

Ireland Country Profile

EU Tax Centre

June 2021

Key tax factors for efficient cross-border business and investment involving Ireland

EU Member State Yes.

Double Tax Treaties With the following countries, territories and jurisdictions:

Albania	Estonia	Luxembourg	Serbia
Armenia	Ethiopia	Malaysia	Singapore
Australia	Finland	Malta	Slovakia
Austria	France	Mexico	Slovenia
Bahrain	Georgia	Montenegro	South Africa
Belarus	Germany	Morocco	Spain
Belgium	Greece	Moldova	Sweden
Bosnia & Herzegovina	Hong Kong SAR	Netherlands	Switzerland
Botswana	Hungary	New Zealand	Turkey
Bulgaria	Iceland	Norway	Thailand
Canada	India	North Macedonia	UAE
Chile	Israel	Pakistan	Ukraine
China	Italy	Panama	UK
Croatia	Japan	Poland	US
Cyprus	Kazakhstan	Portugal	Uzbekistan
Czech Rep.	Rep. of Korea	Qatar	Vietnam
Denmark	Kuwait	Romania	Zambia
Egypt	Latvia	Russia	
	Lithuania	Saudi Arabia	

Most important forms of doing business

Public limited company (PLC), private limited company (LTD), unlimited liability company (ULC), a limited liability company with defined objects known as a designated activity company (DAC).

Legal entity capital requirements

Public Limited Company - not less than EUR 25,000;

Private Limited Company - no minimum euro amount of share capital requirement;

Unlimited Liability Company - no minimum euro amount of share capital requirement;

Designated Activity Company - no minimum euro amount of share capital requirement.

Residence and tax system

A company is resident if its central management and control is exercised in the Republic of Ireland. An Irish-incorporated company is resident for tax purposes regardless of where it is managed and controlled, subject to it being resident in a country under a double tax treaty (DTT) which makes it non-resident for Irish tax purposes. For companies incorporated before January 1, 2015, other exceptions apply to the place of incorporation test under grandfathering provisions which potentially apply up to December 31, 2020.

Resident companies are taxed on their worldwide income and gains. Non-resident companies are taxed on their Irish source income and real estate gains.

Compliance requirements for CIT purposes

Fiscal year: 1 January to 31 December (for income tax and capital gains tax). For corporation tax, tax accounting period generally follows accounting period.

A tax return must be filed by the 21st day of the ninth month following the tax accounting period end and any balance of tax due must be paid by that date. Preliminary tax is paid in two installments – the first installment is due on day 21 of the sixth month of a 12-month accounting period and the second installment is due on day 21 of the eleventh month. The aggregate of the first and second installments of preliminary tax must represent at least 90 percent of the final tax liability for the accounting period to avoid interest and penalties. Small taxpayers only have to pay one installment and can pay based on prior period liability instead of current period estimate.

Tax rate

The standard corporate income tax rates are 12.5 percent (trading income), 25 percent (passive income), 33 percent (capital gains). Exemption from capital gains on disposal of qualifying substantial shareholdings.

Withholding tax rates**[On dividends paid to non-resident companies](#)**

25 percent. Exemptions include EU parent companies, residents in DTT countries, companies controlled by treaty residents and companies controlled by companies whose principal class of shares are quoted and regularly traded on a recognized stock exchange of a treaty country/treaty countries.

[On interest paid to non-resident companies](#)

20 percent on yearly interest. Numerous EU and treaty-based exemptions apply, as well as exemptions for interest paid on quoted Eurobonds and certain wholesale debt instruments.

[On patent royalties and certain copyright royalties paid to non-resident companies](#)

20 percent on patent and certain other royalties. Domestic relief for payments to residents of treaty countries, treaty relief and EU relief may apply.

[On fees for technical services](#)

No.

[On other payments](#)

On annual profits which represent 'pure income profit' in the hands of the recipient.

[Branch withholding taxes](#)

No.

Holding rules

[Dividend received from resident/non-resident subsidiaries](#)

Dividends paid out of trading profits by a company in which there is a significant shareholding (greater than 5 percent) and which is tax resident in the EU, in a country with which the Republic of Ireland has a DTT or which has ratified the Convention on Mutual Administrative Assistance in Tax Matters (for dividends from January 1, 2012), may be taxed at the rate of 12.5 percent (otherwise 25 percent). No minimum holding period.

There is also a credit for foreign withholding tax and underlying tax; credit is given for tax paid at any tier of subsidiary through which the dividends are paid; excess foreign tax credits can be offset against other dividends, or carried forward (any surplus foreign tax credits arising on dividends taxable at 12.5 percent will not be available for offset against tax on dividends at 25 percent. This must be carried forward to be offset against other dividends taxable at 12.5 percent in the future); credit also available for state and city taxes in the form of corporate income taxes. Additional notional credit relief is available for dividends from EU subsidiaries paid after January 1, 2013, in excess of credit relief otherwise available by reference to the nominal rate of corporation tax in the jurisdiction in which the profits from which the dividend is sourced have been subject to tax.

[Capital gains obtained from resident/non-resident subsidiaries](#)

Exemption if:

(1) at the time of the disposal, the investee company is resident in the EU or in a country with which the Republic of Ireland has a DTT;

(2) the investor company, or a group member, holds or has held at least 5 percent of the ordinary shares in the investee company for an uninterrupted period of not less than 12 months:

- a) within which the date of the disposal falls (the legislation does not specify that the 12-month holding period must be satisfied prior to the date of the disposal. Once the 5 percent is held at the date of disposal and continues to be held for a period of 12 months, this condition is satisfied), or
- b) ending in the previous 24 months (the disposal must have taken place within 2 years of the most recent time that the investor company, or a group member, held 5 percent of the investee company);

and

(3) at the time of the disposal either the investee company must carry on a trade, or the business of the investor company, its 5 percent investee companies, the investee company and the investee's 5 percent investee companies taken as a whole consists wholly or mainly of trading activities. If these conditions are met, capital gains or losses incurred on the disposal of shares will be ignored for tax purposes.

Tax losses

Trading losses can be offset against total profits of the current period and excess carried forward indefinitely in the same and continuing trade. Trading losses may be surrendered to the group in the current period. Carry-back: 1 year. A substantial change both in the ownership of the company and in the nature or conduct of the trade may restrict this. Capital losses available only to offset capital gains.

Tax consolidation rules/Group relief rules

Group relief is available.

Registration duties

No.

Transfer duties

On the transfer of shares

1 percent stamp duty on shares in Irish incorporated companies. 7.5 percent stamp duty on the transfer or sale which results in a change of control of shares in a company deriving its value from defined Irish non-residential property.

On the transfer of land and buildings

1-2 percent stamp duty on residential property, 7.5 percent on other assets (other than shares that do not derive their value from Irish non-residential property and residential property) if transferred by way of a document. Various

reliefs apply to transfers within 90 percent groups. Other reliefs and exemptions available for many third party transactions.

Stamp duties

Yes, please see above.

Real estate taxes

Local property tax applies to residential property. Annual rate of 0.18 percent based on market value on mid-point in bands of EUR 50,000 for properties < EUR 1,000,000, for value amount > EUR 1,000,000, rate of 0.25 percent applies. Local authorities can vary by increasing or decreasing the local rate by up to 15 percent.

Controlled Foreign Company rules

Controlled Foreign Company (CFC) rules apply for accounting periods beginning on or after January 1, 2019. The regime assesses an Irish tax-resident company with a CFC charge based on an arm's length measure of the undistributed profits of the CFC that are attributable to the activities of Significant People Functions (SPFs) carried on in Ireland.

The CFC charge does not apply where the essential purpose of the arrangements is not to secure a tax advantage. More onerous CFC rules apply where the CFC is resident in a country on the EU's list of non-cooperative jurisdictions for tax purposes.

Transfer pricing rules

General transfer pricing rules

Yes, from January 1, 2020 transfer pricing applies to a broad range of arrangements between associated persons with limited exclusions – certain domestic non-trading transactions. It is proposed that transfer pricing will also be extended to SMEs at a future date – not yet known. Prior to January 1, 2020 transfer pricing only applied to transactions in the course of a trade with associated persons. The pre-2020 rules did not apply to arrangements for which the terms were agreed before July 1, 2010 – the post-2020 rules do.

Documentation requirement

Yes.

Thin capitalization rules/Interest limitation rules

No. However, it is expected that Ireland will introduce interest limitation measures in line with the requirements of the European Union (EU) Anti-Tax Avoidance Directive (ATAD) with effect from 1 January 2022.

General Anti-Avoidance rules (GAAR)

Ireland has general anti-avoidance provisions that apply where there is an Irish tax advantage in a cross-border context.

Specific Anti-Avoidance rules/Anti Treaty Shopping

Ireland has general and specific anti-avoidance provisions in its tax code. Examples of anti-avoidance provisions that can apply in a cross-border context include legislation on the transfer of assets abroad, exit tax in line with the ATAD

Provisions / Anti-Hybrid rules

(for companies which transfer their tax residence, a business or chargeable business assets outside of Ireland) and general anti-avoidance legislation.

In a number of instances, a local tax relief (such as deduction or relief from withholding tax) is dependent on the recipient being subject to tax.

No specific anti-treaty shopping provisions apply in domestic legislation, however Ireland has chosen to apply a principle purpose test (PPT) to its covered tax treaties under the Multilateral Instrument to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). Ireland completed the MLI ratification process in January 2019 and it entered into force in 2019 for DTTs where the treaty partner has also ratified the MLI.

Ireland has implemented anti-hybrid rules in line with the ATAD which aim to counter arrangements that exploit the differences in the tax treatment of an instrument or entity arising from the way in which that instrument or entity is characterised under the tax laws of two or more territories, with effect from January 1, 2020. Ireland is expected to transpose anti-reverse hybrid rules in line with the ATAD with effect from January 1, 2022.

Advance Ruling system

No, but non-binding opinions available.

IP / R&D incentives

Relief for capital expenditure incurred on IP. 25 percent tax credit for R&D expenditure. Knowledge Development Box which is compliant with the OECD/EU approved 'Modified Nexus Approach' - profits from qualifying patents and software assets taxed at 6.25 percent with effect from tax accounting periods beginning on or after January 1, 2016.

Other incentives

Employment and Investment Incentive, Start-Up Refunds for Entrepreneurs, Special Assignee Relief Programme for expat taxation, Foreign Earnings Deduction for employees travelling to BRICS and certain other countries outside the EEA, Film Relief, Entrepreneur Relief with a 10 percent capital gains tax rate capped at lifetime EUR 1,000,000 capital gains, Key Employee Engagement Programme (which applies to qualifying options granted to employees during the period January 1, 2018 to December 31, 2023).

VAT

The standard rate is 23 percent, and the reduced rates are 13.5 percent, 9 percent, 4.8 percent and 0 percent.

Other relevant points of attention

Tax transparency

Ireland has introduced Country-by-Country Reporting rules, requiring all multinational groups with a turnover in excess of EUR 750 million to file a Country-by-Country report for accounting periods commencing on or after January 1, 2016, unless that group files a report in another jurisdiction which has signed up for the exchange of Country-by-Country reports. Ireland shares Country-by-Country reports with tax administrations of other countries under the EU's Directive on Administrative Cooperation (DAC4) and also under the OECD's exchange program. Ireland also automatically exchanges tax rulings

as required under the EU's Directive on Administrative Cooperation (DAC3) and in accordance with OECD requirements as set out in the October 2015 final report under Action 5 of the BEPS Project. Ireland shares information with other EU Member States under the EU's Mandatory Disclosure Regime (DAC6) when it takes effect. Ireland shares information on financial accounts under FATCA, EU DAC and CRS.

Ireland requires certain companies and trusts to hold and maintain registers of their beneficial owners in accordance with the provisions of the 4th EU Anti-Money Laundering Directive (AMLD4). This information will be maintained in an Irish central register and shared with other EU competent authorities in accordance with the provisions of AMLD4 and AMLD5.

**Mandatory Disclosure
Rules Updates**

For country specific information and updates on the EU Mandatory Disclosure Rules please visit KPMG's EU Tax Centre's [MDR Updates page](#).

Source: Irish tax law and local tax administration guidelines, updated 2021.

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