Corporate tax update

December 2017

Welcome to our first tax update focusing on issues relevant to corporate clients, both large and small.

Deadlines approaching for December year-ends

As the year comes to a close, it is important for companies to reflect on their compliance obligations to ensure they are met, thereby avoiding any unnecessary penalties or restrictions of reliefs.

Consideration should be given in particular to the following deadlines in respect of the year ending 31 December 2016 and any claims or filings made as appropriate.

Claim/return	Deadline dates	Comments
Research and Development (R&D) tax credit claim for 2016	31 December 2017	An R&D claim must be made within 12 months of the year end in which the qualifying R&D expenditure is incurred
Section 291A intangible assets claim for expenditure incurred in 2016	31 December 2017	A Section 291A claim must be made within 12 months of the year in which the qualifying capital expenditure is incurred
Filing of iXBRL financial statements for 2016	23 December 2017	To avoid a late filing surcharge imposed by Revenue, iXBRL accounts should be filed on time

Group relief for losses

Group relief for certain losses to other members of the group must be claimed within two years of the end of the accounting period in which the loss arose.

Consequently, for the accounting year ended 31 December 2015, a claim must be made by 31 December 2017.

Finance Bill 2017 – Corporate tax

Finance Bill 2017 was published on 19 October 2017. The Bill provides the legislative basis for measures announced in Budget 2018, as well as introducing new previously unannounced measures. On the corporate tax side, the following measures were introduced.

Intangible asset allowances
The 80% cap on Section 291A allowances against qualifying Intellectual Property (IP) related income has been re-introduced in respect of expenditure on IP assets incurred post 11 October 2017, Budget 2018 release day. This results in a minimum effective 2.5% corporate tax rate on the exploitation of such newly acquired IP.

Energy-efficient equipment
The 100% capital allowances relief for certain energy-efficient equipment has been extended for a further three years until the end of 2020.

Interest as a charge relief
Interest relief under Section 247 TCA 1997 for multi layered holding company structures has now been legislated for, thus removing the ambiguity that existed in the past with such structures.

Impact of accounting changes for tax purposes
The existing provisions dealing with changes in accounting standards and policies have been updated to accommodate changes to FRS102, etc. This ensures that instances of double counting or income or expenses dropping out of the tax net are avoided on changes of accounting standards or on the correction of errors.

Have you made your Country by Country (CbC) reporting notification to Revenue for 2017?

As you may be aware, Ireland adopted the OECD Country by Country Reporting (CbC) obligations in Finance Act 2015 for accounting periods beginning on or after 1 January 2016. The CbC requirements apply to multinational companies with annual consolidated group revenue of €750 million or more in the preceding fiscal year.

Where applicable, a CbC report must be filed by the parent or nominated group company within 12 months of the end of the relevant accounting period. For companies reporting in Ireland, the filing deadline has been **extended for one time only** from 31 December 2017 to **28 February 2018** in respect of 2016 periods. This is due to delays in Revenue getting the Revenue Online Service (ROS) ready for filings.

Irish resident companies within multinational groups, must notify Revenue of the nominated group CbC reporting entity by the last day of their accounting period.

Such CbC reports will then be available for sharing between the relevant tax authorities on a confidential basis. For more information in respect on this notification requirement, please get in touch with us.

12 months

to file a CbC report for accounting periods beginning on or after 1 January 2016.

US tax reform proposals

Despite a slow start, the Republican Party's proposals for reform of the US tax system have recently gathered significant pace in their progression through the US legislative process. A tax reform bill was passed by the House of Representatives on 16 November. Subsequently, the Senate following significant change to their initial proposals to ensure success, separately passed their version of the reform bill on 2 December with a 51-49 majority.

Due to significant differences between the bills passed by the House and the Senate, the next step will be to reconcile the two bills and it is likely any compromise version will need to pass both chambers again. Consequently, the road ahead is still far from smooth for these long awaited reform proposals.

The common headline measures include a reduction of the federal corporate tax rate from 35% to 20% and a move from a worldwide to a territorial tax system, which will have significant implications for the taxation of global subsidiaries of US groups, including negating the benefit of keeping foreign profits offshore. Extensive changes are also proposed to the taxation of individuals, with a view to simplifying the system.

The costs of such proposals will be substantial and one of the key issues is how such extensive reform will be funded in light of US budgetary requirements.

Grant Thornton's US national tax office have prepared a summary of the proposals together with comparisons between the alternative versions. They are also holding regular webcasts to discuss latest updates and progress with the proposals. These can be found **here**.

Irish corporate tax reform

A report on the Irish corporate tax code was published by the Department of Finance on 12 September 2017. This was prepared by Mr Seamus Coffey and made various suggestions for bringing the Irish corporate tax regime into line with global tax initiatives.

The report concluded that some of the proposals, including changes to transfer pricing rules, the taxation of IP trades and adoption of EU anti-tax avoidance proposals, require further public consultation to consider the full ramifications of such changes.

In this regard, the Minister for Finance on 11 October 2017, Budget 2018 release date, announced the launch of a public consultation on the Irish corporate tax regime. This consultation period runs from Budget release day to 30 January 2018 and all interested parties are invited to make contributions.

If you would like to make any particular points on the proposals made by Mr Coffey or other aspects of the corporate tax code, we invite you to contact us and we will be happy to discuss your suggestions and include them within Grant Thornton's submission to the consultation.

Contact

Should you wish to discuss any of the above topics further, please do not hesitate to contact us.

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