

Doing Business in Ireland

The Smart Choice for Business



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This booklet has been prepared to give some general information to those contemplating doing business in Ireland and is not intended to be a comprehensive document.

You should consult us, therefore, before taking further action. Moore Stephens Nathans cannot be held liable for any action or business decision taken on the basis of information in this booklet.

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General Information

The Irish economy is one of the most open economies in the developed world. Ireland is situated off the north west coast of Europe. It is a parliamentary democracy and has a population of just over 4.4 million people, the major population centres being Dublin, Cork, Limerick, Galway, and Waterford.

Ireland is a member of the European Union (EU). The government is committed to creating an environment conducive to industrial development and attracting foreign investment. The Euro is the unit of currency in Ireland. English is the spoken language of the people.

The government provides significant financial incentives to new and existing businesses in the form of tax incentives and direct contribution to certain costs through grant aid. IDA Ireland is the main government agency responsible for grant aiding foreign investors in Ireland. The following are the main types of grants available:

- Capital Grants and Rent Subsidies
- Employment and Training Grants
- Research and Development Grants

The combination of the geographical location of Ireland, government incentives, access to an extensive network of tax treaties and significant investment in infrastructure has made Ireland one of the most competitive locations for investment.

Exchange controls were abolished in Ireland some years ago and there are no restrictions on importing / exporting capital from Ireland.

Types of Business Organisations

Sole Proprietorship

A sole trader carries on business on his or her own behalf and is personally liable for the obligations of the business. The principal advantages of sole proprietorships are that it is comparatively easy and inexpensive to establish, operate and to wind up or sell such a business. There are no specific registration, accounting or audit requirements for a sole proprietorship.

Partnership

A partnership is defined by the Partnership Act 1890 as “the relationship which exists between two or more persons carrying on business in common with a view to profit”. The liability of the partners for the obligations of the partnership is joint and several. Their partnership agreement and the Partnership Act govern the partners’ rights and obligations among themselves.

Except for “Limited Partnerships”, there are no specific regulatory registration requirements for a partnership. There are also no legal requirements as to the audit of accounts or holding of meetings. No details of the financial position of a partnership need to be made available to the public.

A limited partnership is governed by the Limited Partnership Act 1908. These partnerships have to be registered in public outlining the ownership details. Normally there is a general partner (whose liability is unlimited) and a number of limited partners. These limited partners have indicated in their registration process the scope of their liability.

The business name of a partnership, whether general or limited, must be registered with the Registrar of Business Names.

Branch

Foreign corporations commencing business in Ireland may choose whether to incorporate a separate company or trade through a branch. The decision on whether to trade through a branch or a separate company will depend upon several factors including taxation, accounting, shareholders and dealing with local agencies and financiers. The foreign company must file with the Registrar of Companies details of the date and place of incorporation, the Memorandum and Articles or Constitution of the company, details of the directors and person responsible for the operations of the branch. The branch may commence operations once the Registrar issues the Certificate of Registration.

Trusts

A trust is created by the execution of a trust deed which contains the terms and conditions of the trust. The trustee(s) hold the assets and manage the income for the beneficiaries. The use of a trust enables an individual to divest him/herself of the legal ownership of assets, while at the same time preserving the assets for the benefit of the beneficiaries, in accordance with the terms and conditions detailed in the trust. Trusts are primarily established to facilitate estate planning and asset protection. There is no specific Irish legislation governing the operation of foreign trusts located in Ireland. The law of trusts in Ireland is based on UK legislation-the U.K. Trustee Act of 1893- and precedent UK and Irish case law.

Discretionary trusts are widely used and are flexible in operation. Such a trust affords the settlor the flexibility to guide the trustees by means of a letter of wishes.

Foreign trusts are not subject to Irish tax on income or gains. A foreign trust is one where:

- the settlor and beneficiaries are not Irish resident or domiciled,
- the assets of the trust are all located outside the State,
- all income and capital gains arise outside the state and
- the trustees, apart from one specific trustee, are not Irish resident or domiciled.

It is necessary for at least one trustee to be resident in Ireland and this person must be authorised by the Central Bank to act as a trustee in the course of business and carry on a business which includes the management of trusts.

These provisions make Ireland, though not a tax haven, a most attractive environment for the location of foreign trusts.

Companies

General Introduction

Company law in Ireland is governed by the Companies Acts 1963-2009. In general, the Acts are similar to the U.K. legislation. In addition almost all the various EU directives on company law have now been implemented in Ireland.

Generally a company may be incorporated with any name that is not previously registered. It is possible to obtain advance confirmation that a desired name will be acceptable. The minimum number of shareholders is one although most existing companies have two. Shares may be held by corporate entities and may also be held by nominees. An Irish company is required to maintain a registered office in the state at which the statutory books and company seal are kept.

A return, detailing shareholders, capital and officers of the company must be filed annually with the Registrar of Companies. All private companies with the exception of unlimited companies must file an abbreviated form of audited accounts with this annual return. Unlimited companies that are owned 100% by limited entities are also required to file accounts. A company secretary is required and this can be a corporate entity. A company director may also act as the company secretary. A company must have a minimum of two directors.

The following information must be included on the headed notepaper and other corporate documents:

- Name of company
- Business name, if any
- Business address
- Address of registered office
- Place of incorporation
- Registered number
- Legal form of company
- Names of directors and nationality (if not Irish).

The following are the various types of companies which may be incorporated:

Private Limited Company

This is the most common form of company structure in Ireland. This company must have a minimum share capital of €1.00. The maximum number of members in this type of company is fifty with a minimum of one. Shares may not be offered to the public and a member's right to transfer shares is restricted. The shareholders liability, if the company is wound up, is limited to the amount, if any, unpaid on the shares that they hold.

Public Limited Company

A limited company which is not a private limited company because the number of members exceeds fifty, is a public limited company. The minimum issued share capital is €38,092; of which 25% must be paid up. Shares may be offered to the public and may also be quoted on a stock exchange, although that is not mandatory. There is no maximum number of members but there must be a minimum of seven.

Unlimited Companies

An unlimited company must have a minimum of two members. Such a company has no obligation to file accounts on an annual basis, except where it is owned 100% by a limited entity, but does have an obligation to file an annual return with the Registrar of Companies showing the directors, shareholders and officers of the company. In an unlimited company, there is no limit on the liability of the shareholders.

Company Limited by Guarantee

There must be a minimum of seven members in this company. The members' 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 €1.00. Charities and non-profit making associations normally use this type of company.

Company Formation

It normally takes five working days to incorporate a new company. Details of the company name, share capital, directors, secretary, shareholders, registered office, business address, address where central management and control will be carried out and the Memorandum and Articles of Association must be filed with the Registrar of Companies at the formation date. Once the required details have been accepted, the Registrar issues a certificate of incorporation and the company may commence operations. A company may prepare financial statements to a date of its choice.

The approximate cost of incorporating a company varies from €350 to €500

Essential Requirements

Requirement to carry on an activity in the State

A company will not be incorporated and registered unless it appears to the Registrar of Companies that the company, when registered, will carry on an activity in the State.

Requirement to have at least one EEA resident director

Subject to two exceptions, at least one of the directors of a company, which is being incorporated, is required to be resident in the EEA. The requirement to have at least one resident director does not apply to any company which

- Holds a bond, in the prescribed form, in force to the value of €25,395.
- Obtains an exemption from the Revenue Commissioners by virtue of the fact that the Company has a real and continuous link with the State.

Financial Reporting

Companies are required to keep financial records. The directors are required to prepare accounts on a periodic basis which give a true and fair view of the state of the current affairs and the results of the company for its financial period.

A company having more than one shareholder is obliged to hold an Annual General Meeting (AGM) each year so that the audited accounts can be put before its members. Every company is allocated an Annual Return Date ("ARD"). The deadline for filing the audited accounts and the annual return with the Registrar of Companies is 28 days after the ARD. No accounts are required to be filed with the company's first annual return post-incorporation. A company, which is classified as a small or medium sized company is permitted to exclude certain details from the accounts, filed with the Registrar of Companies. It is possible to file abridged financial statements if the company satisfies two out of three criteria relating to turnover, balance sheet value and average number of employees for the period.

An Irish subsidiary company with an EU incorporated parent is not required to file entity accounts with the Registrar, if the parent company has guaranteed its liabilities and a copy of the consolidated accounts of the parent is filed with the annual return of the Irish company.

A branch of a foreign company must file the financial statements of the foreign company with the Registrar of Companies within 11 months of the company's year-end.

Corporate Taxation

Introduction

The rules for charging companies to tax on their profits and capital gains are contained in the Taxes Consolidation Act 1997. This Act is updated every year by the annual Finance Act.

Scope

All Irish resident companies are subject to corporation tax on their world-wide profits. A company is resident in Ireland if it is registered in Ireland and/or is "managed and controlled" here. The place where management and control is exercised is generally regarded as the place where the strategic decisions affecting the company are taken. Other factors, for example the location of the directors' meetings, the place where negotiations of major contracts is undertaken, the location of the books and records of the company and the location of the company bank account, may also be taken into account in determining residence.

A non-resident company is subject to corporation tax on the profits of a trade carried on in Ireland through a branch or an agency. If a branch or agency does not exist then tax is only payable on Irish source income and gains. Relief may be available under a double taxation treaty.

Fiscal Year

Corporation tax is assessed on the profits of companies for accounting periods. A company may prepare financial statements to a date of its choice and tax will be assessed by reference to events during that accounting period. An accounting period for tax purposes may not continue for more than 12 months and profits will be apportioned on a time basis if financial statements are prepared for a longer period.

Taxable Profits

Profits for corporation tax purposes consist of trading and investment income together with capital gains (other than gains on development land).

Expenses

Revenue (non-capital) expenses which are wholly and exclusively incurred for the purposes of the trade of a company are allowable deductions for tax purposes with certain exceptions provided by legislation. The major exceptions include depreciation, client entertainment expenses and general provisions. A tax deduction for pre-trading expenditure is available in certain circumstances. Royalty charges, license fees and shared costs are also deductible provided that the rate of charge is not regarded as excessive. Interest on trade related borrowings is generally deductible.

Tax Depreciation

Book depreciation is not allowed for tax purposes. Instead, tax depreciation, commonly referred to as capital allowances in Ireland, are granted in respect of industrial buildings, plant & machinery and motor vehicles. The rates are:

- Industrial Buildings 4% per annum straight line
- Plant and Machinery 12.50% per annum straight line
- Motor vehicles 12.50% per annum straight line
- Goodwill See Intellectual Property / R&D Section

Losses

Trading losses are calculated in the same manner as trading profits and may be carried forward indefinitely against income from the same trading activity. Trading losses are first set off against trading income of the current accounting period and if required can also be offset against trading profits in the previous accounting period of equal length. If there is an excess unused amount of losses they may be set off against all other income of the same period (i.e. passive non-trading/investment income) as a credit on a value basis.

Groups of Companies

There are a number of provisions in Irish law for the transfer of losses, the transfer of assets and the payment of dividends and interest within a group.

For Irish tax purposes a "group" means a parent company and all of its 75% subsidiaries which are tax resident in Ireland or in another EU Member State. Current year trading losses incurred by a member of a group may be offset as an allowance against trading profits of another member of the same group. If there is an excess amount of unused losses after claiming such allowances, the excess may be offset against the corporation tax payable on passive income/gains by way of credit on a value basis.

A consortium can also benefit from loss relief. The consortium is formed where five or fewer companies own at least 75% of the ordinary share capital of the loss-making company, if the latter is either:

- a trading company or
- a parent company which holds trading companies resident in Ireland or the EU which are 90% subsidiaries.

Where the business of an Irish branch of a non-resident company is transferred to an Irish company, any unused losses of the branch may be used against future profits of the new company subject to certain conditions.

Assets may be transferred between members of a group without liability to corporation tax on capital gains.

Interest and patent royalties can be paid without withholding tax between EU member state companies which form a group with a 51% shareholding relationship.

Dividends paid between Irish tax resident companies or from an Irish company to a company tax resident in the EU or treaty country are not subject to withholding tax.

Rate of Corporation Tax

The standard rate of corporation tax for trading companies is 12.5%.

The standard rate applies to active trading income. In general, non-active or passive income such as rental and investment income are taxable at the rate of 25%. Income arising outside Ireland is also taxable at the 25% rate. Dividends received by an Irish company from companies outside of Ireland can be subject to corporation tax at 12.5% or 25%. Dividends taxable at 12.5% are those received out of trading profits of a non resident company. The non resident company is not required to be tax resident in the EU or a treaty jurisdiction. This treatment will only apply to trading dividends received from (i) 75% subsidiaries and (ii) the principal class of shares in which are substantially and regularly traded on a recognised stock exchange in Ireland, the EU, a treaty country or such other stock exchange as may be approved by the Irish Minister for Finance.

Should a dividend be paid partly out of trading profits and partly out of non trading profits, the dividend will be apportioned and the part attributable to trading profits will be subject to the 12.5% rate. In many cases a credit will be available for withholding tax and underlying tax imposed on the foreign subsidiary, which can have the effect of reducing the effective Irish tax rate to nil.

Start-Up Exemption

Start up companies which commenced to trade in 2009 or 2010 will be exempt from corporation tax and capital gains tax in each of the first three years. This exemption will apply to the extent that the entities tax liability for each of the three years does not exceed €40,000. In essence this exemption enables a company to generate trading profit of €320,000 per annum before incurring a tax liability.

Marginal relief will be available in circumstances where an entity's tax liability is between €40,000 and €60,000. Relief will not be available where the tax payable is €60,000 or more in a period. Any excess profits will be subject to the very favourable rate of 12.5%, which applies to trading activities in Irish companies.

This exemption is not available to companies carrying on trades which are taxable at the higher rate of 25% (e.g. land dealing and mineral exploration trades). In addition, it does not apply where a company transfers an existing trade to a connected person.

Return Filing Requirements

A self-assessment system operates in Ireland and the onus is on the company to file a tax return, calculate and pay its liability without request. The tax return must be filed on the 21st day of the ninth month after the end of the company's accounting period.

Preliminary Tax

Companies are required to discharge their corporation tax liabilities by way of preliminary tax payments. The number of preliminary tax payments required to be made depends on the corporation tax liability of the company.

A "small" company for preliminary tax purposes is a company with a corporation tax liability of less than €200,000 in the previous 12 month accounting period. If a company is considered a "small" company for preliminary tax purposes it is entitled to base its preliminary tax payment on 100% of the preceding periods final tax liability. This payment is required to be paid on or before the 21st day of the eleventh month of the accounting period. The balance of tax payable for the period, if any, should be paid at the time of filing the corporation tax return for the period.

If a company is not considered a "small" company, it is required to make two preliminary tax payments. The first payment should be made in the sixth month of the accounting period (e.g. 21st June for a company with calendar year accounts). The amount paid at this date should equal either (i) 50% of corporation tax liability of the preceding accounting period or (ii) 45% of corporation tax liability for the current accounting period.

The second instalment is payable in the eleventh month of the accounting period (e.g. 21st November for a company with calendar year accounts). Following this second payment, the total amount of preliminary tax paid should equal 90% of the final corporation tax liability for the current accounting period. The balance of corporation tax payable, if any, should be paid at the date of filing of the tax return.

In the event that a company does not satisfy the minimum preliminary tax obligations, interest may be imposed by Revenue. Interest will be charged at a daily rate of 0.0219% with effect from the preliminary tax due date to the date of payment.

Ireland as a Holding Company Location

Ireland is now a competitive holding company location and compares favourably to traditional holding company locations in Europe. Ireland's taxation regime now contains the following key features:

- Participation exemption from Capital Gains Tax on disposal of shares in certain foreign and domestic subsidiaries.
- Where certain conditions are met a partial participation exemption is available for foreign dividends repatriated from foreign trading income. This measure grants a 12.5% rate of tax for these dividends, and allows a credit for underlying tax suffered on the trading profits of the company.
- On-shore pooling of dividend tax credits is available whereby the credits for all excess tax suffered are pooled and then used for offset against dividends which suffer no tax or less tax than the Irish effective rate.
- A 25% credit is granted to companies that carry out qualifying research and development activities in the country. This is in addition to the regular trading deduction available at 12.50% to give a total write off for research and development activities of 37.50%.
- Ireland has negotiated 56 tax treaties which provide for the elimination of double taxation. Where a double tax agreement does not exist with a jurisdiction, there are unilateral provisions which allow credit relief against Irish tax for foreign tax paid in respect of certain types of income.
- A deduction for interest paid is available to Irish companies borrowing funds to acquire shares/make loans to trading subsidiaries.

Transfer Pricing

Finance Act 2010 announced transfer pricing legislation which adopts the OECD arms length principles and aligns Ireland with international standards. This new legislation upholds Ireland's international reputation as an onshore, well regulated and transparent low tax jurisdiction and has been widely welcomed by Irish businesses.

It is not considered that this announcement will cause undue concern for multinationals doing business in Ireland. This is on the basis that there should be no incremental administration burden on companies in terms of the requirements to have transfer pricing documentation in place. There should be no requirement to prepare additional transfer pricing documentation from a purely Irish perspective for, say, an Ireland / US transaction once the transaction is already covered from the US side. In addition, these new provisions will provide multinationals with a legislative justification for the level of profits generated in Ireland.

The new provisions will come into effect for accounting periods commencing on or after 1 January 2011. However, the regime will only apply in respect of arrangements entered into on or after 1 July 2010. Additionally, these new provisions will not apply to small and medium sized enterprises. In general, the determination of the size of an enterprise will be determined at group level.

The Act indicates that the transfer pricing regulations will only apply to related party transactions in which the taxpayer is subject to tax at the trading rate of 12.5%. Income which may be classified as "passive income" and taxable at the higher rate of 25% should fall outside the scope of this new legislation (e.g. interest, royalties, certain dividends)

Research & Development (R&D)

In recent years the Irish Government has announced various measures in order to ensure that Ireland becomes a location for research and development activities.

With effect from 1 January 2009, a tax credit of 25% is available in respect of all qualifying incremental R&D expenditure undertaken within the European Economic Area. This credit may be offset against the company's corporation tax liability in the period in which the expenditure is incurred and is in addition to the base corporation tax deduction. As such, it is possible to obtain a total saving of 37.5%. Should a company have excess R&D credit in a financial period it may opt to (i) carry forward indefinitely and use in future periods, (ii) surrender to group companies or (iii) to have the excess refunded. An additional tax credit is granted on expenditure incurred on buildings or structures used in the research and development process.

Intellectual Property (IP)

Companies carrying on a trade will be entitled to claim a tax write off for the capital cost of acquiring specified IP. Specified IP includes assets such as patents, trade marks and goodwill. The tax benefit is provided by way of capital allowances and will be in line with accounting depreciation. Alternatively, a company may opt to take the tax write off over a period of 10 years.

Repatriation of Profits

General

Profits derived from operations carried out in Ireland may be repatriated in a number of ways including dividend payments, interest charges, royalties and cost sharing agreements.

Dividends and Distributions

Ireland operates a 20% Dividend Withholding Tax (DWT) on dividends paid by an Irish company to Irish resident individuals. DWT is not deductible from dividends paid to non-Irish resident shareholders in the EU or in tax treaty countries, dividends paid to pension funds, charities and other Irish companies.

Royalties

There is a full tax exemption in respect of patent royalties from EU registered patents where the design and testing of the patented product was carried out in Ireland or in the European Economic Area (EEA) and relates to a radical innovation. To benefit from the exemption, royalties must be charged on an arms length basis and must be in respect of a manufacturing activity if the owner and user of the patent are connected. A full tax deduction is available for business related royalties on a paid basis.

Interest

No withholding tax will apply where interest is paid during the course of a trade or business to a company resident in the EU or a treaty country. This exemption will only apply where the recipient of the interest is "liable to tax" in the relevant territory. In the event that the recipient is not liable to tax in their home jurisdiction, Irish withholding tax should be applied to such payments. In such circumstances, consideration should be given to the relevant double taxation agreement. The relevant agreement may provide for a reduced rate or a nil rate of withholding tax.

Personal Taxation

Scope

An Irish resident and domiciled individual is liable to Irish tax on world-wide income.

An individual who is resident but not Irish domiciled is liable to Irish income tax on Irish source income and foreign income to the extent that it is remitted to Ireland. The remittance basis of taxation applies to employments exercised outside of Ireland and to foreign investment income. The part of the income remitted to Ireland is taxed in the year in which it is brought to Ireland rather than in the year in which the income is earned.

Fees from Directorships of Irish companies are liable to Irish tax irrespective of the residence or domicile position of the individual.

Residence and Domicile

Residence

An individual is resident in Ireland for a tax year if he spends:

- 183 days in Ireland during the tax year or,
- 280 days on aggregate in Ireland in the tax year and the preceding tax year.
- An individual who is present in the State for 30 days or less in a tax year will not be treated as resident for that year unless he elects to be resident.

An individual will be considered present in Ireland for a day if they are in the State for any part of a day.

Ordinary Residence

An individual is considered to be ordinarily resident in Ireland in a tax year, if he/she was resident in Ireland for three preceding tax years to the tax year in question.

Domicile

An individual is generally regarded as domiciled in the country which he/she considers as a permanent home. A domicile of origin is acquired at birth (normally that of the father) and this is deemed to continue until a domicile of choice is acquired. A domicile of choice may generally be acquired provided the individual moves from the domicile of origin with the intention of remaining permanently in the new country of choice.

Domicile Levy

Finance Act 2010 introduced a new annual domicile levy of €200,000. This levy applies to individuals whose (i) liability to Irish income tax is less than €200,000 and (ii) whose worldwide income for a tax year is over €1m and (iii) whose Irish situated property is valued at over €5m on the valuation date. The levy applies to individuals who are Irish domiciled and Irish citizens regardless of residence. The levy applies with effect from 2010 and is payable on a self assessment basis. Accordingly, the levy in respect of the 2010 period is required to be paid on or before 31 October 2011.

Irish income tax will be allowed as a credit against the domicile levy. In order to get a credit for the income tax it is necessary for the income tax have been paid on time.

The Irish property will be valued as at 31 December for the year in question. No deduction will be taken for any borrowings outstanding. Shares in trading companies (or holding companies whose main value derives from subsidiary trading companies) are excluded from the definition of Irish situated property for the purposes of the €5m test.

Assignment Relief

In an endeavour to encourage key international talent to relocate to Ireland, a relief programme was announced in 2009. The relief applies to foreign employees from EEA countries who relocate to Ireland for the first time. Prior to 1 January 2010, the relief only applied to employees coming to Ireland from countries outside the EEA. The minimum period for which an individual must remain working in Ireland has been reduced from three years to one year.

Relief is granted by way of a year end rebate of taxes as apposed to a reduced payroll withholding tax obligation. The final Irish tax exposure will be limited to the higher of:

- Total employment earnings and benefits received in / remitted to Ireland; or
- The first €100,000 plus 50% of earnings and benefits in excess of €100,000

Split Year Residence – Employment Income

There are special rules regarding the year of arrival and the year of departure of an individual who is in receipt of employment income. Generally, employment income arising before the date of arrival and after the date of departure is not taken into account for Irish tax purposes even where the individual is considered resident for that particular tax year.

Tax Returns “Pay and File System”

The Irish income tax year runs from 1 January to 31 December in line with the calendar year.

Income Tax Returns are due for submission on 31st October of the year following the end of the tax year. This is also the due date for payment of any balance of Income Tax outstanding from the previous tax year. In addition, preliminary income tax is also required to be on or before 31 October in respect of the current tax period.

Tax Rates and Bands

A husband and wife may choose to be assessed jointly, separately, or as single individuals. The rates of individual income tax for the tax year 2010 are as follows:

Personal Status	Income Band (€)
Single Widowed - No dependant children - With dependant children	36,400 40,400
Married Couple (One source of income)	45,400
Married Couple (Two sources of income)	45,400 with an increase of 27,400 (max.)

Income Levy

An income tax levy also applies where an individuals aggregate income for the year exceeds €15,028. With effect from 1 May 2009 the levy will apply as follows;

Income Amount	Rate
Income up to €75,036	2%
Income between €75,037 and €174,980	4%
Income in excess of €174,980	6%

PAYE

A withholding tax system operates in Ireland which ensures that employee taxes are collected at source by the employer. This system is known as the PAYE (Pay As You Earn) system. Each employee, on commencement of employment applies to the tax authorities to obtain a certificate of tax credits which is then used by the employer to calculate the correct amount of tax to deduct at source.

Tax should be deducted under the PAYE system on income from all employment duties exercised in the State. This applies irrespective of whether an individual is resident or domiciled in Ireland.

PAYE is only required on the duties performed in the State. Where only a part of an employee's earnings relate to duties exercised in the State, PAYE is only operated on the relevant proportion. Where this proportion is not easily identified an advance agreement must be reached with the Inspector of Taxes as to the percentage of pay on which PAYE is operated. In the absence of this agreement the employer must operate PAYE on the whole amount.

Social Security ("PRSI")

Social security taxes are known in Ireland as Pay Related Social Insurance (PRSI). PRSI is generally payable by all people in the Irish tax system. A national of an EU member state in Ireland on temporary assignment (generally up to 5 years) may opt to remain on their home country social security system. Any payments made under the Irish system will generally be recognised by the other EU State and vice versa. In the case of employees, PRSI is withheld at source by the employer.

The standard PRSI rates for 2010 are as follows:

Contribution	Rate (%)	Bracket
PRSI (Employed)	8%	Up to €75,036
PRSI (Self Employed)	7% / 8%	First €75,036 / balance

Note: A PRSI free threshold of €127 per week relates to certain classes of employee PRSI payments.

Employer social security contributions depend on the quantum of payments made to an employee during the relevant pay period. The contribution rates for the 2010 period are:

Rate (%)	Bracket
8.5%	Weekly pay of less than €356
10.75%	Weekly pay in excess of €356

Tax Credits

The Irish tax system provides for tax credits and allowances including Personal Tax Credit, Employee Tax Credit, Health Expenses, Pension & Permanent Health Insurance, educational fees and the cost of renting private accommodation. Below is a summary of the main tax credits in effect for the 2010 tax year.

Category	Credit
Personal Allowance	1,830
Single / seperately assessed	3,660
Jointly assessed married couple	2,430
Widowed person	1,830
One parent family	
Age allowance (over 65)	
- Single / widowed	325
- Married	650
PAYE credit	1,830
Dependent relative	80

Tax Incentives and Exemptions

There are a number of tax incentives from which individuals can benefit:

Artists Exemption

Certain earnings of individuals who are determined by the Revenue Commissioners to have produced a work or works generally recognised as having cultural or artistic merit are exempted from Irish income tax. A work must be original and creative and would typically include a book, play, musical composition, painting or sculpture. There are specific guidelines for qualification for this exemption issued by the Irish revenue authorities.

Patent Royalties

Income from a qualifying patent is exempt where the royalty is paid in respect of:

- i. A manufacturing activity of a company or of an incorporated enterprise, whether that activity is carried on in the State or elsewhere. The exemption is restricted in the case of connected persons, to an amount which would have been payable if the payer and the beneficial recipient were independent persons acting at arms length or
- ii. A “non manufacturing” activity, to the extent that the income arises from bona fide “third party” payments, i.e., where the payer and payee of the royalty are not connected. The exemption from income tax also applies to dividends paid out of “manufacturing royalties” and bona fide “third party” exempt royalties in respect of “eligible shares” in a patent company. A qualifying patent is a patent covering an invention where the research, planning, processing, experimenting, testing, devising, designing or developing was carried out in the State.

Woodlands

Profits and gains from the occupation of woodlands on a commercial basis are exempt from tax.

Business Expansion Scheme (BES)

The Business Expansion Scheme (BES) is a tax relief incentive scheme that provides tax relief for investment in certain corporate trades such as manufacturing or tourist trades. The scheme allows an individual investor to obtain income tax relief on investments up to a maximum of €150,000 per annum in each tax year up to 2013. Relief is available at the investor's highest rate of income tax.

In order to qualify, investments must be made in companies engaged in certain manufacturing; service; tourism; R&D; plant cultivation activities; in the construction and leasing of advance factories; or, in certain music recording activities. The investee companies must be unquoted, i.e. they must not be listed on the official list of a stock exchange or on an unlisted securities market of a stock exchange. Investors must purchase new ordinary share capital in the company. Shares must carry no preferential rights.

Investment in Films

The Scheme was introduced to promote the Irish film industry and provides tax relief towards the cost of production of certain films. The maximum amounts which can be raised under the scheme are up to 80% of the cost of production for all budgets up to the cap of €50,000,000. Tax relief on 80% of their investment is available to individual investors and to corporate investors. Individual investors can invest up to €50,000 under the scheme in any year of assessment. A corporate investor and any connected companies can invest up to €10,160,000 in any 12month period. The total amount which can be invested in any one film cannot exceed €3,810,000.

Limit on Utilisation of Tax Incentives and Exemptions

There is limit on the use of tax reliefs and exemptions that may be used by certain high-income individuals. The restriction may apply where the individual has income in excess of €125,000 and is claiming certain specified reliefs in excess of €80,000.

Sports Persons

Irish tax resident sports persons involved in certain sports (i.e. football, rugby, badminton, motor racing, squash, swimming, boxing, athletics, golf, horse racing, cycling, and tennis) on a professional basis during their playing career and who permanently cease participation in the sport, can claim relief in the form of a deduction equal to 40% of their net earnings for a period of up to 10 years prior to retirement. This relief is applicable only in respect of earnings deriving directly from participation in the sport and includes prize money and performance fees but it is not applicable to sponsorships, etc.

Other Taxes

Capital Gains Tax ("CGT")

An individual who is resident and domiciled in Ireland is liable to capital gains tax on world-wide gains. An individual who is resident but not domiciled is liable to tax on Irish source gains and remittances of foreign gains.

The standard rate of capital gains tax is 25%. There is an annual tax free allowance of €1,270 available per individual and this is not transferable between spouses. Companies or trusts cannot avail of the annual allowance.

Specified Assets

Gains on the following assets are liable to Irish CGT irrespective of the residence position of the person making the disposal:

- Land and buildings in Ireland
- Minerals in Ireland including exploration or exploitation rights in a designated area of the Continental shelf.
- Unquoted shares deriving their value or the greater part of their value from assets mentioned above.
- Assets of a business carried on in Ireland through a branch or agency.

Indexation Relief

A capital gain is calculated by deducting from the net sales proceeds, the cost of acquisition and other deductible expenses which have been indexed for inflation. The inflation index has been discontinued from 1 January 2003, it will only apply to future disposals of assets which were acquired prior to this date.

Approved Share Option Schemes

Capital gains tax treatment applies to certain share option schemes. Capital gains tax at 25% is calculated on the difference between the option price and the share disposal price.

Exemptions/relief from Capital Gains Tax

There is no charge on profits from the sale of an individual's principal private residence and on profits from the sale of qualifying business assets on retirement subject to qualifying conditions. All assets passing on the death of an individual are exempt as are assets passing between spouses.

Capital Acquisition Tax

Capital Acquisitions Tax includes Gift Tax and Inheritance Tax and the tax is charged on the beneficiary. Once the taxable value of the gift or inheritance has been determined the amount of tax payable will depend on whether the appropriate tax-free threshold has been exceeded. The rates of tax are as follows:

- The threshold amount - Nil
- Excess - 25%

The threshold amount depends on the relationship between the disponent and the beneficiary:

Group Relationship to Disponent Group Threshold 2010 (after indexation)

Category of recipient	Amount (€)
Child, foster child, parent, minor child of a deceased child	414,799
Lineal descendant (brother, sister, nephew, niece)	41,481
Others	20,740

Stamp Duty

Stamp Duty is charged on documents, particularly those relating to property and share transactions. A document is subject to stamp duty if it:

- is executed in Ireland,
- relates to Irish situated property or
- relates to anything done or to be done in Ireland.

The rates for non-residential property are set out in the following table:

Aggregate Consideration	Rate of Duty
Up to €10,000	Exempt
€10,001 to €20,000	1%
€20,001 to €30,000	2%
€30,001 to €40,000	3%
€40,001 to €70,000	4%
€70,001 to €80,000	5%
Over €80,000	6%

The rates for residential property are as follows:

Property Value	Rate of Duty
Up to €125,000	Exempt
Next €875,000	7%
Balance	9%

Value Added Tax - VAT

VAT is charged on the sale of goods and the provision of services in the course of business. A business supplying goods or services subject to VAT in Ireland must register with the tax authorities. The overall system is devised to provide a system of credits for traders so the eventual VAT cost is borne by the end user or consumer.

In accordance with EU Directives Irish VAT is no longer payable at the point of import on goods imported from other EU countries with the exception of a number of products including alcohol and tobacco products.

Customs Duties

Customs Duties only apply to imports from non-EU countries and the rates applied are those laid down by the EU Directives.

Double Taxation Agreements

Ireland has concluded a large number of tax treaties. The table below sets out the rates of withholding tax to be applied to interest, dividends and royalty payments from Irish payers to Treaty and non-Treaty countries.

<i>Treat With:</i>	<i>Dividends Individual Companies (%)</i>		<i>Qualifying Companies (%)</i>		<i>Interest (%)</i>		<i>Royalties (%)</i>	
Australia	0		0		10		10	
Austria	0		0		0		0	
Bahrain	0		0		0		0	
Belarus	10		5		5		5	
Belgium	0	(3)	0	(3)	0/15	(4)	0	
Bosnia & Herzegovina	0		0		0		0	
Bulgaria	10		5		5		10	
Canada	15		5		0, 10	(5, 6)	0, 10	(7)
Chile	15		5		5, 15		5, 10	
China (Peoples Rep.)	10		5		10		10	
Croatia	10		5		0		10	
Cyprus	0		0		0		0	
Czech Republic	15		5		0		10	
Denmark	0		0		0		0	
Estonia	15		5		10		5, 10	(3)
Finland	0		0		0		0	
France	0	(3)	0	(3)	0		0	
Georgia	10		0.5		0		0	
Germany	0	(3)	0	(3)	0		0	
Greece	15		5		5		5	
Hungary	15		5		0		0	
Iceland	15		5		0		0, 10	(2)
India	10		10		10		10	
Israel	0		0		5, 10	(6)	10	
Italy	15		15		10		0	
Japan	0	(3)	0	(3)	10		10	
Korea (Rep.)	0		0		0		0	
Latvia	15		5		10		5, 10	(3)
Lithuania	15		5		10		5, 10	(3)
Luxembourg	0		0		0		0	
Macedonia	10		5,10		0		0	
Malaysia	10		10		10		8	
Malta	15		5,15		0		5	
Mexico	10		5		5, 10	(11)	10	
Moldova	10		5,10		5		5	
Netherlands	15		0		0		0	
New Zealand	0		0		10		10	
Norway	15		5		0		0	
Pakistan	0	(3)	0	(3)	0	(12)	0	
Poland	15		5		0, 10	(6)	0, 10	(13)
Portugal	15		15		0, 15	(5)	10	
Romania	3		3		3		0, 3	(14)
Russia	10		10		0		0	
Serbia	10		5,10		10		5, 10	
Slovak Republic	10		0		0		10	
Slovenia	15		5		5		5	
South Africa	0		0		0		0	
Spain	0		0		0		5, 8, 10	(15)
Sweden	0		0		0		0	
Switzerland	0		0		0		0	
Turkey	15		5, 10, 15		10, 15		10	
United Kingdom	15		5		0		0	
United States	15		5		0		0	
Vietnam	10		5, 10		10		5, 10, 15	
Zambia	0		0		0		0	

Note: New treaties are being negotiated on an ongoing basis. Further enquiries should be made about countries not featured above or if more detail is required.

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 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 interest in connection with the sale on credit of industrial, commercial or scientific equipment and merchandise or on any loan granted by a bank.
7. The lower rate applies to copyright royalties (excluding films), computer software, patents and know how.
8. The lower rate applies to royalties for industrial, commercial or scientific equipment.
9. The lower rate applies to royalties for computer software, patents and for know how.
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 copyright 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.

Key Personnel

General Enquiries:



Andy Quinn, Partner

Andy Quinn is a partner in the firms international group. He acts as lead partner on planning assignments for diverse businesses focusing on corporate tax planning, structuring and financing.



Carl Dillon, Managing Partner

Carl is the managing partner of Moore Stephens Nathans. He acts as a non-executive director for a number of groups, providing expertise and advice on transition and change scenarios, helping companies build successful board structures and develop strategies for growth.

Tax:



Mark Barrett Partner

Mark has considerable strengths and experience with domestic corporate and private clients. It is Mark's international work that has really been recognised by both his clients and his peers in taxation consultancy.



Cormac Kelleher Tax Manager

Cormac has extensive experience in advising on international transactions, private Irish business, succession planning and personal taxation. He has considerable experience in advising individuals on the management of their personal and corporate tax affairs.

Corporate Finance:



Diarmuid O'Connell, Partner

Based in our Dublin office, Diarmuid has built up a large portfolio of international clients in varying sectors. He has extensive experience in facilitating the various compliance, tax and practical business issues of international clients establishing a presence in Ireland.



Brian Hayes, Director Corporate Finance

Derived from Brian's broad range of experience in his career to date, Brian's ethos is that clients deserve quality advice that is solution driven, commercially focused and professionally delivered.



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