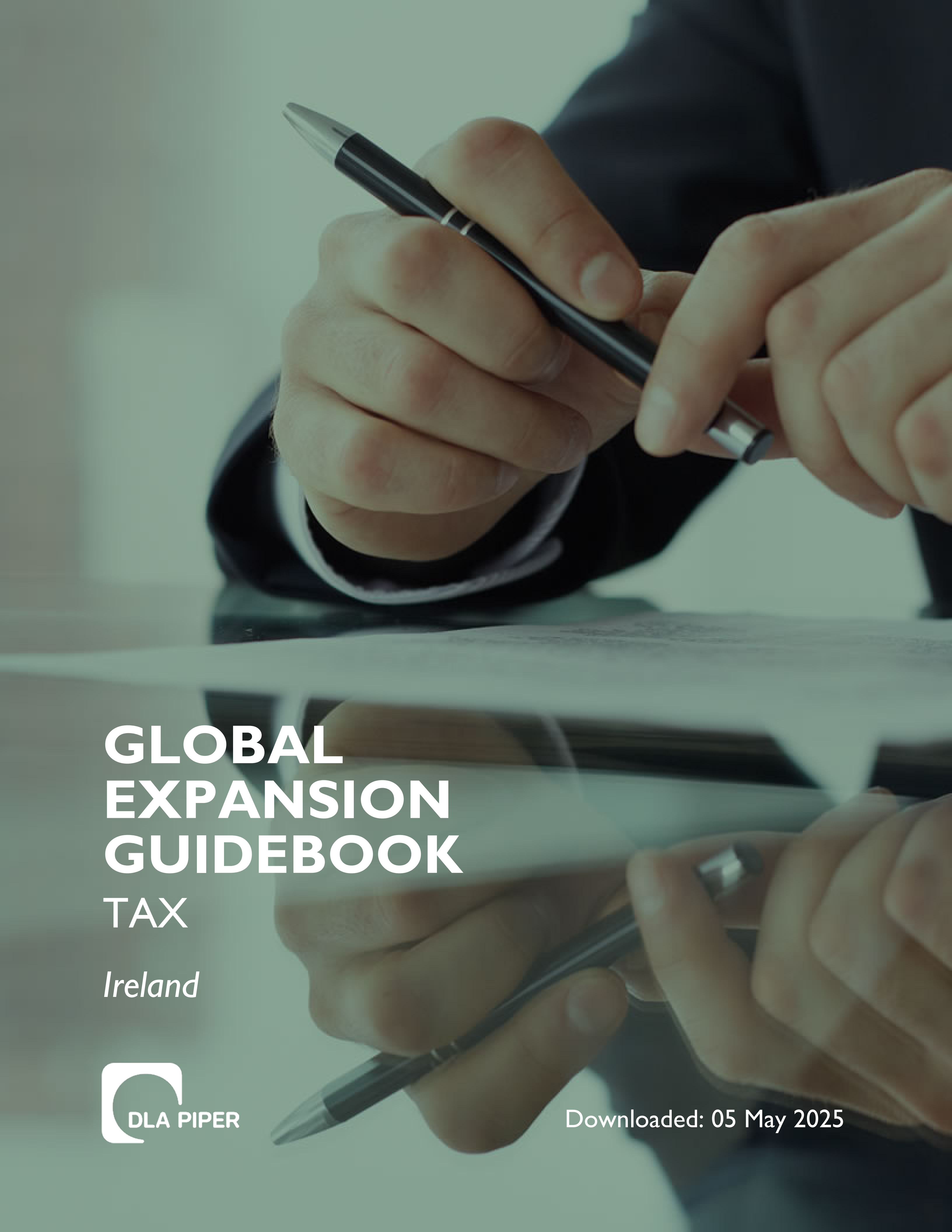

GLOBAL EXPANSION GUIDEBOOK

TAX

Ireland

INTRODUCTION

Welcome to the 2024 edition of DLA Piper's *Global Expansion Guidebook – Tax*.

GLOBAL EXPANSION GUIDEBOOK SERIES

Many companies today aim to scale their businesses globally and into multiple countries simultaneously. In order to help clients meet this challenge, we have created a handy set of global guides that cover the basics companies need to know.

The *Global Expansion Guidebook* series reviews business-relevant corporate, employment, intellectual property and technology, global equity and tax laws in key jurisdictions around the world.

TAX

Multinational companies continue to expand globally at an ever faster pace. Successful expansion depends, in part, on strategic and effective tax planning and compliance. This guide, brought to you by DLA Piper's Tax group summarizes the key features of tax laws in 41 popular jurisdictions.

This guide addresses common tax questions, by jurisdiction, including:

- Taxation of resident companies and non-resident companies
- Availability of tax holidays, rulings, and favorable tax regimes
- Ability to use losses to offset income
- Anti-deferral (ie CFC) rules
- Withholding taxes
- Employment tax issues

With more than 300 tax lawyers and economists in offices throughout the Americas, Europe and Asia Pacific, DLA Piper's global tax advisory services help multinational companies address the complex challenges of international commerce and business operations as well as manage and resolve tax audits. Our global tax group also assists clients in structuring a wide range of transactions, from private equity deals to corporate acquisitions and disposals. We provide these tax services across our global platform, while at the same time offering clients the benefits of the attorney-client and work-product privileges.

The information in this guide is an accessible, high-level summary of the tax laws in each jurisdiction. This is not a substitute for legal or tax advice. If you have specific questions or require detailed advice, we encourage you to contact one of the attorneys listed in the contributors section of this guide.

We hope that you find this guide valuable and we welcome your feedback.

IRELAND

Last modified 19 June 2024

RESIDENCE AND BASIS FOR TAXATION

A company incorporated in Ireland on or after January 1, 2015 is regarded as tax resident in Ireland, unless a tax treaty provides otherwise.

Domestic

An Irish resident company is subject to Irish tax on its worldwide income and gains.

Foreign

A non-Irish resident company is not subject to Irish tax on income unless it carries on a trade in Ireland through a branch or agency or it receives income from Irish sources (*eg*, income from the rent of Irish properties). A non-Irish resident company is not subject to Irish tax on capital gains unless it makes a disposal of:

- Irish land
- Irish minerals or mining rights
- Unquoted shares deriving their value from (1) or (2) above or
- Irish situate assets which, at or before the time when the gains accrued, were used in or for the purposes of a trade carried on by the company in Ireland through a branch or agency.

TAXABLE INCOME

Domestic

Taxable income of an Irish tax resident company is calculated by deducting allowable deductions (expenses, allowances and reliefs) from the profits and other income.

TAX RATES

Corporate tax is applied at 2 rates: 12.5 percent for trading income and 25 percent for non-trading (passive) income. From December 31, 2023, a rate of 15 percent will apply to trading income for businesses with a global annual turnover of EUR750 million and above in at least 2 of the preceding 4 years.

TAX COMPLIANCE

Corporate tax returns are generally due by the 21st day of the 9th month following the end of the relevant company's accounting period. This may be extended to the 23rd day of such month for companies that file their corporate tax returns online, which most companies are now obliged to do. At this time, companies must pay the balance of any associated tax due via Revenue's Online Service.

Companies are also obliged to pay preliminary tax.

In the case of "large companies" (*ie,* companies which, in their preceding accounting period, had a tax liability exceeding EUR200,000), there is an obligation to pay preliminary tax in 2 installments. The first installment will be payable by the 21st/23rd day of the 6th month of the accounting period in the amount of 50 percent of the corporate tax liability for the preceding accounting period or 45 percent of the corporate tax liability for the current period. The second installment is payable by the 21st/23rd day of 11th month of the accounting period and the amount payable must bring the total preliminary tax paid to 90 percent of the company's corporate tax liability for the current accounting period. The balance of tax due is payable when the corporate tax return is due to be filed (*ie,* the 21st/23rd day of the 9th month after the end of the accounting period).

In the case of "small companies" (*ie,* companies which in their preceding account period had a tax liability of less than EUR200,000), there is an obligation to pay preliminary tax in 1 installment only. This installment is payable by the 21st/23rd day of the 11th month of the accounting period in the amount of 100 percent of the corporate tax liability for the preceding accounting period or 90 percent of the corporate tax liability for the current period.

New or startup companies with a corporation tax liability of EUR200,000 or less in their first accounting period are not required to pay preliminary tax for that period. Rather, the final tax liability for that period for such companies is due and payable when the corporation tax return is filed.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction. There is a relief from corporation tax of up to EUR40,000 per year which is available to startup companies for the first 3 years from the commencement of trade. The relief is subject to certain conditions and its amount depends on the amount of employer social insurance paid by the company per year in respect of its employees. This is currently available up to December 31, 2026.

Tax rulings

Rulings are not generally available from the tax authority but they may give a non-binding opinion.

Tax incentives

There are tax incentives available for specific activities, including, for example, a knowledge development box regime for certain IP exploitation trades, R&D tax credits and tax depreciation on the purchase of certain intellectual property.

CONSOLIDATION

Certain loss reliefs can be grouped (see below). However, there is no concept of fiscal unity.

Companies with close organizational, financial and economic links may form a VAT group. All companies in the group are jointly and separately liable for the VAT of the group.

PARTICIPATION EXEMPTION

An exemption from corporate tax on chargeable gains applies to Irish resident companies on disposals of shareholdings in subsidiary companies, subject to the following conditions:

- The subsidiary must be resident in the EU or in a country which has signed a double-taxation treaty with Ireland.
- The disposing company must hold 5 percent of the ordinary share capital of the subsidiary for a minimum of 12 continuous months. The disposing company must also be entitled to 5 percent of the subsidiary's distributable profits and 5 percent of the subsidiary's assets on a winding-up for this 12 month period.
- The subsidiary must be a trading company or the disposing company, the subsidiary and all of the disposing company's 5-percent subsidiaries must form a trading.

Ireland does not have a participation exemption for dividends. The tax treatment of dividends is discussed below.

CAPITAL GAIN

Capital gains of a company are taxed at 33 percent. Capital losses may be set off against chargeable gains arising in the same tax year. Unused capital losses can be carried forward and set off against chargeable gains in future years. Excess capital losses can generally only be carried forward.

DISTRIBUTIONS

Dividends received by an Irish resident company from another Irish resident company are usually exempt from Irish tax, including dividend withholding tax. The 12.5-percent corporation tax rate applies (on election) in respect of foreign dividends paid out of EU/treaty country trading profits where either the dividend paying company:

- Is resident in the EU/treaty country/signatory country of the OECD Convention on Mutual Administrative Assistance in Tax Matters or

- Is a publicly quoted company or a 75-percent subsidiary of a publicly quoted company.

Corporation tax at the rate of 25 percent applies to foreign dividends sourced from other companies or from non-trading profits.

Ireland provides for unilateral credit relief for foreign withholding tax and underlying taxes on dividends paid to an Irish resident company. A minimum shareholding of 5 percent applies. The foreign tax is available as a credit against Irish tax and, where the foreign tax exceeds the Irish tax on the dividend, the excess can be pooled and offset against Irish tax on other foreign dividends received in the same accounting period. Any balance unused can be carried forward and used in subsequent accounting periods. This credit system often operates to eliminate any additional Irish taxes on the receipt of foreign dividends.

LOSS UTILIZATION

Relief for trading losses is available by way of set-off against all other relevant trading income of the company in the same period and of the immediately preceding accounting period of equal length. Relevant trading losses can also be used to shelter foreign dividends which the company elects to tax at 12.5 percent. Any remaining trading losses can be set-off against all other income and profits of the company in the accounting period and in the immediately preceding accounting period of equal length on a value basis. Unused trading losses may be carried forward indefinitely for offset against future income of the same trade.

A member of a group of companies may surrender current year trading losses to another group member. A number of conditions must be met for group relief to be available (eg, corresponding accounting period, 75-percent subsidiaries and tax resident in a member state of the EU).

TAX-FREE REORGANIZATIONS

Relief from stamp duty and capital gains tax is available on certain intragroup reorganization transactions.

ANTI-DEFERRAL RULES

Not applicable for this jurisdiction.

FOREIGN TAX CREDITS

Ireland operates a credit system in respect of tax (including withholding tax and underlying tax) paid on dividends, interest and royalties. Onshore dividend pooling of foreign dividends is also available.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Stamp duty applies to documents which effect certain transactions, including transfers and lease transactions involving real property. The rate of stamp duty varies depending on the transaction (*ie,* whether the creation of a lease or the transfer of a property interest) and whether the land is residential or non-residential. Stamp duty arises on the transfer of non-residential land at a rate of 7.5 percent. Stamp duty arises on the transfer of residential land at a rate of 1 percent up to the first EUR1 million and 2 percent thereafter.

Irish capital gains tax is chargeable on the disposal of Irish land or buildings irrespective of whether the disposer is an Irish tax resident company or a non-Irish tax resident company.

If the consideration for the sale of Irish land or buildings exceeds EUR500,000[1], the purchaser is required to withhold tax of 15 percent of the consideration and remit it to Revenue within 30 working days of closing. This requirement may be avoided where a form CG50A is produced. A form CG50A can be obtained where:

- The vendor is resident in Ireland
- No CGT is payable pursuant to the transfer or
- CGT has already been paid

An annual self-assessed Local Property Tax is charged on the market value of all residential properties.

VAT can arise on the supply of real property.

[1] EUR1 million in the case of residential property.

TRANSFER PRICING

Transfer pricing rules are applied on an arm's-length basis to transactions involving Irish trading companies. Irish transfer pricing rules follow OECD principles, particularly the 2022 OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations). In addition to trading transactions, the transfer pricing rules also apply to certain non-trading transactions as well as capital transactions (where the transaction value/capital expenditure exceeds EUR25 million). Previously, arrangements concluded before July 1, 2010 could have fallen outside the scope of the transfer pricing rules under grandfathering provisions. However, such grandfathering provisions no longer apply. From January 1, 2020, certain legislative amendments were enacted to bring small and medium enterprises (SMEs), as defined, within the scope of the Irish transfer pricing rules but subject to modified requirements (eg reduced documentation requirements) not subject to the transfer pricing rules. Due to the challenges faced by SMEs as a result of the United Kingdom's withdrawal from the European Union and the COVID-19 pandemic, the rules' extension to SMEs have not yet been commenced.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

Withholding tax applies in Ireland at a rate of 20 percent, or 25 percent in the case of distributions. However, a number of domestic exemptions exist to remove the withholding obligation.

In the case of dividends, exemptions include where dividends are paid to:

- A company or person resident in an EU/treaty country and not under the control of Irish residents
- A company that is not resident in an EU/treaty country but is controlled by a person(s) who is/are resident in an EU/treaty country and which person(s) is/are not under the control of a person(s) not resident outside an EU/treaty country, or
- A listed company or a 75-percent subsidiary of a listed company.

Withholding taxes apply to the payment of patent royalties. An exemption from withholding tax exists for certain patent royalties paid to persons resident in the EU or a double tax treaty country. It is also possible to pay patent royalties to non-Irish, non-treaty persons free from withholding tax in certain circumstances.

A number of exemptions apply in relation to the payment of interest, such as:

- Interest paid by a company (in the ordinary course of a trade or business) to a company resident in an EU /treaty country (other than Ireland) where that jurisdiction imposes a tax which generally applies to interest receivable from foreign territories (except where such interest is paid to that company in connection with a trade or business which is carried on in Ireland by that company through a branch or agency)
- Cross-border interest payments between associated companies in the EU (25-percent ownership is required or at least 25 percent of each company is owned by a 3rd company)
- Interest paid to another Irish resident company where both Irish resident companies are members of the same group (51-percent relationship required)
- Interest paid by a company to an approved pension scheme and
- Interest paid on a quoted Eurobond.

Withholding tax must be deducted from rental payments made to non-residents unless the landlord uses an Irish resident agent to whom the rents are paid.

Service fees

Not applicable for this jurisdiction.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

No capital duty applies in Ireland. Stamp duty generally applies to certain documents which effect certain transactions which are executed in Ireland (*eg*, documents effecting share transfers or transfers of ownership of other assets). The rate of stamp duty varies depending on the nature of the transaction and the assets. The transfer of Irish shares is subject to 1 percent stamp duty and the transfer of non-residential property is subject to stamp duty at 7.5 percent.

Intellectual property transfers should be exempt from stamp duty where the type of intellectual property being transferred falls within the scope of a "specified intangible asset" which is broadly defined.

EMPLOYMENT TAXES

Under the Pay As You Earn (PAYE) system, employers must deduct any income tax, PRSI (pay-related social insurance) and USC (universal social charge) each time a payment of wages, salary and other benefits in kind is made to an employee. Employers also make a contribution to PRSI.

Income tax is levied at 20 percent and a higher threshold of 40 percent applies to income over a certain threshold (which depends on the marital status of the employee). The Universal Social Charge applies to employees taxed under the PAYE system at a rate of 0.5 percent, 2 percent, 4.5 percent or 8 percent of gross income depending on the level of income earned. Self-employed persons earning over EUR100,000 may be subject to the Universal Social Charge at a rate of up to 11 percent.

OTHER TAX CONSIDERATIONS

Not applicable for this jurisdiction.

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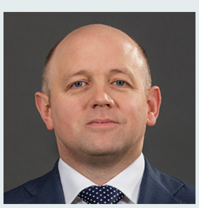

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