Grant Thornton

Doing business in Ireland

If you are planning on doing business in Ireland, knowledge of the investment environment and information on the legal, accounting and taxation framework are essential to keep you on the right track.

April 2009

Foreword

Ireland's low rate of corporation tax i.e. **12.5%,** holding company regime, research and development tax credit combined with many other tax incentives, makes it a very popular choice for inward investment. These factors, together with a highly skilled and motivated workforce, have resulted in almost 1,000 overseas companies choosing to invest in Ireland as their European base. Companies involved in a wide range of activities in sectors as diverse as engineering, information communications technologies, pharmaceutical and research and development view Ireland as a uniquely attractive location in which to do business.

To aid companies coming to Ireland, Grant Thornton has prepared this guide "Doing Business in Ireland". It is intended to be user friendly whilst providing guidance on the business and regulatory environment.

This guide has been prepared for the assistance of those interested in doing business in Ireland and includes legislation in force at **7 April 2009.** It does not cover the subject exhaustively but is intended to answer some of the important, broad questions that may arise. When specific problems occur in practise, it will often be necessary to refer to the laws and regulations of Ireland and to obtain appropriate accounting and legal advice.

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Grant Thornton in Ireland

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Tax

Summary

Ireland provides a very favourable tax environment to encourage business development and sustain rewarding investment. Tax reliefs form an important part of the total incentive package available to overseas companies establishing a business in Ireland. Many provisions establish Ireland as a favourable location for multinational corporations to base regional headquarters and holding companies. As multinationals tend to consolidate their financing, regional head office and R&D activities in one location, Ireland is well equipped to cater for all these requirements. The incentives for the establishment of multinational organisations in Ireland are:

- holding company regime;
- Research and Development (R&D) credit;
- patent royalty exemption;
- tax credit for foreign dividends;
- EU parent subsidiary directive;
- credit for tax on foreign branch profits;
- Capital Gains Tax (CGT) exemption on share disposal;
- intellectual Property Stamp Duty Exemption; and
- no thin capitalisation/transfer pricing/CFC rules.

These provisions, coupled with Ireland's low corporation tax rate of **12.5%** on trading activities and absence of transfer pricing and controlled foreign company rules, place Ireland in a very competitive position for attracting international companies to establish their global or European headquarters in Ireland.

Companies

Liability to tax

A company that is tax resident in Ireland is liable to Irish corporation tax on its total profits wherever arising. Companies not tax resident in Ireland are only liable to corporation tax on profits generated by an Irish branch or agency.

A company is tax resident in Ireland if it is an Irish incorporated company or if it is managed and controlled in Ireland (there are certain exceptions to the rule on Irish incorporated companies).

Tax rates

The standard rate of corporation tax in Ireland is 12.5% on trading income. There is a rate of 25% on non-trading income and certain trades. These rates have been agreed by the EU.

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Start-up companies

New or start-up companies, which were incorporated on or after 14 October 2008 and which commence trading in 2009, are exempt from corporation tax if they meet certain conditions. This relief applies for three years from the commencement of the trade.

Corporation tax liability for the period	Availability of relief
Less than €40,000	Fully Exempt
€40,000 - €60,000	Marginal relief
More than €60,000	No relief

Relief does not apply to companies which carry on land dealing, petroleum and mineral activities nor closely held service companies. Relief is restricted to new trades and it does not apply if the trade was previously carried on by another person in the State.

Expenditure on scientific research and development

Incremental R&D expenditure will qualify for a 25% tax credit. This credit will be in addition to any existing deductions or capital allowances for R&D expenditure. The following conditions must be fulfilled in order to qualify for this credit:

- R&D activities must be carried out in the European economic area;
- relief is granted provided the expenditure is not deductible in any other territory;
- qualifying expenditure will be reduced by any grant or State Aid received;
- payments to a connected party in respect of tax-exempt patent royalty income will not qualify for the relief; and
- payments made other than at arm's length will not qualify for relief.

R&D is extensively defined to include systematic, investigative or experimental activities in the field of science or technology being one or more of the following:

- basic research;
- applied research; or
- experimental development.

Such activities, however, will not be regarded as Research and Development activities unless they:

- seek to achieve scientific or technological advancement; and
- involve the resolution of scientific or technological uncertainty.

Patent royalty exemption

Income derived from royalties associated with certain qualifying patents is exempt from tax. A qualifying patent is defined as "a patent in relation to which the research, planning, processing, experimenting, testing, devising, designing, developing or similar activity leading to the invention which is the subject of patent **was carried out in a State in the European Economic Area."** However, in relation to any patents for which the work leading to the invention was carried out prior to 1 January 2008, the work must have been carried out in the State.

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The patent income which is entitled to the exemption is subject to an annual limit of €5 million. This limit only applies in respect of income arising from 2008 onwards. Income prior to that period is not subject to any limit.

Foreign dividends

Double taxation relief is available on dividends paid by subsidiaries to parent companies. The relief makes it more attractive for headquarter operations to be located in Ireland by reducing the shareholding requirement under double tax treaty provisions or under unilateral credit relief provision (where no treaty applies) from 25% to 5%, and by also allowing the Irish recipient company to "pool" the tax credits arising on foreign dividends. In addition, credit can be taken for local tax suffered by a branch of a foreign subsidiary.

This onshore pooling allows companies to mix the credit for foreign tax on different dividend streams for shareholdings of 5% or more for the purposes of calculating the overall credit. Any unused credit balance can be carried forward and offset in subsequent accounting periods.

The 2003 EU Parent-Subsidiary Directive extended the list of entities that can avail of the directive's exemption from withholding tax on distributions made by an Irish subsidiary company to its EU parent company. Its provisions include the following:

- the requisite holding of share capital in the subsidiary is reduced from 25% to 5%;
- credit can be taken for underlying tax in lower tier subsidiaries;
- Irish branches of EU resident companies are entitled to the same reliefs as Irish resident companies;
- the parent/subsidiary directive covers unlimited companies; and
- credit will be available in Ireland for foreign tax suffered by companies that are "transparent" for Irish tax purposes.

Effect of treaties

The Irish tax treaty network continues to be expanded and updated and now numbers 45 tax treaties. See appendix 1 for a full listing. New treaties with Georgia, Macedonia, Moldova and Vietnam, and a Protocol to the existing treaty with South Africa, have been agreed.

Negotiations are underway on treaties with Argentina, Egypt, Kuwait, Malta, Morocco, Serbia, Thailand, Tunisia, Turkey, and the Ukraine. In addition, some existing treaties, such as those with Cyprus, France, Germany, Italy, Korea and Pakistan are being re-negotiated.

Where a double taxation agreement does not exist, there are provisions within the Irish Taxes Acts which allow unilateral credit relief against Irish tax for tax paid in the other country in respect of certain types of income (e.g. dividends and interest). There is also legislation implementing the EC "Parent-Subsidiaries Directive" (90/435/EEC) (TCA 1997 section 831), the "EU Mergers Directive" (90/434/EEC) (TCA 1997 sections 630-638) and the EU Arbitration Convention (European Communities Mutual Assistance in the Field of Direct Taxation Regulations 1978) (S.I. 334 of 1978).

Foreign branch profits

The 2007 Finance Act introduced unilateral credit relief for foreign tax paid by a company that has a branch or agency in a country with which Ireland does not have a tax treaty. This allows such a

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company to reduce its Irish corporation tax liability by the foreign tax suffered on the profits of the branch or agency.

The Act also introduced pooling in the case of foreign branch profits. Where the foreign tax on branch profits in one country exceeds the Irish tax on those profits, the credit is limited to the Irish tax on those profits and no credit can be given for the balance of the foreign tax. However, pooling allows such surplus foreign tax to be credited against tax on branch profits in other countries in the year concerned. Any foreign tax not credited in the period in which it is paid cannot be carried forward for credit in subsequent periods.

Other foreign income

Foreign taxes borne by an Irish resident company (or EU branch), whether imposed directly or by way of withholding, may be creditable in Ireland. The calculation of the credit depends on the nature of the income item but, in all cases, the credit is limited to the Irish tax referable to the particular item of income. The credit is computed on an item-by-item basis (except for dividends from 5% subsidiaries) and excess credits can be relieved only by deduction; there is no carry-back or carry-forward of excess credits.

Capital Gains Tax exemption on share disposal

There is an exemption from tax on capital gains arising to Irish-based holding companies on disposals of shareholdings in EU/double tax treaty resident (DTA) companies. The exemption will apply where the following conditions are satisfied:

- the parent company must hold a minimum of 5% of the subsidiary's ordinary share capital;
- the investee company must be resident in an EU State (including Ireland) or DTA State; and
- at the time of disposal, the investee must exist wholly or mainly for the purposes of carrying on a trade.

Individuals

Income tax is payable by individuals (and certain non-resident companies on Irish source income) and is charged on an annual basis. The income tax year runs from 1 January to 31 December.

Tax rates - 2009

Single/widowed person	First €36,400	20%	Balance 41%
Married couple – one spouse with income	First €45, 400	20%	Balance 41%
Married couple - both spouses with income	First €72, 800	20%	Balance 41%

A new income levy applies with effect from 1 May 2009. Employers are responsible for deducting the levy from their employee's salaries. Self employed individuals must make a payment of the income levy along with their preliminary tax payment in 2009 and any balance will be collected when their final assessment issues. The following income levy rates will apply:

Less than €15,028	Exempt
Up to €75,036	2%
Between €75,036 & €174,980	4%
Over €174,980	6%

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Taxable income

Taxable income is the total of income from all sources. Income tax is reduced by tax credits for personal circumstances.

a Residence criteria

An individual is resident in Ireland for tax purposes where he is in Ireland for a total of 183 days in any tax year, or where the total number of days in that tax year (ignoring 30 days or less) and the previous tax year exceed 280 (known as the look-back rule). A day will only be taken into account where a person is present at the end of the day (i.e. midnight) in Ireland.

If an individual does not satisfy these tests, he may still opt, in certain limited circumstances, to be treated as Irish tax resident. Exercising this option would be of benefit to the individual in a limited number of cases, such as where advantage could be taken of a Taxation Treaty.

Where an individual satisfies these tests, but is not domiciled or ordinarily resident in Ireland, he may obtain relief in that his foreign income and gains will only be subject to Irish tax if they are remitted to Ireland.

b Taxation of domicilaries

Non-domiciled foreign executives working for overseas companies in Ireland will continue to be taxed under the PAYE regulations as introduced in last year's Finance Act. This will ensure that Irish income tax will be assessed on all earnings relating to employment duties in Ireland, irrespective of the residence or domicile position of the employee.

In these situations it will be necessary to distinguish between that part of an individual's income attributable to the performance of duties of employment in the State and that part of income attributable to the performance of duties of employment outside the State.

The remittance basis (income and gains will be subject to tax to the extent that the proceeds are remitted to Ireland from abroad) will continue to apply in the following cases:

- non-Irish/non-UK investment income;
- the element of employment income relating to duties performed outside of Ireland/UK in the case of foreign employment; and
- in respect of Capital Gains Tax for non-Irish nationals.

Value Added Tax/sales taxes

Scope

Value Added Tax (VAT) is based on the European System. VAT is chargeable on most supplies of goods and services within Ireland by a taxable person in the course or furtherance of any business carried on by him, and on goods imported into Ireland from outside the EU.

Taxable persons account for VAT on their outputs and they are allowed credit against this liability for tax borne on business purchases and other inputs as evidenced by correctly prepared VAT invoices; therefore, it is a tax ultimately borne by the final consumer.

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VAT is also chargeable on the intra-EU acquisition of goods by VAT registered persons and on the intra-community acquisition of new means of transport such as motor vehicles, boats etc. by either a registered or unregistered person. The amount on which VAT is chargeable is the total consideration which the person supplying goods or services becomes entitled to receive.

Exports are zero-rated for VAT purposes except those to unregistered persons in the EU. Companies that export 75% or more of their output can apply to the Revenue Commissioners for authorisation to purchase goods and services without any VAT charge. This reduces administration and the need to get a refund of VAT.

Taxable persons must be registered with the Revenue Commissioners for VAT purposes. This is required where the annual value of the goods supplied exceeds €70,000, the annual value of services exceeds €35,000 or the annual value of Intra – EU acquisitions exceeds €41,000.

Rates

VAT rates range from 0 to 21.5% depending on the product or service, with most being charged at 21.5%. Certain activities involving immovable goods (land and buildings together with all fixtures attached) are liable to VAT at 13½%.

Other taxes

There are other taxes which have to be considered, aside from those mentioned above. These taxes include Stamp Duty, Capital Gains Tax and Gift and Inheritance Taxes. These taxes are very wide in scope and detail, but are outlined below briefly.

Stamp duty

Stamp duty is payable on the transfer of land and buildings and the lease of property as well as on certain legal instruments. Rates vary between 1% and 9%.

Transfers between companies with a 90% relationship are exempt from stamp duty subject to certain conditions. There is also an additional exemption for sale, transfer or other disposition of intellectual property.

Capital Gains Tax

Capital Gains Tax is payable on chargeable gains made by individuals, trusts and unincorporated bodies. Capital gains made by companies are chargeable to Corporation tax with the exception of the disposal of development land, which is subject to Capital Gains Tax.

Capital gains are determined by the difference between the proceeds of disposal and the original cost of the asset. A disposal takes place whenever the beneficial ownership of an asset transfers. Assets include all forms of property, whether in the State or not.

An Irish domiciled individual who is resident or ordinarily resident in the State, for a year of assessment, is chargeable to Capital Gains Tax on chargeable gains made on the disposal of all assets wherever situated.

An individual who is neither resident nor ordinarily resident in the State for a year of assessment is chargeable to Capital Gains Tax on chargeable gains made on the disposal of the following:

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- land or buildings in the State;
- minerals in the State;
- exploration or exploitation rights in the continental shelf;
- unquoted shares deriving the greater part of their value from such assets mentioned above; and
- assets of a business carried on in the State.

A resident individual, who is not domiciled in the State, is liable to Capital Gains Tax on the disposal of assets situated outside Ireland, only to the extent that the chargeable gains are remitted to the State. There will be a remittance basis of taxation that will apply to gains arising to all non-Irish domiciled persons in respect of non-Irish situated assets. This applies to disposals made on or after 20 November 2008.

The rate of Capital Gains Tax is 25%, with the exception of foreign life assurance policies and off-shore funds, where the rate is 40%.

Estate tax/inheritance tax

Capital acquisitions tax at 25% is applied to gifts and inheritances. There is a territorial limit to the extent to which gifts and inheritances are taxable for non-residents. As it is a tax on acquisitions, the donee is responsible for the payment of the tax. There are a number of exemptions and reliefs.

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Business entities

In considering business entities in Ireland, a distinction needs to be made between unincorporated and incorporated bodies. A significant feature of an incorporated body is that it has a legal status separate from its owners and is capable of suing and being sued in its own name. An unincorporated body may be a sole proprietorship or a partnership. Incorporated bodies include private limited companies, public limited companies and unlimited companies.

Private limited companies are the most common form of business entity used in Ireland. The essential features of a private limited company are that the liability of members is limited to the amount of share capital (common stock) subscribed and that certain obligations imposed on public limited companies do not apply to private limited companies.

To qualify as a private limited company the company must:

- limit the maximum number of members to 99 with a minimum of one;
- restrict the members' right to transfer shares; and
- prohibit any invitation to the public to subscribe for shares or debentures of the company.

A private limited company is required to show the word "Limited" (which may be abbreviated to "Ltd") in its name. Stamp duty is payable at a rate of 1% of the market value on the transfer of shares in all companies.

The constitution of a private limited company is made up of the Memorandum of Association and the Articles of Association which set out the objects and rules of the company.

Corporations

Formation

The following is a brief summary of the main requirements when incorporating a company:

- a company must have the intention of carrying on an activity in Ireland. This includes any activity that a company may lawfully be formed to carry on and includes the holding, acquisition or disposal of property of any kind;

- details of the place or places in Ireland where it is proposed that the company will carry on its activity and the place where the central administration of the company will normally be carried on (full business postal address) must be provided;

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- at least one of the directors is required to be resident in Ireland. Alternatively, the company may hold a bond to the value of €25,400, for a two year period.

It is likely to take approximately ten working days to incorporate a company and the Registrar will then issue a Certificate of Incorporation. When incorporating a company, it is important to ensure that the company name has not already been used in Ireland or is so unwittingly similar to any existing names as to give rise to confusion in the marketplace. The Registrar will not permit the use of any such similar name.

Other entities commonly used by foreign investors

Public limited company

Public limited companies have the same essential characteristics as private limited companies i.e. the liability of members is limited to the amount of nominal capital subscribed, but the key differences are:

- shares in a public limited company are freely transferable;
- there is no restriction on the maximum number of members but the minimum number is seven;
- shares may be issued to the public and may be listed on a stock exchange; and
- certain additional reporting and capital requirements apply to such companies.

The word "public" refers not to the listing of the company's shares on a stock exchange, but rather to the facility to issue shares under a general public offering. Any limited company that does not qualify as a private company is deemed to be a public limited company. As with private limited companies, the Memorandum and Articles of Association set out the objects and rules of the company. There is no upper limit on the level of the issued share capital, but a minimum of €38,092 of share capital must be issued, of which 25% must be paid up. The name of a public limited company must include the letters "plc". In all other respects, public limited companies are similar in nature and form to private limited companies. In practice, public limited companies are seldom used by inward investors since the facility to issue shares to the public is often not of interest to such investors, while the minimum requirements in relation to the number of members and issued share capital can prove unnecessarily burdensome.

Unlimited company

This is a form of business entity where there is no limit on the member's liability if the company's assets are insufficient to discharge the creditors. As a result of the risk of unlimited liability, inward investors do not often use these companies unless such risk can be eliminated. This can be achieved by having a limited liability company as the parent of the unlimited company. A number of advantages arise from this form of body corporate and these can be summarised as follows:

- an unlimited company may, without formality, purchase its shares from its members and may reduce its share capital without recourse to the courts;
- an unlimited company is generally not required to file a copy of its annual accounts with the Registrar of Companies provided at least one of its members does not have a limit on its liability. However, if all the members of the unlimited company are companies with limited liability, the unlimited company is required to file its accounts with the Registrar of Companies.

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On application to the Registrar of Companies, an unlimited company may be converted into either a private or a public limited company and vice versa. However, this process is not reversible. An unlimited company is required to have at least two members, one of which may act as nominee for the other. In all other respects, unlimited companies are similar in form to private limited companies. In practice, the use of unlimited companies is confined to particular situations where greater flexibility is required in terms of share capital movements. In addition, the members may wish to avoid the public disclosure associated with filing of accounts with the Registrar of Companies.

Partnerships: general and limited

A partnership, under Irish law, is defined as the relationship that exists between "two or more persons carrying on business in common with a view to profit". In practice, most partnerships are between individuals but a partnership may exist between individuals and companies and indeed between companies alone. The partnership entity does not have a legal personality separate from that of its partners. In the legal sense, the partnership does not enter into contracts in its own name, but in the names of its partners. Similarly, for legal purposes, the assets of the partnership usually belong jointly to the persons making up the partnership and, subject to the comments below regarding limited partnerships, each partner is jointly and severally liable for the debts of the partnership. A partnership other than a limited partnership is described as a general partnership.

Partnership arrangements are often formalised by way of a written partnership agreement. Where such an agreement is not in place, a general partnership is governed by the provisions of the Partnership Act 1890. It is usual for a partnership to prepare accounts showing the results of the partnership business. Generally, partnerships are not obliged to file these accounts with the regulatory bodies nor are they otherwise obliged to publish these accounts. It is also possible to establish what is known as a limited partnership. A limited partnership is comprised of at least one general partner (who has unlimited liability) and one or more limited partners. Limited partners are liable for partnership obligations only to the extent of the cash and property they contribute. Where no written partnership agreement is in existence, limited partnerships are governed by the Limited Partnership Act 1907. If the general partner is a limited company, the limited partnership is obliged to file its accounts for public record with the Registrar of Companies. A partnership, limited or general, is required to register the business name of the partnership with the Registrar of Business Names.

Sole proprietorship

An individual setting up business as a sole proprietor is the most rudimentary business form. There are few legal formalities or costs associated with the operation of a business as a sole proprietorship and this form of business entity appeals primarily to small enterprises. Because the business is undertaken directly by the owner, he or she is personally liable for the business' obligations and may be required to pledge personal assets as collateral when borrowing funds. However, the owner has absolute managerial control and direct access to profits.

Incorporated in other countries trading in Ireland

Foreign companies (i.e. companies incorporated outside Ireland) may conduct business in Ireland either through a branch or a place of business, depending on the level of independence of the Irish operation.

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Branch

For Irish company law purposes, a branch is a division of a foreign company trading in Ireland that has the appearance of permanency, has a separate management structure, has the ability to negotiate contracts with third parties and has a reasonable degree of financial independence. EU regulations have been implemented that impose a similar registration regime on branches to that imposed on local companies.

A foreign company setting up a branch in Ireland is required to file basic information with the Registrar of Companies. This includes the date of incorporation of the company, the country of incorporation, the address of the company's registered office, details regarding the directors of the company and the name and address of the person responsible for the branch's operation within the State. The foreign company's constitution, certificate of incorporation and audited accounts must also be filed with the Registrar of Companies.

A foreign company trading in Ireland through a branch is also required to file its financial Statements with the Registrar of Companies within 11 months of the company's year end or at the same time as they are published in the country of incorporation, whichever is the earlier. Separate branch financial Statements are not required. As with Irish incorporated entities, changes in previously notified information must be reported to the Registrar of Companies.

Other entities

Place of business in Ireland

A foreign company undertaking business in Ireland from a fixed place of business, not being a branch, must file a copy of its constitution, together with a list of the directors of the company and the address of its established place of business in Ireland, with the Registrar of Companies. Foreign companies which have a place of business in Ireland (not being a branch) and which would be regarded as a public limited company if registered in Ireland are required to file annual accounts with the Registrar of Companies.

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Labour

The labour market in Ireland offers inward investors a pool of young, well-educated and highly motivated workers. Irish people have a strong work ethic and this is reflected in the rate of employee turnover which tends to be well below the European average. The profile of the Irish population is such that the availability of a young workforce is likely to continue well into the next century. Approximately 38% of people in Ireland are under 25 years of age; this compares with a European average of approximately 30%. These features have been a significant factor in attracting the large number of multinationals which have located operations in Ireland.

In terms of demographic factors, immigration from outside the European Economic Area (EEA) continues to contribute to labour force growth through the work permit system. In a study of demographic trends, economists at **NCB Stockbrokers** forecast that projected population declines across much of Europe meant Ireland's already strong economy would look even more attractive in a European context over the next decade. The population of the Republic will grow by 30% to over 5.3 million by 2020 and to six million by 2050.

Structure of the labour market in Ireland

The educational system in Ireland ranks among the best in the world. Over 60% of new entrants to third level education in Ireland undertake business, engineering, computer science or science courses.

While Ireland is English speaking, a significant proportion of students and graduates are proficient in more than one language.

Labour migration & employment permits

All EEA nationals are allowed to work in any European Union country without requiring Work Permits. Non-EEA nationals will require differing types of permission depending on their circumstances.

Work visa/work authorisation

Prospective employees who are non-EEA nationals in the high-tech, medical and engineering sectors may apply for a work visa or work authorisation. The criteria for issuing work visas and work authorisations change regularly according to the demands of the economy. This form of employment permit is issued to an individual, as opposed to an employer. The working visa/work authorisation entitles holders to work for any company in the specified sector for the duration of the employment permit.

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Work permit

A work permit is applied for and issued to an employer as permission to employ a specific, named, non-EEA national, for a specific job, for a specific period of time not exceeding one year in duration. The non-EEA national is not allowed to work for other employers during the period of the permit. Non-EEA nationals working in Ireland on foot of a work permit can change employer and job, so long as the new employer has made a successful application for a new work permit.

In order to receive a work permit employers are obliged to have demonstrated that they have made every effort to employ an EEA national before a work permit will be issued. All employees are advised that a work permit will entitle them to work for the specific company named and no other for the duration of the permit. When the permit has expired their permission to work in Ireland has expired.

Interaction of work permit requirements and tax compliance clearance

The Department of Enterprise, Trade and Employment seeks clarification in relation to the tax compliance status of the employees on whose behalf the work permits are being sought. Work permit applications ask for the employer's tax registration number and the individual's Personal Public Service Number (PPSN), and renewal applications request a copy of the individual's most recent annual certificate of pay and tax deducted (P60).

Visas

All EEA nationals may enter into Ireland without a visa. Some non-EEA nationals will require visas to enter into Ireland. The individual must apply for a visa as the visa may not be applied for by the company on behalf of the individual. The employee should apply for a visa in the Irish embassy or consulate in his country of residence. In addition, the employee must specifically apply for an employment visa as opposed to a business or tourist visa. The standard employment visa (single entry) allows only one entry to Ireland. The current exceptions to this rule are the spouses of work permit holders eligible to apply for work permits under the Spouses' Work Permits Scheme.

Residence permits

Non-Irish nationals (with the exception of UK nationals) are required to register with the local police authorities within seven days of their arrival in Ireland, if they plan to stay longer than three months. Their passports will then be stamped and they will receive a residence permit which is renewable annually.

Further information on the permits granted to foreign nationals coming to work in Ireland and the procedures and documentation involved is outlined in Appendix 5 – Immigration Information.

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Country profile

The primary focus of Ireland's strategy to attract investment has been to create a favourable economic and fiscal environment, which is supportive of industry. Ireland's strategy has proven successful, as in recent years there has been growing recognition of Ireland as a jurisdiction providing a stable economic environment. Ireland's government policies have continued to provide infrastructure and support conducive to business activity.

In addition to the commercial aspects of investing in Ireland, there are other factors which have seen Ireland become recognised as the pre-eminent jurisdiction for establishing a European foothold for multinational business such as its geographical proximity to neighbouring European Union nations, the competitive advantages it holds in telecommunications and infrastructure, its supply of qualified labour, together with one of the most beneficial tax environments.

Key to creating a beneficial tax environment in Ireland is the corporation tax rate of 12.5% from 1 January 2003 on all trading income, whether manufacturing or not. A low corporation tax rate is an incentive which has been maintained by successive Governments since 1955, an endorsement of their support for private enterprise and industry. This endorsement is also demonstrated by the availability of non-repayable financial grants, which can significantly reduce start-up costs.

Competitive operating costs, low corporation tax and generous financial incentives combine to give investors in Ireland a uniquely high return on their investment. The continued cost competitiveness of Ireland as a business base is ensured through low inflation and a stable currency.

Language

Although the Irish language, as the national language, is the first official language, the country is English speaking.

Business hours/time zone

Time in Ireland is GMT.

Offices in Ireland usually open from 9 a.m. to 6 p.m. with an hour for lunch. Keep in mind that some offices will close between 1 p.m. and 2 p.m. for lunch. Factories usually start at 8 a.m. and run to 5 p.m.

Most banks open from 10 a.m. - 4 p.m. Monday to Wednesday and Friday, with later opening on Thursday until 5 p.m.

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Government offices generally open between 9 a.m. and 4 p.m. Most will be closed from 1 to 2 p.m. for lunch.

Shops open from 9 a.m. to 6 or 7 p.m. Monday to Wednesday, Friday and Saturday with later opening on Thursday until 8 or 9 p.m. and Sunday opening from 12 to 6 p.m.

Public holidays

Irish statutory holidays/public holidays are as follows:

- New Year's Day - 1st January
- St. Patrick's Day - 17th March
- Easter Monday (date varies)
- May Day - first Monday in May
- June holiday - first Monday in June
- August holiday - first Monday in August
- October holiday - last Monday in October
- Christmas Day - 25th December
- St. Stephen's Day - 26th December.

Cost of living

A report carried out by Mercer Human Resource Consulting which measured the cost of 200 items such as housing, clothing and food in 143 cities on six continents showed the following results. Although Ireland is regarded as having quite a high cost of living, the quality of living is also high with Dublin ranking third in Europe for health and sanitation.

Cost of Living around the world

	Rent of Flat	Bus/tube ticket	Music CD	Intnl Paper	Cup of Coffee	Burger Meal
Moscow	€3,037 /£2,057	N/A	€18.85 /£12.77	€4.78 /£3.24	€4.78 /£3.24	€3.65 /£2.47
London	€2,952 /£2,000	€4.43 /£3	€19.17 /£12.99	€1.77 /£1.20	€2.95 /£2	€5.74 /£3.89
Tokyo	€3,115 /£2,110	€1.95 /£1.32	€12.00 /£8.13	€1 /£0.66	€3.44 /£2.33	€4.08 /£2.77
Copenhagen	€1,745 /£1,182	€2.55 /£1.73	€20.66 /£14.00	€2.40 /£1.64	€3.76 /£2.55	€7.36 /£4.99
Dublin	€1,200 /£812	€1.51 /£1.02	€20.00 /£29.50	€2.10 /£1.40	€3.00 /£2.00	€6.50 /£4.40
New York	€3,037 /£2,057	€1.52 /£1.03	€13.22 /£8.96	€1.24 /£0.84	€2.85 /£1.93	€4.32 /£2.93
Beijing	€2,156 /£1,451	NA	€16.66 /£11.29	€3.04 /£2.06	€3.42 /£2.32	€2.00 /£1.36
Sydney	€1,547 /£1,048	€1.48 /£1.01	€14.83 /£10.05	€2.67 /£1.81	€2.08 /£1.41	€3.84 /£2.60
Vancouver	€1,033 /£700	€1.50 /£0.98	€14.85 /£10.06	€2.40 /£1.64	€2.09 /£1.42	€3.22 /£2.18
Johannesburg	€723 /£490	NA	€16.52 /£11.19	€2.50 /£1.68	€1.46 /£0.98	€2.07 /£1.40
Buenos Aires	€1,063 /£720	€0.25 /£0.18	€8.58 /£5.81	€4.40 /£2.99	€1.34 /£0.91	€3.30 /£2.24

Source: Mercer Human Resource Consulting

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Grant aid assistance

Government incentives

Since 1 January 2003, a corporation tax rate of 12.5% applies to nearly all Irish trading profits in all sectors, including manufacturing and international services.

Ireland offers an extremely cost competitive business environment with operating costs among the lowest in Europe. An important part of the incentive package offered is the availability of generous grants towards initial start-up costs. A variety of grants are available which can be specifically tailored to meet the needs of each company. These cash grants are non-repayable and are administered by Enterprise Ireland, the Industrial Development Agency (IDA) or by Shannon Development.

Each proposed investment project is assessed by the IDA against a number of criteria. Grant levels are determined by negotiation and grant payments are structured in a way that best suits the financing requirements of the company. The European Union (EU), as part of its social and regional development policy, contributes towards the funding of industrial development.

Capital grants

Cash grants towards the cost of fixed assets are available to companies to help to defray the cost of setting up an operation. Fixed assets eligible for assistance include site purchase and development, buildings and new plant and equipment. Where a factory building is rented, a grant towards the reduction of the annual rental payments may be available instead.

Employment grants

Employment grants are specifically geared towards companies which create employment but do not need to invest heavily in fixed assets. These grants are non-taxable and are geared to low employment areas. An amount will be approved for each job.

One-half of the agreed amount per job will be paid on certification that the job has been created and the balance one year later, provided the job still exists.

Training grants

Grants are available towards the cost of training workers and management for new industries. The costs that are covered include trainees' wages and travel and subsistence expenses, either in Ireland or abroad. The cost of bringing training personnel to Ireland may also be recovered. The grants also extend to the engagement of instructors, technical advisors or consultants to train or to assist in the training of persons for supervisory or management positions.

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Training grants are based on specific training programmes agreed between each investing company, IDA Ireland and FÁS (the Irish Training Authority).

Research and Development (R&D) grants

Cash grants are provided to assist overseas companies to engage in industrial research and development that will result in increased competitiveness and growth.

Product and process development

Grants are available for research into new and improved products and processes. The costs eligible for grant-aid include expenditure on the provision of sites, premises and plant and equipment to set up facilities including wages and salaries, materials, services and consultancy fees.

Feasibility studies

Companies based in Ireland investigating the feasibility of new products or markets may apply for a feasibility grant. The work can include assessing markets, technical work and raw material sourcing. Eligible expenditure includes salaries, travel costs, expenses and consultancy.

Technology acquisition

Grants are provided towards the cost of acquiring new technology which will assist companies in their production operations.

Equity

In some situations, the IDA will take an equity stake in companies, in the form of ordinary or preference shares.

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Regulatory environment

Ireland provides a very favourable tax environment to encourage business development and sustain rewarding investment. Tax reliefs form an important part of the total incentive package available to overseas companies establishing a business in Ireland.

There has also been a considerable increase in the level of focus on regulatory and compliance practices in Ireland over recent years. This has been due to both the continuing success of Ireland as an e-commerce hub and also an increased interest in consumer protection. The Irish Financial Services Regulatory Authority (IFSRA). IFSRA is responsible for consumer protection and financial sector regulation. EU and international regulatory developments are also impacting on the industry.

Restrictions on foreign ownership

Irish laws are very liberal toward trade and industry. There are no general prohibitions against the acquisition of majority holdings by foreign interests in Irish companies or against foreign ownership of either business entities or real property.

Government approvals and registration

The Central Bank of Ireland (CBI) does screen and approve all foreign investment. Remittance of dividends and profits and the repatriation of capital must also have prior Central Bank approval but approval is mainly a formality. Royalty agreements between resident and non-resident companies must be approved by the CBI. These approvals are routinely granted and serve more as a monitoring function than as a method of capital control.

Competition rules/consumer protection

Competition law is designed to protect competition and consumers by prohibiting anti-competitive business practices. The competition rules of the EC apply in Ireland and are superior to any conflicting Irish rule.

Import and export controls

The Licensing Unit of the Department of Enterprise, Trade and Employment administers European Union (EU) restrictions on the importation into the Union of certain non-EU products. In some instances, it may be necessary to apply to the Licensing Unit for a license to import such products.

Some degree of control of exports from Ireland has to be retained in order to:

- prevent the export of "Dual-Use" items i.e. items which have both civilian and military uses;

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- prevent the export of military goods to countries whose behaviour is considered a threat to international or regional peace; and
- to comply with restrictions imposed by the UN, EU and OSCE.

Exporters are strongly advised to consult the legislation where and when queries arise in relation to specific exports and exporting situations. Applications for export licences should be submitted to the Export Licensing Unit of the Department of Enterprise, Trade and Employment.

Price controls

There are no legal price controls in Ireland. Competition law is now based on EU legislation.

Use of land

Building development requires the approval of the relevant local authority. Legislation to protect and maintain the environment is closely modelled on EU Directives and covers matters such as planning and building regulations, public safety and the issue of pollution control licences. This legislation is implemented primarily by local authorities and by the Environmental Protection Agency. This agency is a government body responsible for monitoring and licensing those industrial activities that are considered to carry a significant risk of environmental pollution.

Exchange control

There are no restrictions on the repatriation of earnings, capital, royalties or interest and repatriation payments can be made in any currency. Similarly, there are no restrictions on the import of capital to Ireland. Residents and non-residents can operate bank accounts in any currency and Irish businesses are free to open bank accounts in any location outside Ireland.

Inward investors must, of course, have regard to exchange control regulations in their home countries.

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Finance

Ireland has a well-developed domestic financial services industry. In general, the banking sector is dominated by a number of domestic banks, particularly in the retail sector. However, a large number of foreign banks also have operations in Ireland concentrating principally, though not exclusively, on the corporate sector. The Central Bank of Ireland is the regulator for banks established in Ireland. It is also the regulatory authority for investment funds domiciled here.

The insurance industry is well developed in Ireland. A number of foreign insurers have a significant market share, mainly through Irish subsidiaries or branches.

The Euro is the currency of Ireland and of the 16 other Euro-zone countries. The countries participating in Eurozone are Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

Banking system

Irish licensed banks can be classified into three main categories:

- clearing banks;
- merchant and commercial banks; and
- industrial banks.

The main clearing banks are Allied Irish Bank, Bank of Ireland, National Irish Bank and Ulster Bank. These provide a full range of banking services, including foreign exchange dealing and hedging activities. Many international banks are represented in Ireland for commercial lending and foreign exchange facilities.

Capital markets

The Irish Stock Exchange plays a key role in Ireland's financial infrastructure with roots that stretch back to 1793 when the Stock Exchange first began in Dublin. Since that time, the Exchange has brought together those wishing to raise finance (whether business or Government) with those who wish to invest.

The Exchange provides a market place where listed securities can be traded efficiently. This includes maintaining market rules and providing services for market users. While the Exchange lists hundreds of securities, including investment funds, the main markets, from a trading point of view, are in the shares of Irish listed companies and Irish Government bonds.

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Imports

International and internal transport services are well developed. EU structural funds have been used to upgrade the network of main secondary roads linking the major population centres. The rail network includes a cross-border rail link with Northern Ireland. Six international airports provide connections to the UK, the rest of Europe and the US. Imports and exports are transported mostly by sea. Dublin is the main port but there are a number of other large ports. Passenger car ferry services provide direct sailing to the UK and France.

Ireland has one of the most advanced telephone systems in Europe. It is the Government's intention to make Ireland the e-commerce hub of Europe.

Import restrictions

The Licensing Unit of the Department of Enterprise, Trade and Employment administers European Union (EU) restrictions on the importation into the Union of certain non-EU products. In some instances, it may be necessary to apply to the Licensing Unit for a licence to import such products. The three types of import restrictions which are applied are:

- quantitative restrictions - a limit or "quota" is imposed on the volume of goods that may be imported from non-EU countries ("third countries"). Quotas may be managed in different ways but the most commonly used method is that of "first come, first served basis".
- single surveillance - a statistical tool which enables the EU to monitor the level of imports of certain goods from third countries. There is no limit on the volume that may be imported.
- double surveillance - the EU monitors the level of imports of a particular product while the supplier country monitors the level of exports to the EU. There is no limit on the volume of goods that may be imported.

In most cases, the decision to issue an individual licence is subject to explicit approval from the European Commission. The system does not allow any margin of indiscretion to the Department.

Customs duties

Ireland is a member of the European Union (EU) and all border controls between member countries have been eliminated. This created the Single European Market, which allows duty-free importation of goods from other EU countries.

Goods imported from outside the EU are subject to customs duty at the appropriate rate specified by the EU's Common Customs Tariff. The rate of duty is based on the International Harmonised

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System (HS). The EU has preferential tariff agreements with certain countries and country groupings which will result in the rates being reduced or eliminated.

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

Duty relief

Customs and Excise duties are collected at point of importation. There are, however, some arrangements in operation under which foods may be imported without payment of duty.

- inward processing – approval may be obtained to import goods duty-free from outside the EU for processing and re-exportation to non-EU countries.
- warehousing – businesses can obtain approval to store goods duty-free on their premises until required. If the goods are for processing, the above relief will apply. Where it is finished product for sale, no duties are payable if the goods are re-exported outside the EU. Where the goods are released into the EU, the appropriate duties are payable.
- special arrangements operate to allow movement of dutiable goods within the EU, with the duty being eventually paid in the country of consumption.

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Financial reporting and audit

- financial Statements must be prepared in accordance with Irish GAAP.
- these financial Statements must be in the format set out in the Companies Acts.
- Irish incorporated companies are required to have their financial accounts audited by a registered auditor.
- companies with subsidiaries must generally prepare group accounts.

Accounting standards

Irish Generally Accepted Accounting Principles (GAAP) take the form of Financial Reporting Standards (FRS). There are certain differences between these principles and International or US Generally Accepted Accounting Principles (GAAP).

Irish GAAP is governed by guidelines issued by the Accounting Standards Board as promulgated by the Institute of Chartered Accountants in Ireland. As and from 1 January 2005 listed companies must adopt International Financial Reporting Standards (IFRS) under EU directives.

There has been a significant amount of work carried out to align FRS with IFRS (the Convergence project) and several Irish standards have been amended to mirror IFRS principles during 2006.

Domestic corporations

Filing/publication requirements

Irish companies are required to keep proper financial records. The directors are also required to prepare accounts on a periodical basis, which give a true and fair view of the state of affairs and results of the company for its financial period, a copy which must be filed with the Registrar of Companies. An abridged form of financial Statements can be filed by small or medium sized companies (as defined in company legislation).

Audit requirements

Irish incorporated companies are required to have their financial Statements audited by a registered auditor, subject to the exemptions listed below. The audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial Statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial Statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed. If the auditor is satisfied with the above, a formal (unqualified) audit report will be issued.

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Certain private limited companies are exempt from having their financial Statements audited. To qualify for the exemption the company must meet the following criteria for both the current and previous accounting year:

- turnover less than €7,300,000;
- balance sheet total less than €3,650,000; and
- average number of employees below 50.

This exemption does not apply to:

- unlimited companies
- public limited companies
- parent or subsidiary companies;
- banks and financial institutions;
- insurance companies; and
- financial intermediaries.

This is an exemption from an audit only. It does not obviate the need to prepare financial statements. In both the previous year and the year concerned, the annual return and accounts must be filed at the Companies Registration Office within the time limit specified in the Companies Acts.

Audit & publication requirements
Branches of foreign companies operating in Ireland are not required to have accounts audited independent of the company accounts to which they relate, however it should be noted that a copy of the company (not the branch) accounts must be filed with the Registrar of Companies within eleven months of the year end.

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Appendix 1– 12.5% Tax rate

Low tax regime makes Ireland a leading choice for international companies

Ireland operates a low **12.5% tax rate** for corporate profits from all trading activities and offers participation exemption. This low tax regime makes Ireland a leading choice as a base for international business such as:

- e-commerce and internet services;
- holding company location;
- sales distribution operations;
- re-invoicing services;
- aircraft leasing;
- supply of staff;
- management and group support services; and
- financial services.

The 12.5% rate applies to profits from all trading activities with very few exceptions. Ireland provides flexibility in choice of corporate structure. The 12.5% rate is available to Irish resident corporations and also to Irish branch operations of non-resident corporations. To get this 12.5% rate (as opposed to the 25% rate) trading must take place in Ireland and this will require Irish activity. Wholly foreign trades are taxed at 25%.

Business and tax laws help to create a **positive environment** for international trading activities based in Ireland.

- wide network of tax treaties;
- no transfer pricing;
- no CFC legislation;
- no thin capitalisation rules;
- no exchange controls'
- no approval or licence needed;
- no branch withholding tax; and
- no dividend withholding tax to European Union or tax treaty countries, including dividends paid to companies controlled by these countries.

Recently introduced **tax incentives** include:

- extensive relief for foreign tax paid on dividends to Irish parent companies;
- 20% tax credit for R&D expenditure;
- participation exemption;
- stamp duty exemption on transfers of intellectual property

A 25% tax rate applies to a few excepted trades and to passive income such as interest income, dividends and rental income from property. There will be situations where there will be a thin line between trading and passive income e.g. in certain royalty structures. Activity is an important factor. We would be delighted to discuss these issues with you at any time.

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Appendix 2 – Research & Development credits

The definition of R&D for tax purposes extends far wider than traditional activities taking place in R&D laboratories and centres carried out by people in white coats. It covers activities carried out by companies in many different industries, in many different ways, often on the factory floor.

Is your company currently maximising R&D tax credits?

If your company is involved in any of the following activities, or similar, you could be eligible for the R&D credit of 20% to 25% on your expenditure:

- development of a new product/improvement of an existing product;
- development of a new process/improvement of an existing process or system;
- improvements to plant performance i.e. improvement of energy efficiency, etc.;
- improvements to production output waste reduction, yield improvement or substitution of raw materials, etc.;
- development of product specifications with customers or suppliers;
- use of universities or external experts to assist developments in your business;
- process changes to improve environmental or safety performance;
- plant/product trials either on the production line or on pilot facilities;
- automation of manual processes involving the development of new processes and systems;
- development of new techniques for production, analysis, testing, etc.;
- modelling or simulation activities;
- development of solutions to reduce a high number of product returns due to failure or technical deficiencies; or
- use of new or modified raw materials.
- have you received a Research and Technology Innovation (RTI) grant or R&D capability grant?

New provisions that apply to expenditure incurred from 1 January 2009.

- confirmation of increase in the tax credit to 25% (from 20%), base year fixed at 2003 for all future periods;

- the ability to set the tax credit back against corporation tax arising in the prior year;

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- the ability to claim a refund from Revenue (over 3 years) for any tax credits which either cannot be carried back or cannot be set off against current year corporation tax liabilities. The refund is restricted to the greater of payroll taxes paid in the period or corporation tax paid in the ten preceding periods. Where a company is a member of a group, it should be possible to allocate the tax credit to the appropriate company in the group to maximise the refund opportunities;

- full credit for R&D buildings now available in year one (not spread over 4 years);

- the extension of the R&D buildings allowances to buildings which are partly (greater than 35%) in use for R&D purposes for a minimum four year period. In such cases, the allowances can be claimed in proportion to the R&D activities carried out in the building. There are various clawback provisions where the building is sold or ceases to be used for R&D activities within 10 years of the expenditure being incurred;

- tax credits available under the buildings provisions can also be used to offset current year liabilities carried back against the prior period liability or claimed as a refund from Revenue, subject to the provisions above regarding payroll tax liabilities and the aggregate corporation tax liabilities in the preceding ten periods.

How can we help?

Little guidance is provided by Revenue on this subjective and complex area. Consequently, an eligible claim requires a well structured, detailed and pragmatic review of all activities and costs.

If your company is carrying out any of the above activities, and you are interested in discussing whether your activities could be eligible for the valuable R&D tax credit, Grant Thornton can help. We will be happy to conduct an initial eligibility assessment of your activities at no cost to you.

Grant Thornton Research and Development Group consist of experts in the United Kingdom, United States, Canada, Australia, Israel and Europe.

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Appendix 3 – Irish tax treaties

Table of Source Country Tax Rates for Dividends, Interest and Royalties			
Country	Withholding Tax Rates %		
	Dividends(a)	Interest	Royalties
Australia	15	10	10
Austria	0(b)/10	0	0/10(m)
Belgium	0(b)/15	15	0
Bulgaria	5(d)/10	0(i)/5	10
Canada (2006)	5/15	0/10	0/10
China	5(d)/10	0(i)/10	10(u)/10(p)
Chile	5/15	5/15	5/10
Croatia	5(e)/10	0	10
Cyprus	0	0	0/5(o)
Czech Rep	5(d)/15	0	10
Denmark	0(b)(d)/15	0	0
Estonia	5(d)/15	10	5(p)/10
Finland	0(b)(e)/15	0	0
France	0(b)/10(f)/15	0	0(q)
Germany	0(b)/15(g)	0	0
Greece	5/15	5	5
Hungary	5(h)/15	0	0
Iceland	5/15	0	0/10
India	10	0(l)/10	10
Israel	10	5(k)10	10
Italy	0(b)/15	10	0
Japan	10(d)/15	10	10
Korea (Rep)	10(e)/15	0	0
Latvia	5(d)/15	10	5(p)/10
Lithuania	5(d)/15	10	5(p)/10
Luxembourg	0(b)/5(d)/15	0	0
Malaysia	10	0(l)/10	8
Mexico	5(e)/10	0(l)/5(t)/10	10
Netherlands	0(b)(d)/15	0	0
New Zealand	15	10	10
Norway	0(t)/5(e)/15	0	0
Pakistan	15/0-35(i)	No Limit	0
Poland	0(d)/15	0(k)/10	10
Portugal	0(b)/15	0(l)/15	10
Romania	3	0(k)/3	3
Russia	10	0	0
Slovak Rep	0(d)/10	0	0/10(u)
Slovenia	5(d)/15	0(l)/5	5
Spain	0(b)(d)/15	0	5 (r)/8(s)/10

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South Africa	0	0	0
Sweden	0(b)/5(e)/15	0	0
Switzerland	10(d)/15	0	0
UK	0(b)(e)/15	0	0
United States	5(e)/15	0	0
Zambia	0	0	0

Notes

a from 6 April, 1999 Irish withholding tax applies.
b per EC Parent-Subsidiary Directive (25% holding).
c inter-corp. rate – 100% holding (see other conditions in treaty)
d inter-corp. rate – 25% holding.
e inter-corp. rate – 10% holding.
f inter-corp. rate – 50% holding.
g subject to variation – see treaty.
h 10% holding.
i for an Irish individual recipient (not engaged in trade or business in Pakistan through a permanent establishment) – the withholding tax rate is the Pakistani tax rate (currently graduated scale to a top rate of 35%) which would have applied if he/she were a Pakistani resident liable to tax on his/her total world income.
j from Ireland – domestic standard rate applies.
k certain credit sales and bank interest and, in the case of Romania, any loan of whatever kind made for 2 years or more and any debt-claim guaranteed, insured or financed by the Government of either contracting State.
l certain government loans and, in the case of Mexico, certain pension funds.
m if the recipient holds more than 50% of the payer company.
n literary, dramatic, musical or artistic copyrights (other than for films or TV) – otherwise domestic rate applies.
o for films (not TV).
p for use of industrial, scientific, or commercial equipment. In the case of China, the rate is 10% of the adjusted amount of the royalties – adjusted amount means 60% of the gross amount of the royalties.
q excluding films – domestic rate applies.
r literary, dramatic, musical or artistic copyrights.
s films, tapes and lease payments.
t for loans from banks and, in the case of Ireland/Norway, certain government funds.
u for technical royalties or for information concerning industrial, commercial or scientific experience.

The treaty network continues to be expanded and updated.

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Appendix 4 – Labour market in Ireland

PAYE (Pay As You Earn) Tax

The earnings of employees of Irish companies are subject to tax at source under the PAYE system. This is deducted by the employer and paid over to the Irish tax authorities directly.

Social security costs

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

Employers contribute on a sliding scale as follows:

Employee earnings	Rate
Up to €356 per week	8.5%
Over €356 a week	10.75%

Employers must collect both the employer and employee PRSI and pay it over to the Irish tax authorities.

Exemption from PAYE and PRSI

If persons employed by an Irish company carry out all of their duties abroad, an application may be made to the Irish tax authorities for an exclusion order which exempts the earnings from the employment from Irish PAYE tax at source.

In addition, if an employee from another EU country is seconded to Ireland, an exemption from Irish PRSI for a period of up to 12 months may be applied for from the Department of Social and Family Affairs. The employee must produce a Form E101 from his home country confirming that he is continuing to pay social insurance in that country. The 12 month exemption period may be extended in certain circumstances. There are also reciprocal agreements with certain countries in relation to social insurance.

Employer PRSI exemption scheme

Companies who employ additional qualifying employees, resulting in a net increase in the numbers employed, are exempt from employer PRSI for the first two years of their employment, subject to certain conditions. Also, the employment of long term unemployed has additional tax attractions.

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Pension costs

Many employers pay pension contributions to an Occupational Pension Plan on behalf of their employees. The employer cost is generally in the range of 4% to 9% of the payroll. Employer and employee contributions are paid into a pension fund whose assets are kept separate from the assets of the employer.

Occupational Pension Plans may either be defined benefit or defined contribution plans, but defined contribution plans are now favoured. Pension contributions paid into a Revenue approved plan are tax deductible. The pension fund pays no tax on its investment returns.

Benefits are not generally payable until retirement age, which would typically be between 60 and 65 years of age. At retirement, the accumulated fund is available to provide a lump sum, a member's pension, a contingent dependent's pension, cost of living increases on pensions or a combination of all of these benefits according to the wishes of the member. However, there are maximum limits imposed by the Revenue Commissioners.

With the passing of the Pension (Amendment) Act, 2002 an employer who is not operating an Occupational Pension Plan, or who excludes an employee from joining their plan, is now compelled to provide access to a payroll deduction facility by way of a Personal Retirement Savings Account (PRSA) for these employees.

Healthcare and usual fringe benefits

Entitlement to health services in Ireland is primarily based on residency and means, rather than payment of income tax or Pay Related Social Insurance (PRSI). Any person, regardless of nationality, who is accepted by the health boards as being ordinarily resident in Ireland, is entitled to either full eligibility (medical card) or limited eligibility for health services. Health boards normally regard a person as "ordinarily resident" in Ireland if he/she satisfies the health board that it is his/her intention to remain in Ireland for a minimum period of one year.

Paid holidays

In respect of public holidays, an employee is entitled to whichever of the following the employer determines:

- a a paid day off on that day;
- b a paid day off within a month of that day;
- c an additional day of annual leave; or
- d an additional day's pay.

The usual arrangement is for employees to have a paid day off on public holidays. In addition to public holidays, all full-time employees and certain part-time employees are entitled to be given a minimum period of paid annual leave. The annual leave entitlement is calculated using one of the following methods:

- a four working weeks, where at least 1,365 hours have been worked in any leave year, or
- b a leave period equivalent to 8% of the hours worked in any leave year, or
- c a leave period equivalent to one third of a working week where the employee works at least 117 hours in a calendar month.

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Minimum wage

From 1 July 2007 the National Minimum Wage has been increased to €8.65 per hour.

Employment protection legislation

The legal framework of employment relationships in Ireland is based upon individual contracts of employment for each employee underpinned by the general and specific labour law (both legislation and case law). The legislation concerning labour relations reflects Ireland's long-standing membership of, and strong commitment, to the EU. Particularly important legislation affecting employment rights and obligations includes:

Protection of Employees (Fixed-Term Work) Act 2003 – aims to outlaw discrimination against persons who are employed on fixed-term or specified purpose contracts and to afford those individuals equal access to conditions of employment (including pay and pensions).

The Act also regulates the renewal of fixed term contracts and requires employers to offer fixed-term workers access to training opportunities.

The Protection of Employees (Part-time Work) Act, 2001 - outlaws discrimination against part-time workers.

Employment Equality Acts 1998 and 2004 - prohibits discrimination on the grounds of gender, marital status, family status, sexual orientation, religion, age, disability (mental and physical), race and membership of the travelling community in the workplace.

Equal Status Act 2000 - protects against discrimination in non-workplace areas. It prohibits discrimination on the same grounds as the Employment Equality Acts and encourages the evaluation of people on their merits as individuals rather than by reference to the group to which they belong.

Industrial Relations Act 1990 - concerns trade disputes and industrial relations law. This is the basic industrial relations machinery, which regulates the right to take industrial action and the manner in which it is exercised. It reformed the institutional framework of the Labour Relations Commission and redefined the role of other such bodies including the Labour Court, Conciliation Service, the Rights Commissioner and the Employment Appeals Tribunal.

Maternity Protection Act 1994 and 2004 - sets out statutory maternity leave entitlements and provides improvements in the health and safety at work of workers who are pregnant and workers who have recently given birth or who are breastfeeding.

Parental Leave Act 1998 and the Parental Leave (Amendment) Act 2006 – entitle employees who are parents, or are in a position of loco parentis of a child, to 14 weeks unpaid parental leave. The leave must be taken before the child reaches 8 years of age or 16 years of age in the case of a child with a disability. The leave can be applied for as a continuous block of 14 weeks or 2 separate periods of a minimum of 6 weeks each.

Protection of Young Persons (Employment) Act 1996 - prohibits the employment of children under 16 subject to certain exceptions.

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Redundancy Payments Acts 1967-2003 - impose a statutory obligation on employers to pay compensation to employees dismissed for reason of redundancy.

Safety, Health and Welfare at Work Act 2005 - imposes obligations on employers, employees and the self-employed to contribute to ensuring that their workplace and systems of work are safe.

The Carer's Leave Act 2001 - provides an employee with an entitlement to avail of unpaid leave from his/her employment to enable him/her to personally provide full-time care and attention for a person who is in need of such care.

The Minimum Notice and Terms of Employment Acts 1973 to 2001 - regulates the minimum notice to be given by an employer to terminate the contract of employment of an employee.

The Terms of Employment (Information) Acts 1994 and 2001 - requires employers to provide a written Statement to employees within two months of commencement of employment detailing the terms of their employment.

The Payment of Wages Act 1991 – gives every employee the right to a written Statement every payday with every deduction itemised.

Organisation of Working Time Act 1997 – sets out statutory rights for employees in respect of rest, maximum working time and holidays. In specified circumstances certain categories of employees are excluded or exempted from all, or parts of the Act's provisions. Otherwise, all employees are covered. Part III of the Act deals with Public Holidays and Annual Leave.

The Unfair Dismissals Acts 1977-2001 - provides protection for employees from unfair dismissal.

Information & Consultation Directive 2002/14/EC and the Employees (Provision of Information and Consultation) Act, 2006 – The Act was signed into law on 10 April 2006, establishing a general framework for consulting and informing employees. The Act applies to undertakings with:

- 150 employees and over – from 4 September 2006;
- 100-150 employees – from 23 March 2007;
- 50-100 employees – from 23 March 2008.

Unions

There are 56 trade unions currently affiliated to the Irish Congress of Trade Unions. About half the workforce belongs to a union and, of trade union members, almost 40% belong to a single union, the Services, Industrial, Professional and Technical Union - SIPTU *(Source: Irish Congress of Trade Unions).* Unions tend to be concentrated in the older, indigenous Irish companies. While an employee has a constitutional right to join a trade union, there is a preference of large multinational employers for non-union status. EU legislation, under the Social Charter, requires the establishment of workers' councils by larger employers which have undertakings in two or more Member States of the EU.

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Appendix 5 – Immigration information

Introduction

Due to high levels of migration to Ireland in recent years there has been an increase in foreign nationals entering Ireland's workforce. Dramatic changes and new implementations have been introduced to the Employment Permits Act 2006 to provide greater protection to foreign nationals and develop a comprehensive immigration system dealing with work permits and visas. This appendix provides a brief overview of the following permits normally granted to foreign nationals coming to work in Ireland, the procedures and documentation involved and the assistance we can provide:

- Green Card Permit
- Work Permit
- Inter Company Transfer Scheme
- Spousal/Dependent Work Permit

Types of employment permits

Green Card permits

Employment permit for highly skilled migrant workers. It has replaced the previous working visa/work authorisation system for certain occupations. The green card permit is issued to the employee and allows his or her employment in the State by the named employer in the occupation specified on the permit.

Main feature

Salary

The green card permit is available for occupations with annual salaries of €60,000 or more.

It is also available for a restricted list of occupations with annual salaries of €30,000 to €59,999 in the following sectors of employment: information and communications technology, healthcare, industry, financial services and research

Labour market needs test

This is not required for a green card permit.

Duration of permit

The green card permit is issued first for 2 years and will thereafter normally be renewed indefinitely.

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The new arrangements allow the employee to apply for immediate family re-unification and will normally allow a pathway to permanent residency after two years.

Processing time
You should allow 15 working days for a new application or renewal to be processed**.**

Visa /Residency permit
Entry to the State by an employee who is not an EEA/Swiss citizen requires an entry visa or residence permit. Same may be applied for by the employee from his nearest Irish Embassy/Consulate.

On arrival in the State the employee/transferee should register with the National Garda Registration Office to obtain the appropriate permission to remain in the State as an employee. This is important and necessary in order to have the correct immigration status for permission to remain in the State.

Application requirements
- a completed application form must be submitted by the proposed employee or the employer.
- the application is made to The Department of Enterprise Trade and Employment.
- the permit is issued in the name of the proposed employee.

Application form must be accompanied by:

- documentary evidence of a job offer for 2 or more years on company headed paper, dated within the previous 60 days, including a full description of the employment, the starting date, annual salary excluding annual bonus and information on the employee's qualifications, skills or experience required for the job;
- documentary evidence of the employee's qualifications;
- the application fee of €1,000; or the renewal fee of €1,500;
- copy of the employee's passport - the employee's passport must be in date and valid for 3 months after the proposed expiry date of the green card;
- where applicant is already resident in the State, copies of all visas, residency stamps and copy of the employee's Garda National Immigration Bureau Registration card;
- if the applicant is not resident in Ireland, then he or she should apply for a visa; (see above) and
- if the employee is a medical professional, a copy of the registration with the appropriate medical body or a validation of qualifications from the Department of Health and Children. There are new arrangements for employment permit applications for doctors and nurses.

Work permits

A work permit which is issued to foreign nationals for whom the Green Card Permit does not apply. The Work Permit is issued to the employee and allows his or her employment in the State by the named employer in the occupation specified on the permit.

Main feature

Salary
This permit is available to employees whose salary is €30,000 or more excluding annual bonus and, in very limited circumstances, where the salary is less than this. The foreign-national concerned must

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possess the relevant qualifications, skills or experience that are required for the employment. There are certain occupations for which work permits are exempt.

Labour market needs test

The employer must first advertise the position with FAS, European Employment Services and also in local and national newspapers, for three days, to ensure that, in the first instance a national of the EEA or Switzerland, or in the second instance a national of Bulgaria or Romania, cannot be found to fill the vacancy.

Duration of permit

The Work Permit will be issued for an initial period of two years and can then be renewed for a further three years. After five years, the Work Permit can be renewed indefinitely.

Processing time

You should allow 15 working days for a new application or renewal to be processed.

Visa/Residency permit

Entry to the State by an employee who is not an EEA/Swiss citizen requires an entry visa or residence permit (see the Visa/Residency permit paragraph in the work permit section for details).

Application requirements

- a completed application form must be submitted by the proposed employee or the employer.
- the application is made to The Department of Enterprise Trade and Employment.
- the permit is issued in the name of the proposed employee.

Application form must be accompanied by:

- two recently taken passport-sized photographs of the proposed employee;
- documentary evidence that a labour market needs test has been undertaken;
- documentary evidence of the employee's certified qualifications;
- if the proposed employee is resident in Ireland, copies of all visas, residency stamps and Garda National Immigration Bureau registration card;
- if the proposed employee is not resident in Ireland, then he or she should apply for a visa, as mentioned above; and
- the appropriate fee:

For a period of up to 6 months	€500
For between 6 months and 2 years	€1,000
For up to 3 years	€1,500
Indefinite renewal after 5 years	no fee

Inter-company transfer scheme

This scheme allows senior management, key personnel and trainees who are foreign nationals working in an overseas branch of a multi-national company to transfer to the Irish branch.

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Main feature

Salary

The employee must be earning at least €40,000 a year and have been working for the company for a minimum of 12 months.

Labour market needs test

This is not required for an intra-company transfer.

Duration of permit

The duration of an Intra Company Transfer Permit would be for a defined period depending on the reason for transfer. Applications may be granted for a maximum period of up to 24 months in the first instance and may be extended upon application to a maximum stay of five years.

Transferee limit

Normally the number of Intra-Company Transferees should not exceed 5% of the total Irish workforce in the host company, although in exceptional circumstances such as small firms or start-up companies a higher percentage may be permitted on a strictly temporary basis with an absolute limit of 50% of non-EEA staff.

Processing time

You should allow 10 working days for a new application or renewal to be processed.

Visa/Residency permit

Entry to the State by an employee who is not an EEA/Swiss citizen requires an entry visa or residence permit (see the Visa/Residency permit paragraph in the work permit section for details).

Application requirements

- fully completed Intra-Company Transfer Permit form must be submitted by the host company in Ireland to the Department of Enterprise, Trade and Employment.

Application form must be accompanied by:

- 2 recently taken passport photos of proposed employee;
- documentary evidence that the host company is a bona-fide business organisation (excluding sole traders) which is registered and training in Ireland and which is fully compliant with all filing requirements;
- the Irish company must have a direct link with the overseas company by common ownership e.g. either one company must own the other, or else both must be part of a group of companies controlled by the same parent company. Documentary evidence of this link may be required; and
- appropriate fee (see work permit fees above).

Spousal/dependant work permits

Spouses and dependants of employment permit holders may be granted a spousal/dependants work permit.

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Main feature

Applicants

Spousal work permit arrangements apply only to spouses legally resident in Ireland who are married to each other. That is, you cannot apply for a spousal work permit if you and your non-EEA partner are unmarried.

Dependant work permits are available only to dependent unmarried children aged under 18, who are resident in Ireland as family members of the employment permit holder. In exceptional cases work permits may be available to dependants aged over 18, who became legally resident in Ireland before the age of 18.

The spouse or dependant can apply for any job vacancy.

Labour market needs test

Not required for Spousal/dependant work permits.

Duration of permit

A work permit under this scheme will normally be issued for the period up to the expiry date of the permit of the existing employment permit holder. Permits can be renewed after the initial period granted.

Processing time

You should allow 4 to 5 working weeks for a new application or renewal to be processed.

Visa/Residency permit

When a work permit is issued to an eligible spouse or dependant he or she needs to re-register with the Garda National Immigration Bureau. This is in order to obtain permission to remain in the State as an employee. It is important to do this as otherwise the spouse or dependant will not have the correct immigration status.

Main criteria

In order to be eligible to apply for a spousal/dependant work permit all the following criteria must be met:

a The spouse and the employment permit holder must be married and have a legally recognised marriage certificate (see 'applicants' above).

b The employment permit holder must have one of the following:

- a valid green card permit; or
- a valid work permit of 12 months or more duration; or
- a valid intra-company transfer permit of 12 months or more duration; or
- a valid working visa or work authorisation issued before 31 December 2006

c The employment permit holder must still be working within the terms of his or her permit.

Applications for spouses or dependants living outside Ireland must go through the normal work permit procedures.

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Application requirements

- the employee or the employer can apply for a spousal/dependant work permit.
- the application is made to The Department of Enterprise Trade and Employment.
- the permit is issued in the name of the proposed employee and will allow their employment in the State by the employer and in the occupation specified on the permit.

Application form must be accompanied by:

- a letter confirming that the application is a spousal/dependant application; and
- a letter from the employer of the employment permit holder confirming the job title, salary, length of time in the job and the type of permit held; and
- the spouses' marriage certificate or the dependant's birth certificate; or
- if the work permit is for a dependant aged under 18, a letter confirming the employer will comply with the terms and conditions of the Protection of Young Person's Employment Act 1996.
- there are no fees for applications or renewals.

Other information

No need for a work permit if one is:

- EEA (except Bulgarian and Romanian nationals)/Swiss citizen; or
- person who has been granted refugee status - whether through the normal process or as a programme refugee; or
- person who has been given permission to stay in the country because you are the spouse of an Irish citizen or the parent of an Irish citizen.

The EEA (European Economic Area) consists of the EU member States together with Norway, Iceland and Liechtenstein.

Grant Thornton's services

We can advise companies and individuals of the visa options available and the most appropriate route to take; we can provide assistance with the administration of the application for the appropriate visa and handle all correspondence with the government departments.

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Appendix 6 – Financial services organisations

Ireland is renowned globally as being one of the premier locations for establishing and administrating **financial services organisations**. Grant Thornton's financial services tax team provides tax advice to businesses from all over the world. We combine technical expertise with a commercial approach based on experience and deep industry sector understanding. We provide specialist tax advice in the followings sectors; **funds, securitisation, investment management, insurance, leasing, treasury and finance.** The tax services that we provide to financial services organisations can be broadly split along the following lines:

Corporation tax

- product launch, design & prospectus review;
- restructurings, re-domiciling and amalgamations advice;
- tax trading opinions & ruling submissions to Irish Revenue for the 12.5% rate of tax;
- withholding tax structuring advice & assistance;
- impact of ECJ cases & EU directives;
- transfer pricing;
- DIRT & Encashment taxes;
- due diligence advisory services;
- secondments;
- maximising R&D credits
- tax depreciation reviews;
- tax risk management;
- global tax compliance software; and
- corporate tax compliance.

Value Added Tax

- structuring & planning to minimise VAT;
- supply of services & recovery of VAT;
- registrations & submitting returns;
- VAT on property;
- Irish and foreign VAT recovery;
- global tax compliance management;
- cross border VAT planning;
- advice on risk control procedures; and
- VAT reviews/health checks.

Stamp Duty

- structuring advice;
- cross border advice;
- insurance premium taxes; and
- composition agreements.

Global employer solutions

- immigration/visa assistance;
- social security;
- global expatriate planning & management;
- payroll outsourcing;
- benefit in kind advice;
- share schemes;
- income & capital taxes advice;
- double taxation advice;
- pension considerations; and
- health check reviews.

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Appendix 7 - Aviation leasing and structured finance

Ireland is renowned globally as being one of the premier locations for establishing and administrating **aviation leasing and structured finance operations.**

Our financial services tax team provides tax advice to businesses from all over the world. We combine technical expertise with a commercial approach based on experience and deep industry sector understanding. We provide specialist tax advice to the aviation leasing and structured finance industry.

Ireland is a global leader for the aviation industry because of:

Our favourable tax regime

- corporation tax rate of 12.5%
- 8 year tax depreciation
- access to extensive tax treaty network (45 Countries)
- stamp duty exemptions
- favourable VAT treatment
- favourable tax treatment for holding companies
- centralised leasing incentives
- generous tax breaks for R&D
- certain withholding tax exemptions
- tax deductible interest.

Our country characteristics

- Ireland is a world leader in aviation leasing
- years of experience have led to a large pool of local expertise
- experienced professional services organisations i.e. tax advisors, lawyers
- proven flexibility by Irish regulators
- member State of the EU and OECD
- regulated centre / non "tax haven"
- currency is Euro
- youngest population profile in EU, well educated workforce
- fastest growing economy in the EU
- open economy
- English speaking
- stable government.

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Some aviation leasing companies that have chosen Ireland

- Aer India
- Aero California
- Aero Mexico
- Allco
- Boeing
- Blade Engine Securitisation
- Blue Wings
- Iberia
- LOT Polish Airlines
- Mitsubishi Corporation
- Pembroke Capital
- GE Capital Aviation Services
- SAS
- Spanair

Grant Thornton can provide specialist tax advice in relation to:

- tax efficient leasing structuring
- a wide range of asset financing transactions
- assist in drafting and reviewing documentation
- Revenue confirmations if required
- withholding tax advice
- VAT structuring advice
- stamp duty advice
- global expatriate services.

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Appendix 8 – Ireland as a holding company location

Irish tax legislation provides for a competitive holding company regime. There are two elements to this regime as follows:

- low or no tax on dividends received by the Irish company; and
- exemption from Capital Gains Tax on disposal of shares in certain subsidiaries.

Other attractive features of the regime in Ireland include:

- no withholding tax on the payment of dividends by the holding company to EU or tax treaty countries;
- the 12.5% tax rate for trading activities is expected to remain the tax rate in Ireland for the foreseeable future. This tax rate has been approved by the EU commission;
- no thin capitalisation rules;
- no transfer pricing rules/ability to issue interest free loans;
- no "controlled foreign company" (CFC) rules;
- no capital duty;
- potential tax deduction for funds borrowed in most cases;
- a tax incentive regime for research and development (R&D) activities carried on in Ireland and the EU;
- favorable income tax treatment for expatriates living in Ireland; and
- flexible VAT and stamp duty (transfer tax) regimes.

These incentives together with non-tax incentives such as the economic and telecommunications infrastructure, the English speaking population and membership of the EU make Ireland one of the most attractive destinations in Europe for multinational companies.

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One of the major advantages that Ireland has over other jurisdictions is the ability to combine the holding company with trading activities such as Shared Service Centre activities, Group Procurement, Treasury and Research & Development.

A Participation exemption for dividends received or a credit system

Ireland currently operates a credit system rather than an exemption system for dividends received from foreign subsidiaries. Therefore, foreign dividends are subject to tax in Ireland whilst allowing for a credit for foreign tax suffered. Under this system it should be possible to repatriate dividends to, or via, Ireland without suffering additional tax at the level of the Irish company.

Foreign tax includes any withholding tax imposed by the source jurisdiction on the dividend itself as well as an amount of underlying foreign tax. Foreign underlying tax includes corporation tax levied at State and municipal level and withholding tax. In this respect, it is possible to look through any number of tiers of subsidiaries.

The standard rate of tax applied to foreign dividends received by an Irish company is 25%. However, where the dividend is received from a "trading" subsidiary which is resident in the EU or country with which Ireland has a double tax agreement, the rate of tax applicable can be reduced to 12.5%. In some situations whether or not a company is "trading" may be difficult to determine but essentially a "trading" company is a company which carries on an active business. The credit system applies where the Irish holding company holds a 5% shareholding in the relevant subsidiary.

Ireland also operates an onshore pooling system whereby excess foreign tax credits arising on one dividend may be used to offset the Irish taxable on another dividend. This is particularly useful where the Irish company is in receipt of dividends from both high tax jurisdictions and low tax jurisdictions. An example of onshore pooling is given in table 1 below.

Table 1: Example of Onshore Pooling

Dividend to Ireland from:	**USA (Trade)**	**China (Trade)**	**Cyprus(Trade)**	**Bermuda**
Dividend	100	200	200	100
Underlying rate	35%	15%	10%	0%
Dividend grossed up under Irish Rules	114	229	222	100
Irish tax payable: 12.5%/25%	14	29	28	25
Underlying foreign tax actually suffered	54	35	22	0
Irish tax payable	0	0	6	25
"Gross" excess credit	40	6	0	0
"Net" excess credit	35	5	0	0
Sheltered by onshore pooling			(6)	0
Net Irish tax payable	**0**	**0**	**0**	**25**
Carry forward excess	34			

If the company elects to have its dividends for the period taxed at 12.5% any excess tax credits are ring fenced for carry forward against future "trading" dividends from a relevant territory only. Where the election is not made the dividends will be subject to tax at 25% and any excess credits are unrestricted.

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B Taxation of capital gains and capital losses

Under Irish tax law, the disposal by HoldCo of shares/interest in a subsidiary is within the scope of Irish corporation tax, with any resulting gains taxable at an effective rate of 22%. However, as part of the package of attractive features to encourage Ireland as a holding company location, Irish tax legislation provides for an exemption from Capital Gains Tax (CGT) for companies in Ireland in respect of the disposal of qualifying shares, provided the shares concern a company which is tax resident in an EU Member State (including Ireland) or in a country with which Ireland has a tax treaty (see section H for list of countries Ireland has a tax treaty with).

To qualify for this relief, Holdco would need to satisfy a number of conditions: -

1 Holdco must have a minimum shareholding of 5% in the subsidiary and must be beneficially entitled to 5% or more of the profits available for distribution and would be beneficially entitled on a winding up to 5% or more of the assets of a company available for distribution to equity holders.

2 Holdco must have held at least a qualifying 5% shareholding in the subsidiary company for a continuous period of 12 months up to the date of the proposed disposal, or alternatively it must have held a qualifying 5% shareholding for a continuous period of 12 months ending in the 24 months preceding the date of disposal.

3 the subsidiary would satisfy the requirement as to its tax residence position, i.e. that the company would be tax resident in that country, a country with which Ireland has a tax treaty, at the relevant share disposal date.

4 there are certain trading criteria to be satisfied in order to avail of the relief, as follows: -

- either the subsidiary company must be regarded as a wholly or mainly trading company (which should be the case if it is a manufacturing company).

or

- the subsidiary company and Holdco, and related group companies (there is a specific test in the legislation as to what companies are taken into account), taken together, must consist wholly or mainly of a trading group.

5 the shares subject to the disposal, i.e. the subsidiary company, must not derive their value or greater part of their value (i.e. more than 50%) from Irish land and buildings.

C Deductibility of expenses

Normal business expenses incurred in a trade or business are deductible from a company's profits.

Ireland does not have specific thin capitalisation legislation, however deductions of interest are subject to certain conditions and anti avoidance measures, including:

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- interest paid to a non-resident parent company owning at least 75% of the Irish taxpayer is generally reclassified as a dividend. Certain exceptions to this reclassification rule are available to companies located in EU member State or located within tax treaty territories.
- "Recovery of capital" transactions can prohibit deduction of interest expenses in situations where a borrower:
  - sells/repays any part of the share capital of a company it invests in (or a connected company),
  - receives loan repayments from a company it invests in (or a connected company),
  - receives consideration for assigning debt due from the company it invest in (or a connected company).

Finally, the 2006 Finance Act disallows interest expense on loans made to the Irish company by a connected party if the loan is used to acquire shares from a connected company.

D Withholding taxes

Withholding tax on dividends paid by the holding company

In terms of outbound dividend flows from Ireland, please note that Ireland operates a Dividend Withholding Tax ("DWT") regime. DWT applies at a rate of 20% on dividends subject to certain exceptions and under tax treaties can be reduced to 0% - 15%.

Exemptions

- pursuant to the implementation of the EC parent-Subsidiary Directive, dividend withholding tax is not due on dividends paid by Irish resident companies to companies resident in other EU jurisdictions who hold at least 5% pf the ordinary share capital.

In addition, domestic exemptions apply if:

- the individual shareholder is resident in an EU member State, (other than Ireland) or is resident in a tax treaty jurisdiction;
- the parent company is resident in an EU member State, (other than Ireland) or a tax treaty jurisdiction and is not ultimately controlled by Irish residents, the parent company is not resident in Ireland and is ultimately controlled by residents of an EU member State, (other than Ireland) or a tax treaty jurisdiction; or
- a company not resident in an EU or tax treaty jurisdiction can also qualify for the exemption if the principal class of shares in the company or its 75% parent are substantially and regularly traded on a recognised stock exchange in the EU (including Ireland) or a tax treaty jurisdiction.

Note: in relation to the domestic exemptions above, the Irish company may pay a dividend, free from withholding taxes, as long as the recipient company or individual makes a declaration in the specified form in relation to it tax residency. There is non minimum shareholding requirement.

Withholding tax on Interest paid by the holding company

Withholding tax 20% is levied on "yearly interest" paid by an Irish person. It is not applicable to short-term interest (i.e. interest on a debt of less than a year).

Exemption.

A number of exemptions apply, including:

- interest paid by a company or an investment undertaking (in the ordinary course of a trade or businesses) carried on by that person to a company resident for tax purposes in a member State

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of the EU other than Ireland, or a tax treaty jurisdiction, except where such interest is paid to that company in connection with a trade or businesses which is carried on in Ireland by that company through a branch or agency.

- the EC interest and royalty directive has been implemented into Irish law. It eliminates withholding tax on cross border interest and royalty payments between associated companies in the EU. Two companies are associated if one owns at least 25% of the other or at least 25% of each company is owned by a third company.

Withholding tax on royalties paid by the holding company

Withholding tax is only applicable to patent royalties, at the rate of 20%. The rate may be reduced to between 0% to 15% by virtue of a tax treaty.

Exemption

- the EC interest and Royalty directive has been implemented into Irish law. It eliminates withholding tax on cross border interest and royalty payments between associated companies in the EU. Two companies are associated if one owns at least 25% of the other or at least 25% of each company is owned by a third company.

- there is generally an Ireland has concluded more than 45 income tax treaties. Interest, dividends and royalties paid to non-residents are subject to a 20% tax unless the rate is reduced or eliminated by treaty or exempted under the EC parent-subsidiary directive.

E CFC Legislation

Ireland has not enacted CFC legislation. Ireland has no specific anti-abuse rules.

F Capital tax - stamp duty

There is no capital contribution tax in Ireland in connection with subscription for shares.

Stamp duty rates of 1% to 6% are levied on the transfer of non-residential property. There are a large number of exemptions.

G Practical considerations: valuation requirements

A contribution in kind to an Ireland company requires an independent auditor valuation.

H Availability of favourable treaty network

Ireland has an extensive tax treaty network of 45 treaties

Generally, there is no interest or dividend withholding tax on interest or dividends paid by Irish companies to the following locations:

1 Australia

2 Austria

3 Belgium

4 Bulgaria

5 Canada

6 Chile

7 China

8 Croatia

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9 Cyprus
10 Czech republic
11 Denmark
12 Estonia
13 Finland
14 France
15 Germany
16 Greece
17 Hungary
18 Iceland
19 India
20 Israel
21 Italy
22 Japan
23 (Korea(republic of)
24 Latvia
25 Lithuania
26 Luxembourg
27 Malaysia
28 Mexico
29 Netherlands
30 New Zealand
31 Norway
32 Pakistan
33 Poland
34 Portugal
35 Romania
36 Russia
37 Slovak Republic
38 Slovenia
39 South Africa
40 Spain
41 Sweden
42 Switzerland
43 United Kingdom
44 USA
45 Zambia

Notes: With effect form 1 January 2009, tax treaties which have been signed, but not yet ratified, (i.e. Vietnam, Macedonia, Georgia and Turkey) will enjoy the same preferential treatment, under domestic provisions, as full treaty partner countries. Treaties are under negotiation with Argentina, Egypt, Kuwait, Malta, Moldova, Morocco, Serbia, Singapore, Thailand, Tunisia and the Ukraine.

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Appendix 9– Sample of companies located in Ireland

Companies involved in a wide range of activities in sectors as diverse as engineering, information communications technologies, pharmaceutical and research and development view Ireland as a uniquely attractive location in which to do business. These companies include:

ICT	R&D	Pharmaceutical/ Medical	Group Treasury/ Cash Pooling
Analog Apple Computer Ltd. Dell Google Hewlett Packard Microsoft Yahoo Intel Ireland Ltd	Dow Corning Xilinx IBM Intel	Abbott Ireland Pfizer Ireland Johnson & Johnson Tyco Healthcare Schering Plough Boston Scientific Medtronic Ireland Ltd.	IBM Ireland Bristol Myers Squibb Proctor & Gamble Newell Rubbermaid Pitney Bowes Lucent
Engineering	**Captive Insurance**	**Financial Services**	**Shared Service Centres**
Allied Signal Pratt & Whitney	Coca Cola Hertz	Citibank Europe	Citibank Dell Xerox Yahoo EMC Ireland

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Shannon Development

www.shannonireland.com	marketing@shannonireland.com	+353 (0)61 361555

Department of Enterprise Trade and Employment

www.entemp.ie	info@entemp.ie	+353 (0)1 631 2121

Business Access to State Information & Services (BASIS)

www.basis.ie	basis@entemp.ie	+353 (0)1 631 2787

Enterprise Ireland

www.enterprise-ireland.com	client.service@enterprise-ireland.com	+353 (0)1 808 2000

Companies Registration Office (CRO)

www.cro.ie	info@cro.ie	+353 (0)1 804 5200

Irish Patents Office

www.patentsoffice.ie	patlib@entemp.ie	+353 (0)1 631 2603

Department of Foreign Affairs

www.gov.ie/iveagh/		+353 (0)1 478 0822

Irish Revenue Commissioners

www.revenue.ie

Business Directory

www.goldenpages.ie

Estate Agents:

www.myhome.ie
www.propertypartners.ie
www.lisney.ie
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