The ‘Double Irish’ is Dead

What has Ireland now got to offer?

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GGI World Conference
Boston
22nd October 2015

The Double Irish Dutch Sandwich

It was used by very few companies:

- Apple
- Facebook
- Google
- Oracle
- Microsoft
- Pfizer

It involved the use of an Irish registered company that was tax resident in Bermuda.

New Rules

From 1st January 2015 a company incorporated in Ireland will <u>automatically</u> be considered tax resident in Ireland.

Unless it is considered resident in a country with which Ireland has a double tax treaty.

Your gateway to Europe….

As you may know Ireland is the gateway to Europe, the Middle East and Africa for many major multinationals?

Over 1,200 multinationals are now established in Ireland including:

* ICBC	* Huawei	* Google	* Glaxo Smith Kline
* Apple	* Intel	* Facebook	* Boston Scientific
* Citigroup	* Pfizer	* Microsoft	* Dell
* Twitter	* Merck	* Abbott	* McAfee

They all use Ireland to serve their European and global markets.

US companies alone employ 150,000 people in Ireland.

Companies that provide Support Services to the larger companies

- Hotels
- Restaurants
- Shops
- Office Supplies
- Sub contractors of all kinds
- Office Fit-out
- Maintenance Companies
- IT Support
- Cleaning Services
- Security Services

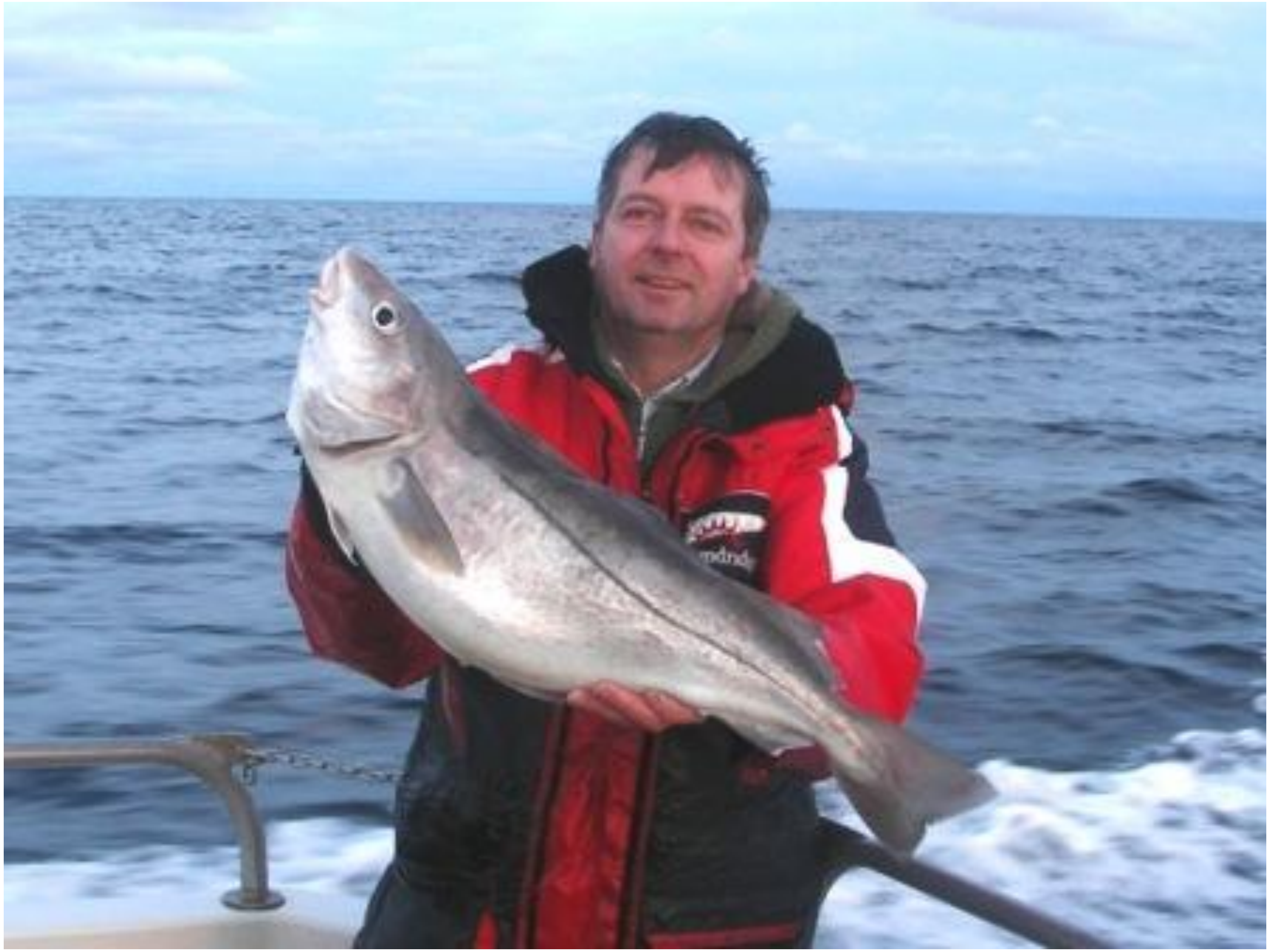
Intel (4,500 employees in Ireland)

Skanska Ireland Ltd.

A referral from a GGI Member

So why are these companies coming to Ireland?

Is it for ....



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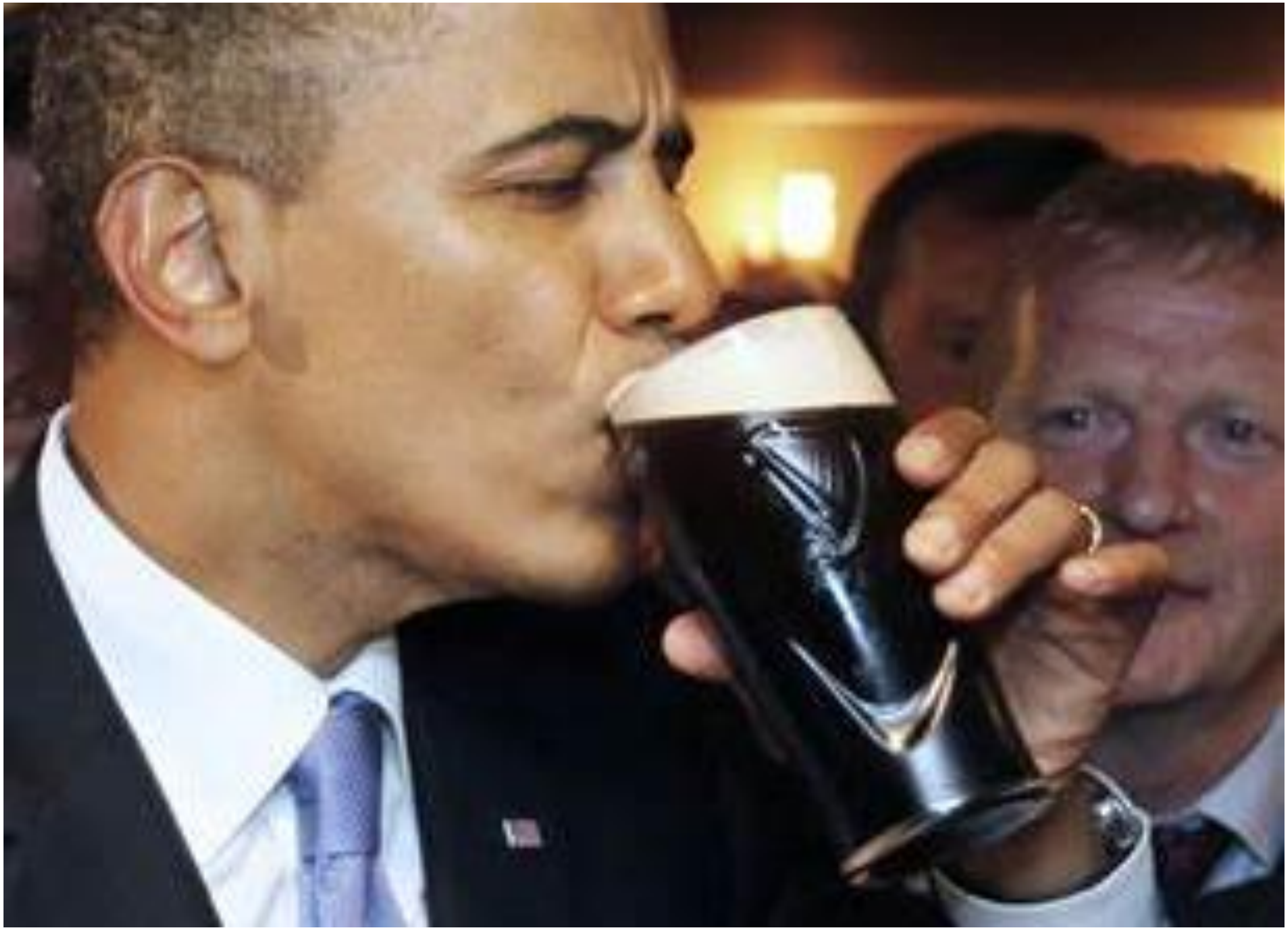

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Or is it for ………..

The 12.5% rate of Corporation Tax

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There are 4 main reasons:

- English speaking
- Euro Zone
- Skilled work force

  (IT, Pharmaceutical, Life Sciences, Animation, Biotech, Medical Devices)

- Low Corporate Tax

Tax Exemptions & Tax Breaks

1. Tax exemption for new start ups
2. Holdings companies
3. Invest in China through Ireland
4. R&D Tax Credit
5. Tax Relief for Intellectual Property
6. Tonnage Tax
7. Aircraft Leasing
8. Film Tax Relief
9. Special Assignee Tax Relief
10. Artist Relief

1) Tax exemption for new start-ups

- The maximum amount of corporation tax relief is €40,000 per annum for each of the first 3 years.

- This equates to Profits of €320,000 x 3 years = €960,000

- The tax relief is linked to the amount of employers PRSI that the company has paid.

Tax exemption for new start ups

Net Profit			100,000
CT @ 12.5%			12,500
Less tax credit in relation to Employers' PRSI:			
i)	€20,000 x 10.75%	2,150	
ii)	€30,000 x 10.75%	3,225	
iii)	€35,000 x 10.75%	3,762	
iv)	€46,511 x 10.75%	5,000	(14,137)
Tax Credit to be carried forward			(1,637)
Corporation Tax Liability			NIL

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2) Irish Holding Companies

- Participation Exemption

- The disposal by an Irish holding company of shares in a subsidiary will be exempt from Capital Gains Tax (“CGT”) where certain criteria are satisfied.

- The following conditions must be satisfied before the exemption can apply:

Irish Holding Companies Requirements for CGT Exemption

- The Irish company must have held at least 5% of the shares in the subsidiary for at least one year.

- The subsidiary company must be tax resident in a EU country or a tax treaty country.

- The subsidiary company must be engaged wholly or mainly in a trading activity.

3) The Ireland – China advantage

The combination of the Ireland/China Double Tax Agreement ('DTA') and the Irish holding company regime has created many potential tax efficiencies for Ireland as a holding company location for investment into China. This combination allows for:

1. An exemption from Chinese capital gains withholding tax on all disposals, regardless of shareholding size, of Chinese shares (not deriving their value from Chinese real estate);

2. An exemption from Irish tax on gains on disposals of Chinese shares (again, not deriving their value from Chinese real estate); and

3. A reduction of Chinese withholding tax on dividends, to 5%, where the recipient holds at least 25% of the voting power of Chinese company.

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The Ireland – China advantage

The Ireland/China DTA can match or exceed the benefits under the Chinese tax treaties with the current popular gateways into China, such as Mauritius, Barbados, Singapore, Hong Kong and Switzerland.

The Irish Treaty is one of the few DTA's which reduces the tax on non-real estate gains to zero regardless of the shareholding size.

Anti-avoidance Rules

- Ireland does not have CFC rules.
- Ireland does not have thin capitalisation rules.
- The absence of these rules makes Ireland an excellent location for a holding company.

4) Research & Development

- A 25% tax credit is available for companies which are involved in the carrying on of Research & Development activities.

- The 25% credit for expenditure on R&D is claimed in addition to (and not instead of) the normal deduction from profits allowed for such expenditure.

- This results in a tax deduction being claimed at an effective 37.5% rate.

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Research & Development

- Any unused credit can be carried forward indefinitely against corporation tax liabilities for subsequent accounting periods.

- If there are no profits to set the R&D credit against the company can apply for a cash refund from the Irish Revenue.

- The company can also give some of its tax credits to its key employees involved in the R&D.

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5) Intellectual Property (IP)

- Royalty Income is taxable at 12.5%.

- Companies carrying on a trade will be entitled to claim a tax write-off for the capital cost of acquiring or developing qualifying intangible assets.

- The range of assets qualifying for relief is extensive and includes brands, trademarks, copyrights, publishing rights and patents.

6.25% Knowledge Development Box (KDB)

Income from certain patents and copyrighted software which results from R&D carried on in Ireland will be taxed at 6.25%.

The Minister for Finance described this as the first OECD compliant KDB in the world.

Budget 2016 (13th October 2015)

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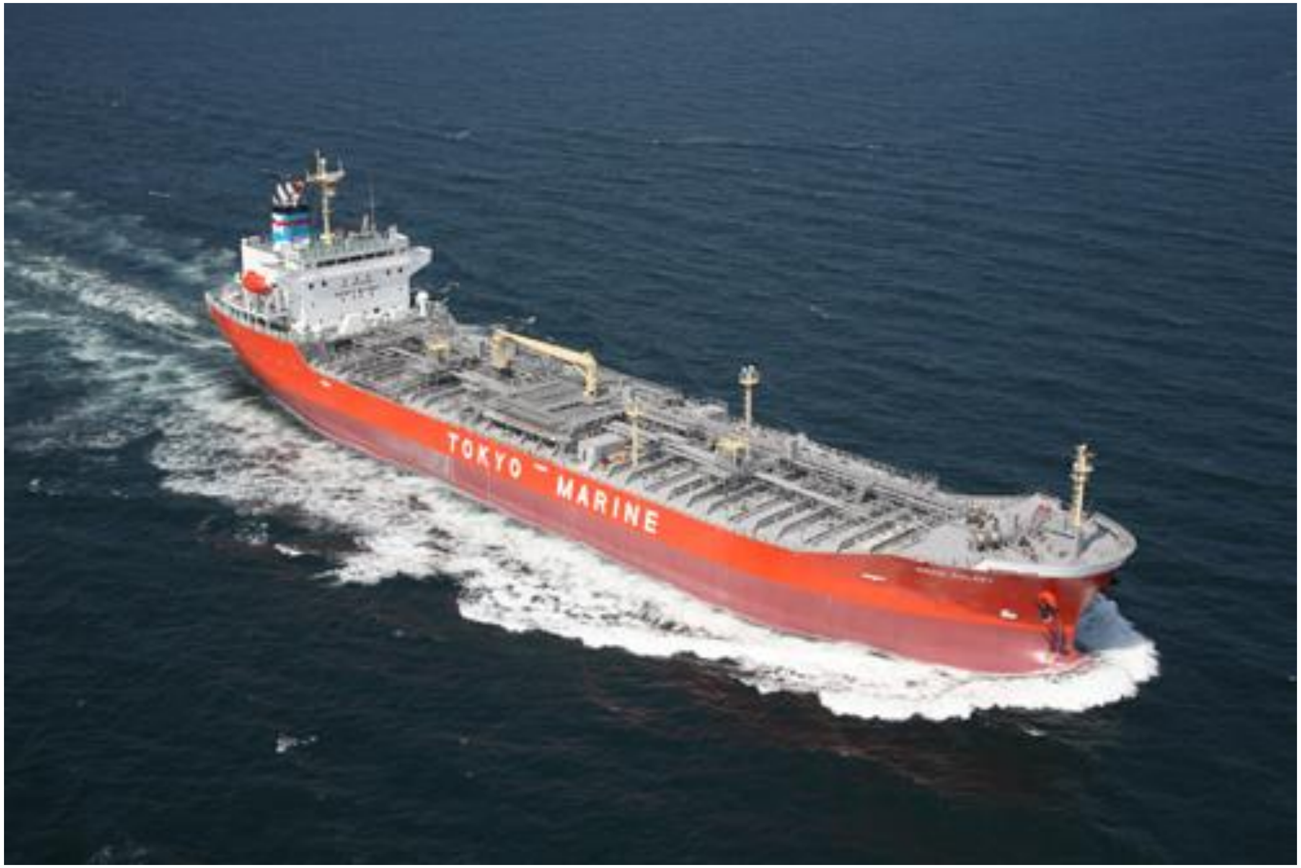
6) Shipping Business and Tonnage Tax



Tonnage Tax

- The tonnage tax system allows shipping companies to calculate their profits on the basis of a specified notional profit per day based on the tonnage of the ship.
- The standard rate of corporation tax of 12.5% is then applied to the amount of notional profit.

Tonnage Tax

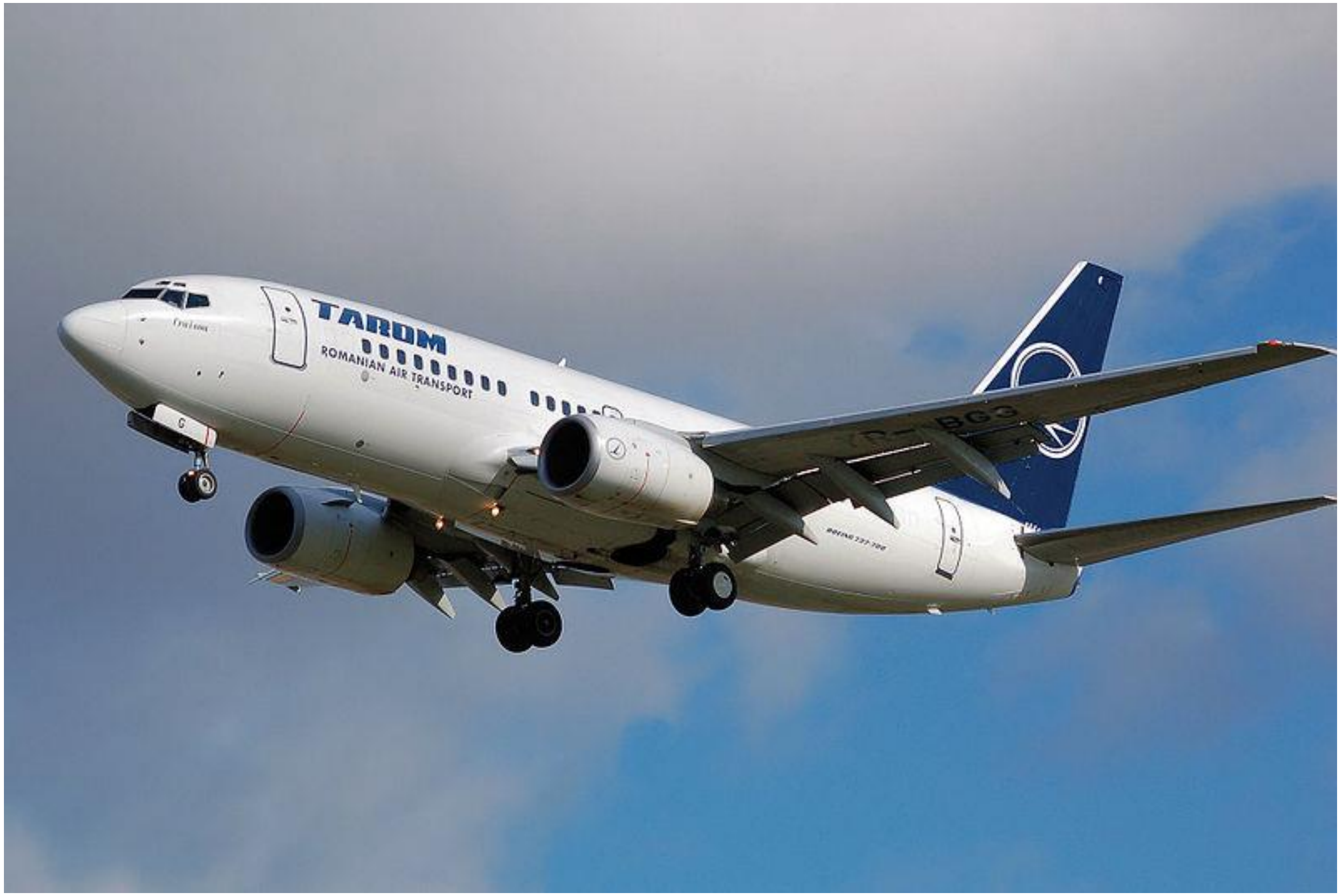
The notional daily profit is calculated on a sliding scale, using a formula based on its weight.

- A 45,000 dwt chemical tanker has a notional annual profit of €40,000 (based on its weight).
- €40,000 x 12.5% = an annual tax liability of €5,000.

Advantages of Tonnage Tax

- **Certainty**: Since the level of tax will be known and is minimal it reduces the need for a company to make provision in its accounts for deferred taxation, thereby increasing earnings per share.
- **Flexibility**: Companies will have more freedom to choose when to buy ships and how to finance them. These decisions will now largely be determined by commercial rather than tax considerations.
- **Clarity**: A company's tax position will now be more readily understood, consequently the company may become more attractive to investors and potential business partners.

7) Aircraft Leasing



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Aircraft Leasing

- Aircraft leasing profits are taxed at 12.5%.
- The company can write off the cost of aircraft and engines over an 8 year period.
- No withholding tax on interest and dividends payments paid to EU or Treaty Countries.
- No withholding tax on lease rentals.
- Zero percent VAT on international aircraft leasing.
- No stamp duty on the transfer of an aircraft or an interest in an aircraft.

8) Film Tax Relief

The relief is given to producer companies at the rate of 32% of the lowest of:

1. Expenditure in Ireland; or
2. 80% of the total cost of producing the film; or
3. €70,000,000

Film Tax Relief

The relief is claimed against the producer companies tax liability.

If there is no tax liability, the Revenue will give a cash refund.

In certain situations, the company could get a cash refund of 32% x €70m = €22,400,000.

It is possible to get an advance payment of 90% of the cash refund at the beginning of the production.

9) Special Assignee Relief Programme ('SARP')

- This new relief seeks to encourage the relocation of key talent within organisations to Ireland.
- The relief is available for up to 5 years from first arrival.
- It operates by granting an exemption from income tax on 30% of the employment income over €75,000.

Special Assignee Relief Programme ('SARP')

Salary	€200,000	€200,000
Less	(€75,000)	
Tax Relief =	€125,000 x 30% =	(€37,500)
	Taxable	€162,500

It could be used as part of the companies tax equalisation programme.

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10) Artists Exemption

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Artists Exemption

- Retire to Ireland and write that book that you wanted to.
- The first €50,000 per annum of profits or gains earned by writers, composers, visual artists and sculptors from the sale of their work is exempt from income tax in Ireland.

THANK YOU

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