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# Tax reliefs for innovative businesses

*Are you benefiting from the latest tax changes?*

10 March 2016



# Agenda

- 8.15am **Opening**  
Oliver O'Connor – Director, Grant Thornton
- 8.20am **Knowledge Development Box**  
Brendan Murphy – Associate Director, Grant Thornton
- 8.45am **R&D tax relief**  
Conor O'Gorman – Assistant Manager, Grant Thornton
- 9.10am **Entrepreneur relief (CGT)**  
John Lyons – Partner, Grant Thornton
- 9.35am **Shareholding structures**  
Amanda Jayne Comyn – Director, Grant Thornton
- 10.00am **Q&A**
- 10.15am **Seminar ends**



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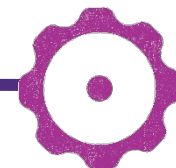
# Knowledge Development Box

**Brendan Murphy**

Associate Director

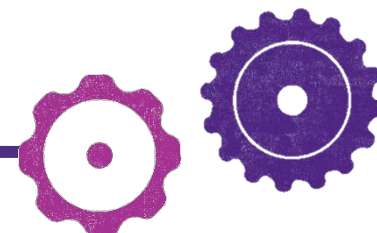
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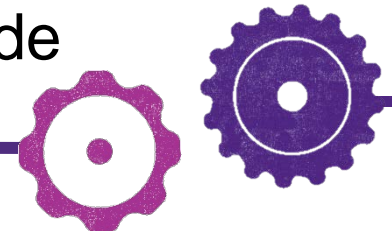
# Knowledge Development Box

- OECD preferential tax regime
- based on modified nexus approach
- linked to Irish R&D activities
- 6.25% tax rate on qualifying profits



# Knowledge Development Box

- qualifying assets:
  - patented inventions
  - copyrighted software
  - planter breeders' rights
  - supplementary protection certificates for medicinal products
  - plant protection certificates
- must be as a result of Irish R&D activities
- possible grouping of assets – "family of assets"
- more relaxed criteria for SMEs – see later slide



# Knowledge Development Box

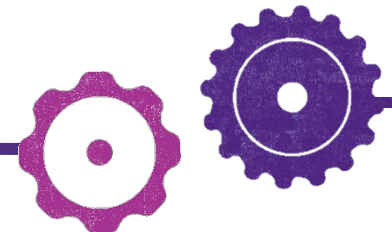
- separate trade – profits from qualifying asset
- formula applied to profits of specified trade to determine qualifying profits
- deduction of profits = 50% of qualifying profit
- losses similarly restricted by 50%

# Knowledge Development Box

Formula:

$$\frac{QE + UE}{OE} \times QA = \text{Qualifying Profits}$$

- QE = Qualifying Expenditure
- UE = Uplift Expenditure
- OE = Overall Expenditure
- QA = KDB trade profit (before KDB relief)



# Knowledge Development Box

- specified trade consists of one or more of the following:
  - managing, developing, maintaining, protecting, enhancing or exploiting IP
  - researching, planning, processing, experimenting, testing, devising, developing or other similar activity leading to an invention or creation of intellectual property, or
  - sale of goods or the supply of services that derive part of their value from activities described above





# Knowledge Development Box

- **profits of specified trade:**
  - royalty and licence fee income for use or exploitation of qualifying asset
  - embedded sales
  - need to attribute expenses
- **qualifying expenditure:**
  - expenditure on qualifying assets wholly and exclusively incurred in the carrying on of R&D activities in EU
  - the R&D activities must lead to development, improvement or creation of the qualifying asset
  - must be tax deductible in Ireland
  - outsourcing to non-group companies (anywhere)



# Knowledge Development Box

- **exclusions from qualifying expenditure**
  - acquisition costs
  - interest
  - group outsourcing costs
  - any costs that may be tax deductible outside the State
- **uplift in qualifying expenditure** based on lower of:
  - 30% of qualifying expenditure, or
  - total of acquisition and group outsourcing costs

# Worked example

- company involved in providing technology services with the following financial information:
  - expenditure on acquisition of a qualifying patent - €50,000
  - outsourcing costs relating to R&D carried by group company - €75,000
  - qualifying expenditure on patents and computer software - €90,000
  - overall expenditure on qualifying assets - €250,000
  - profit of specified trade relating to the patents and computer software - €450,000



# Worked example

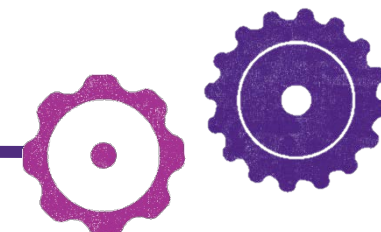
- profit of non-specified trade - €100,000
- uplift expenditure calculated as follows:
- lower of: 30% of €90,000 and €125,000 (being the acquisition and outsourcing costs) => €30,000
- qualifying profits to be:  $(QE + UE)/OE \times QA$ :
  - which is  $(€90,000 + €30,000)/€250,000 \times €450,000$ , being €216,000

# Worked example

Computation of tax as follows:

Taxable profits from non-qualifying assets	€100,000
Qualifying profits	€216,000
Non-qualifying profits of specified trade	<u>€234,000</u>
Total taxable profits prior to KDB relief	€550,000
Less KDB deduction (50% of €216k)	<u>€108,000</u>
Taxable profits	<u>€442,000</u>
Tax at 12.5%	€55,250

- if no KDB relief, tax charge would be €550,000 at 12.5% => €68,750. KDB saving is €13,500



# Knowledge Development Box

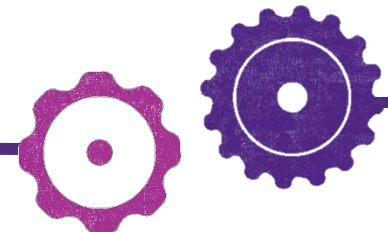
- apportionments:
  - transfer pricing for large companies
  - apportionment on just and reasonable basis for small companies
- relief available for accounting periods commencing on or after 1 January 2016 and before 1 January 2021
- claim to be made within 12 months of year end to which it relates



# Knowledge Development Box

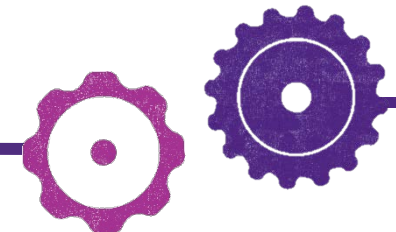
## Transitional rules:

- profits pre 31 December 2019:
  - include pre 2016 acquisition costs and group outsourcing costs
  - include qualifying expenditure for that year and preceding three years
  - can also include pre 1 January 2016 qualifying expenditure where appropriate documentation is in place
- post 1 January 2020 cannot include qualifying expenditure pre 1 January 2016
- documentation requirements



# Knowledge Development Box

- additional relief for micro SMEs
- companies with annual IP income < €7.5m
- total group annual turnover < €50 million
- expansion of definition of IP to include:
  - inventions certified as being novel
  - non-obvious
  - useful






# Knowledge Development Box

- potentially valuable relief where all/most of the R&D activities are taking place in Ireland
- may be of limited use for MNCs where R&D activities occur globally
- revenue guidance to issue over coming months
- collaborative approach being encouraged by Revenue
- embedded sales calculations may need consideration



<http://www.grantthornton.ie/insights/factsheets/knowledge-development-box>



## Knowledge Development Box (KDB)

**What it is?**  
Finance Act 2015 introduced the Knowledge Development Box (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 Research and Development (R&D) expenditure incurred by the Irish company as a proportion of its overall global R&D expenditure, thereby making 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 and plant protection certificates. To ensure the KDB includes patents granted by the Irish Patent Office, legislation is currently being drafted 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 Enterprises (SMEs) benefit from an expansion of the definition of Intellectual Property (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.

**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 (see below);  
OE = Overall Expenditure on qualifying asset; and  
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.

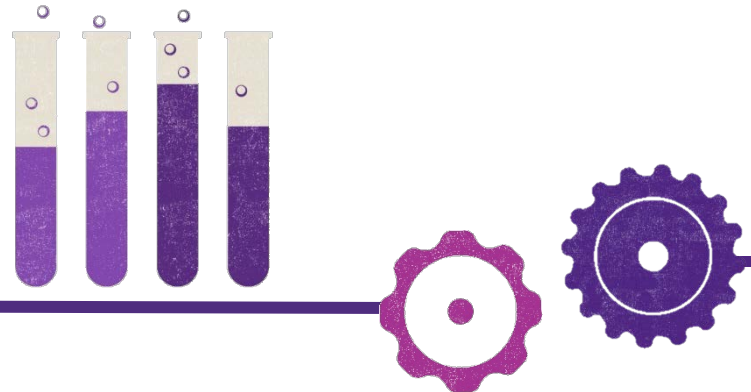


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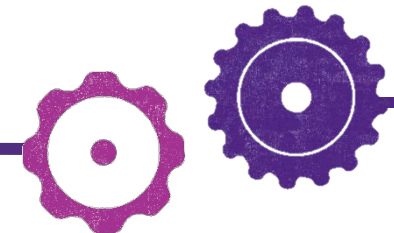
# R&D Tax Credit

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# Overview

- introduction
- qualifying criteria
- qualifying expenditure
- what Grant Thornton do?



# R&D tax credit regime

- **€25 for every €100** spent on R&D – S.766 (2) TCA 1997
- offset against corporation tax - S.766 (2) TCA 1997
- available as a **cash refund** - S.766 (4B) (a) TCA 1997
- in addition to trading deduction
- **key employee** reward mechanism – R&D staff effectively receive part of remuneration tax free (certain criteria apply)  
S. 472D TCA 199
- removal of the base year from 1 January 2015

# Five key requirements

**Systematic,  
investigative or  
experimental  
activities**

**Revenue  
approved field  
of science or  
technology**

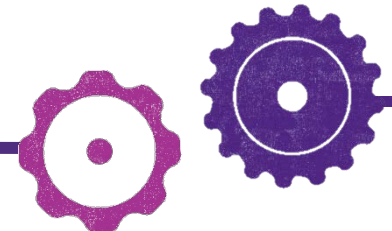
**I. Basic  
research  
II. Applied  
research  
III. Experimental  
development**

**Involve the  
resolution of  
scientific or  
technological  
uncertainty**

**Seek to achieve  
scientific or  
technological  
advancement**

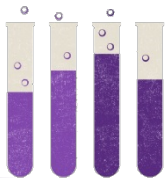
# Qualifying activities

- "1. systematic, investigative, or experimental activities"  
R&D Guidelines 2015 Section 3.1



# Qualifying activities

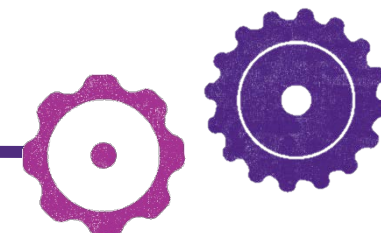
- "the categories of activities that qualify for relief are set out in S.I. No. 434 of 2004, TCA 1997 (Prescribed Research and Development Activities) Regulations 2004
- natural sciences
- engineering and technology
- medical sciences
- agricultural sciences"
- R&D Guidelines 2015 Section 3.2





# Potentially eligible R&D activities

- new software design
- **engineering** design and development of new hardware components
- development of new pharmaceutical products
- innovation in software architectures.
- design of **medical devices**
- extensions of programming language
- work in developing new generic methods of capturing, transmitting, storing, retrieving or manipulating, searching, securing or displaying data
- the list goes on



# Economic reality

- R&D tax credit - high visibility
- recent amendments, "key employee" and "above the line"
- cost rose by 43% between 2008 - 2013 – From €145.7m to €421m
- numbers claiming the R&D tax credit (<75 2004) (1,500, 2011)
- average yield from Dublin R&D Audit - €189k. vs €39k for non R&D audit



# Economic reality

## *R&D tax credit claims per trade sector*

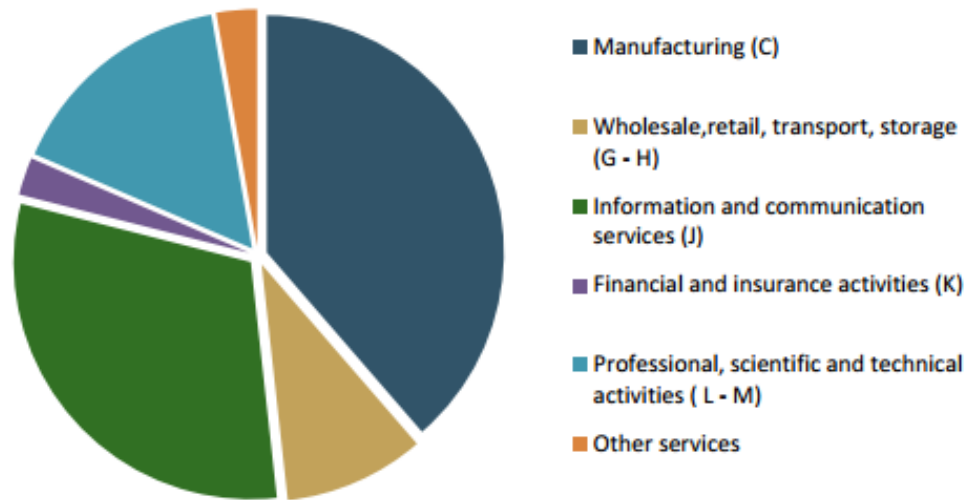
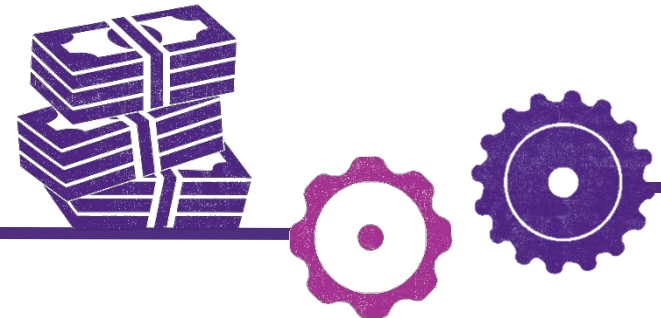


Figure 6: Business expenditure on R&D, sectoral distribution, 2012  
Source: CSO

<http://budget.gov.ie/Budgets/2014/Documents/Department%20of%20Finance%20Review%20of%20R&D%20Tax%20Credit%202013.pdf>

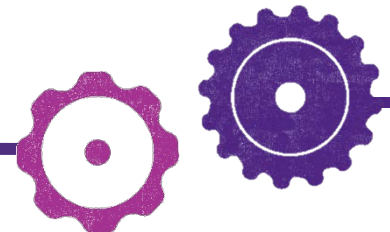
# Eligible expenditure

- salaries
- health insurance
- plant & machinery
- materials
- overheads
- third parties
- R&D guidelines 2015 section 4



# What to include?

- eligible expenditure –salaries, overheads etc.
- outsourced R&D expenditure
- R&D grants – need to be deducted
- plant and machinery
- buildings and structures



# Example one

## Software company 31 December 2015

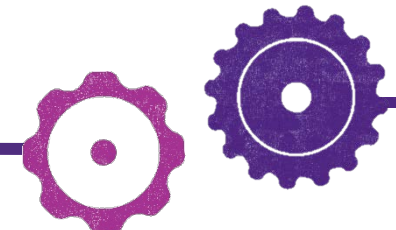
Costs incurred	€	% element R&D
Salaries	450,000	(50% R&D)
Hosting costs	70,000	(100% R&D)
Recruitment fees	5,000	(For R&D staff member)
Travel	12,000	(R&D staff mileage)
Parking fines	1,000	(R&D staff member)
ABC Ltd (subcontractor)	385,000	(90% R&D)
Total R&D spend	923,000	

# Example one

## Software company 31 December 2015

Cost incurred	€	"Enable"	Disallowed in guidelines	Not tax deductible	Subcontract	Subtotal	R&D element	R&D Expenditure
Salaries	450,000					450,000	90%	405,000
Hosting Costs	70,000	70,000				-		
Recruitment fees	5,000		5,000			-		
Travel	12,000		12,000			-		
Parking fines	1,000			1,000		-		
<b>Sub-contractor</b>	<b>ABC Ltd (Subcontractor)</b>	<b>385,000</b>	<b>%</b>	<b>Total Expenditure element R&amp;D Element</b>	<b>385,000</b>	<b>-</b>		
ABC Ltd		385,000	90%	346,500			<b>Total internal Spend</b>	405,000
		385,000		346,500			<b>Subcontractor</b>	100,000
							<b>Total R&amp;D</b>	505,000

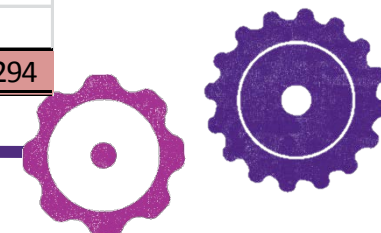
<b>Subcontractor Expenditure restricted to the greater of:</b>		
€100,000	100,000	-
or		
15% of internal expenditure (405,000 x 15%)	60,750	-
<b>Allowable Subcontractor</b>	-	100,000



# Example one

## Software company 31 December 2015

Total qualifying R&D spend	505,000		
<b>25% R&amp;D Tax Credit</b>	<b>126,250</b>		
<i>Available for off-set against current year CT</i>			
<i>Excess available for prior year CT</i>			
Excess available as a cash refund	<b>31/12/2015</b>	<b>31/12/2016</b>	<b>31/12/2017</b>
Cash installments:			
1st instalment (33%)	41,663		
2nd instalment (50%)		42,294	
3rd Instalment (Balance)			42,294
	41,663	42,294	42,294





# Above the line vs below the line

## **"Above the line"**

R&D tax credit reduces the cost of doing R&D

## **Profit line**

## **"Below the line"**

R&D tax credit reduces the tax charge



# Above the line vs. below the line

- from an accounting perspective, the R&D tax credit is treated similar to a grant towards R&D expenditure and can be presented in the income statement as a pre-tax grant
- companies should be aware that refunds are not certain to be paid over when recognising the R&D tax credit "above the line."

# Key employee reward mechanism

- ✓ effective income tax rate cannot be reduced below 23%
- ✓ must be 50%+ involved in R&D activities
- ✓ must be employee of the company
- X not a director or connected to a director
- X cannot have shareholding of more than 5%
- X capped at amount of corporation tax due
- **key employee** reward mechanism is likely to have greater relevance for multinationals

# Common mistakes

- inclusion of expenditure which is simply not eligible, e.g. related to R&D activity undertaken outside EEA
  - expenditure which is not tax deductible
  - capex on which no capital allowances are available
- apportionment methods are not "just and reasonable"
- capital expenditure is not "trued-up"
- start and finish dates of R&D are important
- R&D reports are not prepared on a timely basis – 12 month rule

# Future of the R&D tax credit

- integration with KDB
- total R&D spend in Ireland €2.9bn (1.55% GDP) in 2014
  - EU average 2.03%
  - EU objective increase total R&D spend to 3% of GDP by 2020
- Irelands objective has a target of 2.5% (est €4.6bn) of GDP by 2020
- future is bright for R&D tax credit

# What we do

- financial review
  - in line with Revenue practice
- technical review
  - use of professor's reports from previous R&D audits
- process management
  - preparation of all encompassing R&D report

# Publications

<http://www.grantthornton.ie/insights/factsheets/rd-tax-credit-claiming-back-what-youre-owed/>



## Research and Development (R&D) tax credit: *Claiming back what you're owed*

March 2016

*At Grant Thornton we assist a wide array of companies to claim the R&D tax credit, and to ensure that they have the necessary documentation in place in the event of enquiries from Revenue. We would be happy to help you and your company in this area.*



**What is the R&D tax credit?**  
Ireland's R&D tax credit system is a major benefit to both multinational companies and SMEs operating in Ireland. The R&D tax credit was first introduced in Finance Act 2004 and offers a company undertaking R&D in Ireland a very significant tax break given that it represents a potential 25% refund of costs incurred. In essence, it means companies incurring qualifying R&D spend can potentially claim a refund from Revenue of €25 for every €100 of expenditure on R&D.

**Qualifying R&D activity**  
In order to qualify for the R&D tax credit, the activities undertaken by the company must meet the criteria set out under Irish tax legislation. The R&D activity must be:

- systematic, investigative or experimental activity;
- in a field of science or technology;
- other:
  - basic research;
  - applied research; or
  - experimental development.
- involved in the resolution of a scientific or technological uncertainty and seek to achieve a scientific or technological advancement.

**What is qualifying R&D expenditure?**  
In order to utilise the R&D tax credit fully and optimally, it is important to ensure that all eligible costs are captured in the claim. Eligible R&D expenditure can come from a multitude of sources such as:

- direct costs;
- limited indirect costs;
- plant and machinery;
- third party royalties;
- payments to third party subcontractors and third level institutions; and
- qualifying buildings/structures.

**Rewarding key employees**  
Companies in receipt of the R&D tax credit now have an option to use a portion of the credit to reward key employees who have been involved in R&D activities. The effective income tax rate for such key employees may be reduced to a minimum of 23%, provided certain conditions are met by the company and the individual.

**Claiming the relief**  
All R&D tax credit claims must be submitted no later than 12 months after the end of the accounting period in which the expenditure was incurred. The R&D tax credit may also be surrendered between group companies provided certain conditions are satisfied. For companies with corporate tax liabilities, the credit can be used to offset tax payable. For companies who do not have corporate tax liabilities, the credit can be claimed as a refund over three years, subject to the total payroll taxes remitted by the company to Revenue.

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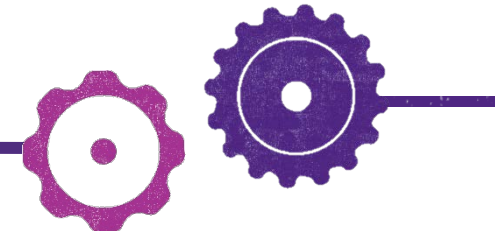
# Entrepreneur Relief

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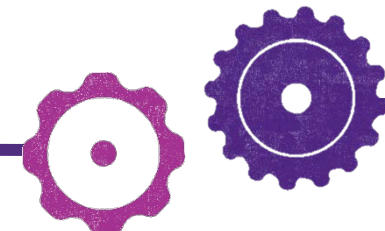
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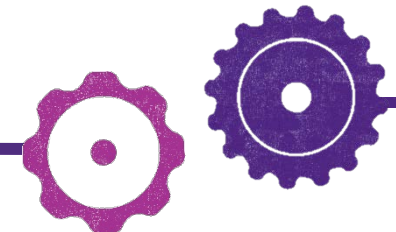
# Gains on shares - reliefs and exemptions

- entrepreneur relief
- retirement relief
- participation exemption



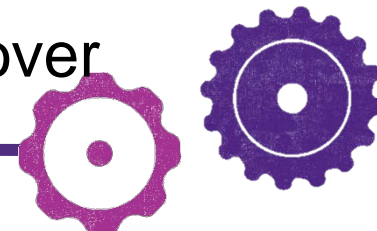
# Entrepreneur Relief - S597AA TCA 1997

- reduced CGT rate of 20% on gains on shares in a relevant company
- on maximum gains of €1m - lifetime limit from 1 January 2016
- qualifying business - other than investments, land development
- individual owning at least 5% of shares for a continuous period of three years in the five years ending with disposal
- director/employee working >50% of time in a managerial or technical capacity for minimum continuous period of three years in five years ending with disposal



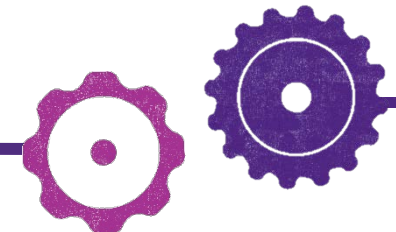
# Retirement Relief- S598/599 TCA 1997

- provides relief from CGT on gains on shares in trading company made by an individual:
  - holding 25% of voting rights or at least 10% where >75% of the voting rights held by family
  - aged 55 years or over
  - having been a director for the ten years ending on date of disposal in five of which he/she was a full time working director
- unlimited proceeds where disposal to child with one exception: limit of €3m for disposals after 31 December 2013 by an individual aged 66 or over



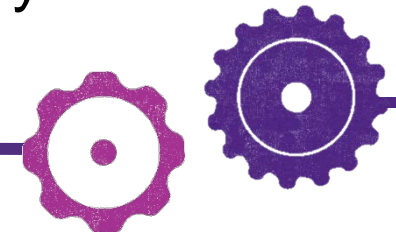
# Retirement Relief- S598/599 TCA 1997

- proceeds on disposals to third parties limited to €750k if disponent aged <66, €500k if >66



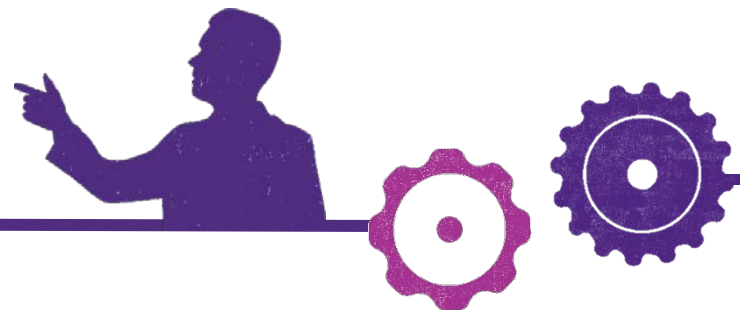
# Participation exemption

- full relief from CGT available to holding companies on gains on disposal of shares in certain subsidiaries, provided:
  - the holdco owns at least 5% of the ordinary shares in the subsidiary for 12 months at any time within the two years prior to disposal
  - the holdco is beneficially entitled to 5% of the profits of the subsidiary and 5% of the assets on a winding up
  - the subsidiary company is tax resident in the EU or a country with which Ireland has a double tax treaty
  - the subsidiary is an active trading company or part of a trading group

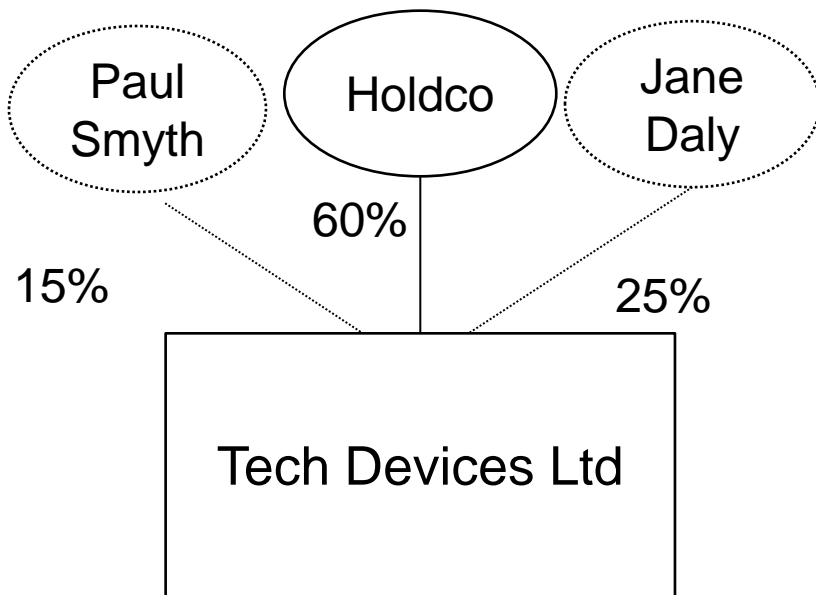


# Participation exemption

- the shares in the subsidiary must not derive their value or the greater part of their value directly or indirectly from Irish land



# Example: Tech Devices Ltd



- Tech Devices Ltd is a trading company established in 2004
- Jane Daly is MD and founder, 57 years old, holds 25%
- Paul Smyth is CTO, joined 2011 when he acquired 15%
- Holdco is the personal holding company of Jim Ryan, another founder

## Example: Tech Devices Ltd

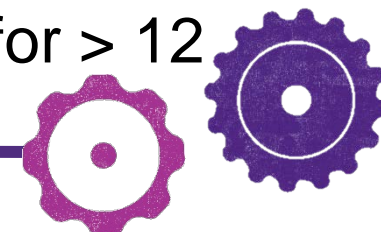
Jane, MD, is 57 years old, has owned shares for > ten years

- proceeds €650,000
- CGT – full exemption – retirement relief €0

Paul, CTO, is 40 years old, has owned shares for > three years

- proceeds €390,000
- acquisition cost €15
- gain - full exemption - entrepreneur relief €389,985
- CGT @ 20% €77,997

- Holdco has exemption from CGT on its gain as it held >5% of the shares in Tech Devices Ltd for > 12 months







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# Shareholding structures

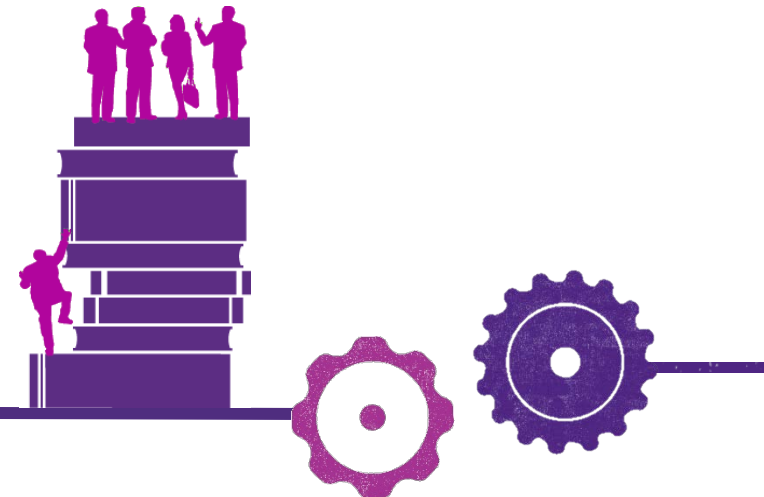
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# Overview of lecture

- domestic mergers and divisions
- Summary Approval Procedure (SAP)
- golden share structure
- share option schemes

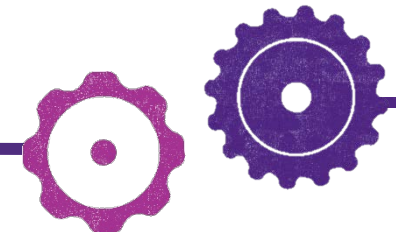


# Section 464 – domestic mergers

- section 464 of the act brings domestic merger relief into legislation for Irish private companies limited by shares
- mirrors the provisions of EC (Cross-Border Mergers) Regulations, 2008 which apply to an Irish company and a company incorporated in another EU jurisdiction
- act facilitates cost-effective and efficient process for the implementation of a domestic merger using the SAP which removes the requirement to make a court application (although this can still be done)

# Types of merger

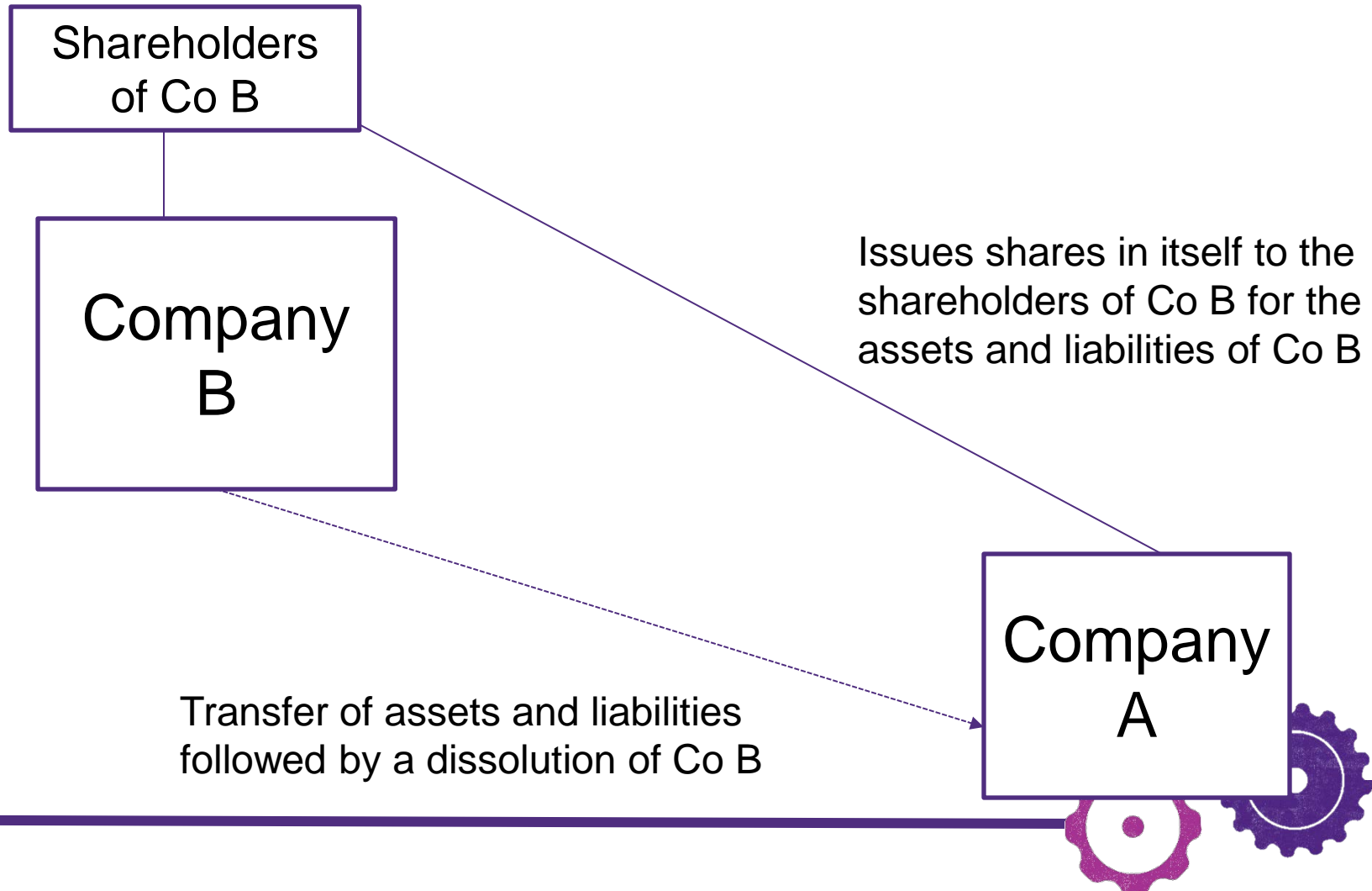
- 1. merger by acquisition** – all assets and liabilities of one or more companies are acquired by one company, and the other company or companies are dissolved without going into liquidation, in exchange for the issuance of shares by the acquiring company to the shareholders of the target company
- 2. merger by absorption** – a parent company absorbs the assets and liabilities of a subsidiary which is subsequently dissolved without going into liquidation



# Types of merger

- 3. formation of a new company** – all assets and liabilities of one or more companies are acquired by a newly incorporated company, and the transferring companies are dissolved without going into liquidation, in exchange for the issuing of shares in the newly formed acquiring company to the shareholders of the transferring companies

# Merger by acquisition

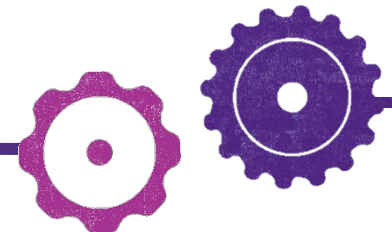


# Merger by absorption

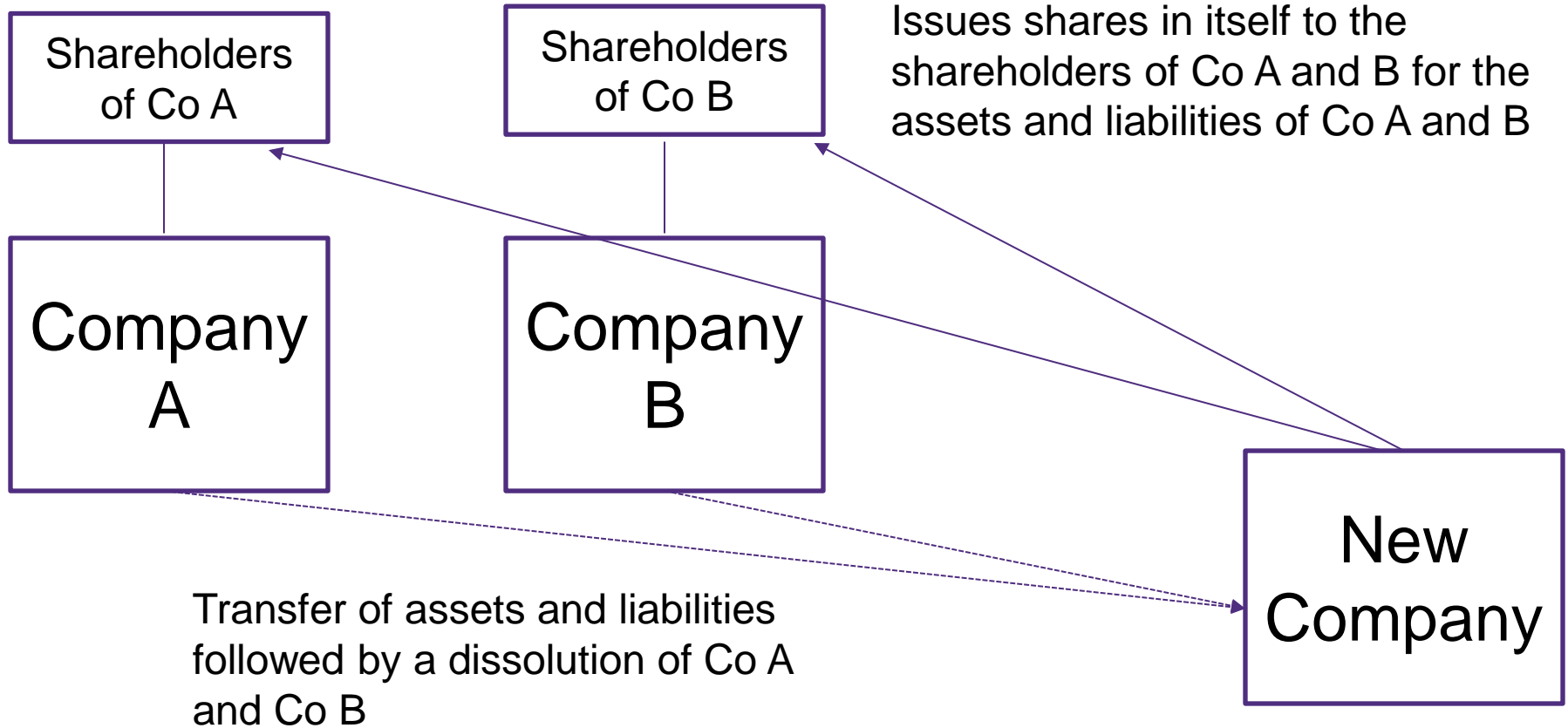
Company  
A

Company  
B

Transfer of assets and liabilities  
followed by a dissolution of Co B



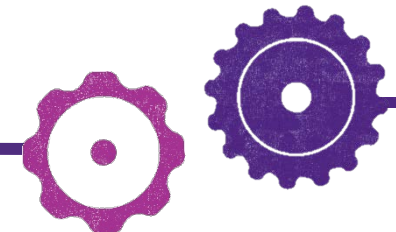
# Merger by formation of new company





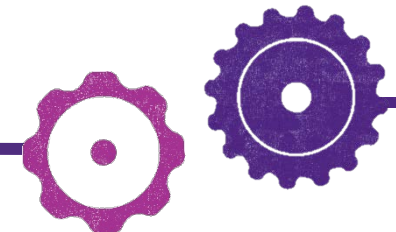
# Implications of mergers

- some implications of a merger include:
  - all assets and liabilities transfer to the successor company
  - all members of the transferor company become members of the successor company
  - each type of merger is the dissolution of the transferor company without any liquidation
  - legal proceedings pending by or against any transferor company shall be continued, however there will be a substitution for the transferor company, of the beneficiary company as a party to the proceedings



# Implications of mergers

- every contract or agreement or instrument to which the transferor company is a party shall be read as if the successor company had been the original contracting party



# Tax implications

- part 21 TCA 1997 (sections 630 – 638) contains the provisions relating to cross-border mergers and ensures that these transactions can be achieved in a tax neutral manner

**631**

Transfer of trading operation in Ireland in return for securities in the company which takes over the trade

**632**

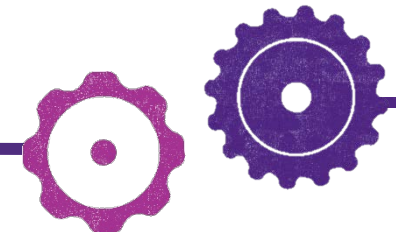
Transfer of assets by a company to its parent company

**633D**

Dissolution not a disposal of shares

# Tax implications

- Section 633D ensures that where a company is dissolved without going into liquidation and transfers all its assets and liabilities to its parent company shall not be treated as involving a disposal by the parent of the share capital in the subsidiary
- Section 584, 586 and 587 apply to the treatment of shareholders to ensure there is no taxable disposal on the transfer of their shares on a merger
- there is a specific exclusion provided in respect of mergers under Section 624 from the claw back of group relief under Section 623



# Tax reliefs – mergers by absorption

Tax	Cross border merger	Domestic merger
Capital Gains Tax (CGT)	632 TCA which applies Section 615 and 617	617 TCA – does exception from clawback under 623 apply to domestic mergers too?
Capital allowances	631 which applies section 307 and 308 – if 400 TCA also applies choice as to which to use	400 TCA
Stamp duty	79 SDCA – section 79(5) application? is there any exception to the 2 year hold period? – does the liquidation concession apply?	79 SDCA – section 79(5) application? is there any exception to the 2 year hold period? – does the liquidation concession apply?

# Summary Approval Procedure (SAP)

- a key new feature of The Companies Act 2014 (The "Act")
- streamlined and cost-effective process
- SAP provides a validation procedure that permits companies to carry out significant transactions that would otherwise be restricted under the Act
- the criteria required to carry out an effective SAP although similar in many aspects will wholly depend on the activity the company wishes to participate in

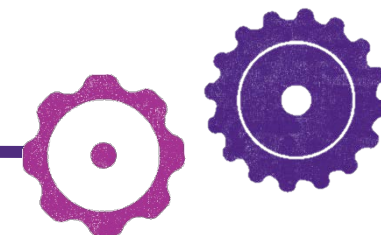
# SAP validates restricted transactions

- loans to directors (Section 239)
- financial Assistance for the acquisition of own shares (Section 82)
- members' voluntary winding-up (Section 579)
- treatment of pre-acquisition reserves (Section 118)
- mergers (Section 464)
- reduction in capital (Section 84)
- variation of capital on a re-organisation (Section 91)



# General SAP procedure

- **special resolution** (unanimous for mergers) giving directors authority to carry out restricted activity:
  - not more the 12 months prior to restricted activity
  - where resolution to be passed at general meeting, notice of meeting together with copy of declaration and proposed resolution
  - if resolution relates to pre-acquisition profits must be passed 60 days prior to that restricted activity or 30 days if member holding more than 90% of issued share capital vote in favour of special resolution

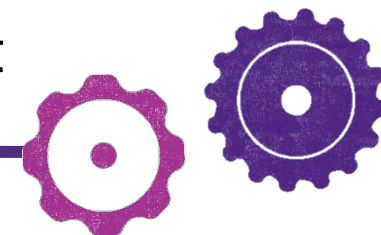






# General SAP procedure

- **declaration by directors:**
  - containing prescribed information required for the relevant restricted activity
  - delivered to CRO within 21 days of restricted activity taking place. Failure to deliver declaration to CRO within the prescribe time frame will invalidate the activity
- **independent accountant's report**
  - certain activities require an independent accountant's report to accompany the directors declaration when going to the members. The report must state in the opinion of the auditor, the declaration is "not reasonable"





# Golden share – what is it?

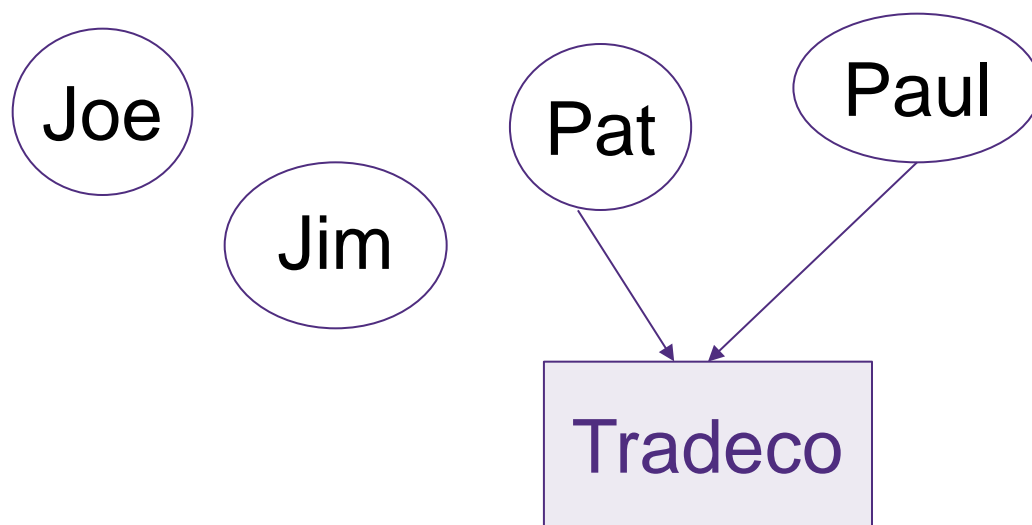
- creation of a non voting share
- issue these shares to the related company
- only right is the right to appoint the board of directors
- no right to dividend, no right to share in surplus on winding up (optional)
- legal group S7 of 2014 Act

# Golden share – considerations

- legal group not a tax group
- may have to prepare group accounts depending on its size
- if group accounts are prepared they must be filed in the companies office
- this structure can be broken down quite easily if the need arises
- often used in merger and acquisition situations

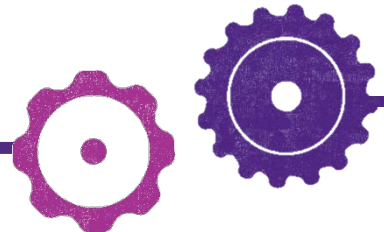
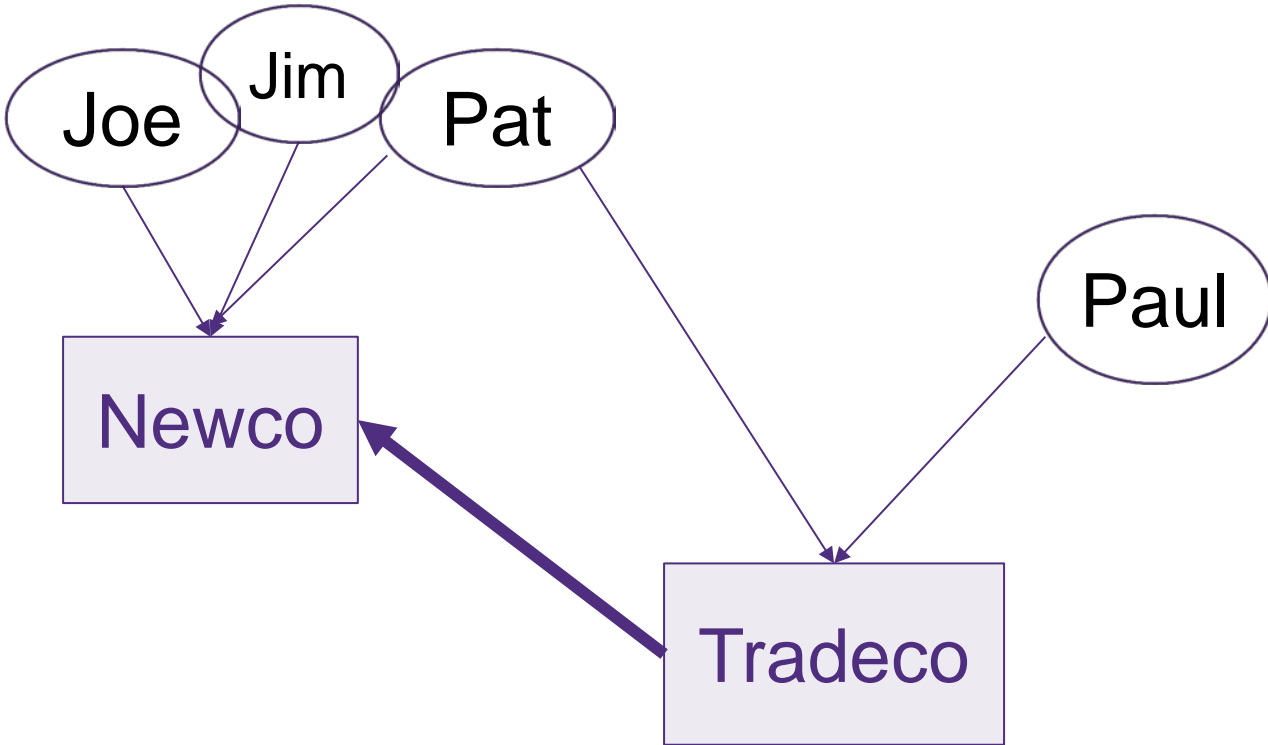


# Section 239 and Section 82 in use



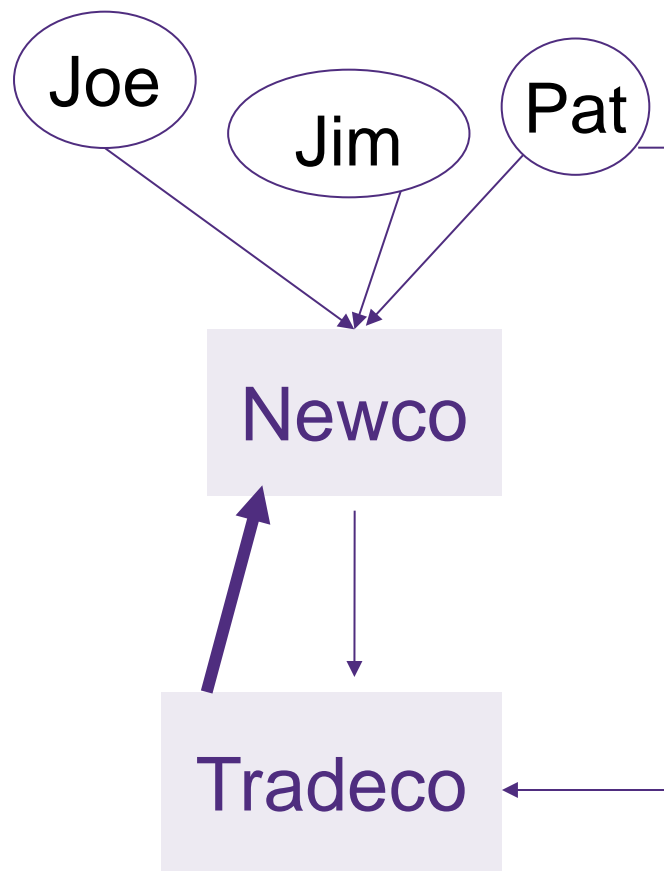


# Section 239 and Section 82 in use





# Section 239 and Section 82 in use



# Irish tax treatment of share awards

Scheme	Income Tax	PAYE	USC	EE PRSI	ER PRSI	Taxable Event	Taxable Value	Who is responsible for accounting for Income Tax/USC/PRSI
Clog Scheme	√	√	√	√	X	Acquisition of shares	Discounted for Clog period	<b>Employer</b> through payroll
Stock Options	√	X	√	√	X	Exercise of option	Difference between price paid and market value at the date of acquisition of shares	<b>Employee</b> on filling of Form RTSO1
Save As You Earn (SAYE)	X	X	√	√	X	Acquisition of shares	Difference between price paid and market value at the date of acquisition of shares	<b>Employer</b> through the payroll
Approved Profit Sharing Scheme (APSS)	X	X	√	√	X	Appropriation of shares	Market value of the shares at the date of appropriation	<b>Employer/Trustee</b> when funds given to trustees to purchase shares
Restricted stock units (RSUs)	√	√	√	√	X	Vesting of award	100% of market value of the shares, depending on the employees tax residence status at the date of vest	<b>Employer</b> through payroll
Other Share Awards	√	√	√	√	X	Depends on the award	Usually market value at taxable event, however may be reduced depending on the type of award	<b>Employer</b> through payroll

# Feedback

Please take the time to fill out our feedback form



## Tax relief for innovative businesses Are you benefiting from the latest tax changes?

FULL NAME \_\_\_\_\_ ORGANISATION \_\_\_\_\_

Overall what is your rating on this morning's event in relation to the below (rate from 1-10, 1 being poor and 10 being excellent)

Brendan Murphy: Knowledge Development Box	<input type="checkbox"/>	Conor O'Gorman: R&D tax relief	<input type="checkbox"/>
John Lyons: Entrepreneur relief (CGT)	<input type="checkbox"/>	Amanda Jayne Comyn: Shareholding structures	<input type="checkbox"/>
Please rate the material for relevance (1-10)	<input type="checkbox"/>	Insightfulness (1-10)	<input type="checkbox"/>

Are you interested in further updates/information? Yes  No

If so please provide your email address:

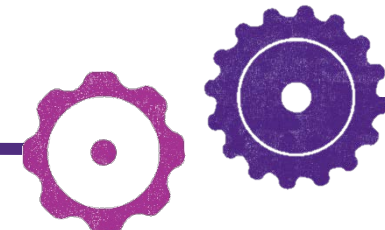
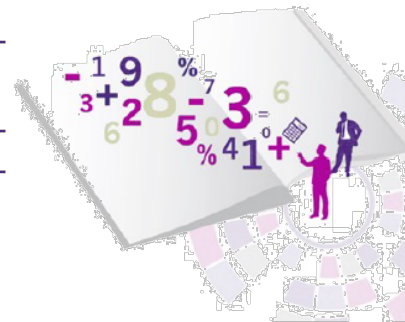
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Is there any further topics you would like to hear about or any further comments?

\_\_\_\_\_

Thank you for attending and completing our feedback form

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# Questions & feedback



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- these slides lay down a suggested proposal only and the information contained in these slides does not purport to be comprehensive but is purely for guidance and discussion purposes only