



The Legal 500 & The In-House Lawyer  
Comparative Legal Guide  
Ireland: Tax

This country-specific Q&A provides an overview to tax laws and regulations that may occur in Ireland.

It will cover withholding tax, transfer pricing, the OECD model, GAAR, tax disputes and an overview of the jurisdictional regulatory authorities.

This Q&A is part of the global guide to Tax. For a full list of jurisdictional Q&As visit <http://www.inhouselawyer.co.uk/index.php/practice-areas/tax-3rd-edition/>



**Country Author: Matheson**

The Legal 500



**Joe Duffy, Partner | Tax**

**[joseph.duffy@matheson.com](mailto:joseph.duffy@matheson.com)**

**The Legal 500**



**Tomas Bailey, Associate**

**[Tomas.Bailey@matheson.com](mailto:Tomas.Bailey@matheson.com)**

## 1. **How often is tax law amended and what are the processes for such amendments?**

In December each year an annual Finance Act is passed by the Irish Parliament enacting substantive changes to tax law. This follows a budget statement by the Minister for Finance in October and a number of weeks of parliamentary debate and amendments. Very rarely, there may be more than one Finance Act in a calendar year.

Implementing legislation for relevant EU Directives is usually passed as part of the annual Finance Act. Other implementing legislation (regulations or orders) may be issued at other times throughout the year where authorized under the primary Finance

Act.

Substantive changes to tax law are typically preceded by a period of public consultation and legislation may be released in advance for public comment and debate.

Procedural or administrative changes to Irish Revenue Commissioners' practices issue regularly throughout the year.

2. **What are the principal procedural obligations of a taxpayer, that is, the maintenance of records over what period and how regularly must it file a return or accounts?**


Companies are obliged to file a corporation tax return annually, typically 8 months and 21 days after the company's financial year end. Individuals, with employment income only, typically have no personal income tax filing obligations as their tax obligations are fulfilled by their employer under a system of payroll withholding taxes. Individuals with other sources of income file a tax return annually on 31 October (extension available for online filing).

There are bimonthly and annual VAT filings and employers have monthly and annual payroll withholding tax filings.

Taxpayers are obliged to maintain adequate books and records to support a tax filing for a period of six years. This time period is extended where there is an ongoing inquiry or audit.

3. **Who are the key regulatory authorities? How easy is it to deal with them and how long does it take to resolve standard issues?**

The Office of the Revenue Commissioners was established by Government Order in



1923. The Order provided for a Board of Commissioners comprising three Commissioners, one of whom is appointed Chairman. Irish Revenue's structure is designed around its customer base. Irish Revenue Regions are responsible for customers within their geographical area, except for those large corporates and high wealth individuals dealt with by the Large Cases Division. There are also Divisions with responsibility for policy, legislation and interpretation functions. In total, Irish Revenue comprises of 16 Divisions each of which is headed by an Assistant Secretary.

Standard queries are normally dealt with through an online portal. Depending on the nature of the query, response times can vary from 3 days to 6 weeks or even longer in complex matters. Complex matters may be dealt with face to face with the relevant technical division in Irish Revenue. Large taxpayers may be invited to join the Irish Revenue's Co-operative Compliance Framework ("CCF"). Taxpayers within the CCF have direct access to an Irish Revenue official and can expect matters to be dealt with more quickly.

**4. Are tax disputes capable of adjudication by a court, tribunal or body independent of the tax authority, and how long should a taxpayer expect such proceedings to take?**

The first instance independent tribunal for tax disputes is the Tax Appeals Commissioners ("TAC"). There is currently a significant waiting list of cases before the TAC and typical waiting time to hear an appeal can be more than one year.

Appeals on points of law from the TAC may be made through the regular court system in the High Court, Court of Appeal and ultimately the Supreme Court. Appeals through the courts system can be expected to take more than 5 years.

**5. Are there set dates for payment of tax, provisionally or in arrears, and what happens with amounts of tax in dispute with**

## **the regulatory authority?**

Individuals who have an income tax filing obligation must pay preliminary tax for a calendar year by 31 October of that year. To avoid possible interest charges the payment must be 90% of the current year liability or 100% of the prior year liability. Any balancing tax payment in respect of a calendar year must be paid by 31 October of the following calendar year.

Companies pay corporation tax in three installments: (i) on the 21st day of the sixth month of the current financial year a payment equal to 45% of the current year tax liability (or 50% of the preceding year tax liability); (ii) on the 21st day of the eleventh month of the current financial year a payment to bring the total payments for the year to 90% of the current year tax liability; (iii) on the 21st day of the ninth month following the relevant financial year (along with the corporation tax filing) a balancing payment of the remaining 10% of the relevant financial year liability.

VAT and payroll withholding tax payments are made either bimonthly or monthly in arrears along with the relevant filing.

In order to lodge an appeal the taxpayer must pay the tax that the taxpayer believes is due. There is no requirement to pay the disputed amount. However if there is an additional tax liability following the determination of an appeal the additional amount becomes due and payable from the original due date of the disputed amount.

- 6. Is taxpayer data recognised as highly confidential and adequately safeguarded against disclosure to third parties, including other parts of the Government?  
Is it a signatory (or does it propose to become a signatory) to the Common Reporting Standard? And/or does it maintain (or intend to maintain) a public Register of beneficial ownership?**

Section 851A Taxes Consolidation Act 1997 ("TCA") provides statutory protection in respect of the confidentiality of taxpayer information. The protection is not absolute

and taxpayer information may be disclosed by the Revenue in certain limited circumstances prescribed within that section. Under separate legislation confidential taxpayer information may also be disclosed to the Office of the Director of Corporate Enforcement (“ODCE”) where an offence has been committed or to the Official Assignee or trustee in bankruptcy.

Ireland is a signatory to the CRS. The development of a central register of beneficial ownership is in progress and is expected to go-live at [www.cro.ie](http://www.cro.ie) during 2019.

## **7. What are the tests for residence of the main business structures (including transparent entities)?**

Companies incorporated in Ireland are considered tax resident in Ireland unless they are resident in another jurisdiction in accordance with the terms of the relevant double taxation agreement (“DTA”). Companies incorporated outside Ireland may be Irish resident where they are centrally managed and controlled in Ireland (subject to application of a DTA).

Companies incorporated in Ireland before 1 January 2015 may also be resident outside Ireland until 31 December 2020 where they are managed and controlled, and tax resident, in another jurisdiction. Such companies may become Irish tax resident before 31 December 2020 where there is a change of control and a change in the nature of their business.

Individuals are resident in Ireland where they are present in Ireland for 183 days in any calendar year or for 280 days over two calendar years (and at least 30 days in each year).

Partnerships are transparent for Irish tax purposes so one must consider the tax residence of the individual partners.

**8. Have you found the policing of cross border transactions within an international group to be a target of the tax authorities' attention and in what ways?**

For many years Ireland has been an important location for international groups. Therefore cross border transactions have long since been the focus of tax authorities' attention. The key areas of attention in cross border situations typically involve (a) assessing the substance and activity in Ireland to determine applicability of the 12.5% tax rate on trading income; (b) reviewing base-eroding interest payments out of Ireland; (c) consideration of deductibility and arm's length nature of royalty and other payments to foreign jurisdictions, particularly non-DTA partner jurisdictions;

Irish Revenue have also played a significant role over the years in defending the Irish tax base from permanent establishment and transfer pricing assessments by foreign taxing authorities.

**9. Is there a CFC or Thin Cap regime? Is there a transfer pricing regime and is it possible to obtain an advance pricing agreement?**

Ireland does not currently have CFC rules. In accordance with the EU Anti Tax Avoidance Directive ("ATAD") Ireland will be obliged to introduce CFC rules with effect from 1 January 2019. Following a public consultation it is expected that Ireland will introduce a CFC regime in accordance with Option B as set out in the ATAD. It is expected that the relevant legislation will be included in Finance Act 2019 (which will be passed in December 2018). While draft legislation has not yet been published it is expected that the CFC rules will apply where a "control condition" and "taxation condition" have been satisfied (i.e. to be a CFC there should be greater than 50% control and less than half the Irish rate of taxation). The targeted income will be all types of non-distributed income arising from "non-genuine arrangements which have been put in place for the essential purpose of obtaining a tax advantage." According to the ATAD, arrangements are non-genuine where the CFC "would not own the assets or would not have undertaken the risks which generate all, or part of, its income if it were

not controlled by a company where the significant people functions, which are relevant to those assets and risks, are carried out and are instrumental in generating the controlled company's income.”

Ireland does not have a thin capitalization regime.

Ireland has had transfer pricing rules since 2010. The transfer pricing rules must be interpreted in a manner consistent with the OECD transfer pricing guidelines. Somewhat unusually the Irish transfer pricing rules only apply to “trading” transactions that benefit from the 12.5% corporation tax rate. Ireland has a formal advance pricing agreement (“APA”) program. Only bilateral or multilateral APAs are possible. It is not possible to agree a unilateral APA with Irish Revenue.

10. **Is there a general anti-avoidance rule (GAAR) and, if so, in your experience, how would you describe its application by the tax authority? Eg is the enforcement of the GAAR commonly litigated, is it raised by tax authorities in negotiations only etc?**

Ireland has had a GAAR in domestic tax legislation since 1988. Broadly it can apply where a transaction gives rise to a tax advantage and was not undertaken or arranged primarily for purposes other than to give rise to a tax advantage. This is a matter that is threatened and litigated by the Irish Revenue.

11. **Have any of the OECD BEPs recommendations been implemented or are any planned to be implemented and if so, which ones?**

Ireland has been a committed participant in the BEPS project to date and remains committed to implementation. Ireland was one of the first countries to implement Country by Country Reporting. Ireland’s Knowledge Development Box (“KDB”) is a modified nexus based incentive, recognized as the first fully BEPS and Harmful Tax

Practices compliant patent box in the world. Ireland as signed the Multilateral Instrument (“MLI”) adopting all the BEPS minimum standards and is a strong advocate of Mandatory Binding Arbitration (“MBA”).

Other BEPS implementation measures have progressed at an EU level through the first and second ATAD. Ireland will introduce CFC rules from 1 January 2019. As from 1 January 2020 Ireland will adopt a new Exit Tax and Anti-Hybrid rules and from 2024 Ireland will adopt new interest deductibility rules. Ireland’s GAAR is under review but it is believed to be ATAD compliant in its current form.

**12. In your view, how has BEPS impacted on the government’s tax policies?**

Ireland has long been an active participator and supporter of the BEPS project, recognizing the importance of transparency on tax matters and the need for greater co-ordination of international tax rules to ensure there are no gaps open to exploitation. Ireland is likely to continue to be involved in this process at an EU and OECD level.

The cornerstone of Irish tax policy remains the 12.5% corporation tax rate, which is not going to change. Otherwise tax policy is focused on ensuring a transparent tax system with a broad base, which is designed for businesses that want to innovate and create employment. By adopting and sticking to a corporation tax system that is sustainable and which meets the highest international standards, Ireland should be in a position to offer certainty to businesses.

**13. Does the tax system broadly follow the recognised OECD Model? Does it have taxation of; a) business profits, b) employment income and pensions, c) VAT (or other indirect tax), d) savings income and royalties, e) income from land, f) capital gains, g)**



## **stamp and/or capital duties.**

### **If so, what are the current rates and are they flat or graduated?**

The Irish tax system broadly follows the OECD Model. It is a worldwide system of taxation for Irish residents with a credit for foreign taxes paid. Non-resident are subject to tax on Irish source income or income derived from an Irish branch or agency.

For companies, business profits are taxed at 12.5% where they are derived from a trade in Ireland. Passive income is taxed at 25%. Dividends received by an Irish company may also be taxed at 12.5% or 25% with a credit for foreign withholding and underlying taxes. Start-up companies may be able to avail of an exemption from corporation tax for up to three years.

Marginal income tax rates for employees or pensioners are highly progressive rising on a graduated scale from 20% up to 52% (including 4% employee social insurance contribution).

VAT may apply to supplies of goods and services. The standard rate of VAT is 23%. There are reduced rates of 13.5% (broadly construction and certain other services), 9% (broadly tourism industry and related activities) and 0% (broadly food etc.). Certain other services are exempt (mostly finance related).

The rate of tax on deposit interest for individuals is 37% and for companies it is typically regarded as passive income taxable at 25%. There is no separate tax rate for royalties.

Rental income for companies is taxable as passive income at 25% and individuals are taxed at their marginal income tax rate.

The standard rate of capital gains tax is 33% though there is an Entrepreneur Relief which provides for a reduced 10% capital gains tax rate in certain circumstances up to a lifetime limit of €1 million.

There is stamp duty on certain legal documents executed in Ireland or related to Irish property. The applicable rate of stamp duty on the transfer of Irish shares is 1%, on residential property is 2% (or 1% up to €1 million) and on non-residential property is 6%. There is no capital duty in Ireland.

**14. Is the charge to business tax levied on, broadly, the revenue profits of a business as computed according to the principles of commercial accountancy?**

Yes. Corporation tax in Ireland is a tax on profits and the starting point are the profits calculated in accordance with accounting principles. Certain adjustment to accounting profits may be required under law and may be permanent (e.g. entertainment expenses) or temporary (e.g. capital depreciation).

**15. Are different vehicles for carrying on business, such as companies, partnerships, trusts, etc, recognised as taxable entities? What entities are transparent for tax purposes and why are they used?**

Businesses are typically carried on through a limited liability company (which is a taxable entity) or by individuals (who are taxable in their own name). Business may also be carried on through partnerships (of companies or individuals or a combination) but partnerships are transparent for tax purposes and each partner is deemed to conduct its own several trade.

Trusts can attract income tax, capital gains tax or inheritance tax. The tax payable and the person responsible for ensuring the tax is paid largely depends upon the type of trust.

**16. Is liability to business taxation based upon a concepts of fiscal residence or registration? Is so what are the tests?**

Liability to business taxation is based on residence or conducting business through an Irish branch or agency. In addition Irish source income (other than that related to a PE

may be subject to withholding taxes).

Companies incorporated in Ireland are considered tax resident in Ireland unless they are resident in another jurisdiction in accordance with the terms of the relevant DTA. Companies incorporated outside Ireland may be Irish resident where they are centrally managed and controlled in Ireland (subject to application of a DTA).

Individuals are resident in Ireland where they are present in Ireland for 183 days in any calendar year or for 280 days over two calendar years (and at least 30 days in each year).

Partnerships are transparent for Irish tax purposes so one must consider the tax residence of the individual partners.

Ireland imposes a 20% withholding tax on dividends, interest and patent royalties. However there are broad exemptions under domestic law on payments to DTA partner jurisdictions (regardless of the rate applicable under the relevant DTA).

**17. Are there any special taxation regimes, such as enterprise zones or favourable tax regimes for financial services or co-ordination centres, etc?**

No.

**18. Are there any particular tax regimes applicable to intellectual property, such as patent box?**

With effect from 1 January 2016 Ireland has enacted a Knowledge Development Box ("KDB") which is an OECD compliant, modified nexus patent box. The KDB provides for a 6.25% corporation tax rate on profits derived from intellectual property (including patents and copyrighted software) where the related research and development

("R&D") has taken place in Ireland. The relief is diluted to the extent that the relevant R&D is undertaken by group companies or is based on acquired intellectual property.

Ireland also offers an R&D tax credit of 25% of the qualifying R&D expenditure taking place in Ireland. The tax credit may be used to offset the corporation tax liability of the company, pay income taxes of certain key individuals or may qualify for a cash refund in certain circumstances.

19. **Is fiscal consolidation employed or a recognition of groups of corporates for tax purposes and are there any jurisdictional limitations on what can constitute a group for tax purposes? Is a group contribution system employed or how can losses be relieved across group companies otherwise?**

Ireland does not operate a fiscal consolidation system but rather provides for a system of group relief. An Irish resident company can surrender losses to another Irish resident group company. The surrender is achieved by making an appropriate election in the corporation tax return. It is not necessary that payment is made for the economic value of the loss but a tax free payment may indeed be made. In order for a 'group' to exist there must be a 75% beneficial ownership relationship (directly or indirectly) between the two companies traced through companies resident in the EU or DTA partner jurisdictions.

In order to comply with the European Court of Justice ruling in the Marks & Spencer case, in certain circumstances an Irish company may also claim relief for losses sustained in a direct subsidiary resident in the EU.

20. **Are there any withholding taxes?**

In general Ireland applies a 20% withholding tax to dividends, interest and patent royalties. The withholding tax is typically removed under domestic law, the EU

Parent/Subsidiary directive or a DTA.

The primary domestic exemption for interest withholding tax applies for interest paid to a company resident in an EU or DTA partner jurisdiction.

The primary domestic exemption for royalty withholding tax applies to royalties paid to company in the EU or DTA partner jurisdiction in the ordinary course of a trade; or paid in respect of non-Irish patents (subject to certain conditions being satisfied and application to IrishRevenue).

Subject to appropriate declarations being in place, the primary domestic exemptions for dividend withholding tax applies to (i) individual resident in EU/DTA country; (ii) company resident in EU/DTA country and not under the control, (directly or indirectly) of an Irish resident; (iii) company under the control (directly or indirectly) of person(s) who are tax resident in an EU/DTA country (and not under the control of persons resident outside an EU/DTA country); (iv) company whose principal class of shares is substantially and regularly traded on a recognised stock exchange in an EU/DTA country; (v) company which is a 75% direct or indirect subsidiary of another company whose principal class of shares is substantially and regularly traded on a recognised stock exchange in an EU/DTA country.

21. **Are there any recognised environmental taxes payable by businesses?**

Not as such. There are certain incentives such as accelerated tax depreciation allowances on the acquisition of energy efficient equipment and for the use of electric cars.

22. **Is dividend income received from resident and/or non-resident companies exempt from tax? If not how is it taxed?**

Dividends received by Irish resident companies from other Irish resident companies are exempt from tax.

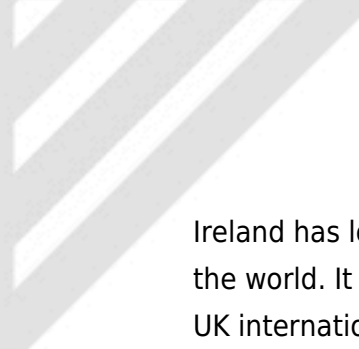
Dividends received by Irish resident companies from non-resident companies are taxed as follows: (i) 0% - portfolio holdings (>5%); (ii) 12.5% - dividends from trading subsidiaries (in EU/DTA country or where listed company within group); (iii) 25% - dividends from other subsidiaries.

Tax payable on dividends is reduced by applicable credits. There is an extensive credit regime including provisions for credit for foreign underlying and withholding taxes (including multiple lower tier subsidiaries). Furthermore tax credits may be pooled within separate 12.5% and 25% buckets and excess tax credits may be carried forward.

Finally there is an effective dividend participation exemption on dividends received from subsidiaries in an EU Member State. An Irish company in receipt of a dividend from a company in an EU Member State, which is not fully sheltered by actual tax credits, is entitled to a deemed credit to ensure an effective Irish tax rate of 0% on dividends received from EU subsidiaries.

**23. If you were advising an international group seeking to re-locate activities from the UK in anticipation of Brexit, what are the advantages and disadvantages offered?**

The key advantages Ireland offers from a tax perspective are a low, but internationally acceptable, headline corporate tax rate of 12.5% with the opportunity to significantly reduce the effective rate through amortization of intangibles acquired. The taxable profits and effective tax rate in Ireland are not reliant on any rulings or deemed deductions but rather are determined based on accounting profits and OECD transfer pricing principles. Ireland has a wide network of more than 70 double tax treaties reducing or eliminating withholding taxes. Furthermore there are broad domestic exemptions for withholding taxes on payments out of Ireland.



Ireland has long since been a key location for foreign direct investment from all over the world. It is not just about the tax regime. Some other non-tax relevant factors for a UK international group facing the prospect of life outside the EU would be Ireland's continued commitment to the EU and the Euro providing a single point of access to the entire EU market. For financial services groups this may also offer the possibility of regulatory access to the EU. Ireland is culturally and physically close to the UK allowing for the possibility of co-location rather than re-location of activities post Brexit. This is facilitated by shared language and shared common law legal system. Continued access to the large EU labour market will also continue to be a key advantage.

The primary disadvantage with the Irish tax regime is the fact that there is no participation exemption for dividends. Although the credit system typically ensures there is no incremental tax on dividends in Ireland there can be an administrative burden associated with managing dividend flows and the credit calculations. It is expected that a participation exemption on dividends will be introduced in the near future.

Otherwise the primary disadvantage of Ireland is for international groups that rely on physical transportation of certain products by road or rail and need to be close to large customer markets. Clearly for certain industries or products this is not an issue but it may be an issue for some.