

Ireland



Background

The general corporate tax rate is 12.5%. All credits are computed on a group basis.

Nature of incentives

Deduction: R&D expenses are deductible in the year incurred.

Incremental credit (for tax periods starting before 1 January 2015): A 25% incremental credit is available for all expenditure exceeding the “base amount.” The base amount equals the total qualified expenditure incurred during 2003. For tax periods starting after 1 January 2014, the base amount is not applied in determining the research credit for the first EUR 300K of qualifying R&D expenditure. If the company did not exist in 2003 or it did not incur qualified expenditure in the first 12-month accounting period ending after 1 January 2003, the base amount is zero and the credit is available for all expenditure. From 1 January 2015, the base amount is eliminated and the scheme is a volume-based scheme.

Volume-based credit (for periods starting on or after 1 January 2015): A 25% volume-based credit is applied to all qualifying research expenses.

R&D facilities credit: A 25% credit is available for expenditure incurred on constructing or refurbishing buildings or structures used in the conduct of qualified R&D activities (provided at least 35% of the building is used for qualified R&D over a four-year period). There is no base calculation for the buildings credit.

Surrendering of credits: Credits received for accounting periods starting after 1 January 2012 may be surrendered to key R&D employees to use against their personal income tax liability. A number of restrictions apply, including that the individual cannot be a director (or be connected to the director) or have a material interest in the company, and the tax credit cannot result in the recipient’s tax rate going below 23%.

R&D grants: R&D grants are available.

Unused credits may be carried back to reduce the tax liability of the preceding accounting period and carried forward indefinitely. If the credit is not fully utilized in the current and preceding tax period, the excess may be carried forward or refunded to the taxpayer through payments from the Revenue Commissioners (the refund is paid in installments over a three-year period).

In 2015, Ireland’s incremental research tax credit converted to a volume-based credit.

Credit refunds are limited to the greater of the total corporation tax paid by the company for the 10 years before the period for which the company is making the claim or the payroll tax liabilities for the specific period in which the qualifying expenditure was incurred. The refund limits were increased for accounting periods starting after 22 June 2011 to include the payroll liabilities of the immediately preceding accounting period, subject to certain restrictions relating to refunds in prior years.

Eligible industries and qualifying costs

Eligibility is broad and is not limited to particular industries.

R&D activities mean systematic, investigative, or experimental activities in a field of science or technology that include basic research, applied research, and experimental development. Four categories of activity generally qualify for the credit:

- Natural sciences
- Engineering and technology
- Medical science: basic medicine, clinical medicine, or health sciences
- Agricultural sciences

Qualifying expenditure includes royalties, expenses deductible for trading purposes (wages and supplies), plant and machinery entitled to capital allowances, revenue and capital expenditure on scientific research, and buildings subject to capital allowances. A fee paid to a contractor to perform research on the taxpayer’s behalf is a qualified research expenditure if the contractor is not related to the taxpayer. For periods starting on or after 1 January 2014, fees paid to third-party contractors are limited to the greater of EUR 100K or 15% of the total qualified research expenditures. Where the R&D activities are contracted to a university or research institution, the limit is 5% of the total qualified research expenditures. If an Irish company performs research for other unrelated companies for a fee, the company performing the research is permitted to claim the credit, as long as the company providing the funding is not claiming the credit.

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IP and jurisdictional restrictions

R&D activities must take place within Ireland or the EEA. The credit is denied when the activities occur in an EEA country where a corresponding tax deduction for such expenditure is permitted.

A stamp duty exemption is available for certain IP.

Other concerns

Credit must be claimed within 12 months after the end of the accounting period in which the expenditure was incurred.

Ireland

Nature of benefit available	Income tax benefit generally available	Specific pre-approval required from government	Refundable/ Carryforward
Tax credits and grants, employee tax benefits	<ol style="list-style-type: none"> 1. A 25% volume-based credit is available from 1 January 2015. This volume-based credit replaced the 25% incremental credit (with qualified research spending in 2003 as the base amount). 2. 25% credit for expenditure incurred for constructing or refurbishing facilities used in the conduct of qualified R&D activities. 3. R&D grants are also offered. 4. Credits can be used to offset against R&D employees personal income tax liabilities. 	No	Unused credits may be carried back one accounting period and carried forward indefinitely. If there are unutilized credits after the carryback, the taxpayer may apply for a refund (payable over three years), subject to certain caps.
R&D activities must occur in country	Cap/Limitations on benefits	IP must be retained in country	Industry eligibility restriction
R&D activities must occur within Ireland or the EU/ EEA. The credit is denied when the activities take place in an EEA country that permits a corresponding tax deduction for such expenditure.	Refunds are limited to the greater of the total tax paid by the company for the ten years before the period for which the company is making the claim or the payroll tax liabilities for the specific period in which the expenditure were incurred.	No	No