

Investing in Ireland

Issue 7, July 2010



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Welcome to the seventh edition of PwC's newsletter on foreign direct investment ("FDI") in Ireland.

This issue goes to print as the introduction of Ireland's new

transfer pricing regime draws near, a €500m venture capital Innovation Fund is launched by the Irish government and PwC's 2010 CEO Pulse Survey shows positive signs of continued investment in Ireland.

This edition includes items such as nanotechnology, accounting and tax treaty updates, Green IFSC as well as recent announcements relating to foreign direct investment. Remember to visit our new

FDI website for all the latest updates and more detailed information (<http://www.pwc.com/ie/fdi/>).

Should any of the topics covered in this newsletter be of particular interest to you, please do not hesitate to contact me, any member of our team, or your usual PwC Ireland contact. If any of your colleagues would like to be included on our mailing list, please let us know.

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Did you know?

- 6 of the top 7 global diagnostics companies are located in Ireland
- 15 of the top 20 medical devices companies are located in Ireland
- More than 50% of the world's leading financial services firms have a significant presence in Ireland
- Ireland has one of Europe's most comprehensive legal frameworks for the protection of IP rights
- Ireland has the largest exchange for funds listing in the world and is a leader in the global market for alternative investments

Ireland's one, two, three...

- **1st** for real corporate taxes
- **1st** for FDI jobs per capita
- **1st** for FDI and corporate tax regime
- **1st** in Europe for ease of paying taxes, third year running
- **1st** for internationalisation and openness out of 29 countries
- **2nd** lowest total tax rate in the EU
- **3rd** most globalised nation behind Singapore and Hong Kong

Meet the team

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PwC 2010 CEO Pulse Survey: Cost competitiveness and tax are critical

PwC's 2010 CEO Pulse Survey was released in June, revealing the results of key questions posed to CEOs of MNCs based in Ireland. Overall, the survey indicates positive signs for continued investment in Ireland. The results indicate that those surveyed are more upbeat about investing in Ireland. 40% of MNC CEOs having Irish operations said that they were considering additional investment in Ireland, representing an increase of 25% on last year's result.

The survey also highlighted that of the MNCs who responded, 75% said that they are neither reducing investment nor closing existing operations in Ireland.

It is notable that the number of respondents considering closing operations in Ireland and relocating abroad is down by almost 50% on last year, down to 8% from 15%.

CEOs rated the top three factors to maintain Ireland's attractiveness as a location of choice for foreign direct investment to be improving our cost competitiveness (51%), a continued commitment to a stable and low tax regime (43%) and enhancing investment in education and up-skilling (30%). Please see the publications section of our website for more details (<http://www.pwc.com/ie/>).

Irish graduates top of the class

According to an EU Commission study on European universities, Ireland has come top of the 'efficiency and effectiveness' league. The study has shown that Irish graduates are the most highly employable in Europe, Irish universities have the highest graduation rate in Europe and Ireland has the highest percentage of graduates in Europe. In a separate study, Ireland is placed second highest in the EU for 3rd level education completion (of 25-34 year olds) at 42.3%.



Think Transfer Pricing

Now that the deadline for "Grandfathering" existing intercompany arrangements has passed, and the effective date for the new transfer pricing regime of 1 January 2011 draws closer, MNCs should continue to prepare all required pricing and documentation to support all intercompany arrangements.

Irish Revenue issued guidance in June detailing the Irish transfer pricing documentation requirements. Notably, the guidance states that in order for a company to be in a position to make a complete and correct Irish tax

return, documentation supporting the arrangement must exist at the time the Irish tax return is filed.

This is more onerous than anticipated but is mitigated by the fact that a taxpayer can maintain documentation in a form "of its own choosing". Additionally where documentation which supports the Irish arrangement exists in another territory, this will be sufficient from an Irish perspective. Please see our transfer pricing website (<http://www.pwc.com/ie/en/transfer-pricing/>) for more details.

IFRS for SMEs

The Accounting Standards Board (ASB) has provided an update on the future of Irish/UK Generally Accepted Accounting Practice (GAAP). The update indicates that, following a review by the ASB of comments received during the consultation period, the ASB has tentatively agreed to a one year deferral from the proposed application date of 1 January 2012 for transition to IFRS for SMEs. Earlier application will be permitted. In addition to the deferral of

the proposed application date, the ASB is considering the possibility of subsidiary entities applying full IFRS for recognition and measurement, but with reduced disclosures.

The ASB plans to review all comments received and issue an Exposure Draft in the coming months outlining its recommendations on the future framework for UK/Irish GAAP. Please see the publications section of our website for more details (<http://www.pwc.com/ie/>).

A selection of recent announcements...

2010 has seen 63 new FDI investments in Ireland to date, of which 20 were from companies setting up operations in Ireland for the first time, 22 were expansion investments from existing client companies and 21 of the investments were in Research and Development. Here is a selection of new announcements since issue 6, released in March 2010....

Stream Global Services, Inc., a premium business process outsourcing service provider expects to create 425 multilingual technical support positions within the next 12 months. The new positions created will provide technical support in 17 languages across Europe...

US based medical devices company, **Merit Medical**, is to invest €6.7 million in expanding its operation in Galway with the creation of 100 new jobs, establishing Galway as the European centre of Merit's operations...

FCStone Group, the US based integrated commodity risk-management company, has announced that it is to establish its European Headquarters in Dublin. The front office risk management services to be carried out in this new operation are the first of their kind to be established in Europe...

Analog Devices Ireland is to invest €23m in R&D at its Limerick facility in...

Spencer Stuart, the leading executive search consultancy firm, is to establish a multi-million euro Global Technology and Knowledge Centre in Dublin...

LinkedIn, the world's largest professional network, announced that it is to recruit 35 finance professionals at its International Headquarters in Dublin...

Biotrin, a leading developer and manufacturer of diagnostic platform technology, announced an investment in a new Research and Development project in Dublin with the creation of 40 new high end jobs...

Zurich, which has a long-standing presence in Ireland, has been on a 2 year recruitment drive since the end of 2008 involving the creation of 240 new jobs by the end of 2010 bringing the total number employed by the company in Ireland to 1,100...

IBM announced the opening of its new Smarter Cities Technology Centre which will create as many as 200 new roles over the next three years....

MFG.com, the largest online sourcing marketplace in the world dedicated to serving the global manufacturing industry,

is to establish an EMEA Operations Centre in Co. Louth. The company aims to create over 50 high-skilled positions over the next two years at the operation...

Straker is to establish its European headquarters and customer support hub in Kerry, with the creation of 25 high-value jobs....

ENERCON is to establish a technical services operation in Kerry, creating 30 new technical and management positions over the next 2 years....

Electronic Arts announced plans to open a European customer service and operations centre for its BioWare studio, to be based in Galway....

Google is creating 200 jobs in Dublin, with a new investment in a shared services that will bring its workforce in Ireland to about 1,800 people....

Webroot, the internet security firm announced it is to establish its international headquarters in Dublin, creating 50 jobs over two years....

SAP/Business Objects announced it will to commence recruitment of 75 staff in Dublin....

Telefónica is to establish a European People Services Centre in Dublin, creating 100 new high-skilled positions by the end of 2012....

McAfee, Inc. officially opened its new, state-of-the-art facility in Cork....

MSD has chosen Dublin as the hub for its newly established Shared Business Services Centre for its EMEA operations creating 150 high quality jobs....

Mirror Controls International (MCI) is to consolidate its European manufacturing operations into its Irish plant based in Leitrim. The transfer of production to the facility will result in the creation of 50 jobs....

United Technologies Corporation established an energy and security research centre creating 37 jobs through an investment of €15m....

NovaUCD, University College Dublin's technology transfer centre, has created 30 new high-tech jobs at client companies since the start of the year....

HSBC plans to hire 25 new staff to work within its trade, treasury and cash management teams....

Abtran is to create 300 new jobs over the next three years following a €3.5m investment in R&D....

Generali PanEurope announces that it is to create up to 30 new jobs at its base in Meath....

Citrix Systems Ireland, announced that it is increasing its workforce by up to 30 full time employees....

eBay is to create 150 new jobs at its European Centre of Excellence in Dublin....

Dell announced 100 new jobs at Dublin and Limerick....

HP is to create 60 new jobs at its Global Solutions Centre in Dublin....

PPD opened a new Contract Research Facility, creating up to 250 high value positions for Ph.D.-level students, analytical laboratory staff and other clinical development professionals. PPD are investing up to €14 million in the new facility....

AXA Global Distributors (Ireland) Limited is establishing a global life product distribution and servicing subsidiary in Dublin creating 200 high value employment positions over the next 3 years....

“Our decision to locate AXA Global Distributors in Dublin was down to the track record and success of our other operations in Ireland, the availability of highly educated graduates with language skills and the access Ireland provides us to EU markets.”

*Matthieu André,
Joint Managing Director of
AXA Global Distributors*

Green IFSC

The Irish Minister for Communications, Energy and Natural Resources has said the Government's plan to create a "Green IFSC" could create 20,000 jobs over the next 5 to 10 years. The Minister added that a new Green IFSC could specialise in clean energy project finance or carbon trading and that it could also look at ethical fund management and administration.

The idea of a green IFSC came from a Government backed report which stated that there was potential to create 80,000 sustainable jobs in the "green economy" by 2020.

Opportunities for Islamic finance in Ireland

PwC's new report "Open to comparison: Islamic Finance and IFRS" highlights that Ireland has recently made the regulatory and taxation changes necessary to accommodate a wide range of Islamic financing transactions. As a result, Ireland is now well placed to play a major role in the anticipated growth in the global Islamic Finance market.

Accounting for such complex transactions can be a challenge and Ireland now offers a framework which is comparable with that available for other finance transactions.

Nanotechnology investment

The opening of a new €12million microscopy laboratory brings the ability to work on a nanoscale to Ireland. The advanced microscopy laboratory can be found at the Centre for Research on Adaptive Nanostructures and Nanodevices (CRANN) at Trinity College Dublin. The facility is already being used by multinational technology companies such as Intel and HP.

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€500m innovation fund



This month the Irish government launched "Innovation fund – Ireland", a €500m fund to support enterprise development and jobs creation. Innovation fund – Ireland will result in the establishment of a number of leading international venture capital fund managers in Ireland and is part of the Irish government's continuing strategy to position Ireland as one of the most attractive places for entrepreneurial activity and high-skilled job creation.

Tax treaty update

Ireland has signed comprehensive double taxation agreements with 59 countries, of which 48 are in effect.

In June and July 2010, Ireland signed three new agreements with Morocco, Hong Kong and United Arab Emirates.

A new agreement with Macedonia which came into force on 12 January 2009 became effective from 1 January 2010, while a new agreement with Malta which came into force on 15 January 2009 also became effective from 1 January 2010.

The legal procedures to bring the new agreements with Bahrain, Belarus, Bosnia and Herzegovina, Georgia, Moldova and Serbia into force were completed by

Ireland in April 2010. Legal procedures to bring the new agreement with Albania into force are currently being followed.

Protocols to the agreements already in place with Austria and Malaysia were signed on 16 December 2009 and a Protocol to the treaty already in place with South Africa was signed on 17 March 2010. The legal procedures to bring these Protocols into force are currently being followed.

Negotiations for new agreements with Armenia, Kuwait, Montenegro, Saudi Arabia, Thailand, United Arab Emirates and for a Protocol to the existing treaty with Germany have been concluded.

Would you like to know more?

Should any of the topics covered in the newsletter be of particular interest to you, please do not hesitate to contact any member of the Inward Investment team, those listed below, or your usual PwC Ireland contact. If any of your colleagues would like to be included on our mailing list, please let us know. Please click on our website www.pwc.com/ie/fdi for information on various topics of interest for investors, including:

- Why Ireland?
- Establishing in Ireland – how PwC can help
- Generating cash from Irish R&D activities
- Ireland as a centre for IP management
- Grants regime for inward investors
- International mobile employees
- Company law and other legal updates
- Finance Act 2010
- Doing business and investing in Ireland
- Tax facts

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