

CORPORATION TAX

Standard rate

The standard rate of corporation tax is 12.5% for trading income and 25% for non-trading income.

10% rate of corporation tax

For operations established before 23 July 1998, a 10% rate of tax applies to income derived from manufacturing, manufacturing services and certain other service activities. The 10% rate applies until 31 December 2010 with the standard rates applying thereafter.

R&D credit

Incremental R&D expenditure qualifies for a tax credit of 25% in addition to the normal deduction for R&D expenditure at the effective corporation tax rate. The credit cannot be used to generate a tax refund but it can be carried forward indefinitely against a company's Irish corporation tax liability. This gives a potential tax write-off for incremental R&D spend of up to 37.5%. The credit is available for incremental expenditure incurred in any EU country, and not just in Ireland. There are restrictions on the deductibility of non-Irish expenditure where a tax deduction is available in another jurisdiction.

Ireland as a holding company location

Irish tax legislation provides for an exemption from capital gains tax for Irish resident companies which make disposals from substantial shareholdings (at least 5%) in trading subsidiaries tax resident in an EU or tax treaty country (including Ireland). In group situations, holdings of other members of the group are taken into account in determining whether the minimum holding requirement is met. Under foreign tax credit pooling rules, an excess tax credit arising in respect of a foreign dividend may be offset against the corporation tax arising on other foreign dividend income. Excess tax credits arising in an accounting period may be carried forward indefinitely for offset against corporation tax on foreign dividends in later periods.

For accounting periods ending on or after 1 January 2007, any excess foreign tax credits arising in respect of a foreign branch may be offset against Irish tax arising on branch profits in other countries in the year concerned. This treatment also applies to branch tax which has not previously been creditable in Ireland due to the branch tax being suffered in a country with which Ireland has not concluded a double tax treaty.

Losses

A trading loss incurred in an accounting period may be offset against trading income, if any, arising in the same period, trading income of the immediately preceding period and trading income of subsequent periods. To the extent not usable against trading income, a trading loss can be converted into a tax credit which may be used to reduce the corporation tax payable on passive income and chargeable gains.

Closely held companies

A surcharge of 20% is payable on the total undistributed investment and rental income of a close company. Close service companies are also liable to a surcharge of 15% on half of their undistributed trading income.

Dividend withholding tax (DWT)

Withholding tax at the standard income tax rate applies to dividends and other profit distributions of an Irish tax resident company other than when made to its 51% Irish tax resident holding company. Exemption from withholding tax can be claimed in the case of payments to certain shareholders, including:

- Irish tax resident companies (apart from 51% holding companies of the Irish dividend paying company);
- companies resident in EU Member States or tax treaty countries and which are not under the direct or indirect control of Irish residents;
- non-resident companies ultimately controlled by residents of EU Member States or tax treaty countries;
- companies whose shares are listed on a recognised stock exchange in an EU Member State or in a tax treaty country or any other exchange approved by the Minister for Finance. This relief also applies where the recipient is a 75% subsidiary of such a listed company or is wholly owned by two or more such companies;
- designated brokers receiving dividends on behalf of holders of special portfolio investment accounts
- certain non-corporate residents of EU Member States or tax treaty countries;
- charities, pension funds, certain retirement funds and certain sports bodies;
- certain collective investment funds;
- certain individuals entitled to receive tax free income;
- certain employee share ownership trusts;

In addition, DWT does not apply to distributions not subject to tax in the recipient's hands (i.e. dividends from patent companies to qualifying shareholders). Certain conditions must be met to avail of this exemption.

Self assessment - payment and returns

Large companies (i.e. companies with a liability greater than €200,000) must make preliminary tax payments as follows:

- first payment within 6 months of the commencement of the accounting period, which must not be less than lower of:
 - 45% of current liability or
 - 50% at the previous year's liability
- Second payment one month before end of accounting period. Payments, has to be equal to 90% of current year liabilities when aggregated with first preliminary tax payment.

The balance of tax is due nine months after the end of the accounting period. Tax payments must, however, be made not later than the 21st day of the relevant month.

“Small companies”, i.e. those with a corporation tax liability in the previous year which did not exceed €200,000, may opt to pay preliminary tax based on the prior year's liability. The preliminary tax payment in such cases can be equal to the prior year's liability.

Special rules apply where a chargeable gain arises in the last month of the accounting period. Special rules also apply for the first year in which a company adopts IFRS in relation to its financial assets and liabilities. A company's preliminary tax liability includes corporation tax, close company surcharge and any income tax liabilities for the accounting period. New or startup companies with a corporation tax liability of not more than €200,000 for their first accounting period are not required to pay preliminary tax in respect of that accounting period. Instead, the final corporation tax liability for the accounting period is due at the same time as the corporation tax return is due. Where applicable, a company must file a dividend withholding tax return, and remit the withholding tax deducted from dividends or other distributions, by the 14th day of the month following payment of the dividend/distribution.

Tax treaties

Companies that are resident in Ireland may avail of the benefits of Ireland's tax treaties. The tax treaties secure a reduction or, in some cases, a total elimination of withholding tax on dividends, royalties and interest.