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International Tax

Ireland Tax Alert

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Finance Act 2013: Ireland always open for business

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Ireland's Finance Act (FA13) was enacted on 27 March 2013, giving effect to the measures announced in the Budget on 5 December 2012.

The economic backdrop against which the FA13 has been passed into law is quite different from that which existed at the time of the Budget announcement in December. Since then, Ireland has concluded a positive deal on the debt incurred to bail out the banks, thereby reducing the annual cost of financing this debt. While fiscal adjustments are still required as part of the budgetary process, the focus in FA13 has again focused on reducing public expenditure and tax rate increases focused primarily at the individual level.

From a business and corporate tax perspective, FA13 continues the trend of recent years in introducing a number of positive measures to further incentivise foreign direct investment. Measures include enhancements to the Irish holding company and intellectual property (IP) regimes, together with a number of positive changes to the Irish funds regime, including the introduction of Real Estate Investment Trusts (REITs). The Act also includes measures designed to support start-up, small and medium-size enterprises from a tax administration, funding and cash flow perspective, all of which reflect positive developments to the general Irish business tax environment.

Corporate and international tax

FA13 sends out a clear signal that Ireland remains steadfast in its commitment to the 12.5% corporation tax rate. The Act also enhances the Irish tax regime to support both indigenous business and inward investment, highlighting the importance of multinationals to the Irish economy. Key measures include:

- Positive changes to the taxation of foreign dividends received from an EU/EEA treaty country, allowing credit at the headline tax rate of the payer country, achieving a de facto foreign dividend tax exemption in Ireland for such dividends;
- Enhancements to the Irish R&D tax credit regime;
- A reduction in the period giving rise to a potential claw back of IP tax allowances (reduced to a five-year holding period);

- Introduction of legislation for REITs;
- Incentives for the aviation maintenance sector;
- Positive changes in respect of Irish limited partnerships, which should facilitate even greater use of Ireland as funds location, particularly for alternative investment funds;
- Changes to film tax relief as from 2016 to benefit film production companies, and
- 12 measures to assist the small and medium-size enterprise sector of the economy.

There were a number of other technical amendments in the corporate tax arena, and a tightening up of the Irish group relief rules, which had been changed more broadly than had been originally intended in the prior year.

Personal tax and capital taxes

Some of the key tax measures at an individual level include the introduction of a residential property tax, and a number of changes to the pensions and social security regimes. In addition, FA 13 enhances the recently introduced foreign earnings deduction regime. This regime will be extended beyond the BRICS jurisdictions to include some additional African countries.

Irish capital gains tax rates and capital acquisitions tax rates are increased from 30% to 33%, although Ireland has a favorable capital gains tax participation exemption for the disposal of qualifying shares.

Why Ireland?

Ireland's pro-business, low corporate tax environment, track record of success and young, highly skilled workforce has meant that Ireland has continued to attract significant high end inward investment with record levels of new investments recorded in 2012. The FA13 incentives should further enhance the reputation of Ireland as a foreign direct investment destination of choice.

For further information on the detailed provisions of Finance Act 2013, please see commentary provided on our dedicated Finance Act website here.

Please see attached link to our updated "Investing in Ireland" guide which provides detailed insight into Ireland as an FDI location:
http://www.deloitte.com/view/en_IE/ie/insights/investing-in-ireland/index.htm