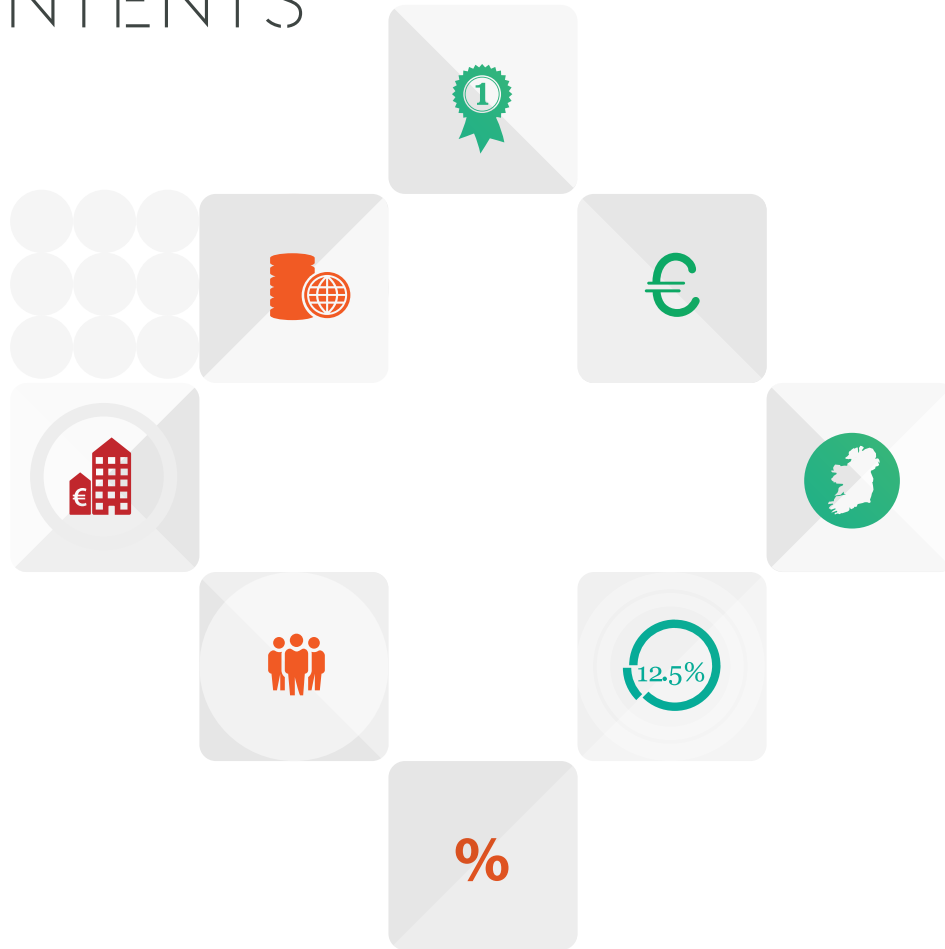


TAXATION IN IRELAND 2016

CONTENTS



CORPORATE TAX IN IRELAND | 02

TAX RELIEF AVAILABLE | 04

RESEARCH & DEVELOPMENT (R&D) TAX CREDIT | 06

INTANGIBLE ASSETS &

INTELLECTUAL PROPERTY (IP) IN IRELAND | 07

INTERNATIONALISATION | 08

TAXES ON CAPITAL | 10

TAX ADMINISTRATION & OTHER BUSINESS TAXES | 11

PERSONAL TAXATION | 13

FURTHER INFORMATION | 15

IRELAND'S CORPORATE TAX RATE

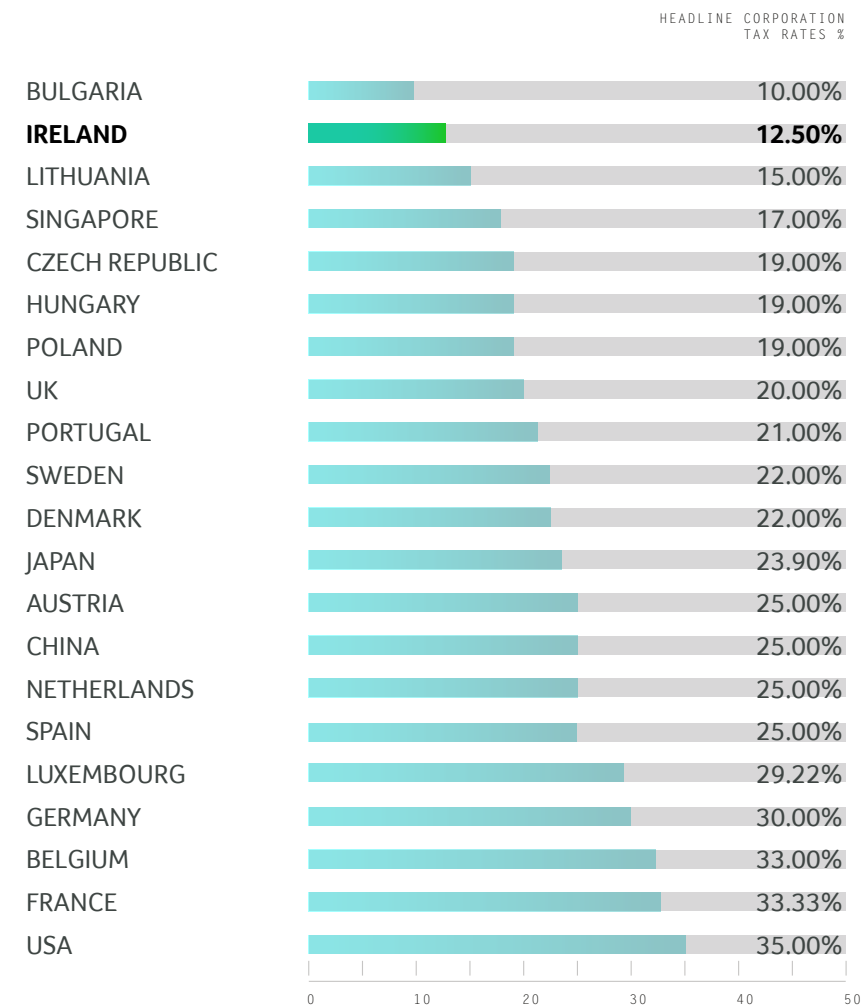
Corporate tax rates have been one of the principal elements of the favourable enterprise environment in Ireland for more than three decades. The Irish tax regime is open and transparent and complies fully with OECD guidelines and EU competition law.

Rate - The Government policy in relation to the 12.5% rate of corporation tax is clear.

Regime - This refers to the additional elements of Ireland's broader Corporation Tax Strategy, e.g. OECD compliant knowledge development box, 25% R&D tax credit, relief for expenditure on intellectual property (IP) and an attractive holding company regime.

Reputation - Ireland offers a transparent corporation tax regime accompanied by a growing network of international tax treaties with full exchange of tax information.

CORPORATE TAX RATES



Source: PwC, 2016

The above rates are reflective of the relevant CIT rates in the specified countries as of 8 January 2016.

CORPORATE TAX IN IRELAND

The key features of Ireland's tax regime that make it one of the most attractive global investment locations include:

- a 12.5% corporate tax rate for active business;
- a 25% Research & Development (R&D) tax credit;
- an intellectual property (IP) regime which provides a tax write-off for broadly defined IP acquisitions;
- an OECD compliant knowledge development box;
- an EU-approved stable tax regime, with access to extensive double taxation agreement network and EU directives;
- an attractive holding company regime, including participation exemption for gains on disposals of most shares;
- an effective zero tax rate for foreign dividends (12.5% tax rate on qualifying foreign dividends, with flexible onshore pooling of foreign tax credits);
- generous domestic law withholding tax exemptions;
- attractive reliefs for staff assigned from abroad, key staff working in R&D and staff carrying out work in certain¹ countries.

¹ See page 14

Corporate Tax Rates

Ireland's 12.5% corporate tax rate on trading income is one of the lowest 'onshore' statutory corporate tax rates in the world. It is not an incentive regime, rather it is Ireland's standard tax rate applicable to active business or 'trading' income.

A tax rate of 25% applies to non-trading income (passive income) such as investment income, rental income, net profits from foreign trades, and income from certain land dealings and oil, gas and mineral exploitations.

The Irish Corporate Tax System

The extent of a company's liability to Irish corporation tax depends on its tax residence. Irish resident companies are liable to corporation tax on their worldwide income and capital gains. A company is tax resident in Ireland if its central management and control is located in Ireland or it is incorporated in Ireland (but there are exceptions for certain existing Irish companies).

Companies not resident in Ireland, but with an Irish branch, are liable to corporation tax on:

- profits connected with the business of that branch and
- any capital gains from the disposal of assets used by or held for the purposes of the branch in Ireland. Companies not resident in Ireland which do not have an Irish branch are potentially liable to income tax on any Irish source income and capital gains tax from the disposal of specified Irish assets (e.g., Irish land/buildings, certain Irish shares, etc.).

Calculating Tax Liability

The financial statements of Irish businesses must generally be prepared under Irish GAAP or IFRS (US or other GAAP are not generally acceptable) and they will be used as the basis for determining taxable company profits for Irish tax and reporting purposes. Ireland has transfer pricing legislation endorsing the OECD Transfer Pricing Guidelines and the arm's length principle. It is confined to related party dealings that are taxable at Ireland's corporate tax rate of 12.5% (i.e., 'trading' transactions). There is an exemption for Small and Medium Enterprises.

In Ireland, companies are liable to corporation tax on their total profits, including trading income, passive income and capital gains. In order to calculate the amount of profit that is subject to Irish tax, it is necessary to understand the reliefs available.

TAX RELIEF AVAILABLE

Interest

Interest on borrowings used for a trade or business is generally tax-deductible on an accruals basis, subject to some exceptions. Interest on borrowings used for non-trading purposes, for example, for the acquisition of shares in another company, may be deductible on a paid basis, subject to certain conditions.

Capital Allowances

Generally, with the exception of certain intellectual property (see page 7) and leasing taxpayers, accounting depreciation and amortisation are not deductible in calculating business profits for tax purposes. Capital allowances (or tax depreciation) are, however, available in relation to expenditure on:

Plant and Machinery

- Expenditure on plant and machinery, fixtures and fittings, and certain software, etc., may be written off at 12.5% per annum on a straight-line basis over an 8-year period.
- Expenditure on scientific equipment is eligible for a 100% year one capital allowance.
- Expenditure, before 1 January 2018, on qualifying energy-efficient equipment qualifies for a 100% year one capital allowance (in the year of the expenditure) as part of the Irish Government's Green Initiative.

Eligible equipment includes:

- Motors and drives;
- Lighting;
- Building Energy Management Systems (BEMS);
- Information and Communications Technology (ICT);
- Heating and electricity provision;
- Process and heating ventilation and air-conditioning (HVAC) control systems;
- Electric and alternative fuel vehicles;
- Refrigeration and cooling systems;
- Electro-mechanical systems;
- Catering and hospitality equipment.

Industrial Buildings

Expenditure on industrial buildings used for manufacturing purposes qualifies for an annual tax allowance of 4%, written off on a straight-line basis over a 25-year period.

Losses

Trading losses can be used as follows;

- Offset trading income and foreign dividends taxable at the 12.5% rate in the same period;
- Offset trading income and foreign dividends taxable at the 12.5% rate in the immediately preceding period;
- Offset trading income of subsequent periods.

To the extent not usable against trading income, a current year trading (12.5%) loss can effectively be converted into a tax credit which may be used to reduce the corporation tax payable on other passive income and chargeable gains in the same period or the immediately preceding period.

Capital losses can typically be offset against other capital gains, either within the same period or in future periods (subject to some exceptions).

Group Relief

Ireland's tax regime does not involve the filing of consolidated tax returns. Affiliated companies may, however, be able to avail of corporation tax 'group relief' provisions. Irish tax legislation provides that two companies are deemed to be members of a group of companies if:

- one company is a 75% subsidiary of the other company; or
- both companies are 75% subsidiaries of a third company.

The companies in the group include those resident in Ireland, any EU Member State or any country which has a double taxation agreement with Ireland and companies quoted and traded on a recognised stock exchange.

Group relief can be claimed in Ireland on a current year basis in respect of the following:

- trading losses;
- excess management expenses;
- excess rental capital allowances and
- excess charges on income (such as certain interest expense).

While loss relief is typically restricted to losses of an Irish trade, Irish legislation provides that an Irish resident parent company may offset against its profits any losses of a foreign subsidiary resident for tax purposes in the EU or any other EEA country which has a double taxation agreement with Ireland.² This is provided that the losses cannot be used in the local jurisdiction.

Capital Gains Tax (CGT) Group

Where capital assets are transferred between companies in a CGT group, they are transferred at such amount that will trigger neither a gain nor a loss, provided that each company is within the charge to Irish tax. CGT group relief has the effect of deferring any CGT that may arise on the transfer of a capital asset within the group until the asset is disposed of outside the group.

A group for CGT purposes is a principal company and all its effective 75% subsidiaries, including 75% subsidiaries of those 75% subsidiaries. The relevant companies must be resident in Ireland, any EU Member State or any other EEA country which has a double taxation agreement with Ireland.²

Pre-Trading Expenses

Certain pre-trading expenses of companies are allowable in calculating taxable trading profits once the trade has commenced. A deduction is allowed for pre-trading expenses incurred in the three years prior to commencement of the trade.

Examples of eligible pre-trading expenses include:

- accountancy fees;
- advertising costs;
- costs of feasibility studies;
- costs of preparing business plans;
- rent paid for the premises from which the trade operates.

Tax Exempt Government Securities

Foreign-owned Irish companies are exempt from corporation tax on interest earned on certain Irish Government securities issued to them. Such securities can be issued in a number of major currencies.

² Iceland and Norway

Grants re Employment

Employment grants paid by IDA are exempt from corporation tax. Payments made under the JobsPlus Incentive are also exempt. The JobsPlus Incentive provides that payments of up to €10,000 are made to employers who recruit employees who have been unemployed for more than a year.

Three-Year Exemption for Start-Up Companies

A three-year exemption from corporation tax demonstrates Ireland's commitment to encouraging entrepreneurship, business start-ups and employment creation. Companies that are incorporated after 14 October 2008 and commence to trade between 1 January 2009 and 31 December 2018 are granted relief on:-

- profits of the new trade, and
- chargeable gains on disposals of assets used for the new trade.

Where the total amount of annual corporation tax does not exceed €40,000, a full exemption may be available. Where the corporation tax is between €40,000 and €60,000 marginal relief is given. The quantum of relief is also linked to the employers' PRSI (max €5,000 per employee) paid by the company in the relevant accounting period. If the PRSI exceeds the corporation tax, the excess may be carried forward and offset against future corporation tax liabilities after the three-year exemption period ends.

RESEARCH & DEVELOPMENT (R&D) TAX CREDIT

Ireland has an R&D Tax Credit scheme since 2004. Qualifying R&D expenditure generates a 25% tax credit for offset against corporation tax, in addition to the tax deduction at 12.5%. Its purpose is to encourage both foreign and indigenous companies to undertake new and/or additional R&D activity in Ireland. The R&D tax credit is available to Irish resident companies and branches on the cost of in-house, qualifying R&D undertaken within the EEA, provided such expenditure is not otherwise eligible for tax benefits elsewhere within the EEA.

In order to qualify for the tax credit, it is necessary to seek to achieve scientific or technical advancement and involve the resolution of scientific or technological uncertainty.

Qualifying expenditure includes both revenue and capital expenditure. In practice, qualifying expenditure includes wages, related overheads, plant and machinery, and buildings.

The credit regime also provides that:

- the greater of 5% of the R&D expenditure and €100,000 can be outsourced to European universities (includes Irish universities); and in addition
- the greater of 15% of the R&D expenditure and €100,000 can be sub-contracted to other unconnected parties.

Companies may surrender some or all of the R&D tax credit to key employees working in R&D³.

Where there is insufficient corporation tax liability to utilise the remaining credit in a particular year or previous year, the tax credit can be refundable over a three year period, provided conditions are satisfied. Otherwise it is carried forward.

How it works - example of Irish support for R&D spend of €100

COMPANY PERSPECTIVE	IRISH SUPPORT		
R&D SPEND	100.00	TAX RELIEF: 90 @ 12.5% =	11.25
GRANT AID (10%)	<u>(10.00)</u>	TAX CREDIT: 90 @ 25% =	<u>22.50</u>
NET OF GRANT COST	90.00	TOTAL TAX SAVING	33.75
TAX SAVING	<u>(33.75)</u>	PLUS GRANT AID	<u>10.00</u>
TOTAL NET COST	<u>56.25</u>	TOTAL SUPPORT	<u>43.75</u>

³ See page 14

INTANGIBLE ASSETS & INTELLECTUAL PROPERTY (IP) IN IRELAND

In 2009, a new IP tax incentive was introduced for expenditure incurred on the acquisition of intangible assets. The relief applies to qualifying acquisitions occurring after 7 May 2009 and allows for the capital expenditure to be written off over a fixed period of 15 years or over its useful life for accounting purposes. The relief is given by means of a capital allowance (tax depreciation) deduction available against trading income from the management, development or exploitation of the intangible asset concerned. There is no clawback of relief if the disposal is after 5 years, where expenditure is incurred after 13 February, 2013.

The regime applies to specified intangible assets recognised under generally accepted accounting practice, which include the following:

- patent, registered design, design right or invention;
- copyright;
- trade mark, trade name or trade dress;
- brand or brand name;
- domain name, service mark or publishing title;
- know-how;
- authorisations to sell medicines, etc.
- customer lists, except where acquired as part of the transfer of a business as a going concern
- certain software;
- any licence in respect of, and any goodwill attributable to, the above;
- costs associated with applications for certain legal protection.

There is a stamp duty exemption also; see page 10.

Other Tax Deductions for IP Costs

Other existing provisions continue to apply, separate to this scheme, for revenue and capital expenditure on qualifying scientific research and the acquisition of software, where the software is used for 'end use' business purposes.

Knowledge Development Box

Ireland's tax system encourages both the creation and management of intellectual property, by means of our 12.5% corporate tax rate, 25% R&D tax credit, our IP tax regime and, most recently, the Knowledge Development Box. The Knowledge Development Box (KDB) is the first OECD-compliant KDB in the world. The Minister for Finance stated in his 2016 Budget Speech;

"This puts Ireland in a unique position to offer long-term certainty to innovative industries planning their research and development investments."

The law provides that profits from qualifying assets (mainly certain patented inventions and copyrighted software) earned by an Irish company can, to the extent that the profits relate to R&D undertaken by the Irish company, be taxed at an effective rate of 6.25 per cent. The profits from qualifying assets is the proportion that the Irish company's R&D costs (qualifying expenditure) bear to the total R&D costs (overall expenditure) incurred on the qualifying assets. The qualifying expenditure includes the cost of R&D that is outsourced to unrelated parties but excludes expenditure on R&D performed by related parties and the cost of acquired intellectual property. As these expenditures are excluded, an "uplift" provides that qualifying expenditure may be increased by the lower of

- 30 per cent of qualifying expenditure or
- the aggregate of amounts paid to related parties and to acquire intellectual property.

The overall expenditure includes any expenditure on R&D performed by other group companies or amounts paid to acquire intellectual property. The relief is available to companies for accounting periods beginning on or after 1 January 2016 and on or before 31 December 2020.

INTERNATIONALISATION

Thanks to our attractive tax, regulatory and legal regime, combined with our open and welcoming business environment, Ireland's status as a world-class location for international business is well established.

Ireland's main tax advantages for holding companies are:

1. Capital gains tax participation exemption on disposal of qualifying shareholdings;
2. Effective exemption for foreign dividends via 12.5% tax rate for qualifying foreign dividends and a flexible foreign tax credit system;
3. Double tax relief available for tax suffered on foreign branch profits and pooling provisions for unused credits;
4. No withholding tax on almost all dividends paid to treaty countries (or intermediate non-treaty subsidiaries) and access to double taxation agreements to minimise withholding tax on inbound royalties and interest, and additional domestic provisions to minimise withholding tax on outbound payments;
5. Extensive double taxation agreement network.

Other key tax advantages for companies locating in Ireland include a sustainable EU-approved tax regime, which is not under threat from anti-tax haven sanctions. In addition Ireland has no CFC rules, thin capitalisation rules, capital duty or net wealth taxes. Funding costs may also be tax-deductible.

1. Participation Exemption for CGT on Share Disposals

Companies are chargeable to 33% CGT in respect of gains arising on the disposal of capital assets. Irish legislation provides an exemption from CGT on the disposal of shares in a qualifying company. There are a number of conditions, including, the company must hold at least 5% of the shares of the company being disposed of for a minimum of 12 months; the company being disposed of must be EU/ tax treaty resident and must not derive its value from land in Ireland and the company being disposed of or the group of companies must pass a 'trading' test at the time of the disposal.

2. Foreign Dividend Income

Foreign dividend income is liable to corporation tax in Ireland, generally at 12.5%.

Certain foreign dividends are taxed at 25%. In general, however, no incremental Irish tax arises as a result of our attractive foreign tax credit pooling system.

Dividends paid by a company resident in the EU, in a country with which Ireland has signed a double taxation agreement or in a country which has ratified the Convention on Mutual Assistance in Tax Matters or by a company whose shares are regularly traded on a recognised stock exchange or by a 75% subsidiary of such a company are liable to corporation tax at the 12.5% rate provided the dividend is paid out of 'trading profits'.

De Minimis Rule

If part of the dividend is paid from non-trading profits and part from trading profits, the non-trading balance will be taxed at the 25% rate. However, where a dividend is paid from trading and non-trading sources, a 'de minimis rule' states that under certain conditions the entire dividend can be taxed at 12.5%, regardless of the fact that a portion is derived from non-trading profits.

An exemption also exists from Irish tax on foreign dividends received by an Irish company where it holds less than 5% of the share capital and voting rights in a foreign company. This exemption only applies where the Irish company is itself taxed on the dividend income as 'trading' income. If the dividend is not trading income, it is taxed at 12.5%.

Tax Credit Pooling

'Onshore Pooling' allows foreign withholding taxes and underlying taxes (taxes on the profits out of which the dividend has been paid) to effectively be pooled together and used to offset Irish tax on the dividends. However, excess tax on foreign dividends liable at a rate of 12.5% cannot be used against those liable at the 25% rate. The tax credits do not need to be utilised in the year in which the dividend is received. They can be carried forward indefinitely for offset against Irish tax on future foreign dividends.

3. Branches and Foreign Tax Credits

Irish tax resident companies are liable to Irish corporation tax on their worldwide income. A foreign branch of such a company may, therefore, be simultaneously liable to both foreign and Irish tax. In order to eliminate double taxation, Ireland allows companies to offset the foreign tax as a credit against the corresponding Irish corporation tax liability. A pooling provision is available for excess credits.

An Irish tax resident company may set foreign tax suffered on its branch income against Irish tax on that income. Where the foreign tax exceeds the Irish tax on branch income, the excess may be offset against Irish tax on other foreign branch income received in the accounting period. Any unused credits can be carried forward indefinitely and credited against corporation tax on foreign branch income in future accounting periods.

4. Withholding Tax Exemptions for MNCs

MNCs are generally exempt from Ireland's 20% Dividend Withholding Tax which applies to dividends and the 20% withholding tax which applies to certain royalties and interest.

Irish Dividend Withholding Tax (DWT)

A withholding tax of 20% applies to dividends and other profit distributions made by an Irish resident company. Extensive exemptions are available including exemptions for dividends paid to

- Irish tax resident companies;
- Many companies and individuals resident in other EU Member States, or countries with which Ireland has a double taxation agreement.

In particular, dividends can be paid free of withholding tax to any non-resident company where 75% of the shares of the recipient are held directly or indirectly by a company trading on a recognised stock exchange.

The administration is on a self-assessment basis, thus alleviating the administrative complexity.

Royalties

Withholding tax applies in respect of patent royalties at a rate of 20%. Other forms of royalty may also attract withholding tax, including where the royalty constitutes an 'annual payment'. An annual payment is one that is capable of recurring and which the recipient earns without having to incur any expense. Broad-ranging exemptions from withholding tax are available under Irish tax law, for example, for payments to companies resident in the EU or in double taxation agreement countries.

Royalty payments can be made free of withholding tax from Ireland to companies resident in the EU or double taxation agreement countries without advance Revenue clearance, provided the royalties are paid for bona fide commercial reasons and the country in which the company receiving the royalty is tax resident generally imposes a tax on such royalties receivable from sources outside that territory. Also in the case of patent royalties paid to non-treaty recipients, Irish Revenue practice allows for such payments to be made free from withholding tax, provided certain conditions are satisfied and advance clearance is obtained from Irish Revenue.

In addition, royalty payments to related companies in the EU may be exempt from withholding tax in accordance with the EU Interest and Royalties Directive.

An extensive network of double taxation agreements also typically provides for an exemption from withholding tax, if required.

With regard to royalties received in Ireland on which withholding tax has been suffered, relief should be available in Ireland for such foreign withholding tax by way of credit or deduction. Care should be taken however when structuring foreign operations in order to minimise foreign withholding tax on royalties and other similar payments in the first instance.

Interest

Interest withholding tax at the rate of 20% applies to interest payments made on loans and advances capable of lasting for 12 months or more. However, where the interest is paid in the course of a trade or business to a company resident in an EU or tax treaty country which generally taxes interest received from outside its territory, no withholding tax will apply. Various other domestic exemptions, treaty provisions or the EU Interest and Royalties Directive may also provide an exemption from interest withholding tax.

5. Double Taxation Agreements

To facilitate international business, Ireland has signed comprehensive double taxation agreements with 72 countries, of which 70 are in effect as at January 2016 with the remaining treaties pending ratification. These agreements allow for the elimination or mitigation of double taxation.

Where a double taxation agreement does not exist with a particular country, unilateral provisions within domestic Irish tax legislation allow credit relief against Irish tax for foreign tax paid in respect of certain types of income.

In addition, in many instances Irish domestic law provides for an outright exemption from Irish withholding tax on payments to treaty residents.

Ireland is continuously expanding this network of double taxation agreements.

- A new double taxation agreement has been signed with Ethiopia and ratified by Ireland. When notification of the completion of ratification procedures by Ethiopia is received, the agreement will enter into force.
- The new double taxation agreements with Thailand and Ukraine enter into effect on 1 January 2016.
- Ireland has completed the ratification procedures to bring the double taxation agreement with Botswana into force. When notification of the completion of ratification procedures by Botswana is received, the agreement will enter into force.
- Negotiations on new agreements with Azerbaijan, Kazakhstan and Turkmenistan have concluded and they are expected to be signed shortly.
- Negotiations for a new agreement with Ghana are at an advanced stage.

TAXES ON CAPITAL

Capital Gains Tax (CGT)

Profits arising from the disposal of capital assets are subject to capital gains tax. With effect from 6 December 2012, the standard rate of capital gains tax is 33%.

For companies, the corporation tax due on capital gains can be offset by the value of 12.5% trading losses. Capital assets may generally be transferred between qualifying group companies without triggering a capital gain. Irish legislation provides an exemption from corporation tax on the disposal of shares in a qualifying company, provided the conditions outlined earlier are satisfied.

Relief from Capital Gains Tax

Unilateral Credit Relief

Credit is available in Ireland for capital gains tax paid in certain countries with which Ireland has a double taxation agreement, but where that agreement does not cover capital gains tax, including Belgium, Cyprus, France, Italy, Japan, Luxembourg, the Netherlands, Pakistan and Zambia (Ireland signed tax agreements with these countries prior to the introduction of Irish capital gains tax).

In addition, persons (an individual or a company) who are liable to CGT in Ireland, but are also taxed on the gain in another country, will generally be entitled, under the relevant double taxation agreement, to a credit for foreign tax paid against Irish capital gains tax due.

Stamp Duty

Stamp duty is payable on the transfer of most forms of property where such transfer is effected by way of a written document; in the absence of a written document no charge will generally arise.

Duty of 1% applies on the transfer of common stock or marketable securities of an Irish company. Transfers of most other forms of property, including intangibles but excluding residential property, attract duty at 2%. Transfers of residential property are liable to duty of up to 2%.

Stamp duty relief is available for transfers arising from corporate reorganisations and reconstructions effected for bona fide commercial reasons. In addition, no duty arises on transfers between associated companies (90% direct or indirect relationships) subject to conditions. Other exemptions are available, including for transfers of intellectual property, a wide range of financial instruments, foreign land and foreign shares.

Capital Duty

Ireland has no capital duty tax on the issue of shares.

Capital Acquisitions Tax (CAT)

CAT is payable by the recipient of gifts and inheritances at a rate of 33% of the taxable value of the benefit received. If the donor or recipient is resident or ordinarily resident in Ireland or the asset is located in Ireland, CAT may apply. Non-Irish domiciled individuals are regarded as resident or ordinarily resident if they have been resident in Ireland for the previous 5 tax years. Therefore CAT will not apply for many non-domiciled individuals. Tax-free thresholds, which depend on the relationship between the donor and the recipient, reduce the amount liable to CAT. There is a range of exemptions and reliefs.

TAX ADMINISTRATION & OTHER BUSINESS TAXES

Tax Administration

The Irish tax system is a self-assessment regime, in which companies determine their tax liabilities, file a tax return and make appropriate tax payments. For fiscal years commencing on or after 1 January 2016, there is country-by-country reporting, which is based on guidance published by the OECD.

When activities in Ireland become subject to Irish tax, the company is required to file a form (TR2 or TR2(FT) for foreign companies) with the Irish Revenue Commissioners to register for corporation tax, PAYE/USC/PRSI and VAT, as appropriate. Tax returns are filed online using the Revenue Online Service (ROS), at www.ros.ie. ROS also enables taxpayers to view details of their tax balances and provides any relevant information they need to pay and file within the set deadlines.

Local Taxation

There are no provincial, municipal or local taxes on the profits of companies in Ireland. The local tax is a property tax, referred to as 'commercial rates', levied by local authorities on commercial properties. An amount (or rate) is payable per €1 valuation of the property. The rate is set annually by each local authority, which also determines the rateable valuation of the property. Rates are tax-deductible for Irish corporation tax purposes.

Value Added Tax (VAT)

Value Added Tax is a consumption tax and is charged on goods and services supplied in the course of business. Credit is given for VAT paid by most registered traders, thus this tax is ultimately borne by the final consumer.

VAT rates range from zero to 23% depending on the type of product or service. Detailed VAT rules apply to supplies of property and to cross-border supplies of goods and services (including electronically supplied services) to customers elsewhere in the EU.

Export VAT Exemption

Cross-border supplies of goods to customers within the EU are generally subject to 0% Irish VAT and liable to VAT in the other member state. Imports and acquisitions of goods and most services from other countries are generally liable to Irish VAT.

In addition, a VAT exemption certificate may be obtained from the Revenue Commissioners by Irish businesses whose turnover mainly relates to the export of goods from Ireland (at least 75% of turnover). This certificate enables the holder to receive most goods and services in Ireland without incurring Irish VAT. This is a beneficial cash-flow measure operated by the Revenue Commissioners, effectively reducing administration.

Customs Duties and Excise Duties

Customs Duties

Ireland is a member of the EU and all border controls between EU Member States have been eliminated. This allows customs duty-free importation of goods from other EU countries where they are of EU origin or customs cleared in the EU.

Goods imported into Ireland from outside the EU are subject to customs duties.

The rates of duty are provided by the EU's Common Customs Tariff.

The key duty drivers are:

- tariff classification;
- customs valuation; and
- origin.

The EU has preferential tariff agreements with certain countries and country groupings, which result in customs duty being reduced or eliminated. In addition, the EU operates certain customs duty reliefs and procedures, for example tariff suspensions, inward processing relief, customs warehousing, outward processing relief and processing under customs control.

It is essential to assign the correct tariff classification, customs valuation and origin to goods imported into the EU to avoid over/underpayment of duty and to make the correct use of any available customs duty reliefs and procedures.

Customs duty becomes due at the point of importation. However, importers can apply to operate a deferred payment procedure whereby the duty and/or import VAT becomes payable by the 15th day of the month following importation. This provides the importer with a cash flow advantage.

Excise duties

Excise duties are chargeable on mineral oils, alcohol products and tobacco products imported into or produced in Ireland and released for consumption here. The rate of excise duty varies depending on the goods and is payable on import (in addition to any customs duty) or when released for consumption. However, as with customs duty, importers can apply to operate a deferred payment procedure for payment of excise duty.

There are also national excise taxes charged in Ireland, for example:

- An excise energy tax is charged on the supply of electricity in Ireland; and
- Vehicle Registration Tax (VRT) is charged on the registration of motor vehicles in Ireland.

Various drawbacks, rebates and allowances may be claimed for certain uses of excisable goods.

Ireland uses the EU-wide electronic system for the control of duty-suspended excisable goods moving within the EU, known as the Excise Movement and Control System (EMCS).

Export controls

Companies located in Ireland who are exporting goods to outside the EU (and in some cases, when making intra-Community supplies) must comply with EU and Irish export control legislation, as well as US re-export control legislation where applicable.

There are controls on exports of goods such as dual-use items, military items and items destined for countries with which trade sanctions apply.

Carbon Tax

In an effort to reduce carbon emissions and encourage energy users to switch to renewable energy sources, Ireland has a carbon tax. The tax applies to the following categories of fuel that are supplied in Ireland:

- transport fuels: petrol and auto-diesel;
- non-transport fuels: oil, gas and kerosene, and
- solid fuels: peat and coal.

The carbon tax rate is €20 per tonne of CO₂ emitted and is charged at the time the fuel is supplied to the consumer. The fuel supplier is liable and accountable for the payment of the tax.

PERSONAL TAXATION

Income Tax

Income tax is generally chargeable on all income arising in Ireland, and on income from services performed in Ireland. The tax on other income and gains depends on the residence and domicile of the individual.

The most common form of income tax is PAYE (Pay As You Earn), which is a salary withholding tax deducted by employers from an employee's pay. Persons who are self-employed or receive income from non-PAYE sources use the self-assessment system. Personal income tax rates depend on marital status.

Personal income tax rates		
	AT 20%	AT 40%
SINGLE PERSON	€33,800	BALANCE
MARRIED COUPLE / CIVIL PARTNERS (ONE INCOME)	€42,800	BALANCE
MARRIED COUPLE / CIVIL PARTNERS (TWO INCOMES)	€67,600	BALANCE

There is a wide range of deductible expenses, such as pension contributions, which can be deducted in calculating taxable income and there are tax credits, such as the employee credit, which can be deducted from tax payable.

Taxation of Foreign Domiciled Persons in Ireland

Most foreign executives working for overseas companies in Ireland are classified as being resident, but not domiciled, in Ireland. This means they are subject to Irish income tax on income earned in Ireland, as well as any income remitted from outside Ireland.

As regards employment income earned under a foreign employment contract, such income will be taxable to the extent it is attributable to Irish duties but otherwise only if remitted to Ireland.

Foreign executives may reduce their tax liabilities through a number of exemptions and reliefs as they will be treated as a qualifying person for the purposes of the Remittance Basis of Taxation (RBT). RBT is available in respect of (i) foreign source employment income not applicable to duties performed in Ireland (referred to as non-Irish workdays) and (ii) foreign source investment income. 'Foreign source' means arising outside Ireland.

Alternatively, one of the three reliefs, outlined next, may be available.

Special Assignee Relief Programme (SARP)

A new, improved SARP was introduced in 2015 aimed at encouraging key overseas talent to come to Ireland. (Individuals who are already benefiting from SARP will continue to do so.) It provides for an income tax relief on part of the income earned by employees who, having worked full-time for a minimum period of six months for an employer in a country with which Ireland has a double taxation agreement or a tax information exchange agreement, are assigned to work in Ireland for that employer, or an associated company.

In the case of individuals who come to Ireland during 2015, 2016 or 2017, then provided certain conditions are satisfied, the employee will be entitled to claim a tax deduction in calculating income tax for the first 5 years. An employee can make a claim to have 30% of income in excess of €75,000 exempted from income tax. For an assignee earning €225,000 per annum, the deduction is €45,000. The main conditions include, the individual must not have been resident in Ireland for the preceding 5 years; the minimum time period that an individual must remain working in Ireland is one year; and the individual must be resident in Ireland, but can be resident elsewhere also. If the individual arrives during the year, the limits are reduced proportionately.

An employee who qualifies for this relief is also entitled to one return trip home for him or herself and family. Also the cost of school fees of up to €5,000 for each child, paid to an Irish school, can be reimbursed or paid by the employer free of tax.

PERSONAL TAXATION

R&D Credits Surrendered to Key Employees Working in R&D

Instead of claiming R&D credits against corporation tax due for an accounting period, a company may surrender some or all of the credits to key employees working in R&D, so that they reduce their income tax payable. The employee must not be a director or own 5% of the company or an associated company. At least 50% of the employee's emoluments must qualify for the R&D tax credit and the employee must perform 50% or more of the duties of his or her employment in the conception or creation of new knowledge, products, processes, methods or systems.

The employee can claim the R&D credit against his or her income tax payable. An employee's maximum claim is limited in that the employee's effective income tax rate cannot be reduced below 23%. Unclaimed credits can be carried forward.

Foreign Earnings Deduction for Income Earned while Working in a Certain Countries

There is a tax deduction for individuals resident in Ireland who perform the duties of their employment in Brazil, Russia, India, China, South Africa, Algeria, the DR Congo, Egypt, Ghana, Kenya, Nigeria, Senegal, Tanzania, Bahrain, Chile, Indonesia, Japan, Kuwait, Malaysia, Mexico, Oman, Qatar, Saudi Arabia, Singapore, South Korea, Thailand, United Arab Emirates and/or Vietnam, provided that the individual spends at least 40 qualifying days in a 12 month period in these countries. A day qualifies if the individual works for at least three consecutive days in these countries. This deduction applies to the years 2015, 2016 and 2017.

The deduction is calculated by multiplying qualifying income by the ratio of qualifying days to the number of days in the year. The maximum deduction is €35,000.

Share Schemes and Profit Sharing Schemes

It is possible for companies to operate share schemes and/or profit sharing schemes to allow employees to participate in the business in a tax-efficient manner. Employers' PRSI does not apply to share schemes.

Social security (PRSI) and USC

PRSI

Employed persons are compulsorily insured under a State-administered scheme of Pay-Related Social Insurance (PRSI). Contributions are made by both the employer and the employee.

Contributions by the employer are an allowable deduction for corporation tax purposes. The PRSI contribution rate for employers is generally 10.75%. Employers' PRSI applies to all employment earnings including taxable benefits.

The individual's share of PRSI is 4%. Employees whose pay is €352 or less per week are exempt from paying PRSI.

Universal Social Charge (USC)

A Universal Social Charge (USC) is also payable by employees at rates of 1%, 3%, 5.5% and 8%. (There is no USC if total income is less than €13,000. USC of up to 11% is payable on self-employed income in certain circumstances).

Local Property Tax

An annual Local Property Tax is charged on the owners of all residential properties in the State. There is a banding system and the tax is applied to the mid-point of the band. The first band covers all properties worth up to €100,000. Bands then go up in multiples of €50,000 to €1 million and the annual rate of the tax is 0.18%. For properties valued over €1 million, the rate is 0.25% on the balance over €1 million.

FURTHER INFORMATION

Corporate Tax in Ireland

A guide written by the Irish Revenue Authority explains what is classified as 'trading income' at www.revenue.ie/en/practitioner/tech-guide/index.html.

Tax Relief

More information regarding energy efficient equipment can be sourced from Sustainable Energy Authority of Ireland at http://www.seai.ie/Your_Business/Accelerated_Capital_Allowance/.

Further clarification on pre-trading expenses can be obtained from the Irish Revenue Authority at <http://www.revenue.ie/en/about/foi/s16/templates/income-tax-capital-gains-tax-corporation-tax/part-04/>.

R&D Tax Credit

Guidance on what activities constitute R&D is available at www.revenue.ie/en/practitioner/tech-guide/index.html.

Double Taxation Agreements

Agreements and terms and conditions can be found at www.revenue.ie/en/practitioner/law/tax-treaties.html.

Tax Administration

Information on Value Added Tax (VAT) is available from the Irish Revenue Authority at www.revenue.ie/en/tax/vat/index.html.

Tax returns can be filed online by using the Revenue Online Service (ROS) at www.revenue.ie/en/online/ros/index.html.

Detailed rules for VAT on property are available at www.revenue.ie/en/tax/vat/property/index.html.

While every care has been taken by IDA Ireland to ensure the accuracy of this publication no liability is accepted for errors or omissions.

Business Taxes

Customs and excise duties and rates of excise tax vary. For detailed information visit www.revenue.ie/en/customs/index.html.

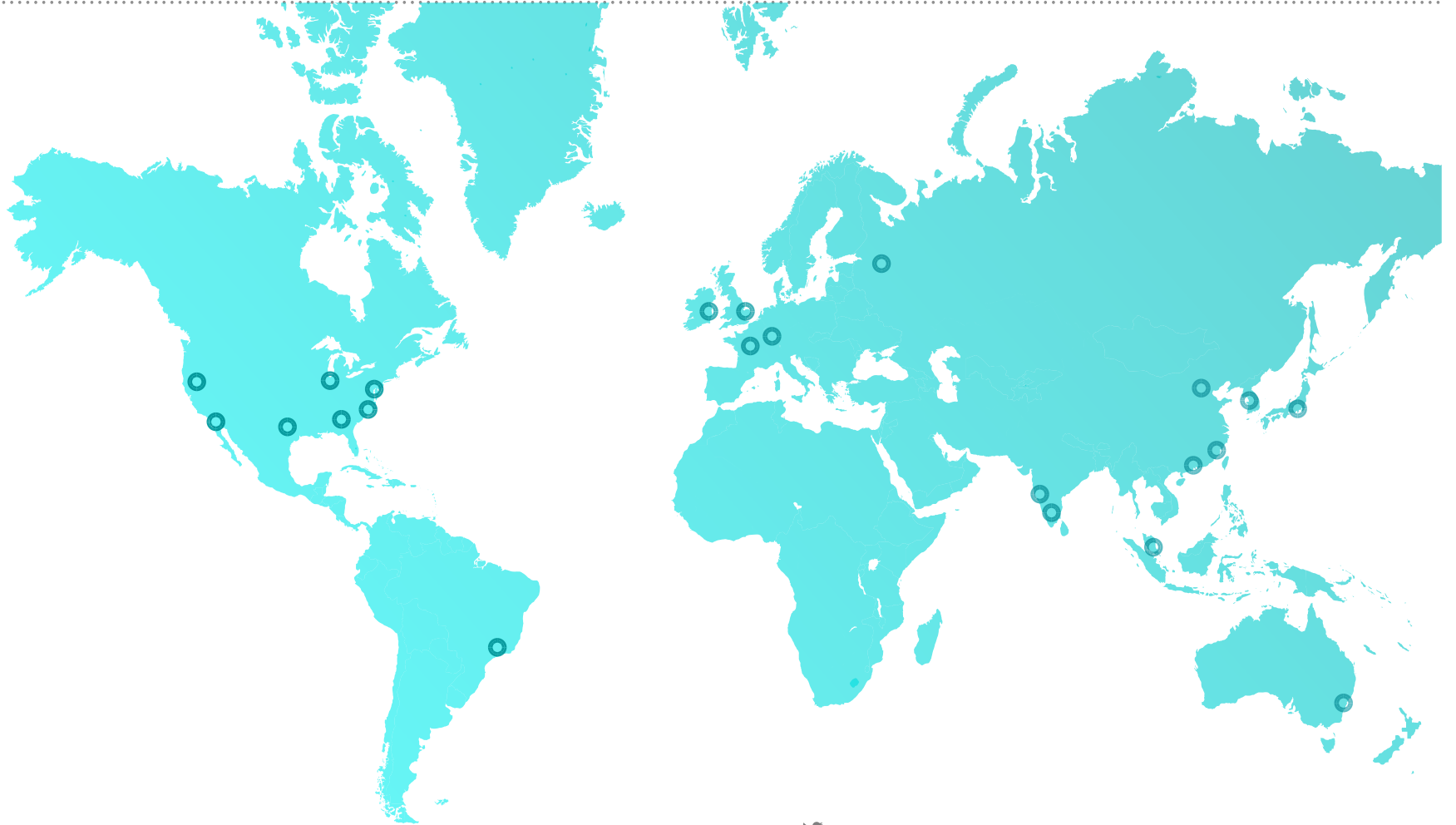
Personal Taxation and Tax Credits

For more information visit www.revenue.ie/en/personal/index.html.

Special Assignee Relief Programme (SARP)

For more information visit www.revenue.ie/en/tax/it/reliefs/sarp.html.

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