

Knowledge development box (KDB)

Benefit

- 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)

Requirements

- 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.)

Common qualifying activities

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

Costs Allowed

- 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)