

DOING BUSINESS IN IRELAND

2011



Key reasons for doing business in Ireland

- Over 1,000 international companies serve their European market from Ireland.
- Some of the largest MNCs in the worldwide technology, pharmaceutical, biosciences, manufacturing and financial services industries are located here.
- Ireland's low corporate tax rate – corporation tax on trading profits is 12.5 per cent which does not breach EU or OECD harmful tax competition criteria.
- Regulatory, economic and people infrastructure of a highly developed OECD jurisdiction.
- Benefits of EU membership and of being an English – speaking jurisdiction in the euro-zone.
- As a common law jurisdiction, our legal system is similar to that of the US and the UK.
- Provision of a specific tax credit for research and development activity.
- An extensive and expanding double tax treaty network with close to 50 countries, including the UK and the US.
- Population 4,581,269 (2011 census).
- Ireland is the easiest country in Europe in which to pay business taxes for the third year running and the sixth easiest country in the world. This is according to a new report issued by PricewaterhouseCoopers, the World Bank and IFC entitled “Paying Taxes 2010 – The global picture”.

Other **key tax benefits** of locating in Ireland include:

- No withholding tax on interest payments to EU/treaty countries in certain cases.
- No withholding tax on dividends to EU/treaty countries in certain cases.
- An extensive and expanding double tax treaty network.
- A comprehensive unilateral foreign tax credit system
- There is an exemption from the transfer pricing legislation for Small and Medium Enterprises (SMEs) (fewer than 250 employees and with a turnover of less than €50m or assets of less than €43m globally).
- No specific code of thin capitalisation rules.
- No capital gains tax exit charge for EU/treaty countries.
- An exemption from capital gains tax in respect of the disposal of shareholdings in qualifying companies.
- No companies registration taxes (capital duty).
- A corporation tax credit of 25 per cent for incremental research and development (R&D) expenditure.
- Corporation tax relief for the acquisition cost of IP and other intangibles.
- No custom duties on Irish goods on their importation into other parts of the EU.

Currency: Euro

Accounting Principles: IAS/IFRS

Principal business entities: Public & private limited companies, partnership, sole proprietorship and branches of foreign companies

Company Incorporation: Incorporating a company in Ireland is straightforward and can be completed in 10 - 15 working days. A company must have a minimum of 2 directors but only a minimum of 1 shareholder. One of the directors must be resident in the European Economic Area (EEA). However, where there is no director of the company whom will be resident in the EEA a Non Resident Director Bond can be put in place.

Corporation Taxation

Rate: the corporation tax rate is 12.5% for trading income and 25% for non-trading income. Certain dividends from EU and tax treaty countries are taxed at 12.5% rate.

Taxable Income: Corporation tax is imposed on a company's profits which consist of business/trading income, passive income & capital gains. Normal business expenses incurred in a trade are tax deductible.

Losses: carry back to the immediately preceding period of equal length and unlimited carrying forward of trading losses are allowed.

Capital Gains: are mostly taxable at 25% and in some cases 40%. Gains on the sale of substantial shareholdings in companies resident in the EU or a tax treaty country are exempt if certain conditions are met.

Taxation of dividends: Dividends received by an Irish resident company from another Irish resident company are exempt from corporation tax.

Dividends received from a foreign company are subject to corporation tax in the period the dividends are payable, but a credit for the underlying corporate and withholding tax is generally available for foreign tax paid.

Alternative Minimum Tax: No

Filing Deadlines: the corporation tax year is the shorter of 12 months or the period for which accounts are prepared. The tax accounting period may not exceed 12 months in total. The company's tax return must be filed within approx 9 months after the accounting year end.

Groups: Losses may be group relieved between group members resident in the EU where certain conditions are met. Companies are part of a group where one is a 75% subsidiary of the other or both are 75% subsidiaries of a parent.

Repatriation of profits from Ireland:

Repatriation of profits from an Irish company is normally achieved through dividend payments. However, profits may also be repatriated through interest charges, royalties, central cost recharges or through certain other methods.

Incentives

For start up companies, there is an **exemption from corporation tax** on income & gains up to specific limits where a new trade commences between 2009 & 2011.

R&D Tax credits: a credit of 25% of incremental expenditure on revenue items, royalties and plant and machinery related to R&D may be set off against a company's corporation tax liability in the year in which the expenditure is incurred.

Foreign tax Credit: Foreign Tax paid generally may be credited against Irish tax on the same profits, but the credit is limited to the amount of Irish tax payable on the foreign income.

Special Assignment Relief Program:

This relief applies from 1 January 2009 to individuals who are assigned to work in Ireland from abroad for a period of at least 1 year. The relief will apply to reduce taxable earnings in excess of €100,000 by 50%.

The relief is only available to non domiciled individuals who take up residence in Ireland for the first time, and exercise their duties in Ireland for the first time, in addition they must:

- Have been employed by an associated company of the Irish entity to which they are assigned prior to arrival in Ireland and continue to be paid by the overseas employer.
- Previously have been tax resident and exercised the greater part of their employment in the relevant overseas jurisdiction.
- Be an employee of an EU, EEA, or treaty country (prior to 2010 the relief only applied to non EEA countries which were also treaty countries).

The overseas employer must operate Irish PAYE (and social security levy where appropriate) on the employment income. The relief will operate by way of a repayment of taxes otherwise payable after the year end.

Other taxes on companies

Capital duty: No

Payroll tax: No

Local Taxation: There are no provincial, municipal or local taxes on the profits of companies in Ireland. The only local tax is a property tax, referred to as '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

valuation of the property. Rates are tax deductible for Irish corporation tax purposes.

Social Security: See Employer PRSI hereunder

Transfer Tax: No

Stamp Duty: At 1% on the acquisition of residential property. From 1% - 6% on commercial property/land.

Employees

Minimum wage: €8.65 per hour

Employer PRSI Contribution: 4%, 8.5% or 10.75% of gross wages payable by an employer. No legal obligation on an Employer to make pension payments, etc.

Income Tax

Residence: An individual is resident if he/she spends more than 6 months of the tax year in Ireland, or a combined presence of at least 280 days in Ireland over that tax year and the preceding tax year.

Progressive rates are imposed, current rates 20% and 41%.

USC: Universal Social Charge varies from 4% - 7% of gross earnings.

Social Security: Employed and self-employed individuals are required to make PRSI contributions of approx 4% of salary/income .

Deductions/Allowances: Subject to restrictions, deductions are granted for medical expenses, pension payments, mortgage interest, etc. Tax free personal allowances are available depending on personal circumstances i.e. single, married/widowed, etc.

Other taxes on individuals

Gift/Inheritance Tax: 25% subject to tax free thresholds, reliefs and exemptions and double taxation relief

Net wealth/worth tax: None

VAT

VAT is levied on the sale of goods and provision of services. Rates exempt, 0%, 9%, 13.5%, 21%.

The registration thresholds for VAT are €37,500 for the supply of services and €75,000 for the supply of goods.

Customs duties

Customs duties are an EU tax collected and administered by the Irish tax authorities on behalf of the EU Commission. The duties are payable on importation into Ireland. Once customs duties are paid in Ireland or in any other EU member state, the goods are then considered to be in “free circulation” and can move freely within the EU. This is one of the significant benefits of the EU i.e. a single market for trade in goods with no customs duties being levied on the movement of goods between the Member States and with no intra-EU border customs controls (provided the goods are in “free circulation”). The standard rates of duty vary between 0% and 7% depending on

their tariff classification but higher rates can apply to some products especially in the agricultural and textile areas. Reduced rates of duty, or in some cases total elimination of duty, are available where the goods are imported from a country with which the EU has a trading agreement providing for reduced or zero duty rates to goods from that country.

Relief from duties is also available where a business imports goods into Ireland for the purposes of further manufacture or processing and subsequently exports these goods out of the EU. A manufacturer can also opt to pay duties at the rate applying to the manufactured product where the amount of duty is lower than the duty on the imported raw materials.

The EU also has a number of preferential trade agreements and some of these allow for products manufactured or assembled in Ireland to qualify for reduced or duty free access to a large number of countries including most African and Middle Eastern countries. This is a significant benefit to exporters operating in these market places.

Tax Treaties

Ireland has 50 tax treaties.

International Organisations

EU, EFTA, OECD, WTO.



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