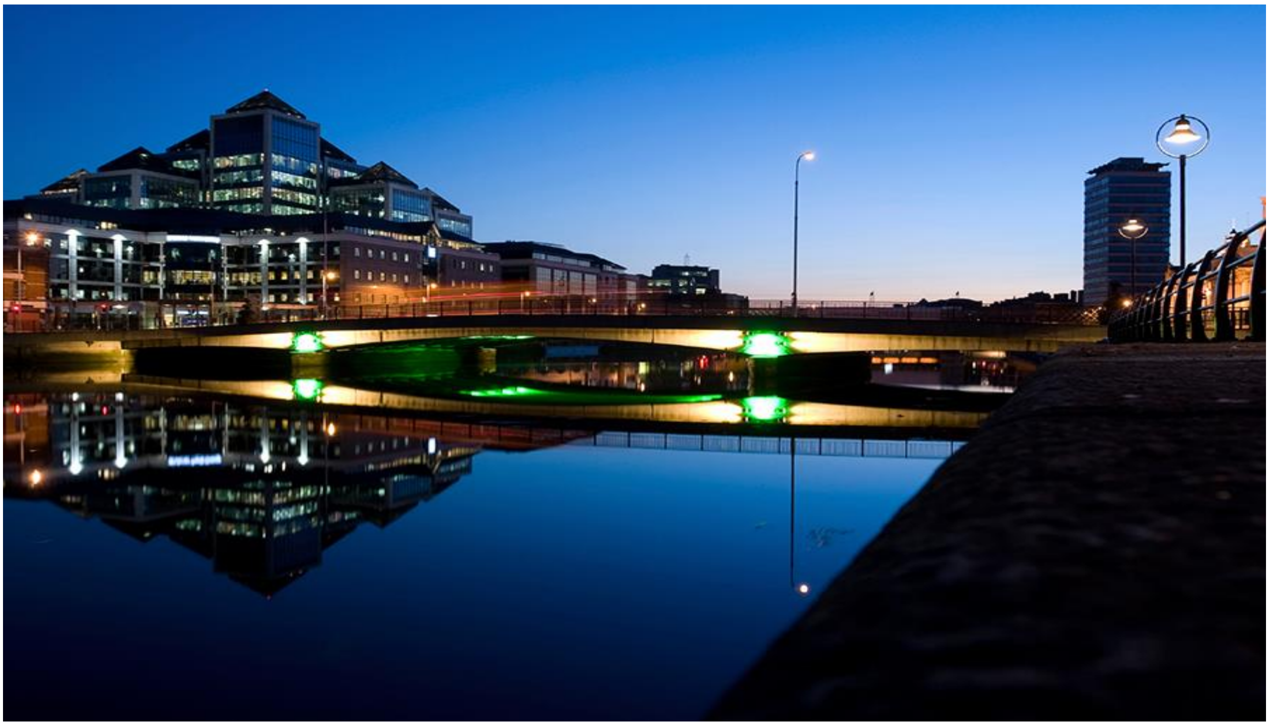
Ireland very much open for business as “double Irish” is filtered out



“Double Irish” going but……

October’s Budget saw Minister Michael Noonan responding to international pressure by announcing changes to our tax code that will target the use of the “double Irish” tax structure. Conscious of the effects of this change, the Budget details a range of new attractive tax measures to encourage foreign direct investment. The Minister once again confirmed the government’s commitment to the 12.5% corporate tax rate.

In a move that was widely flagged, the Minister announced that the “double Irish” will not be available after 1 January 2015. Grandfathering provisions will allow “double Irish” arrangements in place at 31 December 2014 to remain for six years up to 31 December 2020. This is a sensible measure given the uncertainty over the degree and extent to which international and especially US tax reforms will take place in the current BEPS dominated tax environment. This should allow companies sufficient time to examine alternative IP arrangements.

New tax incentives

The new tax measures of Budget 2015 include:

- A “knowledge development box” along the lines adopted for IP and patent regimes in certain other European countries will be introduced in Finance Act 2016 or earlier, depending on the outcome of the current EU and OECD review of these regimes.
- Significant improvements to the existing IP regime
- Enhancement of the Special Assignee Relief Programme (SARP)
- Commitment to boost transfer pricing resources to enable a more robust defence in TP disputes
- Commitment to further expand our double tax treaty network
- Enhancement of R&D tax credit regime to remove the current base year limitation from 1 January 2015
- Continued full commitment to maintaining a transparent tax regime. Ireland is ranked among the very best in implementing procedures on exchange of information arrangements. It is also one of the first countries to consider the impact of its tax system on developing economies.

Existing IP regime

The minimum corporation tax rate of 2.5% will be removed for the current IP regime. This means that there will no longer be a minimum level of corporation tax to be paid. This removes an unnecessary restriction and complication. Furthermore, the definition of qualifying intangibles will be expanded to include customer lists.

Special Assignment Relief Programme (SARP)

The SARP scheme was designed to attract executives of multinationals to come and work in Ireland. In simple terms, it allows an executive to disregard 30% of remuneration for Irish income tax purposes. The current salary ceiling of €500,000 will be removed and the executive only needs to be employed abroad for six months prior to arriving in Ireland. These improvements should make it more attractive for multinationals to send executives to Ireland and help match taxing rights with substance and senior people functions, a key theme of the current BEPS project.

Ireland will very much continue to be attractive for FDI

These new Budget measures indicate a clear government commitment to ensuring that Ireland retains its number one ranking (according to Forbes Magazine, 2013) as a location for doing business

Ireland can rightly claim to be an extremely attractive tax environment for foreign direct investment.

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