

Russell  
Brennan  
Keane

# Doing Business in Ireland

Tax Considerations for Companies



April 2008



# Introduction

## About Ireland

**For a relatively small island on the edge of Europe, Ireland has been phenomenally successful in attracting and retaining foreign investment. Almost 1,000 overseas companies have chosen Ireland as their base from which to do business. These companies are involved in a wide range of activities in sectors as diverse as engineering, information communications technologies, pharmaceuticals, healthcare, financial and internationally traded services.**

Why Ireland? This issue is addressed in two reports launched in November 2007 by IBEC (Irish Business and Employers Confederation) entitled "Why Ireland should be your location of choice". The reports, aimed at foreign corporate decision-makers in the pharma-chemical and high-tech sectors particularly, detail the positive experience of the multinational companies operating here and include first-hand accounts from the heads of their Irish operations.

The publications find that Ireland remains a key global centre for science-based industry and summarise many of the features that make Ireland attractive to overseas business, including:

- A very competitive corporate tax rate of 12.5%;
- Excellent third-level graduates – Ireland generates third-level graduates at 9% above the European average;
- An emerging research base, with plans to invest a further €2.5 billion before 2013, doubling the number of PhDs in the country;
- A reputation for flexibility and responsiveness second to none;
- A robust legal system that makes Ireland one of the best places in the world to protect intellectual property.

The report illustrates why local and global leaders continue to invest in Ireland. Companies based here talk of the Irish "can do" attitude, a commitment to excellence, our teamwork, our agility and productivity.

High-tech ICT companies which operate in Ireland and contributed to the IBEC report, include: Hewlett-Packard, Intel, Microsoft, Dell, Ericsson, IBM, Google, Iona, Analog Devices and Oracle.

Pharma-chemical companies that have operations here and are featured in the IBEC report include: Wyeth, Pfizer, Novartis, FMC BioPolymer, BASF, Henkel, Temmler Ireland, Gilead, Lilly, Genzyme, Astellas and Merck Sharp and Dohme.

## About this Guide

This guide is aimed primarily at tax advisors and/or businesses with some international tax experience/knowledge – we have prepared a separate publication Doing Business in Ireland – some Frequently Asked Questions and Misconceptions specifically for businesses. Please contact us if you would like a copy of this.

The purpose of this guide is to provide an introductory summary to the regulatory framework (Section 1) and taxation environment (Section 2) for companies operating in Ireland. We have also highlighted in Section 3, issues of particular interest to international groups looking to invest here. Section 4 focuses specifically on tax incentives for locating either a holding company/headquarter regime in Ireland or research and development activities. Dealing with all tax heads is beyond the scope of this guide but the main rules in relation to employer taxation and VAT are summarised in Section 5.

If you are or have a client considering setting up a new business here, relocating cost/profit centres to Ireland or acquiring/merging with an existing Irish business you will require expert local advice tailored to your specific circumstances to maximise your after-tax return. We would be delighted to assist you further in this regard and invite you to contact us directly if you are considering Ireland as a location for your investment. We have set out below some background information about Russell Brennan Keane. In Section 6 we have set out more specifically how RBK can assist you with your Irish venture

## About RBK

Russell Brennan Keane is an established chartered accountancy firm, with over 200 employees based in offices in Athlone, Dublin and Roscommon. Established in 1958, the firm offers a comprehensive nationwide service, and has grown rapidly over the last decade by placing particular emphasis on relationships, quality business and tax services, a wide range of corporate services and strong business support for its many successful clients. In addition to our core accountancy services, the Firm also provides HR and IT Consultancy services in a range of industries.

Currently ranked as 9th largest Accountancy Firm in Ireland, RBK merged with Dublin firm Cremin McCarthy in November 2007

## Leading Edge

Leading Edge Alliance, [www.leadingedgealliance.com](http://www.leadingedgealliance.com), is an international professional association of independently-owned accounting and consulting firms. The Leading Edge Alliance enables member firms such as Russell Brennan Keane to access the resources of global professional services in accounting and consulting firms around the world to assist in the deliverance of professional and advisory services.

# 1. Business Organisation

**Government policy is to welcome and encourage investment by non-residents; accordingly almost no restrictions apply to direct inward investment or to the repatriation of profits, dividends or liquidation proceeds.**

Business entities that exist in Ireland include unincorporated bodies such as a sole proprietorship or partnership and incorporated bodies (i.e. that exist independently of their members and can sue/be sued) such as private limited companies, public limited companies, and unlimited liability companies.

In practice, a non-resident setting up business in Ireland will choose between a branch of an existing non-resident company or an Irish resident company (incorporated in Ireland or elsewhere). Filing requirements for Financial Statements and domestic and home country taxation will influence this decision.

## **Branch**

A foreign company setting up a branch in Ireland is required to file basic information with the Registrar of Companies, including, date and place of incorporation, registered office details, company directors and person responsible for the branch's operation. A certified copy of the company's constitution, certificate of incorporation and latest audited accounts must also be filed.

Separate branch financial statements are not required but the audited accounts of the company must be filed annually.

## **Irish Incorporated Company**

Private limited companies are the most common form of business entity used in Ireland. RBK can assist you in the formation of an Irish incorporated company, a process which typically takes up to 4 weeks. The company must demonstrate that it will carry on a business activity in Ireland and have at least one Irish resident director (or alternatively post a bond of €25,400). Annual accounts and accompanying directors' report must be submitted to the Registrar of Companies and are then available for inspection by the public. Depending on the size of the company, these accounts may need to be audited.

## 2. Company Taxation

### In this section we discuss:

- 2.1 Liability to Irish Corporation Tax
- 2.2 Rates of Corporation Tax
- 2.3 Computation of Taxable Profits
- 2.4 Losses
- 2.5 Group Relief
- 2.6 Administration – Filing and Payment Deadlines
- 2.7 Capital Gains

### 2.1 Liability to Irish Corporation Tax

Ireland operates a self-assessment basis of taxation which means that it is up to a company to determine whether it is liable to Irish taxation.

An Irish resident company is liable to Irish corporation tax on its worldwide profits. A non-resident company carrying on business in Ireland through a branch is liable to Irish corporation tax on profits attributable to that branch. A non-resident company not operating through a branch or agency is liable to income tax on income from Irish sources e.g. rental income from Irish property and disposal of certain Irish property (principally land) subject to any treaty relief that may be available.

A company is tax resident in Ireland if it is managed and controlled here. This is a question of fact to be determined in each case but the following factors are indicative of management and control being in Ireland:

- A clear majority of Irish resident directors on the board
- Major policy decisions being taken in Ireland
- All board meetings being held in Ireland

Alternatively, a company is resident in Ireland if it is incorporated here (place of incorporation test). The place of incorporation test does not apply however if either:

- The company is regarded as a resident of another country and not a resident of Ireland for the purposes of a tax treaty or
- The company or a related company carries on a trade in Ireland and either:
  - The company is itself, or is a subsidiary of, a company quoted on a stock exchange in the EU or country with which Ireland has a tax treaty or
  - The company is controlled by residents of other EU states or countries with which Ireland has a tax treaty.

### 2.2 Rates of Corporation Tax

Low corporation tax rates form the cornerstone of Ireland's tax regime. You may be familiar with the 10% incentive tax rate for particular sectors (principally manufacturing, computer services and internationally traded financial services) first introduced in the 1980s. Whilst the 10% rate is now only available to certain businesses established before 1998 and is due to expire on 31 December 2010 it has been replaced by a single business rate of 12.5% for active business income in almost all sectors. Whilst previous regimes confined incentive rates to activities carried on in Ireland the new regime can also apply to businesses that outsource some of their activities to lower cost jurisdictions and has been instrumental in attracting more value-added business to Ireland. Unlike incentive regimes in certain other EU jurisdictions which may be subject to legal challenge, the 12.5% rate has been approved by the EU.

**RBK can assist you in determining whether and to what extent your proposed business activities would be regarded as active business income, thereby qualifying for the 12.5% rate of taxation.**

Non-active (i.e. passive) income such as interest, rental income and dividends are taxed at 25%. Certain land dealing activities are taxed at a special rate of 20% or 25%.

## 2.3 Computation of Taxable Profits

The starting point is accounting profit determined in accordance with Irish GAAP (Generally Accepted Accounting Principles). This profit must then be adjusted in accordance with tax law. In general, expenses are deductible if they are non-capital in nature and are incurred wholly and exclusively for the purposes of the trade. Certain expenses are not tax deductible however, such as book depreciation, non-staff entertainment, general provisions, dividends and distributions. Non-capital pre-trading expenditure incurred in the 3 years prior to the commencement of trading is deductible for tax purposes. Interest on money borrowed for trading purposes is deductible on an accruals basis, subject to certain exceptions.

Whilst book depreciation is not deductible, tax depreciation allowances are available in respect of certain capital expenditure such as:

Plant and machinery 12.5% per annum  
(includes computer software).

Industrial buildings (i.e. factories) 4% per annum.

## 2.4 Losses

Losses are computed in the same way as taxable business profits. Trading losses may be used to shelter profits of any kind in the current year or previous accounting period of corresponding length. The amount of loss required depends on the tax rate applicable to the income being sheltered. Any unused trading losses may be carried forward indefinitely for offset against profits from the same trade.

## 2.5 Group Relief

Ireland does not have a concept of "fiscal unity" or consolidated group tax. However, trading losses may be offset against taxable trading profits of another group company on a current year basis.

A group consists of a parent company and all of its 75% subsidiaries, all companies being resident either in Ireland or in another member state of the EEA.

Following the European Court of Justice's decision in the Marks and Spencer case, Irish legislation now provides that losses of a foreign subsidiary resident for tax purposes in the EU may be offset against profits of the Irish resident parent company, in certain circumstances. The main conditions for relief are that the losses must not be otherwise available for relief and would be available for relief under Irish rules if the surrendering company was Irish resident.

## 2.6 Administration – Filing and Payment deadlines

When a company first comes within the charge to Irish tax it is obliged to file a TR2 form to register for corporation tax (this form can also be used to register for PAYE/PRSI and VAT if required – see further Section 5).

A tax return must be filed within 9 months of the accounting year end. Revenue effectively has a 5-year period in which to audit a tax return.

A payment on account of tax (known as preliminary tax) must in general be paid on the 21st of the month preceding the accounting year end. The payment must amount to 90% of the corporation tax liability for the year, unless the company is a "small company" – see below. The balance of the tax is paid when the tax return is filed.

A "small company" is defined as a company whose corporation tax liability for the preceding accounting period does not exceed €200,000. A start-up company can be regarded as a "small company" if its estimated tax liability for the first year of trading will not exceed €200,000. A small company can base its preliminary tax payment on its prior year's liability.

## 2.7 Capital Gains

Chargeable gains are taxed at a rate of 20%. An allowance for inflation up to 31 December 2002 only is given in computing the gain. An Irish resident company is taxable on its worldwide gains. A non-resident is liable to Irish taxation in respect of certain specified Irish assets (mainly land and shares deriving their value from land) and assets used for the purposes of an Irish branch trade.

Ireland has a participation exemption in respect of disposals of certain shareholdings – see further section 4.1.

## 3. International Issues

We have dealt with this under the following headings:

- 3.1 Double Taxation Treaties
- 3.2 Outbound Payments
  - a) Dividends
  - b) Interest
  - c) Royalties
  - d) Irish Branch Profits of a non-resident
- 3.3 Inbound Payments
  - a) Dividends
  - b) Interest and Royalty Payments
- 3.4 Transfer Pricing
- 3.5 CFC and Thin Cap

### 3.1 Double Taxation Treaties

Ireland has an extensive double taxation treaty network and has signed treaties with 50 countries and a further 11 are currently under negotiation – see further Appendices IV and V.

An Irish resident company can avail of Ireland's tax treaties which can be used in many instances to reduce withholding taxes on inbound or outbound dividend, royalty or interest payments to NIL.

### 3.2 Outbound Payments

#### A. Dividends

A common method of repatriating profits from Ireland is payment of dividends. Under domestic law withholding tax of 20% must be deducted from dividend payments subject to certain exemptions. The domestic exemptions are very generous and obviate the requirement for most inward investors to withhold tax on dividend payments. Exemption is granted in respect of dividends paid to the following:

- Companies entitled to benefit from the EU parent subsidiary directive
- Individuals resident in a tax treaty country or EU member state
- Companies resident of tax treaty countries or residents of EU Member States that are not under the control of Irish residents
- Companies which are ultimately controlled by residents of tax treaty countries or EU Member States and
- Companies who themselves are or who are wholly owned by two or more companies the principal class of shares of which are substantially and regularly traded on a recognized stock exchange in a DTA countries or EU Member States or 75% subsidiaries of such companies.

A declaration in the prescribed form and any other evidence required (e.g. auditors certificate and/or tax authority certificate) must be provided to establish entitlement to the exemption.

If the domestic exemption does not apply it may be possible to rely on the applicable tax treaty to avail of a reduced or NIL withholding tax rate – see Appendix IV.

#### B. Interest

A 20% withholding tax also applies to interest payments on loans lasting more than one year. However, where the interest is paid in the course of a trade to a company resident in the EU or tax treaty jurisdiction no withholding tax applies under domestic law. Alternatively, the EU Interest and Royalties Directive or applicable tax treaty may provide an exemption from withholding tax – see Appendix IV.

### **C. Royalties**

A patent royalty or royalty which is regarded as an “annual payment” (i.e. pure income profit earned by the recipient without incurring any expense) is subject to 20% withholding tax under domestic law. A royalty payment to a connected company may be exempt under the EU Interest and Royalties directive. Alternatively, if the recipient is resident in a treaty jurisdiction that may provide for zero or reduced withholding.

### **D. Irish Branch Profits of a non-resident**

There is no withholding tax on remittance of branch profits to foreign head office.

## **3.3 Inbound Payments**

### **A. Dividends**

Ireland operates a credit rather than an exemption system for relieving foreign taxes. Dividends received by an Irish parent from trading profits of a foreign subsidiary resident in an EU country or Treaty state are taxed at 12.5% with credit for tax paid by the subsidiary on the profits from which the dividend was paid (underlying tax) and withholding tax. Foreign dividends received from companies not residing in an EU or Treaty state are taxed at 25% as are dividends from EU/Treaty subsidiaries from non trading profits.

Ireland permits pooling of tax credits domestically and offshore which often serves to eliminate residual Irish tax on profits remitted here – see further Section 4.

Dividends received from an Irish resident subsidiary are exempt from Irish tax.

### **B. Interest and Royalty Payments**

Interest and royalties are taxed at 25%. Credit is available for any tax withheld at source. The rates of withholding taxes on payments to Ireland from tax treaty jurisdictions are set out in Appendix V. In addition, the EU Royalties and Interest Directive may reduce the withholding to NIL or the applicable.

### **C. Foreign Branch Profits of an Irish Resident Company**

See Section 4 below.

## **3.4 Transfer Pricing**

Ireland does not have any specific transfer pricing rules. However, payments that are excessive may be disallowed under the “wholly and exclusively” rule that determines entitlement to tax deductibility.

## **3.5 Controlled Foreign Companies (CFC) Rules and Thin Capitalisation**

Ireland does not have any CFC or Thin Capitalisation rules. However, in certain limited circumstances interest expense paid to a 75% non-treaty resident affiliate may be recharacterised as a distribution and hence not deductible for Irish tax purposes.

## 4. Tax Incentives

In this section we look at two main incentives under the following headings:

- 4.1 Tax Incentives for Holding Companies/Headquarters
  - a) Participation Exemption
  - b) Taxation of Foreign Dividends
  - c) Foreign Branch Profits
  - d) Tax Deduction for Interest
- 4.2 Tax Incentives for Intellectual Property
  - a) Patent Income Exemption
  - b) Tax Deduction for acquired or developed IP
  - c) R&D tax credit
  - d) Intellectual Property Transfers

### 4.1 Tax Incentives for Holding Companies/Headquarters

Since 2004, Ireland has become increasingly popular as a holding company location as a result of certain changes introduced to tax legislation in Finance Act 2004.

The first main change was the introduction of a participation exemption i.e. an exemption from capital gains tax in respect of the disposal by a company of shares in its subsidiaries in certain circumstances. The second change related to onshore pooling of tax credits on foreign dividends, which, with appropriate planning, can result in the tax free repatriation of profits to Ireland. The most recent change reduces the tax rate on foreign dividends to 12.5% in respect of dividends from trading profits of EU/Treaty subsidiaries.

#### A. Participation Exemption

There is no Irish capital gains tax on the disposal of substantial shareholdings. A substantial shareholding is a holding of at least 5% in an investee company, resident in an EU (including Ireland) or double tax treaty country. The investee company itself must be a trading company or be a member of what is primarily a trading group. The exemption does not apply to individuals and does not apply to any disposal of shares in a company which derives the greater part of its value from Irish land and buildings.

#### B. Taxation of Foreign Dividends

Prior to Finance Act 2008 all foreign dividends were taxed at 25%. Finance Act 2008 provides that foreign dividends paid from subsidiaries in EU and tax treaty countries out of trading profits will be taxed at 12.5%. All other foreign dividends will continue to be taxed at 25%.

Credit is available for both withholding tax and underlying tax (state, municipal and federal) on the profits from which the dividend was paid. Accordingly if the corporate tax rate in the payer jurisdiction is 12.5% (for dividends paid from trading profits of EU/treaty subs) or 25% (in all other cases) or higher, no additional tax arises in Ireland.

Dividends from both treaty and non-treaty jurisdictions can be pooled in a single dividend basket so that excess credits for dividends from high taxed jurisdictions may be used to credit Irish tax on dividends from low tax jurisdictions. However, any surplus foreign tax credits arising on dividends taxable at 12.5% will not be available for offset against tax on dividends taxable at 25%. Any surplus foreign tax credits arising on dividends taxable at 25% will still be available for offset against tax on dividends at 12.5%. Given Ireland's extensive treaty network, the onshore pooling mechanism can effectively result in little or no tax in Ireland on foreign dividends.

Total excess credits in any year can be carried forward to the following year.

#### C. Foreign Branch Profits

An Irish resident company is taxed on its worldwide profits, including those of foreign branches. Finance Act 2007 provides for unilateral relief in respect of foreign tax in respect of a company that has a branch in a country with which Ireland has no tax treaty (where there is a treaty in place the treaty will provide for credit for foreign tax paid on branch profits). The Act also provides for pooling in the case of foreign branch profits such that surplus foreign tax (i.e. to the extent that it exceeds Irish tax on the same profits) from a high tax jurisdiction can be used to shelter Irish tax on branch profits from other low tax jurisdictions. Any remaining unutilized tax credits can be carried forward for offset against foreign branch profits in subsequent periods.

#### D. Tax Deduction for interest

Interest on borrowings used to acquire shares in or lend money to a trading company, an Irish rental company or a holding company of a trading or Irish rental income company is tax deductible on a paid basis, subject to certain conditions. The company paying the interest must have a 5% interest in, and at least one of its directors must be a director of, the acquired company. Such interest is deductible as a charge against all income and capital gains of the company. Interest on a connected party loan used to finance an intra group share transfer is generally (with some exceptions) not deductible as a charge.

### 4.2 Tax Incentives – Intellectual Property

Government policy is to attract research and development activity to Ireland and in addition to the tax incentives below there is also financial assistance in the form of cash grants to incentivise foreign investors to locate R&D activities here – see further appendices I, II and III.

#### A. Patent Income Exemption

There is an exemption from tax for income (limited to €5m per annum from 2008 onwards) from qualifying patents paid to an Irish resident. A qualifying patent is a patent the work on the research and development of which was carried out in Ireland or in an EEA state. The exemption also extends to dividends paid by companies from exempt patent income in certain circumstances. If the royalty is paid by a connected party the exemption only applies if the patent is in respect of an invention used in a manufacturing activity and the royalty rate is arms length.

This exemption has been availed of by many international groups who have chosen to structure their operations such that the R&D function is carried out in Ireland with an Irish resident developing patents in respect of worldwide manufacturing activities.

#### B. Tax Deduction for acquired or developed IP

Different rules apply depending on the nature of the intellectual property rights involved as follows:

- Revenue and capital expenditure on scientific research (as defined) is deductible for tax purposes as incurred
- The cost of acquiring a patent can be amortized over the shorter of 17 years or the life of the patent
- Expenditure on the purchase of industrial know-how from an unconnected party is deductible when incurred
- Software used for business purposes may be written off on a straight line basis over 8 years i.e. .12.5% per annum.

#### C. R&D tax credit

In addition to the normal corporate tax deduction (at 12.5%) for expenditure on R&D an additional tax credit of 20% is available for qualifying expenditure on R&D i.e. total value of tax breaks is 32.5%.

The following conditions must be satisfied to qualify for this credit:

- R&D activities must be carried out in the European Economic Area
- The expenditure must not be tax deductible in any other territory
- Payments to a connected party in respect of an exempt patent royalty will not qualify
- Payments must be arms-length

Relief is given for incremental expenditure determined by reference to a rolling base year. For expenditure incurred in accounting periods commencing before 2014 the base year is 2003. As respects later accounting periods the base year will be the corresponding year, 10 years before the year of the claim.

Expenditure incurred by companies in out-sourcing R&D to unconnected third parties may qualify for relief up to a maximum of 10% of the qualifying spend.

R&D is extensively defined for the purposes of the credit but certain activities do not qualify – RBK can assist you in determining if your proposed activities would be eligible for relief.

Where the expenditure is on buildings used in the R&D function then 20% of this expenditure can be relieved over a 4 year period on a straight line basis. The tax credit is in addition to any capital allowances which may be available.

#### D. Intellectual Property Transfers

There is an exemption from stamp duty (a form of transfer tax at rates up to 9%) on the transfer of intellectual property.

## 5. Other Issues

In this section we discuss:

**5.1** Employer Issues

**5.2** VAT

### 5.1 Employer Issues

Below is a brief summary of employer tax obligations. A posting to Ireland can result in tax savings for many seconded expatriate employees provided the assignment is properly structured from the outset.

The earnings of employees of an Irish company are subject to tax at source known as PAYE (Pay As You Earn). This is deducted by the employer and paid over to the tax authorities directly.

Ireland's social security system is known as PRSI (Pay Related Social Insurance). Contributions are made by both employers and employees as a percentage of earnings (with no cap in respect of employer contributions) and are obligatory for all employees aged 16 or over. Employer's top rate of contribution is 10.75%. It may be possible to obtain an exemption for Irish social security if the employee is seconded to Ireland from an EU state or country with which Ireland has a reciprocal agreement in respect of Social Insurance (e.g. the US), provided certain administrative requirements are met.

Non-domiciled foreign executives working for overseas companies in Ireland will be liable to tax under the PAYE regime regardless of their residency position in respect of their remuneration for duties performed in Ireland. If the employee spends less than 60 work days here, the employee may be exempt from Irish tax and the employer is not obliged to deduct PAYE in certain circumstances. The expatriate will not be liable to Irish tax in respect of income from duties performed outside Ireland and other sources of foreign income unless it is remitted here. The structuring of employment contracts and designation and operation of foreign bank accounts is critical to minimise the Irish tax liability of the seconded employee.

Under the terms of the applicable tax treaty the employee may not in fact be liable to Irish tax on income from the employment exercised in Ireland even if he spends more than 60 work days here; in some circumstances, and subject to satisfying certain administrative requirements, PAYE need not be operated if the employee is here for less than 183 days and if they also suffer withholding taxes in the "home" country on the income attributable to the performance of duties in Ireland. If the above concession cannot be availed of the employer is still obliged to deduct tax under PAYE and the employee must subsequently file a tax return to reclaim the tax deducted (if relieved under the Treaty).

### 5.2 VAT

Ireland, as a member of the EU operates a form of consumption tax known as VAT (Value Added Tax) on the supply of most goods and services. In practice VAT is not a cost for most businesses as it is ultimately passed on to customers. Furthermore, taxable businesses can recover VAT charged to them on purchases of most goods and services. VAT exempt businesses (such as banking and insurance) and not required to charge VAT but equally cannot recover VAT on purchases.

Sales of goods from Ireland which are dispatched to business customers in other EU member states or exports to persons outside the EU may be zero rated.

A special regime applies to businesses where 75% of revenues are derived from sale of goods to VAT registered customers in the EU or customers outside the EU whereby such companies can obtain a special authorization to purchase most goods and services free of VAT; this is valuable from a cashflow perspective as such companies would be predominately in a refund position otherwise as their supplies would be zero rated.

## 6. How RBK Can Help You

**If you have already done business outside your home country you will appreciate that expert local advice is essential and can make a huge difference both in terms of the time involved in getting your business up and running and maximizing the after tax return on your investment.**

RBK offer a 'one stop shop' for all services an incoming corporate investor requires. We will work closely with you to assist you in determining the most appropriate structure for your venture with a view to maximising tax incentives in Ireland and deferring/minimising home country taxation, bearing in mind your expected profit profile and long term objectives with respect to utilization or repatriation of profits. Our membership of the Leading Edge Alliance enables us to effectively operate as a world wide firm which can also advise on dividend repatriation, transfer pricing and controlled foreign company legislation in your home state and how they would interact with your investment in Ireland

From a tax perspective we can also advise on some or all of the following, depending on your needs:

- Location of a suitable holding company
- Appropriate financing structures
- R&D tax credit claims
- Tax efficient remuneration of expatriate employees (using the remittance basis, pension planning and stock option schemes, as appropriate)

RBK also offers company formation and business registration services, accounts preparation and annual audit and tax compliance services.

Other services that inward investors find useful include:

- Commercial assistance in securing the best deals from banks and with grant applications
- Payroll Bureau services
- Recruitment of staff
- Executive Search and Selection
- HR Consultancy
- IT – development of internal control procedures
- VAT administration

**APPENDIX I**

# State Support For Inward Investment – IDA Ireland

## **IDA Ireland**

IDA may provide financial assistance to companies wishing to locate in Ireland or expand their existing operations in Ireland. The unique characteristics of any proposed project will determine the incentive package available, in particular its location. IDA evaluates potential projects through a process of negotiation.

The main criteria applied to determine the availability of incentives include:

- The quality of employment created
- Location chosen within Ireland.

The types of grants that are available include:

### **Employment Grants**

### **Research and Development (R&D) Grants**

### **Training Grants**

### **Capital Grants**

IDA Ireland also offers non-financial assistance to help companies assess Ireland's suitability as a location for a new investment or expansion project – see further [www.ida.ie](http://www.ida.ie)

## **EU Framework Programme**

Funding is also available through the European Union's Framework Programme. This programme offers companies which are based in Ireland the opportunity to collaborate with leading European researchers and research organisations.

In order to encourage participation in this programme, advice and financial assistance are available to IDA client companies.

**APPENDIX II**

# **State Support for Inward Investment – Shannon Development**

## **Shannon Development**

As the Irish Government's regional development company for Ireland's Shannon Region (Counties Clare, Limerick and North Tipperary, and South Offaly and North Kerry) Shannon Development promotes the establishment of new and the development and expansion of existing industrial and internationally-traded service firms.

Shannon Development is the Irish government agency responsible for assisting and informing overseas investors about business opportunities at Shannon Free Zone, Shannon Ireland.

Shannon Free Zone is a 243 hectare International Business Park adjacent to Shannon International Airport on the West Coast of Ireland. Since its establishment in 1959, over 110 overseas companies have chosen to Invest in Shannon Ireland. Shannon Free Zone is Ireland's largest cluster of North American investments and has a successful track record as a location for international companies wishing to Invest in Europe.

Shannon Free Zone is managed and promoted by Shannon Development. Shannon Development provides information and grant support to companies investing in or relocating to Shannon Ireland.

Shannon Development's Overseas Investment Team will assist with:

- Comprehensive information on business opportunities at Shannon Ireland;
- How to proceed when setting up a business at Shannon Ireland;
- Introductions to relevant contacts including, local industry, utility providers
- Assistance in arranging visiting programs and identifying suitable property solutions at Shannon Free Zone.

**APPENDIX III**

# State Support For Inward Investment – Enterprise Ireland

## **Enterprise Ireland**

Enterprise Ireland is the Irish government agency responsible for the development and promotion of the indigenous business sector.

Enterprise Ireland has an extensive network of international offices. The agency's key focus, for Irish companies is covered under the following five areas of activity:

- Achieving export sales
- Investing in research and innovation
- Competing through productivity
- Starting up & scaling up
- Driving regional enterprise

Enterprise Ireland also provides assistance to international companies who are searching for world-class Irish suppliers and they can help international companies who want to set up food and drink manufacturing operations in Ireland.

APPENDIX IV

# Double Taxation Agreements – Withholding Tax on Payments from Ireland

Country	Dividends <sup>1</sup>		Interest (%)	Royalties <sup>2</sup> (%)	Country	Dividends <sup>1</sup>		Interest (%)	Royalties <sup>2</sup> (%)
	Individual companies (%)	Qualifying companies (%)				Individual companies (%)	Qualifying companies (%)		
Australia	0	0	10	10	Latvia	15	5	10	5/10 <sup>7</sup>
Austria	0	0	0	0	Lithuania	15	5	10	5/10 <sup>7</sup>
Belgium	- <sup>3</sup>	- <sup>3</sup>	0/15 <sup>4</sup>	0	Luxembourg <sup>10</sup>	- <sup>3</sup>	- <sup>3</sup>	0	0
Bulgaria	10	5	5	10	Malaysia	10	10	10	8
Canada	15	5	0/10 <sup>5</sup>	0/10 <sup>6</sup>	Mexico	10	5	5/10 <sup>11</sup>	10
China (People's Rep.)	10	5	10	10	Netherlands	15	0	0	0
Croatia	10	5	0	10	New Zealand	0	0	10	10
Cyprus	0	0	0	0	Norway	15	5	0	0
Czech Rep.	15	5	0	10	Pakistan	- <sup>3</sup>	- <sup>3</sup>	0/ <sup>12</sup>	0
Denmark	0	0	0	0	Poland	15	5	0/10 <sup>9</sup>	0/10 <sup>13</sup>
Estonia	15	5	10	5/10 <sup>7</sup>	Portugal	15	15	0/15 <sup>5</sup>	10
Finland	0	0	0	0	Romania	3	3	3	0/3 <sup>14</sup>
France	- <sup>3</sup>	- <sup>3</sup>	0	0	Russia	10	10	0	0
Germany	- <sup>3</sup>	- <sup>3</sup>	0	0	Slovak Rep.	10	0	0	10
Greece	15	5	5	5	Slovenia	15	5	5	5
Hungary	15	5	0	0	South Africa	0	0	0	0
Iceland	15	5	0	0/10 <sup>8</sup>	Spain	0	0	0	5/8/10 <sup>15</sup>
India	10	10	10	10	Sweden	0	0	0	0
Israel	0	0	5/10 <sup>9</sup>	10	Switzerland	0	0	0	0
Italy	15	15	10	0	UK	15	5	0	0
Japan	- <sup>3</sup>	- <sup>3</sup>	10	10	United States	15	5	0	0
Korea (Rep)	0	0	0	0	Zambia	0	0	0	0

Notes

1. Under domestic law, there is generally no withholding tax on dividends paid to residents of treaty countries. 2. Under domestic law, withholding tax is imposed on royalties only if they relate to the use of a domestic patent. 3. The domestic rate applies; there is no reduction under the treaty. 4. The lower rate applies to interest payments between banks on current accounts and nominal advances and to interest on bank deposits not represented by bearer bonds. 5. The lower rate applies if the payer is the government or a local authority. 6. The lower rate applies to copyright royalties (excluding films), computer software, patents and know-how. 7. The lower rate applies to royalties for industrial, commercial or scientific equipment. 8. The lower rate applies to royalties for computer software, patents and for know-how. 9. The lower rate applies to interest in connection with the sale on credit of industrial, commercial or scientific equipment and merchandise or on any loan granted by a bank. 10. The treaty does not apply to exempt Luxembourg holding companies. 11. The lower rate applies if the beneficial owner is a bank. 12. The domestic rate applies to interest paid, guaranteed or approved by the government of Ireland. 13. The lower rate applies to royalties for technical services. 14. The lower rate applies to copyright royalties. 15. The 5% rate applies to royalties for copyrights of literary, dramatic, musical or artistic work, the 8% rate applies to copyright royalties on films, etc. and to royalties for industrial, commercial or scientific equipment.

## APPENDIX V

## Double Taxation Agreements – Withholding Tax on Payments to Ireland

Country	Withholding Tax			Country	Withholding Tax		
	Dividends %	Interest %	Royalties %		Dividends %	Interest %	Royalties %
Australia	15	10	10	Malaysia	10	10	8
Austria	10 <sup>1</sup>	0	0	Mexico	5/10	10	10
Belgium	15 <sup>1</sup>	15 <sup>2</sup>	0	Netherlands	0/15 <sup>1</sup>	0	0
Bulgaria	5/10 <sup>1</sup>	5 <sup>2</sup>	10 <sup>2</sup>	New Zealand	15	10	10
Canada	5/15	10	0/10	Norway	5/15	0	0
Chile	5/15	15	5/10	Pakistan	10	special provisions	0
China	5/10	10	6/10	Poland	0/15 <sup>1</sup>	10 <sup>2</sup>	10 <sup>2</sup>
Croatia	5/10	0	10 <sup>2</sup>	Portugal	15 <sup>1</sup>	15 <sup>2</sup>	10 <sup>2</sup>
Cyprus	0	0	0	Romania	3 <sup>1</sup>	3 <sup>2</sup>	0/3 <sup>2</sup>
Czech Rep.	5/15 <sup>1</sup>	0	10 <sup>2</sup>	Russia	10	0	0
Denmark	0/15 <sup>1</sup>	0	0	Slovak Rep.	0/10 <sup>1</sup>	0	0/10 <sup>2</sup>
Estonia	5/15 <sup>1</sup>	10 <sup>2</sup>	5/10 <sup>2</sup>	Slovenia	5/15 <sup>1</sup>	5 <sup>2</sup>	5 <sup>2</sup>
Finland	0/15	0	0	South Africa	0	0	0
France	10/15 <sup>1</sup>	10 <sup>2</sup>	0	Spain	0/15 <sup>1</sup>	0	5/8/10 <sup>2</sup>
Germany	10/15	0	0	Sweden	5/15 <sup>1</sup>	0	0
Greece	5/15 <sup>1</sup>	5 <sup>2</sup>	5 <sup>2</sup>	Switzerland	10/15	0	0
Hungary	5/15 <sup>1</sup>	0	0	UK	5/15 <sup>1</sup>	0	0
Iceland	5/15	0	0/10	United States	5/15	0	0
India	10	10	10	Zambia	0	0	0
Israel	10	10	10				
Italy	15 <sup>1</sup>	10 <sup>2</sup>	0 <sup>2</sup>				
Japan	10/15	10	10				
Korea (Rep.)	10/15	0	0				
Latvia	5/15 <sup>1</sup>	10 <sup>2</sup>	5/10 <sup>2</sup>				
Lithuania	5/15 <sup>1</sup>	10 <sup>2</sup>	5/10 <sup>2</sup>				
Luxembourg	5/15 <sup>1</sup>	0	0				

## Note 1

A complete exemption from dividend withholding tax may be available under the EU Parent-Subsidiary Directive.

## Note 2

A complete exemption from interest and royalty withholding tax may be available under the EU Interest and royalties Directive.

Negotiations for new treaties with Georgia, Macedonia, Moldova and Vietnam and for a Protocol to the existing treaty with South Africa have been concluded: the legal requirements in both countries to bring these into force are currently being followed.

Negotiations for new treaties have taken place with Argentina, Egypt, Kuwait, Malta, Morocco, Serbia, Singapore, Thailand, Tunisia, Turkey, and Ukraine. Negotiations have also taken place for the revision of existing treaties with Cyprus, France, Germany, Italy, Korea and Pakistan.

Plans are in place to initiate negotiations for new treaties with several other countries in the course of 2008.

