Crowe

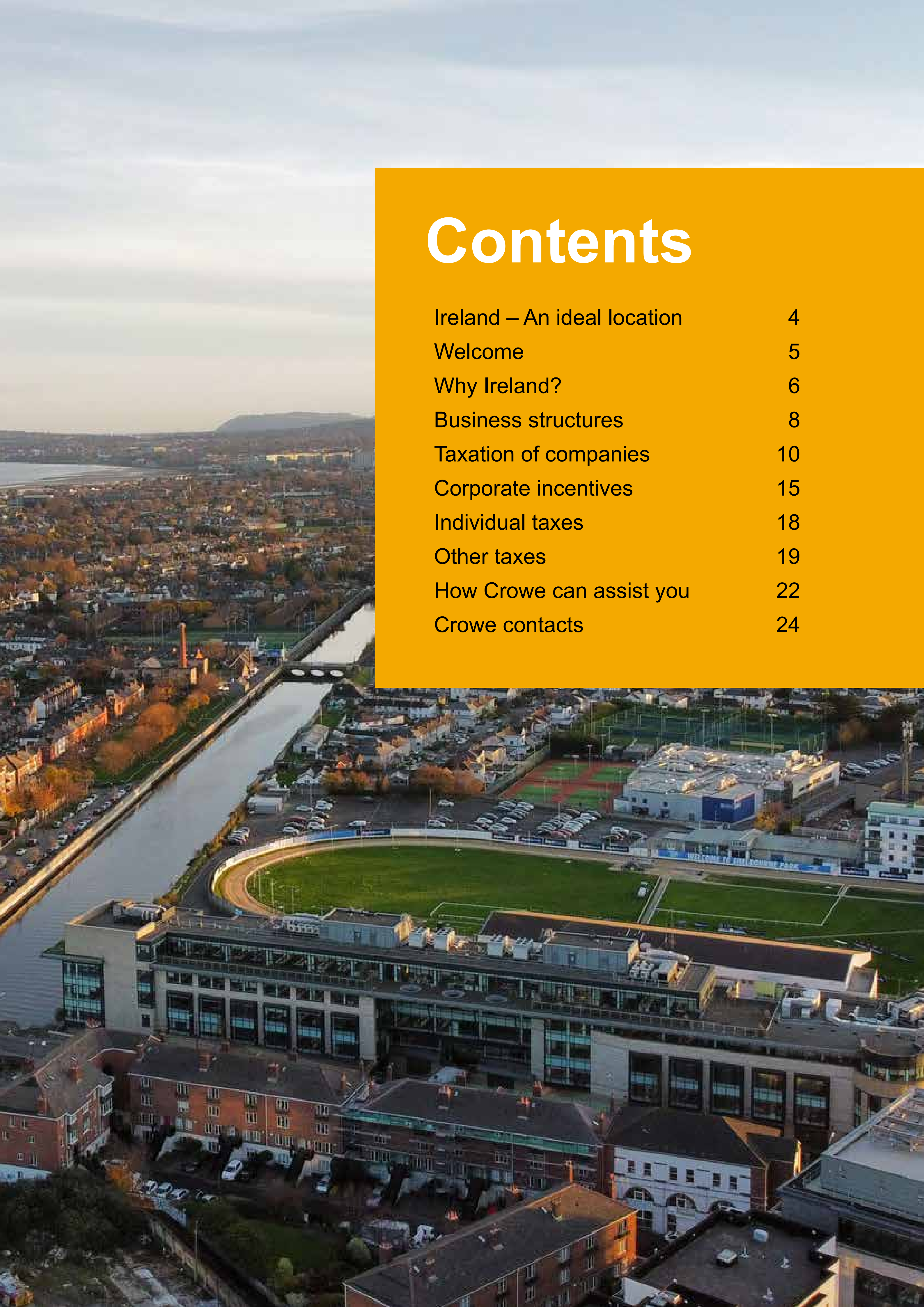
Doing Business in Ireland

2024 Edition

Audit / Tax / Advisory

Smart decisions. Lasting value.

As one of the leading professional services firms in the world, Crowe can provide you with the reassurance and expert advice you require to maximise the return on your investment in Ireland.



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Ireland – An Ideal Location

12.5%
corporation tax

Young workforce
Ireland has youngest population in EU

7th highest quality
of life in the world[2]

Top 10 location
for FDI in Europe[3]

Effective **zero tax rate**
for foreign dividends

14 of the top 15
medical technology companies

30%
R&D tax credit

Ireland **ranked 7th**
out of top 50 digital nations[5]

The top 5 global
software companies[6]

4th most competitive
economy in the world and 3rd for business efficiency[7]

7th most attractive
to international talent[8]

Most educated population in Europe
Over 60% of 25-34 year olds have a third level qualification vs EU average of 43.1%[1]

1 Eurosat
2 UN 2023 Human Development Index
3 EY European Attractiveness Survey 2022
4 IDA Ireland
5 Tholons Global Innovation Index 2021
6 IDA Ireland
7 IMD World Competitiveness Yearbook 2024
8 IMD World Talent Report 2021
9 Eurosat

Welcome

I am pleased to introduce the 2024 edition of "Doing Business in Ireland" which has been prepared to act as a guide for those interested in investing in Ireland.

Ireland offers a combination of a highly educated, skilled and flexible workforce, an advanced infrastructure and a pro-business environment. Furthermore, it has a transparent, common-law-based legal system and its membership of the EU ensures unrestricted access to EU markets for companies based in Ireland. Ireland remains one of the most welcoming places in the world for international business and foreign direct investment, and it is a great place to invest, do business, work, and live.

Ireland continues to attract a significant level of foreign investment and has experienced strong and consistent growth in a number of key sectors such as:

- Life sciences
- Information and communications technologies
- Consumer and industrial products
- Financial services

Ireland's prosperity is a product of its success as a trading nation. The IMD World Competitiveness Centre consistently ranks Ireland as one of the most competitive economies in the world, recently ranking it fourth for economic performance.

Ireland and its capital continue to invest in its communication infrastructure and Tholons Global Innovation Index 2023 ranked Ireland sixth out of their top 50 digital nations.

Ireland has the youngest and most educated workforce in Europe and the UN 2023 Human Development Index placed Ireland seventh for its quality of life.

As one of the leading professional services firms in the world, Crowe can provide you with the reassurance and expert advice you require to maximise the return on your investment in Ireland.

"*Ireland offers a combination of a highly educated, skilled and flexible workforce and it is a great place to invest, do business,work, and live.*"

Naoise Cosgrove
Managing Partner

Why Ireland?

As the only native English-speaking member left in the European Union post-Brexit, Ireland is ideally positioned to access the internal EU market of 500 million people.

Irish workforce

The success of a business is ultimately determined by the strength of its human capital. The Irish workforce is productive, capable and highly adaptable. We have the youngest population in Europe, with one third of the population under 25 years old, and one of the most educated workforces in the world. The Paris-based Organisation for Economic Cooperation and Development (OECD) reports that 50% of Irish 25–74-year-olds have a third level qualification, compared to 30% on average across OECD countries. The latest OECD PISA (Programme for International Student Assessment) results rank Ireland fourth out of 36 OECD countries and third out of 27 EU countries for reading literacy.

Ireland's education system is among the best in the world. According to IDA Ireland, it ranks in the top 10 globally as an education system that meets the needs of a competitive economy. Ireland also has the highest level of science, technology, engineering and maths (STEM) graduates per capita in EU among 20–29 year olds.

The IMD World Talent Report 2021 ranked Ireland seventh-most attractive to international talent and the IDA reports that Ireland has the fifth-highest international share of workforce in the EU in 2020.

Access to key markets

Ireland is now the only native English-speaking EU and Eurozone member. Ireland's EU membership ensures the free movement of goods, people and capital within the EU area to companies established in Ireland. Located between the USA, Europe and Asia Pacific, Ireland is at the heart of the Eurozone as well as a natural gateway to the EU and the rest of the world.

Taxation system

Some of the key beneficial features of the Irish tax system are as follows:

- A low statutory corporation tax rate for trading companies of 12.5%
- A corporate tax exemption for the first three years of trading, subject to certain limits
- An attractive intellectual property regime
- Generous research & development tax credits
- A growing double taxation treaty network with 76 treaties signed
- A favourable holding company regime

Competitiveness and flexibility

Ireland is a dynamic business location, offering competitive operating costs and high-quality services. The IMD World Competitiveness Yearbook 2022 puts Ireland as the 11th-most competitive economy in the world and seventh overall for economic performance. In a recent European Attractiveness Survey, Ireland remained in the top 10 European destinations for foreign direct investment, home to 14 of the top 15 medical technology companies, eight of the top 10 financial services companies, and the top five global software companies.

Flexibility is a key factor in Ireland's ability to react quickly to international trends and the global marketplace. Ireland was one of the first countries to rebound from the 2008 economic downturn and the Irish economy remains one of the most robust among its European neighbours.

Quality of life

People living and working in Ireland can enjoy our renowned scenery, a thriving cultural scene, a wide range of sports amenities, peace of mind, security and, above all, hospitable people. Ireland combines an internationally competitive business environment with a pleasurable and balanced way of life.

Advanced infrastructure

Ireland continues to invest in its infrastructure. In particular, there has been an ongoing level of investment and consolidation in order to create a reliable ICT infrastructure that delivers exceptional quality services to businesses. This has resulted in one of the most advanced and competitive telecommunications infrastructures in Europe. Ireland also has a fully developed road network and extensive port facilities, along with four international and five regional airports, meaning that travelling to and within Ireland is fast, practical and economical.

A pro-business environment

Ireland is a progressive and open economy with strong ongoing cooperation between government, industry and universities. IDA Ireland is the government agency responsible for the development of foreign industry and enterprise in Ireland and specialises in assisting companies involved in research, development and innovation, high-end manufacturing and global services (including financial services).

Business structures

Introduction

You can conduct your trade or business in Ireland in one of several organisational forms, including:

- A private limited company
- A public limited company
- A company limited by guarantee
- An unlimited company
- A branch of a foreign company
- A partnership
- A limited liability partnership
- A unit trust/UCITS (Undertaking for Collective Investment in Transferable Securities)
- A sole proprietorship

Each business entity listed above is subject to specific tax laws. Companies and branches of overseas companies are subject to tax at the corporate tax rate. Individuals, including partners of partnerships and sole proprietors, are subject to tax at progressive marginal income tax rates.

Companies

Every incorporated organisation is a company for tax purposes. There are four basic types of companies: private limited companies, public limited companies, companies limited by guarantee, and unlimited companies.

Companies are required to have their accounts audited by a registered auditor. However, certain small private companies are not required to have audited accounts.

In general, companies must have at least one director who is resident in a member state of the European Economic Area.

Private limited companies

The majority of companies registered are private companies limited by shares.

A private limited company may be a single member company. These companies are popular for several reasons, including the fact that a shareholder's liability is limited to what they have subscribed for their shares in the company.

There are two types of private limited company. The first and most common type is the model company (LTD) which has very simplified constitutional and governance structures. These would typically be used for normal trading operations where ownership is limited to a small number of members (<150).

The second type is the designated activity company (DAC). These would have more traditional governance structures with the capacity and the power to do only those acts or things set out in its constitution (which includes a memorandum of articles and association). The most commonly known DACs are the retail banks and insurance companies. Other instances where DACs are used would typically be within bespoke corporate structures as special purpose vehicles (SPVs).

Key features:

LTD	DAC
No requirement to have objects clause	Required to have objects clause
One-document constitution	Two-document constitution
Min. of one director and a separate company secretary	Minimum of two directors

A DAC only has the capacity to do those acts or things set out in its objects clause and will have certain regulations in its constitution which are not specified in the template limited company constitution.

Public limited companies

Public limited companies (PLC) and private limited companies are similar in that the shareholders' liability is limited to what they have subscribed for their shares in the company. Their governance structures, however, would be more closely aligned with a DAC rather than an LTD in that there is a minimum requirement for two directors and its activities are restricted to only those acts or things as set out in its constitution (which includes a memorandum of articles and association). There is also a minimum share capital investment required of €25,000. Typically, public limited companies are used where there is an intention that member numbers will exceed 150 in the future or where it is envisaged that the company will offer its shares for sale through a Recognised Investment Exchange (RIE), i.e., the Irish Stock Exchange.

The Irish Stock Exchange also offers listings to unit trusts and UCITS. These listings on the investment fund market are available to both Irish and foreign funds. The Irish Stock Exchange is a global leader for investment fund listings.

Company limited by guarantee having a share capital ("DAC limited by guarantee")

Companies limited by guarantee are usually used by charitable or non-profit-making organisations. They typically have a low commercial risk and may be formed with or without share capital. This type of company must have at least seven members who, in effect, are the guarantors. A guarantor agrees to contribute a nominal amount that typically is quite small upon the winding up of the company in the event of a shortfall of assets at that time.

Company limited by guarantee not having a share capital ("CLG")

A public company whereby the shareholders' liability is limited to the amount they have undertaken to contribute to the assets of the company in the event it is wound up, not exceeding a specified amount and subject to a minimum of €1. These companies are typically used by charitable or not-for-profit organisations who wish to secure the benefits of limited liability but do not require funds from the shareholders.

Its activities are limited to its objects as set out in its constitution (which includes a memorandum of articles and association).

There is also a requirement to have a minimum of two directors. A guarantor agrees to contribute a nominal amount that typically is quite small upon the winding up of the company in the event of a shortfall of assets at that time.

Unlimited companies

An unlimited company is subject to the same rules concerning its capacity to enter into transactions and incur liabilities as a limited company. Unlike a limited company, the members of an unlimited company are liable to contribute their personal assets in order to satisfy its obligations in the event of insolvency, i.e., there is no limit on their liability exposure.

There are three types of unlimited companies:

- A private unlimited company with a share capital (ULC)
- A public unlimited company with a share capital (PUC)
- A public unlimited company not having a share capital (PULC)

Partnership

A partnership is a relationship between persons carrying on a common business with the intent to make a profit.

A partnership can be formed by simple agreement. Substantial formation expenses are not required. A partnership is not a separate legal entity. Partners are jointly and severally liable for any debts of the partnership and usually take an active part in the business.

Taxation obligations of a partnership

A partnership is not a taxable entity in its own right; instead, the partners are subject to tax on their share of partnership profits. Partners that are companies are subject to corporate tax on their share of the profits. Partners who are individuals are subject to individual income tax on their share of the profits.

Even though a partnership is not a taxable entity in its own right, it is required to register for taxes and to file an annual tax return.

Taxation of companies

A company that is resident in Ireland is taxable on its worldwide profits. A company that is trading in Ireland through a branch or agency is only liable in respect of the profits that are attributable to that branch or agency.

A company is deemed to be resident if it is managed and controlled in Ireland. Generally, a company is managed and controlled in Ireland if key decisions affecting the company are made at directors' meetings held in Ireland. A company is also regarded as resident if it is incorporated in Ireland. There is one exception to this rule where Irish-incorporated companies are resident in two countries but are not resident in Ireland by reason of the tie-breaker under Ireland's Double Taxation Agreement network. A tie-breaker determines the country of residence where an entity is a tax resident of both Ireland and another country.

Rates

There are four main rates of corporation tax:

- 12.5% for trading income
- 25% for non-trading income (e.g. investment income, rental income)
- 10% for profits earned from patented inventions and copyrighted software
- 15% for multi-national enterprises, in line with OECD Pillar Two rules

OECD Pillar Two

The new 15% rate applies to Irish subsidiaries of multinational groups where turnover has exceeded €750m. The rate has been introduced as part of the OECD's Pillar Two agreement which Ireland has signed up to. If a qualifying company's effective tax rate is less than 15% then a top-up tax will be required to bring the effective tax rate up to 15%.

Calculating trading profits

Profits are calculated for tax purposes by reference to the profits reported in the financial accounts. Profit is calculated by reference to the income of a company less its expenditure. The main adjustments to accounts profit to arrive at taxable profit are as follows:

- Expenditure not wholly and exclusively incurred for trading purposes
- Capital expenditure
- Certain types of interest and patent royalties are adjusted on a paid rather than an accrual basis
- General accounting provisions
- Entertainment expenditure (unless spent on staff)

The most important of these adjustments are discussed in greater detail below.

Non-trading expenditures

Expenditures not wholly and exclusively incurred for trading purposes, such as client entertainment or certain charity donations, are not deductible.

Expenses directly related to a source of non-trading income are not deductible against trading income but should be deductible against the non-trading income source. Non-trading income is passive income such as interest or rental income. For example, if a company incurs an insurance cost in respect of a rental property, this is not deductible against trading income but is deductible against rental income arising from the relevant property.

Capital expenditure

Expenditure on capital items is not deductible for Irish tax purposes. Capital assets are normally assets which are capable of lasting for longer than 12 months and are accounted for by a company as a tangible fixed asset.

Instead, Ireland allows capital allowances for depreciation of equipment and other assets at the following rates.

Plant, machinery and equipment

An annual allowance of 12.5% on a straight line basis in respect of expenditure incurred on plant, machinery and equipment (net of grants received) must be taken. The 12.5% annual allowance also applies to commercial vehicles and private cars. However, the maximum allowable cost for private cars is €24,000.

Accelerated capital allowances of 100% may be claimed on capital expenditure incurred on energy-efficient equipment. Energy-efficient equipment may include motors, lighting, heating etc. The allowance has recently been extended to the end of 2024.

Industrial buildings

An annual allowance of a minimum of 4% based on the cost of the building can be claimed over a 25-year period. “Industrial buildings” are generally manufacturing premises but hotels will qualify where they are in use for the purposes of a trade of hotel-keeping and have been registered with Fáilte Ireland, the Irish tourism agency.

The capital allowances due on buildings are based on the cost to the original owner rather than the cost to the purchaser. Special rules apply where the building is purchased secondhand.

Interest deductibility

Interest incurred wholly and exclusively for the purposes of a trade generally is deductible on an accounts basis. However, certain types of interest are deductible only on a paid basis. For example, interest on borrowings used to acquire shares or lend money to certain related companies may be deductible on a paid basis.

Taxation of companies (continued)

Interest paid to a non-resident parent or fellow group company by an Irish-resident company will be deemed to be a distribution and is not tax-deductible. However this rule does not apply if the recipient is tax-resident in an EU member state or a treaty country (and where the paying company so elects).

Trading losses

Losses generated from trading activities may be offset euro for euro against other trading income (taxable at 12.5%) and on an equivalent tax value basis against non-trading income (taxable at 25%). Losses may be carried forward indefinitely to offset trading profits of future accounting periods.

In respect of the offset of losses against non-trading income, the tax value of the losses must equal the tax value of the income sheltered by those losses. For example, if a company has losses from a trading activity taxable at the 12.5% tax rate and has rental income taxable at the 25% tax rate, it takes €2 of trading losses to offset €1 of rental income.

Repatriation of profits from Ireland

Profits may be repatriated by way of dividend payments. Dividends paid by Irish-resident holding companies are subject to a 25% dividend withholding tax (DWT). There are a wide number of exemptions that enable dividends to be paid free from DWT. For example, dividends paid to any of the following persons are exempt from DWT:

- An individual recipient resident in an EU/treaty country
- A company resident in an EU treaty country which is not controlled (more than 50%) by Irish residents
- A company that is under the ultimate control of persons resident in an EU/treaty country
- A listed company or a 75% subsidiary of a listed company

Withholding tax on interest

Withholding tax is applied to interest payments at the standard rate of income tax of 20%. Companies are obliged to deduct withholding tax on payments of interest to residents and non-residents of Ireland. There are various exclusions from the requirement to deduct withholding tax on payments of interest, including interest paid to banks or to a company in an EU member state or tax treaty country, as authorised by Irish Revenue.

Withholding tax on royalties

Royalties in respect of registered patents also attract withholding tax of 20%, except where the recipient is resident in a treaty country and the relevant treaty provides for a reduction or elimination of withholding tax. Royalty payments to related companies in the EU may be exempt from withholding tax in accordance with the EU Interest and Royalties Directive.

Foreign source income

Foreign source income is normally liable to Irish corporation tax, as there is no territorial concept of taxation. This also applies to the income of a foreign branch of an Irish company. Foreign taxes paid on such income can be credited against the corporation tax liability where a tax treaty applies.

Treatment of foreign dividends received

Ireland does not have a full participation exemption in respect of foreign dividends. However, the effective utilisation of the available foreign tax credits can result in little or no Irish tax arising on foreign dividends.

Foreign dividends are subject to tax at either 12.5% or 25%. An election for dividends to be taxed at 12.5% can be made where the dividends are paid from EU or tax treaty countries out of trading profits.

Unilateral credit relief for foreign withholding tax and underlying taxes on all dividends is available subject to a minimum 5% shareholding requirement. The foreign tax is available as a credit against Irish tax and where the foreign tax exceeds the Irish tax on the dividend, the excess can be pooled and offset against Irish tax on other foreign dividends received in the same accounting period. Any balance not used can be carried forward and used in subsequent accounting periods.

Taxation of Irish branches

An Irish branch's taxable trading profits and capital gains are calculated on the same basis as for an Irish-resident company. The branch's tax liability is limited to corporation tax at 12.5% on its trading profits arising from its Irish branch.

Should the non-Irish company have other Irish source income arising that is not connected with the branch, such as interest, royalties, etc., these will be liable to Irish income tax at the standard rate of 20% (but subject to reduction under a double tax treaty with Ireland).

Dividends paid by the non-Irish company, even out of its Irish branch profits and capital gains, are not liable to withholding tax. This tax is limited to dividends and distributions paid by Irish-resident companies. By way of contrast, withholding tax must be withheld, or authority must be received from the Irish Revenue to make payments gross, in respect of interest, patent royalties and certain other trade payments to non-residents.

Taxation of companies (continued)

Transfer pricing

Irish transfer pricing legislation applies to trading transactions entered into between connected parties and seeks to ensure that such transactions are carried out at "arm's length". The legislation allows for an adjustment to increase taxable profits or reduce a tax loss. For tax purposes such transactions are treated by reference to the profit that would have arisen if the transactions had been carried out under similar conditions by independent parties.

In order to comply, companies may provide supporting evidence of prices based on documentation used for other jurisdictions' requirements. Furthermore, there is an exemption that will apply for most small and medium-sized enterprises.

Corporate tax compliance

A company must make a payment of preliminary tax, equal to 90% of its final liability, one month before the end of its accounting period. If a company's tax liability in the preceding accounting period was less than €200,000, it can make a preliminary tax payment equal to its final liability for the preceding tax year.

A company must file a corporation tax return within nine months of the end of its accounting period and pay the balance of any tax due at that time. Each company must file its own corporate tax return. There is no facility to file a consolidated tax return for group companies.

Section 110 special-purpose vehicles

A Section 110 company is an Irish-resident special-purpose vehicle (SPV) which holds and / or manages qualifying assets and is often used as an onshore investment platform. Qualifying assets include a wide range of financial assets, commodities and plant and machinery.

Ireland is an attractive location for establishing investment platforms due to its flexible legal, regulatory and tax environment. From a tax perspective, Ireland provides a number of benefits including flexible and favourable tax law reliefs, access to a wide and expanding tax treaty network and allowance for corporation tax-neutral treatment.

The tax treatment of certain transactions entered into by a Section 110 SPV, where the financial assets derive all or some of their value from land in Ireland, is deemed to be derived from a Specied Property Business, which will be taxed as a separate trade.

In calculating the profits of that trade the amount of interest that may be deducted will be restricted to the amount of interest that would have been payable had the loan been entered into on an arm's length basis and where the coupon was not dependent on the performance of the Specified Property Business.

Corporate incentives

Ireland as a holding company location

Ireland has long been a location of choice for multinationals wishing to establish a holding company either as their EU headquarters or for the purposes of holding shares in subsidiaries and managing other investments.

Where a company wishes to form an intermediate holding company in order to manage overseas investments, no Irish capital gains tax should be chargeable on a disposal by the non-Irish-resident parent company of shares in the Irish-resident company provided that the Irish company does not derive its value from Irish real estate. When combined with the exemptions from withholding tax on dividends, interest and royalties (see below for further details), the result should be that the non-Irish-resident parent should not incur tax at the Irish level on its overseas investments.

The Irish tax regime also allows foreign-owned Irish companies to exit Ireland tax-free by transferring their tax residence to another state. The ability of corporates to exit Ireland in a tax-free manner has always been a key attraction of Ireland to international investors.

Further attractive features of the Irish tax regime are as follows:

- Irish capital gains tax exemption for disposals of qualifying subsidiaries by an Irish holding company. The Irish holding company must hold at least 5% of the subsidiary, which must be resident in an EU or treaty jurisdiction (such as the US, UK and China) and pass a trading test.
- A 12.5% rate for dividends sourced from trading activities.
- A generous system of foreign tax credits (including onshore pooling) can further reduce or eliminate any Irish tax.
- Domestic exemptions from Irish withholding taxes on payments of dividends, interest and royalties to persons resident in tax treaty partner countries (and additionally, in the case of dividend payments, to companies controlled by persons resident in tax treaty partner countries).
- Tax relief for interest on qualifying debt to fund qualifying share acquisitions or to fund connected companies.
- An extensive double taxation treaty network with treaties signed with 76 countries to date, including all EU member states as well as Australia, Canada, China, India, Japan, Russia and the United States.
- An 80% tax deduction in respect of capital expenditure incurred on most forms of intellectual property. The deduction can be taken in line with the accounting depreciation on the intellectual property, or alternatively over a maximum 15-year period, whichever is the lesser. The tax deduction can be used to ensure that tax is payable on only 20% of profits from exploitation of the IP purchased (discussed further below) in any one period.
- No capital duty on the issue of shares. A stamp duty exemption on the transfer of intellectual property.
- Knowledge development box regime applies a 10% tax rate to profits earned from patented inventions and copyrighted software, to the extent it relates to R&D undertaken by the company.

Exploitation of intellectual property

Ireland is an attractive location in which to develop and exploit intellectual property (IP). Ireland's tax regime is one of the most favourable and competitive in the world with regard to investment in research and development activities and the development, commercialisation and protection of the IP that comes from that investment.

Irish tax legislation provides for relief in the form of capital allowances against trading income for companies incurring capital expenditure on the provision of intangible assets for the purposes of a trade. A maximum of 80% of profits can be sheltered with intangible asset capital allowances in any one period. Unused allowances can be carried forward for future use. The scheme applies to a broad range of intangible assets (e.g. patents, copyright, trademarks, know-how) which are recognised as such under generally accepted accounting practice.

Corporate incentives (continued)

The allowances are based on the amount charged to a company's accounts for the accounting period in respect of the amortisation of the relevant intangible asset. However, companies can opt instead for a fixed write-down period of 15 years at an annual rate of 7% of qualifying expenditure, and 2% in the final year.

A company must be trading to qualify for relief (although pre-trading expenditure is eligible for relief) and the relevant intangible asset(s) must be used for the purposes of its trading activity.

The tax deduction can be used to ensure that only 20% of a company's intellectual property trading profits will be subject to tax in any one period.

Research and development (R&D) credit

A company that carries on a trade in Ireland and carries out R&D activities in Ireland or in an EEA country (EU countries plus Iceland, Liechtenstein and Norway) can claim a tax credit of 30% for expenditure on research and development activities against its tax liability for the period.

The 30% credit is in addition to the tax deduction to which the company is entitled in respect of the expenditure incurred, resulting in an effective tax deduction of 42.5%.

The company takes the tax credit over a three-year period. In each of the three years, the company can choose to take a refund of the credit or offset it against other tax liabilities.

The credit is available in respect of expenditures on:

- Royalties
- Revenue expenditures on research and development activities
- Plant and machinery
- Buildings

Corporate incentives (continued)

Start-up exemption

A start-up trading company can avail of a three-year exemption which reduces its corporation tax charge (up to €40,000 per annum) to nil.

There is marginal relief if the charge is between €40,000 and €60,000. In theory, this means a start-up company can earn annual net profits of €320,000 (€40,000 divided by 12.5%) without paying tax.

However, the relief is linked to the amount of employer's PRSI paid by the claimant company, subject to a maximum of €5,000 per employee and an overall limit of €40,000.

The relief is available up to 31 December 2026.

Grants

Grants may be available to indigenous companies and to overseas companies setting up in Ireland. The level of grants available is dependent on the location of the project. The midlands, western and border regions generally attract higher grants than the Dublin region.
The types of grants available include:

- Capital grants
- Employment grants
- Grants for research and development activities
- Training grants

Knowledge Development Box

Under the Knowledge Development Box regime, profits earned by Irish companies from patented inventions and copyrighted software can, to the extent they relate to R&D undertaken by that company, be effectively taxed at a rate of 10%.

The amount of profits that can be taxed at this lower rate is determined by the proportion that the Irish company's R&D costs bear to the total R&D costs incurred on the asset. The qualifying expenditure includes the cost of R&D that is outsourced to unrelated parties but excludes expenditure on R&D performed by related parties and the cost of acquired intellectual property.

This advantageous treatment complements the intangible assets relief and R&D tax credit system outlined above. As the first OECD-compliant "patent box" system in the world, it provides long-term certainty to companies planning their Irish R&D activities.

Individual taxes

Scope of Irish taxation

An individual's liability to Irish income tax depends on their residence status. This status is determined by the number of days that they are present in Ireland in a tax year. You will be resident in Ireland for a tax year in either of the following circumstances:

- If you spend 183 days or more in Ireland during a tax year, or
- If you spend 280 days or more in Ireland over a period of two consecutive tax years, you will be regarded as resident for the second tax year

Persons who are resident and domiciled in Ireland for tax purposes are subject to tax on their worldwide income.

Non-Irish-domiciled individuals who are resident in Ireland are taxable in Ireland on Irish source income (including foreign employment income referable to duties exercised in Ireland) and foreign investment income where that income is remitted to Ireland.

Moving to Ireland

There are a number of relieving provisions available to employees coming to work in Ireland. Relocation expenses such as storage, travel expenses, temporary subsistence while looking for new accommodation and other associated costs may be reimbursed tax-free.

Under Irish Revenue guidelines, tax-free subsistence may also be paid or reimbursed for the first 12 months of a temporary assignment provided that the period of assignment in Ireland does not exceed 24 months.

Special Assignee Relief Programme (SARP)

Employees assigned to work in Ireland on a permanent basis are exempt from income tax on 30% of their employment income. The exemption applies to employment income over €100,000, with an upper income limit of €1m. The relevant employees must be assigned to work in Ireland from a country with which Ireland has a double tax treaty and must arrive for work in Ireland before 31 December 2025. In order to qualify, the employee must not have been resident in Ireland in the five years prior to their arrival.

Foreign Earnings Deduction (FED)

Employees who carry out part of the duties of their employment in specified countries including Brazil, Russia, India, China, Japan, Singapore, Korea, Colombia, Pakistan and a number of African countries may claim a tax deduction known as the Foreign Earnings Deduction.

The relief provides a tax refund for the relevant employee provided that they spend at least 30 full days working in the above-mentioned countries in a tax year and meet certain other conditions. Trips of at least three consecutive full days will qualify for this relief.

The maximum annual deduction for any one employee is €35,000 and is calculated by reference to the workdays spent in the relevant countries.

R&D tax credit for employees

Companies may transfer the R&D credit to key employees who have been involved in R&D activities, subject to certain conditions. The effective income tax rate for such key employees may be reduced to a minimum of 23%. In order to qualify, the employee must have spent 50% or more of their time on the conception or creation of new knowledge, products, processes, methods and systems, and 50% or more of the employment cost for that individual must be eligible as qualifying R&D expenditure.

In order to claim the relief, the employee must submit a tax return.

Other taxes

Capital gains tax

A liability to capital gains tax will arise where a chargeable person makes a disposal of a chargeable asset. The current rate is 33%.

A reduced rate of capital gains tax of 10% applies to the sale in whole or in part of a business up to an overall limit of €1m in chargeable gains.

Capital gains are calculated by deducting the cost (including incidental costs) from the sales proceeds. Losses can be offset against capital gains arising in the same year, or carried forward against future capital gains.

Persons who are Irish-resident are subject to CGT on worldwide gains while non-residents will be taxed only on gains of Irish "specified assets", being:

- Land, buildings and minerals in Ireland
- Exploration rights in designated areas
- Unquoted shares deriving the greater part of their value from the aforementioned assets
- Assets of a trade carried on in Ireland

There are a number of notable exemptions and reliefs for Irish-resident persons, including:

- Principal private residences
- Irish government securities
- Disposals of qualifying subsidiaries by an Irish holding company
- Retirement relief on the disposal of business assets by a person aged over 55
- Tangible moveable assets with a life of less than 50 years

Capital acquisitions tax

Capital acquisitions tax is payable by recipients of both gifts and inheritances where the value received exceeds certain thresholds. The level of tax-free threshold is dependent upon on the relationship between the donor and the recipient. The tax rate is 33%.

The tax applies to gifts or inheritances where either the donor or recipient is resident or ordinarily resident in Ireland at the date of the gift or inheritance or the assets are located in Ireland.

Other taxes (continued)

Value added tax

Value added tax (VAT) is a tax on the supply of goods and services to consumers by Irish business entities, including Irish branches of foreign entities. It also applies to intra-community acquisitions of goods in Ireland, which is the supply of goods by a VAT-registered entity in one EU member state to a VAT-registered entity in another EU member state.

The standard rate of VAT is 23%. This rate applies to the supply of all goods and services unless a zero rate of VAT, reduced rates of 13.5%, 9% or 4.8%, or a VAT exemption applies. VAT applies at the normal rate to the import of goods into Ireland. A zero rate applies to the export of goods from Ireland.

Entities are required to register for VAT if they exceed or are likely to exceed certain turnover thresholds during any 12-month period. Revenue issues VAT registration numbers to applicants carrying on a taxable business in Ireland. The applicable thresholds are as follows:

- €37,500 for entities supplying services
- €75,000 for entities supplying goods

Businesses that are registered for VAT normally account for VAT every two months. They must submit VAT returns together with payment to Irish Revenue on or before the 19th of the month following the end of the taxable period.

Stamp duty

Stamp duty is payable on the transfer of shares in Irish-incorporated companies and Irish properties.

Stamp duty on commercial property transfers is payable at 7.5% whereas the rate on residential property is 1% up to €1m and 2% on amounts over €1m. Stamp duty on the transfer of shares and marketable securities is payable at 1%.

Stamp duty of 7.5% applies to the sale or transfer of shares which derive the greater part of their value from Irish commercial property. This 7.5% rate of stamp duty applies to corporate entities, interests in partnerships and units in Irish Real Estate Funds (IREFs).

Commercial land purchased for the development of housing is eligible for a stamp duty refund. To avail of the refund scheme, developers will have to start the relevant development within 30 months of buying the land.

Transfers between companies are exempt where one of the companies either directly or indirectly owns 90% of the shares in the other.

Customs duties

Customs duties are payable on the importation of certain goods from outside the EU. The rate of customs duty depends on the nature of the item and the valuation of the goods. There are wide-ranging exemptions and reliefs.

Carbon tax

The carbon tax applies to a range of liquid and solid fuels. The rate of tax is a charge of €48.50 per tonne of CO_2 emitted.

Local property taxes

Commercial rates are a property-based source of income that is levied by local authorities on the occupiers of non-residential property. Agricultural holdings are exempt from rates.

An annual local property tax (LPT) on all residential properties in the State came into effect in 2013.

LPT is based on market value bands. If a property is valued at €1.05m or lower, the tax is at a rate of 0.1029%. For properties valued over €1.05m the tax is charged at 0.1029% on the first €1.05m of value and 0.25% on the balance up to €1.75m. Any value in excess of €1.75m is charged at 0.3%.

Crowe - your partner in Ireland

How we can assist you

We welcome the opportunity to provide you with the expert advice you need to maximise the return on your investment in Ireland. The following is a brief overview of the range of services Crowe offers.

Company Secretarial

- Company formations in Ireland, the UK and other jurisdictions, and business name registration.
- Annual compliance services including submission of annual returns and holding annual meetings.
- Attendance at board meetings and minute-taking by chartered secretaries.
- Provision of registered office addresses and advice on compliance and regulatory issues.

VAT

- VAT compliance services including VAT registration, preparation and submission of VAT returns and cross-border VAT reclaims.
- Advising on potential exposures and ways to minimise irrecoverable VAT.
- Improving your cash flow management for VAT.
- Preparation for and assistance with VAT Revenue audits.

Tax

- Determining the most tax-efficient way to structure your Irish and international operations, considering the various tax laws and incentives in different jurisdictions.
- Assisting you with your tax compliance obligations – filing tax returns, paying tax liabilities and claiming tax reliefs.
- Liaising with the Irish tax authorities on your behalf, ensuring strong cooperation and open communication.
- Extensive expatriate tax services including advising individuals on their exposure to Irish tax depending on their tax residence and domicile.

Audit

- Providing audits of financial statements and peace of mind that they meet all relevant statutory obligations.
- Review of your business controls and assurance that they satisfy regulatory requirements.
- Ensuring that your business is aware of all the rules and regulations under current legislation.

Advisory

- Assisting with feasibility studies, sectoral reviews and developing business plans.
- Conducting strategic, organisational, financial and operational reviews of your organisation.
- Advising on financing options, due diligence and a range of corporate transaction support.

Accounting

- Review and preparation of statutory financial statements in accordance with applicable financial reporting requirements.
- Assessing risk areas and implementation and strengthening of financial accounting and internal control systems.
- Preparation of weekly or monthly management accounts and reporting with detailed analysis.

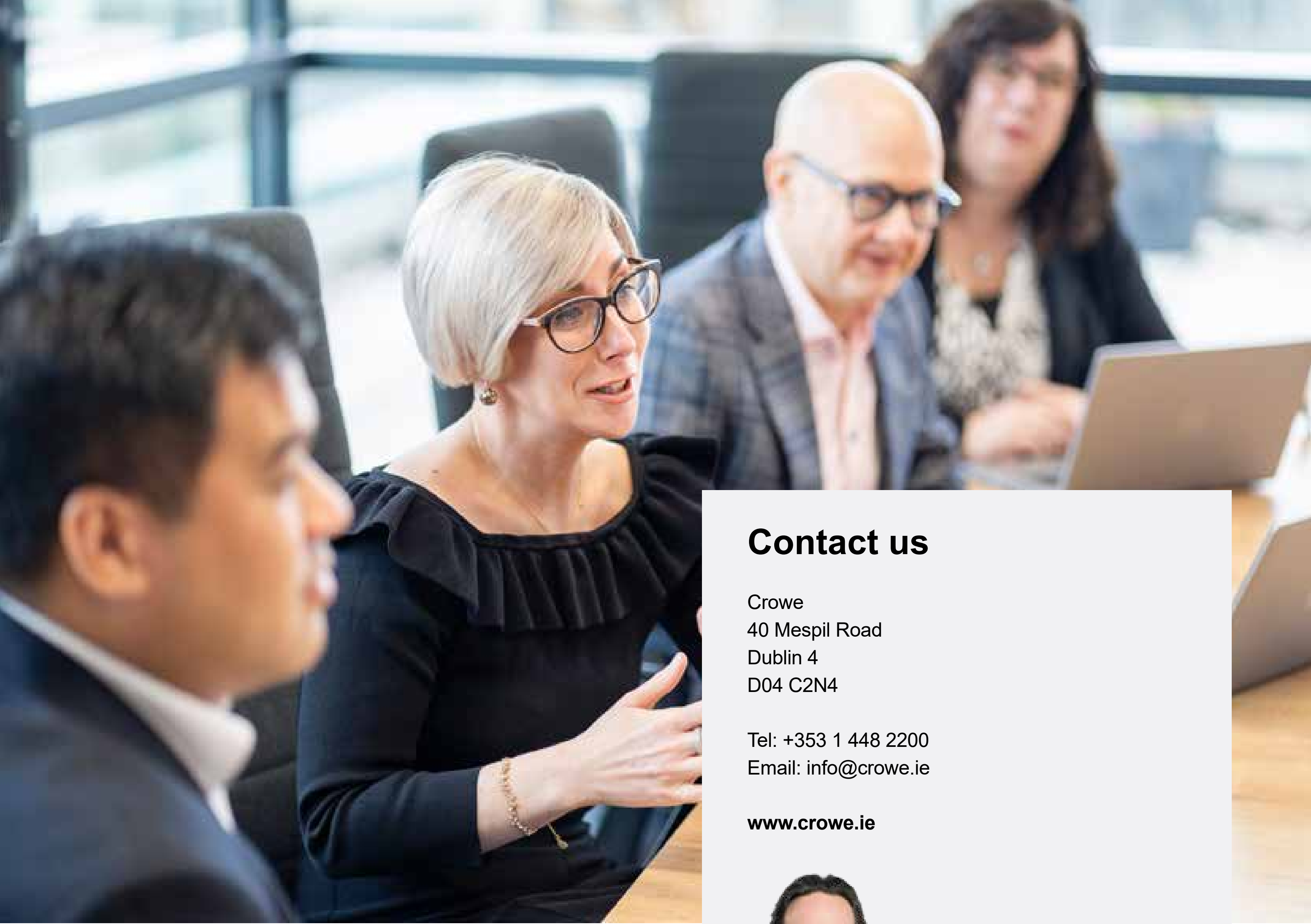
Outsourced Payroll

- Calculation of all aspects of tax, social insurance, pension and other deductions.
- Ensuring ongoing compliance with the Revenue Commissioners' requirements.
- Coordination of cross-jurisdiction payrolls in accordance with local regulations.

One firm, one solution

Irish firm with a global network

Crowe Ireland is an independent member of Crowe Global, one of the top 10 accountancy networks in the world, with colleagues in over 800 offices across 150 countries. Through this global reach we are able to offer our clients a seamless service when trading internationally.



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About Crowe Ireland

Established in 1941, Crowe is a leading accountancy and business advisory firm in Ireland. Throughout our 80-year history, we have developed an unrivalled understanding of the Irish business environment and built a national reputation in auditing, tax and business consultancy.

We work with a variety of clients, from owner-managed firms to multinational organisations and some of Ireland's leading national companies. Our services include Audit & Assurance, Tax, Corporate Insolvency & Recovery, Corporate Finance, Consultancy and Outsourcing.

Our success is the result of our exceptional client service. Together with our clients, we work to optimise the present and maximise the future, tirelessly exploring all possibilities until we find the right solution. We help clients make smarter decisions today that create lasting value for tomorrow.

Smart decisions. Lasting value.

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