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Taxation and Investment in Ireland 2017

Reach, relevance and reliability



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1.0 Investment climate

1.1 Business environment

Ireland is a parliamentary democracy with a written constitution. A constitutional president with largely ceremonial duties is elected by universal suffrage. The parliament consists of the president and a house of representatives (*Dáil*) and a senate (*Seanad Éireann*). Executive power is exercised by the prime minister and the cabinet, while the legislation-making power rests with parliament.

Industry accounts for a higher level of output than is the case in most other developed economies, and most manufacturing is foreign-owned and profitable, resulting in large amounts of profits repatriated abroad. However, as manufacturing output growth has slowed and services output has accelerated in many sectors, the structure of the Irish economy is becoming more like that of other developed economies. Agriculture remains relatively more important in Ireland than in other west European economies, although it has been declining in importance in both relative and absolute terms.

The Irish economy relies heavily on foreign trade. The UK and the US are Ireland's largest trading partners.

As an EU member state, Ireland is subject to all EU regulations, except those for which exceptions have been specifically negotiated. Trade is governed by EU rules and the rules of the World Trade Organization (WTO). The EU has a single external tariff and a single market within its external borders. Restrictions on imports and exports apply in some areas.

EU Member States		
Austria	Germany	Netherlands
Belgium	Greece	Poland
Bulgaria	Hungary	Portugal
Croatia	Ireland	Romania
Cyprus	Italy	Slovakia
Czech Republic	Latvia	Slovenia
Denmark	Lithuania	Spain
Estonia	Luxemboug	Sweden
Finland	Malta	United Kingdom*
France		
EU Candidate Countries		
Albania	Montenegro	Turkey
Macedonia	Serbia	
European Economic Area (EEA) Member States		
EU member states	Liechtenstein	Norway
Iceland		

*In a referendum on 23 June 2016, the UK electorate voted for the country to leave the EU, but the country will remain an EU member state until a secession agreement is concluded with the EU.

Ireland also is a member of the Organization for Economic Cooperation and Development (OECD).

OECD member countries		
Australia	Hungary	Norway
Austria	Iceland	Poland
Belgium	Ireland	Portugal
Canada	Israel	Slovakia
Chile	Italy	Slovenia
Czech Republic	Japan	Spain
Denmark	Korea (ROK)	Sweden
Estonia	Latvia	Switzerland
Finland	Luxembourg	Turkey
France	Mexico	United Kingdom
Germany	Netherlands	United States
Greece	New Zealand	
Enhanced engagement countries		
Brazil	India	South Africa
China	Indonesia	
OECD accession candidate countries		
Colombia	Costa Rica	Lithuania

Price controls

The government does not favor price controls, although they are used to some extent in regulated industries with weak competition, such as telecommunications, energy and postal services. Price controls have been used occasionally as a short-term measure to cap prices in a specific industry.

Intellectual property

The following types of intellectual property are legally recognized in Ireland: patents, copyrights, trademarks, and industrial designs and models, including computer programs and semiconductor designs. EU legislation establishes the framework.

Patents

Ireland is a signatory to the European Patent Convention (EPC) and the Patent Cooperation Treaty (PCT), which streamline the processes for filing patent applications and conducting novelty searches in participating states.

Applications for a European patent can be filed at the Irish Patents Office and all or any of the 38 member countries of the EPC may be designated in a European patent application. A PCT application designating Ireland is deemed to be an application for a European patent for Ireland and will be processed in accordance with the EPC.

Ireland recognizes two patent durations: a full-term patent, for a maximum of 20 years, and a short-term patent, for a maximum of 10 years. The criteria for a short-term patent are less strict but the item being patented must be “not clearly lacking an inventive step,” according to the Irish Patents Office. Short-term patents do not require a search report, are subject to fees reduced by 50% and can be granted in less than 12 months. It is possible to apply for both types of patent on the same product, in which case the short-term patent becomes void when the full-term patent comes into effect.

Infringement proceedings must be initiated in the High Court for full-term patents and in the Circuit Court for short-term patents. If infringement is proven, the court may grant a permanent injunction and damages. Infringement proceedings may be initiated only after a patent is granted, but damages may be claimed for infringement occurring after publication of the specification. The

exclusive licensee has the same right as the patent holder to initiate legal proceedings against the infringement of a patent.

Copyrights

Ireland has transposed a number of EU directives concerning copyright into Irish law and brought Irish law into conformity with the Berne Convention (Paris Act), the Rome Convention, the Trade-Related Aspects of Intellectual Property Rights agreement, the World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Performances and Phonograms Treaty. The copyright law protects original literary, dramatic, musical or artistic works, sound recordings, films, broadcasts or cable programs, the typographical arrangement of published editions and original databases. Copyrighted material in digital form is protected in the same way as material in other media, including when it is sent over the internet or stored on web servers.

A copyright expires 70 years after the death of the author, except in the case of sound recordings, cable programs and typeset publications, where it expires 50 years after the first lawful broadcast, transmission or publication. Reproduction of a copyrighted three-dimensional work in two dimensions is permitted and vice versa.

Registration of a copyright is not required; however, a number of organizations exist to protect the interests of (and collect royalties for) copyright holders in different fields, notably writing, the performing arts, music, publishing and sound recordings. Performers, musicians and artists have a statutory right to receive a fee whenever sound recordings of which they were part are broadcast or used in public. The Patents Office maintains a register of licensing bodies for copyright and performers' property. Disputes between licensors and licensees can be referred to the Controller of Patents, Designs and Trade Marks. Breach of copyright is a criminal offense. Offenders are liable to a substantial fine or face a prison term of up to five years.

Trademarks

For protection under Irish trademark law, the sign must be: (1) capable of being represented graphically; and (2) capable of distinguishing goods and services of one undertaking from those of another. An application to the European Union Intellectual Property Office (EUIPO) can be made for an EU trademark, which will provide registration in the 28 EU member states. An EU trademark registration lasts for 10 years but can be renewed indefinitely. International trademark protection is available under the WIPO's Madrid Protocol, which applies in Ireland. Applications via the Irish Patents Office can designate any or all Madrid Protocol countries and automatically obtain protection in those countries for a single fee.

Industrial designs and models

Industrial designs are regulated by the Industrial Designs Act. To be registerable, a design must be new and have individual character. The maximum period of protection for registered designs is 25 years. Initial registration is for five years and renewal is possible up to four times for a further five years each time. The act provides for the filing of a multiple application, which may consist of up to 100 designs.

Electronic materials

The Data Protection Acts provide protection for computerized records of personal data. Companies must have designated data controllers and must register details of data held with the Data Protection Commissioner. Relevant EU legislation prohibits the transfer of data to countries that do not have an adequate standard of protection and have not concluded "safe harbor" agreements with the EU, which provide equivalent ad hoc protection for EU nationals. Countries meeting the requirements for the transfer of data are Andorra, Argentina, the EEA countries (the EU plus Iceland, Liechtenstein and Norway), Faroe Islands, Guernsey, Isle of Man, Israel, Jersey, New Zealand, Switzerland and Uruguay. Canada has been approved for certain types of personal data.

1.2 Currency

Ireland is part of the Eurozone and uses the Euro (EUR) as its currency.

Countries participating in the Economic and Monetary Union		
Austria	Greece	Malta
Belgium	Ireland	Netherlands
Cyprus	Italy	Portugal
Estonia	Latvia	Slovakia
Finland	Lithuania	Slovenia
France	Luxembourg	Spain
Germany		

1.3 Banking and financing

Ireland has a well-developed and sophisticated banking and financial services sector.

The broad-based financial services industry, which is regulated by the Central Bank of Ireland, spans domestic and international, retail and wholesale activities across sub-sectors that include funds, banking and payments, insurance and reinsurance, investment and asset management, and aircraft leasing and financing. With over 600 active firms, and many more retail intermediaries, it is a critical part of the Irish economy.

Despite the upheaval in the global financial services industry in recent years, Ireland's international financial services industry has maintained resilience and strength. Of particular note are the firms associated with Ireland's International Financial Services Centre (IFSC), which was established in 1987 to attract foreign investment and build Ireland's expertise in the area. The IFSC now employs approximately 36,000 people and is a recognized global leader in several key sectors.

1.4 Foreign investment

Ireland is a prime location for many of the world's leading businesses owing to its focused pro-business policy framework, which promotes a highly successful, open and competitive business environment. The Irish government is committed to maintaining an environment conducive to foreign investment. The Industrial Development Agency (IDA Ireland) is the primary government agency with responsibility for the promotion of foreign direct investment into the country.

Foreign investors generally are treated the same as Irish investors. No special permission is required for foreigners planning to acquire an existing business in Ireland or shares in an Irish company. There generally are no restrictions on the amount of foreign investment allowed. Licenses and/or environmental approvals are needed for a wide range of activities, including aquaculture, mining and carbon emissions by energy-intensive industries. In some cases, the approval of a central government agency is required; in others, permits must be obtained from the local authority.

Nontax incentive packages, which are sponsored by IDA Ireland, may include capital grants, interest subsidies, and loan guarantees and grants for rent reduction, employment, training, research and development (R&D) and technology acquisition. These incentives are chiefly determined by the location and the quality of employment created. IDA Ireland monitors grant recipients closely, withholding or seeking repayment of grants if job commitments are not met.

IDA Ireland has a property portfolio of business and technology parks in major cities and is proactive in attracting and supporting investors. It favors advanced manufacturing projects in information and communications technology, pharmaceuticals and biopharmaceuticals, medical technology, engineering and consumer products and high value internationally-traded service sectors such as software, financial services, shared services and customer support.

1.5 Tax incentives

Ireland's low corporate tax rate (12.5% for trading profits), an enhanced IP regime, a generous R&D tax credit regime, an OECD compliant "knowledge development box" regime (which allows a reduced 6.25% tax rate on profits from qualifying assets (see 3.3 below)), extensive exemptions from dividend and interest withholding tax, a participation exemption, the absence of controlled

foreign company (CFC) rules and the existence of incentive packages that maximize EU financial assistance and the efficient use of EU funds make Ireland an attractive jurisdiction in Europe for a range of activities.

Government incentives target foreign investors offering sustained high-skilled jobs and net exports with significant local content. The government also favors joint ventures between foreign and local investors with complementary skills and increasingly is focusing on strengthening Ireland's indigenous technology base.

1.6 Exchange controls

There are no exchange controls or restrictions on the repatriation of earnings, capital, interest or royalties. Repatriation payments can be made in any currency. Both residents and nonresidents may hold bank accounts in any currency. Approval is not required for foreign investment or capital importation.

2.0 Setting up a business

2.1 Principal forms of business entity

The Companies Act 2014 (Act), effective as from 1 June 2015, substantially changed company law governing the forms of entity available in Ireland.

The private limited company and the public limited company are the two main forms of corporate organization in Ireland. The Act provides for two types of private limited company: the “private company limited by shares” (LTD) and the “designated activity company” (DAC), whereas previously only one type of private limited company (LTD) existed. The Act requires private limited companies existing on 1 June 2015 to re-register as an LTD or convert to a DAC within an 18 month transition period that runs until 30 November 2016. A private limited company that fails to take action during the transition period will automatically convert to an LTD. There is no requirement for a public limited company (PLC) to re-register.

The LTD is the entity most commonly used by foreign investors because of its broad capacity and relative ease of operation. Certain companies are required to be organized as a DAC, for example, those that have debentures admitted to trading or credit institutions. Some companies may choose to be a DAC, for example, a joint venture company that wants its corporate capacity to be defined.

Foreign investors also may choose to set up a local operation by establishing a branch in Ireland.

Other company forms that may be of interest to investors are the following:

- European Company (SE), which operates across the EU as a single operation and can transfer its headquarters from one country to another at will;
- Undertaking for Collective Investment in Transferable Securities (UCITS), a public limited company set up solely to invest in transferable securities of capital (raised from the public) and that operates on the principle of risk-spreading. A UCITS is authorized by one EU member state and allowed to operate throughout the EU, and must be registered with the central bank and the Financial Services Authority of Ireland; and
- Real Estate Investment Trust (REIT), introduced in Finance Act 2013. Subject to certain conditions, including a requirement to distribute 85% of property income by way of a property dividend, the regime provides a tax exemption in respect of the income and chargeable gains of a property rental business. To qualify for the exemption, a REIT must derive 75% of its aggregate income from the property rental business. It may carry on other “residual” business, but the exemption applies only to the income and gains of the property rental business. An additional condition is that the REIT must be listed on the main market of a recognized stock exchange in the EU.

The selection of a corporate structure for an investment in Ireland will be influenced by tax considerations, such as the Irish tax rate applying to operations, the group’s home country tax considerations and the group’s future plans for repatriating profits earned in Ireland back to the home country.

Formalities for setting up a company

Setting up a private or public limited company is straightforward and can be completed within one week if a standard constitution is used.

The main steps to setting up a company are (i) complete the requisite forms, i.e. verify that the proposed name is not already in use; (ii) provide details of the directors/secretary and shareholder(s); and (iii) submit this information to the Companies Registration Office, together with the constitution.

The LTD has a one-document constitution that does not contain an objects clause, and it has full and unlimited capacity. The DAC has a two-document constitution, comprising its memorandum and articles of association, with an objects clause that sets out the proposed activities of the company. The DAC’s corporate capacity is limited to those acts set out in its constitution. The constitution for both the LTD and the DAC should state the name of the company and that the members’ liability is limited. The LTD does not need to state the amount of authorized share capital in its constitution; the DAC is required to state its authorized share capital. The constitution of the

company can be specifically tailored to meet a company's needs. All private and public limited companies must file accounts with the Registrar of Companies for public inspection.

Company names

The legal name of an LTD established under Part 2 of the Companies Act 2014 must end with "Limited," "ltd" or "teoranta."

The legal name of a DAC established under Part 16 of the Companies Act 2014 must end with "Designated Activity Company," "dac," "d.a.c" or "*cuideachta ghníomhaíocta ainmnithe*."

The legal name of a PLC established under Part 17 of the Companies Act 2014 must end with "Public Limited Company," "plc," "p.l.c" or "*cuideachta phoiblí teoranta*."

Forms of entity

Requirements for LTD, DAC and PLC

Capital: *LTD/DAC:* There is no minimum amount of share capital. *PLC:* The minimum allotted share capital is EUR 25,000; 25% of the nominal value of the shares allotted, together with all premiums, must be paid up.

Founders and shareholders: *LTD/DAC:* There is a minimum of one shareholder and a maximum of 149 (excluding employees); there are no nationality or residence requirements. *PLC:* There is a minimum of one shareholder; there are no nationality or residence requirements.

Board of directors: *LTD:* There is a minimum of one director and a company secretary, who are not the same individual. *DAC/PLC:* There is a minimum of two directors and a company secretary (who may be one of the directors).

A director must be at least 18. At least one director must be an EEA resident. If there is no EEA resident director, a bond insuring the company for an amount of EUR 25,000 may be required by the Companies Registration Office, unless the company holds a certificate from the Registrar of Companies specifying that it has a continuous economic link to Ireland. The total fee payable for the bond is EUR 1,650 covering a period of two years.

Management: The management of a company generally is delegated to the board of directors. There is no requirement that labor be represented on the board or in management.

Taxes and fees: The official company registration fee is EUR 100 and legal fees start at around EUR 750. No tax is due on a bond issuance, if required. There is an annual fee of EUR 20 for filing accounts with the annual return.

Types of shares: A company can have different classes of shares, with different nominal values and different share rights; however, an LTD and a DAC cannot issue shares to the public.

Control: A simple majority rules in ordinary business decisions; major changes in corporate purpose or organization require a 75% vote in favor.

Branch of a foreign corporation

Foreign investors may choose to set up a local operation by establishing a branch in Ireland. To set up a branch, a foreign company must submit a Form F12 (if the foreign company is European) or a Form F13 (if the company is non-European), together with the following documents, to the Registrar of Companies:

- A certified copy of the constitutional documents;
- A copy of the certificate of incorporation and certificate of change of name (if any), translated if required;
- Details of the directors, secretary and those persons authorized to represent the company;
- The names and addresses of the persons resident in Ireland authorized to ensure compliance and accept service on behalf of the company; and
- A copy of the most recent accounting documents.

The branch must file, on an annual basis, the financial statements that are publically disclosed in the country of incorporation with the Registrar of Companies.

Branch representative offices sometimes may not be taxable in Ireland, either as a result of their activities or tax treaty relief.

2.2 Regulation of business

Mergers and acquisitions

Merger activity in Ireland is governed by the Competition Authority, which must be notified of mergers in which (1) at least two of the merging enterprises conduct business in Ireland; (2) each of two or more of the enterprises has a worldwide turnover of not less than EUR 40 million; and (3) at least one of the enterprises has a turnover in Ireland of not less than EUR 40 million.

The Competition Authority oversees a two-stage approval process: mergers can either be cleared at Phase 1 or subjected to a more detailed Phase 2 investigation (“full investigation”). The Authority has 30 days to clear a merger at Phase 1, while a Phase 2 determination must be made within four months of notification.

The Competition Authority approves or rejects mergers based on whether the merger or acquisition results in a substantial lessening of competition in markets for goods or services in Ireland. If the Authority blocks a merger, the minister may not unblock it; if the Authority approves a merger, either absolutely or conditionally, the minister may block it or may apply new or more stringent conditions.

Merger activity in Ireland also is subject to the EU Merger Control Regulation. The EU has jurisdiction in two cases:

- Where the combined aggregate worldwide turnover of all of the enterprises exceeds EUR 5 billion and the aggregate EU-wide turnover of at least two of the enterprises exceeds EUR 250 million (unless each of the enterprises achieves more than two-thirds of its aggregate EU-wide turnover in a single EU member state); and
- Where the aggregate global turnover of the enterprises concerned exceeds EUR 2.5 billion; aggregate global turnover in each of at least three EU member states exceeds EUR 100 million; aggregate turnover of at least two enterprises in each of these three member states exceeds EUR 25 million; and aggregate EU-wide turnover of at least two of the enterprises exceeds EUR 100 million (unless each of the enterprises achieves more than two-thirds of its aggregate EU-wide turnover in a single EU member state).

The European Commission has authority to refer such deals back to the Irish government for consideration if the only real impact will be in Ireland. Firms involved in a merger of companies not normally large enough to warrant Commission attention may apply to the Commission if the deal would otherwise require notification in at least three EU countries.

The Companies Act 2014 introduced a statutory mechanism whereby two Irish private companies can merge so that the assets and liabilities of one are transferred by operation of law to the other, before the former is dissolved.

Monopolies and restraint of trade

The Competition Act deals with monopolies, market dominance and mergers and acquisitions, and prohibits abuse or extension of a dominant position. Monopolies and market dominance are not illegal per se but a company can be broken up in the event of abuse or anti-competitive extension. Concerted practices, such as those that restrain trade, are also illegal.

Any party aggrieved by abuse of a dominant position has a right of action in the High Court for an injunction or declaration of damages, including exemplary damages. The Court has authority to require the adjustment of a dominant market position by the sale of assets or otherwise.

A number of public services are state monopolies, including some services that have been privatized or partially privatized in other European countries, such as airport management, railways and postal services. However, EU rules place strict limits on the ability of these monopolies to receive state subsidies and many former monopolies face increasing competition from EU deregulation policies. Telecommunications have been fully deregulated. Electricity and gas supply, air and rail travel and postal services are being progressively deregulated.

2.3 Accounting, filing and auditing requirements

Irish law requires all companies to prepare annual audited financial statements, with an audit exemption for dormant companies, companies limited by guarantee, unlimited companies and companies that meet a certain size criteria.

Audited financial statements generally must be approved within nine months of the company's year- end. There are no requirements for a company to use the calendar year. Once approved, financial statements of companies with limited liability status must be filed with the Companies Office, where they are available to the public. Companies with unlimited status are not required to file their accounts in some circumstances.

A company's first financial year is the period beginning with the date of its incorporation and ending on a date no more than 18 months after that date. Each subsequent financial year continues for 12 months by default plus or minus seven days as the directors may determine.

The Companies Act 2014 introduced a restriction for changes in financial years and provides that once a financial year end is changed, it can only be changed again after five years have elapsed.

3.0 Business taxation

3.1 Overview

The main emphasis of the Irish tax regime is on a single 12.5% corporate tax rate for active trading companies and the Irish government has committed itself to the retention of this EU-approved rate. The 12.5% rate applies to all active trading profits and contrasts with some other jurisdictions that offer full or partial tax holidays only to select companies. In addition to corporation tax, companies in Ireland are subject to capital gains tax, stamp duty, value added tax (VAT) and customs duties.

As mentioned above, Ireland is an attractive jurisdiction for a range of activities, including regional headquarters and holding companies. Factors contributing to this environment include the following:

- Low corporation tax rate of 12.5% on trading profits;
- Intellectual property regime;
- OECD-compliant knowledge development box (KDB) regime;
- Exemptions from dividend, interest and royalty withholding tax;
- Capital gains tax exemption on the disposal of shares;
- Holding company regime;
- Generous R&D tax credit regime;
- Capital allowances for expenditure on intangible assets;
- No CFC or thin capitalization rules;
- Special expat regime for foreign executives relocating to Ireland;
- Broad tax treaty network;
- Existence of incentive packages that maximize EU financial assistance and efficient use of EU funds;
- Tax relief for interest on borrowings that are used to acquire share capital of qualifying companies or to lend to qualifying companies;
- No capital duty or net wealth taxes; and
- Open and transparent tax system.

Ireland has transposed into domestic law the EU parent-subsidiary, interest and royalties and merger directives. Ireland also had implemented the savings directive, which required the exchange of information between tax administrations when interest payments were made in one EU member state to an individual resident in another member state. The directive was repealed from 1 January 2016 to coincide with the introduction of the common reporting standard (CRS) within the EU through the implementation of a new directive on the mandatory exchange of information.

Irish tax legislation provides various forms of relief to reduce the tax costs of restructurings, amalgamations and transfers of assets within a group and incorporates the common EU framework applicable to mergers, divisions, transfers of assets and exchanges of shares.

Ireland also has a system of group relief that allows the transfer of certain tax losses and other tax attributes, as well as the tax-free transfer of assets between group companies.

The tax authority in Ireland is the Revenue Commissioners, whose primary duty is the assessment and collection of taxes and duties.

Ireland Quick Tax Facts for Companies	
Corporate income tax rate	12.5%/25%
Branch tax rate	12.5%/25%
Capital gains tax rate	0%/33%/40%
Basis	Worldwide
Participation exemption	Yes, for capital gains

Loss relief	
– Carryforward	Unlimited
– Carryback	One year
Double taxation relief	Yes
Tax consolidation	No, but group relief is available for certain losses
Transfer pricing rules	Yes
Thin capitalization rules	No, but certain interest payments from subsidiaries may be recharacterized as dividends
Controlled foreign company rules	No
General anti-avoidance rule	Yes
Tax year	Fiscal year
Advance payment of tax	Yes
Return due date	9 months after accounting year end, but not later than 8 months and 21 days after company's year end (8 months and 23 days for companies filing returns and paying taxes electronically)
Withholding tax	
– Dividends	0%/20%
– Interest	0%/20%
– Royalties	0%/20%
– Branch remittance tax	No
Tonnage tax	Varies
Capital duty	No
Real property tax	0.18%/0.25%
Stamp duty	1%-2%
Share transfer tax	1% stamp duty on transfer of Irish shares, but group exemptions apply
Real estate transfer tax	No
Relevant contracts tax	0%/20%/35%
Social security contributions (PRSI)	Up to 10.75%
VAT	23% (standard rate)/0%, 4.8%, 9%, 13.5% (reduced rates)

3.2 Residence

A corporation is resident in Ireland if it is managed and controlled in Ireland or, in certain circumstances, if it is Irish-incorporated. Specifically, companies incorporated in Ireland after 1 January 2015 are deemed to be tax resident in Ireland, while companies incorporated in Ireland before 1 January 2015 will be deemed to be resident in Ireland from 1 January 2021. However, these incorporation-based residence rules will not apply to Irish-incorporated companies that are currently tax resident in a treaty country, or to non-Irish incorporated companies that are resident in Ireland, by virtue of management and control.

3.3 Taxable income and rates

A company resident in Ireland for tax purposes is liable for Irish corporate tax on its worldwide income, including business profits, dividends (except in certain circumstances), interest, rents, royalties and capital gains. A company incorporated or resident abroad may be liable to Irish corporate tax if it carries on a trade in Ireland through a branch or agency. In cases where the company is resident in a country that has concluded a tax treaty with Ireland, liability to corporate tax will depend on whether the company carries on a trade in Ireland through a permanent establishment (PE). Where a nonresident company carries on a trade through an Irish branch (or a PE), it will be chargeable to corporation tax on trading income arising, directly or indirectly, through or from the branch; any income from property or rights used by, or held by or for the branch; and any chargeable gains on branch assets.

The tax rates in Ireland are as follows:

- The standard rate of corporation tax is 12.5%, which broadly applies to trading profits, including overseas dividends from trading sources (i.e. dividends from trading companies in the EU or a treaty country, or from trading companies in nontreaty countries with which Ireland has ratified the Convention on Mutual Assistance in Tax Matters), but excluding certain land dealing activities and income from minerals and petroleum activities. Dividends received from EU/EEA subsidiaries may carry underlying credit relief and a potential notional credit, thereby eliminating the Irish corporate tax on such dividends.
- Passive income, including certain dividends, interest, rents and royalty income, is taxable at a higher rate of 25%.
- Income from certain trading activities (e.g. dealing in and developing land other than qualifying full developed land, the exploitation of oil, gas and mineral resources, and dealing in licenses) also is taxable at the 25% rate.

A three-year corporate tax exemption applies to start-up companies where a new trade commences in the period 2009-2018. The value of the relief is based on the amount of employer's social charge paid by a company in an accounting period, subject to a maximum of EUR 5,000 per employee and an overall limit of EUR 40,000. If the amount of qualifying employer's social charge paid by a company in an accounting period is lower than the reduction in the corporation tax liability, the relief will be based on the lower amount.

Taxable income defined

Corporation tax is charged on the profits of a company, which consist of business or trading income (including income from active financing, leasing, licensing, manufacturing, procurement and R&D), investment income and chargeable gains. Income is generally calculated for corporate tax purposes by adjusting the net profit before tax shown in the audited financial statements. Certain expenses are specifically disallowed. Expenditure of a capital nature is not normally deductible but capital allowances may be available on capital expenditure.

Foreign tax paid on profits and income streams taxable in Ireland is allowed as a deduction or credit. As discussed below, credit is given either unilaterally or under the provisions of a relevant tax treaty. Where no such agreement exists or unilateral credit relief is not available, a deduction generally is granted in calculating taxable profits.

Distributions (dividends) received by an Irish resident company from another Irish company generally are not included in taxable income. Dividends received from a nonresident company are taxable in Ireland (although relief may be available through a foreign tax credit for actual, and in some situations notional, tax paid).

Closely held companies may be subject to a 20% surcharge on estate and investment income if such income is not distributed within 18 months of the end of the accounting period in which the income is earned. Close "service" companies are liable to a surcharge of 15% on 50% of their undistributed trading income. (Most Irish resident companies owned by Irish shareholders that are private companies are "close" companies, i.e. more than 50% of full distributable income goes to five or fewer individuals having an interest in the income or capital of the company or to participators who are directors.)

Foreign exchange gains and losses of a company that arise or are incurred for trade purposes are taxable (or deductible) in the calculation of taxable income, whether they are realized or unrealized.

Deductions

The deductions available in calculating profits are determined by the nature of the profits.

A company generally is entitled to a deduction for revenue expenditure against profits. Certain capital expenditure, such as investment in plant and machinery, may qualify for capital allowances. There is no deduction for the depreciation of capital assets.

Deductions are available for trading activities, provided the expenses are incurred wholly and exclusively for the purposes of the trade and generally are determined on the basis of the financial statements.

The following expenses are nondeductible:

- Entertainment expenses (100% nondeductible);
- Auto leasing expenses (the allowance of 12.5% of net cost per year is restricted for cars valued at more than EUR 24,000, with a further restriction for cars with higher CO₂ emissions; expenses related to private use are nondeductible);
- Depreciation (100% nondeductible, but a comprehensive system of capital allowances, or tax depreciation, is substituted – see below);
- Dividends and distributions; and
- Expenses incurred for purposes other than the company's trade.

In general, deductions are available to investment companies in respect of management expenses and certain interest payments.

Companies generally are entitled to deduct payments of interest (except interest treated as a distribution – see below).

Intangible assets: Allowances are provided over a number of years for capital expenditure incurred after 7 May 2009 for the provision or acquisition of intangible assets (e.g. brands, trade names and copyrights) for the purposes of a trade. This capital allowance regime also applies to certain categories of software. In addition, certain acquisitions of customer lists also qualify for tax relief, provided they are not transferred directly or indirectly in connection with the transfer of a business as a going concern. For accounting periods starting on or after 1 January 2015, there no longer is a cap on certain capital allowances.

Companies operating in foreign currency: Companies with an operating currency other than the Euro are subject to certain rules concerning the treatment of capital expenditure and trading losses. For the purpose of calculating tax depreciation, capital expenditure remains in the operating currency of the company. The company's income after offsetting tax depreciation is converted into Euro, thereby preserving the value of the capital expenditure against exchange fluctuations.

In addition, losses are carried forward in a company's operational currency. If profits are earned in a future accounting period, the operational currency equivalent to the profits in Euro will be offset against the loss carried forward. This preserves the value of the losses against exchange rate fluctuations.

Foreign exchange transactions, including hedging contracts, count as taxable income if properly incorporated in a company's accounts. For example, if a company uses a liability in a foreign currency to fund the acquisition in the same foreign currency of a minimum 25% shareholding in a subsidiary, a company may discount the effects of currency fluctuations for tax purposes. Companies must elect to match the foreign currency gain or loss on the asset with the foreign-currency gain or loss on the liability within three weeks of the investment.

Scientific research: Expenses, including capital expenditure for scientific research, may be charged against trading income in the year in which the costs are incurred.

Patents: Capital expenditure for the purchase or acquisition of patent rights may be written off in equal amounts over 17 years or the remaining life of the patent, whichever is shorter. The cost of

registration or renewal of IP rights is deductible. This relief does not apply where patents are acquired after 7 May 2011; the IP regime for intangible assets will apply instead (as outlined above).

Research and development (R&D) credit

A tax credit of 25% of qualifying R&D expenditure incurred on a volume basis may be offset against a company's corporation tax liability in the year in which the expenditure is incurred. For accounting periods commencing before 1 January, the amount of qualifying expenditure is restricted to incremental expenditure over expenditure in a base year (2003). For accounting periods on or after 1 January 2015, there is no such restriction. The credit is available in addition to any deductions for the R&D expenditure, resulting in a cumulative benefit of up to 37.5%.

A credit of 25% also is available for relevant expenditure incurred on a building/structure. Relevant expenditure is broadly defined as expenditure on the portion of the building used for qualifying R&D activities, provided at least 35% of the building is used for these activities over a four-year period. The credit available on the qualifying portion of the expenditure is deductible in full in the year the expenditure is incurred. The credit is available together with capital allowances.

To qualify for the credit, the following conditions must be satisfied:

- The R&D activities must be carried out in the EEA;
- The expenditure must not be deductible in any other country; and
- The R&D must be carried out in-house, although an amount up to 5% of the total expenditure paid to a university or institute of higher education, or 15% of total expenditure paid to a third-party subcontractor, qualifies for the credit.

The credit may be carried back to the previous year if there is insufficient current year corporate tax. If the credit is still unutilized after the carryback, the company may claim a cash payment from the tax authorities for the excess over a three-year period (on claims made within 12 months from the end of the accounting period in which the qualifying expenditure is incurred) or offset the excess credit against payroll taxes, subject to certain limits. Companies in receipt of this credit also have the option to use a portion of the credit to reward key employees who have been involved in the development of R&D.

The amount of credit to be provided as a cash payment is limited to the greater of:

- The corporation tax payable by the company for accounting periods ending in the 10 years prior to the relevant period; or
- The aggregate of payroll liabilities for the relevant period and the preceding accounting period.

Knowledge development box

A KDB regime applies as from 1 January 2016. The KDB rules provide that profits from qualifying assets (i.e. patented inventions and copyrighted software) earned by an Irish company, to the extent related to R&D undertaken by that company, can be effectively taxed at a rate of 6.25%. The KDB regime is in compliance with the OECD "modified nexus" approach.

Irish-resident companies with qualifying R&D activity that results in the creation of qualifying assets can claim benefits under the KDB regime. Qualifying assets include copyrighted software, patented or similarly protected inventions and, in the case of smaller companies, registered inventions that are certified by the Controller of Patents to be novel, non-obvious and useful. "Small" companies for the purposes of the KDB are companies with income arising from IP/qualifying assets of less than EUR 7.5 million.

The KDB rules apply for accounting periods that commence on or after 1 January 2016 and before 1 January 2021. The KDB calculation forms part of the corporation tax return.

Claimant companies will need to be familiar with the qualifying criteria for the R&D tax credit. If KDB amounts are scrutinized by the tax authorities, substantial documentary evidence will be required to defend the claim including evidence to demonstrate the overall income from the qualifying asset, the qualifying expenditure (R&D) in the development of the qualifying asset, as well as the total overall expenditure to develop the asset. Proper systems and controls around R&D project management will be necessary to minimize cost, time and effort. Importantly, it will

also be necessary to demonstrate a clear link between these expenditures and the profit derived from the qualifying activity.

Depreciation

Depreciation charged in the financial statements of a corporation is nondeductible for tax purposes. Instead, a system of annual capital allowances or tax depreciation is used as follows:

- Certain qualifying industrial buildings: 4%;
- Plant and machinery (including computer equipment): 12.5%;
- Vehicles: 12.5%;
- Investment in oil and gas (under a license): 100%; and
- Intellectual property (as defined): as per the depreciation in the financial statements or a minimum of 6.66% per annum.

Expenditure on plant and machinery is subject to an annual 12.5% straight-line allowance for a period of eight years. Allowances on business cars also are calculated on this basis, up to a maximum qualifying expenditure of EUR 24,000. The EUR 24,000 limit is further reduced if the CO₂ emissions of the car exceed 155g/km. A 100% capital allowance in the year of purchase is available for expenditure incurred by a company on qualifying energy-efficient equipment purchased for the purposes of the trade.

A balancing charge or allowance applies on the disposal of plant and machinery for which capital allowances have been claimed, equal to the difference between the amount received on disposal and the tax written-down value of the asset. No balancing charge is made in respect of capital expenditure on plant and machinery where the disposal proceeds for the plant or machinery are less than EUR 2,000.

Industrial buildings are written down at 4% per annum on a straight-line basis over the tax life of the building. Certain buildings in tax-designated areas are treated as industrial buildings for tax purposes.

Losses

Relief for losses is available by way of a deduction. Losses may be carried forward indefinitely against trading profits of the same trade. Trading losses may be carried back for one year.

Trading losses may be offset against trading income in the accounting period (normally one year, but not necessarily a calendar year) in which they are incurred and in the accounting period immediately preceding the period in which they are incurred. These losses are offset on a Euro-for-Euro basis. Trading losses may be offset against nontrading income and capital ("chargeable") gains, but only on a value basis. For example, a company's trading loss will be allowed at the 12.5% rate against income liable at the 25% rate. However, such a company will need trading losses equal to twice the amount of passive income to eliminate its tax liability on that income. Losses may be group relieved, provided a 75% relationship exists between the company surrendering the losses and the company claiming the losses (as described below). Unused trading losses may be carried forward indefinitely against trading profits.

Losses on land not held for development purposes may be offset against capital gains but the relief is limited to the company that holds the asset and is not available to pass through to the group. This relief may not be carried back but may be carried forward. Losses on the disposal of land held for development purposes may be offset against capital gains on other assets.

There are no provisions in Irish legislation for the consolidation of profits and losses. However, Ireland grants relief for losses incurred by companies in a group. Companies are considered part of a group if one is a 75% subsidiary of another or both are 75% subsidiaries of a third company where all companies (and intermediaries, if shares are held indirectly through a series of companies) are tax resident in an EEA country or a country with which Ireland has entered into a tax treaty, or listed on a stock exchange recognized by Irish Revenue. Group relief is restricted to current year trading losses (including losses on leasing operations) arising in Ireland, including excess charges on income, excess management expenses (for investment companies) and certain excess capital allowances.

3.4 Capital gains taxation

Companies resident in Ireland for tax purposes are liable to tax on their worldwide gains. Nonresident companies are liable to tax only in respect of gains arising on the disposal of land, minerals or mineral rights in Ireland or of assets used for purposes of a trade conducted through a branch or agency in Ireland. A nonresident company also is liable for the tax on the disposal of shares not quoted on a stock exchange that derive most of their value directly or indirectly from land, minerals or mineral rights in Ireland, with certain anti-avoidance law applying.

Profits arising from the disposal of assets by companies are taxed as profit, i.e. at the standard corporate tax rate of 12.5%, but the profit is adjusted such that the effective rate of tax is the capital gains tax rate (currently 33%). Where the gain is on the sale of development land or where a nonresident disposes of a nontrading asset, capital gains tax applies at the rate of 33% (although disposals of certain foreign investment products are subject to a rate of 40%).

The cost of acquisition or improvement of an asset is deductible from the nominal gain. The gain on share sales is calculated on a first-in, first-out basis. Trading losses may be offset against capital gains for the current or previous year, except where the gain is in respect of development land. Losses on the disposal of development land may be offset against capital gains on any type of asset.

Capital assets may be transferred between Irish resident group companies without liability for capital gains tax.

Under Ireland's participation exemption, gains derived from the sale of shareholdings in other companies are not taxable if the other company is EU resident or resident in a country that has concluded a tax treaty with Ireland and the Irish company:

- Held at least 5% of the shares in the company for a continuous period of at least 12 months ending within the 24 months preceding the disposal; and
- Is a trading entity or a member of a trading group.

Losses on such holdings may not be offset against gains.

Foreign exchange gains or losses on hedging instruments associated with capital borrowing are included in taxable income and excluded from the calculation of capital gains. Gains or losses on holdings of foreign currency for trade purposes are treated in the same way. Gains on the sale of Irish government securities, securities issued by state-sponsored bodies and guaranteed by the government and securities issued by local governments generally are exempt from capital gains tax.

3.5 Double taxation relief

Unilateral relief

Foreign taxes paid by an Irish resident company (or EU branch), whether imposed directly or by way of withholding, may be creditable in Ireland either unilaterally or under the provisions of a tax treaty. Where no treaty exists or unilateral credit relief is not available, deductions generally are granted in calculating taxable profits. The calculation of the credit depends on the nature of the income item, but is limited to the Irish tax due on the particular item of income, computed on a net basis.

The pooling of credits for foreign dividend income is available. Any surplus double tax credits attributable to foreign dividends taxable at the 12.5% rate are not available against tax on foreign dividends subject to the 25% rate.

An additional tax credit is available for dividends paid on or after 1 January 2013 by certain companies, including, for example, those resident in an EU/EEA member state, with which Ireland has a tax treaty. The additional foreign tax credit allows for increased double taxation relief when the existing credit for foreign tax on the relevant dividend is less than the amount that would be computed by reference to the nominal or headline rate of tax in the country from which the dividend is paid.

Ireland also allows the pooling of foreign branch profits. Where the foreign tax on the profits of a branch exceeds the Irish tax on such profits, the credit is limited to the Irish tax on the profits. The

pooling mechanism allows credit to be granted for any surplus foreign tax. Thus, where a company has two overseas branches, the foreign taxes paid in both countries can be used as a credit against the Irish tax computed on the same profits.

Tax treaties

Ireland has an extensive tax treaty network and, as noted above, foreign taxes paid on profits and income streams taxable in Ireland are allowed as a deduction or credit. Credit is given either unilaterally or under the provisions of a relevant treaty. Where no such agreement exists or unilateral credit relief is not available, deductions are granted in calculating taxable profits.

Ireland's treaties generally are based on the OECD model treaty and typically provide for relief from double taxation on most types of income, limit the taxation by one state of companies resident in the other contracting state and protect companies resident in one state from discriminatory taxation in the other state. The treaties also generally contain OECD-compliant exchange of information provisions.

Ireland operates a self-assessment system in respect of the collection of taxes and tax returns for companies and individuals. Therefore, the benefits of tax treaties are relatively straightforward to claim under the self-assessment system. However, it is not possible to claim a correlative adjustment for double taxation relief under the self-assessment system unless specifically agreed to by Irish Revenue.

Ireland Tax Treaty Network			
Albania	Ethiopia*	Luxembourg	Saudi Arabia
Armenia	Finland	Macedonia	Serbia
Australia	France	Malaysia	Singapore
Austria	Georgia	Malta	Slovakia
Bahrain	Germany	Mexico	Slovenia
Belarus	Greece	Moldova	South Africa
Belgium	Hong Kong	Montenegro	Spain
Bosnia & Herzegovina	Hungary	Morocco	Sweden
Botswana*	Iceland	Netherlands	Switzerland
Bulgaria	India	New Zealand	Thailand
Canada	Israel	Norway	Turkey
Chile	Italy	Pakistan*	United Arab Emirates
China	Japan	Panama	Ukraine
Croatia	Jersey	Poland	United Kingdom
Cyprus	Korea	Portugal	United States
Czech Republic	Kuwait	Qatar	Uzbekistan
Denmark	Latvia	Romania	Vietnam
Egypt	Lithuania	Russia	Zambia
Estonia			

* Treaty applies in Ireland as from 1 January 2017.

3.6 Anti-avoidance rules

Transfer pricing

Transfer pricing rules based on the OECD guidelines apply in Ireland. The objective of the law is to ensure that an arm's length price is charged in arrangements involving the supply or acquisition of

goods, services, money or intangible assets between connected persons when the profits or losses of either company are chargeable to Irish tax as trading profits or losses. Transfer pricing methodologies as set out in the OECD guidelines should be used to determine the arm's length price. The term "arrangement" is broadly defined as any agreement or arrangement of any kind, whether or not it is, or is intended to be, legally enforceable.

Corporations are deemed to be connected where there is at least a 50% ownership relationship, but may be connected in other circumstances.

The law applies to both domestic and cross-border trading transactions between companies and to Irish branches of foreign companies that are within the charge to Irish tax on their trading activities. Transactions between head offices and branches do not fall within the scope of the transfer pricing law.

The transfer pricing regime does not apply to activities that are nontrading in nature, e.g. financing activities such as interest-free loans that are nontrading in nature or to isolated intellectual property transactions.

Small and medium-sized companies are outside the scope of the transfer pricing provisions. A small/medium-sized entity is one with a staff head count of less than 250 and that has either an annual turnover of EUR 50 million or less or an annual balance sheet total of EUR 43 million or less in assets, with these figures assessed annually on a group-wide basis. Income can be adjusted upwards or expenditure downwards, so these provisions do not give rise to an Irish tax disadvantage for the Irish exchequer. A tax treaty must be used if an Irish company seeks a downward adjustment to its income because of an overseas transfer pricing adjustment that increases income in the overseas counterparty company.

Companies are required to have available records that would reasonably be required for the purpose of determining whether the trading income of a company is computed by virtue of the arm's length principle. Documentation should be prepared at the time the terms of the transaction are agreed and should be available by the due date for filing the corporate tax return.

Advance pricing agreements (APAs)

A formal APA program was introduced on 1 July 2016. The APA program applies to transfer pricing issues (including the attribution of profits to a PE) and is conducted within the legal framework of the tax treaty that Ireland has concluded with the other jurisdiction concerned. An application may be made by a company that is tax resident in Ireland for the purpose of the relevant treaty, as well as by a PE in Ireland of a nonresident company in accordance with the provisions of the treaty.

The bilateral APA program is intended to apply in respect of a transaction(s) where the transfer pricing issues involved are complex (e.g. there is significant doubt about the appropriate application of the arm's length principle or where there would otherwise be a high likelihood of double taxation).

Where the transfer pricing issues involve more than two jurisdictions, of which Ireland is one, Revenue will consider entering into a series of bilateral APAs as a way of dealing with such multilateral situations.

An APA will be granted for a fixed period of time, typically between three and five years (excluding any rollback years). Irish Revenue are willing to consider other fixed periods, subject to the agreement of the other tax administration.

Country-by-country reporting

Ireland has introduced country-by-country (CbC) reporting legislation and regulations effective for accounting periods commencing on or after 1 January 2016.

Under the CbC reporting provisions, an Irish-resident ultimate parent entity of a multinational group (broadly, one with annual consolidated revenue in excess of EUR 750 million in the immediate preceding accounting period) will be required to file a CbC report with Irish Revenue. The legislative provisions provide for a secondary filing mechanism, under which a multinational group can designate an Irish-resident constituent entity of the group to act as a "surrogate parent" entity and file a CbC report with Irish Revenue on behalf of the group. Further, if it is not possible for the ultimate parent entity or a surrogate parent entity to file a CbC report, there will be a requirement for a local country filing with Irish Revenue – known as "an equivalent CbC report."

On 13 October 2016, Irish Revenue released updated guidance on CbC reporting, including a step-by-step guide on notification requirements. The guidance outlines which entities must notify Irish Revenue. Notification is to be made via Revenue's Online Service (ROS) and an appendix in the guide provides detailed, step-by-step instructions on notification. To the extent that there is more than one domestic Irish constituent entity for CbC reporting purposes, it may be possible for the group to nominate one Irish entity to make a notification on behalf of all other Irish constituent entities on ROS. Notification is required on an annual basis with the first notification requirement due by 31 December 2016 for accounting periods ending on that date.

Thin capitalization

Ireland does not have specific thin capitalization legislation. However, interest payments made by a company to a nonresident parent that owns at least 75% of the Irish company generally are reclassified as dividend distributions. Exceptions to this rule apply to payments made in the ordinary course of a trade carried on by the company to a parent resident in an EU or tax treaty country. In many cases, an election must be made for the exception from dividend treatment to apply.

Controlled foreign companies

Ireland currently does not have CFC rules.

General anti-avoidance rule

The Irish tax code contains a general and widely drafted anti-avoidance provision. In broad terms, the legislation provides that, where a person has entered into a "tax avoidance transaction," the Revenue Commissioners can disallow the tax advantage resulting from such a transaction. If the transaction was undertaken primarily for non-tax purposes, however, it should not be regarded as a tax avoidance transaction. Certain tax arrangements that result in an Irish tax advantage and fall within certain limited prescribed hallmarks must be disclosed to the Irish tax authorities, and the use of such arrangements must be noted on the tax return.

BEPS

Ireland has contributed to the development of the OECD action plan under the base erosion and profit shifting (BEPS) initiative. The Irish government wishes to preserve the 12.5% corporate tax rate while acknowledging that, as a small open economy, the country must remain competitive to attract inward investment.

The following table summarizes the steps Ireland has taken to date to implement the OECD's BEPS recommendations:

Action	Implementation
VAT on business to customers digital services (Action 1)	The EU VAT directive applies and already has been implemented into domestic law.
Hybrids (Action 2)	Ireland is expected to continue to engage constructively with international developments on hybrid mismatches, but it is not a minimum standard requiring early action. Under the EU Anti-Tax Avoidance Directive (ATAD), Ireland, as an EU member state, is required to adopt laws and regulations necessary to comply with the rules by 31 December 2018 at the latest. Hybrid mismatches are included in the ATAD.
CFCs (Action 3)	Ireland currently does not have CFC rules. Under the EU ATAD, Ireland is required to adopt laws and regulations necessary to comply with the rules by 31 December 2018 at the latest. CFCs are included under the ATAD.
Interest deductions (Action 4)	This issue is not considered a high priority for Ireland in light of the extensive anti-avoidance tax

	<p>law that already applies under domestic law to restrict interest deductions. Ireland, therefore, is not expected to introduce new legislation in the near term to implement this action.</p> <p>The EU ATAD contains interest restriction rules that must be implemented by EU member states. However, there is a transition period for member states that have national, targeted rules for preventing BEPS that are equally effective as article 4. Ireland already has significantly complex interest rules depending on the activity concerned (e.g. investment or trading activities) and it remains to be seen whether such rules will be considered to be “equally effective to the interest limitation rule.”</p> <p>If the existing rules are not considered “equally effective to the interest limitation rule,” Ireland will have to introduce new legislation by 31 December 2018. However, this date will be extended to the end of the first fiscal year following the date of publication of the agreement between the OECD member states on a minimum standard with regard to BEPS Action 4, or, at the latest, until 1 January 2024 if the Irish rules are considered to be “equally effective to the interest limitation rule.”</p>
Harmful tax practices (Action 5)	Patent box legislation was included in Finance Act 2015 (knowledge development box).
Prevent treaty abuse (Action 6)	Ireland is likely to include a principle purpose test (PPT) in tax treaties as a preferred option. This is expected to be included through the multilateral instrument and any future bilateral agreements entered into by Ireland.
Permanent establishment status (Action 7)	This is expected to be implemented through the multilateral instrument.
Transfer pricing and CbC reporting (Actions 8-13)	Historically, Ireland has followed OECD guidance with regard to transfer pricing. As such, it is expected that Ireland will adopt the revised OECD transfer pricing guidance once it becomes available.
	CbC reporting applies as from 1 January 2016.
Disclosure of aggressive tax planning (Action 12)	Ireland already has mandatory disclosure rules.
Dispute resolution (Action 14)	This is expected to be implemented through the multilateral instrument.

3.7 Administration

Tax year

The accounting period of a company for tax purposes is 12 months or the period for which accounts are prepared, if shorter.

Filing and payment

Ireland operates a self-assessment system, under which a taxpayer must determine its liability to corporation tax. A company must file a tax return together with iXBRL-tagged financial statements within nine months of the end of the accounting period, but no later than eight months and 21 days

(extended to 23 days for companies filing their return and paying their taxes electronically) from the company's year end. Failure to do so gives rise to penalties and loss of reliefs.

A preliminary corporate tax payment is payable during the accounting period, amounting to 100% of the corporate tax liability. To avoid an interest charge arising on underpayment, the amount to be paid as preliminary tax must be not less than 90% of the current year tax liability, with the balance payable on filing the return.

Companies with a tax liability of more than EUR 200,000 in their previous accounting year must pay preliminary corporation tax in two installments (on 21 June and 21 November of the accounting period for companies with a calendar year end, extended to 23 June and 23 November for companies filing their return and paying their taxes electronically). The amount payable on 21/23 June is 50% of the preceding year's liability or 50% of the current year's liability, with the balance payable on 21/23 November. To avoid interest charges, the amount paid by 21/23 June must be either 50% of the preceding year's tax liability or 45% of the current year liability and the total amount paid by 21/23 November must be 90% of the total liability for the relevant year.

Most companies must file tax returns and pay corporation tax liabilities electronically, using Irish Revenue's Online Service (ROS) system (in which case, as discussed above, an additional two days are granted to meet each of the preliminary tax payment obligations and to file the corporate tax return (i.e. until the 23rd day of the applicable month).

Consolidated returns

As noted above, there are no provisions in Irish tax legislation for consolidation of group profits and losses. However, Irish trading losses may be group-relieved between qualifying group companies resident in the EU, provided a 75% relationship exists between the company surrendering the losses and the company claiming the losses.

Statute of limitations

The time limit is four years commencing from the end of the chargeable period in which the taxpayer has submitted a return. No enquiries may be made or other actions taken by the Irish Revenue Commissioners after the end of that period, unless the Inspector has reasonable grounds for believing (at the time he or she makes the enquiries) that the return is inaccurate owing to fraud or negligence. The statute of limitations for the assessment of tax also is four years.

Tax authorities

The tax authorities in Ireland are the Revenue Commissioners, whose primary duty is the assessment and collection of taxes and duties. Revenue's mandate derives from obligations imposed by statute and by the government, and as a result of Ireland's membership of the EU. In broad terms, their duties include:

- Assessing, collecting and managing taxes and duties (which account for over 93% of Exchequer revenue);
- Administering the customs regime for the control of imports and exports and the collection of duties and levies on behalf of the EU;
- Working in cooperation with other state agencies in the fight against drugs and in other cross-departmental initiatives;
- Carrying out agency work for other departments;
- Collection of Pay Related Social Insurance (PRSI) for the Department of Social Protection; and
- Provision of policy advice on taxation issues.

Rulings

Certain holding/headquarter entities can request an advance ruling on Irish tax residence status, the taxation of directors and certain other tax matters. It is possible to obtain a trading opinion from Irish Revenue on whether the 12.5% rate applies to certain activities.

The Revenue Commissioners have issued updated guidance regarding the circumstances under which requests for advance opinions and confirmations will be granted. These guidelines are

welcome, as there have been several cases where Revenue have refused to give an opinion on complex issues, leading to some uncertainty regarding the tax position of certain multinationals with a presence in Ireland. As part of the guidance, Revenue have set out that, where appropriate, an opinion/confirmation will contain a provision setting out the period for which the opinion/confirmation will apply, which normally will be a maximum of five years.

As noted above under “Transfer pricing,” it is possible to obtain an APA.

3.8 Other taxes on business

Tonnage tax

Certain shipping companies may elect to have their profits charged to tonnage tax rather than corporation tax, subject to meeting certain requirements. The tax charge is levied annually, based on the tonnage of the ships operated by the company.

4.0 Withholding taxes

4.1 Dividends

Dividends and other profit distributions made by a resident company to a nonresident generally are subject to a 20% withholding tax. However, the rate can be reduced to nil if certain formalities are met and (i) the recipient is an individual resident in a treaty country or an EU member state; or (ii) the recipient is a company and the following requirements are met:

- The company is under the control of persons resident in a treaty country or in an EU member state; or
- The principal class of shares of the company or of another company of which it is a 75% subsidiary is regularly traded on the stock exchange in a treaty country or an EU member state; or
- It is resident in a treaty country or an EU member state and is not under the control of a person or persons who are Irish tax residents.

4.2 Interest

A 20% withholding tax is generally levied on annual interest payments made to a nonresident company unless a lower rate applies under a tax treaty, the interest is paid to a qualifying company under the EU interest and royalties directive or the interest payment is specifically exempt under domestic legislation.

4.3 Royalties

A 20% withholding tax is imposed on patent royalties and payments made to a nonresident company, unless the rate is reduced by a tax treaty, or the EU interest and royalties directive applies. Other types of royalty are not subject to withholding tax.

Where certain conditions are satisfied, it is possible to obtain pre-clearance from Irish Revenue that royalty payments may be made without the deduction of withholding tax.

4.4 Branch remittance tax

Ireland does not impose withholding tax on the repatriation of branch profits to a foreign head office.

4.5 Wage tax/social security contributions

Employee income taxes generally are collected under the PAYE (Pay As You Earn) system, whereby tax is calculated and withheld from salaries by the employer.

The USC (Universal Social Charge) applies to gross income (including notional pay) and payments are made via the PAYE system.

Irish social security contributions are referred to as PRSI contributions. Both employee PRSI (4%) and employer (10.75%) contributions are payable, and payments are made through the PAYE system.

The onus lies on the employer to calculate and remit the relevant PAYE/PRSI/USC in respect of employee remuneration.

5.0 Indirect taxes

5.1 Value added tax

VAT is levied, with certain exceptions, on the value of all goods and services supplied in Ireland by an accountable person. VAT also is payable on most imported goods and services.

The standard rate of VAT is 23%. Reduced rates of 4.8%, 9%, and 13.5% are levied on certain goods and services. The 4.8% rate broadly applies to supplies of livestock, greyhounds and horses for agriculture production purposes. The 9% rate applies mainly to tourism related goods and services (i.e. hotel accommodation, catering services, admissions to performances) as well as the use of sporting facilities, selected printed matter, and hairdressing among others; while the 13.5 % rate applies to fuel (coal, heating oil, gas), electricity, building and building services, agricultural contracting services etc.

The main relief from VAT takes the form of either zero-rating or exemption. The principal exempt items include medical and related services, insurance and reinsurance, and the provision of financial services. Zero-rated goods and services include export of goods, oral medicine for human consumption, supply of medical equipment and appliances, children's clothing, and certain food items.

Companies whose turnover from zero-rated intra-EU supplies of goods, exports outside the EU and supplies of certain contract work exceeds, or is likely to exceed, 75% of their total annual turnover can be authorized by the Revenue Commissioners to receive goods and services (except the supply or hire of any passenger motor vehicles, food, drink, entertainment, etc.) from Irish and foreign suppliers free of VAT. This reduces administration and eliminates the need to obtain a VAT refund.

A taxable business must account for relevant VAT liabilities in respect of its Irish-based taxable turnover but has the right to claim a deduction for VAT incurred on its own inputs (i.e. purchases whether local or not) on which VAT is levied. In most cases, credit is available for VAT paid on goods and services purchased. The net tax due or refundable on sales/purchases normally is settled bimonthly with the authorities, although agreement can be made to settle on an alternative calendar cycle in certain circumstances.

A business that is not established or registered for VAT in Ireland, but that incurs Irish VAT, may recover that VAT by submitting a claim to the Irish tax authorities. An EU directive that has been implemented into Irish law since 2010 sets out the procedure to request recovery of VAT incurred in other EU member states by businesses that are established and registered for VAT within the EU. It must be noted, however, that in certain specific circumstances, although no Irish establishment exists, a company still may be liable to register for VAT in Ireland and to recover VAT through its Irish VAT return, for example, if it:

- imports goods into Ireland;
- supplies goods within Ireland (unless supply and installation provisions apply);
- engages in distance selling of goods to a person who is not a taxable person in Ireland;
- engages in the supply of services connected with immovable goods located in Ireland;
- engages in catering services physically carried out within Ireland;
- is established outside the EU and engages in the hire of movable goods for effective use within Ireland;

and in other specific circumstances. Businesses that carry on VATable activities must register with the Revenue Commissioners where the annual value of supplies within Ireland exceeds EUR 75,000 for goods and EUR 37,500 for services. Regardless of level of sales, the business also is required to register for Irish VAT if its intra-EU acquisitions exceed EUR 41,000.

VAT returns generally are filed every two months and the tax due (if any) becomes payable at that time.

There are certain statistical reporting requirements in place for VAT-registered traders doing business with other EU countries, i.e. VIES and Intrastat returns. Each VAT-registered trader that zero-rates goods and/or services to a VAT-registered trader in another member state must submit a VIES statement regardless of value. As from January 2016, the annual thresholds that trigger the obligation to make the more detailed monthly Intrastat return are EUR 500,000 for arrivals (imports) and EUR 635,000 for dispatches (exports).

VAT grouping is permitted in Ireland where the Revenue Commissioners are satisfied that two or more persons are closely bound by financial, economic and organisational links, provided that:

- the VAT grouping is necessary or appropriate for efficient and effective administration purposes, and
- no loss of VAT is involved.

Where a VAT group is formed, the group is effectively treated as a single person. One member of the group, referred to as the “remitter,” files VAT returns for the group. Where a VAT group is in place there is no requirement to charge VAT or issue a VAT invoice on inter-group transactions. It should be noted that all members of a VAT group are jointly and severally liable for the VAT obligations of the other members, including the payment of any VAT liabilities that may arise.

VAT grouping is at the discretion of the Revenue Commissioners, which also can impose group registration on closely linked persons. However, any person aggrieved by a ruling of Revenue in relation to group registration can appeal to the Appeal Commissioners.

In recent years there have been a number of changes to the place of supply rules for VAT purposes. The general rules relating to the place of supply of services are as follows:

- Where the service is being provided to another business the place of supply is where the other business is established.
- Where the service is being provided to a private individual who is not a business the place of supply is where the suppliers business is established.

There are a number of exceptions to the general rule which apply to the following services:

- Passenger transport;
- Transport of goods within the EU;
- Admission to cultural, artistic, sporting, scientific, education and entertainment or similar services, and ancillary services related to the admission;
- Work on movable property;
- Supply of service connected with immovable goods; and
- Short term hiring of means of transport.

As from 1 January 2015 the place of supply rules for telecommunication, broadcasting and electronically supplied services supplied to private individuals changed from the place where the supplier is located to the place where the consumer resides. This means that suppliers of these services are liable to register for and account for VAT in every EU member state where they make a supply of telecommunication, broadcasting and electronically supplied services to private customers. In order to avoid suppliers having to VAT register in each of those countries, the supplier can choose to use the “Mini One Stop Shop” (MOSS) simplification system. This scheme allows suppliers to submit VAT returns and discharge their VAT liabilities for all applicable member states through the web portal of one member state.

5.2 Capital tax

Ireland does not levy capital tax.

5.3 Real estate tax

Local authorities levy annual local property taxes (rates) on commercial property. Rates are payable based on the valuation of the property, which also is determined by the local authority.

A local property tax (LPT), an annual tax payable in respect of residential property, applies from 1 July 2013 (see Section 6.5 for residential property tax).

5.4 Transfer tax

See below under Stamp duty.

5.5 Stamp duty

Stamp duty is payable by the purchaser/transferee on the transfer of property and most securities. Stamp duty is payable at a rate of 2% on a transfer of nonresidential property and at a rate of 1% on a transfer of residential property up to the value of EUR 1 million and at a rate of 2% on any applicable excess.

Stamp duty is payable on the grant of a lease and the applicable rate will depend on the length of the term of lease. Stamp duty is payable at rates of between 1% and 12% and is calculated on the average annual rent. Stamp duty at a rate of 2% will apply to any premium paid in respect of a grant of lease. The assignment of an existing lease is chargeable as a transfer of property and the above rates in respect of residential and nonresidential property will apply.

Stamp duty on the transfer of shares and marketable securities is payable at a rate of 1%. Certain types of securities are exempt (i.e. government securities and bonds). Various other reliefs are available for intragroup transfers (i.e. share-for-share swaps or share-for-undertaking swaps) subject to the necessary conditions being satisfied. Alternatively, relief is available in respect of transfers between group companies where one of the companies owns 90% of the other, directly or indirectly, or a parent company owns 90% of both companies. This relief, known as associated companies relief, has the effect of reducing any stamp duty liability to nil.

There may be stamp duty implications in respect of the transfer of bonds and other debt securities.

5.6 Customs and excise duties

Goods imported from outside the EU are subject to customs duty at the appropriate rate specified by the EU's common customs tariff. The rate of duty is based on an international harmonized classification system. The EU has preferential tariff agreements with certain countries and country groupings, which result in the rates being reduced or eliminated. Border controls between EU member states do not apply, so goods once imported or produced in the EU can be imported into Ireland from other EU member states duty-free.

Excise duties and other taxes vary depending on the goods and are payable in addition to any customs duty. Excise duties are imposed on mineral oils, alcoholic beverages and tobacco products. There are some arrangements under which goods may be imported without payment of duty. For example, approval may be obtained to import goods duty-free from outside the EU for processing and re-exportation to non-EU countries or for retention within the EU.

5.7 Environmental taxes

An environment levy is payable on plastic bags.

Carbon tax is levied on the amount of carbon emitted on the combustion of certain fuels. The tax is based on a fixed price per unit measurement; the fixed price depends on the type of fuel. The carbon tax applies to kerosene, marked gas oil, liquid petroleum gas, fuel oil natural gas, and solid fuels such as coal and peat.

Other environmental taxes include WEEE (Waste of Electrical and Electronic Equipment), electricity tax payable on nondomestic use of electricity, registration tax on motor vehicles, landfill levy and water charges payable on the supply of water to users through the public water system.

5.8 Other taxes

Relevant Contracts Tax

Relevant Contracts Tax (RCT) is a withholding tax mechanism to ensure those involved in construction, forestry and meat processing operations are tax compliant. The legislation obliges a person (principal contractor) to retain tax at 0%, 20% or 35% of the amount payable to

subcontractors engaged to carry out relevant operations. The rate applicable is determined by the contractor's Irish tax compliance history. Prior approval is required to ensure the correct tax (if any) is being withheld.

Broadly speaking, principal contractors may include property developers, building companies and all associated building trades, as well as individuals who are connected with these businesses. All government bodies, local authorities, public utilities, boards and bodies established under statute, are deemed to be principal contractors under current legislation. Principal contractors also include all gas, water, electric/hydraulic power, dock, canal and railway undertakings.

Those involved in the installation, alteration or repair of telecom equipment or systems are now also obliged to retain RCT.

Where a person or company subcontracts all or part of a relevant contract, they are deemed to be a principal and should retain RCT on payments to subcontractors. The definition of "relevant operations" where RCT should be withheld is broad and is not restricted to those involved in the above industries.

6.0 Taxes on individuals

The personal tax burden in Ireland is average compared to other countries, although employees must also pay social insurance contributions and corporate executives must generally fund private healthcare and pension provisions. There is no net wealth tax, but individuals are subject to a capital acquisitions tax, withholding tax and a deposit interest withholding tax.

Ireland Quick Tax Facts for Individuals	
Income tax rates	Progressive to 40%
Universal social charge	Progressive to 8%, plus an additional 3% surcharge on individuals with income from self-employment exceeding EUR 100,000
Capital gains tax rate	33%
Basis	Worldwide
Double taxation relief	Yes
Tax year	Calendar year
Return due date	31 October (extended to mid-November for certain individuals filing online)
Withholding tax	
– Dividends	0%/20%
– Interest	0%/20%/41%
– Royalties	0%/20%
Social security contributions (PRSI)	4%
Net wealth tax	No
Capital acquisitions tax	33%
Rates (for income tax)	Varies
Local property tax	0.18%/0.25%
VAT	23% (standard rate)/0%, 4.8%, 9%, 13.5% (reduced rates)

6.1 Residence

Residence, ordinary residence and domicile are considered when determining an individual's liability to Irish tax. An individual is treated as being tax resident in Ireland if (i) he/she is physically present in Ireland for 183 days or more in a tax year; or (ii) he/she spends a combined total of 280 days or more in Ireland over the current and preceding tax years. The individual will not be treated as resident under the second test for any tax year during which he/she spends less than 30 days in Ireland. A day is counted for residence purposes if the individual is present in the state at any time during the day.

An individual is regarded as ordinarily resident in Ireland in a tax year if he/she has been an Irish resident for each of the three preceding tax years. Once the individual becomes ordinarily resident in Ireland, he/she does not cease to be ordinarily resident for a tax year unless he/she has been non-resident in Ireland for each of the preceding three tax years.

Domicile is a legal concept and is not defined in Irish tax legislation. It is a complex term and is primarily a question of fact based on the notion of an individual's permanent home to which that person intends ultimately to return. A person can be considered domiciled in the country that is the individual's permanent home even when he/she is temporarily resident in another country. An individual can never be without a domicile. Generally, an individual is domiciled in his/her country of nationality and the country in which the greater part of his/her life is spent, i.e. the domicile of

origin. Once an individual has reached the age of majority, the "domicile of origin" can be abandoned and a "domicile of choice" can be acquired. In this situation, factors of presence and intention would be required.

6.2 Taxable income and rates

Taxable income is based on a "schedular" system, which, in turn, is based on the source of the income, for example, income from employment, income from the exercise of a trade or profession and investment income.

Once an individual's income that is liable to Irish tax has been identified, the tax is calculated and any tax credits available are deducted from the tax figure determined.

A husband and wife may choose to be assessed separately. When a couple choose separate assessment, they may transfer unused tax credits to the other spouse. Couples also may opt to be assessed as two single individuals, in which case credits may not be transferred.

Taxable income

Generally, all forms of compensation, whether in cash or benefits in kind, are taxable as income.

An individual who is resident and domiciled in Ireland (regardless of their ordinary residence status) is liable to Irish income tax on worldwide income.

An individual who is resident but not domiciled in Ireland is liable to Irish income tax as follows:

- **Employment income:** Such individuals are liable to Irish income tax on Irish employment income in full and non-Irish employment income to the extent their duties relate to Irish workdays and to the extent they remit their income relating to non-Irish workdays to Ireland. The income tax due on the foreign employment income relating to duties performed in Ireland is collected through the PAYE system. The foreign employer is responsible for remitting the PAYE due to the Irish tax authorities.
- **Investment income:** Such individuals are liable to Irish income tax on investment income from Irish sources. Investment income from other countries is not taxable, provided that the income is not remitted into the state.

The remittance basis applies for a non-domiciled individual, regardless of residence/ordinary residence status.

An individual who is ordinarily resident, but not resident or domiciled in Ireland, is liable to income tax on Irish-source employment or trading income and investment income exceeding EUR 3,810. Expatriates who have returned to their home country are unlikely to be affected unless they have retained major investments in Ireland.

An individual who is non-resident in Ireland is liable to income tax on Irish-source income, but may be subject to relief available under a tax treaty.

Capital gains

An Irish resident or ordinarily resident and domiciled individual is liable to Irish capital gains tax on the gains arising on the disposal of worldwide chargeable assets. A non-Irish domiciled individual who is resident or ordinarily resident in Ireland is liable to capital gains tax on gains arising on the disposal of Irish chargeable assets and on the gains from the sale of non-Irish assets to the extent that the proceeds are remitted to Ireland. An individual who is not resident and not ordinarily resident in Ireland is liable to capital gains tax on gains arising on the disposal of Irish specified assets, i.e. land and buildings in the country.

Deductions and reliefs

Personal tax credits are available to each individual, which reduce income tax due on taxable income. Other reliefs are as follows:

Benefits in kind received from an employer by an employee whose remuneration (including benefits in kind) is less than EUR 1,905 in a tax year are tax-free; if remuneration exceeds this amount, the benefits in kind are taxable. In general, an employer must calculate the tax liability on the benefit in kind and deduct this through the PAYE system.

There are a number of Revenue-approved share schemes that allow favorable tax treatment for employees:

- Where an employer grants an employee an option on shares through a Revenue-approved Save As You Earn (SAYE) share option scheme, the employee will not be chargeable to income tax on the exercise of the option, but will be chargeable to capital gains tax on the full gain on disposal of the shares. Through a Revenue-approved SAYE plan, an employee saves a fixed sum out of net pay for a predetermined period, after which the employee has enough capital to fund the exercise of the option and acquire shares in the company. Through these types of scheme, shares can be acquired by employees at a discount of up to 25% of the market value of the share at the beginning of the plan and tax-free interest is payable on savings. PRSI (employee only) and the Universal Social Charge (USC) apply to share awards made under a Revenue-approved SAYE plan and are collected via the payroll system.
- A Revenue-approved profit scheme allows an employee to receive shares up to a maximum value of EUR 12,700 per annum from an employer without triggering an income tax liability. Contributions made by the employer to an approved scheme are treated as an allowable trading expense. The shares must be awarded to all employees on similar terms. The shares must be held by the employee for a period of at least three years to avoid an income tax liability. PRSI (employee only) and the USC apply to share awards made under a Revenue-approved profit scheme and are collected via the payroll system.
- Share awards (including share options) made under unapproved share plans are subject to income tax as well as employee PRSI and the USC. The collection mechanism will depend on the type of plan.
- There is no employer PRSI liability on employer share plan remuneration unless there are cash payments involved.

Under the Employment and Investment Incentive Scheme (EIS), relief from income tax is available by way of a deduction from income for individuals who invest in qualifying companies where certain conditions are satisfied as follows:

- The company must be resident in Ireland or resident in the EEA with an establishment in Ireland carrying out qualifying activities;
- The company must be a micro, small or medium sized enterprise;
- The shares cannot be listed on a stock exchange;
- The minimum investment by an individual is EUR 250 and the maximum EUR 150,000;
- The lifetime company investment limit is EUR 15 million;
- The annual amount that can be raised by companies is EUR 5 million; and
- The period for which shares must be held is four years.

Medical insurance premiums paid to recognized health insurers are reduced by an amount equal to the standard rate of tax, and the insurer reclaims the benefit of the tax relief from the Revenue Commissioners.

Rates

The rates of personal income tax in Ireland are 20% (standard rate) and progressive to 40% (marginal rate).

The standard rate of capital gains tax is 33%. The first EUR 1,270 of a gain is exempt from capital gains tax for each individual (the exemption is not transferrable between spouses). A gain accruing to an individual on the disposal of tangible movable property where the consideration is EUR 2,540 or less is exempt from capital gains tax. Gains on the sale of an individual's principal private residence are not subject to capital gains tax, provided the qualification criteria are met.

A 20% withholding tax is levied on dividend payments made by Irish resident companies to Irish resident and non-resident individuals, unless the rate is reduced under a tax treaty. An exemption is granted to residents of EU and tax treaty countries. In order to obtain this exemption a

declaration form must be provided to the company paying the dividend notifying them that the relevant individual qualifies for the exemption.

Interest payments made by Irish deposit takers to Irish resident individuals are subject to Deposit Interest Retention Tax (DIRT) at a rate of 41%. This rate will be reduced by 2% from 2017 and will be further reduced by 2% in each of the subsequent three tax years until the rate of DIRT is 33% in 2020.

6.3 Inheritance and gift tax

Capital acquisitions tax (CAT) is a tax imposed on gifts and inheritances at a rate of 33%. The CAT is charged on the beneficiary, although various exemption thresholds apply, depending on the relationship between the donor/deceased and the beneficiary.

In general, a charge to CAT arises on gifts or inheritances of foreign located assets if either the donor/deceased or the beneficiary is resident or ordinarily resident in Ireland in the tax year in which the date of the gift or inheritance falls. However, if they are not Irish domiciled, neither the donor/deceased nor the beneficiary will be considered resident for this purpose where they have not been resident in Ireland for each of the five tax years preceding the tax year in which the date of the gift or inheritance falls. Gifts or inheritances of Irish-situated property remain within the charge to CAT, regardless of the domicile or residence of the donor/deceased or beneficiary. Shares in Irish-incorporated companies constitute Irish property for this purpose.

6.4 Net wealth tax

Ireland does not levy a net wealth tax.

6.5 Real property tax

Local authorities levy annual local property taxes (rates) on commercial property. Rates are payable based on the valuation of the property, which also is determined by the local authority.

A local property tax (LPT), an annual tax payable in respect of residential property, replaced the previous household charge from 1 July 2013. The tax is collected by Revenue and is self-assessed. Liability for LPT arises where a person owns residential property in Ireland on 1 November of the relevant year. The LPT will be based on the market value of the residential property on the valuation date (1 May 2013) for four years of assessment (e.g. 2013 until 2016). The rate is 0.18% for property up to a market value of EUR 1 million and 0.25% on the excess over EUR 1 million. Certain property is exempt from LPT, including residential property that is used wholly as a dwelling liable to commercial rates.

6.6 Social security contributions

Both employee PRSI (4%) and employer (10.75%) contributions are payable. In general, the contributions are made through the PAYE system. Individuals who earn less than EUR 18,304 in a tax year (EUR 352 per week) are not required to make PRSI contributions.

As from 1 January 2016 employees earning between EUR 352.01 and EUR 424 in a week and who pay class A PRSI will be entitled to a new weekly PRSI credit which will reduce the amount of PRSI deducted from their earnings in that week.

6.7 Other taxes

Universal Social Charge

The USC is a tax payable on gross income, including notional pay, after any relief for capital allowances and certain trading losses but before relief for pension contributions.

The rates and thresholds are as follows:

2017 Budget	
Income Levels	Rate of USC
EUR 0 – EUR 12,012	0.5%
EUR 12,013 – EUR 18,772	2.5%
EUR 18,773 – EUR 70,044	5.0%
Over EUR 70,044	8.0%

2016	
Income Levels	Rate of USC
EUR 0 – EUR 12,012	1.0%
EUR 12,013 – EUR 18,772	3.0%
EUR 18,773 – EUR 70,044	5.5%
Over EUR 70,044	8.0%

A surcharge of 3% applies to non-employment income over EUR 100,000.

All individuals whose gross income exceeds the minimum threshold of EUR 13,000 per annum for 2016 and 2017 are liable to pay the USC. Once an individual's income exceeds the minimum threshold, the USC is payable on the full amount of the individual's income.

Chargeable persons are required to pay the USC with their preliminary tax payment and any balance due is payable by 31 October in the year following the year of assessment.

The USC is a separate charge to income tax and no reliefs or tax credits are allowable against it. Excess or unused tax credits cannot be used to reduce an individual's USC liability.

Certain types of income and individuals in particular circumstances can avail of exemptions from the USC.

6.8 Taxation of foreign employment

Business travelers to Ireland who spend less than 183 days in the country, are resident in a country that has concluded a tax treaty with Ireland and who satisfy other conditions may be exempt from both PAYE and income tax in Ireland. An application to Irish Revenue is required to take advantage of the exemption from PAYE.

Business travelers to Ireland who are resident in a country with which Ireland has a tax treaty and who spend less than 60 work days in Ireland in a tax year (and a continuous period of not more than 60 work days in Ireland in any event) are exempt from PAYE and income tax and no application to the authorities is required. Business travelers to Ireland who are resident in a country that has not concluded a treaty with Ireland and who spend 30 work days or less in Ireland in a tax year are exempt from PAYE/income tax and no application to the authorities is required.

Special Assignment Relief Program

The Special Assignment Relief Program (SARP) is available for individuals arriving in Ireland between 2012 and 2020, including returning workers who have been outside Ireland for at least five tax years. This relief is not limited to either foreign employments or non-Irish domiciles.

Subject to conditions, the relief is available for five consecutive tax years.

In its basic form the relief will allow a relevant amount of compensation, otherwise liable to tax in Ireland, to be excluded from tax. The relevant amount is valued at 30% of compensation between upper and lower thresholds (EUR 500,000 upper and EUR 75,000 lower). The upper threshold has been removed for 2015 and subsequent years.

In determining whether an individual is entitled to the relief, the amount of compensation, excluding the following, must exceed EUR 75,000:

- Benefits in kind, including company cars and preferential loans;
- Termination/ex-gratia payments;
- Bonus payments, whether contractual or otherwise;
- Stock/equity options; and
- Other share-based remuneration.

The relief is only for income tax and does not apply for the Universal Social Charge or PRSI. The relief is obtainable through the PAYE system so that the relief can have an immediate impact rather than waiting for the tax year end to make a claim. Employees making a claim, however, will automatically become chargeable persons for the year of claim, which will result in a tax filing requirement.

For individuals arriving post 1 January 2015 and who qualify for SARP, employers are required to certify to Revenue that an employee meets certain conditions. The certification must be made within 30 days of arrival in Ireland.

Employees should take care before making a claim to ensure the relief provides the best outcome for them. Making a claim under SARP will negate other possible claims which may reduce tax (e.g. a Foreign Earnings Deduction, Trans-border Relief, the R&D (Research & Development) incentive, and possibly the limited remittance basis that still exists). In addition to the exclusion of a relevant amount from tax, an employer will also be able to bear the cost of certain items for an employee without creating an additional tax cost.

6.9 Other employment income reliefs

Foreign Earnings Deduction

2012 saw the re-introduction of the Foreign Earnings Deduction (FED). A deduction will be available for employees working temporarily overseas in the BRICS countries (Brazil, Russia, India, China and South Africa). Finance Act 2013 extended the available deduction to Algeria, the Democratic Republic of Congo, Egypt, Ghana, Kenya, Nigeria, Senegal and Tanzania. Finance Act 2015 further extended the deduction to Japan, Singapore, Korea, Saudi Arabia, the UAE, Qatar, Bahrain, Indonesia, Vietnam, Thailand, Chile, Oman, Kuwait, Mexico and Malaysia. Budget 2017 extended the deduction to Pakistan and Columbia. The deduction is subject to a maximum claim of EUR 35,000 and applies for the years 2012 to 2020.

For the years 2012 to 2014, in order to receive this deduction the employee must spend at least 60 days working in a qualifying country in a tax year or in a continuous 12 month period. For the years 2015 to 2016, the minimum number of days has been reduced to 40. For the years 2017 to 2020, the minimum number of days has been reduced to 30. These “qualifying days” must form part of a period of at least four consecutive days spent in the qualifying country for the years 2012 to 2014. For the years 2015 to 2020, the “qualifying days” must form part of a period of at least three consecutive days spent working in the qualifying country. The deduction does not apply to employees paid out of the public revenue of the state, e.g. civil servants, *Gardai* and members of the defense forces or individuals employed with any board, authority or similar body established by or under statute.

The deduction is calculated based on the amount of time spent working in the qualifying country.

For 2015 to 2020, time spent traveling from Ireland to the qualifying country, or from the qualifying country to Ireland is deemed to be time spent in the qualifying country.

The deduction is claimed at the end of the tax year when making an annual return of income for that year. A deduction will not, however, be claimable where another relief is claimed by the employee, (e.g. split-year relief, Trans-Border Relief, the Special Assignment Relief Program, the R&D incentive and the limited remittance basis that still exists).

R&D credit

In certain circumstances, it may be beneficial for an individual to claim the new R&D tax credit. From 1 January 2012, companies that are in receipt of an R&D tax credit may surrender a part of this R&D credit against key employees' income tax (subject to the credit not reducing the employees' effective tax rate below 23%). The relief can be awarded only to key R&D employees, e.g. typically those who perform 50% or more of their employment duties undertaking R&D.

6.10 Compliance

The tax year for individuals is the calendar year.

Ireland operates a self-assessment system under which each individual is required to file a tax return. The return must be filed by 31 October of the year following the tax year. There is an extended deadline of mid-November for individuals who file and pay their taxes via Revenue's Online Service (ROS) system.

A self-employed individual or an individual in receipt of personal investment income falls within the scope of the self-assessment system in Ireland and is referred to as a chargeable person. Under this system, a chargeable person is obliged to file a tax return and pay tax by specified dates (including a prepayment of at least 90% of the final tax due by 31 October in the year of assessment).

An individual who is employed in Ireland pays his/her income tax liability either on a weekly or monthly basis under the PAYE system. Under this system, tax is calculated and withheld from earnings by the employer.

7.0 Labor environment

7.1 Employee rights and remuneration

Much of Ireland's labor legislation is driven by developments in the EU. Labor legislation should present no special difficulties to employers but it is strictly enforced.

The contract between employer and employee in Ireland traditionally has been based on common law, but there is a significant regulatory overlay, including a requirement to provide a written statement of terms and conditions of employment within two months of starting employment. There also are specific rules that apply to atypical employments, such as part-time, fixed term employees and employment of persons under 18 years of age.

National pay agreements (where applicable) and the minimum wage should be taken into account when setting remuneration. Men and women must receive equal pay for equal work. Discrimination on the basis of gender, civil status, family status, sexual orientation, religion, age, disability (mental and physical), race (color, nationality and ethnic origin) or membership of the traveling community is prohibited. Part-time and fixed term workers cannot be treated less favorably than comparable full-time/permanent employees with respect to their terms and conditions of employment (with certain exceptions).

Labor relations are governed by the Trade Union Acts and the Industrial Relations Acts. These define trade disputes, set preconditions for lawful industrial action and regulate picketing and secondary picketing.

An employee's right to join (or not join, as may be the case) a trade union is safeguarded by the Irish constitution. However this right does not impose an obligation on employers to recognize the trade union and therefore trade unions do not currently have a statutory right to recognition.

Minimum notice terms apply for an employee who has been in continuous service for more than 13 weeks. Employees who meet prescribed criteria are protected by law against unfair dismissal and may refer a claim to an external adjudicative body if they believe they were unfairly dismissed. The Protected Disclosures Act 2014 also provides protection to whistleblowers against dismissal or other penalization as a result of making a protected disclosure.

An employee that is made redundant may be entitled to a statutory redundancy payment if certain requirements are met under the legislation. Certain rights acquired with one employer may be automatically transferred to a new employer when the change results from transfer of the business (or part thereof) for which the employee works, e.g. in the case of an asset sale.

Legislation also is in place to provide for employee participation and involvement in the management of state enterprises. Ireland has also implemented the European Works Council Directive, which imposes consultation and information requirements on companies that meet the prescribed thresholds.

Working hours

The maximum average work week is 48 hours, but some exceptions are allowed. In addition, there are provisions made for daily and weekly rest periods and Sunday working. Special circumstances are applicable to shift workers, young persons and night workers.

Maternity leave is split between 26 weeks of ordinary maternity leave and 16 weeks of additional maternity leave. The minimum period of maternity leave which must be taken is at least 2 weeks prior to the expected week of confinement and at least 4 weeks after. During the period of ordinary maternity leave, the state pays the employee a maternity allowance, provided the employee has made the requisite PRSI contributions. Additional maternity leave is generally unpaid. Paid leave also is provided to attend ante natal appointments or classes.

Provisions for paternity leave (from September 2016), adoptive leave, parental leave and carer's leave also are available. An employer is legally obliged to consider any requests for flexible working arrangements.

7.2 Wages and benefits

As from 1 January 2016, a minimum wage of EUR 9.15 per hour applies. An individual under the age of 18, an employee who is over the age of 18 and has less than three years' work experience or an employee who is in one of the first three years of training may receive a lower wage.

Social insurance

PRSI is compulsory for all employed persons aged 16-66. The social insurance scheme covers healthcare and retirement funding. Retirement pensions currently begin at age 66 for employees covered by the social insurance scheme and this will increase to age 67 (from January 2021) and age 68 (from January 2028). These are funded by employer and employee contributions.

Both employee (4%) and employer (10.75%) PRSI contributions are payable. In general, the contributions are made through the PAYE system. Individuals who earn less than EUR 18,304 in a tax year (EUR 352 per week) are not required to make PRSI contributions.

Social insurance covers unemployment, disability, maternity, lay-offs, retirement and workers' compensation. Employers usually carry separate insurance to cover liability for accidental injury to employees, accidental injury to third parties and accidents resulting from defective products (product liability). Social insurance contributions made in Ireland may count towards entitlements in other EEA countries and in countries with which Ireland has bilateral social security agreements.

Employees who are ill and out of work for more than six days may receive illness benefits through the social welfare system, provided they have made the requisite PRSI contributions. Some employers also may have a contributory group insurance scheme to supplement state benefits.

Other benefits

Employees are entitled by law to a maximum of four paid working weeks of holiday a year. There are nine paid statutory public holidays annually.

Most large firms also provide private pension schemes, which often are linked to life insurance coverage. The employer usually funds a portion of the pension costs in such schemes, up to a maximum of 15% of annual salary. However, funding from the employer may not be less than one-sixth of the cost of providing pension benefits for the employee. Typically, employees contribute 5%-7.5% of salary. Tax relief is available on both employer and employee contributions.

7.3 Termination of employment

All employees (whether full or part-time) must be informed within 28 days of being hired of the procedures that will apply if they are dismissed. Temporary workers hired through employment agencies are deemed to be employees of the end user for the purposes of the Unfair Dismissals Act 1977-2007.

Generally, employees with at least one year of continuous service are protected from unfair dismissal but, in certain cases, the requirement of one year's continuous service may be waived, e.g. if he/she is dismissed on grounds such as: trade union membership or activities; religious or political opinions; race, color, sexual orientation, age or membership of the traveling community; and in cases where an employee is a whistleblower, party or witness to legal proceedings taken against the employer. An employee may not be dismissed if they are on protective leave, e.g. maternity leave etc. Forms of redress for an unfair dismissal include reengagement (with or without back pay), reinstatement and compensation up to a maximum of two years remuneration (based on actual financial loss).

Certain safeguards are in place in relation to collective redundancies. Where the number of proposed redundancies meet a prescribed threshold, an employer contemplating such a move must first consult with representatives of the employees affected. The employer also must notify the Department of Jobs, Enterprise and Innovation at least 30 days before the proposed redundancies, during which time the department may request a discussion of ways to alleviate the social consequences. No dismissals may be effected during this time period. Employers must consult employees about redundancies even where there is no trade union or staff association. Companies must provide precise information on efforts to minimize job losses and their consequences through social measures.

Rules governing lump sum redundancy payments apply to employees insured under the Social Welfare Acts who are over 16 years of age, irrespective of the number of hours worked per week, but they must have been employed for at least two continuous years.

The minimum statutory payment required is two weeks' pay for each year of employment plus one additional week of pay. There is a ceiling on the weekly pay rate used for the calculation of EUR 600 per week. Some employers also may pay an ex-gratia severance payment to employees in addition to the statutory payment. Non-contractual ex-gratia payments can be paid subject to the tax exemptions and reliefs available on the termination of an employment.

7.4 Labor-management relations

The main labor organization in Ireland is the Irish Congress of Trade Unions. The Industrial Relations (Amendment) Act 2015 has amended much of the procedures in relation to the situations where the Labor Court can intervene in trade disputes.

A registered employment agreement (REA) is an agreement made between employees and employers (or their representatives), relating to the remuneration or conditions of employment of workers of any class, type or group, that is binding only on the parties to the agreement. An REA only becomes effective when it is registered in the Labor Court's Register of Employment Agreements. REAs were previously declared as unconstitutional; however, the Industrial Relations (Amendment) Act 2015 has created a new regime for the use of REAs and Sectoral Employment Orders (SEOs).

7.5 Employment of foreigners

A non-EEA national must not engage in employment, and an employer must not engage a non-EEA national, without appropriate employment authorization.

Generally, employment authorization is granted by way of an employment permit. Various types of employment permits exist (e.g. general employment permits and critical skills employment permits), and the type of permit required will depend on the salary offered to the employee and the employee's role. Where an employee is seconded/assigned by his/her foreign employer to work or train in a related Irish entity, an application may be made for an intra-company transfer permit. Under a spousal scheme, the spouse of an individual with an Irish critical skills permit may apply for a spousal employment permit once he/she has obtained a job offer from an Irish employer.

8.0 Deloitte International Tax Source

The Deloitte International Tax Source (DITS) is a free online database that places up-to-date worldwide tax rates and other crucial tax information within easy reach. DITS is accessible through mobile devices (phones and tablets), as well as through a computer.

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