Irish Companies

Why Ireland?

and

What are the tax advantages?

Byrne&McCall
Accountants and Tax Advisors

GGI European Conference
Edinburgh
3rd April 2014

Your gateway to Europe….

Did you know that 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:

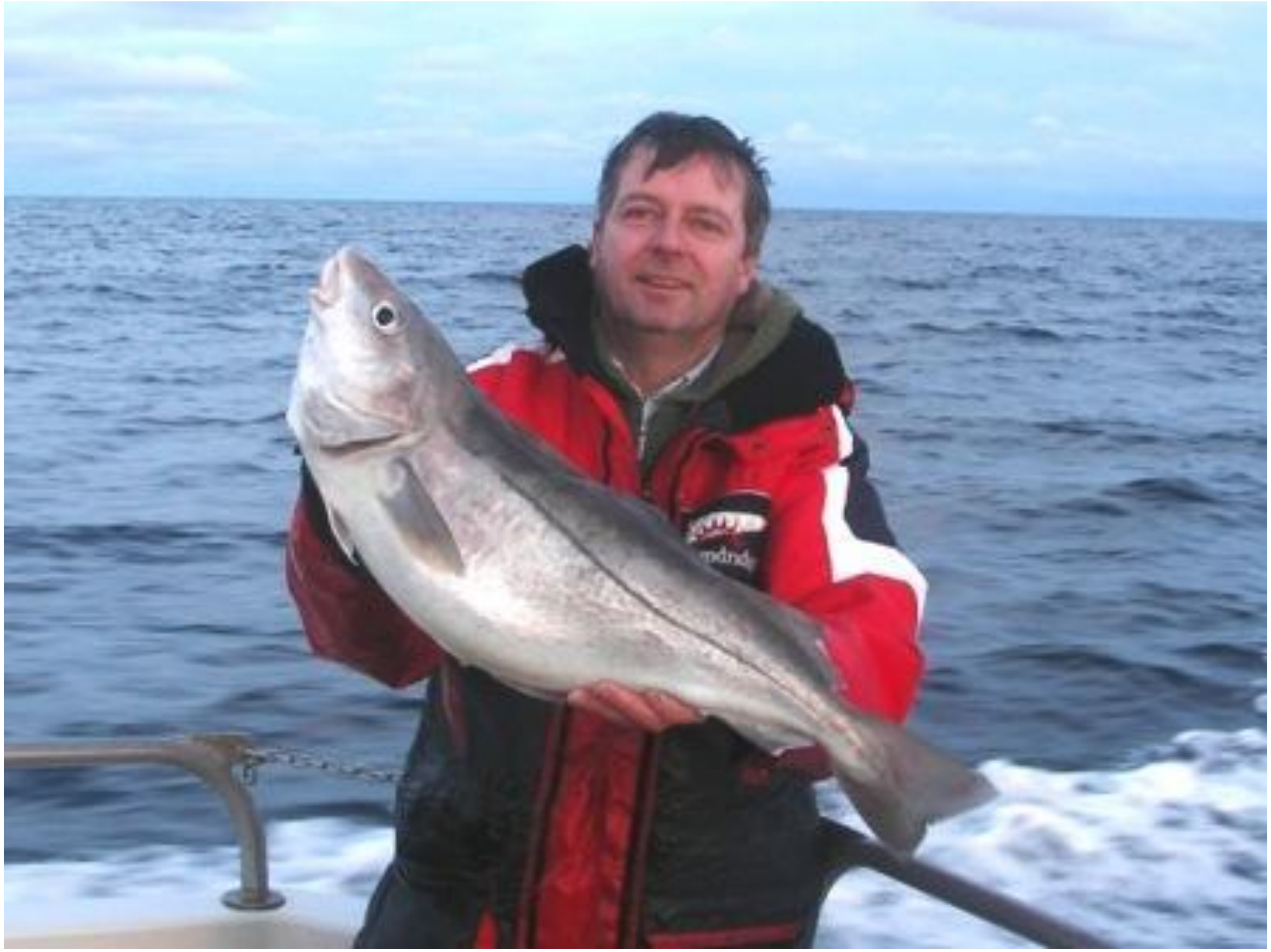
* ICBC	* Huawei	* Google	* Glaxo Smith Kline
* Apple	* Intel	* Facebook	* Boston Scientific
* Citigroup	* Pfizer	* Microsoft	* Dell
* Twitter	* Merck	* Abbott	* McAfee

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

Byrne&McCall
Accountants and Tax Advisors

So why are these companies established in Ireland?

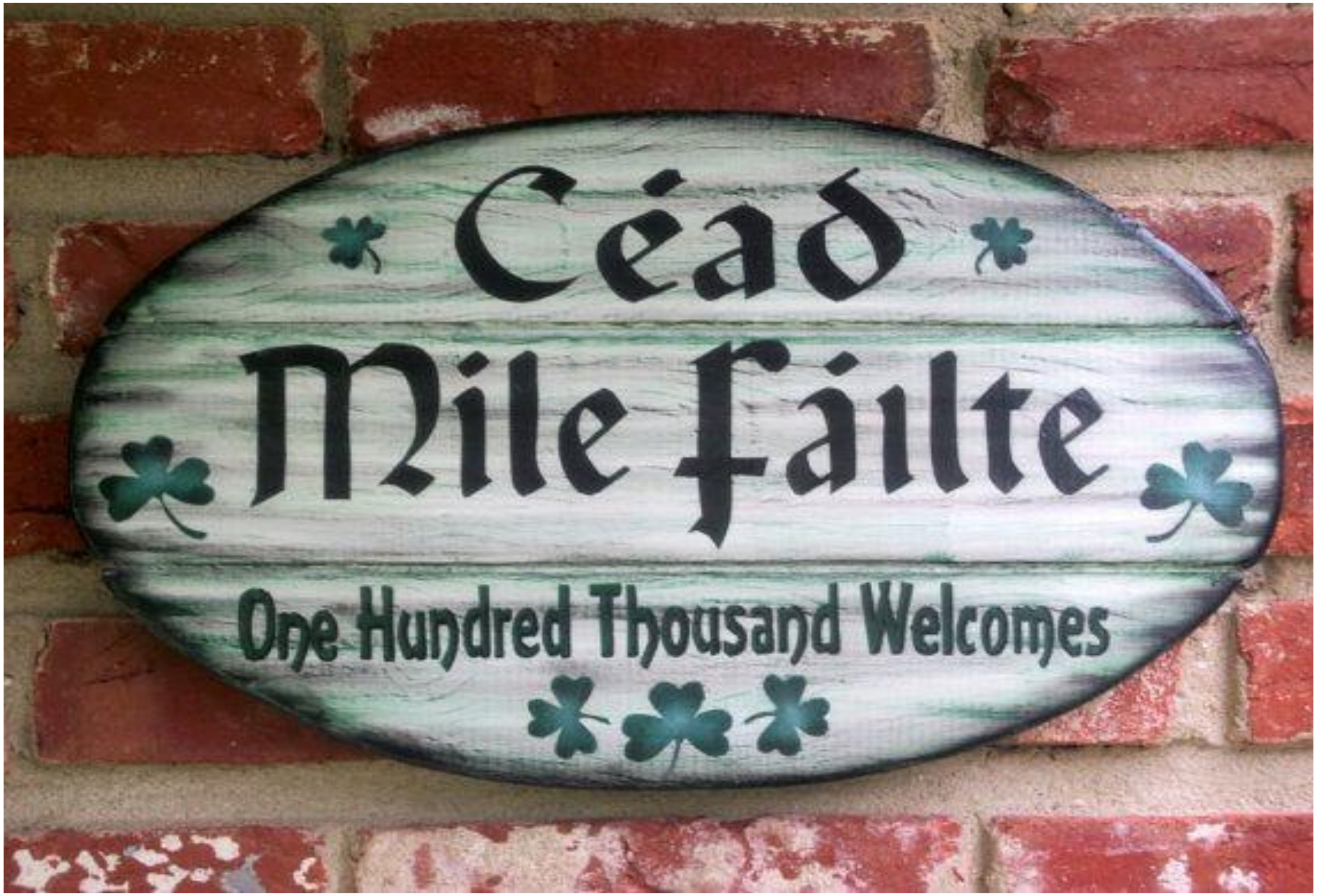
Is it for ....



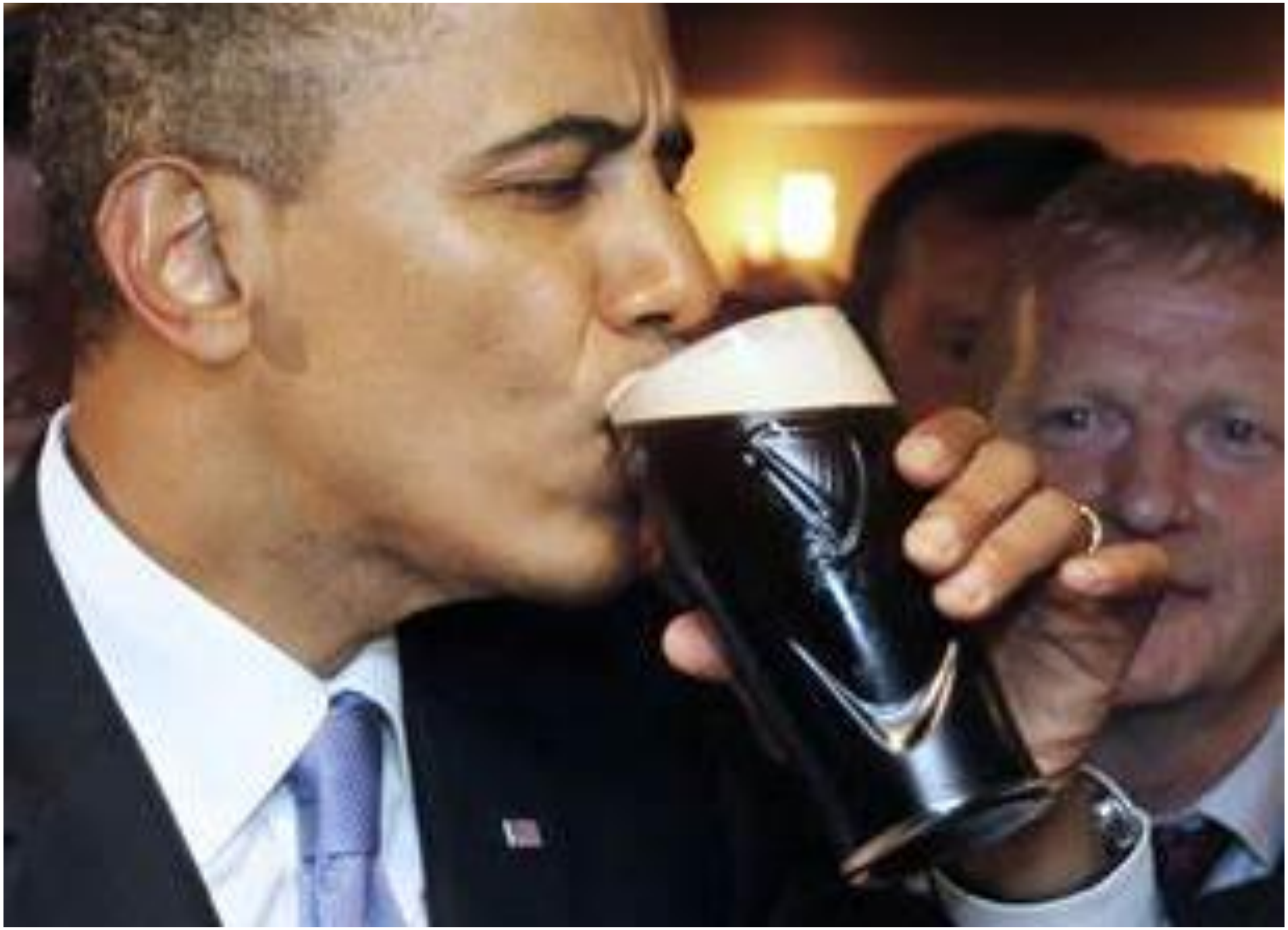
Byrne&McCall
Accountants and Tax Advisors

Byrne&McCall
Accountants and Tax Advisors

Byrne&McCall
Accountants and Tax Advisors



Byrne&McCall
Accountants and Tax Advisors



Byrne&McCall
Accountants and Tax Advisors

Or is it because …………

Ireland is the only English speaking nation in the Eurozone (18 Countries).

12.5% Corporation Tax

What has Ireland got going for it?

- EU member state for past 41 years.
- English speaking country.
- Highly skilled workforce.
- Large network of international air routes.
- Excellent standard of living for employees posted to Ireland.
- Historic links with the US & EU.
- A developed regulatory regime.

Some of the Key Tax Benefits are:

- Standard corporation tax rate of 12.5%, which has been consistently confirmed by the government as being a key pillar of its tax strategy.
- Tax exemption for new start ups.
- Exemption from tax for profits on the disposal of shares in a subsidiary company (Holding Companies).
- Significant tax credits available for R&D expenditure.
- Tax relief on the acquisition and development of IP.
- No capital duty on incorporation.

Byrne&McCall
Accountants and Tax Advisors

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.
- The maximum credit that can be claimed is €5,000 per employee.

Byrne&McCall
Accountants and Tax Advisors

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)	€40,000 x 10.75%	4,300	(13,437)
Tax Credit to be carried forward			(937)
Corporation Tax Liability			NIL

Byrne&McCall
Accountants and Tax Advisors

Irish Holding Companies

- 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.

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.

The Ireland – China advantage

Ireland has also recently signed a tax treaty with Hong Kong, effective 1st January 2012. As Hong Kong is commonly used as a gateway for investment to mainland China, the addition of the Ireland/Hong Kong DTA provides additional structuring options in relation to Chinese inbound investments.

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.

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.

- R & D expenditure will reduce taxable profits by 12.5% and the same expenditure will also qualify for the 25% R&D credit.

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

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

Byrne&McCall
Accountants and Tax Advisors

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.

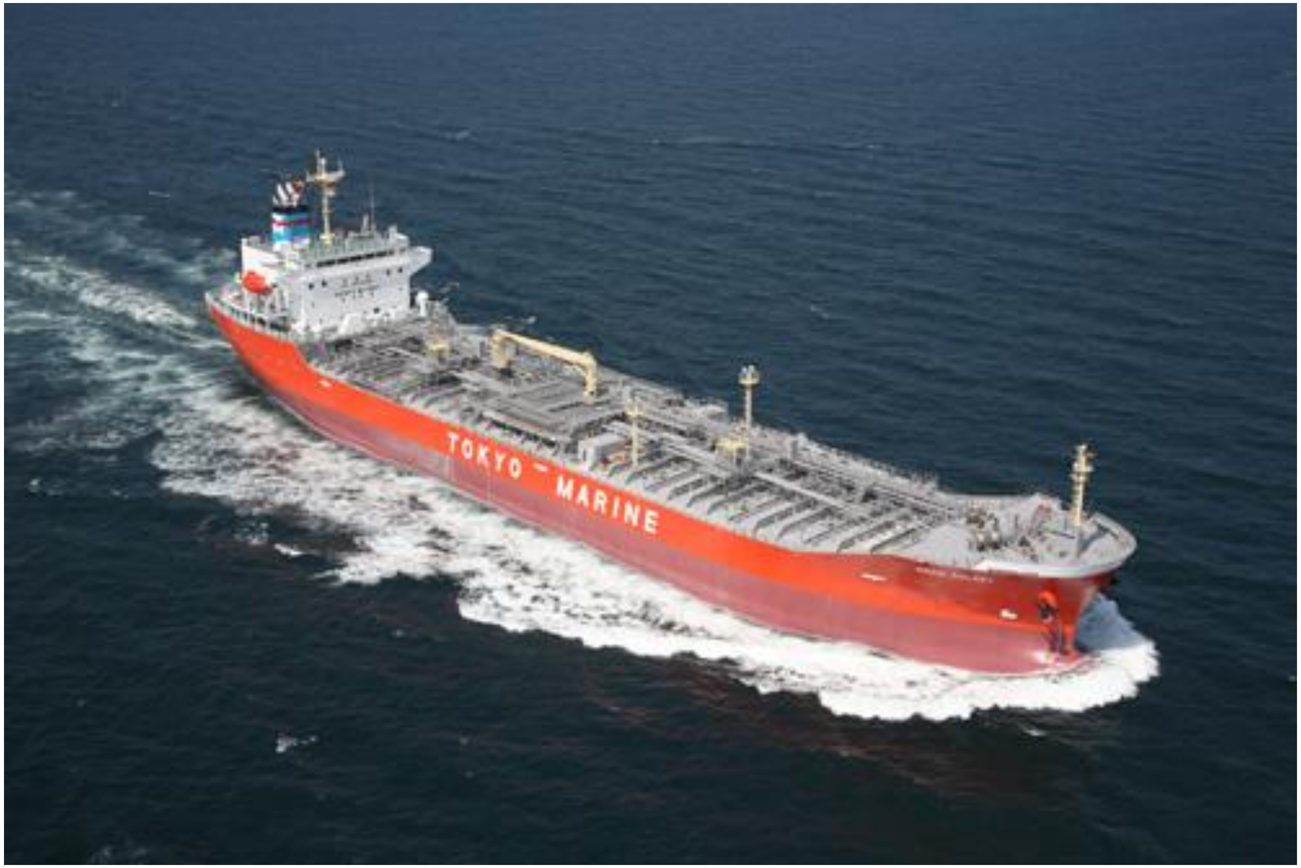
Intellectual Property (IP)

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

- The tax write off is granted as a capital allowance and the write off is available in line with the depreciation or amortisation for accounting purposes.

Byrne&McCall
Accountants and Tax Advisors

Shipping Business and Tonnage Tax



Byrne&McCall
Accountants and Tax Advisors

Tonnage Tax

- The tonnage tax method 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 corporation tax of 12.5% is then applied to the amount of notional profit.

Byrne&McCall
Accountants and Tax Advisors

Tonnage Tax

- The notional daily profit is calculated on a sliding scale, using the following rule:

  * €1.00 per 100 net tons for the first 1,000 net tons
  * €0.75 per 100 net tons from 1,000 up to 10,000 net tons
  * €0.50 per 100 net tons from 10,000 up to 25,000 net tons
  * €0.25 per 100 net tons over 25,000 net tons

Example of Tonnage Tax liability

- A 45,000 dwt chemical tanker has a notional annual profit of €40,000.

  €40,000 x 12.5% = an annual tax liability of €5,000.

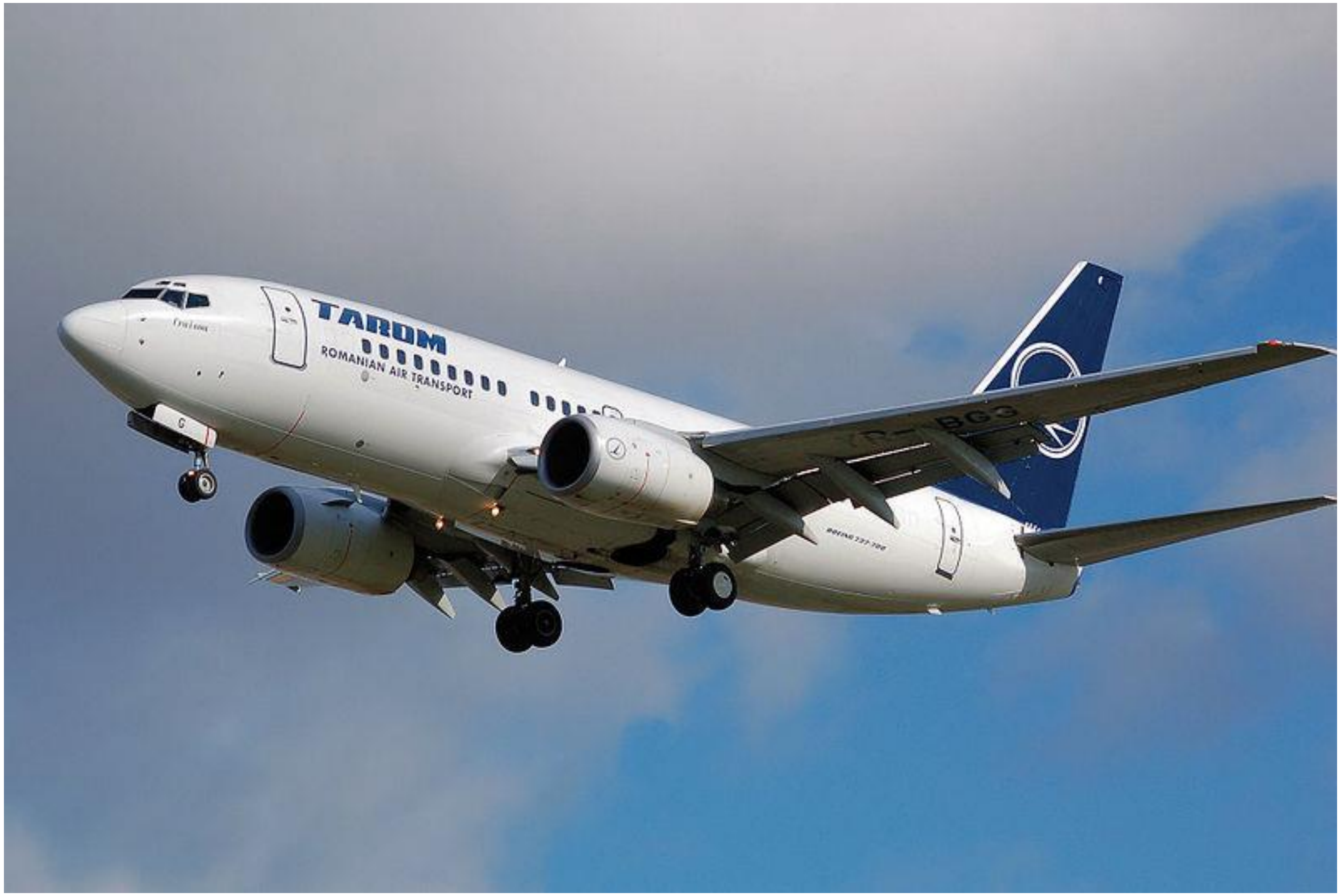
Advantages of Tonnage Tax

- **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.

Aircraft Leasing



Byrne&McCall
Accountants and Tax Advisors

Aircraft Leasing

- €150bn industry.

- Irish companies own or manage 19% of the worlds commercial aircraft.

- In 2012 the largest aircraft leasing transaction in history took place in Ireland.

  A Japanese company, Sumitomo Financial, paid €5.6bn to buy RBS Aviation, a company based in Dublin.

Aircraft Leasing

- Aircraft leasing profits are taxed at 12.5%.
- Tax depreciation over an 8 year period on the cost of an aircraft and engines.
- No withholding tax on interest and dividends payments paid to EU or Treaty Countries.

Aircraft Leasing

- 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.

Byrne&McCall
Accountants and Tax Advisors

Artists Exemption

Byrne&McCall
Accountants and Tax Advisors

Artists Exemption

- The first €40,000 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.

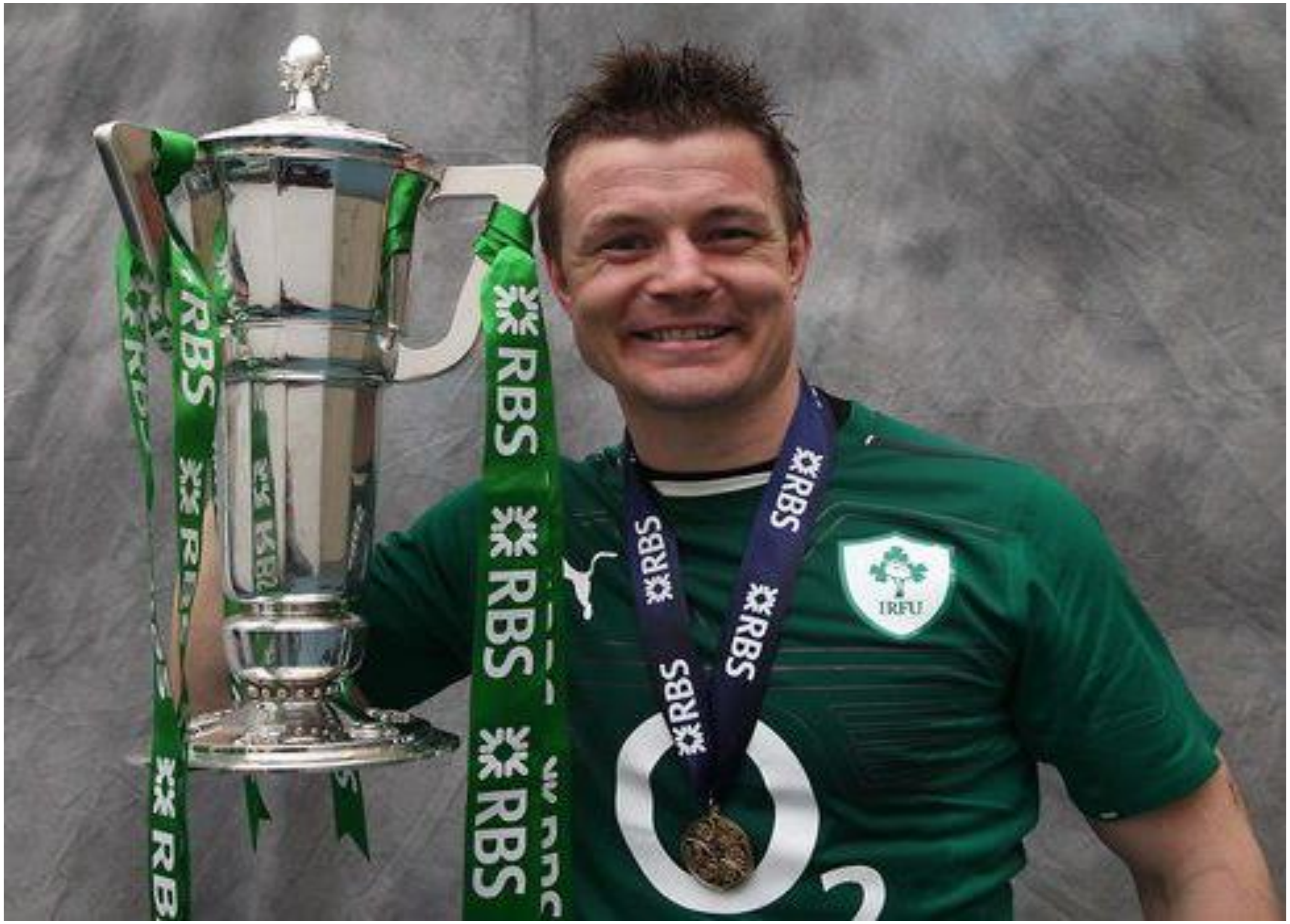
- To claim the Artists Exemption you must be resident or ordinarily resident and domiciled, in the State and not resident elsewhere.

Artists Exemption

- The works must be regarded as qualifying works.

- Qualifying works are ‘original and creative’ works that have ‘cultural or artistic merit.’

  * Books or other writing
  * Plays
  * Musical compositions
  * Paintings
  * Sculptures



Byrne&McCall
Accountants and Tax Advisors

THANK YOU