DOING BUSINESS

IN IRELAND

The network for doing business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 80 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Ireland has been provided by the office of UHY representatives:

UHY FARRELLY DAWE WHITE LIMITED
FDW House
Blackthorn Business Park
Coes Road
Dundalk
Co. Louth
Ireland

Phone +353 42 933 9955
Website www.fdw.ie
Email info@fdw.ie

You are welcome to contact Alan Farrelly (alanfarrelly@fdw.ie) for any inquiries you may have.

A detailed firm profile for UHY's representation in Ireland can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at December 2013.

We look forward to helping you do business in Ireland.

2 – BUSINESS ENVIRONMENT

Ireland is one of the most favoured locations for investment in Europe.

The rapid pace of development and industrialisation in recent decades has been due, in large measure, to policies designed to make Ireland an attractive location for overseas investment.

Almost 1,500 companies have chosen the country as their base to do business, not just those from throughout Europe, but worldwide.

Overseas companies located in Ireland at present account for approximately 88% of all Irish exports.

The success of Ireland as an investment location has been founded on the positive approach of successive Irish governments to the development of businesses. This approach has ensured a favourable tax environment, competitive operating costs, a productive and flexible workforce and a well-developed infrastructure with world-class support services.

Through focused initiatives, the government has also ensured that Ireland is at the forefront of e-commerce development in Europe.

Ireland is recognised as having a stable economy that continues to enjoy record levels of output growth. The country is renowned for its excellent quality of life, its clean environment and its open and supportive attitude to inward investors.

COUNTRY BACKGROUND

GEOGRAPHY

Ireland is situated in the north-west of Europe and is approximately 20km from Great Britain (at its nearest point). The total area of the island is 84,421 square kilometres, of which Northern Ireland (politically part of the United Kingdom) comprises 14,139 square kilometres, with the remainder constituting the independent parliamentary democracy of Ireland.

The climate is relatively mild and temperatures are uniform throughout the country. The coldest months are January and February with average daily temperatures between 4–7°C, while July and August are the warmest months (at 14–16°C).

DEMOGRAPHIC DATA

Ireland has a population of approximately 4.6 million (2011 census) with the greatest concentration on the east and south coasts. Overall population density is 67 people per square kilometres, which is markedly lower than the European average.

A high proportion of the population is in the younger age groups – it is estimated that approximately 34% of the Irish population is less than 25 years of age.

THE ECONOMY

ECONOMIC DATA

Ideas and knowledge have transformed business and industry and have been crucial in the development of the Irish economy. The Irish government's economic policies are directed towards the creation of a stable economic environment that is supportive of the needs of business.

The forces of growth are firmly rooted in Ireland's economy, through favourable demographics, increasing investment in education and a high rate of technology-oriented investment.

INTERNATIONAL TRADE

Because of its small size, the Irish economy is highly dependent on foreign trade, since a population of 4.6 million offers limited opportunities for industrial expansion based on the domestic market. Moreover, a shortage of natural resources necessitates the importation of large quantities of fuel, raw materials and other basic requirements.

Exports remain the primary engine for Ireland's robust growth and the country has achieved the third highest trade surplus in the European Union (EU).

GOVERNMENT SYSTEM

Ireland is a parliamentary democracy.

The basic law of the country is contained in the constitution of Ireland, adopted in 1937 and amended on several occasions since then by public referendum. The constitution sets out the fundamental rights of citizens, the form of government and the powers of the government. It also defines the system of courts and regulates the appointment of the judiciary.

The national parliament consists of the president and two houses: the House of Representatives (the *Dáil*) and the Senate (*Seanad Éireann*). The president is head of state only and does not have executive functions. Executive power is exercised by the Prime Minister (*Taoiseach*) and the cabinet, while the power of making laws rests with the parliament.

Ireland has been a member of the EU since 1973 and is a member of most major international organisations, though the country retains a neutral stance on military matters.

LEGAL SYSTEM

Irish law is based on common law as modified by subsequent legislation and by the constitution.

In accordance with the constitution, justice is administered in public, in courts established by law. The president, on the advice of the government, appoints judges. Judges are guaranteed independence in the exercise of their functions and can only be removed from office by a resolution of both houses of parliament. All courts are governed by the jury system, except for special criminal courts, the Supreme Court and the district courts, where decisions are made by judges.

3 – FOREIGN INVESTMENT

Ireland is ranked the number one place in Europe to do business and the fourth best in the world (Forbes 2011).

Until the 1950s, Ireland was largely an agricultural economy with the industrial sector confined to indigenous industries serving the home market. Ireland's industrial breakthrough has its roots in decisions taken in the mid-1950s to achieve economic expansion by stimulating export-based industries. Successive governments have fostered these policies and have placed a significant emphasis on encouraging inward investment.

Ireland's foreign direct investment rose by 22% from 2010–2011, boosting job creation by 13% and capital investment by 78%.

INVESTMENT AREAS

SUCCESSFUL SECTORS

Promotional agencies have selectively targeted certain areas of industry, in particular those which produce sophisticated and high-value products and services. These also offer the best growth potential and the best prospects for generating long-term sustainable employment in Ireland. The targeted sectors are:

- Chemicals and pharmaceuticals
- E-commerce
- Information and communications technology (ICT)
- Software
- Internationally traded services, including financial services, call centres and shared services centres
- Medical devices.

Ireland has in the past and continues to attract well-known global companies as well as emerging companies from a range of sectors. According to Ireland's inward investment promotion agency, the Industrial Development Agency (IDA), Ireland has:

- Nine out of ten of the global pharmaceutical corporations
- Three out of five of the top games companies
- 17 out of 25 of the global medical device companies
- Ten out of ten of the top 'born on the internet' companies
- Eight out of ten of the global ICT corporations
- More than 50% of the world's leading financial services firms.

In total, there are 1,004 overseas companies in Ireland employing 146,000 people.

Ireland is committed to a light, flexible, user and enterprise friendly e-commerce regime. It adopts a technology neutral approach in its legislation and regulation. This has resulted in a significant number of indigenous and international companies choosing Ireland as their base for e-commerce operations.

The ICT sector has also shown remarkable growth in recent years and more than 200 of the world's leading electronic companies have a base in Ireland. These companies are engaged in a range of activities from wafer design and fabrication, components and peripherals, to communications, networks and software.

Internationally traded services account for over two-thirds of Ireland's workforce and the services sector in Ireland accounts for 43% of exports, making Ireland the tenth highest exporter of services in the world, according to Enterprise Ireland. The growth in services in recent years has been due to:

- An increasing number of expanding Irish service companies across a variety of sectors
- Escalating activities of foreign-owned companies operating in Ireland.

The growth which is continuing in this area provides proof that an assortment of services can be exported successfully, and that Ireland and Irish companies are well-equipped and capable, and have enough experience to succeed in services exports.

Evidence of this is the establishment of two government-initiated programmes:

1) The International Financial Services Centre (IFSC) was set up by the Irish government with EU approval in 1987. The IFSC is recognised globally as a leading location for a large variety of internationally traded financial services. There are approximately 500 operations which have approval to trade under the IFSC programme. The IFSC is a host to half of the world's top 50 banks and to half of the world's top 20 insurance companies
2) Shannon Development is another government-owned entrepreneurial development agency for the Shannon Region of Ireland (Clare, Limerick, North Tipperary, North Kerry and South Offaly). The Shannon Free Zone holds Ireland's largest collection of North American investments and has a fruitful reputation as a location for international companies wishing to invest in Europe. Key sectors at Shannon include aviation, ICT, pharmaceutical, medical devices and engineering.

INFRASTRUCTURE

The success of Ireland as an investment location has been founded on the consistently positive approach of Irish governments to the development of businesses.

This approach has ensured a well-developed infrastructure with world-class support services – from banking and trade finance to efficient transport logistics and sophisticated telecommunications.

Ireland provides state-of-the-art telecommunications and transport networks to businesses through a competitive telecommunications infrastructure and modern road and rail systems which provide businesses with excellent air and sea transport providing a cost effective means to export goods and services.

The end of year statement 2011 by IDA Ireland states: "The provision of additional national and international connectivity for electricity and telecoms is a key enabler to supporting the FDI agenda. Ireland's infrastructure continues to be enhanced through state investments in electricity grid investments by ESB (Electricity Supply Board) and Eirgrid through its 'Grid25' strategy and telecoms investments by Aurora and ESB Telecoms."

CURRENCY

The euro is the currency of Ireland and of the 16 other Eurozone countries.

Ireland is one of the 12 countries who were founding members of the Eurozone. The euro has greatly benefited trade in Ireland as it facilitates ease in importing and exporting goods from and to other Eurozone countries without the risk of changing currency exchange rates.

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. Irish businesses are free to open bank accounts in any location outside of Ireland. Inward investors must, of course, have regard to exchange control regulations in their home countries.

BANKING

Ireland has a well-developed and highly sophisticated banking infrastructure that has experience in handling the requirements of overseas companies.

There are a wide variety of banks operating in Ireland, both domestic and foreign, and many other credit institutions. The banking sector is licensed and regulated by the Central Bank of Ireland.

Irish licensed banks can be classified into three main categories:
- Clearing banks
- Merchant and commercial banks
- Industrial banks.

These banks provide businesses with the services they require to trade domestically and internationally, such as:
- Checking and clearing account services
- Treasury and international services
- Lending
- Capital market activities.

E-COMMERCE

In developing Ireland as a significant hub for e-business, the availability of almost unlimited connectivity to the rest of the world was a key objective.

The arrival in Ireland of two of the world’s largest internet service providers, Global Crossing and 360 Networks has helped to meet this objective. City-to-city connectivity to all the leading industrial centres provides a universally accessible, highly resilient and competitively priced service across the globe.

As well as extensive international connectivity, Ireland’s national telecommunications fibre optic coverage stands at 98%. This coverage encompasses one of the highest rates of asynchronous transfer mode (ATM) and synchronous digital hierarchy (SDH) ring transport technology deployment in Europe.

US companies such as Google, eBay, PayPal, Yahoo and Amazon all have established operations in Ireland.

The Irish government has adopted a policy aimed at ensuring confidence in the legal validity of e-commerce transactions and electronic signatures. Ireland was one of the first EU member states to implement the Electronic Signatures Directive through the Electronic Commerce Act 2000 (ECA). Ireland has also implemented the Electronic Commerce Directive. The Electronic Commerce Act legislation creates an equivalence of treatment under Irish law between electronic documents and their paper-based counterparts e.g. for contracts, written signatures and seals. Ireland has now put in place a clear, flexible and user-friendly piece of e-commerce legislation.

AVAILABILITY OF INDUSTRIAL FACILITIES AND OFFICES

Various options are available in the selection of factory and office sites for companies wishing to invest in Ireland.

IDA Ireland, the primary government agency for the promotion of inward investment, owns industrial parks with purpose-built factories which are ideal for new projects where promoters do not wish to construct their own premises. IDA Ireland also offers greenfield sites where promoters can erect custom-built factories. It is usual for these sites to come fully serviced with outline planning permission for industrial usage.

There are also privately-owned industrial parks run by commercial developers, which offer both factory and office sites. These premises are pre-built and tend to be ideal rental options for inward investors. Office space is available in the major cities and towns throughout Ireland to cater for both large and small-scale operations.

Ireland is a long-standing and committed member of the EU and offers investors ready access to a market of more than 456 million people, one of the largest markets in the world. Notwithstanding Ireland’s geographical location on the western edge of Europe, the well-developed infrastructure combined with competitive operating costs, low corporate taxes and financial incentives make Ireland one of the most profitable locations in Europe for overseas investors.

INCENTIVES FOR INWARD INVESTMENT

STATE FINANCIAL SUPPORT

Incentives available to inward investors in Ireland consist of tax incentives and financial assistance.

The major tax incentives are described in Section 6.

State financial assistance, usually in the form of grants which are non-repayable, is administered by government agencies: Enterprise Ireland – www.enterpriseireland.com, IDA – www.idaireland.com or Shannon Development – www.shannondevelopment.ie. Each of these government agencies (see further details below) has their own area of particular interest. The availability and level of grant assistance is largely dictated by the geographical location of the project within Ireland. It is only in exceptional circumstances that grant assistance is available in the Dublin area, whereas the highest levels of grant are available in the border regions with Northern Ireland, the midlands and western regions of Ireland. Other determinants of the availability and level of assistance are the activities to be carried out in Ireland and the skill level of the people to be employed.

The types of grants available are:
- Capital grants
- Employment grants
- Training grants
- Research and development (R&D) grants.

INTERNATIONAL DEVELOPMENT AGENCY (IDA) IRELAND
IDA Ireland is a government agency with responsibility for securing new investment from overseas in manufacturing and internationally traded services sectors. It also encourages existing investors to expand and develop their businesses.

ENTERPRISE IRELAND
Enterprise Ireland is a government organisation that assists the development and growth of Irish enterprises in world markets. It provides funding to support companies (from the smallest to the largest) in expanding their activities and growing their exports in global markets.

SHANNON DEVELOPMENT
Shannon Development is a government-owned enterprise development agency for the Shannon region of Ireland (Clare, Limerick, North Tipperary, North Kerry and South Offaly). The Shannon Free Zone holds Ireland's largest collection of North American investments and has a strong reputation as a location for international companies wishing to invest in Europe. Key sectors at Shannon include aviation, ICT, pharmaceutical, medical devices and engineering.

More than 1,000 overseas companies have chosen to make Ireland their European base and are involved in a wide range of activities in sectors as diverse as e-Business, engineering, ICT, pharmaceuticals, medical technologies, financial and international services.

HEADQUARTER OPERATIONS
While production and manufacturing industries will continue to be the backbone of the Irish economy well into the future, IDA is also promoting Ireland as a location for a range of headquarter functions and sectors.

A shift away from an industrialised economy to a knowledge-based economy has resulted in a change in requirements for centralised functions.

The centralised and administration functions (such as finance, strategy, marketing and human resources) of a firm are no longer necessarily located with the manufacturing site. Activities previously considered as cost centres are being converted to profit and wealth generation centres.

HEADQUARTER ACTIVITIES

Activities which are relevant for headquarter functions today include:

- Research and development
- Sales and marketing
- Intellectual property management
- Supply chain management
- Shared services/contact centres
- Digital media.

WHY IRELAND FOR HEADQUARTER ACTIVITIES?

IDA is promoting Ireland as an ideal location for headquarter activities, since the country offers:

- A pro-business environment
- Political stability
- A transparent tax regime
- A workforce with knowledge-intensive skills
- Excellent telecommunications infrastructure.

INTELLECTUAL PROPERTY LICENSING

INDUSTRY PROFILE

Intellectual property (IP) is often a company's most valuable asset. For companies which license out their IP to third parties, Ireland is an ideal location to centralise a licensing centre and optimise their international structure from both business and tax perspectives.

IP is a high value component of businesses and the skills related to licensing and management of intellectual property are readily available in Ireland. Ireland offers opportunities for companies to implement business practices and systems which manage, protect and extract full value from their intellectual assets to strengthen their competitiveness and enhance shareholder value.

Ireland's robust legal system and sophisticated infrastructure make it an ideal location for the exploitation and protection of intellectual property.

IRELAND AS A LOCATION FOR IP LICENSING

A company licensing its IP out of Ireland qualifies for a 12.5 % rate of corporate tax, providing there is relevant substance, management and control in the Irish operation and the royalty income relates to Irish activity.

The type of skills and activity associated with any given IP project will vary. In order to qualify as a trading company with the Irish Revenue Authorities, an Irish company will need to carry out a number of the following activities:

- Development of intellectual property
- Legal protection and contracts
- Financial management and taxation

- Administration and billing
- Trademark/brand enhancement
- Marketing and promotion
- Licensing
- Business development.

RESEARCH AND DEVELOPMENT IN IRELAND

Research and development (R&D) in Ireland has expanded dramatically in recent years reflecting the Irish government's massive injection of funding into the sector.

The National Development Plan 2007–2013, fourth in a series of national development initiatives, committed expenditure of EUR 184 billion to deliver sustainable economic and social development, improving the quality of life for everyone. Planned investment areas are:

- Economic infrastructure
  - Transport
  - Energy
  - Environmental services
  - Broadband
- Enterprise, science and innovation
  - Science, technology and innovation
  - Enterprise development
  - Tourism development
  - Agriculture and food
- Human capital
  - Training and skills development
  - Schools infrastructure / development
  - Higher education
- Social infrastructure
  - Housing
  - Health infrastructure;
  - Justice, sport, culture and heritage and community infrastructure
  - Unallocated capital reserve
- Social inclusion
  - Children and older people programmes
  - Working age programmes
  - People with disabilities
- Regional development.

Many leading global companies have found Ireland to be an excellent location for knowledge-based activities. The young Irish workforce has shown a particular aptitude for the efficient collection, interpretation and dissemination of research information. IDA Ireland (a government funded organisation financed through the National Development Plan 2007–2013) is promoting Ireland as the best place for FDI with the marketing promotion campaign, 'Ireland, Where Else?'

IDA Ireland liaises with the Higher Education Authority (HEA), the principal funder of higher-level education and research in Ireland, in order to ensure that universities and colleges have the facilities and skills to undertake leading-edge research.

Ireland is now considered to be one of the leading research, development and innovation (RDI) locations in the world. Ireland can offer an ideal commercial, social and political environment where businesses can carry out profitable RDI activities.

The government's Strategy for Science Technology and Innovation 2006–2013 is an additional government initiative focussing on further RDI by investing EUR 8 billion, which is used to encourage innovation in industry, research and education, to ensure Ireland maintains the 'Smart Economy' name it has earned.

The National Recovery Plan 2011–2014 was announced by the Irish government in 2010 to address the fiscal challenges the country currently faces. Even though Ireland is facing financial difficulty, the National Recovery Plan 2011–2014 continues to improve the country's appeal to investors abroad and aims to sustain projected levels of economic growth while continuing to support and focus on R&D and job creation.

DIGITAL MEDIA

Although a relatively new sector to the Irish economy, the digital media industry is one of its most recent success stories.

Planning and investment in infrastructure and skills for the sector over several years have enabled Ireland to take its place among the leading locations for the industry worldwide.

The investments made by the government and private sector in global connectivity and state-of-the-art technical infrastructure over the past three years have created an attractive and suitable environment for digital media companies to grow and develop in the future. This, coupled with an already strong base of IT companies, skills and expertise has provided a strong platform to develop the sector in the future.

Ireland's growing profile on the world stage is reflected by three of the world's most recognised internet companies – Google, eBay and Overture – establishing operations in Ireland. PayPal established its operations in Dundalk in 2012.

DIGITAL MEDIA ACTIVITIES

Digital media companies in Ireland cover a broad range of activities such as:

- Content production
- Web design
- Digital video
- Data management
- Industrial design
- Telecommunications
- E-learning
- Internet service providers.

4 – SETTING UP A BUSINESS

When setting up a business in Ireland, consideration should be given as to whether a company should incorporate or remain as an unincorporated entity.

This decision will be driven by a number of factors including the size of the business, potential profits, tax implications and insurance obligations etc. However, it is important to note that an incorporated entity affords the owners the benefit of a distinct legal status separate from the owners and the business entity can therefore sue and be sued in its own name. Incorporated entities include, among other business forms, private limited companies, public limited companies and unlimited companies.

An unincorporated entity can be a sole proprietorship or a partnership and these can sue and be sued directly.

UNINCORPORATED COMPANIES

SOLE TRADER

One of the most basic company forms is when a sole proprietor sets up in business. Legal formalities and costs are lower than for an incorporated entity and this can appeal to small enterprises with small profits initially.

A sole practitioner can be held personally liable for the business' obligations and may be required to guarantee personal assets as collateral when borrowing funds. The advantages of this form of company include full managerial control and direct access to profits.

PARTNERSHIPS – GENERAL AND LIMITED

The definition of 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 does not have a legal personality separate from that of the partners. In the legal sense, the partnership does not enter into contracts in its own name, but in the names of the partners.

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 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.

A limited partnership can also be set up. This comprises 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.

A 1% capital duty is payable on amounts subscribed as capital to a limited partnership. Where no written partnership agreement exists, 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.

INCORPORATED COMPANIES

PRIVATE LIMITED COMPANY

This is the most common form of business entity set up in Ireland. Its main advantage is the fact that the liability of the members is limited to the amount of share capital (common stock) subscribed.

To qualify as a private limited company, an entity must include the following restrictions:

- The maximum number of members must be limited to 99
- The right to transfer shares must be restricted
- There must be a prohibition on any invitation to the public to subscribe for shares or debentures.

Currently the constitution of a private limited company is made up of the memorandum of association and the articles of association. The memorandum of association regulates the relationship of the company with the outside world and the articles of association covers the internal organisation or rules of the company.

COMPANY DIRECTORS

The executive powers of a company remain with the directors. They are responsible for the day-to-day running of the company and must act in the best interests of the company and shareholders. The duties of directors are widespread. On appointment, a director must acknowledge that he/she performs the legal duties and obligations imposed not only by the Companies Acts but also all other enactments, including common law.

A company must have at least two directors (there is no maximum). Any individual may act as a director as long as he or she is not disqualified from holding such a position.

All directors are required to act in accordance with the articles of association, the Companies Act and to generally:

- Act in good faith and in the best interests of shareholders
- Use their powers in the best interest of the company
- Apply the assets of the company fairly.

Policy decisions and the running of the business are usually done by way of directors' board meetings. Directors' board meetings are also held annually to approve the financial statements of the company. A director who does not carry out his/her duties properly and diligently may be held personally liable to the company or members for any damage they may suffer and directors may also be prosecuted for non-compliance with the Companies Acts.

COMPANIES INCORPORATED OUTSIDE IRELAND AND 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 the independence of the Irish operation.

BRANCH OPERATIONS IN IRELAND

For Irish company law purposes, a branch is a division of a foreign company trading in Ireland that has:

- The appearance of permanency
- A separate management structure
- The ability to negotiate contracts with third parties
- 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 therefore 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. The foreign company's constitution, certificate of incorporation and audited accounts must also be filed with the Registrar of Companies. On submission of the above, the Registrar will issue a certificate of registration to the branch.

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.

Separate branch financial statements are not required to be filed. As with Irish incorporated entities, changes in previously notified information must be reported to the Registrar of Companies.

5 – LABOUR

The labour market in Ireland offers inward investors access to exceptional talent.

Approximately 34% of people in Ireland are under 25 years of age supplying a youthful future workforce. Ireland provides a wealth of young, well-educated workers who are highly skilled. Ireland has the highest completion rates for higher-level education in the EU and 48% of 25–34 year olds have a higher-level qualification. Irish people have a strong work ethic and this is reflected in the rate of employee turnover that tends to be well below the European average. All of these features of the workforce have been a significant factor in attracting a large number of multinationals to locate their operations in Ireland.

The educational system in Ireland ranks among the best in the world. A European commission study of higher-level education in 2010 stated that Ireland produced "the most highly employable graduates in the world". A majority of new entrants to higher-level education in Ireland undertake business, engineering, computer science or science courses.

According to World Bank figures, Ireland is ranked fourth in the world for skilled labour and openness to new ideas, sixth for labour productivity and seventh for the flexibility and adaptability of the workforce.

The Irish government recognises the importance of inward investment as a provider of high-quality employment and has invested substantial resources to identify potential skill shortages and provide an education and training system designed to meet the requirements of businesses. There are strong links between industry and educational establishments, particularly in emerging high technology sectors, and high-level education is designed to ensure that the future demands of Ireland's business community are met.

EMPLOYMENT LEGISLATION

INDUSTRIAL RELATIONS

The system of industrial relations in Ireland is essentially voluntary in nature. In the case of labour costs and wage negotiations, this means that in unionised organisations there has been agreement on all sides that the terms and conditions of employment for workers should be determined by the process of collective bargaining between an employer or employers' association and one or more trade unions, without the intervention of the state. Thus collective bargaining (and not the law) is the primary source of regulation in the employment relationship in Ireland.

In non-unionised organisations, wage negotiation is typically set by individual agreement. However, the state has enacted legislation setting out certain minimum standards (such as holidays, working hours, minimum pay, minimum notice, redundancy, dismissals and employment equality) which may be improved upon but cannot be removed or diminished.

Ireland has established a Labour Relations Commission (LRC) and Labour Court to assist in finding resolutions to labour related disputes in an effective and efficient manner.

CONTRACT OF EMPLOYMENT

All employees should be given a written statement setting out details of their contract such as rates of pay, deductions, hours worked and holiday entitlement. Anyone who works for an employer for a regular wage or salary automatically has a contract of employment. While the complete contract does not have to be in writing, an employee must be given a written statement of the terms of employment within two months of starting work (according to the Terms of Employment (Information) Acts 1994 and 2001).

SAFETY, HEALTH AND WELFARE AT WORK

The main legislation providing for the health and safety of people in the workplace is the Safety, Health and Welfare at Work Act 2005. This Act combines and updates the provisions of the Safety, Health and Welfare Act 1989. It applies to all employers, employees and self-employed people in their workplaces. The Act outlines the rights and responsibilities of both employers and employees and details the fines and penalties which will be enforced for breaches of health and safety legislation.

MINIMUM NOTICE

Minimum notice periods exist for the termination of employee contracts. Notice periods are determined by the length of service and are covered by the Minimum Notice and Terms of Employment Acts, 1973 to 2001. The length of notice depends on the contract of employment. In addition, there is a minimum entitlement laid down by law. Though a contract may give a greater entitlement to notice than the statutory minimum, it cannot give less.

REDUNDANCY PAYMENTS SCHEME

The Redundancy Payments Acts, 1967–2007 impose a statutory obligation on employers to pay compensation to employees dismissed for reasons of redundancy. Redundancy arises where an employee’s job ceases to exist and he/she is not replaced for reasons such as the financial position of the firm, because there is not enough work, the firm closes down altogether, or because of reorganisation. The Act details a minimum entitlement due to an employee with a set period of service with the employer. Not all employees are entitled to the statutory redundancy payment. For more details see: www.workplacerelations.ie/en/

The Protection of Employment Act, 1977 (2007) provides that, where employers are planning collective redundancies, they are obliged to supply the employees’ representatives with specific information regarding the proposed redundancies. For more information see: www.citizensinformation.ie

SAFEGUARDING OF EMPLOYEES RIGHTS ON TRANSFER OF UNDERTAKINGS

The EU’s ‘Safeguarding of Employees Rights on Transfer of Undertakings Regulations’ is aimed at safeguarding the rights of employees in the event of the transfer in ownership of a business. The regulations stipulate that employee rights should automatically transfer to the new employer. For more see: www.employmentrights.ie

DISMISSAL

The Unfair Dismissals Acts 1977 (2007) provides protection for employees from being unfairly dismissed from their jobs by laying down criteria by which dismissals are judged to be unfair and by providing an adjudication system (the Employment Appeals Tribunal). For more information see: www.citizensinformation.ie

NATIONAL MINIMUM WAGE

Since 1 April 2000, a National Minimum Wage Act has been in effect. The Act covers all employees, although certain exemptions apply. The Act applies to full-time, part-time, temporary and casual employees for any hours worked.

As of 1 July 2011, the current national minimum hourly rate of pay is EUR 8.65 for persons who are 18 years and over. For more information please see: www.citizensinformation.ie

PAYROLL TAXES

Taxes on a payroll are pay as you earn (PAYE) and the pay related social insurance (PRSI) and universal social charge (USC). PAYE is collected on behalf of the state by the employer. PRSI is payable by both the employer and employee.

PENSIONS AND BENEFITS

Employers are not legally required to provide their employees with pensions or other benefits such as health care, but many choose to do so.

HOLIDAYS AND OTHER STATUTORY ENTITLEMENTS

Government legislation provides certain entitlements to work leave. This includes annual leave, public holidays, maternity leave, parental leave, adoptive leave, carer's leave and other types of leave.

Full-time employees are entitled to 20 days annual leave paid per year and part-time workers are entitled to annual leave calculated by taking 8% of the hours worked in the leave year.

IRISH STATUTORY PUBLIC HOLIDAYS ARE AS FOLLOWS:

New Year's Day (1 January)
St. Patrick's Day (17 March)
Easter Monday
First Monday in May, June and August
Last Monday in October
Christmas Day (25 December)
St. Stephen's Day (26 December)

The entitlement to a basic period of maternity leave from employment extends to all female employees in Ireland. They can also take additional unpaid maternity leave. The Maternity Protection Act 1994 and the Maternity Protection (Amendment) Act 2004 provide the statutory minimum entitlements in relation to maternity at work, including maternity leave. (See www.citizensinformation.ie for further information). A female employee is entitled to up to 42 week's maternity leave, where for 26 of these weeks the employee is entitled to social welfare and 16 weeks are unpaid.

The Parental Leave Act 1998, as amended by the Parental Leave (Amendment) Act 2006, allows parents in Ireland to take parental leave from employment in respect of certain children. A person acting in loco parentis with respect to an eligible child is also eligible.

Since 18 May 2006, leave can be taken in respect of a child up to eight years of age. If a child was adopted between the age of six and eight, leave in respect of that child may be taken up to two years after the date of the adoption order. In the case of a child with a disability, leave may be taken while the child is up to 16 years of age. In addition, an extension may also be allowed where illness or other incapacity prevents an employee taking leave within the normal period.

Both parents have an equal separate entitlement to parental leave. Employees are not entitled to pay from their employer while on parental leave, nor are they entitled to any social welfare payment equivalent to maternity benefit or adoptive benefit. The legislation only provides for the minimum entitlement. However, work contracts may give more extensive rights.

VISAS AND PERMITS

Generally European Economic Area (EEA) nationals and Swiss nationals are allowed work in any European country without a work permit or visa. The exceptions to this rule are Bulgarian and Romanian nationals.

Non-EEA nationals require visas or permits, depending on their individual circumstances. The Employment Permits Act 2006 governs the procedures around the issuing of permits to non-EEA nationals who are looking to work in Ireland. The Act covers work permits, Green Card permits, spousal/dependant work permits and intra-company transfer permits.

Work permits are available for occupations with an annual salary of EUR 30,000 or more and are granted for two years initially, and then for a further three years. After five years a worker may no longer need a work permit.

A labour market needs test is required for all work permit applications. Either the employer or employee can apply for the employment permit, based on an offer of employment. The permit will be granted to the employee and will include a statement of the employee's rights and entitlements

Once the employee has been issued with an employment permit they have all the employment rights of Irish or EEA citizens for the duration of the employment permit.

Work permits are not required for the following:

- A citizen of a member state of the EEA and where such a citizen is pursuing an activity as an employed or self-employed person within the state
- His/her spouse and any of their children who are under the age of 21 years or are dependent on the EEA citizen.

(The EEA comprises EU member states – Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland, Sweden and the United Kingdom – together with non EU members Norway, Iceland and Liechtenstein.)

A non-EEA national wishing to start up a business in Ireland, or an employer wishing to employ non-EEA nationals in Ireland, may require visas and permits.

Non-EEA nationals who are looking to set up a business in Ireland need to obtain a Business Permission which requires the entrepreneur to have a minimum of EUR 300,000 in capital transferred to Ireland.

6 – TAXATION

CORPORATE TAX

CORPORATE TAX SYSTEM

All companies resident in Ireland are liable to corporation tax in respect of their worldwide profits. Companies are liable for corporation tax on their total profits i.e. trading income, passive income and capital gains. A non-resident company which carries on a trade in Ireland through a branch or an agency is liable to corporation tax on income and any gains of the branch or agency.

TAX RATES

The rates of corporation tax are as follows:

- A 12.5% rate applies to all trading income
- A 25% rate applies to non-trading income (which includes income chargeable under Case III (discounts, interest and foreign income), Case IV (patent royalties, miscellaneous income) and Case V (rental income from land and buildings in the state) of Schedule D. Also included at this rate is income from activities which consist of working with minerals, petroleum activities and dealing in or developing land, other than for construction operations.

INTEREST

Interest incurred wholly and exclusively for the purposes of a trade is allowable as a deduction in computing income. There is a restriction on the amount of interest deductible in the case of interest payable to connected persons.

Interest relief is granted as a charge against a company's total profits for the year of payment when the interest arises on borrowings which are used to make an investment in a company. There is no ring-fencing of this charge; however there are anti-avoidance rules relating to recovery of capital and replacement of loans.

CAPITAL ALLOWANCES

Accounting depreciation is not deductible in computing business profits for tax purposes. Capital allowances are granted in lieu of depreciation for tax purposes. Capital allowances are available as follows:

- Plant and machinery – an allowance for the wear and tear of plant and machinery in use for the purpose of the trade is available at the end of the accounting period. The allowance is calculated by reference to the cost of the item less grants. The write-off period for the annual wear and tear allowance is eight years for expenditure incurred after 4 December 2002 (i.e. a rate of 12.5% per annum on a straight line basis)
- Computer software – computer software is written off over eight years on a straight line basis, where the software is used for business purposes
- Energy efficient equipment – accelerated allowances of 100% in year one are available for the purchase by companies of certain new energy efficient equipment, but only where certain conditions are met
- Motor vehicles – the annual allowance for motor vehicles is 12.5% on a straight line basis. The availability of capital allowances will depend on the level of carbon emissions of the car. There are separate rules for taxis and short-term hire vehicles

- Industrial buildings – the annual allowance for industrial buildings is 4% on a straight line basis on the cost of the building, exclusive of grants
- Intellectual property – the Finance Act 2009 introduced capital allowances on capital expenditure incurred by companies on the provision of certain “specified intangible assets”. The definition of specified intangible assets is widely drafted and includes, inter alia, the acquisition of or the licence to use:
  - Patents and registered designs
  - Trademarks, brands, brand names, domain names and services marks
  - Certain plant breeders rights
  - Copyright or related rights
  - Know-how, generally related to manufacturing or processing
  - Any authorisation required in order to sell a medicine or product or any design, formula, process or invention for the purpose it was intended
  - Any rights derived from research, prior to authorisation, on the effects of items covered directly (at the point above)
  - Goodwill to the extent that it is directly attributable to specified intangible assets.

The tax write-off will be granted as a capital allowance and the write-off will be available in line with the depreciation or amortisation for accounting purposes. Alternatively, a company can elect to take the write-off against its taxable income over a 15-year period. A rate of 7% will apply for years 1–14 and 2% for year 15. There will be a claw back of the capital allowances claimed if the intellectual property is sold within 15 years of its acquisition.

The capital allowances that are available can only be offset against income generated from exploiting intangible assets or as a result of the sale of goods or services that derive the greater part of their value from the intangible assets (irrelevant trade). The aggregate amount of deductible allowances that are available will be capped at 80% of profits from the relevant trade in a given accounting period. Unused allowances can be carried forward and treated as an allowance in succeeding accounting periods. The new provisions will not apply where the expenditure incurred on the asset exceeds an arm’s length amount.

BALANCING ALLOWANCE/BALANCING CHARGE

A balancing allowance or balancing charge may arise on the disposal of business assets on which capital allowances were being claimed. A balancing allowance arises where the sale proceeds realised on an item are less than its written down value. The allowance is equal to the difference between the sales proceeds and the tax written down value. Where the sales proceeds exceed the written down value, a balancing charge arises on the difference.

STAMP DUTY

In order to make Ireland a more attractive location for intellectual property, the previous 9% stamp duty tax charge on the transfer of intellectual property to Ireland has been abolished. Intellectual property includes any patent, trademark, copyright, registered design, design right, invention, domain name, supplementary protection certificate or plant breeders’ rights. This exemption also applies to the value of any goodwill attaching to the intellectual property.

TAX LOSSES

Trading losses are computed in the same manner as trading profits. A trading loss can be offset against any other income either in the current or preceding period of equal length. Any excess losses can be carried forward indefinitely against future profits of the same trade. Trading losses subject to the lower rate of tax can be offset against income taxed at the higher rate of tax on a value basis. The effect of this is to give a credit against the corporation tax payable for the value of the losses.

GROUP RELIEF

Group relief may be claimed where one member of a group of companies is entitled to surrender its trading loss to another member of the same group. Two companies are members of a group if one is a 75% subsidiary of the other or both are 75% subsidiaries of a third company. A company is a 75% subsidiary of another company where not less than 75% of the ordinary share capital is owned directly/indirectly by that company. The parent company must be entitled to 75% of profits available for distribution to equity holders (including loan creditors). The parent company must be entitled to 75% of assets available for distribution to equity holders on a winding up. Group relief is available to Irish companies, subject to certain conditions, in respect of trading losses incurred by their non-Irish subsidiary companies that are resident in EU member states and EEA states with which Ireland has a double tax treaty.

CLOSE COMPANIES

A 'close company' is a company which is under the control of five or fewer participators or under the control of its directors. The company must be an Irish tax resident. A surcharge of 20% is payable on the undistributed investment and rental income of a close company. Professional services companies are liable to a surcharge of 15% on one half of the undistributed trading income and a surcharge of 20% on the undistributed rental and investment income.

NEW COMPANY START-UPS

An exemption from corporation tax and certain gains for the first three years of trading apply to certain new start-up companies. The relief was extended to include start-up companies which commence a new trade in 2012, 2013 and 2014. Since 2011, relief is now limited to employer social insurance (PRSI) costs. This exemption is subject to a corporation tax liability threshold of EUR 40,000. Marginal relief is available up to a liability of EUR 60,000. The relief is restricted to new trades only and does not apply to professional services companies or companies which deal in land, petroleum or mineral activities.

PRE-TRADING EXPENSES

In computing Irish trading profits, non-capital expenditure incurred in the three years prior to the commencement of a trade is allowable as a deduction in calculating taxable profits. Capital allowances may be available on capital expenditure incurred prior to commencement.

TAX ADMINISTRATION

The Irish tax system incorporates a self-assessment regime, under which companies are obliged to determine whether or not they are liable for corporation tax and if so, to file a tax return and make an appropriate tax payment. When activities in Ireland fall within Irish taxable charges, the company is required to file a TR2 form with the Irish Revenue Commissioners, which provides for tax registration for Corporation Tax, PAYE/PRSI and VAT as appropriate. It is possible to file tax returns electronically by using the revenue online service (ROS). This is an internet-based system, which allows taxpayers to file tax returns through the internet and to view details of their tax balances.

Where a company is obliged to submit a corporation tax return, it must be filed no later than the 21st day of the ninth month following the end of the accounting period. For companies with a tax liability not exceeding EUR 200,000 in their previous accounting period, preliminary tax of 100% of the prior year liability or 90% of the current year liability is payable on 21st of the month preceding the accounting year end. The balance of the tax is payable on the date the return is due to be filed.

For companies with a tax liability exceeding EUR 200,000, the first instalment will be payable on 21st day of the sixth month of the accounting period and the amount payable will be 50% of the corporation tax liability for the preceding accounting period or 45% of the corporation tax liability for the current accounting period. The second instalment will be payable on the 21st day of the 11th month of the accounting period and the amount payable will bring the total preliminary tax paid to 90% of the corporation tax liability for the current accounting period. The balance of the tax is payable on the date the return is due to be filed.

SHIPPING AND TONNAGE TAX

Tonnage tax is an alternative method for shipping companies to calculate their profits for corporation tax purposes. The tax charge is levied each year based on the tonnage of the ships operated by the company.

REPATRIATION OF PROFITS AND IRISH WITHHOLDING TAX

Although a withholding tax of 20% applies to dividends and other profit distributions made by an Irish tax resident company, extensive exemptions are available in cases of certain payments to certain shareholders, including:

- Irish tax resident companies
- Charities and pension funds
- Certain collective investment funds
- Certain employee share ownership trusts
- Certain companies and individuals who are residents of other EU member states, or tax treaty countries
- Listed companies and their 75% subsidiaries.

TAX EXEMPT GOVERNMENT SECURITIES

Foreign companies in Ireland are exempt from corporation tax in respect of interest received from certain Irish government securities issued to them.

OTHER BUSINESS TAXES

LOCAL TAXATION

There are no provincial, municipal or local taxes on the profits of companies. The only local tax is a property tax, referred to as 'rates', which is levied by local authorities on commercial properties. An amount, or rate, is payable per EUR 1 valuation of the property. The rate is set annually by each local authority, which also determines the valuation of the property.

VALUE ADDED TAX

Value added tax (VAT) is a tax on consumption rather than production and is charged on goods and services supplied in the course of business. VAT at importation is also payable on imports from outside the EU. Credit is given for VAT paid to registered traders; thus, the cost is ultimately borne by the final consumer.

VAT rates range from zero to 23% depending on the product or service, with most being charged at 23%.

EXPORT VAT EXEMPTION

Exports are zero rated for VAT, 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 receive almost all of their goods and services from Irish and foreign suppliers free from any VAT charge. This reduces administration and the need to get a VAT refund.

CUSTOMS AND EXCISE DUTIES

Ireland is a member of the EU and all border controls between EU member states have been eliminated. This 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 system. The EU has preferential tariff agreements with certain countries and country groupings, which result in the rates being reduced or eliminated.

Excise duty is chargeable on a limited number of goods including petrol, diesel, liquid petroleum gas (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.

CUSTOMS AND EXCISE RELIEF

Customs and excise duties are collected at point of importation. However, there are some arrangements in operation under which goods 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 a 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.

TAXES ON CAPITAL

CAPITAL GAINS TAX

Capital gains tax (CGT) is a tax charged on the capital gain (profit) made on the disposal of any asset. It is payable by the person making the disposal. The gain/profit (the difference between the price you paid for the asset and the price you sold it for) is considered taxable income.

In the Budget 2013 the rates of capital acquisitions tax and capital gains tax increased from 30% to 33% from 5 December 2012.

The first EUR 1,270 of taxable gains in a tax year is exempt from CGT. If a person is married or in a civil partnership, this exemption is available to each spouse or civil partner but is not transferable.

A new incentive relief from CGT was introduced for the first seven years of ownership; for properties bought between 6 December 2011 and the end of 2013, when the property is held for more than seven years, the gains accrued in that period will not attract CGT.

Chargeable gains in a year of assessment are aggregated with allowable losses of the year for the purpose of computing the net amount assessable to capital gains tax. Losses brought forward from earlier years are also deductible. Allowable losses which remain unrelieved may be carried forward indefinitely. Gains on development land may only be offset by losses on development land. Losses on development land may be offset against any gains on disposals of other assets.

Capital assets may be transferred between Irish resident group companies without liability for tax on the capital gain.

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. A rate of 2% applies to transfers of non-residential property.

Transfers between companies with a 90% relationship are exempt from stamp duty. Consequently, relief which reduces the stamp duty liability by 50% will cease to apply to non-residential property for instruments executed after 31 December 2014.

CAPITAL ACQUISITIONS TAX

If a gift is received, it may be liable for gift tax and where there is an inheritance following a death, it may be liable to inheritance tax. Both these taxes are types of capital acquisitions tax (CAT). Since it is a tax on acquisitions, the person in receipt of the gift or inheritance is responsible for the payment of any tax.

The benefit (the gift or inheritance) is taxed if its value is over a certain limit or threshold. Different tax-free thresholds apply depending on the relationship between the dispenser (the person giving the benefit) and the beneficiary (the person receiving the benefit). There are also a number of exemptions and reliefs that depend on the type of the gift or inheritance. If you receive a gift or inheritance from your spouse or civil partner, you are exempt from capital acquisitions tax.

The tax applies to all property located in Ireland. It also applies where the property is not located in Ireland but either the person giving the benefit or the person receiving it are resident or ordinarily resident in Ireland for tax purposes.

The rate of CAT increased to 33% from 30% from 5 December 2012.

IRELAND AS A HOLDING COMPANY LOCATION

A number of new measures have been introduced to enhance Ireland's position as a holding company location. Ireland's taxation regime now includes the following key features:

- An interest deduction to Irish companies borrowing funds which can be used to acquire shares in trading subsidiaries or to make loans to such subsidiaries
- No thin capitalisation rules providing for specific debt to equity ratios or interest cover ratios in order to obtain a full tax deduction for interest expenses
- No transfer pricing rules currently
- No controlled foreign company (CFC) rules
- A participation exemption from capital gains tax on the disposal of shares in certain foreign and domestic subsidiaries which exempts such disposals from capital gains tax
- A significant network of double tax treaties
- Favourable treatment of dividend income received from foreign subsidiaries
- Exemption from interest withholding tax
- A favourable R&D tax credit system
- Patent royalty exemption.

These incentives, together with non-tax incentives such as the economic situation, telecommunications infrastructure and membership of the EU, make Ireland one of the most attractive holding company locations in Europe for multinational companies. Some of the main incentives are outlined in more detail below.

TAX DEDUCTION FOR INTEREST PAYMENTS

An Irish tax deduction is available for interest on monies borrowed to finance the acquisition of shares subject to certain conditions. Interest is allowed as a deduction if it is used in acquiring any part of the ordinary share capital of a trading company, a company whose income consists mainly of real estate rental income or a holding company of such a trading or real estate rental company. A deduction is also allowed for any interest on funds used to lend to such companies which is used wholly and exclusively for the purpose of the borrower's trade or business or that of a company connected with it. Certain conditions must be met in order for the interest deduction to be allowed.

TRANSFER PRICING RULES IN IRELAND

Ireland has not enacted comprehensive transfer pricing rules. There are some specific areas that have special rules concerning transactions between related parties such as artificial reductions in the profits of Irish branches or agencies of non-resident persons. There are also general features of Irish tax law, such as the criteria for the deductibility of trading expenses, that may apply to disallow payments that are not at arms' length.

CAPITAL GAINS TAX (CGT) ON SHARE DISPOSALS

Irish holding companies are allowed an exemption from capital gains tax on the disposal of shares in their subsidiaries, subject to a number of conditions. The company in which the shares are being disposed of must, at the time of the disposal, be tax resident in an EU member state (including Ireland) or a country with which Ireland has a double tax treaty, and must be carrying on a trade or be part of a trading group. The Irish holding company making the disposal must have held at least 5% of the shares in the company in which the shares are disposed of, for a continuous period of 12 months ending within the previous 24 months.

DOUBLE TAXATION AGREEMENTS

To facilitate international business, Ireland has generated an extensive network of double taxation agreements. To date Ireland has 65 tax agreements, which provide for the elimination or mitigation of double taxation and these are with the following countries: Armenia (signed 14/07/2011 but not yet in effect), Australia, Austria, Belgium, Bulgaria, Canada, Chile, China, Croatia, Cyprus, the Czech Republic, Denmark, Egypt (signed 09/04/2012 but not yet in effect), Estonia, Finland, France, Georgia, Germany (signed 30/03/2011 but not yet in effect), Greece, Hong Kong, Hungary, Iceland, India, Israel, Italy, Japan, the Republic of Korea, Kuwait (signed 23/11/2010 but not yet in effect), Latvia, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Mexico, Moldova, Montenegro, Morocco (signed 22/06/2010 but not yet in effect), the Netherlands, New Zealand, Norway, Pakistan, Panama (signed 28/11/2011 but not yet in effect), Poland, Portugal, Romania, Russia, Saudi Arabia (signed 19/10/2011 but not yet in effect), Singapore, the Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand (signed 31/11/2009 but not yet in effect), Turkey, the United Kingdom, the United States, Vietnam and Zambia.

Negotiations for new agreements with Albania, Armenia, Bahrain, Belarus, Bosnia Herzegovina, Serbia and the United Arab Emirates and for a protocol to the existing treaty with South Africa have been concluded and are expected to be signed shortly.

Negotiations for new agreements with the following countries are at various stages: Argentina, Tunisia, and Ukraine.

Negotiations are at various stages for the revision of existing agreements with Cyprus, France, Germany, Italy, Korea and Pakistan.

In addition, where a double tax agreement does not exist with a particular country, there are unilateral provisions within the Irish Taxes Acts, which allow credit relief against Irish tax for foreign tax, paid in respect of certain types of income.

FOREIGN DIVIDEND INCOME

Ireland operates a system of both treaty credit relief and unilateral credit relief whereby credit for foreign taxes is available against Irish tax on dividends received by an Irish holding company from certain foreign shareholdings. There is a unilateral tax credit for underlying foreign tax provided there is a 5% shareholding relationship between the companies. The unilateral credit provisions apply to dividends received from all countries and not just EU member states or countries with which Ireland has a double tax treaty. Foreign dividends are generally subject to Irish tax at the rate of 25%, with a 12.5% rate now applying to dividends paid out of trading profits of an EU or treaty country resident company. Where the 12.5% rate applies, a credit for foreign taxes will still be available.

In addition, 'onshore pooling' allows foreign dividends to be pooled together before they are offset against the Irish tax liability. The tax credits do not need to be utilised in the year that the dividend is received. They can be carried forward indefinitely or offset against Irish tax on future foreign dividends.

EXEMPTION FROM INTEREST WITHHOLDING TAX

Interest paid by an Irish company to a non-Irish resident is subject to interest withholding tax, currently at the rate of 20%. An exemption from this withholding tax applies where the interest is paid by a company in the ordinary course of the trade or business carried out by it to a company which is tax resident in an EU member state or a country with which Ireland has a double tax treaty, under the law of that member state or country, provided that the interest is not paid to the company in connection with a trade or business which it carries on in Ireland through a branch or agency.

R&D TAX CREDIT

A tax credit of 25% of the incremental R&D expenditure can be offset against a company's corporation tax liability in the year in which it is incurred, in addition to a tax deduction at 12.5%. This gives an effective write-off for R&D expenditure of 37.5%. A tax credit is also available for construction or refurbishment work carried out on a building used for qualifying research and development activities. The credit is equivalent to 25% of the qualifying cost of construction or refurbishment and may be claimed in full in the year in which the expenditure is incurred. This additional tax benefit makes Ireland a more attractive location for R&D activity. R&D activities are defined as systematic, investigative or experimental activities in a field of science or technology, being one or more of the following:

- Basic research, namely experimental or theoretical
- Work undertaken primarily to acquire new scientific or technical knowledge without a specific practical application in view
- Applied research, namely work undertaken in order to gain scientific or technical knowledge and directed towards a specific practical application
- Experimental development, namely work undertaken which draws on scientific or technical knowledge or practical experience for the purpose of achieving technological advancement and which is directed at producing new, or improving existing materials, products, devices, processes, systems or services including incremental improvements thereto. In order to qualify for the tax credit, it is necessary to seek to achieve scientific or technical advancement and to involve the resolution of scientific or technological uncertainty.

A number of changes are being made to the R&D tax credit scheme as follows:

- Volume Basis – the first EUR 100,000 of qualifying R&D expenditure will benefit from the 25% R&D tax credit on a volume basis
- The tax credit will continue to apply to incremental R&D expenditure in excess of EUR 100,000 as compared with such expenditure in the base year 2003. This relief is available to existing companies
- The outsourcing limits for sub-contracted R&D costs are being increased to the greater of 5% or 10% as appropriate of EUR 100,000
- Companies in receipt of the R&D credit will have the option to use a portion of the credit to reward key employees who have been involved in the development of R&D.

The credit is used to reduce a company's corporation tax liability in the current period. Excess credits can be used to shelter corporation tax paid in the immediately preceding period. Any remaining excess can be carried forward indefinitely for use against future corporation tax liabilities.

Recent changes will increase the amount of the excess R&D tax credits which may be refunded to a company. For most companies, this will have the effect of increasing the maximum refund available under the refund mechanism to two years' payroll liabilities (payroll taxes, levies and the universal social charge).

PATENT ROYALTY EXEMPTION

Ireland's tax legislation incorporates an exemption for income derived from 'qualifying patents'. A qualifying patent is a patent in respect of which the research, planning, processing, experimenting, testing, devising, designing, developing or other similar activity leading to an invention was carried out in Ireland. The exempt income from a 'qualifying patent' is any royalty, or other sum, paid by the user of the invention patented.

As a company usually holds the patent, this income is firstly exempt from tax in the hands of the company. In addition, in certain circumstances Irish tax legislation provides that the tax-free nature of such income can be passed through a company to the shareholders who receive dividends from a company that qualified for the patent income exemption.

PERSONAL TAXATION

INCOME TAX

Income tax is payable by individuals and is charged on an annual basis at the rates shown in Table 1 below.

TABLE 1

Income tax rates, 2012

	TAXABLE INCOME (EUR)	TAX RATE
Single/widowed person (without dependent children)	First 32,800 Balance	20% 41%
Single/widowed person (with dependent children)	First 36,800 Balance	20% 41%
Married couple (one income)	First 41,800 Balance	20% 41%
Married couple (two incomes)	First 65,600 Balance	20% 41%

PERSONAL TAX CREDITS

Income tax due on taxable income is reduced by personal tax credits, which are available to each individual and married couple. The principal tax credits are shown in Table 2 below.

TABLE 2

Tax credits, 2012

TAX CREDITS AT 20%	EUR
Single person	1,650
Married couple	3,300
PAYE	1,650

The PAYE credit is available to individuals paying tax under the pay-as-you-earn system. Other deductions are also available including rent and service charges by way of a tax credit at the standard (20%) rate of tax. Mortgage interest and health insurance relief are dealt with at source.

TAXATION OF FOREIGN DOMICILED PERSONS IN IRELAND

Most foreign executives working for overseas companies in Ireland would be classified as being resident but not domiciled in Ireland and are liable to Irish income tax in full on their income arising in Ireland and on their foreign (including UK) employment income to the extent that they perform the duties of their employment in Ireland. Any 'foreign' non-employment income is only liable to Irish tax to the extent that the income is remitted to Ireland. Income arising in the UK was liable to Irish tax in full up to 31 December 2007. The Finance Act 2008 amended this to allow UK sourced income to be deemed 'foreign' income for the purposes of the remittance basis of tax, with effect from 1 January 2008.

APPROVED PROFIT SHARING SCHEME

Contributions by an employer to an approved profit sharing scheme are treated as an allowable trading expense. These contributions are used to purchase shares for employees up to a maximum of EUR 12,700 per employee per annum. The employee is not charged income tax on the disposal of shares if they are held for at least three years. The first sale by the employee is also free from stamp duty.

SHARE PURCHASE SCHEME

Employees who purchase new ordinary shares issued by their employer company can claim tax relief up to a lifetime limit of EUR 6,350. The company must be incorporated and resident in Ireland. The shares must be held for three years to avoid a claw back of the relief. There is no allowable base cost in calculating a capital gains tax liability when shares are disposed of.

EMPLOYEE SHARE OWNERSHIP TRUSTS

Companies can obtain a tax deduction for the cost of setting up and maintaining a scheme to purchase company shares for the benefit of employees. Shares can be held in trust for up to 20 years. Where the trust is linked to an approved profit sharing scheme, the transfer of shares to the employee will not be subject to income tax.

APPROVED SHARE OPTION SCHEME

Under a share option scheme approved by the Revenue Commissioners, an employee is only liable to capital gains tax on any profits made on the disposal of the shares and not on the value of the shares themselves. To qualify for approval, the scheme must be open to all employees; however a maximum of 30% of these shares may be retained for 'key' employees.

NATIONAL SOCIAL INSURANCE

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. A health levy is also payable.

Employee contributions are as follows:

- PRSI – 4% on all earnings except the first EUR 127 per week.
- Employees earning EUR 352 or less per week are exempt from PRSI.
- The first EUR 127 per week is disregarded for an employee's PRSI.

All foreign employees working in Ireland for more than one year must make social insurance contributions, even if they are paid from abroad. The only exceptions are EU nationals who are contributing in another member country or persons from a country with which Ireland has a social security agreement.

An employer's contribution to PRSI is 10.75% of gross salary or 8.5% if earnings are less than EUR 357 per week.

UNIVERSAL SOCIAL CHARGE

The universal social charge (USC) is a tax that has replaced both the income levy and the health levy (also known as the health contribution) since 1 January 2011.

The USC is a tax payable on gross income where gross income is more than EUR 10,036 per year (including notional pay) after any relief for certain capital allowances, but before pension contributions. It is calculated on a weekly or monthly basis.

A person is liable to pay the USC on all of their Irish income and also on foreign income if it is remitted into the state.

It does not apply to social welfare or similar payments, and there are certain other exemptions.

From 1 January 2013, reduced rates of USC apply to medical card holders under 70 with an aggregate income of EUR 60,000 or less and to people over 70 with aggregate incomes of EUR 60,000 or less. 'Aggregate income' for USC purposes does not include payments from the Department of Social Protection.

People with an income of EUR 10,036 or less continue to be exempt from USC. Once income is over this limit, the relevant rate of USC applies on all income.

The standard rates of USC are shown in Table 3.

TABLE 3
USC rates, 2013

STANDARD RATES	REDUCED RATES
2% on the first EUR 10,036	2% on income up to EUR 10,036
4% on the next EUR 5,980	4% on all income over EUR 10,036
7% on the balance	

Reduced rates of USC apply to people aged 70 or over whose aggregate income for the year is EUR 60,000 or less and to medical card holders under 70 whose aggregate income for the year is EUR 60,000 or less. A 'GP' only card is not considered as full medical care for USC purposes.

There is a surcharge of 3% on individuals who have non-PAYE income that exceeds EUR 100,000 in a year.

Further information can be found on the Revenue website www.revenue.ie

OTHER PERSONAL TAXES

Individuals are liable to other taxes where appropriate including capital gains tax, capital acquisitions tax and stamp duty.

7 – ACCOUNTING & REPORTING

It is a legal requirement that all businesses maintain proper books of accounts for taxation purposes. All such records must be retained for a period of six years.

STATUTORY AUDIT

Irish incorporated companies are required to have their financial accounts 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 accounts 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 all these elements, a formal (unqualified) audit report will be issued.

Small companies are exempt from having financial statements audited. To qualify for the exemption a company must have:
- A turnover of less than EUR 7,300,000
- A balance sheet total of less than EUR 3,650,000
- An average number of employees fewer than 50.

This exemption does not apply to:
- Parent companies and their subsidiaries
- Banks and financial institutions
- Insurance companies
- Financial intermediaries
- Any company that files a late annual return.

This is an exemption from an audit only. It does not obviate the need to prepare financial statements or file them in the Companies Office.

In the year concerned, the annual return and accounts must be filed at the Companies Office within the time limit specified in the Companies Act.

ACCOUNTS

ACCOUNTING PRINCIPLES

Irish accounting principles conform to the international accounting standards (IAS).

There are differences between these principles and US generally acceptable accounting principles (US GAAP). Any differences in standards will be eliminated when international financial reporting standards (IFRS) are fully adopted. All companies are currently free to prepare their accounts under IFRS. The latest suite of financial reporting requirements FRS102 for small/medium-sized enterprises (SMEs) becomes applicable for accounting periods commencing 1 January 2015 but earlier adoption is permissible.

ACCOUNTING DATE

The accounting date is at the discretion of the company and can be changed at any time by a resolution of the directors.

ANNUAL GENERAL MEETING

Where a company has more than one shareholder, the Companies Acts require that an annual general meeting (AGM) be held each year so that the accounts can be put before the members. The first AGM of the company must be held within 18 months of the date of incorporation of the company and thereafter within nine months of the end of the company's accounting period and within 15 months of the previous AGM. A single member company may, if it wishes, dispense with AGMs.

ANNUAL RETURN

An annual return must be submitted each year on the annual return date (ARD) allocated to the company, together with signed abridged audited accounts. There are limited exceptions to the requirement to submit audited accounts. The return must be filed within 28 days of the ARD date.

Late filing of annual returns attracts penalties and is an indictable offence under the Companies Acts. The Registrar of Companies has extensive powers to ensure timely compliance. New companies must file an annual return six months after the date of incorporation and thereafter annually.

8 – UHY REPRESENTATION IN IRELAND

UHY FARRELLY DAWE WHITE LIMITED IRELAND

CONTACT DETAILS

UHY Farrelly Dawe White Limited
FDW House
Blackthorn Business Park
Coes Road
Dundalk
Co. Louth
Ireland
Tel: +353 42 933 9955
Fax: +353 42 933 9400
www.fdw.ie

CONTACTS

Liaison contact: Alan Farrelly
Position: Managing Director
Email: alanfarrelly@fdw.ie

SOCIAL MEDIA CONNECTIONS

- Facebook: www.facebook.com/pages/UHY-Farrelly-Dawe-White/122440707804445?sk=app_208195102528120
- LinkedIn: ie.linkedin.com/pub/uhy-farrelly-dawe-white/11/595/4b2
- Twitter: twitter.com/uhy_fdw

Year established: 1989
Number of partners: 3
Total staff: 38

ABOUT US

Best Advice, Better Results

OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

Dublin Office:
Fitzwilliam Hall
Fitzwilliam Place
Dublin 2
Ireland

Balbriggan Office:
Units 4A & 4G
Fingal Bay Business Park
Balbriggan
Co. Dublin
Ireland

Newry Office:
Unit 10
Monaghan Court
Monaghan Street
Newry
BT35 6AA
Co. Down
N. Ireland

The network for doing business

UHY FARRELLY DAWE WHITE LIMITED IRELAND

Belfast Office:
Arthur House
41 Arthur Street
Belfast
BT1 4GB
N. Ireland

BRIEF DESCRIPTION OF FIRM

UHY Farrelly Dawe White Limited is the largest CPA practice in Ireland with four offices around the country. The practice concentrates on audit, accounting, tax advisory services to clients and wealth management both for clients and non-clients. The firm has a specialised Company Secretarial team and has been involved in a number of property syndicates in the UK and Eastern Europe.

SERVICE AREAS

Audit, Accountancy, Bookkeeping
Payroll Services
Company Secretarial Services
Corporate Finance (acquisitions, sales and mergers)
Financial Services and Wealth Management
Liquidations, Examinerships and Insolvency
Forensic Accounting and Litigation Support
General Business Advice and Strategy
Taxation Advice and Consultancy

SPECIALIST SERVICE AREAS

Management Services - budget and management accounts
Corporate & Personal Tax Planning
Wealth Management

PRINCIPAL OPERATING SECTORS

Property
Construction
Building Supplies
Retail
Motor Trade
Hospitality - Pubs, Hotels and Restaurants

LANGUAGES

English, Irish Gaelic.

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

France, Germany, Netherlands, Poland, Romania, Spain, United Kingdom & Scotland and United States

BRIEF HISTORY OF FIRM

UHY Farrelly Dawe White Limited began life as Farrelly Dawe and Associates in 1989. The practice was established by Alan Farrelly and Kevin Dawe in Jocelyn Street, Dundalk. In March 1991, we set up a second office in Laurence Street, Drogheda which was managed by Kevin Dawe. Eamonn White joined the Firm as partner at this time.

The network for doing business

UHY FARRELLY DAWE WHITE LIMITED IRELAND

1994 saw further expansion activity when Farrelly Dawe and Associates took over a sole practitioner in Swords, County Dublin. The main office also moved from Jocelyn Street to River Lane in Dundalk. This was also the first office to be bought outright by our firm.
The same year, the company was renamed Farrelly Dawe White. Two years later, Farrelly Dawe White set about yet another acquisition, this time in Gardiner Street in Dublin City. After a further two years the Gardiner Street office was relocated to its present location in Drury Street, Dublin 2.

The same year, Farrelly Dawe White took over a small practice in Balbriggan, County Dublin. This operation was subsequently moved to Skerries, County Dublin. Swords office was closed as the new Skerries office took on the workload of both the old Balbriggan office and Swords.

In 1998, FDW were awarded certification by NSAI for their adherence to the principles and procedures of the international quality standard ISO9002. At the time, FDW were one of only five practices in Ireland to have obtained this qualification.

Michael Bellew and Bernadette Donagher became partners of the firm in 2001.

Farrelly Dawe White acquired Dundalk firm Donovan Reilly in 2001 and both Siobhan Donovan and Brendan Reilly became associates of FDW. This year also saw the relocation of head office to its current location in Blackthorn Business Park in Dundalk. As part of the continued growth and expansion of the practice, in 2006 an additional office was established in Newry, County Down in order to cater for our growing Northern Ireland client base.

The firm joined UHY in 2008, re-branding to UHY Farrelly Dawe White at the same time. In 2008 Richard Berney also became a partner of the firm having worked with UHY FDW since 2002.

In 2011 the firm rebranded to UHY Farrelly Dawe White Limited.

In 2012, UHY Farrelly Dawe White Limited founding partner Kevin Dawe passed away. Ar dheis Dé go raibh a anam uasail.

In 2012 the UHY FDW Skerries office relocated to larger offices in Balbriggan.

The network for doing business

LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at www.uhy.com to find contact details for all of our offices, or email us at info@uhy.com for further information.