



# Guide to Tax in Ireland

# IDA

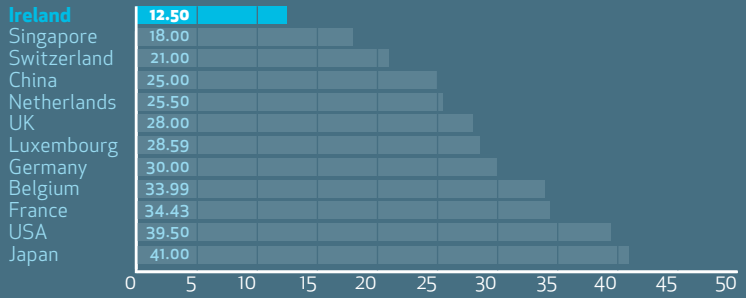
# Facts and figures...

## Contents

- 1 Introduction
- 4 Corporation Tax in Ireland
- 5 Tax Relief Available
- 7 Research & Development (R&D) Tax Credit
- 9 Intangible Assets and Intellectual Property
- 10 Transfer Pricing Rules in Ireland
- 11 Internationalisation
- 14 Taxes on Capital
- 15 Tax Administration
- 16 Other Business Taxes
- 17 Personal Taxation

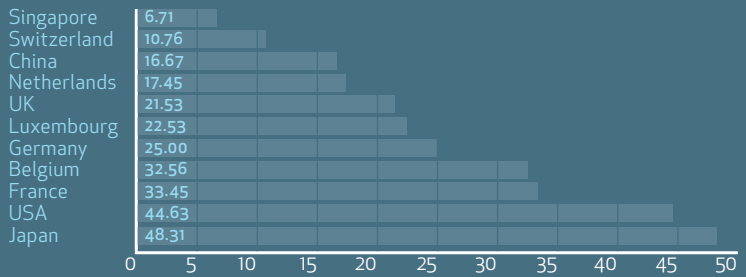


FIG.1: % CORPORATION TAX HEADLINE RATES



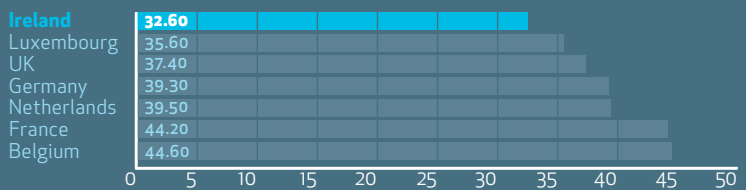
Source: Deloitte, 2009

FIG.2: % INCREASE IN PROFIT REQUIRED TO ACHIEVE SAME DISTRIBUTABLE INCOME AVAILABLE IN IRELAND BASED ON RATES IN FIG 1



Source: Deloitte, 2009

FIG.3: OVERALL TAX BURDEN AS % OF GDP



Source: Eurostat, 2008

Ireland –  
a winning  
location  
for  
global  
business.

# Ireland's transformation into a dynamic, knowledge-based economy for the 21st century is the result of a decisive strategy to secure Foreign Direct Investment by leading global companies.

Almost 1,000 Multinational Corporations (MNCs) have chosen Ireland as their strategic European base, attracted by our pro-business, low corporate tax environment and young, highly skilled workforce.

Many of these MNCs have gone on to expand their facilities in Ireland because of the positive, adaptable attitude of the workforce and the ready availability of highly educated, ambitious managers. Irish MNC teams take a forward-thinking, partnership approach to the business, anticipating market developments and coming up with great ideas to seize new opportunities. That's how so many have moved up the value chain of the parent MNC to take on higher value, knowledge-intensive activities.

The vibrant ambition that has brought Ireland this far is now focused on securing Foreign Direct Investment (FDI) investment in three key areas: High Value Manufacturing, Global Business Services, and Research, Development and Innovation (RD&I). These activities are thriving across all the business sectors in which Ireland has built up a concentration of knowledge and expertise: Life Sciences, Information and Communications Technologies (ICT), International Services, Digital Media and Consumer Brands. Looking to the future as always, Ireland is also developing the emerging areas of Clean Technology, Services Innovation and Convergence.

The challenge now for Ireland and our MNC partners is to prepare for the new order in the global business environment that will surely emerge with economic recovery.

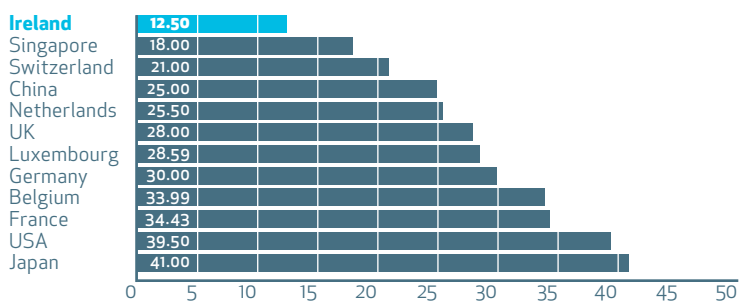
Ireland is ready, able and willing to help our existing and new MNC partners invent their futures.

The Global Innovation Survey 2009 ranks Ireland as first for Foreign Direct Investment and fourth for the ease of doing business.

### Ireland Investment Highlights 2008

- A total of 130 Foreign Direct Investments won
- Number of companies investing in Ireland for the first time up 16% on 2007
- A 24% increase in Research, Development and Innovation projects
- Circa €2bn in total investment secured and over 8,837 new jobs created

FIG.1: % CORPORATION TAX HEADLINE RATES



Source: Deloitte, 2009

# 12.5%

Ireland's corporate tax rate is 12.5% on all trading profits.

## Corporation Tax in Ireland

### Corporate Tax Rates

Ireland's 12.5% corporate tax rate on trading income is one of the lowest 'onshore' rates in the world. 'Trading profits' include a broad range of commercial activities including Intellectual Property (IP) and Supply Chain Management.

The Irish Government is committed to retaining the 12.5% corporate tax rate on trading income until at least 2025.

A tax rate of 25% applies to non-trading income (passive income) such as investment income, foreign dividends, rental income, net profits from foreign trades, and income from certain land dealings and oil, gas and mineral exploitations.

### The Irish Corporate Tax System

A company's liability to corporation tax in Ireland depends on its residency. Irish resident companies are liable to corporation tax on all their worldwide income and capital gains. A company is considered to be tax resident in Ireland if its central management and control are located in the State. The location where major policy decisions of a company are taken is often where the company's central management and control are situated.

#### **IRISH RESIDENT COMPANY**

Liable to corporation tax on worldwide income

Companies not resident in Ireland but with an Irish branch are liable to corporation tax on (i) profits connected with the business of that branch and (ii) any capital gains from the disposal of assets used for the purposes of the branch in the State.

#### **IRISH BRANCH OR AGENCY**

Liable to corporation tax on Irish branch income

Companies not resident in Ireland and who do not have any Irish branch are liable to (i) income tax on any Irish-sourced income and (ii) capital gains tax on gains from the disposal of specified Irish assets.

#### **NON IRISH RESIDENT WITH NO BRANCH**

Liable to Irish tax on Irish source income

### Calculating Tax Liability

In Ireland, companies are liable to corporation tax on their total profits, including trading income, passive income and capital gains.

In order to calculate the amount of profit that is subject to Irish tax, it is necessary to understand some basic tax rules:

## Tax Relief Available

### Interest

Interest on borrowings used for a trade or business is tax-deductible on an accruals basis, subject to some exceptions. Interest on borrowings used for non-trading purposes - for example, for the acquisition of shares in another company - may be deductible on a paid basis, subject to certain conditions.

### Capital Allowances

Accounting depreciation is not deductible in calculating business profits for tax purposes. Capital allowances are, however, available in relation to expenditure on:

#### 1. Plant and Machinery

- Expenditure on plant and machinery, fixtures and fittings etc, may be written off at 12.5% per annum on a straight-line basis over an 8-year period.
- Expenditure on scientific equipment is eligible for a 100% capital allowance.
- The cost of energy efficient equipment is granted at 100% capital allowance (in the year of the expenditure) as part of the Irish Government's Green Initiative. Eligible equipment includes:
  - Motors and drivers;
  - Systems lighting;
  - Building Energy Management Systems (BEMS);
  - ICT;
  - Heating and electricity provision;
  - Heating ventilation and air-conditioning control systems; and,
  - Electric and alternative-fuel vehicles.

#### 2. Industrial Buildings

Expenditure on industrial buildings used for manufacturing purposes qualifies for an annual tax allowance of 4%, written off on a straight-line basis over a 25-year period.

#### 3. Losses

**Trading losses** can be offset against (i) future income from the same trade, or (ii) trade income from the preceding accounting period. The reduction in tax payable depends on the tax rate which would have applied if a gain had arisen, i.e. 10%, 12.5% or 25%.

**Excess losses** can be carried forward indefinitely against future trading income.

**Capital losses** can typically be offset against other gains, either within the same period or in future periods (subject to some exceptions).

#### 4. Group Relief

A 'tax group' is considered to exist only when there is a 75% relationship (direct or indirect) between an Irish resident company and an Irish branch of an EEA (European Economic Area) company.

The following expenses may be offset on a group tax basis:

- Trading losses may be offset on a current period basis against taxable trading profits of another group company;
- Excess charges on income, including patent royalties;
- Excess management expenses of investment companies; and,
- Capital assets may also be transferred within the group tax-free.

Irish legislation now provides that an Irish resident parent company may offset against its profits any **losses of a foreign subsidiary** resident for tax purposes in the EU. This is provided that the losses cannot be used in the local jurisdiction.

**Capital losses** cannot be surrendered within a group.

Amendments to Finance Acts have greatly improved the original scheme. The Finance (No. 2) Act 2008 continued this process by increasing the R&D tax credit from 20% to 25% (in addition to a tax deduction at 12.5% for R&D expenditure in Ireland).

# R&D

## 5. Pre-Trading Expenses

Certain pre-trading expenses of companies are allowable in calculating trading income once it has commenced under Section 82, Taxes Consolidation Act (TCA) 1997. The relief applies to trades or professions (whether incorporated or not), which commence on or after 22 January 1997. Under Section 82, a deduction is allowed for pre-trading expenses incurred in the three years prior to commencement of the trade or profession. These expenses can be deducted from taxable profits.

Examples of eligible pre-trading expenses are:

- Accountancy fees;
- Advertising costs;
- Costs of feasibility studies;
- Costs of preparing business plans;
- Rent paid for the premises from which the trade or profession operates.

## 6. Tax Exempt Government Securities

Foreign companies in Ireland are exempt from corporation tax on interest earned on certain Irish Government securities issued to them. Such securities can be issued in a number of major currencies.

# Research & Development (R&D) Tax Credit

Ireland has had an R&D Tax Credit scheme since 2004. Its purpose is to encourage both foreign and indigenous companies to undertake new and/or additional R&D activity in Ireland. The tax credit is available to Irish resident companies and branches on the cost of in-house, qualifying R&D undertaken within the European Economic Area (EEA), provided such expenditure is not otherwise eligible for tax benefit elsewhere within the EEA.

Over the years, various amendments to Finance Acts have greatly improved the original scheme. Finance (No. 2) Act 2008 continued this process by increasing the R&D tax credit from 20% to 25% (in addition to a tax deduction at 12.5% for R&D expenditure in Ireland).

### R&D ACTIVITIES MUST BE:

- Systematic or
- Investigative or
- Experimental (fields of science and technology)
- Area of basic research
- Applied research
- Experimental development.

### HOW IT WORKS:

Company Perspective	€	Irish Support	€
R&D spend	100.00		
Grant Aid (e.g. 20%)	(20.00)	80 @ 12.5% =	10.00
Net of grant cost	80.00	80 @ 25% =	20.00
Tax saving	(30.00)	Total tax saving	30.00
Total net cost	50.00	Plus grant aid	20.00
		<b>Total support</b>	<b>50.00</b>

Finance Act 2009 contains important measures to drive the development of Ireland as a hub for companies engaged in the ownership and development of intellectual property assets.

# Intellectual Property

Furthermore, for all future accounting periods the base year is now 2003. In essence, this means the Irish scheme will become volume based for new entrants to the R&D sector.

The credit also provides that up to:

- 5% of the R&D expenditure can be outsourced to European Universities, and in addition;
- 10% of the R&D expenditure can be sub-contracted to unconnected parties. (i.e. 15% in total).

**Refundable Credit** applies where there is insufficient corporate tax liability to use up the full credit. The credit can be:

- carried back 12 months; or,
- Carried forward indefinitely; or,
- Be claimed in a refund from Revenue (over three accounting periods).

A company (A Ltd) receives an R&D credit of €100 (million) but their corporation tax liability is only €80 (million), thus there is an excess credit

They opt to receive a refund from Revenue, prescribed as follows:

- Period One:** 33% of the excess is paid to the company, i.e.  
A Ltd receives a payment of €6.6 (million) from Revenue.
- Period Two:** 50% of the excess remaining will be paid by Revenue, i.e.  
A Ltd will receive €6.7 (million) [ $20 - 6.6 = 13.4 \times 50\%$ ]
- Period Three:** The remaining excess will be paid, i.e. €6.7 (million)

Core definitions of qualifying R&D expenditure are contained in the TCA 1997, which covers both revenue and capital expenditure. In practice, qualifying expenditure includes wages, related overheads, plant and machinery, and buildings.

In order to qualify for the tax credit, it is necessary to seek to achieve scientific or technical advancement and involve the resolution of scientific or technological uncertainty.

## Intangible Assets and Intellectual Property (IP) in Ireland

Ireland's tax system has for some time encouraged both the creation and management of intellectual property, by means of our 12.5% tax rate, R&D tax credit, and patent exemption.

This position has now been significantly improved by the recently published Finance Act 2009, which includes a new capital allowance system for expenditure incurred on the acquisition of intangible assets.

The new relief applies to qualifying acquisitions occurring after 7 May 2009 and allows for the capital expenditure to be written off in line with the accounting treatment, or a fixed period of 15 years. The relief is given by means of a capital allowance deduction available against trading income from the management, development or exploitation of the intangible asset concerned.

It applies to intangible assets recognised under generally accepted accounting practice and which are included in the specified category section of the legislation, which includes: patents, registered designs, design rights or inventions, trade marks, trade names, brands, brand name, domain name, service mark or publishing title, copyright, know-how, etc. For further details, please see [www.idaireland.com](http://www.idaireland.com).

### Other Tax Deductions for IP Costs

Other existing provisions that will continue to apply, separate to the new scheme, include:

- **Scientific research:** revenue and capital expenditure on activities in the field of natural or applied science for the extension of knowledge is allowable as a trading expense in the year in which the expenditure is incurred. The write-off is not available for mining or petroleum-related research.
- **Software:** can be written off over eight years on a straight-line basis, where the software is used for business purposes.

### Patent Royalty Exemption

In addition to the low corporate tax rate, Ireland's tax legislation contains an exemption for income derived from 'qualifying patents'. The term 'qualifying patents' covers patents where the research, planning, processing, experimenting, testing, devising, designing, developing or other similar activity leading to an invention was carried out in Ireland or elsewhere in the EEA (European Economic Area).

Qualifying patent income is subject to a ceiling of €5 million for the exemption in any one year. The exempt income is any royalty, or other sum, paid by the user of the invention patented. As a company usually holds the patent, this income is firstly exempt from tax in the hands of the company. Irish tax legislation also allows the tax-free nature of such income to be passed to shareholders who receive dividends from a company that qualified for the patent income exemption.

## Transfer Pricing Rules in Ireland

Transfer pricing in Ireland is confined to transactions involving Irish tax incentives. For example, transactions between a company that qualifies for the 10% tax rate and an associate non-10% company are subject to transfer pricing rules, which generally require that these transactions must be at arm's length.

INDEX OF ECONOMIC FREEDOM		RANKING THE COUNTRIES	
<i>Ireland</i>	<b>82.2</b>	100-80	free
United States	80.7	79.9-70	mostly free
Switzerland	79.4	69.9-60	moderately free
UK	79.0	59.9-50	mostly unfree
Netherlands	77.0	49.9-0	repressed
Luxembourg	75.2	N/A	not ranked
Belgium	72.1		
Germany	70.5		
France	63.3		

Source: Index of Economic Freedom, 2009

# Internationalisation

## Holding Companies

### Investing into Ireland

Until recently, investment in Ireland was likely to be routed through a holding company in another European location such as the Netherlands or Luxembourg. Recent legislation has put Ireland in a position to compete with these established European holding company locations. An Irish company can now act as a European/Regional holding or Intermediate holding company. The key points relate to the treatment of capital gains and foreign dividends:

### Foreign Dividend Income

Although foreign dividend income is liable to tax in Ireland it is possible to gain relief so that no further Irish tax will apply. Companies may gain tax relief through:

1. Foreign tax credit pooling;
2. EU Parent Subsidiary Directive;
3. Double taxation agreements.

Dividends paid by a company located in the EU or in a country with which Ireland has a double tax agreement (including agreements which are signed but not yet ratified) are liable to corporation tax at the 12.5% rate provided the dividend is paid out of 'trading profits'.

If part of the dividend is paid from non trading profits and part from trading profits, the non trading balance will be taxed at the 25% rate. However, in accordance with EU legislation, Ireland follows the 'de-minimis rule', which states that under certain conditions the whole of dividends are to be taxed at 12.5%, regardless of whether a portion is derived from non trading profits.

### THE DE-MINIMIS RULE

In order to satisfy this rule, 75% or more of the dividends must consist of trading profits from the paying company or from dividends received by it from trading profits of lower tier companies resident in the EU or in a tax agreement country. In addition, the aggregate value of trading assets of the dividend recipient company and of its subsidiaries must be greater than 75% of the aggregate value of all their assets (within the accounting period in which dividend is received).

### Tax Credit Pooling

'Onshore Pooling' allows foreign dividends to be pooled together, before they are offset against the Irish tax liability. However, excess tax on foreign dividends liable at a rate of 12.5% cannot be used against those liable at the 25% rate.

The tax credits do not need to be utilised in the year in which the dividend is received. They can be carried forward indefinitely or offset against Irish tax on future foreign dividends.

### EU Parent Subsidiary Directive

The European Union Directive requires that Member States eliminate double taxation of dividends received by a parent company located in one Member State from its subsidiary located in another.

At present, since a subsidiary company is taxed on the profits out of which it pays dividends, the Member State of the parent company must either:

1. Exempt profits distributed by the subsidiary from any taxation; or,
2. Grant a credit against its own tax in relation to the tax already paid in the Member State of the parent subsidiary.

### Foreign Tax Credits

Irish tax resident companies are liable to pay Irish corporate tax on their worldwide income. A foreign branch of such a company is simultaneously liable to both foreign and Irish tax. In order to eliminate double taxation, Ireland offers a pooling provision which enables companies offset the foreign tax as a credit against the Irish corporation tax liability. The extent of the credit depends on the nature of the profits, and hence whether they are taxed in Ireland at 12.5% or 25%, but in all cases is limited to the Irish tax on the income item. This pooling provision allows for the fact that foreign branch profits may be taxed at a variety of tax rates and looks at the overall rate, not at the rates country by country.

### Repatriation of profits and Irish withholding tax

A withholding tax of 20% applies to dividends and other profit distributions made by an Irish resident company. However, extensive exemptions are available in cases of certain payments to certain shareholders, including:

- Irish tax resident companies;
- Charities and pension funds;
- Certain collective investment funds;
- Certain employee share ownership trusts; and,
- Certain companies and individual residents in other EU Member States, or countries with which Ireland has a tax treaty.

Dividends and other profit transfers from Ireland do not have to be in euro, any currency can be used.

Ireland has signed comprehensive double taxation agreements with 50 countries, of which 46 are in force and the remainder are pending ratification.

For the parent subsidiary directive to apply, a relationship of no less than a 10% shareholding must exist from 1 January 2009.

## Ireland's Double Tax Agreement Network

These rates generally reflect the lower of the treaty rate and the Irish domestic rate

Country	Dividends(%)*	Interest(%)	Royalties(%)
1. AUSTRALIA	0	0/10	10
2. AUSTRIA	0	0	0
3. BELGIUM	0	0/15	0
4. BULGARIA	0	0/5	10
5. CANADA	0	0/10	0/10
6. CHILE	0	0/5/15	5/10
7. CHINA	0	0/10	6/10
8. CROATIA	0	0	0
9. CYPRUS	0	0	0
10. CZECH REP.	0	0	0/10
11. DENMARK	0	0/10	0/5/10
12. ESTONIA	0	0/10	5/10
13. FINLAND	0	0	0
14. FRANCE	0	0	0
15. GEORGIA	-	-	-
16. GERMANY	0	0	0
17. GREECE	0	0/5	0/5
18. HUNGARY	0	0	0
19. ICELAND	0	0	10
20. INDIA	0	0/10	10
21. ISRAEL	0	0/10	10
22. ITALY	0	10	0
23. JAPAN	0	0/10	10
24. KOREA REP.	0	0	0
25. LATVIA	0	0/10	0/5/10
26. LITHUANIA	0	0/10	0/5/10
27. LUXEMBOURG	0	0	0
28. MACEDONIA	0	0	0
29. MALAYSIA	0	0/10	8
30. MALTA	0	0	5
31. MEXICO	0	0/5/10	10
32. NETHERLANDS	0	0	0
33. NEW ZEALAND	0	0/10	10
34. NORWAY	0	0	0
35. PAKISTAN	0	0	0
36. POLAND	0	0/10	0/10
37. PORTUGAL	0	0/15	0/10
38. ROMANIA	0	0/3	0/3
39. RUSSIA	0	0	0
40. SLOVAK REP.	0	0	0/10
41. SLOVENIA	0	0/5	0/5
42. SOUTH AFRICA	0	0	0
43. SPAIN	0	0	0/5/8/10
44. SWEDEN	0	0	0
45. SWITZERLAND	0	0	0
46. TURKEY	0	10/15	10
47. UK	0	0	0
48. UNITED STATES	0	0	0
49. VIETNAM	0	0/10	0/5/10/15
50. ZAMBIA	0	0	0

\* rate reflects Ireland's domestic exemption on outbound dividend payments

Source: [www.revenue.ie](http://www.revenue.ie)

### Double Taxation Agreements

To facilitate international business, Ireland has signed comprehensive double taxation agreements with 50 countries, of which 46 are in force and the remainder are pending ratification. These agreements allow the elimination or mitigation of double taxation.

Ireland is continuously expanding this network of double taxation agreements:

- Four new tax agreements have been signed (Georgia, Macedonia, Malta and Turkey);
- Eight new tax agreements have been concluded (Albania, Azerbaijan, Bosnia Herzegovina, Kuwait, Moldova, Morocco, Serbia and Thailand);
- Seven new agreements are in the pipeline (Argentina, Armenia, Belarus, Egypt, Singapore, Tunisia, Ukraine);
- Other countries have also been identified by Ireland as having potential for double tax agreements (Brazil, Hong Kong, Iran, and the Philippines); and,
- A tax cooperation agreement has been signed with the Isle of Man.

In addition, where a double taxation agreement does not exist with a particular country, unilateral provisions within the Irish Taxes Acts allow credit relief against Irish tax for foreign tax paid in respect of certain types of income.

## Taxes on Capital

### Capital Gains Tax (CGT)

Profits arising from the disposal of assets are subject to capital gains tax. (Disposals up to 31 December 2002 are adjustable for inflation). With effect from 8 April 2009 the standard rate in respect of disposals is 25%.

Trading losses may be offset on a value basis against capital gains for the current or previous year.

Capital assets may be transferred between Irish resident group companies without triggering a CGT liability.

### Relief from Capital Gains Tax:

#### — Unilateral credit relief

Relief is available in Ireland for capital gains paid in certain countries including Belgium, Cyprus, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Pakistan and Zambia (Ireland signed tax agreements with these States prior to the introduction of capital gains tax).

In addition, persons (an individual or a company) who are liable to CGT in Ireland, but are also taxed on the gain in another country, will be credited for foreign tax paid against Irish capital gains tax due.

#### — CGT on share disposals

Irish holding companies are allowed an exemption from capital gains tax on the disposal of shares in their subsidiaries. The exemption is, however, subject to a number of conditions for example to be regarded as a holding company, the company must hold at least 5% of the shares of another company.

**Stamp Duty**

Stamp duty is payable on the transfer of land and buildings, the lease of property and on certain legal instruments. Rates vary between 1% and 9%, except on leases of greater than 100 years, where the rate is 12%.

Transfers between companies with a 90% relationship are exempt from stamp duty.

**Capital Duty**

Ireland has no capital duty tax.

## Tax Administration

The Irish tax system is a self-assessment regime, in which companies are obliged to determine whether or not they incur corporation tax and, if so, to file a tax return and make an appropriate tax payment.

When activities in Ireland become subject to Irish tax, the company is required to file a form (TR2) with the Irish Revenue Commissioners, which handles tax registration for Corporation Tax, PAYE/PRSI and VAT, where appropriate.

Tax returns can also be filed online by using the Revenue On-Line Service (ROS), [www.ros.ie](http://www.ros.ie). It enables taxpayers to view details of their tax balances and provides any relevant information they need to pay and file within the set deadlines.

**Three-Year Exemption for Start-Up Companies**

A three-year exemption from corporation tax demonstrates Ireland’s commitment to encouraging entrepreneurship, business start-ups and employment creation. With effect from 2009, new companies commencing to trade in 2009 are granted relief on (i) profits of the new trade, and (ii) chargeable gains on disposals of assets used for the trade, up to a prescribed amount.

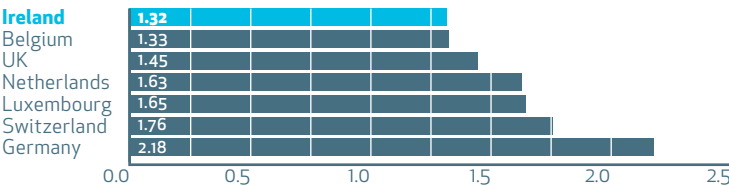
When the total amount of corporation tax does not exceed €40,000, a full exemption is granted. Amounts between €40,000 - €60,000 are granted marginal relief.

**International Financial Reporting Standards**

Where financial statements are drawn up in accordance with International Financial Reporting Standards, they will be used as the basis for determining company profits. Detailed provisions cover the transition of company financial statements to these standards.

### TAX AND LEGAL ENVIRONMENTS

Favouring the Development of Private Equity, Venture Capital and Entrepreneurship in Europe (1=more favourable, 3=less favourable)



Source: Benchmarking European Tax and Legal Environments, EVCA, 2008

## Other Business Taxes

### Local Taxation

There are no provincial, municipal or local taxes on the profits of companies in Ireland. The only local tax is a property tax, referred to as “rates”, levied by Local Authorities on commercial properties. An amount (or rate) is payable per €1 valuation of the property. The rate is set annually by each Local Authority, which also determines the valuation of the property.

### Value Added Tax (VAT)

Value Added Tax is a consumption tax and is charged on goods and services supplied in the course of business. Credit is given for VAT paid to registered traders, thus this tax is ultimately borne by the final consumer.

VAT rates range from zero to 21.5% depending on the type of product or service, with most attracting a charge of 21.5%.

There are detailed rules applying to VAT on property.

### Export VAT Exemption

Supplies of goods within the European Union are exempt from VAT (except when supplied to unregistered persons in the EU). Imports from non-EU countries are liable to VAT.

An EU-wide computerised VAT Information Exchange System (V.I.E.S.) allows for the flow of data across countries and enables companies to rapidly obtain confirmation of the VAT numbers of their trading partners.

In addition, companies that export 75% or more of their output from Ireland can apply to the Revenue Commissioners for VAT exemption on almost all of their goods and services from both Irish and foreign suppliers. This reduces administration and the need to get a refund of VAT.

### Customs and Excise Duties

Ireland is a member of the European Union (EU) and all border controls between EU Member States have been eliminated. This allows duty-free importation of goods from other EU countries. Goods imported from outside the EU are subject to customs duty at the appropriate rate specified by the EU’s Common Customs Tariff. The rate of duty is based on the International Harmonised System (HS). The EU has preferential tariff agreements with certain countries and country groupings, which result in customs duty being reduced or eliminated.

Excise duty is chargeable on a limited number of goods including petrol, diesel, LPG, beer, spirits, wine, tobacco products and motor vehicles. The rate of excise duty varies depending on the goods and is payable in addition to any customs duties payable.

### Customs and Excise Relief

Customs and excise duties are collected at the point of importation. There are, however, some circumstances under which goods may be imported without payment of duty:

#### — Inward processing

Approval may be obtained to import goods duty-free from outside the EU for processing and re-exportation to non-EU countries.

#### — Warehousing

Special arrangements operate to allow movement within the EU of goods subject to duty, with the duty being eventually paid in the country of consumption. Businesses can obtain approval to store goods duty-free on their premises until required. If the goods are for processing, relief will apply. Where a finished product for sale is involved, no duties are payable if the goods are re-exported outside the EU. Where the goods are released into the EU, the appropriate duties are payable.

# Personal Taxation

## Income Tax

Within the OECD, Ireland has the fourth lowest tax wedge. Income tax is chargeable on all income arising in the State to individuals, partnerships and unincorporated bodies.

The most common form of income tax is PAYE (Pay As You Earn) which is deducted by employers from an employee's pay.

Persons who are self-employed or receive income from non PAYE sources use the self-assessment system.

Personal income tax rates depend on marital status. The 2009 rates for a single person are as follows:

- Earnings up to €36,400 are taxed at 20%; and,
- Earnings in excess of this amount are taxed at 41%.

In addition an income levy is payable at the following rates:

Income Levels	Rate of Income Levels
€0 - €75,036	2%
€75,037 - €174,980	4%
Over €174,980	6%

## Personal Tax Credits

PERSONAL INCOME TAX RATES		
	At 20%	At 41%
Single person	€36,400	Balance
Married couple (one income)	€45,400	Balance
Married couple (two incomes)	€72,800	Balance
One parent/widowed parent	€40,400	Balance

Taxable income can be reduced by personal tax credits depending on each individual's situation. They are available to each individual and married couple.

The principal tax credits for 2009 are:

- Single person €1,830; and,
- Married couple €3,660

In addition a PAYE credit is available for individuals paying tax under the Pay As You Earn system.

Other deductions are also available including:

- Rent;
- Service charges;
- Single parent payment;
- Widowed persons' payment; and,
- Trade Union subscriptions.

The tax credits are at the standard (20%) rate of tax. Mortgage interest and health insurance relief are dealt with at source.

### Taxation of Foreign Domiciled Persons in Ireland

Most foreign executives working for overseas companies in Ireland would be classified as being resident, but not domiciled, in Ireland. This means they are subject to Irish income tax on income earned in Ireland, as well as on any income remitted from outside the State.

### Special Assignment Relief Programme

Tax relief is available for certain employees who are assigned from abroad to work in Ireland for a period of at least three years.

Those who earn more than €100,000 per annum and satisfy specific criteria are eligible for tax relief on up to 50% of their employment earnings in excess of €100,000. At the end of the tax year, the relief will be granted and taxes which would otherwise be payable at year end will not be levied.

In order to qualify for the tax relief an individual must:

- Be non-Irish domiciled;
- Take up residence in Ireland;
- Be an employee of a company which is non EEA (incorporated and resident); but is from a country with which Ireland has a double taxation treaty;
- Prior to arrival in Ireland, have been employed by an associated company of the Irish entity to which they are assigned;
- Have previously been paid by the overseas employer; and,
- Have been tax resident and exercised the greater part of their employment in a relevant overseas jurisdiction.

The overseas employer must operate Irish PAYE (and PRSI where appropriate) on the employment income.

### Approved Profit Sharing Scheme

Contributions by an employer to an approved profit sharing scheme are treated as an allowable trading expense. These contributions are used to purchase shares for employees, up to a maximum expenditure of €12,700 per employee, per annum. The employee is not charged income tax on the disposal of shares if they are held for at least three years. The first sale by the employee is also free from stamp duty.

### New Share Purchase Relief

Employees who purchase new ordinary shares issued by their employer company can claim tax relief up to a lifetime limit of €6,349. The company must be incorporated and resident in Ireland.

### Employee Share Ownership Trusts

Companies can obtain a tax deduction for the cost of setting up and maintaining a scheme to purchase company shares for the benefit of employees. Shares can be held in trust for up to 20 years. Where the trust is linked to an approved profit-sharing scheme the transfer of shares to the employee will not be subject to income tax.

### Approved Share Option Scheme

Under a share option scheme approved by the Revenue Commissioners, an employee is only liable to capital gains tax or CGT on any profits made on the disposal of the shares, and not on the value of the shares themselves.

To qualify for approval, the scheme must be open to all employees. However, a maximum of 30% of these shares may be retained for 'key' employees.

### National Social Insurance

Social security in Ireland is provided by means of social welfare insurance known as Pay Related Social Insurance (PRSI). It is compulsory for all employees aged 16 or over to be covered by social insurance. Both employers and employees contribute towards the scheme and the contributions are calculated as a percentage of earnings. Employers' contribution to PRSI is 10.75% of gross salary.

A Health Contribution (known as the health levy) is also payable.

All foreign employees working in Ireland for more than one year must make social insurance contributions, even if they are paid from abroad. The only exceptions are EU nationals who are contributing in another Member country, or persons from a country with which Ireland has a social security agreement.

### Employee Contributions

#### PRSI

Up to €75,036	4%
€352 or less per week	Exempt
PRSI credit per week	€127

#### Health Contribution

Income Levels	Rate of income levels
Less than €26,000	Exempt
First €75,035	4%
Over €75,036 to €100,100	5%

## Further Information:

### Corporate Tax in Ireland

- A guide written by the Irish Revenue Authority explains what is classified as 'trading income' [www.revenue.ie/en/practitioner/tech-guide/index.html](http://www.revenue.ie/en/practitioner/tech-guide/index.html)

### Tax Relief

- More information regarding energy efficient equipment can be sourced from Sustainable Energy Ireland, [www.sei.ie](http://www.sei.ie)
- Further clarification on pre-trading expenses can be obtained from the Irish Revenue Authority, [www.revenue.ie/en/about/foi/s16/income-tax-capital-gains-tax-and-corporation-tax/part-04/04-06-08.pdf](http://www.revenue.ie/en/about/foi/s16/income-tax-capital-gains-tax-and-corporation-tax/part-04/04-06-08.pdf)

### Tax Administration

#### Value Added Tax (VAT)

- Tax returns can be filed online by using the Revenue Online Service (ROS), [www.ros.ie](http://www.ros.ie)
- Detailed rules for VAT on property are available at [www.revenue.ie/en/tax/vat/full-intro.html](http://www.revenue.ie/en/tax/vat/full-intro.html)

### Business Taxes

- An EU computerised VAT Information Exchange System (V.I.E.S.) allows for the flow of data across countries and enables companies to rapidly obtain confirmation of the VAT numbers of their trading partners. [www.ec.europa.eu/taxation\\_customs/taxation/vat/traders/vat\\_number/index\\_en.htm](http://www.ec.europa.eu/taxation_customs/taxation/vat/traders/vat_number/index_en.htm) provides detailed information on VAT in the EU.
- Customs and excise duties and rates of excise tax vary. For detailed information, visit [www.ec.europa.eu/taxation\\_customs/taxation/vat/traders/vat\\_number/index\\_en.htm](http://www.ec.europa.eu/taxation_customs/taxation/vat/traders/vat_number/index_en.htm) and [www.revenue.ie](http://www.revenue.ie)

### Double Taxation Agreements

- Agreements and terms and conditions can be found at [www.revenue.ie/en/practitioner/law/tax-treaties.html](http://www.revenue.ie/en/practitioner/law/tax-treaties.html)

### R&D Tax Credit

- Guidance on what activities constitute R&D is available at [www.revenue.ie/en/practitioner/tech-guide/index.html](http://www.revenue.ie/en/practitioner/tech-guide/index.html)

### Personal Taxation and Tax Credits

- For more information visit [www.revenue.ie](http://www.revenue.ie)

## **IRELAND**

### ***Head Office***

IDA Ireland, Wilton Place, Dublin 2, Ireland  
Tel: +353 (0) 1 603 4000  
Fax: +353 (0) 1 603 4040  
e-mail: idaireland@ida.ie  
web: www.idaireland.com

### ***Athlone***

Athlone Business & Technology Park  
Garrycastle, Dublin Road, Athlone  
Westmeath  
Tel: +353 (0) 90 64 71500  
Fax: +353 (0) 90 64 71550

### ***Cavan***

IDA Business Park, Dublin Road, Cavan  
Tel: +353 (0) 49 436 8820  
Fax: +353 (0) 49 433 2047

### ***Cork***

Industry House, Rossa Avenue  
Bishopstown, Cork  
Tel: +353 (0) 21 480 0210  
Fax: +353 (0) 21 480 0202

### ***Donegal***

Portland House, Port Road  
Letterkenny, Donegal  
Tel: +353 (0) 74 916 9810  
Fax: +353 (0) 74 916 9801

### ***Dundalk***

Finnabair Business Park, Dundalk, Louth  
Tel: +353 (0) 42 935 4410  
Fax: +353 (0) 42 935 4411

### ***Galway***

Mervue Business Park, Galway  
Tel: +353 (0) 91 735 910  
Fax: +353 (0) 91 735 911

### ***Limerick***

Roselawn House  
National Technology Park, Limerick  
Tel: +353 (0) 61 200 513  
Fax: +353 (0) 61 200 399

### ***Sligo***

Finisklin Business Park, Sligo  
Tel: +353 (0) 71 915 9710  
Fax: +353 (0) 71 915 9711

### ***Waterford***

Waterford Technology Park, Cork Road  
Waterford  
Tel: +353 (0) 51 333 055  
Fax: +353 (0) 51 333 054

## **EUROPE**

### ***France***

Maison d'Irlande  
33 rue de Miromesnil, 75008 Paris  
Tel: +33 (0) 1 43 12 91 80  
Fax: +33 (0) 1 47 42 84 76

### ***Germany***

FBC Frankfurter Büro Center, Mainzer  
Landstr. 46, 60325 Frankfurt am Main  
Tel: +49 (0) 69 706099-0  
Fax: +49 (0) 69 706099-70

### ***United Kingdom***

Shaftesbury House  
151 Shaftesbury Avenue  
London WC2H 8AL  
Tel: +44 (0) 20 7379 9728  
Fax: +44 (0) 20 7395 7599

## **USA**

### **Atlanta**

Monarch Plaza, Suite 350  
3414 Peachtree Road, N.E., Atlanta,  
GA 30326  
Tel: +1 404 816 7096  
Fax: +1 404 846 0728

### **Boston**

31 Saint James Avenue, 7th Floor  
Boston, MA 02116.  
Tel: +1 617 357 4190  
Fax: +1 617 357 4198

### **California**

3 Park Plaza, Suite 430  
Irvine, CA 92614.  
Tel: +1 949 748 3547  
Fax: +1 949 748 3586

800 W. El Camino Real, Suite 450  
Mountain View, CA 94040  
Tel: +1 650 967 9903  
Fax: +1 650 967 9904

### **Chicago**

77 West Wacker Drive, Suite 4070  
Chicago, IL 60601-1629  
Tel: +1 312 236 0222  
Fax: +1 312 236 3407

### **New York**

345 Park Avenue, 17th Floor  
New York, NY 10154-0004  
Tel: +1 212 750 4300  
Fax: +1 212 750 7357

## **SOUTH AMERICA**

### **Brazil**

Av. das Nações Unidas  
12551 - 17 andar  
04578-903 S. Paulo - SP, Brazil  
Tel: +55 11 3443 7080  
Fax: +55 11 4992 0406

## **ASIA-PACIFIC**

### **Australia**

Ireland House, Suite 2601, Level 26  
1 Market Street, Sydney NSW 2000  
Tel: +61 (0)2 9273 8524  
Fax: +61(0)2 9273 8527

### **China**

Suite 655  
Shanghai Centre  
1376 Nanjing Road West  
Shanghai 200040  
Tel: +86 21 6279 8500  
Fax: +86 21 6279 8505

### **India**

501/502, 5th Floor, Blue Wave  
B/h Kuber Complex  
Off Oshiwara Link Road  
Andheri (West)  
Mumbai 400 058  
Tel: +91 22 4217 8900  
Fax: +91 22 4217 8999

### **Japan**

Ireland House 2F, 2-10-7 Kojimachi  
Chiyoda-Ku, Tokyo 102-0083  
Tel: +81 3 3262 7621  
Fax: +81 3 3261 4239

### **Korea**

13th Floor Leema B/D  
146-1 Susong-dong, Jongro-ku  
Seoul 110-755  
Tel: +82 2 755 4767/8  
Fax: +82 2 757 3969

### **Taiwan**

7FL-12, No.41, Nanking W. Road  
Taipei 103, Taiwan  
Tel: +886 2 2552 6101  
Fax: +886 2 2550 7220

IDA  
office  
network





**HEAD OFFICE**

IDA Ireland  
Wilton Place, Dublin 2, Ireland  
T: +353 (0)1 603 4000  
F: +353 (0)1 603 4040  
E: [idaireland@ida.ie](mailto:idaireland@ida.ie)  
W: [www.idaireland.com](http://www.idaireland.com)



EUROPEAN UNION  
STRUCTURAL FUNDS

**Deloitte.**