

# The knowledge development box

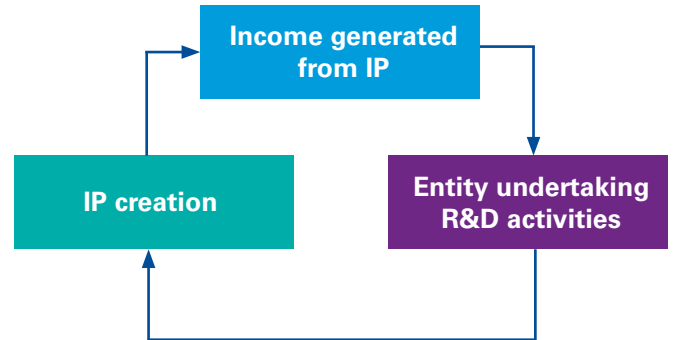


## What is the knowledge development box ("KDB")?

**6.25%** potential effective corporate tax rate on qualifying income.

Applies to accounting periods commencing on or after **1 January 2016**.

**2 years** to claim from end of relevant accounting period.



Income generated from the IP must flow into the same entity that undertakes the R&D activities leading to the IP creation.

## What assets qualify?

**Qualifying patent**

**Copyrighted software**

**No marketing-related IP** (trademarks, brands, image rights)

**Small companies\*:**  
IP must be "patentable", but not necessarily patented.

\* annual income from IP ≤ €7.5m, employ < 250 people, turnover < €50m or balance sheet < €43m

Supplementary protection certificates for medicinal products

Plant protection certificates

Plant breeders' rights

## What income qualifies?

Royalties

Licence fees

Insurance, damages or compensation

Embedded IP

## Calculating the qualifying profit (nexus formula)

The KDB relief is claimed as an additional corporation tax deduction equal to 50% of the qualifying profit, which is calculated as follows:



### Transfer pricing



Arm's length rules apply to large companies.



SMEs can use "just and reasonable" basis for all apportionments.

### Documentary evidence

Track and trace:

- Expenditure incurred;
- Income generated from IP assets;
- Activity undertaken to generate the IP assets.

### KDB and the R&D tax credit



Qualifying assets must be a result of qualifying R&D activities (using the same definition as R&D tax credit).



Entity that incurred the R&D expenditure must claim the KDB (similar definition of qualifying expenditure as R&D tax credit).

## KPMG's R&D Incentives Practice

We prepare claims for the R&D tax credit and KDB regimes. We are highly experienced in helping our clients identify qualifying R&D activities and related expenditure, and can work with companies to identify the assets and income that would come within the KDB.



Est. 2004

Ireland's largest, longest established, and most experienced R&D incentives practice.



20+ multidisciplinary professionals: tax, finance, science and engineering.



We have worked with companies of every size and scale from every sector.



Revenue audit experience in all sectors.

Pre-R&D advice

Claim preparation

Revenue audit support

Appeals / court support

# Contact us

[kpmg.ie/KDB](http://kpmg.ie/KDB)



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