International Tax
Ireland Highlights 2021

Updated January 2021

Recent developments

For the latest tax developments relating to Ireland, see Deloitte tax@hand.

Investment basics

Currency: Euro (EUR)

Foreign exchange control: There is no foreign exchange control in Ireland, and no restrictions are imposed on the import or export of capital. Repatriation payments may be made in any currency. Both residents and nonresidents may hold bank accounts in any currency.

Accounting principles/financial statements: IAS/IFRS/Irish GAAP. Financial statements must be prepared annually.

Principal business entities: These are the public and private limited liability company, partnership, sole proprietorship, and branch of a foreign corporation. The private limited company and the public limited company are the two main forms of corporate organization in Ireland, and there are two types of private limited company: the private company limited by shares and the designated activity company.

Corporate taxation

Rates	
Corporate income tax rate	12.5% (trading), 25% (nontrading)
Branch tax rate	12.5% (trading), 25% (nontrading)
Capital gains tax rate	33%, 40%

Residence: A corporation is resident in Ireland if it is managed and controlled in Ireland or, in certain circumstances, if it is incorporated in Ireland. Specifically, companies incorporated in Ireland from 1 January 2015 are deemed to be tax resident in Ireland, while companies incorporated before that date will be deemed to be resident in Ireland from 1 January 2021 (subject to some exceptions that may apply where there has been a change of ownership, which can result in the company being treated as resident in Ireland from the point of change of ownership). However, these incorporation-based residence rules will not apply to Irish incorporated companies that currently are tax resident in a treaty country under the terms of a tax treaty between Ireland and that country (competent authority approval confirming place of residence may be required), nor will they apply to non-Irish incorporated companies that are resident in Ireland by virtue of management and control.

Basis: Irish tax resident companies are subject to corporation tax on worldwide profits and gains; foreign-source income derived by resident companies is subject to corporation tax in the same way as Irish-source income. An Irish tax resident company carrying on business abroad through a branch or permanent establishment generally will be subject to tax in Ireland at a rate of 12.5% on the profits of the foreign business.

Where a company is not tax resident in Ireland, it is liable to income tax on Irish-source income and capital gains tax in respect of specified assets (i.e., land and buildings located in Ireland or shares deriving the greater part of their value from such assets). Alternatively, where a foreign company operates an Irish branch, it is subject to Irish corporation tax on profits and gains attributable to the branch.

Taxable income: Corporation tax is imposed on a company's profits, which consist of business/trading income, passive income, and capital gains. Normal business expenses incurred in a trade may be deducted in computing taxable income.

Rate: The corporation tax rate is 12.5% for trading income and 25% for nontrading income. Certain dividends from EU and tax treaty jurisdictions are taxed at the 12.5% rate.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends received by an Irish resident company from another Irish resident company are exempt from corporation tax. Dividends received from a nonresident company are subject to corporation tax in the period in which the dividends are payable, but a credit for underlying corporate and withholding tax generally is available for foreign tax paid. Dividends received from a company resident in an EU member state may qualify for an enhanced credit up to the rate of tax on profits in that country.

Capital gains: Capital gains are taxed at rates of 33% and 40%. Gains on the sale of substantial shareholdings in companies resident in EU member states or a tax treaty jurisdiction are exempt if certain conditions are fulfilled.

Losses: Trading losses may be carried back to the immediately preceding period of equal length or carried forward indefinitely.

In light of COVID-19, temporary loss relief provisions permit an interim claim to be made for the carryback of trading losses incurred or expected to be incurred in certain accounting periods. Such an interim claim thereby accelerates relief available under existing law for a specified accounting period, which is any accounting period of a company carrying on a trade that includes some or all of the period commencing on 1 March 2020 and ending on 31 December 2020.

Foreign tax relief: Foreign tax paid generally may be credited against Irish tax on the same profits, but the credit is limited to the amount of Irish tax payable on the foreign income. Dividends received from a company resident in an EU member state may qualify for an enhanced credit up to the rate of tax on profits in that country. 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. The pooling of credits for foreign branches also is available.

Participation exemption: A participation exemption may apply to capital gains derived by an Irish resident company on the disposal of a substantial shareholding in another resident company, a company resident in another EU member state, or a company resident in a country that has concluded a tax treaty with Ireland. To qualify for the exemption, the resident holding company must have a participation of at least 5%, the investee must be a trading company or a member of a "trading group," and the participation must have been held for a continuous 12-month period ending within the two years before the date of disposal of the shares.

Holding company regime: See "Participation exemption," above.

Incentives: Expenditure on revenue items, royalties, certain buildings, and plant and machinery related to R&D may benefit from a credit of 25% or 30% on a volume basis, which may be set off against a company's corporate tax liability in the year in which the expenditure is incurred. 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.

A company may carry back any unused R&D tax credit against the corporation tax liability for the previous period of equal length. If a company has not paid sufficient corporation tax in the current or previous year to fully use the credit, it may claim a payment from Irish Revenue of 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 it may offset the excess credit against payroll taxes, subject to certain limits.

For start-up companies, there is an exemption from corporation tax on income and gains up to specific limits where a new qualifying trade commences between 1 January 2009 and 31 December 2021.

Tax relief is provided for capital expenditure incurred by companies after 7 May 2009 on the provision or acquisition of intangible assets for the purposes of a trade. The relief applies to intangible assets, such as brands, trade names, know-how, copyrights, and other intangibles. 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 trade as a going concern. The tax relief is available against income derived from the exploitation of the intangible assets and allows for profits from the exploitation of the intangible assets to be sheltered up to a limit of 80%.

A knowledge development box (KDB) regime provides that profits from patented inventions and copyrighted software (qualifying assets) earned by a resident company, to the extent they relate to R&D undertaken by that company, may be effectively taxed at a rate of 6.25%. The regime has been extended by Finance Act 2020 and applies to accounting periods that commence on or after 1 January 2016 and before 1 January 2023.

A support scheme for business impacted by COVID-19 restrictions (referred to as the "COVID-19 Restrictions Support Scheme" or "CRSS") is in effect until 31 March 2021. This scheme is aimed at businesses affected due to restrictions imposed as a response to COVID-19, which restrictions either prohibit or significantly reduce trading. Qualifying businesses that have been subject to such restrictions as from 13 October 2020 may apply to Irish Revenue to receive a cash payment as an advance credit for trading expenses that are deductible against income or corporation tax. Payments are equal to 10% of the average weekly turnover of the business in 2019 up to EUR 20,000, and 5% of any excess, subject to a maximum weekly payment of EUR 5,000.

Compliance for corporations

Tax year: The tax year is the shorter of 12 months or the period for which accounts are prepared. The tax accounting period may not exceed 12 months in total.

Consolidated returns: Consolidated returns are not permitted; each company is required to file a separate return. However, losses may be relieved between group members resident in the EU (post Brexit, it is expected that companies resident in the UK with an Irish branch should continue to qualify for group relief). Companies are considered part of a group if one is a 75% subsidiary of another, or both are 75% subsidiaries of the same parent.

Filing and payment: Ireland operates a self-assessment regime. 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 an underpayment, the amount to be paid as preliminary tax must be no less than 90% of the current year tax liability, with the balance payable upon filing the return. The tax return, together with iXBRL-tagged financial statements, must be filed within nine months of the accounting year end, but no later than within eight months and 21 days of the company's year end. In certain circumstances, the tax authorities may extend the due date of the iXBRL filings by three months.

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). The amount payable on 21 June is 50% of the preceding year's liability or 45% of the current year's liability, with the balance payable on 21 November. To avoid interest charges, the amount paid by 21 June must be either 50% of the preceding year or 45% of the current year liability, and the total amount paid by 21 November must be 90% of the total liability for the relevant year.

Most companies must file and pay using Irish Revenue's online service system (in which case an additional two days is granted to meet the above obligations).

Penalties: Various penalties apply for failure to comply with the filing and payment requirements.

As a temporary measure, the application of surcharges for late filing of a corporation tax return (Form CT1) for accounting periods ending June 2019 or later is suspended until further notice. Similarly, the application of a surcharge for late filing of iXBRL financial statements for accounting periods ending March 2019 or later is suspended until further notice.

Where a corporation tax return for an accounting period ending June 2019 or later is filed late due to COVID-19 circumstances, then the late return may be completed without restriction of reliefs such as group relief and loss relief ordinarily required by law.

Temporary measures were introduced on 23 July 2020 to facilitate the warehousing of certain tax debts at a reduced rate of interest, subject to specific conditions.

Rulings: Irish tax legislation includes a number of specific provisions for which advance statutory clearance may be sought. A ruling obtained from Irish Revenue may be valid for up to five years. Also, under a nonstatutory clearance procedure, the tax authorities' view of the tax consequences of specific transactions may be sought on a named basis, with full disclosure, where there is both commercial significance and material uncertainty.

Individual taxation

Rates		
Individual income tax rate (single person)	**Taxable income**	**Rate**
	Up to EUR 35,300	20%
	Over EUR 35,300	40%
Universal social charge rate	**Taxable income**	**Rate**
	Up to EUR 12,012	0.5%
	EUR 12,013-20,687	2%
	EUR 20,688-70,044	4.5%
	Over EUR 70,044	8%
Capital gains tax rate		33%, 40%

Residence: Individuals are resident in Ireland if they spend more than six months (183 days) of the tax year in Ireland or have a combined presence of at least 280 days in Ireland over that tax year and the preceding tax year (with at least 30 of those days being in the current tax year). Individuals are considered ordinarily resident if they were resident in Ireland during the previous three tax years. A day is counted for residence purposes if an individual is present in the state at any time during the day.

Basis: Irish resident and domiciled individuals are taxed on their worldwide income and capital gains, as are individuals who are Irish domiciled, not resident, but who are "ordinarily resident" (as defined). Nonresidents are taxed on Irish-source income and gains from immovable property in Ireland. Reliefs such as the remittance basis of tax and Special Assignee Relief Program (SARP) may apply for Irish resident individuals.

Taxable income: Income is taxed under a schedular system. Employment income, including most benefits, is taxable. Profits derived by an individual carrying on a trade or profession are taxed in the same manner as profits derived by companies. Investment income in the form of dividends is subject to a 20% tax at source. Deposit interest on savings accounts is subject to a 33% tax at source.

Rates: Progressive income tax rates are imposed up to 40%. The rate of the universal social charge (USC) is 0.5% on gross income up to EUR 12,012; 2% on gross income of EUR 12,013 to EUR 20,687; 4.5% on gross income of EUR 20,688 to EUR 70,044; and 8% on gross income exceeding EUR 70,044. There is an additional 3% USC surcharge where an individual's non-PAYE (Pay-As-You-Earn) income is more than EUR 100,000 a year.

Capital gains: Capital gains tax at 33% (40% in certain instances) is charged on gains derived from the disposal of assets.

Deductions and allowances: Subject to certain restrictions, deductions are granted for medical expenses and employer-paid health insurance, retirement annuities, etc. Personal tax credits are available to taxpayers and their spouse/civil partner, children, and dependents.

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

Compliance for individuals

Tax year: The tax year is a calendar year.

Filing status: Married couples and civil partners living together may choose to file jointly or separately.

Filing and payment: Tax on employment income is withheld by the employer under the PAYE system and remitted to the tax authorities. Income not subject to PAYE is self-assessed; the individual must file a tax return by 31 October in the year following the year of assessment and make a preliminary tax prepayment for the following tax year with this filing. Individuals who file and pay using Irish Revenue's online service system are granted an additional period (approximately 14 days, but this is determined by Irish Revenue on an annual basis) to meet the above obligations.

Penalties: Various penalties apply for failure to comply with the filing and payment requirements.

Rulings: Irish tax legislation includes a number of specific provisions for which advance statutory clearance may be sought. A ruling obtained from Irish Revenue may be valid for up to five years. Also, under a nonstatutory clearance procedure, the tax authorities' view of the tax consequences of specific transactions may be sought on a named basis, with full disclosure, where there is both commercial significance and material uncertainty.

Withholding tax

Rates				
Type of payment	**Residents**		**Nonresidents**	
	Company	**Individual**	**Company**	**Individual**
Dividends	0%/25%	0%/25%	0%/25%	0%/25%
Interest	0%/20%/33%	0%/20%/33%	0%/20%/33%	0%/20%/33%
Royalties	0%/20%	0%/20%	0%/20%	0%/20%
Fees for technical services	0%	0%	0%	0%

Dividends: Dividends paid to a resident/nonresident company/individual are subject to a 25% withholding tax, unless the rate is reduced under a tax treaty or the dividends are exempt from withholding tax under the EU parent-subsidiary directive or under a specific exemption under domestic legislation.

Interest: Annual interest paid to a resident/nonresident company/individual is subject to a 20% withholding tax, unless the rate is reduced under a tax treaty or the interest is exempt from withholding under the EU interest and royalties directive (in the case of interest paid to a company resident in the EU) or under a specific exemption under domestic legislation. Interest paid to deposit holders of certain Irish banks is subject to withholding tax at 33%, unless an exemption under domestic legislation applies.

Royalties: The withholding tax is 20% on patent royalties and annual payments (i.e., royalties considered to be pure income profit for the recipient). All other royalties are exempt. The rate may be reduced under a tax treaty or the payment may be exempt from withholding under the EU interest and royalties directive or under a specific exemption under domestic legislation.

Fees for technical services: There is no withholding on technical service fees.

Branch remittance tax: There is no branch remittance tax.

Anti-avoidance rules

Transfer pricing: The arm's length principle generally should be observed, and transfer pricing rules apply to certain transactions. A tax deduction is not available for any amount paid or payable by a person to a connected person in another territory for adjustments made to the profits of that connected person for which relief is available under the provisions of a tax treaty with Ireland, or for a similar adjustment made to the profits of a connected company resident in a nontreaty country. As from 1 January 2020, Ireland expanded its transfer pricing legislation to bring the rules in line with the 2017 OECD transfer pricing guidelines. This expanded the application and scope of Ireland's transfer pricing rules to cover certain non-trading income, capital allowances, and chargeable gains between associated entities while also enhancing the documentation requirements for certain taxpayers.

Interest deduction limitations: There is no specific thin capitalization legislation, but interest paid by a non-trading company to a nonresident parent company that is not resident in a tax treaty country and that owns at least 75% of the Irish payer generally is reclassified as a dividend. The EU's Anti-Tax Avoidance Directive (ATAD) requires EU member states to implement interest deduction limitation rules. Such rules would limit deductibility for excess borrowing costs to 30% of the taxpayers EBITDA, subject to certain group threshold provisions and de minimis levels. It is expected that Ireland will introduce the new legislation effective as from 1 January 2022.

Controlled foreign companies: Controlled foreign company (CFC) rules apply for accounting periods commencing on or after 1 January 2019. Under these rules, a CFC's undistributed income arising from non-genuine arrangements put in place for the essential purpose of avoiding tax is attributed to the controlling company or a connected company in Ireland, where the controlling company or the connected company carries out "significant people functions" or "key entrepreneurial risk-taking functions" in Ireland. The CFC rules are subject to a number of exemptions where certain conditions are satisfied. However, for accounting periods commencing on or after 1 January 2021, specific exemptions (effective tax rate exemption, low profit margin exemption, and low accounting profit exemption) will not apply where that CFC is resident in a jurisdiction on the EU list of non-cooperative jurisdictions.

Hybrids: As from 1 January 2020, Ireland introduced anti-hybrid rules in line with the EU's Anti-Tax Avoidance Directive 2 (ATAD 2). The rules generally apply to associated entities and operate by neutralizing hybrid mismatch outcomes such as "double deduction" or "deduction without inclusion" mismatches either through a disallowance of the deduction or the application of a tax charge. The anti-hybrid rules also can apply to non-associated entities where a "structured arrangement" is involved, i.e., where a mismatch outcome is either priced into the terms of an arrangement or an arrangement is designed to produce a mismatch outcome. The anti-hybrid rules can also apply in cases of payments to non-EU payees, where the payment directly or indirectly funds a mismatch outcome elsewhere but has not been neutralized by the operation of foreign anti-hybrid rules ("imported mismatch outcomes"). Ireland has not yet implemented anti-reverse hybrid rules (which EU member states must introduce by 1 January 2022).

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: 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 user must note the use of such arrangements on the tax return. In addition, as from 25 June 2018, cross-border arrangements that meet any of the hallmarks outlined in the EU directive on the mandatory automatic exchange of information on reportable cross-border arrangements must be disclosed to the Irish tax authorities as part of the EU's disclosure regime.

Country-by-country (CbC) reporting applies in Ireland, and companies with global revenues in excess of EUR 750 million are required to file a CbC report for accounting periods commencing on or after 1 January 2016.

Exit tax: As from 10 October 2018, an exit tax charge applies on unrealized gains of companies that migrate or transfer assets offshore, without an actual disposal, such that they leave the scope of Irish tax. The rate of exit tax is 12.5% but is subject to an anti-avoidance provision that applies a higher rate of 33% in certain circumstances.

General anti-avoidance rule: There is a statutory general anti-avoidance rule.

Value added tax

Rates	
Standard rate	23%
Reduced rate	0%, 4.8%, 5.4%, 9%, 13.5%

Taxable transactions: VAT is chargeable on the supply of taxable goods and services in Ireland, on the importation of goods into Ireland, and generally on the intra-community acquisition of goods from suppliers in other EU member states. VAT also is chargeable on certain deemed supplies.

Rates: The standard VAT rate is 23% (temporarily reduced to 21% until the end of February 2021) with reduced rates of 0%, 4.8%, 5.4%, 9%, and 13.5%. Certain supplies are exempt from VAT or zero-rated. The rate of VAT for the tourism and hospitality sector has been temporarily reduced from 13.5% to 9% with effect from 1 November 2020 to 31 December 2021.

Registration: The registration threshold for VAT purposes is EUR 75,000 per year for suppliers of goods only, or for suppliers of goods and services where 90% of turnover is from the supply of goods (excluding goods that are not zero-rated but are produced from zero-rated raw materials). Otherwise, a lower threshold of EUR 37,500 per year applies.

Filing and payment: VAT returns and payments generally are required to be filed every two months. The due date for filing and payment is the 23rd day of the month following the VAT period.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals.

Social security contributions: Employers are required to make pay-related social insurance (PRSI) contributions by deducting up to 11.05% (for 2020) from the salary of employees. Employed and self-employed individuals are required to make PRSI contributions, with the amount based on the individual's salary.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: The municipal authorities impose "rates" on the occupation of commercial real property (which are deductible in calculating the corporation tax liability).

In addition, residential real estate is subject to an annual local property tax at a base rate of 0.18% (which can be adjusted by local authorities) on values up to EUR 1 million, and at 0.25% on values over EUR 1 million. This tax is not deductible in calculating the corporation tax liability. In certain situations, reduced rates will apply.

Transfer tax: There is no transfer tax.

Stamp duty: Stamp duty at rates of 1%-7.5% is imposed on the transfer of property. The top rate of stamp duty (7.5%) applies to the transfer of nonresidential property.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: A capital acquisitions tax may apply on gifts and inheritances at a rate of 33%.

Other: Shipping companies may opt to pay tonnage tax in lieu of the normal corporate income tax.

Tax treaties: Ireland has an extensive tax treaty network (approximately 73 tax treaties). The OECD multilateral instrument (MLI) entered into force for Ireland on 1 May 2019.

For information on Ireland's tax treaty network, visit Deloitte International Tax Source.

Tax authorities: Office of the Revenue Commissioners

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