

Ireland as a Trading or Research Location



Russell Brennan Keane has over 50 years' experience in business. We are one of Ireland's leading business advisory and accounting firms. We are committed to providing quality, independent financial advice and delivering tailored client specific solutions.

Tax Holiday for New Start Ups

Ireland has been phenomenally successful in attracting foreign business to its shores – the 12.5% rate of corporation tax has been very instrumental in this regard. A host of other factors have contributed which are discussed in our *Doing Business in Ireland Guide*

A further impetus is being given to new businesses setting up here in 2009 in the form of a three year tax holiday. A complete exemption from corporation tax and capital gains tax will apply in each of the first three years of operation in which the tax liability of the company is €40,000 or less – that equates to c.€320,000 of tax adjusted trading profits. Marginal relief applies where the tax liability is between €40,000 - €60,000.

This new regime does not require EU approval under State Aid de minimis rules but the EU is being notified.

Research and Development Activities

Details of the Research and Development tax credit are set out in our *Doing Business in Ireland Guide*. In its current form, the relief is a tax credit of 20% (which may be used to reduce a company's corporation tax liability and carried forward indefinitely) on incremental qualifying R&D expenditure in excess of the base year spend – the base year is 2003. The tax credit is in addition to the normal corporation tax deduction at 12.5%.

The relief has been substantially enhanced in Finance Bill 2008 as follows:

- The tax credit has been increased from 20% to 25% for accounting periods commencing on or after 1 January 2009.
- The base year spend is fixed at 2003 indefinitely – essentially this means that the credit is volume based for companies that started operations in Ireland after 2003.
- Most importantly, particularly for new start ups, is the ability to obtain a cash refund, subject to certain conditions, in respect of the credit if there is insufficient corporation tax liability against which to offset the credit in the current or preceding tax periods. In such circumstances the credit is effectively repaid over a three year period. However, the amount that a company can reclaim under this repayment mechanism cannot exceed the corporation tax paid by the company in the preceding 10 years OR the payroll liabilities (payroll withholding and social security) of the company in the period in which the R&D was incurred.

Other relevant services available:

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