IRISH COMPANIES

GENERAL INFORMATION

Ireland is one of the longest established low tax jurisdictions within the EU. It holds certain attractions for international businesses, including a 12.5% corporation tax rate for profits from Irish trading.

Ireland has an extensive and growing tax treaty network. This reduces and, in some cases, completely eliminates withholding taxes on in-bound dividends, interest and royalty payments. Double tax relief is available for withholding taxes on such income against an Irish entity's corporation tax liability.

KEY FEATURES AND BENEFITS

Other notable features of this jurisdiction include:

- Favourable tax treatment of dividend income;
- No Withholding Tax ('WHT') on dividends from Irish Holding Company to EU / tax treaty countries;
- No Capital Gains Tax on disposal of shareholdings in subsidiaries;
- Favourable tax regime for R&D activities and intangible assets;
- Tax deductions for interest on qualifying borrowings;
- No WHT on qualifying interest and royalty payments.

CORPORATION TAX

Irish companies are taxed as follows:

Type of Income	*Tax Rate, %*
Trading Income	*12.5*
Non-Trading Income (Investment Income)	*25*
Capital Gains	*25*

FOREIGN TAX CREDIT

Foreign dividends are usually fully taxable, however Irish legislation gives credit for foreign taxation already paid by its underlying subsidiary by way of:

1. Unilateral relief; or
2. The EU Parent-Subsidiary Directive; or
3. The provisions of a Double Tax Treaty entered into between Ireland and the jurisdiction of the subsidiary.

The Irish tax system does not impose additional taxation on foreign dividends received by an Irish company provided that the foreign tax suffered on the profits giving rise to the dividends is in excess of the Irish tax.
Where such relief is not available, the Irish tax system taxes the receipt of dividends from foreign trading subsidiaries at a rate of 12.5% (see above in relation to dividends from a trading subsidiary) and dividend income from non-trading foreign subsidiaries at a rate of 25%.

Where an Irish holding company receives dividends from a trading subsidiary resident in an EU or treaty country, or a country that has ratified the OECD Convention on Mutual Administrative Assistance in Tax Matters, once the rate of underlying tax is at least 12.5%, there will be no Irish tax payable on the dividends.

Following the Finance Act 2010, the 12.5% rate also applies to dividends received from a company, the principal class of shares in which (or its 75% parent) is substantially or regularly traded on certain recognised stock exchanges. There is no requirement that the paying company be EU or treaty state resident. An exemption from corporation tax has been introduced for foreign dividends received by portfolio investors (typically less than 5% shareholders) where the dividend is part of the shareholder's trading income – this would apply mainly to financial institutions.

"Onshore Pooling" allows foreign dividends to be pooled together before they are offset against the Irish tax liability. However excess tax on foreign dividends liable at a rate of 12.5% cannot be used against those liable at the 25% rate.
Where a dividend has an effective rate of tax of greater than 25%, the excess tax credit can be applied against other dividend streams where the effective rate of tax on such dividends would be less than 25%.
The tax credits do not need to be utilised in the year in which the dividend is received. They can be carried forward indefinitely or offset against Irish tax on future foreign dividends.

IRISH DIVIDEND WITHHOLDING TAX

Ireland applies dividend withholding tax (currently 20%) to dividends paid by Irish resident companies. However an exemption from this withholding tax can be claimed where:

- Dividends are paid to companies entitled to the benefit of the EU Parent-Subsidiary Directive; or
- Dividends are paid to companies resident in a treaty country or another E.U. Member State, and that are not under the control of Irish residents; or
- Dividends are paid to companies in any jurisdiction and ultimately controlled by residents of tax treaty countries or other EU member states; or
- Dividends are paid to certain quoted companies; or
- Dividends are paid to individuals who are residents of a treaty country or another EU Member State.

In order to qualify for these exemptions (other than that under the Parent Subsidiary Directive) it is necessary for the Irish paying company to receive/obtain from the recipient company, a declaration that includes:

- An undertaking from an authorised signatory that the recipient company is beneficially entitled to the distribution in respect of which the declaration is made; and
- Details of the tax residency of the recipient company; and
- An undertaking to provide any further supporting documentation relating to the residency or control of the recipient company to Revenue upon request.

It is possible to pay a dividend free of DWT to a non-EU company, such as for example an offshore "IBC" company, provided that the IBC is under the ultimate control of EU resident or a resident of a Double Tax Treaty country. In this situation, a declaration as explained above, must be made by the IBC to the Irish paying company. Unless there are any changes in the circumstances of the recipient company in subsequent years, the declaration remains valid until the end of the fifth year after the year in which the declaration is signed.

CAPITAL GAINS TAX

Capital gains are taxable at a rate of 25%. There is, however, an exemption from the Capital gains tax provided the following conditions are met:

- The Irish holding company has held at least 5% of the shares in the subsidiary for a continuous period of 12 months in the previous 24 months; and
- The subsidiary company is tax resident in the EU or in a country with which a Double Tax Treaty is in force with Ireland at the time of the disposal; and
- The subsidiary itself carries on a trade or is part of a trading group; and
- The shares in the subsidiary company do not derive their value from specified Irish assets (broadly, Irish land, buildings, mineral or mining rights).

HOW MANN MADE CAN HELP

We can establish Irish companies and structure them accordingly. We can also provide ongoing services to include the provision of corporate services (the provision of officers, registered office etc.), plus on-going administration, tax and VAT registration, bank account opening, tax and VAT compliance, bookkeeping and accounting services and other services if required.

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THE MANN MADE GROUP

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