

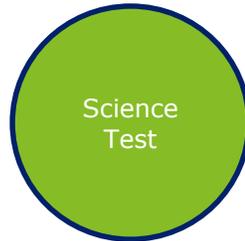


***Gi*³ Global investment and innovation incentives** Enterprise level RD&I – A fresh perspective, new philosophy.

R&D tax credits



- 25% tax credit on qualifying expenditure
- Used against CT, any excess credits are cash refundable
- 12 months to claim from end of accounting period



- Claimable activities are those which resolve scientific or technological uncertainty and seek a scientific advance i.e. requiring a solution/knowledge for which existing principles, methods, knowledge in the public domain isn't enough
- Success is not a requirement
- Can claim new product development and appreciable improvements on existing products as long as scientific/technological uncertainty exists



For example

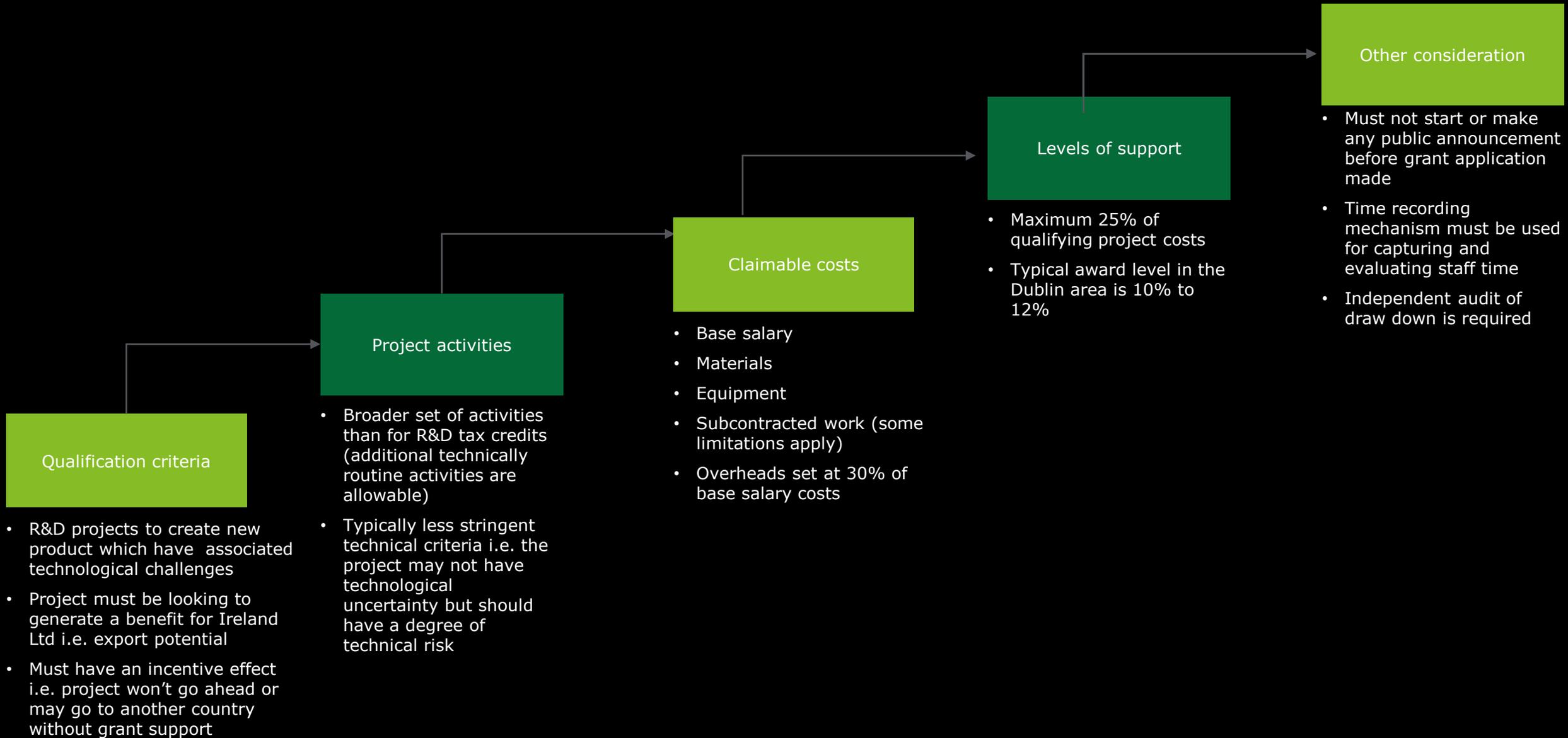
- Complex algorithm development
- Large scale performance improvements
- Design of new and novel architectures
- New/improved security systems

The activities would include routine activities necessary to solve the uncertainty e.g. testing, creating reference data sets and sand box environments



- Fully loaded salary costs (proportional to % of R&D performed)
- Equipment (including if plant and machinery)
- Materials
- Some overheads (rent, rates, electricity)
- Sub-contracted R&D (certain restrictions apply)
- R&D buildings cost (construction and refurbishment of)
- Net off any grant funding

RD&I grants



Knowledge development box (KDB)



- 6.25% effective tax rate on all profits associated with qualifying R&D carried out in Ireland
- A modified nexus formula is applied to the profits arising from the R&D (see following slide)



- The definition of R&D is as per the R&D tax credit legislation
- A company does not have to have claimed the tax credits in order to be eligible (but it does help)
- IP does not have to reside in Ireland but the company performing the R&D in Ireland must have a right to earn Revenue from the IP generated (via license, sales, royalties etc.)



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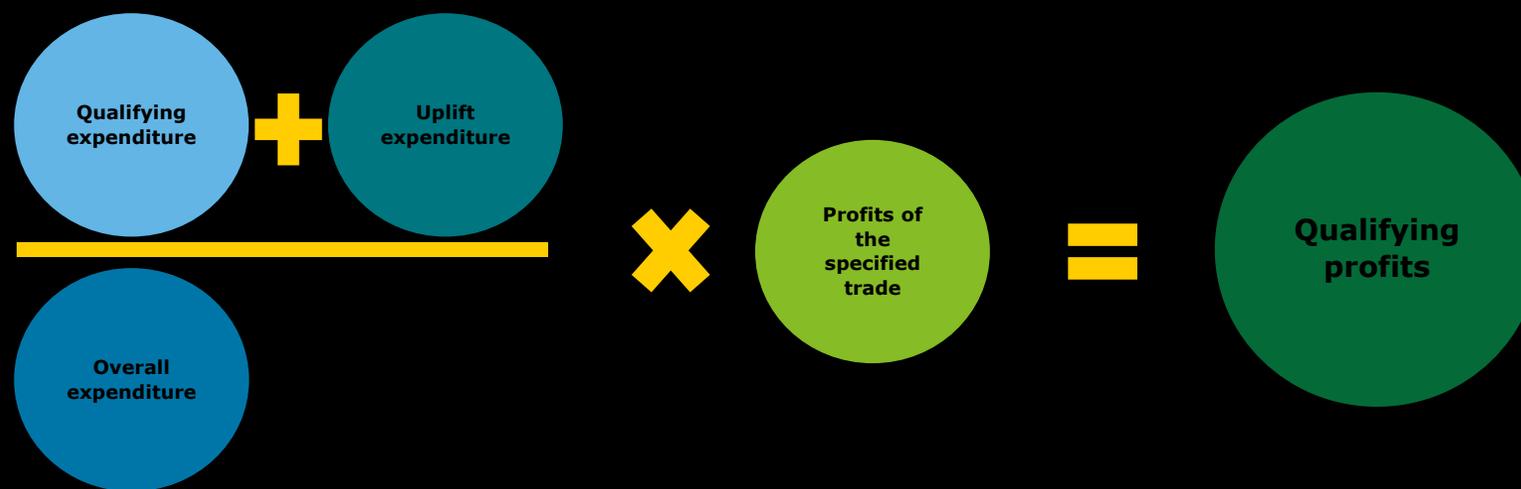


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Knowledge Development Box

Modified nexus formula

The modified Nexus formula, which provides for the computation of Qualifying Profits, for which a 50% taxable income deduction is available, is as below:



Where:

- Qualifying Expenditure is the R&D expenditure incurred in creating, developing or improving a qualifying IP asset. This includes internal R&D expenditure (salary costs of Irish employees, materials, equipment, overheads incurred in performing R&D and outsourcing to third parties) incurred by the company
- Overall Expenditure is the qualifying expenditure plus any acquisition costs of IP used to develop the IP asset, R&D costs incurred by the Irish company itself outside the EEA (which could be qualifying if incurred within the EEA), and payments to connected parties for those group members to carry out R&D activities. Group outsourcing only relates to expenditure on activities which could have been qualifying expenditure if undertaken by the Irish company itself in the EEA
- 30% uplift is the lower of the aggregated acquisition costs and group outsourcing costs, and 30% of the qualifying expenditure

Interaction of the incentives

- R&D tax credits and RD&I grants are not mutually exclusive
- Overall project costs supported by external funding can be as much as 43.75%, however a lower amount in the region of is much more likely (see example scenario below).
- Credits and grants can be claimed on the same project(s) though credits cannot be claimed on expenditure covered by grants

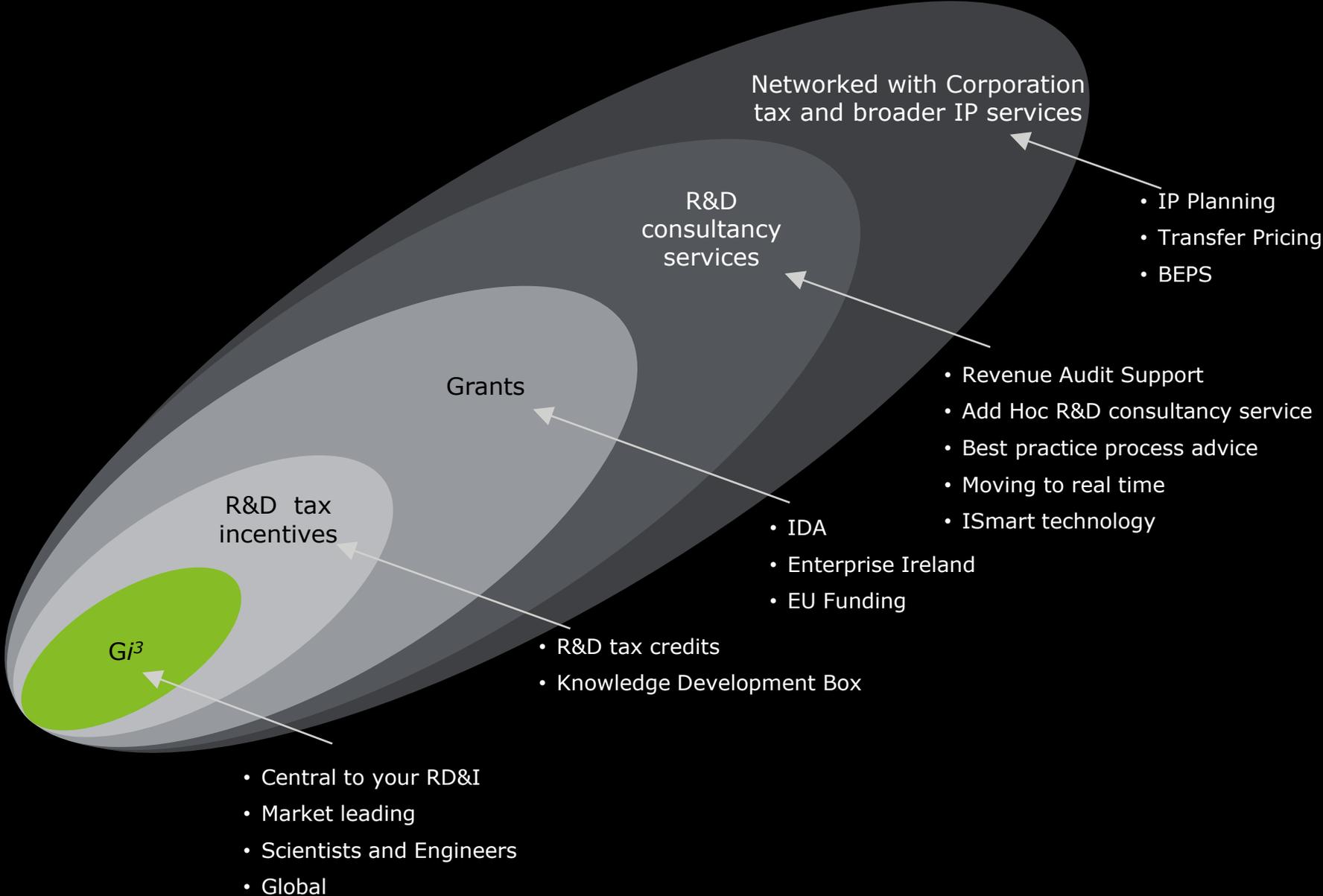
• E.g.	Total project cost	€2,000,000	
	Qualifying expenditure R&D tax credits	€2,000,000	
	Qualifying expenditure RD&I grant	€2,000,000	
	Grant funding	€200,000	(10% of €2,000,000)
	R&D tax credit	€450,000	(25% of [€2,000,000 less €200,000])
	Total external funding	€650,000	(32.5% of total project cost)

N.B. in many cases not all the €2,000,000 will qualify for tax credits or for grant, depending on the nature of the activities.

- KDB benefits are separate to both grants and R&D tax credits and therefore any tax deductions for KDB is incremental to tax credits and grant support

About Deloitte

Gi³ Comprehensive RD&I service offering



About Deloitte

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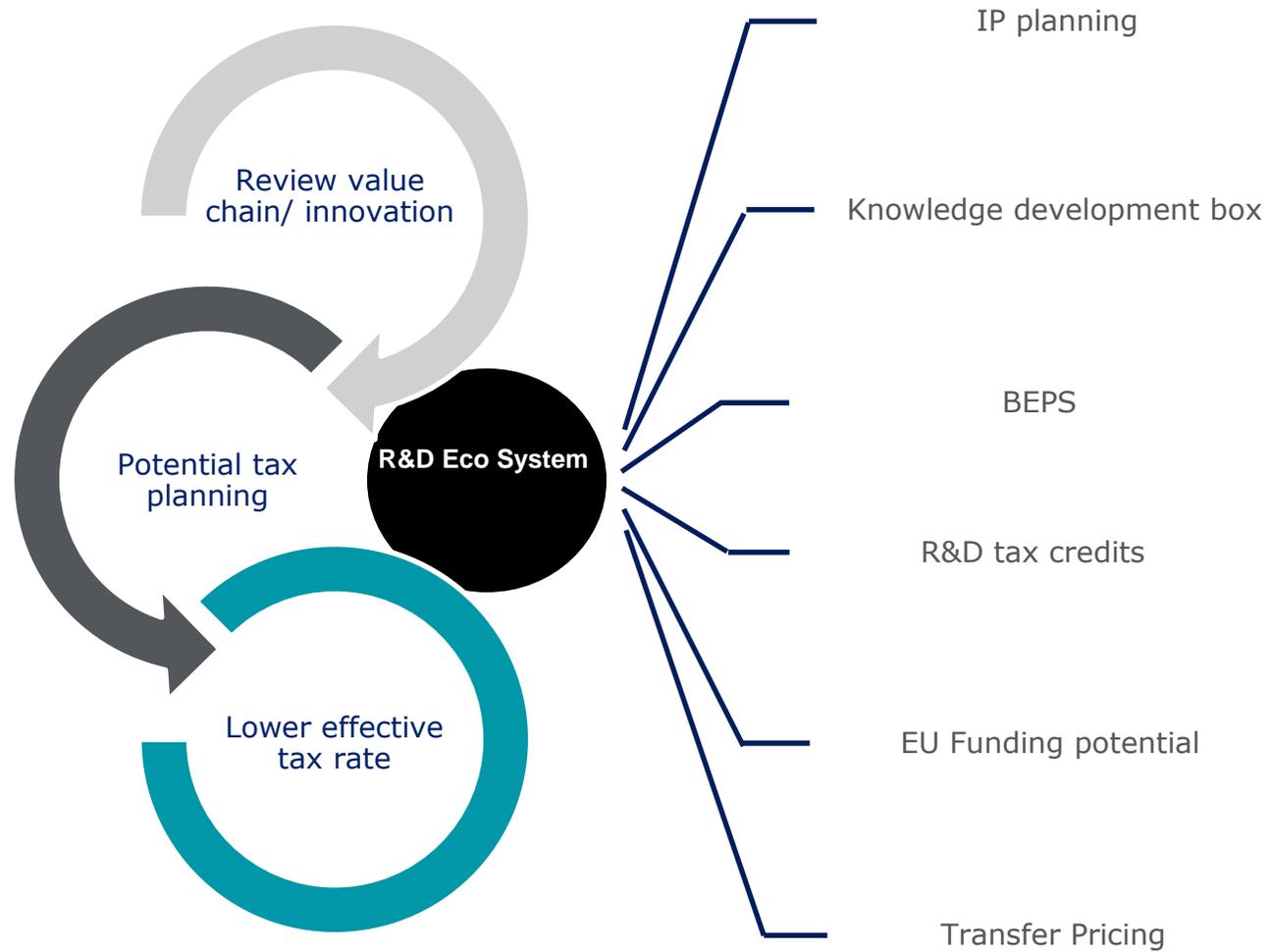
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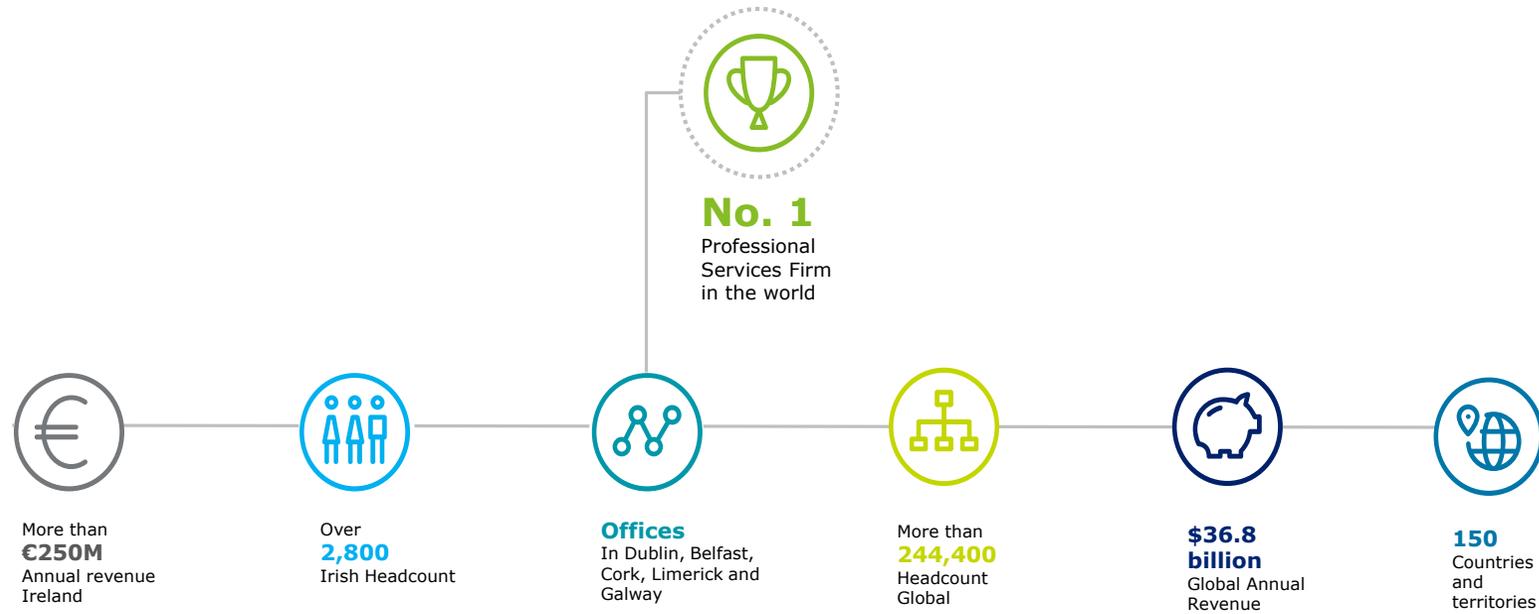
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Complete RD&I Perspective



About Deloitte





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