions?
There is an exemption for SMEs. To fall within the exemption, the enterprise (including group companies) must have less than 250 employees and either group turnover of less than €50 million or assets of the group must be less than €43 million worldwide.

What if profits are understated?
If profits are understated, there will be an adjustment made to substitute the arm's length consideration for the actual consideration. The standard interest and penalties regime is likely to apply to any such adjustments.

There are provisions for counterparty adjustments to allow a reduction in taxable profits to the affected counterparty. However, this may not always provide for a zero sum tax impact, as the transaction may be treated differently in the books of the counterparty.

Documentation
Under the legislation, companies are obliged to retain such records as may reasonably be required to demonstrate that the income has been computed at arm's length. The documentation must be prepared on a "timely basis". No definition of timely basis is provided.

BEPS
Transfer pricing is a key strand of the BEPS project currently being undertaken by the OECD. As part of this, standardised documentation will be required from a transfer pricing perspective. There will be a global standard for documentation requirements with a common template for Country-by-Country (CbC) reporting, blueprints for a global mater file and local transfer pricing documentation.

Country-by-Country (CbC) reporting
In order to enhance transparency in our tax system, Ireland has implemented the CbC reporting regime as outlined in the BEPS project. This applies for accounting periods commencing on or after 1 January 2016. A notification is required to be filed with Revenue on or before the final date of the accounting period to which the CbC report relates.

Developments
A consultation phase took place in early 2009 seeking comments on proposed changes to Ireland's TP regime, including the implementation of 2017 OECD transfer pricing guidelines. The consultation phased focused on matters such as the extension of transfer pricing to non-trading transactions, the abolition of the existing 2010 grandfathering rules and the possible extension of transfer pricing to SMEs.

Summary
Companies are obliged to retain documentation to support relevant intergroup transactions.

It is a requirement that this documentation is in place when a company files its corporation tax return.

Therefore we would encourage companies to consider their intergroup transactions and assess the requirement to prepare, implement or review agreements for the purposes of ensuring they are considered arm's-length for transfer pricing purposes.Furthermore, groups should ascertain whether they have and CbC filing or notification requirements.

Irish tax treaty network

Tax treaties reduce taxes of one treaty country for residents of the other treaty country in order to reduce double taxation on the same income. The Irish tax treaty network continues to be expanded and updated.

The treaties are generally based on the OECD model treaty. See appendix 1 for a listing of the 73 jurisdictions with which Ireland has a double tax treaty.

Where relief under a treaty is less favourable than unilateral relief or in cases where there is no treaty in place, unilateral relief may be available. In particular, this may apply to dividends and interest.

New treaty agreements with Zambia, Thailand and Ukraine came into effect on 1 January 2016. In addition, new agreements with Pakistan, Botswana and Ethiopia came into effect on 1 January 2017. The new agreement with Kazakhstan was signed on the 26 April 2017. The agreement entered into force on 29 December 2017 and into effect in Ireland on 1 January 2018. The new convention with Ghana was signed on 7 February 2018. Procedures to ratify the convention are underway.

Ireland has completed the ratification procedures to bring the protocol to the existing agreement with Belgium into force. When ratification procedures are also completed by Belgium, the protocol will enter into force. Negotiations for new agreements with Azerbaijan, Oman, Turkmenistan and Uruguay and for a protocol to the existing agreement with Mexico have concluded. These 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).

In June 2017, government representatives from 68 jurisdictions signed up to the Multilateral Instrument (MLI), which is designed to efficiently update the worldwide tax treaty network in line with certain of the OECD's BEPS recommendations.

It is expected that the MLI will result in amendments to more than 2,000 treaties worldwide and is likely to have a significant impact on existing and future international tax planning. Ireland is a signatory to the MLI and in Finance Act 2017 took the first steps towards MLI ratification.

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 may be non-repayable and are administered by Enterprise Ireland or **Industrial Development Authority (IDA) Ireland** (Ireland's agency responsible for overseas investment). Proposed investment projects are assessed by IDA Ireland 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 EU, as part of its social and regional development policy, contributes towards the funding of industrial development.

Employment and capital grants
Employment and capital grants are designed to stimulate employment growth outside Dublin and Cork and are available to existing and new companies. The grants are designed to incentivise employment creation in Ireland and for the expansion of new activity.

These grant are available to large companies investing in specific regions of Ireland outside of Dublin and Cork. SMEs can avail of these incentives once they meet criteria for establishing their presence in Ireland.

JobsPlus scheme
JobsPlus is an employer incentive which encourages and rewards employers who employ jobseekers on the live register. It is designed to encourage employers and businesses to employ people who have been out of work for long periods. Eligible employers who recruit full-time employees on or after 1 July 2013, may apply for the incentive, which will initially operate on a pilot basis. The Department of Social Protection will pay the incentive to the employer monthly in arrears over a two year period. It will provide two levels of regular cash payments, a payment of €7,500 and €10,000 broadly depending on the age and length of unemployment.

Training grants
Training grants are available to companies who want to expand capability and up-skill their existing employees. Grants are particularly focused on companies who are looking to achieve a step change in productivity and/or diversification of the products or services delivered from their site, but exclude routine operational training. Depending on the company's proposed training expenditure, grant aid is available to all IDA client companies to help deliver their in-house bespoke training programmes.

Research Development and Innovation (RD&I) grants
Research Development and Innovation (RD&I) grants are open to all client companies planning or engaging in RD&I activity. Companies submit proposals on potential investments in R&D in areas such as manufacturing process development, new product development and service innovation.

Other
Grants may be available to support investment in upgrading machinery or equipment to support new projects. Incentives are also available aimed at assisting companies implement environmental initiatives.

Conducting business in Ireland

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.

Incorporated bodies include private limited companies, public limited companies and unlimited companies. An unincorporated body may be a sole proprietorship or a partnership.

Companies operating in Ireland are currently governed by the Companies Acts 2014, which was commenced on 1 June 2015. The new legislation has consolidated all previous Companies Acts into one coherent act and makes it easier for companies to do business in Ireland, by reflecting a working reality for modern Irish companies.

Formation

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

- a company must have the intention of carrying on an activity in Ireland;
- 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 EEA or the company must obtain an insurance bond; and
- private companies have no minimum capital rules.

It is likely to take approximately five working days to incorporate a company and the Registrar of Companies will then issue a certificate of incorporation.

Types of entities

Private Limited Companies (Ltd)

Private Limited Companies (Ltd) are the most common form of business entity used in Ireland. The essential feature of a Ltd is that the liability of members is limited to the amount, if any, remaining unpaid on the shares held by them. A company is regarded as a separate legal entity and therefore, is separate and distinct from those who run it.

To qualify as a Private Limited Company the company must:

- limit the maximum number of members to 149;
- have a minimum of one director;
- have a company secretary, that can be an individual or body corporate - where there is a single director, they cannot also act as the company secretary;
- not list debt securities;
- restrict the members' right to transfer shares; and
- prohibit any invitation to the public to subscribe for shares.

A Private Limited Company is required to show the word 'Limited' (which may be abbreviated to "Ltd") in its name. The Ltd has a single document constitution which sets out details of the company's share capital and how it is regulated in accordance with the Companies Act 2014.

The Ltd does not have a principal objects clause and will have no restriction on the type of trade or transaction it can enter into, it will have the same legal capacity as a natural person.

Designated Activity Companies (DAC)

A Designated Activity Company (DAC) is a company which is formed for a particular purpose or to carry on a specific activity.

A DAC can be limited by shares or guarantee. It must have a minimum of two directors but can have a single member. A DAC's constitution will contain a Memorandum and Articles of Association. The Memorandum of Association will contain an objects clause that sets out the principle activity of the company, together with ancillary objects outlining in general style transactions the company can undertake. It is common for such objects to contain clauses around borrowing, providing security and such like.

A company may seek to register as a DAC for both legal and commercial reasons. For example a company which wishes to raise finance by the issuance of debt, is a credit institution or insurance undertaking will be legally required to register as a DAC. Another reason that a company may seek to register as a DAC, is where a company is set up and there is a commercial requirement to set out the purpose or the objective of the company (e.g. joint venture or SPV).

A DAC is required to show the words Designated Activity Company, (which may be abbreviated to DAC) in it's name. This may be viewed as a disadvantage as foreign investors may be unfamiliar with the designation.

Public Limited Company (PLC)

Public Limited Companies (PLC) 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;
- a minimum of €25,000 of share capital must be issued and maintained;
- 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.

The constitution sets 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 €25,000 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, PLCs 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. An unlimited company must include Unlimited Company or the letters "UC" at the end of its name. Unlimited companies must have a minimum of two directors. There is greater flexibility with repaying share capital in an unlimited company, as opposed to a limited company.

In all other respects, unlimited companies are similar in form to private limited companies. Some unlimited companies can avoid the filing of their financial information on public record. There is greater flexibility with repaying share capital in an unlimited company, as opposed to a limited company.

In practice, the use of unlimited companies is confined to particular situations where the members may wish to avoid the public disclosure associated with filing of accounts with the Registrar of Companies or where a limit on members' liability is not required.

Companies incorporated in other countries trading in Ireland

Foreign companies (i.e. companies incorporated outside Ireland) may conduct business in Ireland through a branch. Care needs to be taken to ensure that an entity does not fall within the charge to Irish tax. There is a distinction between trading into Ireland (i.e. distance selling) and trading in Ireland, where one may have established a presence thus creating a permanent establishment.

Branch

For Irish company law purposes, a branch is a division of a foreign company trading in Ireland that has the appearance of permanency, a separate management structure, the ability to negotiate contracts with third parties and 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.

Only companies registered abroad with limited liability are required to register as a branch in Ireland. Such foreign companies setting up a branch in Ireland are 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 the name and address of the person responsible for the branch's operation within the state and the name of a person resident in the state, who is authorised to accept service of documents on behalf of the branch. The foreign company's constitution (duly certified and legalised as required), 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 annually file its financial statements with the Registrar of Companies, 30 days of the last date of publication in the country of incorporation. Separate branch financial statements are not required for such filing, although they are required for tax return preparation purposes.
As with Irish incorporated entities, changes in previously notified information must be reported to the Registrar of Companies.

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 Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS);
- Irish incorporated companies are required to have their financial statements audited by a registered auditor each year (however, certain exemptions are available); and
- companies with subsidiaries must generally prepare group accounts (there is an exemption based on the size of the group provided that the financial statements are not prepared under IFRS).

Accounting standards

In Ireland IFRS are currently only mandatory for consolidated group accounts of listed companies. All other companies have a choice of following IFRS or Irish GAAP. Irish GAAP takes the form of Financial Reporting Standards (FRS) 101, 102 or 105 and is governed by guidelines issued by the Financial Reporting Council as promulgated by the Chartered Accountants Ireland (CAI). 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.

Filing/publication requirements

Irish companies are required to keep proper accounting records, which give a true and fair view of the state of the assets, liabilities and financial position of the company. The directors are also required to prepare financial statements 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. These accounts are available for public inspection.

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 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 and 'small groups' are exempt from having their financial statements audited, as well as companies that meet the definition of 'dormant' within the Companies Act. To qualify for the exemption the company or small group (with respect to the parent company, together with all of its subsidiaries) must meet two out of the three of the following criteria for both the current and previous accounting year:

- turnover less than €12 million;
- balance sheet total less than €6 million and
- average number of employees below 50.

This exemption does not apply to the following entities:

- parent or subsidiary companies where the combined group exceeds the audit exemption thresholds;
- public limited 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 and file financial statements.
In both the previous year and the year concerned, the annual return and accounts must be filed at the CRO within the time limit specified in the Companies Acts.

Small companies may claim a size/abridgement exemption such that they only need to file:

- the balance sheet;
- the auditors report; and
- note to the financial statements.

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 limits:

- the balance sheet total of the parent undertaking and its subsidiary undertakings, together does not exceed €6 million;
- the amount of the turnover of the parent undertaking and its subsidiary undertakings, together does not exceed €12 million; and
- the average number of persons employed by the parent undertaking and its subsidiary undertakings, together does not exceed 50.

However, a PLC cannot avail of the exemption, as it is expressed to apply only to parent undertakings that are private limited companies. Additional exemptions may be claimed where the parent undertaking is itself a subsidiary of another undertaking and certain conditions are met.

IFRS 15 (Revenue recognition)

IFRS 15 is a new accounting standard being implemented internationally which specifies how and when Revenue should be recognised in financial statements. IFRS 15 is expected to have a particular impact on companies who hold contracts with customers, eg telecommunication operators. IFRS 15 will now mandate these companies to recognise the Revenue when the transaction occurs and based on the performance of the contract, rather than when the customer will pay their cash obligations.

Asset management in Ireland

Ireland has long been noted as the domicile of choice for managers who are seeking to establish and service regulated funds which may be distributed globally.

Why Ireland for Asset Management?
Ireland stands out as the European domicile of choice for funds. It offers unrivalled expertise in the areas of fund administration, transfer agency, custody, tax, legal and audit services. Ireland offers a comprehensive suite of structured legal forms for both Undertakings for Collective Investment in Transferable Securities (UCITS) funds and non-UCITS Alternative Investment Funds (AIFs). Irish funds may take the form of:

- variable capital investment companies;
- Irish Corporate Alternative Vehicle's (ICAV'S);
- unit trusts;
- investment limited partnerships; or
- Common Contractual Funds (CCF's).

As of November 2018, there were 7,252 Irish domiciled funds with assets of approximately €2,473 billion.

In addition, in recent years Ireland has been the fastest growing international fund administration centre. In 2015, Irish administrators serviced 14,117 Irish and non-Irish funds, with assets under administration of €4.4 trillion.

Ireland has a favourable tax environment for investment funds:

- investment funds are generally not subject to any fund tax;
- no annual subscription tax is applied to Irish funds;
- no stamp duty is levied on fund units;
- no withholding taxes are deducted on payments from the fund to overseas investors;
- no wealth tax for funds or their investors;
- there are no Irish taxes on income or gains made by non-Irish resident investors on their investment fund holdings;
- Ireland's corporate tax rate of 12.5% is one of the lowest in Europe and positions Ireland well with respect to UCITS pan-European management companies; and
- Irish funds are entitled to reduced rates of withholding taxes on dividends and interests under double taxation agreements (in certain instances) which can have a positive impact on the investment performance of Irish funds.

Irish Collective Asset Management Vehicle (ICAV)
The ICAV is a bespoke corporate vehicle designed for Irish investment funds offering an increased level of choice for fund promoters. It modernises the corporate fund structure through its own facilitative legislation and is incorporated with the Central Bank of Ireland providing a robust regulatory framework. Existing funds may convert or re-domicile to an ICAV. Umbrella structures may be established with a number of sub-funds each with segregated assets and liabilities and flexibility in terms of the accounting standards to be applied. Conceived specifically with the needs of investment funds in mind. It has proven particularly attractive to US investors as it is an 'eligible entity' for US tax purposes.

Real Estate Investment Trusts (REIT)
As part of an effort to attract investment into the Irish commercial property sector and enhance Ireland as a location for property investments, Ireland introduced an investment vehicle - a REIT in 2013. A REIT vehicle is an internationally recognised vehicle aimed to facilitate investment from non-resident institutional private equity and pension groups in Irish commercial property. A REIT takes the form of a listed company, which is used to hold rental investment properties and it must have a diverse shareholder base.

A REIT lessens the risk as the investment can have a diverse asset base. Liquidity is also increased due to the REIT structure. The investor receives an after tax return similar to that of a direct investment in a property.

The debt limits within the REIT reduce exposure to negative equity. The entry cost for a REIT investment is the price of a single share, thus small investors can gain access to the property market without mortgage borrowing or property transfer costs.

To eliminate the double layer of tax, a REIT is exempt from corporation tax on qualifying profits from rental property. Instead the REIT is required to distribute the vast majority of profits annually, which is treated as income or a capital gain in the hands of the investor depending on the personal situation.

One primary objective is for REITs to complement the existing Irish funds industry offerings and to provide growth opportunities for the Irish financial services sector.
In addition, they may assist in the unwinding of National Asset Management Agency (NAMA) at the best possible return for the taxpayer. Several REIT investments have now been launched in Ireland.

Securitisation regime

Ireland has a very favourable tax regime for securitisation. Irish SPVs ensure that securitisation of loans and other assets are tax neutral. Irish SPVs are commonly used for tax structuring purposes by both financial institutions and mainstream corporate groups. The benefits of an Irish SPV include:

- generally tax neutral from an Irish perspective;
- can hold a wide range of assets (including aircraft);
- can be formed as a public or private companies;
- profit participating interest payments should be tax deductible (subject to anti-avoidance considerations); and
- no withholding tax on interest payments made to persons resident in an EU/treaty county.

As of quarter 3 in 2018, total assets within Irish residential SPVs was €709.6 billion in approximately 2,220 vehicles and QIAIFs holding Irish property or assets deriving their value from Irish property are subject to Irish tax. With regard to securitisation companies, Finance Act 2016 restricted the deductibility of finance expenses where the profits of the company derived from certain Irish loans and related assets. The restrictions were extended in Finance Act 2017 to include profits derived from shares in companies which derive the greater pat of their value from Irish land. For QIAIFs a withholding tax at 20% may apply on distributions from the fund and other taxable events where the investments are in Irish property or are linked to same.

Notwithstanding the recent changes, Ireland continues to offer a favourable tax regime for asset management and it continues to be a popular and expanding jurisdiction in the sector.

Appendices

Appendix 1 – Irish tax treaties

Source country tax rates in Irish tax treaties for dividend, interest and royalty payments

Country	Year of entry into effect	Dividends (%)	Interest (%)	Royalties (%)
Albania	2012	5/10	0/7	7
Armenia	2013	0/5/15	0/5/15	5
Australia	1984	15	10	10
Austria	1964	10	0	0/10
Bahrain	2010	0	0	0
Belarus	2010	5/10	0/5	5
Belgium	1973	15	15	0
Bosnia and Herzegovina	2012	0	0	0
Botswana	2017	5	7.5	5/7.5
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	1962	0	0	0/5
Czech Republic	1997	5/15	0	10
Denmark	1994	0/15	0	0
Egypt	2014	5/10	0/10	10
Estonia	1999	5/15	0/10	5/10
Ethiopia	2017	5	5	5
Finland	1990	0/15	0	0
France	1966	10/15	0	0
Georgia	2011	0/5/10	0	0
Germany	2013	5/15	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 Republic	1992	10/15	0	0
Kuwait	2013	0	0	5
Kazakhstan	2018	5/15	10	10
Latvia	1999	5/15	0/10	5/10
Lithuania	1999	5/15	0/10	5/10

Source country tax rates in Irish tax treaties for dividend, interest and royalty payments

Country	Year of entry into effect	Dividends (%)	Interest (%)	Royalties (%)
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	2012	0/5/10	0/10	5/10
Morocco	2012	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
Panama	2013	5	0/5	5
Poland	1996	0/15	0/10	10
Portugal	1995	15	0/15	10
Qatar	2014	0	0	5
Romania	2001	3	0/3	0/3
Russia	1996	10	0	0
Saudi Arabia	2013	0/5	0	5/8
Serbia	2011	5/10	0/10	5/10
Singapore	2011	0	0/5	5
Slovak Republic	2000	0/10	0	0/10
Slovenia	2003	5/15	0/5	5
South Africa	1998	0/5/10	0	0
Spain	1995	0/15	0	5/8/10
Sweden	1988	5/15	0	0
Switzerland	1965	10/15	0	0
Thailand	2016	10	0/10/15	0/10/15
Turkey	2011	5/10/15	10/15	10
UK	1976	5/15	0	0
Ukraine	2016	5/15	5/10	5
United Arab Emirates	2011	0	0	0
United States	1998	5/15	0	0
Uzbekistan	2014	5/10	5	5
Vietnam	2009	5/10	0/10	5/10/15
Zambia	2016	7.5	10	10

Source: Irish Revenue Commissioners - www.revenue.ie

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 R&D view Ireland as a uniquely attractive location in which to do business. These companies include the following.

ICT	R&D	Pharmaceutical/medical	Group treasury/cash pooling
Analog Devices	Dow Corning	Abbott Ireland	IBM Ireland
Apple Computer Ltd.	Xilinx	Allergan	Bristol Myers Squibb
Dell	IBM	Eli Lilly	Proctor and Gamble
Google	Intel	Merck Pharmaceutical	Newell Rubbermaid
Hewlett Packard	CRH	Johnson and Johnson	Pitney Bowes
Microsoft	Kerry Group	Tyco Healthcare	Alcatel-Lucent
Yahoo!		Boston Scientific	
Intel Ireland Ltd		Medtronic Ireland	
Facebook		Smith and Nephew	
LinkedIn		Shire	
Dropbox		Alkermes plc	
SAP		Pfizer	
Ebay			

Engineering	Captive insurance	Financial services	Shared service centres
Allied Signal	Coca Cola	Citibank Europe	Citibank
Pratt and Whitney	Hertz	Paypal	Dell
		JP Morgan	Xerox
		Citco Fund Services Ltd	Yahoo!
		PNC Global Investment Servicing Ltd	EMC Ireland
		ABN AMRO	CRH
		Bank of America	Kellogg's
		Northern Trust	
		Deutsche bank	
		Western Union	

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Jargon buster

ATAD - Anti Tax Avoidance Directives - these requires all Member States of the EU to enact laws that largely implement OECD BEPS outcomes on a number of measures

BEPS - Base Erosion and Profit Shifting project - being run by the OECD. It aims to tackle instances where companies use tax structures to erode tax bases, increase a focus on linking taxable income to substance and improve transparency.

CFC - Controlled Foreign Companies - corporate entity that is registered and conducts business in a different jurisdiction or country than the country of tax residence of the controlling owners.

CGT - Capital Gains Tax - a tax chargeable on gains arising on the disposal of assets. Most forms of property to include an interest in property, eg a lease is an asset for CGT purposes.

DTA - Double Tax Agreement – an arrangement between two jurisdictions that mitigates the problem of double taxation, which can occur when tax laws consider an individual or company to be a resident of more than one jurisdiction.

EU - European Union - a group of European countries that participates in the world economy as one economic unit and operates under an official currency, the Euro. The EU's goal is to create a barrier-free trade zone and to enhance economic wealth by creating more efficiency within its marketplace.

FDI - Foreign Direct Investment - an investment abroad whereby the company being invested in is controlled by the foreign corporation. There is usually a lasting interest by the direct investor in the direct investment entity, which is resident in an economy other than that of the investor.

IDA Ireland - Industrial Development Authority - Ireland's inward investment promotion agency, which is responsible for the attraction and development of foreign investment in Ireland.

IP - Intellectual Property - broad categorical description for the set of intangibles owned and legally protected by a company from outside use or implementation without consent. IP can consist of patents, trade secrets, brands, copyrights and trademarks or simply ideas.

KDB - Knowledge Development Box - the broad objective of the KDB is to promote innovation and provide an incentive whereby profits arising from patented inventions, copyrighted software and certain other specific asset classes can be effectively taxed at a reduced rate of 6.25%.

MNCs - Multinational Companies - corporations that have facilities and other assets in at least one country other than their home country. Such companies have offices and/or factories in different countries and usually have a centralised head office where they co-ordinate global management.

NAMA - National Asset Management Agency - a body created by the government of Ireland in late 2009, in response to the Irish financial crisis and to facilitate the availability of credit in Ireland.

OECD - Organisation for Economic Co-operation and Development – an organisation designed to promote policies that will improve the economic and social well-being of people around the world. The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems.

PAYE - Pay As You Earn - it is an Irish payroll tax and this system of tax deduction applies to all income from offices or employments (including directorships and occupational pensions).

PRSI - Pay Related Social Insurance - a PRSI contribution is a form of social insurance payable by employers in respect of full-time employees and part-time employees. It is also payable by full-time employees and part-time employees themselves (as there is both employer's PRSI and employees' PRSI).

R&D - Research and Development – an innovation or process improvement. It requires a systematic, investigative or experimental approach to be taken in a field of science or technology.

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