Tax Matters
2017
Guiding business through the Irish tax landscape
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Section 1
Personal Taxes

1. Personal tax
2. Social welfare taxes
3. Employee remuneration

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Partner - People Advisory Services
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Email: jim.ryan@ie.ey.com
1. Personal tax

**Personal income tax rates**

<table>
<thead>
<tr>
<th></th>
<th>€</th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>20%</td>
<td>0 – 33,800</td>
</tr>
<tr>
<td></td>
<td>40%</td>
<td>33,801 upwards</td>
</tr>
<tr>
<td>Single parent</td>
<td>20%</td>
<td>0 – 37,800</td>
</tr>
<tr>
<td></td>
<td>40%</td>
<td>37,801 upwards</td>
</tr>
<tr>
<td>Married/civil partnership – one income couple</td>
<td>20%</td>
<td>0 – 42,800</td>
</tr>
<tr>
<td></td>
<td>40%</td>
<td>42,801 upwards</td>
</tr>
<tr>
<td>Married/civil partnership – two income couple</td>
<td>20%</td>
<td>0 – 67,600*</td>
</tr>
<tr>
<td></td>
<td>40%</td>
<td>67,601 upwards</td>
</tr>
</tbody>
</table>

*This assumes the second spouse/civil partner has an income of at least €24,800 per annum. If the second spouse’s/civil partner’s income is less than €24,800, the €42,800 band (married/civil partnership – one income couple) is increased by €1 for each €1 of income up to a maximum of €24,800.

**Tax credits**

<table>
<thead>
<tr>
<th></th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single person</td>
<td>1,650</td>
</tr>
<tr>
<td>Maried person/civil partner</td>
<td>3,300</td>
</tr>
<tr>
<td>Single person child care credit*</td>
<td>1,650</td>
</tr>
<tr>
<td>PAYE</td>
<td>1,650</td>
</tr>
<tr>
<td>Earned Income Tax Credit (Maximum)</td>
<td>950</td>
</tr>
<tr>
<td>Home carers’ credit (maximum)</td>
<td>1,100</td>
</tr>
<tr>
<td>Incapacitated child (maximum)</td>
<td>3,300</td>
</tr>
<tr>
<td>Dependent relative (maximum)</td>
<td>70</td>
</tr>
<tr>
<td><strong>Widowed/surviving civil partner</strong></td>
<td></td>
</tr>
<tr>
<td>Credit in year of bereavement</td>
<td>3,300</td>
</tr>
<tr>
<td>Allowance in subsequent years (no dependent children)</td>
<td>2,190</td>
</tr>
<tr>
<td>Subsequent years (with dependent children)**</td>
<td>1,650</td>
</tr>
<tr>
<td><strong>Age (65 or over in the tax year)</strong></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>245</td>
</tr>
<tr>
<td>Married/civil partnership</td>
<td>490</td>
</tr>
<tr>
<td><strong>Blind person</strong></td>
<td></td>
</tr>
<tr>
<td>Single/civil partner/widowed</td>
<td>1,650</td>
</tr>
<tr>
<td>Both spouses/civil partners</td>
<td>3,300</td>
</tr>
</tbody>
</table>

**Medical/dental insurance***

<table>
<thead>
<tr>
<th></th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relief granted at source</td>
<td>@ 20%</td>
</tr>
</tbody>
</table>

*The single person child care credit replaced the one parent family credit with effect from 1 January 2014. It is available in the first instance only to the primary carer. The primary carer can surrender the credit to the secondary carer where certain conditions are satisfied.

** Qualifying for single person child care credit.

Also, additional credit due (reducing from €3,600 in the first year after bereavement to €1,800 in the fifth year) for widowed individuals/surviving civil partners with dependent children for the 5 years after bereavement.

*** Relief in respect of premiums is restricted to the first €1,000 per adult policy and €500 per child policy.

<table>
<thead>
<tr>
<th></th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent health insurance (on premiums of up to 10% of total income)</td>
<td>@ 40%/@20%*</td>
</tr>
<tr>
<td>Medical expenses incurred</td>
<td>@ 20%**</td>
</tr>
<tr>
<td>Educational fees</td>
<td>@ 20% ***</td>
</tr>
<tr>
<td>Employment and Investment Incentive Scheme (maximum relief @ 40%)</td>
<td>€150,000</td>
</tr>
</tbody>
</table>

* Relief is provided at the individual's marginal rate of tax.

** An individual may claim a deduction against total income in respect of medical expenses incurred for maintenance or treatment in a nursing home provided the nursing home provides qualified nursing care on-site on a 24 hour per day basis.

*** Relief is per course per annum in respect of qualifying courses for academic year. The first €3,000 of fees per annum (€1,500 for part-time courses) is disregarded when calculating the relief.

**Small income exemption thresholds**

<table>
<thead>
<tr>
<th></th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 65 – Single/widowed/surviving civil partner</td>
<td>18,000</td>
</tr>
<tr>
<td>Over 65 – Married/civil partnership, jointly assessed</td>
<td>36,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increase per dependent child</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>For each of the first two children</td>
<td>575</td>
</tr>
<tr>
<td>For each subsequent child</td>
<td>830</td>
</tr>
</tbody>
</table>
Universal Social Charge (USC)

A Universal Social Charge (USC) applies to total income before reliefs and allowances, with the exception of capital allowances arising in the active trade or profession of the taxpayer. Personal pension contributions are not deductible when calculating the income on which the USC is payable. In addition, the USC will be charged on all employee share scheme compensation. The USC is not charged on social welfare payments or tax free termination payments.

With regard to self-employed taxpayers (carrying on a trade or profession) claiming capital allowances, and where an asset (in respect of which capital allowances are allowable for calculation of USC) is disposed of, any balancing charge arising will be subject to the USC. This ensures the correct overall USC is paid where the asset is disposed of for a value in excess of its written down value.

USC is a tax similar to income tax and should be included in the calculation of double taxation relief. This allows taxpayers to claim a credit for unrelieved foreign tax against USC on foreign income.

The USC rates are as follows:

<table>
<thead>
<tr>
<th>Earnings (€)</th>
<th>Employees 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 12,012*</td>
<td>0.5%</td>
</tr>
<tr>
<td>12,013 - 18,772</td>
<td>2.5%</td>
</tr>
<tr>
<td>&gt;18,772 (aged 70 and above with income less than or equal to €60,000 per annum and medical card holders with aggregate income less than or equal to €60,000 per annum)</td>
<td>2.5%</td>
</tr>
<tr>
<td>18,773 - 70,044 (aged under 70, aged 70 and above with aggregate income in excess of €60,000 per annum and medical card holders with aggregate income in excess of €60,000 per annum)</td>
<td>5%</td>
</tr>
<tr>
<td>&gt;70,044</td>
<td>8%</td>
</tr>
</tbody>
</table>

*Exempt if income does not exceed €13,000

<table>
<thead>
<tr>
<th>Earnings (€)</th>
<th>Self-employed 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 12,012*</td>
<td>0.5%</td>
</tr>
<tr>
<td>12,013 - 18,772</td>
<td>2.5%</td>
</tr>
<tr>
<td>&gt;18,772 (aged 70 and above with income less than or equal to €60,000 per annum and medical card holders with aggregate income less than or equal to €60,000 per annum)</td>
<td>2.5%</td>
</tr>
<tr>
<td>18,772 - 70,044 (aged under 70, aged 70 and above with aggregate income in excess of €60,000 per annum and medical card holders with aggregate income in excess of €60,000 per annum)</td>
<td>5%</td>
</tr>
</tbody>
</table>

Mortgage interest

Mortgage interest relief is no longer available to those who purchase a home after 31 December 2012 and will be abolished entirely by the end of 2017.

Mortgage interest relief allows certain taxpayers to get interest relief on part of their mortgage interest payments. Where relief is still available the mortgage provider should grant relief at source, if in doubt contact your bank or building society. Apart from the exception outlined below, tax relief is available at the levels set out in the following tables in respect of interest paid on qualifying home loans taken out on or after 1 January 2004 and on or before 31 December 2012.

The relief has been extended to cover qualifying residences in an EEA State. Prior to 2015, the relief was only available to qualifying residences in the State, Northern Ireland and Great Britain.

Tax relief for first time buyers is given at a rate of 25% for years 1 and 2. For years 3, 4 and 5, relief is allowed at 22.5% and at the standard rate (currently 20%) for years 6 and 7. This applies to first time buyers who bought properties on or after 1 January 2004 and on or before 31 December 2012. A first time buyer is an individual who first purchased a residence up to 7 years preceding the current tax year.

<table>
<thead>
<tr>
<th>First time buyer</th>
<th>€</th>
<th>Maximum interest on which relief is granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>2,250</td>
<td>(10,000 x 22.5%) - Years 3–5</td>
</tr>
<tr>
<td>Married/civil partnership/widowed/surviving civil partner</td>
<td>4,500</td>
<td>(20,000 x 22.5%) - Years 3–5</td>
</tr>
<tr>
<td>Single</td>
<td>2,000</td>
<td>(10,000 x 20%) - Years 6–7</td>
</tr>
<tr>
<td>Married/civil partnership/widowed/surviving civil partner</td>
<td>4,000</td>
<td>(20,000 x 20%) - Years 6–7</td>
</tr>
</tbody>
</table>

For non first time buyers the rate of mortgage interest relief is 15% (with effect from 1 January 2009).

<table>
<thead>
<tr>
<th>Non first time buyer</th>
<th>€</th>
<th>Maximum interest on which relief is granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>450</td>
<td>(3,000 x 15%)</td>
</tr>
<tr>
<td>Married/civil partnership/widowed/surviving civil partner</td>
<td>900</td>
<td>(6,000 x 15%)</td>
</tr>
</tbody>
</table>

Exception: Notwithstanding the rates of tax relief mentioned above, for first time buyers who drew down their first mortgage or paid their first mortgage interest payment between 2004 to 2008 inclusive, the rate of mortgage interest relief is increased to 30% of the specific limit. This 30% rate applies for these individuals for 2012 and up to and including 2017.

<table>
<thead>
<tr>
<th>Earnings (€)</th>
<th>Employees 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>70,044 - 100,000</td>
<td>8%</td>
</tr>
<tr>
<td>&gt;100,000</td>
<td>11%</td>
</tr>
</tbody>
</table>

*Exempt if income does not exceed €13,000
Local property tax and Home renovation incentive scheme

See Chapter 9, Local property tax and Chapter 5, Capital allowances and tax-based property incentives.

Interest on loans to invest in a business

Interest paid on loans to acquire shares in, or to lend to, a private trading or holding company, is no longer allowed as a deduction from total income.

Up until 15 October 2013, 100% relief was available on loans taken out to invest in a partnership in which the borrower is an active partner. This relief is abolished for new loans taken out from 15 October 2013 and will be phased out for existing claimants over a period of 4 years with relief being reduced by 25% each year from 2014 until 2017.

Employment and investment incentive (EII)
The EII scheme allows an individual investor to obtain income tax relief on investments in certain Irish companies up to a maximum of €150,000 per annum in each tax year up to 2020. The EII scheme has replaced the Business Expansion (BES) scheme.

Relief is initially available to an individual at 30%. A further 10% (11% if investment made before 1 January 2015) tax relief will be available where it has been proven that employment levels have increased at the company at the end of the holding period or where evidence is provided that the company used the capital raised for expenditure on research and development. An investor who cannot obtain relief on all his/her investment in a year of assessment, either because his/her investment exceeds the maximum of €150,000, or his/her income in that year is insufficient to absorb all of it, can carry forward the unrelieved amount to following years up to and including 2020, subject to the normal limit of €150,000 on the amount of investment that can be relieved in any one year.

The scheme has been amended to include expansion works on existing nursing homes from 13 October 2015.

The EII scheme has been removed from the high earners restriction for a period of three years up until 1 January 2017 to stimulate investment.

Start-up relief for entrepreneurs

This relief, formerly known as the seed capital scheme, provides that an individual who leaves employment (or an unemployed individual) to start their own business may claim a refund of tax on previous income for up to six tax years in respect of investment in the new business. Maximum relief is €100,000 per annum at the individual’s top tax rate. An individual can select the tax years for which they may claim refunds from any or all of the six years prior to the year of investment.

Finance Act 2014 extended the relief to individuals who have been unemployed for up to two years.

Start your own business relief

Where an individual, who has been continuously unemployed for a period of at least 12 months, starts a new un-incorporated business, the first €40,000 of profits of that business per annum will not be subject to income tax for a period of two years. USC and PRSI will continue to be payable. This relief applies to such businesses set up on or after 25 October 2013 and is being extended for 2 more years to end on 31 December 2018.

To qualify for the relief, there is no limit on the amount of profit earned in the year, therefore profit can exceed €40,000. However, relief will only apply to the first €40,000 of profit per annum.

Capital gains tax entrepreneur relief

See Chapter 6, Capital gains tax.

Film investment

Amendments to relief for investment in qualifying films were introduced in 2015. The principle of relief for investors in films is replaced with a tax credit for producer companies, see Chapter 10, Corporation tax.

Donations to charities and other approved bodies

The following rules apply in respect of tax relief for charitable donations to Revenue approved Irish charities and other Revenue approved Irish bodies:

• A uniform treatment applies in respect of PAYE and self-assessed taxpayers
• There is no tax deduction available for the donors
• The donation is deemed to be net of tax at a single 31% tax rate which the charity may recover
• Individuals are not able to recover personal refunds of any income tax which has been repaid to the charity
• The minimum aggregate donations to any charity or approved body in any year is €250.
• An aggregate annual limit of €1 million per individual applies to eligible donations
Donations of heritage items in lieu of payments

Heritage items donated by an individual or company to a body approved by the State may be used to discharge income, capital gains, gift/inheritance or corporate tax liabilities arising in the year in which the gift is made.

To claim this relief, the item/collection of items donated must have a minimum value of €150,000, with at least one item in the collection having a value of €50,000.

A relief also exists for the donation of heritage property to the Irish Heritage Trust and Office of Public Works. This relief allows for up to 50% of the total market value of the heritage properties donated to the Trust to be offset against the tax liabilities of the donor. There is a ceiling on the aggregate value of property (not per individual) qualifying for the scheme in any one year of €6m.

Childminding relief

Where an individual minds up to three children (excluding their own children) in the minder’s own home, no tax will be payable on the childminding earnings received, provided the amount is not more than €15,000 per annum. If childminding income exceeds this, the total amount will be taxable, under self-assessment.

Principles of tax residence, ordinary residence and domicile

This section explains the basis for tax residence, ordinary residence, domicile and the remittance basis of assessment.

An individual who is resident, ordinarily resident and domiciled in Ireland is subject to Irish tax on their worldwide income and gains, subject to any relief under a relevant double tax treaty. An individual who is resident in Ireland, but who is not domiciled, may be entitled to the remittance basis of assessment on investment income and capital gains arising outside Ireland.

The remittance basis ceased to apply to foreign employment income to the extent that duties were performed in Ireland with effect from 1 January 2006. It was reintroduced on a limited basis from 1 January 2009 (not to be confused with SARP which is referred to in the following paragraph).

The limited remittance relief applies to employment income only and is available to non domiciled individuals where certain conditions are satisfied. However, transitional rules apply to individuals who have an entitlement to this relief for the first time in the tax years 2009, 2010 or 2011 such that they may continue to claim the relief for a maximum period of 5 years where the conditions are satisfied.

The Special Assignee Relief Programme (SARP) applies from 1 January 2012. Where the conditions are satisfied this relief reduces the Irish income tax liability of individuals who are transferred to Ireland to work for an associated company of their employer company. For further details in relation to SARP please refer to Employee Remuneration, Chapter 3.

Tax resident

An individual is tax resident for a tax year if present in Ireland for:

- A total of 183 days or more in the tax year; or
- A total of 280 days or more in aggregate in the current tax year and the preceding year (this test only applies where an individual has spent more than 30 days in Ireland in each year).

An individual is considered to be present for a day if he or she is present in the State at any time during that day.

Ordinarily resident

An individual becomes ordinarily tax resident in Ireland after being tax resident in Ireland for three consecutive tax years. An individual who is ordinarily tax resident and who ceases to be tax resident in Ireland will be treated as continuing to be ordinarily tax resident for three tax years after the tax year of departure and can therefore remain taxable in Ireland.

Where an individual is ordinarily tax resident, but not tax resident in Ireland, they are liable to Irish income tax on worldwide income with the exception of profits of a trade or profession or remuneration from employment where all the duties are exercised abroad (incidental duties performed in Ireland will not be taxable).

However, foreign investment income, if it exceeds €3,810, and capital gains in the tax year will continue to be liable to Irish tax while they remain ordinarily tax resident, subject to double tax treaty relief.

Domicile

An individual is domiciled in Ireland if their habitual ties are with the Republic of Ireland or their father was domiciled in the Republic of Ireland. Domicile of origin is retained unless the individual takes steps to acquire a domicile of choice elsewhere.

Domicile levy

A €200,000 domicile levy applies to Irish domiciled individuals where all the following conditions are met:

- Their worldwide income exceeds €1m
- They own Irish assets worth more than €5m on 31 December in the relevant tax year
- Their Irish income tax liability is less than €200,000

Prior to 1 January 2012, this levy applied only to Irish domiciled individuals who were Irish citizens. However, effective from 1 January 2012 the Irish citizenship condition is removed. The due date for payment of this levy is 31 October in the year following the relevant tax year. Credit is available against the levy for any income tax paid in Ireland for the tax year, but a credit is not allowed for foreign tax paid.
Remittance basis of assessment

Individuals domiciled outside Ireland are entitled to a remittance basis of assessment in Ireland on investment income arising outside Ireland and income from employment duties exercised outside Ireland, to the extent that the employment income is paid outside Ireland under a foreign contract.

From 1 January 2010 the remittance basis of assessment will no longer be available to Irish citizens who are not ordinarily resident in Ireland.

From 1 January 2010 the remittance basis of assessment will no longer be available to Irish citizens who are not ordinarily resident in Ireland.

See Capital Gains Tax chapter for details on capital gains tax (CGT) liabilities. For further information in relation to the reliefs that may apply to employment income see Employee Remuneration chapter.

Effective from 13 February 2013, where individuals domiciled outside Ireland transfer foreign-sourced income to their spouse or civil partner, and where the income is subsequently remitted to Ireland, the remittance will be deemed to have been made by the individual who claimed the remittance basis of assessment and will still be chargeable to Irish tax when remitted. Similar provisions apply in relation to CGT.

Changes were introduced with effect from 1 January 2016 which also brings individuals who are Irish resident, but not Irish domiciled into the scope of the 'transfer of assets abroad' anti-avoidance provisions. It is recommended that professional advice is sought as this is very complex legislation.

Cross border relief

This relief is available to an individual who is tax resident in Ireland, but required to perform employment duties outside Ireland. In order to avail of the relief, the individual must exercise an employment outside Ireland in a country with which Ireland has a double tax treaty for a continuous period of at least 13 weeks in a tax year. For every week during which the individual works outside Ireland in a qualifying employment, the individual must be present in Ireland for at least one day in that week. From 1 January 2011 cross border relief also provides relief from the USC. The relief does not apply to a State employment or semi-State employment.

This relief operates by reducing an individual's tax liability to a specific amount. The specific amount is calculated as follows:

\[
\text{Total Irish tax liability} \times \text{Income other than foreign employment income} \\
\text{Total Income}
\]

Professional services withholding tax

Individuals who are paid for professional services rendered to certain bodies (such as government departments, local authorities, semi-State companies or health boards) are paid net of tax at the standard rate of 20%. A Form F4S is issued as evidence of the tax withheld and this document should be submitted by the individual when filing their tax return. Professional advice should be sought in this regard.

Self-assessment

Tax returns

Self-assessed taxpayers - including proprietary directors, individuals who have been granted or exercised share options, and individuals with non-employment (PAYE) income are obliged to file their annual tax returns by 31 October following the end of the tax year.

If a completed tax return is not filed by the due date, a surcharge liability arises. The surcharge is 5% of the tax liability if the tax return is submitted by 31 December (to a maximum of €12,700) and 10% thereafter (to a maximum of €63,500). The surcharge is calculated on the full tax liability even if the correct amount of tax has been paid.

For 2013 and onwards self-assessed taxpayers will be required to compute and declare their own tax liabilities, rather than merely submitting returns and gains.

From 1 January 2016 onwards, the threshold above which an individual is subject to the self-assessment system on non-employment income has been increased from €3,174 to €5,000. This is subject to the requirement that the tax on such income is accounted for by adjusting the individual's personal tax credits, which allows the tax to be collected through the PAYE system.

Payments

Income tax, USC and PRSI for self-assessed taxpayers is due by 31 October of the following tax year. The payment date for relevant tax on share options (RTSO) is 30 days after the share option is exercised through filing a Form RTSO1.

In addition, preliminary tax - which is a prepayment of the current year’s tax liability - is due for payment by 31 October in the current tax year. For taxpayers who pay and file their tax return online via ROS; the Revenue Commissioners may extend the filing and payment date to mid-November. This is announced by the Revenue Commissioners on an annual basis.

Three options are available when calculating the amount of preliminary tax payable:

- 100% of the preceding year’s final income tax liability
- 90% of the current year’s final income tax liability
- 105% of the pre-preceding year’s final income tax liability. This option is only available to those who wish to pay preliminary tax by direct debit instalments and where they had a liability in the pre-preceding year.

Where the correct amount of preliminary tax is paid, any balance of income tax payable is due for payment no later than the due date for filing the tax return (i.e., 31 October following the tax year). The due date for any balance of tax payable for the 2016 tax year is 31 October 2017. If the amount of preliminary tax paid is incorrect, the shortfall will attract interest at a rate of 0.0219% per day from 31 October to the date of payment.
Taxation of married couples/civil partners

There are three methods of taxation available to married couples/civil partners:

Joint assessment: Joint incomes are treated as belonging to the spouse/civil partner nominated by the couple. If neither spouse/civil partner is nominated, the spouse/civil partner with the greater income in the previous tax year is treated as being the nominated spouse/civil partner. The nominated spouse/civil partner is given all the credits and the rate bands applicable to married couples/civil partners, and assessed on the income and gains of both spouses/civil partners.

Separate assessment: Each spouse/civil partner is treated as a single person. However, an application can be made to apply to the assessment of one spouse/civil partner allocated to the other spouse/civil partner. An application for separate assessment must be made before 1 April in the relevant tax year or before 1 April in the tax year following the year of marriage.

Single assessment: Each spouse/civil partner has the option to be treated as a single person. However, excess income tax credits or allowances of one spouse/civil partner cannot be transferred and set against the income of the other. A married couple/civil partners must elect to be assessed on a single basis by the end of the relevant tax year.

Taxation of separated/divorced couples

Maintenance payments

Income tax and the USC is not to be deducted at source from legally enforceable maintenance payments. Maintenance payments are deductible for income tax and USC purposes in the hands of the payer, but chargeable to income tax and USC in the hands of the recipient. In such cases, both spouses/civil partners are assessed to income tax as single persons.

In the case of a separated person who makes an enforceable maintenance payment, PRSI is levied at the point at which it is earned as part of the person’s earnings/income and also as income in the hands of the receiving spouse/civil partner. However, a refund of PRSI paid by the maintenance payer can be claimed by submitting a claim to the PRSI refunds section.

Separated spouses/civil partners (i.e., a marriage/civil partnership that has not been dissolved or annulled) may elect for joint assessment, provided that both spouses/civil partners are tax resident in Ireland. This election for joint assessment also applies to divorced couples who remain unmarried and tax resident in Ireland. If a maintenance payment is made to the spouse/civil partner of the receiving spouse/civil partner, the maintenance payer can be claimed by submitting a claim to the PRSI refunds section.

Where payments are made to a spouse/civil partner for the maintenance or benefit of a child, the payment is to be made to the spouse/civil partner without deduction of income tax and USC and the payer’s taxation liability is calculated without granting any deduction for the payment. The payment is not treated as income in the hands of the recipient.

Investment income

Rental income

Rental income is taxed on the basis of the amount receivable in a tax year less allowable expenses. Allowable expenses include mortgage interest, rates, repairs, insurance, mortgage protection, maintenance, wear and tear, and management charges. 75% of mortgage interest paid is allowable in full against rental income from residential premises. For interest accruing on or after 1 January 2017, this rate increases to 80%. From 1 January 2016, a 100% interest deduction is allowable where residential property is let to tenants in receipt of certain housing supports for a period of three years.

In order to claim tax relief for interest paid on money borrowed for the purchase, improvement or repair of rented residential accommodation, owners are obliged to meet the registration requirements contained in Part 7 of the Residential Tenancies Act 2004, which requires private landlords to register with the Private Residential Tenancies Board.

Interest relief will be denied if these registration requirements are not met in respect of each tenancy in the rental property during the tax year.

Rent-a-room scheme

Rent received by an individual renting out a room for residential purposes in their principal private residence is exempt from income tax if the gross rental income does not exceed €12,000 per annum.

The ceiling for exempt income was increased from €12,000 to €14,000 per annum for 2017 and subsequent years.

If the rental income from this source exceeds €14,000, the entire amount will be liable to income tax, subject to the deduction of allowable expenses (see above). The exemption does not apply where a child pays rent to a parent or where the person in receipt of the income is an employee or office holder of the person making the payment.

Credit union savings accounts

Tax exemptions are available for certain medium and long-term savings accounts held in credit unions and other financial institutions. When the account holder is an individual, a tax exemption will apply for the first €480 per annum of interest/dividends paid on the account when the funds are invested for a period of three years.

The limit increases to €635 per annum when invested for five years in a special term account. Any Interest/dividends in excess of this amount is liable to deposit interest retention tax (DIRT) at 39%.

Deposit interest

Deposit interest earned in the State is liable to a withholding tax at source (DIRT). The rate of DIRT on interest paid or credited is being reduced by 2 percentage points each year over the next four years to bring the rate of DIRT from 41% to 33% over that period. A reduced rate of 39% will apply to interest paid or credited on or after 1 January 2017. No additional tax is payable on interest received, however, liabilities to PRSI may arise. Deposit interest which is subject to DIRT is exempt from the USC.
Exit tax in respect of life assurance policies and investment funds is charged at 41%.

Finance Act 2014 introduced a relief from DIRT for first-time buyers who are saving for a deposit held by first-time buyers in the 48 months prior to purchase, subject to a maximum of 20% of the purchase price. The relief applies on purchases between 14 October 2014 and the end of 2017.

**Irish dividend income**

Irish dividends are subject to withholding tax of 20%, unless considered as ‘exempt income’. Individuals are liable to income tax on the gross dividend, which is the amount received, plus the tax withheld. A credit will be granted for the tax withheld and an additional liability to income tax will only arise where the individual is liable to income tax at 40%. Irish dividend income is liable to the USC.

**Foreign investment income**

This includes foreign interest, dividends and rents. The source of income must be declared on an individual’s Irish tax return. In certain cases, tax paid in the source country will be refunded to Irish tax resident taxpayers or may be claimed as a credit against Irish income tax payable on the same income. UK dividends are taxed in Ireland on the net amount received, with no relief available in respect of the tax credit attaching to the dividend. An additional liability to income tax may arise where the individual is liable to income tax at 40%. Foreign investment income is liable to the USC.

Irish-resident individuals in receipt of deposit interest from EU financial institutions are liable, under self-assessment, to Irish income tax at a rate of 39% provided the income is disclosed in the annual tax return and submitted to Revenue by the relevant 31 October.

**Exempt income**

The sources of income in Ireland that are exempt from income tax have been reduced. The exemption from income tax still remains for income arising from woodlands, from 1 January 2016 profits or gains from the occupation of woodlands was removed from the high earners restriction. Dividends paid from exempt sources are not subject to withholding tax of 20%.

The recipient of profits or gains from exempt sources is required to report details to the Revenue on their annual tax return. It should be noted that there are quite stringent conditions to be met for these sources of income to qualify for an exemption from income tax. From 1 January 2015, the tax exemption for certain artists is subject to a limit of €50,000 per annum.

The relief has been extended to residents of one or more Member States or an EEA State, or to individuals ordinarily resident and domiciled in one or more Member States or an EEA State. The individual must not be resident outside the EEA.

**High net worth individuals**

**Restrictions on reliefs**

Since 1 January 2007, certain high income individuals who utilised specific tax reliefs (e.g., property-based tax incentives, artist’s exemption) available to them have been restricted in the amount of tax relief which they can claim. The specific tax reliefs are restricted to €80,000 or 20% of the reliefs due before the restriction, whichever is the greater. An individual effectively pays income tax at approximately 30% – while the top rate is 40% where total income exceeds €400,000 and there are sufficient specific tax reliefs. The effective tax rate for individuals with total income between €125,000 and €400,000 is less, as the restriction applies on an incremental basis.

For individuals whose total income is less than €125,000 the restrictions to the tax relief do not apply.

For married couples/civil partners, the threshold of €125,000 is due independently to each spouse/civil partner, irrespective of how they are assessed for tax purposes. It is not possible to aggregate the threshold against aggregate income.

All individuals to whom restrictions apply are subjected to self-assessment provisions. In addition, those affected by restrictions must supply a statement to Revenue setting out details of reliefs and restrictions applied.

There are rules relating to the apportionment of relief between specific reliefs and other tax reliefs where relief is carried forward to the following year. These rules apply where the carried forward relief consists of restricted and unrestricted reliefs.
2. Social welfare taxes

**PRSI contributions**

Employees aged between 16–66 years who are in insurable employment must contribute to Pay Related Social Insurance (PRSI). In addition, their employer is also liable to PRSI.

‘Insurable employment’ means employment in Ireland under a contract of service. The normal rate at which contributions are made is Class A1.

PRSI applies to benefits-in-kind and is also charged on equity compensation. Share based remuneration is subject to employee PRSI. Employer PRSI is not due on share based remuneration. See Share incentive scheme section in Chapter 3 for further details.

Both employed and self-employed individuals aged between 16–66 years are liable to PRSI on total income (see below for exceptions).

**Social Insurance contribution rates for the 2017 tax year**

<table>
<thead>
<tr>
<th>Contribution rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer Class A1</td>
</tr>
<tr>
<td>Employer contribution</td>
</tr>
<tr>
<td>(including training fund levy)</td>
</tr>
<tr>
<td>Employee Class A1</td>
</tr>
<tr>
<td>PRSI</td>
</tr>
<tr>
<td>Self-employed contributions</td>
</tr>
<tr>
<td>PRSI</td>
</tr>
</tbody>
</table>

*Where weekly earnings are €352 or less, employee contribution is nil and where weekly earnings are €376 or less, employer’s PRSI is 8.50%.
For employees earning between €352 to €424 a tapered PRSI credit applies.

**Minimum annual PRSI contribution of €500.**

**PRSI and other income**

PRSI applies to unearned income of:

- Employed contributors under 66 years of age, and
- Individuals in receipt of a taxable pension under 66 years of age.

Persons who are 66 years of age or over are not liable to pay PRSI, and therefore are not impacted by this measure. The applicable rate of PRSI is 4%.

Individuals will be excluded from the above charge to PRSI where they are not chargeable persons for income tax purposes and are therefore not required to make an income tax return. This remains unchanged for 2017.

**Back to work support**

A back to work family dividend applies to lone parents and long term jobseekers with children who find, or return to work from January 2015. This dividend operates in addition to and independent of entitlements which a family may have under the Family Income Supplement (FIS) scheme.

**Child benefit**

From January 2016 the rate of child benefit is €140 per month. This remains unchanged for 2017.
3. Employee remuneration

Employment-related income

Employment-related income, such as salary, bonuses, expense allowances, benefits, share remuneration and other compensation payments are taxed through the Pay As You Earn (PAYE) system.

Special Assignee Relief Programme (SARP)

A Special Assignee Relief Programme (SARP) is available to inbound assignees to Ireland. Originally the relief was only available where the assignment commenced in 2012, 2013 or 2014, however, this has been extended to include assignments commencing up to the end of 2020.

Pre 31 December 2014 arrivals

For the years 2012, 2013 and 2014 the SARP relief granted an exemption from income tax on 30% of employment income between €75,000 and €500,000. For 2015 and subsequent years the €500,000 earnings ceiling is removed. Relief is granted at the tax payer’s marginal rate of tax. The relief can be claimed for the duration of the assignment, up to a maximum of five years. The SARP does not reduce liability for the USC or PRSI (social insurance) contributions.

To qualify for the relief the employee must:

- Earn a salary of at least €75,000, exclusive of bonuses, share awards and benefit-in-kind.
- Work in Ireland for a minimum of 12 months
- Have been non-Irish resident for the five tax years immediately prior to the year of arrival in Ireland
- Have worked for at least 12 months for their foreign-based employer prior to their arrival in Ireland and performed the duties for that employer outside Ireland
- Arrive in Ireland to take up duties in one of the following tax years; 2012, 2013 or 2014

In addition, the employer must be incorporated and resident in a country with which Ireland has a double tax treaty or tax information exchange agreement, or be an associated company of such a company.

Post 31 December 2014 arrivals

The relief has been extended until 2020 where the assignment commences after 31 December 2014.

To qualify for the relief the employee must:

- Earn a salary of at least €75,000, exclusive of bonuses, share awards and benefit-in-kind.
- Work in Ireland for a minimum of 12 months
- Have been non-Irish resident for the five tax years immediately prior to the year of arrival in Ireland
- Have worked for at least 6 months for their foreign-based employer prior to their arrival in Ireland and performed the duties for that employer outside Ireland
- Arrive in Ireland to take up duties in one of the following tax years; 2015, 2016 or 2017

With effect from 1 January 2015, the €500,000 earnings ceiling on which the relief applies has been removed. In addition, to qualify for the SARP relief from 2015 onwards the claimant can be tax resident in another country provided they are also tax resident in Ireland. Previously, the claimant could not be tax resident in any other country other than Ireland to claim the SARP relief.

Also, for claims made between 2015 and 2017 the income relating to foreign duties (i.e., work performed outside of Ireland) and the lower threshold is no longer required in calculating SARP relief. Pre 2015, the thresholds for the SARP relief were reduced accordingly to take account of foreign non incidental work duties.

A certification procedure applies for the relief whereby the employer must certify within 30 days of arrival that the employee meets the conditions to avail of the relief.

Once a claim is made and approved by the Revenue Commissioners, the relief can be granted at source under the PAYE system. Therefore, qualifying employees do not necessarily have to seek repayment after the tax year end to benefit from the relief. However, to retain the relief, the qualifying employee must file a tax return for the relevant tax year by 31 October of the following tax year.

School fees

In addition to the deduction described above, provision is also made for the payment of school fees of up to €5,000 per child by the employer, on a tax free basis, for those employees who qualify for SARP.

Limited remittance basis

Since 1 January 2009 a form of tax relief is available to certain non-domiciled expatriate employees who have been seconded to work in Ireland. The relief takes the form of a partial rebate of PAYE tax paid, and is subject to a number of conditions. PAYE will continue to be payable on income related to Irish work days, however, the assignee may be entitled to apply for a partial refund of the tax paid at the year end.

This relief was phased out as follows:

- Qualifying for first time in 2009 – extension to 2012 and 2013

This relief is no longer available.
Foreign Earnings Deduction (FED)

Foreign earnings deduction is applicable to companies expanding into emerging markets who assign Irish-based employees to these markets. The relief provides for a reduction in the Irish income tax liability of the individual. This relief has been extended until 31 December 2020. The relief applies to employees assigned to the following countries:

<table>
<thead>
<tr>
<th>Country</th>
<th>Country</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>Indonesia</td>
<td>Russia</td>
</tr>
<tr>
<td>Bahrain</td>
<td>Japan</td>
<td>Saudi Arabia</td>
</tr>
<tr>
<td>Brazil</td>
<td>Kenya</td>
<td>Senegal</td>
</tr>
<tr>
<td>Chile</td>
<td>Kuwait</td>
<td>Singapore</td>
</tr>
<tr>
<td>China</td>
<td>Malaysia</td>
<td>South Africa</td>
</tr>
<tr>
<td>Columbia (2017–2020)</td>
<td>Mexico</td>
<td>South Korea</td>
</tr>
<tr>
<td>Democratic Republic of Congo</td>
<td>Nigeria</td>
<td>Tanzania</td>
</tr>
<tr>
<td>Egypt</td>
<td>Oman</td>
<td>Thailand</td>
</tr>
<tr>
<td>Ghana</td>
<td>Pakistan (2017–2020)</td>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>India</td>
<td>Qatar</td>
<td>Vietnam</td>
</tr>
</tbody>
</table>

The relief provides for a deduction against employment income for employees who spend at least 30 qualifying days in a year in a relevant country (previously 40 days). To count as a qualifying day it must be one of at least 3 consecutive days throughout which the individual is working in one of the relevant countries. Time spent travelling to and from the work location counts as qualifying days for the purposes of the relief.

The maximum deduction against employment income is €35,000 per annum, which is the equivalent of a maximum tax saving of €14,000 for a higher-rate taxpayer. Where the individual is also entitled to claim a credit for foreign tax paid on the same income, the amount of the FED must be reduced by the amount of the income generating the foreign tax credit. Benefits-in-kind, termination payments, and restrictive covenants are excluded in calculating the amount of the deduction, however, the amount of the deduction itself may be offset against total employment income, less allowable employee pension contributions for the year. The employment income can be from an Irish employment or from a foreign-source employment.

Employees claiming FED are not entitled to claim relief under the SARP outlined above, or relief under the Research and Development (R&D) credit provision discussed below.

Key employees engaged in R&D activities

Companies which qualify for R&D tax credits may elect to pass on the benefit of the credit to certain ‘key employees’.

Where the relief applies, the employee will be entitled to claim a credit equal to the amount surrendered by the employer against his or her income tax liability. The credit will only reduce income tax due on the earnings from the employment and will not reduce the employee’s liability to USC charge or PRSI.

The relief is subject to a number of significant restrictions. Directors and individuals holding more than 5% of the shares of the company, or an associated company, are excluded from claiming the relief. Employees will only be regarded as ‘key employees’, and therefore eligible for the relief if:

- They have performed 50% of their duties in ‘the conception or creation of new knowledge, products, processes, methods and systems’ in the accounting period during which the employer was entitled to claim R&D relief, and
- 50% of the cost of the earnings from his or her employment qualify as expenditure on research and development

The R&D credit surrendered to an employee may not reduce the income tax payable by the employee to an amount which is less than 23% of their total income. If the credit cannot be fully used by the employee in one year as a result of this restriction, it may be carried forward to the next and subsequent years until it is fully utilised.

Where an employee claims this relief, he or she is a chargeable person for the tax year to which the claim relates and also for all years in which the relief is carried forward.

Availability of this relief is contingent on the employing company having an eligible claim under the R&D rules.

Benefits-in-kind (BIK)

The tax due on benefits-in-kind (BIK) is also collected through the PAYE system, together with the appropriate USC and PRSI. From 1 January 2011 employer withholding applies for share-based remuneration. See Share incentive scheme section in this chapter for further details.

All companies and employers with 10 or more employees must account for the PAYE electronically through Revenue’s Online Service (ROS) by the 23rd of the month following the month in which the benefit is provided (e.g. bonus bond) or the expense is borne by the employer (e.g. medical insurance). For employers with 10 or fewer employees who do not account for the PAYE through ROS, a deadline of the 14th of the month will apply.

Where the total PAYE, USC and PRSI is €30,000 or less the employer may apply for a quarterly remittance basis. The payments would then be due by the 23rd of the month following the end of the quarter.

There are specific rules for calculating the value of the benefit (notional pay) where the benefit is in the form of a company vehicle, preferential loan, employer-provided accommodation or the use of an employer’s asset. The PAYE on notional pay is accounted for monthly throughout the period in which the benefit is enjoyed.

The employer must account for the PAYE as above irrespective of whether the PAYE has been withheld from the employee. Where the PAYE has not been recouped from the employee by the end of the tax year, the tax becomes part of the individual’s notional pay in April following the end of the tax year and assessable to PAYE, USC and PRSI accordingly.
**Cars**

The calculation of the BIK charge on a company car provided to an employee is computed as follows:

- The assessable benefit is 30% of the original market value of the car. There is no reduction in BIK where the employee pays directly for private fuel, road tax, repairs or insurance. The benefit may be reduced by any contribution made by the employee to the employer towards the cost of providing the car.
- Employees with business mileage of less than 24,000 kilometres per annum who spend at least 70% of their time away from the business premises can claim a 20% reduction in their BIK figure.
- The BIK may also be reduced where the employee has business mileage in excess of 24,000 kilometres in a year. This relief operates by reducing the taxable benefit based on the following table.

<table>
<thead>
<tr>
<th>Annual business kilometric thresholds</th>
<th>Cash equivalent (% of OMV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>24,000 or less</td>
<td>30%</td>
</tr>
<tr>
<td>24,000 to 32,000</td>
<td>24%</td>
</tr>
<tr>
<td>32,000 to 40,000</td>
<td>18%</td>
</tr>
<tr>
<td>40,000 to 48,000</td>
<td>12%</td>
</tr>
<tr>
<td>48,000 and over</td>
<td>6%</td>
</tr>
</tbody>
</table>

In 2008, legislation (subject to Ministerial Order) was introduced which would reduce the rate of BIK for cars with low CO2 emissions. However, these provisions have not yet been brought into effect.

**Vintage cars**

The taxable benefit of an employer-provided vintage car is 30% of the original market value of the car when it was first registered in Ireland. As such, the taxable benefit will generally be much lower for such a car than for a new car.

**Pooled cars**

No liability to tax will arise for an employee who has use of a car from a company car pool, subject to certain conditions being met.

**Company-provided vans**

Where the following conditions are met, BIK will not apply to vans:

- The van is supplied for the purposes of the employee's work
- There is an employer requirement to bring the van home
- Any auxiliary private use of the van is prohibited
- The employee spends most of their time working away from the employer's workplace

Where any of the above conditions are not met, a BIK charge of 5% of the original market value applies.

**Preferential loans**

An employee or director who has a loan from their employer at a preferential rate of interest is regarded as having a taxable benefit. The value of the benefit is the difference between the rate of interest charged and the specified rate. The specified rate is 4% in the case of qualifying home loans and 13.5% for other loans.

**Employer-provided accommodation**

Where an employer provides accommodation for an employee, a BIK arises on the gross amount of the rent paid or on 8% of the current market value of the property where the property is owned by the employer. In addition, a BIK of 5% of the value of furniture arises where this is supplied by the employer.

**Employer-provided assets**

Where an employer provides an asset, other than a car or accommodation, for use by an employee, a BIK will be charged at 5% of the asset's market value at the date first provided by the employer.

**Medical insurance cover**

Many employers pay their employees' medical insurance premiums as a benefit. In such a case, the employee is liable to tax on the gross premium paid.

Previously, the employee was entitled to a tax credit equivalent to the gross premium at the standard rate of tax. With effect from 16 October 2013, tax relief in respect of the premium paid on policies entered into, or renewed, on or after this date, is restricted to 20% of the first €1,000 per adult and €500 per child covered by a policy. Where the premium for a particular beneficiary is less than these limits, tax relief will be calculated in the normal manner, at 20% of gross premium.

**Other taxable benefits**

- Club subscriptions
- Holiday tickets or vouchers
- Bonus bonds
- Staff suggestion scheme awards
- Staff discounts, on the difference between the cost to the employer and the price paid by the employee
- Professional subscriptions subject to limited exceptions, as outlined below
- Crèche facilities provided or subsidised by an employer

**Benefits exempt from the BIK provisions**

- Employer contributions to a Revenue-approved Occupational Pension Scheme. Employer contributions to a Personal Retirement Savings Account (PRSA) are exempt from the USC from 1 January 2016 which brings the treatment of these contributions in line with employer contributions to an Occupational Pension Scheme
- Bus/rail/LUAS/commuter ferry passes provided by the employer, subject to certain conditions
- Course and exam fees, provided they are specifically required for the employment
- Provision of computers where private use is incidental to business use
• Provision of mobile phones where private use is incidental to business use
• Small benefit exemption of €500 per annum per employee for one off non cash ‘tangible benefits’ where the value does not exceed this amount. Only one tax exempt benefit per employee can be provided per year and ‘salary sacrifice’ is not permitted
• Expenses borne by an employer in connection with an ‘asset’ or ‘service’ for the improvement of personal security where there is a threat to the personal physical security of the employee
• Housing provided to an individual assigned to Ireland from abroad for the first 12 months of the assignment, subject to conditions
• Provision of bicycles and associated safety equipment to employees who agree to use the bicycle to cycle to work, subject to a limit of €1,000 per employee in any five year period

**Expenses**
Expenses incurred by employees are only allowable as deductions for tax purposes where they are incurred wholly, exclusively and necessarily in performing the duties of the employment.

The following expenses are allowable subject to certain conditions:

• Motor
• Travel and subsistence
• Professional subscriptions
• Protective clothing

Certain professions are entitled to flat rate expenses, which should be coded onto the employee’s tax credit certificate. The list of trades and professions to which this applies is provided annually by the Revenue Commissioners.

**Travel and subsistence expenses paid to Non-Executive Directors**
With effect from 1 January 2016 a specific exemption from income tax, USC and PRSI is available in respect of certain vouched expenses of travel and subsistence incurred by a non-resident director of a company. Such expenses must be incurred solely for the purpose of attendance by a ‘relevant director’, in his or her capacity as a director, at a ‘relevant meeting’.

With effect from 1 January 2017 this relief will also apply to Irish tax resident directors providing they receive less than €5,000 per annum for their role as non-executive directors.

**Professional subscriptions**
In certain situations an individual is entitled to claim the professional membership expense as a deduction ‘wholly, exclusively and necessarily’ incurred in the course of his or her employment.

Where the employee is entitled to claim the expense as a deduction, for ease of administration, Revenue has advised that employers need not make tax, USC and PRSI deductions. This action precludes the employee making a tax deduction claim.

Tax deduction in respect of annual membership fees of a professional body will be available in the following situations:

• Where there is a statutory requirement for membership of a professional body before the individual member can carry out the duties of their employment
• Where an individual is registered with a professional body and has a right, by virtue of that membership, to plead or be heard in a court or a tribunal on behalf of his or her client
• Where there is a requirement for a current practicing certificate or licence, issued by the professional body, for the individual to carry out the duties of their employment
In addition, the employer need not operate PAYE, USC and PRSI in the following circumstances where the employee would be entitled to claim a deduction, as follows:

• Where the duties of the employee and the duties of the employment require the exercise or practice of the occupation or profession in respect of which the annual membership fee refers
• The employee so exercises or practices the occupation or profession in respect of which the annual membership fee refers
• Membership of the professional body is an indispensable condition of the tenure of the employment

Where the expense of a professional membership subscription is not wholly, exclusively and necessarily incurred in the course of an employment, it is not a deductible expense. If paid or reimbursed by an employer, the payment/reimbursement is subject to benefit-in-kind, and the employer is obliged to deduct PAYE, USC and PRSI.

**Parking levy**
To date the proposed annual €200 parking levy for employer provided parking has not become law.

**Excess Bank Remuneration Charge**
The Excess Bank Remuneration Charge (EBRC) applies to any remuneration, in cash or in kind, that is variable and determined by reference to the individual or the institution's performance. This variable remuneration is subject to EBRC at a rate of 45% (instead of the USC).

The EBRC applies to employees of institutions that have received financial support under Section 6(1) of the Credit Institutions (Financial Support) Act 2008 or the National Pensions Reserve Fund Act 2000. The EBRC will apply to any employee resident in Ireland or an employee who performs some of their duties in Ireland.

The EBRC applies to all payments made on or after 6 February 2011, except where the employee's variable remuneration does not exceed €20,000 in a tax year.

**Termination of employment**
Payments exempt from tax
The following payments are exempt from tax where an employee's employment has been terminated:

• Statutory redundancy
• Payments not exceeding €200,000 made in connection with the termination of the holding of an office or employment due to the death of the holder or on account of injury or disability of the holder of the office or employment
Payments on leaving employment

Where a payment is made in connection with the termination of an employment, which falls liable to Irish income tax, exemptions are available to reduce or eliminate the liability. The amount of tax relief on ex-gratia payments is restricted to a lifetime limit of €200,000.

The individual may claim the most favourable of the following calculations, subject to the €200,000 lifetime limit:

- Basic exemption = €10,160 + €765 for each complete year of service
- Increased exemption = basic exemption + €10,000 where no claim for relief for the increased exemption was made in the previous 10 years.*
- Standard Capital Superannuation Benefit (SCSB), which is calculated as follows:

  Average remuneration for last 3 years x no. of complete years of service

  15

*The increased exemption or the SCSB must be reduced by any tax-free lump sum received, or the net present value of a future tax-free lump sum receivable under an approved pension scheme, unless the claimant waives their right to the lump sum.

Foreign service relief

Foreign service relief has been abolished with respect to termination payments, effective from 27 March 2013. Previously, employees may have been entitled to either a full or partial exemption from taxes on any payment made in connection with the termination of their employment where they worked abroad for part of their period of employment.

Share incentive schemes

From 1 January 2012, employee PRSI and the USC applies to all income gains arising on share awards, irrespective of whether the awards were granted under a Revenue-approved plan or an unapproved plan. Share awards are specifically exempt from employer PRSI.

Employers may have an obligation to withhold income tax, USC and PRSI on share-based remuneration through the PAYE system. This depends on the type of scheme and is summarised below.

Approved Profit Sharing Scheme (APSS) and Save As You Earn scheme (SAYE): USC and PRSI must be withheld by the employer via the PAYE system. The amount liable to USC and PRSI, and the due date for payment is explained below in the Save As You Earn and Approved Profit Sharing sections.

Stock option scheme: The employee retains the obligation to pay income tax and the USC via the self-assessment system through filing Form RTSO1. Employee PRSI is payable directly to the Revenue Commissioners by the employee along with their income tax and USC liability by filing Form RTSO1 within 30 days of exercise.

For other non-approved share schemes, income tax, USC and PRSI must be withheld by the employer via the PAYE system.

The charge to Income Tax (IT), the USC and PRSI is summarised below.

<table>
<thead>
<tr>
<th>2012 and subsequent years</th>
<th>Reporting*</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT</td>
<td>PAYE</td>
</tr>
<tr>
<td>APSS</td>
<td>No</td>
</tr>
<tr>
<td>SAYE</td>
<td>No</td>
</tr>
<tr>
<td>Stock options</td>
<td>Yes</td>
</tr>
<tr>
<td>Other (e.g. unapproved awards, RSUs)</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*The filing deadline for Forms ESS1, SRS01 and RSS1 is 31 March in the tax year following the tax year in which the taxable event occurs.

Save As You Earn (SAYE)

SAYE schemes allow employees to save a fixed amount of their after-tax salary, between €12 – €500 per month, over a period of at least three years. At the end of the savings period, the accumulated savings are used to purchase shares in the employer or parent company at a predetermined price. This predetermined price is the market value of the shares at the beginning of the savings period, less a discount of up to 25%.

On the occasion of shares being purchased, there is no income tax charge despite the fact that the shares may have been purchased at a price substantially below the market value of the shares on that date. However, USC and PRSI are due on an amount equal to the difference between the price paid and the market value of the shares at the date of purchase. Both USC and PRSI must be withheld through the PAYE system and accounted for by the employer electronically through ROS by the 23rd day of the month following the month in which the shares are purchased. When the shares are sold or otherwise disposed of, their market value, less the base cost to the shareholder, will be subject to capital gains tax.

Approved Profit Sharing Scheme (APSS)

Employees and full-time directors may be entitled to receive shares in their employer company or employer’s parent company without incurring an income tax liability. To achieve this, the employer must seek Revenue approval to implement the APSS and to establish a special trust for the purposes of acquiring shares on behalf of employees. An employee or full-time director may then sacrifice an element of their bonus (plus, in certain cases, salary), which is paid into the trust to purchase shares on their behalf. The shares must be retained within the trust for a period of three years to avoid an income tax charge.

The maximum value of shares that can be purchased on behalf of any one employee or full-time director per annum is €12,700.

No income tax arises when the shares are transferred to the employee. However, USC and PRSI is chargeable on the initial market value of the shares at the time they are placed in the trust on the employee’s behalf. In cases where employees have entered into a salary-foregoing arrangement to fund the purchase of shares, the USC and PRSI may be deducted from earnings where salary has been foregone. Alternatively, employers and employees may fund the purchase of the USC and PRSI out of other non-share net earnings. These liabilities must be accounted for, either by the employer or the trustees in the same manner as PAYE, i.e., electronically through ROS by the 23rd day of the month following the month in which the shares are placed in the trust on the employee’s
behalf. For capital gains tax purposes, the allowable cost is the market value of the shares at the date they were purchased by the trust on behalf of the employee or director.

See the table on the previous page for a summary of the employee and employer requirements.

Employee share ownership
A company may claim a deduction for the costs of establishing and making contributions to an Employee Share Ownership Trust (ESOT). The trust must be established for the purpose of acquiring shares in the founding company for distribution to employees or a charity at a future date. If the shares in the trust are transferred at a future date into an Approved Profit Sharing Scheme (APSS), this transfer will not be treated as a disposal for capital gains tax purposes. See the table on the previous page for a summary of the employee and employer requirements.

Previously, former employees, subject to certain conditions, could continue to be the beneficiaries of an ESOT for up to 15 years from the date the ESOT was established. With effect from 1 January 2014, this 15 year period is extended to 20 years.

Restricted shares
Where employees are granted free or discounted shares which are subject to a restriction on disposal, the taxable value will be reduced in accordance with the table below. During the period of restriction, the shares must be held in a trust or held under such other arrangements as the Revenue Commissioners may allow.

<table>
<thead>
<tr>
<th>Period of restriction-years</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>5+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
<td>60%</td>
</tr>
</tbody>
</table>

The trust in which the shares are held must be established in Ireland or in another EEA member state and the trustees must also be resident in that state.

Share options
Any differential between the option price and the market value of the shares at the date of exercise is liable to income tax, USC and PRSI. Gains arising on the exercise of options granted on or after 5 April 2007 will be subject to income tax, USC and PRSI by reference to the number of work days the option holder spent in the Republic of Ireland between the grant date and vesting date.

Where an option is capable of being exercised more than seven years from the date of grant and the option price is less than the market value of the shares at the date of grant, the taxable event is the date of grant and not the date of exercise.

Employee in receipt of share options

Chargeable person for self-assessment purposes
Irish tax legislation treats an employee or director who exercises share options under a share option scheme as a ‘chargeable person’.

This means that the individual is automatically within the self-assessment system and is obliged to file an income tax return by 31 October after the end of the tax year in which the share option is exercised. Where a tax return is not filed by this date, a surcharge of up to 10% of the person's tax liability may be applied (see Chapter 1).

Share options exercised

Income tax payments
Relevant Tax on Share Options (RTSO) must be paid within 30 days of the exercise of all share options. A Form RTSO1 must be filed by the individual, together with the relevant RTSO payment. The RTSO payment includes income tax, USC and employee PRSI. Income tax at the top rate (currently 40%) must be paid in respect of the option gain unless the individual can satisfy the Revenue that they are liable to income tax at the standard rate (20%) on the full amount of the gain.

The onus is on the individual to seek advance clearance from the Revenue Commissioners for the standard rate of tax to apply.

USC and employee PRSI are also due and payable within the same 30 day period. Failure to pay RTSO by the due date carries an interest exposure of 0.0219% per day, or part thereof, from the due date.

Valuation of shares in unlisted companies
Revenue has stated that a valuation service is not provided for shares in private companies. The employer should make a ‘best estimate’ for the valuation of the relevant shares, using the most appropriate valuation method for the circumstances. In the event of a Revenue audit, the employer should be in a position to show how the value of the shares was determined and provide detailed workings.

Employer filing requirements
The employer filing requirements in respect of employee share schemes are set out in the table in the Share Incentive Schemes section of this chapter.

Real time foreign tax credit
The Irish Revenue has confirmed that where an employee is subject to double deduction at source on their employment income, a ‘real time’ credit may be claimed through the PAYE system for non-refundable foreign tax deducted. The availability of the ‘real time’ credit through the PAYE system is subject to the relevant criteria being met as outlined per Revenue guidelines.
Section 2
Capital Taxes and Pensions

4 Pensions
5 Capital allowances and tax-based property incentives
6 Capital gains tax
7 Capital acquisitions tax
8 Stamp duty

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4. Pensions

Pension contributions

Tax relief on pension contributions can be claimed by the self-employed and by members of Occupational Pension Schemes (OPS) in any one tax year on the following basis:

<table>
<thead>
<tr>
<th>Age</th>
<th>% of Net Relevant Earnings/Remuneration*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30</td>
<td>15</td>
</tr>
<tr>
<td>30 – 39</td>
<td>20</td>
</tr>
<tr>
<td>40 – 49</td>
<td>25</td>
</tr>
<tr>
<td>50 – 54</td>
<td>30</td>
</tr>
<tr>
<td>55 – 59</td>
<td>35</td>
</tr>
<tr>
<td>60 and over</td>
<td>40</td>
</tr>
</tbody>
</table>

*Net Relevant Earnings (NRE) applies to self-employed individuals, while Remuneration applies to members of Occupational Pension Schemes (OPS).

A single earnings cap of €115,000 remains for all types of pension contributions made by individuals in 2017, but not for employers’ contributions to an OPS.

Prior to 1 January 2011, tax relief generally included relief from PRSI. However, with effect from 1 January 2011, contributions made by individuals to pension plans which previously qualified for relief from PRSI will no longer qualify. Relief from the Universal Social Charge (USC) is also not available.

Employer contributions to an OPS or PRSA do not result in an income tax, USC or PRSI liability for the employee.

For employers, no relief from employers’ PRSI will arise on employee pension contributions.

Self-employed

For the self-employed, tax relief can be obtained by contributing to a personal pension plan via a Retirement Annuity Contract (RAC) and/or to a PRSA. Net Relevant Earnings (NRE) can be defined as earnings from trades, professions and non-pensionable employments, less certain payments and deductions.

In certain cases, the above percentage limit is increased to 30% for individuals under 50 years of age. This occurs where the individual’s NRE is derived wholly or mainly from certain listed occupations, such as athletics, boxing, rugby, cricket or swimming. The earnings of a husband and wife are treated separately for the purpose of determining NRE; the relief is available in respect of each spouse with non-pensionable earnings.

A self-employed individual may avail of tax relief for the immediately preceding year by making a pension contribution by 31 October following that year and subject to the age-related scale and earnings cap outlined above. If the individual files and pays tax through the Revenue Online System (ROS), the 31 October deadline for this purpose is extended to the ROS filing deadline.

Employees

Employees may make contributions to an Occupational Pension Scheme (OPS) in any tax year for tax relief purposes. These contributions must be made to a Revenue approved OPS.

Remuneration broadly means basic salary, plus any fees, commission, bonuses, taxable share incentive benefits and benefits-in-kind. Relief is currently available at the employee’s top income tax rate (20% or 40%).

Employees may, subject to guidelines prescribed by the Revenue, make special contributions to an OPS or make Additional Voluntary Contributions (AVCs) to avail of any unused relief between 15% - 40% as per the age-related scale, shown on the previous page. For example, under the rules of an OPS, an individual aged 35 may be required to make a personal contribution to the scheme of 5% of their salary. If the scheme rules allow and subject to certain conditions as advised by the Revenue Commissioners, the individual may also make an AVC of 15% of their remuneration to an AVC Fund to increase pension benefits at retirement.

A member of an OPS may also avail of tax relief for the immediately preceding year by making a pension contribution by 31 October following that year and subject to the age-related scale and earnings cap. If the individual files and pays tax through ROS, the 31 October deadline for this purpose is extended to the ROS filing deadline.

Note: Any individual who joins an OPS and who has a personal pension plan – as described under ‘Self-employed’ above – may continue such contributions, but will not receive tax relief unless they can demonstrate separate earnings for such contributions.

Options on retirement

Self-employed individuals can:

- Use all of the retirement fund to purchase a retirement annuity; or
- Withdraw up to 25% of the total retirement fund as a retirement lump sum and with the balance of the fund, either:
  - Purchase a retirement annuity
  - Draw down the balance subject to their top income tax rate; or
  - Invest in an ARF, subject to the AMRF provisions

Members of an OPS can:

- Use the entire retirement fund to purchase an annuity, subject to a maximum pension of 66.67% of final remuneration; or
- Withdraw up to 150% of final remuneration as a retirement lump sum and with the balance of the fund purchase a retirement annuity
he or she may have to invest a specified amount, of ten times the maximum annual rate of the individual does not meet this minimum annual income test, when taking benefits from the fund, maximum annual rate of the contributory state pension, i.e., €18,000 approximately. Where an individual is taking benefits, in receipt of pension or annuity income guaranteed for life equal to 1.5 times the minimum annual rate of the ARF option extends to members of defined contribution pension schemes.

Note 2: Since 1 January 2011 the maximum tax-free retirement lump sum for an individual retiring has been capped at €200,000, as reduced by any tax-free lump sums taken on or after 7 December, 2005. The excess above €200,000 and up to €500,000 is taxed at the standard rate of income tax (currently 20%) and is ring fenced so that no reliefs, allowances or deductions can reduce the taxable amount. Any further excess will be taxed at the taxpayer’s top income tax rate. USC will be due on any further excess, but not on the amount subject to income tax at 20%. Prior to 1 January 2014, the 20% rate applied to lump sums valued from €200,001 and up to €575,000.

Note 3: With effect from 1 January 2014 the standard fund threshold (SFT) – the maximum allowable pension fund for tax purposes – is set at €2 million. Higher thresholds may apply where the pension fund, as valued on 1 January 2014, is greater than €2 million, but this higher amount cannot exceed €2.3 million, which is the previous standard fund threshold limit. Any excess is subject to a tax charge of 40% on drawdown. The excess fund charge applies to the aggregate of all pension products held by the individual. It is important to note that the net, after tax excess, is again subject to tax on receipt by the individual. The change to the standard fund threshold, together with an amendment to the rules for valuing defined benefit pension schemes based on age related factors is aimed at ensuring that tax relief on pension contributions will only apply on pension schemes delivering income of up to €60,000 per annum.

Note 4: As outlined at Note 2, pension lump sums in excess of a lifetime limit of €200,000 and up to €500,000 are subject to income tax at 20%. An amount exceeding the SFT or individual’s higher personal fund threshold (PFT) will also give rise to a tax charge, which is the excess fund tax. For lump sums paid on or after 1 January 2011, the pension scheme administrator is required to offset tax arising on the lump sum against the excess fund tax arising on the chargeable excess with provision for carrying forward any unused amount. The credit applies only to that part of the lump sum which has been subject to tax at 20%.

Approved Minimum Retirement Fund (AMRF) and Approved Retirement Fund (ARF)

The retirement fund monies of self-employed individuals, AVC contributors, proprietary directors (who own more than a 5% shareholding of the company) and members of defined contribution pension schemes may be invested in post-retirement funds (AMRFs or ARFs) after drawing down up to 25% of the total fund as a retirement lump sum. If people are availing of such funds, certain criteria must be met. Both types of fund are managed by qualifying fund managers.

Funds invested in an ARF can be withdrawn at any stage and in any amount, either by lump sum or by regular income, but are subject to the investor’s top rate of income tax, together with USC and PRSI, where applicable.

Before being permitted to invest the balance of a pension fund in an ARF or take the funds by way of a taxable lump sum, the individual may first be required to invest an amount in an AMRF or an annuity payable for life. This requirement does not apply if the individual is, at the time of taking benefits, in receipt of pension or annuity income guaranteed for life equal to 1.5 times the maximum annual rate of the contributory state pension, i.e., €18,000 approximately. Where an individual does not meet this minimum annual income test, when taking benefits from the fund, he or she may have to invest a specified amount, of ten times the maximum annual rate of the contributory state pension payable at the time the ARF option is being availed of (€120,000 approximately) in an AMRF or annuity. From 27 March 2013 the pre 6 February 2011 pension or annuity income requirement of €12,700 will be reinstated for a temporary three year period and where this test is not satisfied €63,500 must be invested in an AMRF or annuity. As Finance Act 2016 did not reinstate the higher amount, the lower amounts continue to apply.

Up to 31 December 2014, the initial capital invested in AMRF could not be withdrawn until 75 years of age, but any income or gains could be drawn before then. With effect from 1 January 2015 the holder of an AMRF may withdraw up to 4% of the value of the assets of an AMRF. All withdrawals from an AMRF are subject to income tax, USC and PRSI, if applicable. If, on death, there are residue funds from an AMRF or ARF, these can be passed on by will to dependents subject to inheritance tax and/or income tax implications.

Where applicable, ARFs are deemed to make an annual imputed (deemed) distribution of 5% of the value of the assets of the ARF and/or a vested PRSA and/or a vested PRSA is aged under 70 for at least part of the tax year. Where the aggregate value of assets held in an ARF(s) and/or a vested PRSA(s) exceeds €2 million at 30 November 2012 and subsequent tax years, regardless of age, the imputed distribution rate increases to 6% of the entire aggregate value, not just the portion that exceeds €2 million. Any actual distributions in the year are deducted from the imputed distribution.

Finance Act 2016 provides that where benefits are not taken by a PRSA holder before their 75th birthday, the PRSA will be treated as being vested on that date. The effect of this change is that:

• Although the PRSA assets cannot be accessed by the individual after that date, they will be subject from that date to the imputed distribution regime that applies to ARFs and vested PRSAs.

• The deemed vesting of the PRSA on that date will be treated as a benefit crystallisation event for the purpose of the SFT regime.

• On the death of the PRSA holder, the PRSA assets will be treated in line with the provisions relating to ARFs and not by way of transfer of the PRSA assets to the deceased’s estate.
5. Capital allowances and tax-based property incentives

Capital allowances

Book depreciation is generally not deductible for tax purposes. Instead, a comprehensive system of tax depreciation known as capital allowances is provided for under Irish tax rules. Capital allowances are available in respect of capital expenditure incurred on the provision of qualifying assets that are used for the purposes of a trade, profession or rental business.

Capital allowances are similar to a tax deductible expense and effectively allow a person (including companies) to write-off against taxable profits, the cost of an asset over a period of time, thereby claiming tax relief on the cost of that asset. Allowances can be claimed in respect of a wide category of capital expenditure, with the allowance rate varying depending on the nature of the asset acquired:

<table>
<thead>
<tr>
<th>Type of asset</th>
<th>Allowance rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and machinery</td>
<td>12.5%</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>12.5%</td>
</tr>
<tr>
<td>Industrial buildings</td>
<td>4%</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>7% or book depreciation</td>
</tr>
</tbody>
</table>

Motor vehicles

For non-commercial vehicles—both new and second hand—acquired on or after 1 January 2007, capital allowances are available at an annual rate of 12.5% on a straight line basis, subject to a maximum qualifying cost of €24,000. Post 1 July 2008, the level of capital allowances is determined by reference to the carbon emission levels of the vehicle acquired, as per the schedule below:

<table>
<thead>
<tr>
<th>Carbon dioxide emission level</th>
<th>Category/Classification</th>
<th>Capital allowance value threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 155g/Km</td>
<td>A/B/C</td>
<td>€24,000</td>
</tr>
<tr>
<td>155g – 190g/Km</td>
<td>D/E</td>
<td>Lower of 50% of €24,000 or 50% of the cost of the car</td>
</tr>
<tr>
<td>&gt; 190g/Km</td>
<td>F/G</td>
<td>No allowances</td>
</tr>
</tbody>
</table>

Industrial buildings

Capital expenditure on a business premises will generally not qualify for capital allowances. However, an annual allowance at a rate of 4% on a straight-line basis is available in respect of expenditure incurred on certain industrial buildings used for manufacturing type activities. Both owner-occupiers and lessors of industrial buildings are entitled to claim the allowance. Accelerated industrial building allowances are available in certain limited circumstances.

Energy efficient equipment

A scheme of accelerated capital allowances of 100% is available where a company/non incorporated business incurs expenditure on certain energy-efficient equipment, in the first year in which the equipment is used in the company’s/non incorporated business’ trade. The scheme does not apply to equipment which is leased, let or hired. In order to qualify, the equipment must meet certain energy-efficient criteria and must fall within one of the following ten approved classes of technology:

- Information and communication technology
- Heating and electricity provision
- Electric and alternative fuel vehicles
- Process and heating, ventilation and air conditioning controls systems
- Lighting
- Motors and drives
- Building energy management systems
- Refrigeration and cooling systems
- Electro-mechanical systems
- Catering and hospitality equipment

The scheme is available for qualifying expenditure incurred until 31 December 2017 and a list of qualifying items can be found at www.seai.ie. The list is regularly updated.

Aviation industrial buildings and structures

A scheme of accelerated building allowances is available over a seven-year period in respect of expenditure incurred on the construction or refurbishment of certain buildings used in connection with the maintenance, repair or overhaul of commercial aircraft.

The buildings must be located in regionally assisted areas and must comply with EU regional guidelines.

Finance Act 2015 introduced restrictions with regard to the amount of expenditure on buildings that can qualify for relief so as not to breach EU regional guidelines. The limits are €1.25m in respect of an individual and €5m in respect of a company. There is an additional requirement that before any relief can be claimed, certain information must be provided to the Revenue Commissioners to ensure that the level of expenditure does not exceed the limits provided for in the EU de minimis guidelines.

Where a number of individuals or companies invest in a project the level of the expenditure that will qualify for relief will be determined by a formula.

Relevant expenditure must be incurred in the five year period commencing 13 October 2015.
Leasing

Ordinarily, capital allowances are available on qualifying plant and machinery over a period of eight years. However, an alternative taxing mechanism is available to companies that lease certain short life assets by way of a finance lease or an operating lease. In respect of short life assets (i.e., assets with a useful life of less than eight years), lessors can elect to follow the accounting treatment of the lease and claim a tax deduction for book depreciation as opposed to claiming capital allowances on the leased assets over an eight year period. This effectively allows a lessor to write-off capital assets for tax purposes in accordance with the economic recovery on that asset.

Intangible assets

Capital allowances are available in respect of expenditure incurred by companies on the acquisition of a broad range of ‘specified intangible assets’ used by the company for the purposes of a trade. For further details please refer to Chapter 10, Corporation tax.

Balancing adjustments

In general, where an asset on which allowances have been claimed is disposed of before the end of its tax life, a balancing adjustment may arise. Where the sale proceeds are greater than the tax written down value of the asset, a balancing charge arises. Alternatively, where the proceeds of disposal are less than the tax written down value of the asset then a balancing allowance will arise.

Property tax incentives schemes

Property based tax incentive schemes were previously a key feature of Irish tax legislation. The majority of the incentives introduced provided tax relief to qualifying investors in the form of accelerated allowances in respect of expenditure incurred on specified buildings within certain sectors such as:

• Hotels, guest houses, holiday cottages, camping sites and holiday camps,
• Private nursing homes, convalescent homes and associated residential units,
• Private hospitals, sports injury clinics, mental health centres and specialist palliative care units,
• Childcare facilities,
• Buildings in designated tax incentive areas; or
• Rented residential accommodation (known as ‘Section 23 relief’).

The majority of these schemes have been discontinued with effect from 31 December 2006 or are being phased out since 31 July 2008, subject to transitional measures for pipeline projects. However, schemes for specialist palliative care units remain in place, subject to a Ministerial Commencement Order.

Restrictions on property based allowances

Notwithstanding that the majority of property based tax incentives have been withdrawn, a taxpayer could still derive a benefit from such schemes because of the transitional provisions and the ability to carry-forward unused allowances. However, over the past number of years various measures have been introduced which limit the extent to which passive investors can continue to claim tax relief from such incentives. The main restrictions include:

• The allowances are ring-fenced and can generally only be used to shelter rental income of the investor and cannot be off-set against any other source income,
• The incentive schemes outlined above are ‘specified reliefs’ and subject to the high income earner restriction outlined in Chapter 1, Personal tax,
• With effect from 1 January 2012, a property relief surcharge applies to individuals who have gross income equal to or greater than €100,000. The surcharge takes the form of an additional 5% Universal Social Charge of the amount of income sheltered by property reliefs in the given tax year.
• Investors can no longer carry forward allowances beyond the original tax life of the particular scheme where the tax life ends after 1 January 2015. Therefore, the cut-off date for allowances is the later of the end of the tax life of the building and 31 December 2014.

The Living City Initiative

The Living City Initiative is a property incentive scheme for certain urban regeneration areas in the centre of Cork, Dublin, Limerick, Galway, Waterford and Kilkenny, focusing on the conversion and refurbishment of dilapidated houses, constructed prior to 1915, and also for the refurbishment of certain commercial and retail properties.

The initiative applies to qualifying expenditure incurred within five years of 5 May 2015 (the commencement date). The initiative is a ‘specified relief’ for the purpose of calculating the high income earners restriction.

Finance Act 2016 extended the availability of the scheme to landlords of residential properties from 1 January 2017. There are now three separate parts to the initiative; owner occupied residences; retail and other commercial (owner occupier and lessor) and rented residential property.

Property developers are excluded from claiming relief. The relief takes the form of an income tax deduction for:

(i) the expenditure incurred at a rate of 10% per annum for 10 years, in the case of the conversion/refurbishment of residential property for owner occupiers, and
(ii) the expenditure incurred at a rate of 15% per annum (years 1—6) and 10% (year 7), in the case of the conversion/refurbishment of commercial property.

The maximum aggregate amount of relief which can be obtained is €200,000. Relief for the owner occupier residential element is not capped.

Finance Act 2016 introduced a number of changes to the Living City Initiative including the removal of the maximum floor size of properties, the removal of the condition that the residential element of the property must previously have been used as a dwelling and changing the minimum amount of expenditure needed to qualify for the relief to €5,000.
**Home Renovation Incentive Scheme**

Finance Act 2016 provides for an extension of the Home Renovation Incentive Scheme to 31 December 2018. The incentive provides tax relief for homeowners by way of an income tax credit at 13.5% of qualifying expenditure incurred on the repair, renovation or improvement works carried out on their principal residence. Qualifying expenditure is expenditure subject to the 13.5% VAT rate.

The minimum qualifying spend is €5,000 and the maximum amount on which tax relief can be claimed is €30,000. Thus, the maximum tax credit available is €4,050. The credit is payable over the two years following the year in which the work is carried out and paid for. In order to qualify, homeowners must be local property tax compliant and contractors must be VAT registered and tax compliant.

Finance Act 2014 extended the Home Renovation Incentive Scheme to include rental properties. The tenancy must registered with the Private Residential Tenancies Board and must be occupied within 6 months of completion of works.

Finance Act 2016 extended the relief to include local authority housing tenants who have received prior consent from the local authority to carry out the works and are liable to income tax. The local authority tenants can avail of the scheme from 1 January 2017.

In general, the work must be carried out between 25 October 2013 and 31 December 2018 (previously December 2016). However, if planning permission is in place by 31 December 2018 (previously December 2016), work paid for up to 31 March 2019 (previously 2017) will qualify for the scheme.

**Help to Buy Incentive**

The Help to Buy (HTB) Incentive was introduced in Finance Act 2016 to assist first-time buyers in obtaining the deposit required to purchase or self-build a new house or apartment between 19 July 2016 and 31 December 2019. The incentive provides a refund of income tax and DIRT paid over the previous four tax years. There are a number of conditions, including:

- the purchase value of the property cannot be more than €500,000 for properties purchased on or after 1 January 2017. For properties purchased between 19 July 2016 and 31 December 2016 the value cannot exceed €600,000,
- the first time buyer must occupy the home for five years from the date the property is habitable and
- the buyer must take out a mortgage on the property

The relief is capped at the lesser of 5% of the purchase price/completion value of the property, up to a maximum of €400,000 (i.e. €20,000 relief), or the amount of income tax and DIRT paid in the four years prior to the purchase or self-build.

**Real Estate Investment Trusts (REIT)**

Finance Act 2013 introduced the REIT regime into the Irish tax code. A REIT is a listed company, used to hold commercial and/or residential property and is the international recognised standard for investment in rental property assets. The aim of a REIT is to provide an after-tax return for investors similar to that of direct investment in property, while also giving the benefits of risk diversification. REITs that meet certain conditions are exempt from corporation tax on their net rental profits and on gains arising from their property rental business. In addition, a REIT is exempt from tax on investment profits (i.e. deposit interest) earned within a 24 month period of cash being raised from an issue of shares or from a sale of properties.

REITs are required to distribute at least 85% of their profits to investors each year for taxation at the investor level.

The general Dividend Withholding Tax (DWT) provisions apply to distributions from a REIT. Therefore, an Irish resident individual will suffer DWT on distributions at a rate of 20%. An Irish resident ‘excluded person’, such as certain investment undertakings, a pension scheme or charity investing in the REIT, may receive distributions gross, subject to completion of the appropriate declaration. Non-resident investors are subject to DWT on distributions from a REIT. However, non-resident investors who are resident in countries with which Ireland has a double taxation agreement may be able to reclaim some of the DWT, if the relevant tax treaty permits.

Irish resident investors are subject to income tax, PRSI and USC on distributions from the REIT, while corporate investors will be liable to corporation tax at 25% on such distributions. Irish resident investors will be liable to capital gains tax at a rate of 33% on a disposal of shares in the REIT. Non-resident investors will not be liable to Irish CGT, however, they may be liable to such taxes in their home jurisdiction.

Finance Act 2014 introduced anti-avoidance measures to ensure REIT’s are not used by corporate groups to avoid CGT.

**Irish Real Estate Funds**

Finance Act 2016 provides for a new fund category called Irish Real Estate Fund (IREF) and a new 20% withholding tax on distributions either as a dividend from a gain on redemption of the investment which relate to profits of IREF assets, where 25% or more of the market value of the IREF assets is derived, directly or indirectly from Irish property. Profits of the IREF include those from activities regarded as dealing in or developing land, earning rent from Irish property, holding Irish property as an investment and trading in Irish property.
6. Capital gains tax

Scope of tax

The following are liable to capital gains tax (CGT):

- Persons resident or ordinarily resident and domiciled in Ireland, on the disposal of worldwide assets
- Individuals who are resident or ordinarily resident in Ireland, but non-domiciled, on Irish gains and on all other gains to the extent that the proceeds are remitted to Ireland
- Non-resident, non-domiciled persons, on the disposal of Irish-specified assets, such as Irish land or shares deriving the greater part of their value from Irish land
- Individuals who are non-resident for five years or less and return to Ireland and where the individual disposes of shares in an Irish company. This provision applies in circumstances where the individual, and his/her family hold, directly or indirectly, at least 5% of the shareholding or where the value of their interest is more than €500,000.

Companies and chargeable gains

Chargeable gains realised by resident companies are subject to corporation tax at an effective rate of 33% for disposals on or after 6 December 2012. For details of preliminary tax and filing dates, see Chapter 10, Corporation tax. However, gains deriving from disposals of development land, assuming such a gain is not taxable as part of a trade of dealing in developing land, are subject to CGT, as are chargeable gains made by non-resident companies on a disposal of Irish-specified assets.

Calculation of gains

The gain is calculated by deducting the acquisition and enhancement costs (less any debt written off in respect of such costs) from the sales proceeds. Costs of disposal are also deductible. If the asset was acquired prior to 31 December 2002, the acquisition cost may be indexed to account for inflation up to 2003.

Exemptions and reliefs

- Annual exemption of €1,270.
- Gains made on tangible moveable assets sold for €2,540 or less.
- Gains made on wasting tangible moveable assets.
- Gains on the disposal of a principal private residence (or a dwelling house occupied rent free by a dependent relative), including grounds up to one acre, provided the proceeds of sale do not reflect any development value.
- Prize bonds and lottery winnings.
- Gains from the sale of Irish Government securities.
- Gains arising to a sporting body where the gain is applied solely for the promotion of games and sports and the proceeds are applied for the promotion of sporting activity within a period of five years.
- Gains arising to a registered trade union or approved body where the gain is applied solely towards the objectives of the body in question.
- Gains made by a superannuation fund.

Indexation factors for disposals are outlined in the table below.

<table>
<thead>
<tr>
<th>Year expenditure incurred</th>
<th>Indexation factor</th>
<th>Year expenditure incurred</th>
<th>Indexation factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974/75</td>
<td>7.528</td>
<td>1991/92</td>
<td>1.406</td>
</tr>
<tr>
<td>1976/77</td>
<td>5.238</td>
<td>1993/94</td>
<td>1.331</td>
</tr>
<tr>
<td>1977/78</td>
<td>4.490</td>
<td>1994/95</td>
<td>1.309</td>
</tr>
<tr>
<td>1979/80</td>
<td>3.742</td>
<td>1996/97</td>
<td>1.251</td>
</tr>
<tr>
<td>1981/82</td>
<td>2.678</td>
<td>1994/95</td>
<td>1.309</td>
</tr>
<tr>
<td>1982/83</td>
<td>2.253</td>
<td>1995/96</td>
<td>1.277</td>
</tr>
<tr>
<td>1983/84</td>
<td>2.003</td>
<td>1996/97</td>
<td>1.251</td>
</tr>
<tr>
<td>1984/85</td>
<td>1.819</td>
<td>1997/98</td>
<td>1.232</td>
</tr>
<tr>
<td>1985/86</td>
<td>1.713</td>
<td>1998/99</td>
<td>1.212</td>
</tr>
<tr>
<td>1986/87</td>
<td>1.637</td>
<td>1999/00</td>
<td>1.193</td>
</tr>
<tr>
<td>1987/88</td>
<td>1.583</td>
<td>2000/01</td>
<td>1.144</td>
</tr>
<tr>
<td>1988/89</td>
<td>1.553</td>
<td>2001</td>
<td>1.087</td>
</tr>
<tr>
<td>1989/90</td>
<td>1.503</td>
<td>2002</td>
<td>1.049</td>
</tr>
<tr>
<td>1990/91</td>
<td>1.442</td>
<td>2003 et seq</td>
<td>1.000</td>
</tr>
</tbody>
</table>
• Gains from compensation under the cessation of turf cutting scheme and also under the protected raised bog restoration incentive scheme.

• Gains on the transfer of a site from parent to child, to enable the child to construct a principal private residence, provided the market value of the site does not exceed €500,000 and the site area transferred does not exceed one acre, exclusive of the site on which the residence is to be built. The relief will be clawed back if the child disposes of the site without having constructed a dwelling-house on the site and occupied it as a principal private residence for a period of at least three years.

• Retirement relief applies on the disposal of qualifying chargeable business assets or farming assets owned for 10 years or more by an individual aged at least 55 years. The relief is restricted to proceeds of €750,000, where the disponent is aged between 55 and 65 years and where the sale is to a third party. If the disponent is aged 66 years or over, and the disposal is to a third party, the relief will be restricted to proceeds of €500,000.

• Transfers between group companies can qualify for group relief so that the transfer of the asset is deemed to take place at a value that gives rise to no gain or no loss for the disposing group company. Transfers between spouses are deemed to transfer at a value that gives rise to a no gain or no loss.

• The value of the qualifying assets in excess of the €3 million cap will be liable to CGT proportionately.

• The relief will be clawed back if the assets are disposed of by the child/niece/nephew within six years of the original transfer.

• Gains on the disposal of certain fine art objects where the object has been on loan to and on public display in a gallery or museum in the State for the previous 10 years. In order to qualify, the object must have had a market value of not less than €31,740 when it was loaned to the approved body.

• Properties situated in an EEA State (including Ireland), acquired between 7 December 2011 and 31 December 2014 for market value, or if from a relative, for consideration of not less than 75% of market value, and where held for seven years, will be exempt from CGT on the gains accrued in the seven year holding period. Income, profit or gains derived from the property in the seven year period are subject to income tax or corporation tax.

• Farm restructuring, being a sale and purchase or exchange of agricultural lands between farmers, pursuant to certification from Teagasc, will not be liable to CGT where the consideration for the sale and purchase or exchange is equal. If the consideration is unequal proportional relief will apply. The first sale, purchase or exchange must take place between 1 January 2013 and 31 December 2019 and the subsequent sale, purchase or exchange within 24 months.

• Transfers between spouses are deemed to transfer at a value that gives rise to a no gain or no loss for the disposing spouse.

• No CGT arises on death and the beneficiaries are deemed to acquire the assets at full market value thus benefiting from a full rebasing of the cost.

• Transfers between group companies can qualify for group relief so that the transfer of the asset between the group companies is deemed to take place at a value that gives rise to no gain or no loss.

• Gains made by Irish companies on the disposal of material shareholdings in trading subsidiaries where the subsidiaries are located in EU countries or countries with which Ireland has signed a tax treaty.

• Relief for ‘serial entrepreneurs’ applies where an individual, who has paid CGT on the disposal of assets since 1 January 2010, applied all or part of the consideration received on this disposal to a new qualifying business investment in the period 1 January 2014 to 31 December 2015. This new investment must be held for at least 3 years. The relief provides that the CGT payable on disposal of the new investment will be reduced by the lower of:

(i) the CGT paid by the individual on a previous disposal of assets in the period from 1 January 2010 in proportion to the consideration applied to the reinvestment; or

(ii) 50% of the CGT due on the disposal of the new investment.

• Revised entrepreneur relief applies a 20% CGT rate for disposals made in the period 1 January 2016 to 31 December 2016 and a 10% CGT rate for disposals made on or after 1 January 2017. The special CGT rate applies to gains accruing on a disposal of certain business assets which include shares in a company carrying on a qualifying business. The entrepreneur must own at least 5% of the shares for three years prior to the sale and also have worked as an employee or director spending at least 50% of his/her working time in the service of the company or qualifying group for a continuous period of at least three out of the five years prior to the sale. The relief is capped at a lifetime limit of €1m of chargeable gains.

Losses

Losses that arise on the sale of assets can be offset against chargeable gains arising in the same year. Unused losses may be carried forward and offset against future gains. Losses arising on a disposal of development land may only be offset against gains made on the disposal of development land.

Indexation cannot be used to:

• Convert an actual gain into an allowable loss; or

• Increase an actual loss

Any losses that arise from arrangements where the main purpose, or one of the main purposes, is to secure a tax advantage are disallowed, i.e., no real economic loss has occurred. This applies to disposals made on or after 4 February 2010.

Losses arising on a disposal to a connected person are ringfenced and can only be offset against gains arising from a disposal to the connected person.

Rate of tax

The rate of CGT is 33%. Certain foreign life assurance policies are taxable at 40%.
Clearance certificates

A clearance certificate is required where sales proceeds from certain assets, such as land, exceed €500,000 or in the case of a house/apartment €1,000,000. Otherwise, the purchaser, or his agent, must deduct CGT at 15% from the sales proceeds and pay this to the Collector-General. This must be paid within 30 days of sale and will be allocated as a credit against the CGT payable by the vendor.

Payment of CGT

<table>
<thead>
<tr>
<th>Disposal of asset</th>
<th>Payment of CGT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between 1 January and 30 November</td>
<td>Due 15 December in that tax year</td>
</tr>
<tr>
<td>Between 1 December and 31 December</td>
<td>Due by the following 31 January</td>
</tr>
</tbody>
</table>

CGT returns

Capital gains for a year of assessment must be included in the tax return due for filing by 31 October in the year following the year of assessment.

7. Capital acquisitions tax

Scope of tax

Capital acquisitions tax (CAT) is a tax levied on the recipient of gifts and inheritances. In respect of gifts and inheritances received on or after 1 December 1999, a charge to CAT arises where:

- The disponer is resident or ordinarily resident in Ireland; or
- The beneficiary is resident or ordinarily resident in Ireland; or
- The gift or inheritance consists of Irish located property.

From 1 December 2004, if a disponer or beneficiary is non-Irish domiciled, they will not be treated as resident or ordinarily resident unless they have been resident in Ireland for the five consecutive years immediately preceding the year of the gift or inheritance and are also resident or ordinarily resident in that year.

In respect of gifts or inheritances received prior to 1 December 1999, a charge to CAT arose where either:

- The disponer was domiciled in Ireland at the date of the gift or the date of the inheritance; or
- The gift or inheritance consisted of Irish located property

Specific rules apply to trusts and appointments from certain trusts settled prior to 1 December 1999 which remain chargeable under the pre-December 1999 charging provisions.

Tax-free thresholds

A beneficiary is allocated a tax-free threshold depending on his/her relationship with the disponer. There are three tax-free threshold groups and the table below shows the group threshold amounts applying to gifts and inheritances taken on or after 12 October 2016.

<table>
<thead>
<tr>
<th>Group</th>
<th>Relationship to disponer</th>
<th>Group threshold from 12 October 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Applies where the beneficiary is a child-including adopted child, step-child, child of a civil partner, and certain foster children-or minor child of a predeceased child or that predeceased child’s civil partner. Parents also fall within this threshold where they take an inheritance of an absolute interest from a child.</td>
<td>€310,000</td>
</tr>
<tr>
<td>B</td>
<td>Applies where the beneficiary is a brother, sister, a child of a brother or a child of a sister, a child of the civil partner of a brother or sister, or lineal ancestor or lineal descendant of the disponer.</td>
<td>€32,500</td>
</tr>
<tr>
<td>C</td>
<td>Applies in all other cases</td>
<td>€16,250</td>
</tr>
</tbody>
</table>
Calculation of tax

Any prior gift or inheritance received since 5 December 1991 within the same group threshold, is aggregated with the current benefit for the purposes of determining the tax payable on the current benefit.

CAT is charged on the excess of the aggregate current and prior benefits, after deducting the relevant threshold amount at the following rates for gifts and inheritances taken between:

<table>
<thead>
<tr>
<th>Period</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 December 1999 and 19 November 2008</td>
<td>20%</td>
</tr>
<tr>
<td>20 November 2008 and 7 April 2009</td>
<td>22%</td>
</tr>
<tr>
<td>8 April 2009 and 6 December 2011</td>
<td>25%</td>
</tr>
<tr>
<td>On or after 7 December 2011</td>
<td>30%</td>
</tr>
<tr>
<td>On or after 6 December 2012</td>
<td>33%</td>
</tr>
</tbody>
</table>

Exemptions

- A gift or inheritance received from a spouse or civil partner
- First €3,000 of all gifts taken from each disponer in any one calendar year
- Maintenance payments to minor children or children up to the age of 25 years in full time education for support, maintenance or education
- An inheritance taken by a parent on the death of a child to whom either parent had made a taxable gift or inheritance in the previous five years
- A gift or inheritance for public or charitable purposes
- An inheritance of a dwelling house occupied by the disponer, as his/her main residence at the date of his/her death, where the beneficiary had occupied the house as his/her main residence for three years prior to the gift or inheritance, and continues to occupy it as his/her main residence for a further six years, subject to conditions
- A gift of a dwelling house taken by a dependent relative (a relative who is permanently and totally incapacitated or 65 years or over) who had occupied the house as his/her main residence for three years prior to the gift and (except in the case of a beneficiary who is 65 years or over) continues to occupy it as his/her main residence for a further six years, subject to conditions.
- Heritage property, subject to conditions

Reliefs

- Where a gift or inheritance consists of agricultural property, the market value of the agricultural property may be reduced by 90% for the purposes of calculating the CAT liability, provided certain conditions are met. The beneficiary must be a ‘farmer’ as defined in the legislation. This means that:
  1. ‘Financial test’-not less than 80% of the gross assets owned by the beneficiary, including the gross assets comprising the benefit, must be agricultural assets. A debt on an off-farm dwelling is allowed as a deduction for the purposes of the calculation and subject to other conditions.
  2. ‘Activity test’-the beneficiary must:
     a. be the holder of a specific agricultural qualification or acquire such a qualification within four years commencing on the date of the gift or inheritance, and also for a period of six years commencing on the valuation date farm the agricultural property on a commercial basis, or;
     b. if a period of six years commencing on the valuation date of the gift or inheritance spend not less than 50% of his/her normal working time farming the agricultural property on a commercial basis, or;
     c. Where (a) or (b) do not apply, lease the agricultural property for a period of not less than six years commencing on the valuation date, to an individual who satisfies the conditions of (a) or (b).

Satisfying the activity test in addition to the financial test applies to gifts and inheritances taken on or after 1 January 2015.

- Where a gift or inheritance consists of business property, including shares in a trading company or trading group, for the purposes of calculating the CAT liability the value of the business property may be reduced by 90% provided certain conditions are met.
- Where capital gains tax (CGT) and capital acquisitions tax (CAT) arise on the same property on the same event, the CGT paid can be credited against the CAT liability arising, provided the property is not disposed of within two years commencing on the date of the gift/inheritance.

Administration and payment

Mandatory electronic filing

Electronic filing of CAT returns through Revenue’s Online Service (ROS) is mandatory. A paper return may only be filed where no relief/exemption/credit is being claimed (other than the small gift exemption) and the benefit taken is an absolute benefit without conditions or restrictions.

Compliance—Fixed pay and file date

<table>
<thead>
<tr>
<th>Valuation date</th>
<th>Pay and file date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January – 31 August</td>
<td>31 October of the same year</td>
</tr>
<tr>
<td>1 September – 31 December</td>
<td>31 October of the following year</td>
</tr>
</tbody>
</table>

Failure to pay and file

Failure to deliver a return and discharge a CAT liability by the specified pay and file date will give rise to interest and a surcharge also being charged.

Payment of CAT

Payment of CAT and approved retirement fund tax may be facilitated by the use of certain approved insurance policies, the proceeds of which are exempt from CAT provided they are used to pay the CAT liability.

A beneficiary may opt, when completing his/her return, to pay his/her CAT liability by monthly instalments over a period not exceeding five years in certain circumstances. Where the instalment option is availed of, interest on the outstanding tax accrues.
Discretionary trust tax

A once-off charge to discretionary trust tax arises at a rate of 6% on the value of the assets held in a discretionary trust or similar entity on the latest of the following dates:

- The date on which the property becomes subject to the trust, if a will trust this is deemed to be the date of death of the settlor
- The date of death of the settlor
- The date on which there are no principal beneficiaries of the trust aged under 21 years

The principal beneficiaries are the spouse or civil partner of the settlor, the children of the settlor or settlor’s civil partner, or if these children are predeceased, their children and their civil partner’s children. A refund of 3% of the tax may apply where trust assets are appointed out of the trust within five years. The tax must be paid and a return lodged within four months of the valuation date.

A 1% annual charge applies to property held in a chargeable discretionary trust on 31 December each year (the ‘chargeable date’).

A ‘chargeable discretionary trust’ is one where:

- The disponer is dead, and
- None of the principal beneficiaries are under the age of 21.

A return should be delivered and the annual charge paid within four months of the chargeable date.

Exemptions apply for discretionary trusts for charitable purposes or for incapacitated individuals.

8. Stamp duty

Rate of tax

The stamp duty rate depends on the property being transferred.

Stocks and marketable securities

The rate applicable is 1% for stocks and marketable securities.

Non-residential property

Non-residential property is any property other than residential property, stocks or marketable securities or policies of insurance e.g., non-residential land and buildings, goodwill, book debts, cash on deposit and the benefit of contracts.

A single rate of 2% applies.

Contracts for the sale of an estate or interest in land, licence agreements for development over land and agreements for a lease for any term exceeding 35 years are within the charge to stamp duty where at least 25% of the consideration or the market value in the case of a licence agreement has been paid.

Residential property

Residential property includes both new and second-hand dwellinghouses and apartments and the rates apply to all purchaser types regardless of whether they are first time purchasers, owner occupiers or investors.

The stamp duty rates are:

<table>
<thead>
<tr>
<th>Consideration</th>
<th>Rate of stamp duty on residential property</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to €1,000,000</td>
<td>1%</td>
</tr>
<tr>
<td>Over €1,000,000</td>
<td>2% of the excess over €1,000,000</td>
</tr>
</tbody>
</table>

Leases

Stamp duty is paid on the rent and the premium, on the granting of a lease. The rate of stamp duty paid on the rent depends on the term of the lease.

<table>
<thead>
<tr>
<th>Term of lease</th>
<th>Rate of stamp duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not exceeding 35 years or indefinite</td>
<td>1% of average annual rent</td>
</tr>
<tr>
<td>36 - 100 years</td>
<td>6% of average annual rent</td>
</tr>
<tr>
<td>Over 100 years</td>
<td>12% of average annual rent</td>
</tr>
</tbody>
</table>

Any premium payable under the lease is assessed to duty under either the residential or non-residential property rates accordingly.
Stamp duty levies

<table>
<thead>
<tr>
<th>Levies</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit card</td>
<td>€30.00</td>
</tr>
<tr>
<td>ATM withdrawal fee for ATM/debit care transactions</td>
<td>€0.12 per withdrawal subject to €2.50 cap for ATM cards and a €5 cap for debit cards</td>
</tr>
<tr>
<td>Cheque</td>
<td>€0.50 per cheque</td>
</tr>
<tr>
<td>Insurance policy (Non-life)</td>
<td>€1.00 per policy</td>
</tr>
<tr>
<td>Non-life Insurance levy on premiums</td>
<td>3% of premium</td>
</tr>
<tr>
<td>Contribution to insurance fund</td>
<td>2% levy</td>
</tr>
<tr>
<td>Life assurance levy on premiums (excludes amounts received in respect of pension business and reinsurance)</td>
<td>1% of premium</td>
</tr>
</tbody>
</table>

Levy on financial institutions

- Tax years 2017 and 2018 — 59% of DIRT paid in 2015
- Tax years 2019 and 2020 — 59% of DIRT paid in 2017
- Tax year 2021— 59% of DIRT paid in 2019
- The 59% rate may be subject to change for 2019 to 2021.

Where DIRT is below €100,000 for a base year a financial institution will not be within the scope of the bank levy.

Health insurance levy

New/renewed contracts entered into during the period 1 March 2016 to 31 March 2017

- €67 — non-advanced cover (insured person < 18 years)
- €134 — advanced cover (insured person < 18 years)
- €202 — non-advanced cover (insured person ≥ 18 years)
- €403 — advanced cover (insured person ≥ 18 years)

New/renewed contracts entered into on or after 1 April 2017

- €74 — non-advanced cover (insured person < 18 years)
- €148 — advanced cover (insured person < 18 years)
- €222 — non-advanced cover (insured person ≥ 18 years)
- €444 — advanced cover (insured person ≥ 18 years)

Exemptions and reliefs

- Transfers of property between spouses/civil partners are exempt.
- Transfers of property between former spouses under any court order of the Family Law or Family Law Divorce Acts on the dissolution of a marriage and transfers between civil partners following the dissolution of the civil partnership are exempt.
- Transfers of land to young trained farmers are exempt where certain conditions are met provided the instrument is executed on or before 31 December 2018.
- Leases granted (for a term of not less than 6 years and not exceeding 35 years) of any lands used exclusively for farming carried on by the lessee on a commercial basis with a view to the realisation of profits, provided certain conditions are satisfied are exempt. The exemption is subject to Ministerial Order.
- A lease of residential property for a term of less than 35 years or for an indefinite term, provided the rent does not exceed €30,000 per annum is exempt.
- Transfers of property between associated companies — where certain conditions are satisfied - are exempt.
- Transfers of shares or businesses as part of a reconstruction or amalgamation of companies, provided certain conditions are satisfied are exempt.
- Transfers of intellectual property as defined are exempt.
- The transfer of assets pursuant to a merger, a cross-border merger or an SE merger are exempt.
- Intermediary relief is available on transfers of securities through the CREST system by recognised intermediaries subject to conditions.
- Transfers of certain financial services instruments are exempt.
- Transfers of stocks or marketable securities in foreign companies or other foreign bodies corporate, provided the transfer does not relate to Irish land or Irish stock/marketable securities, are exempt.
- Transfers of foreign immovable property, provided the transfer does not relate to Irish land or Irish stock/marketable securities, are exempt.
- The issue, transfer, or redemption of an investment certificate, is exempt.
- Conveyance or transfer of units in investment undertakings and units in certain unit trusts as defined are exempt.
- Transfer of assets within an investment undertaking as defined are exempt.
- Transfers of assets to effect a cross border merger of investment funds are exempt.
- The transfer of loan capital of a company is exempt provided certain conditions are fulfilled.
- The issue, transfer or redemption of an enhanced equipment trust certificate is exempt.
- The transfer of a ‘greenhouse gas emission allowance’ is exempt.
- Transfers of stocks and marketable securities of companies which are listed on the Enterprise Securities Market (ESM) of the Irish Stock Exchange (ISE) are exempt. This exemption is subject to commencement order.
Administration and payment

Where there is a filing obligation an electronic stamp duty return must be filed within 30 days of execution of the instrument, but in practice Revenue allow 44 days to file.

The stamp duty liability must be paid within 30 days of execution of the instrument, but in practice Revenue allow 44 days to pay. Self-assessment applies.

Penalties and interest

• Interest is charged at a daily rate of 0.0219% from the date of execution to the date of payment.

• A late filing surcharge applies where a return is not filed within 44 days of execution and applies even though the stamp duty liability has been paid. Returns filed late (after 44 days) are liable to a duty surcharge of 5% up to a maximum of €12,695.

• The duty surcharge increases to 10% if the return is filed later than 62 days after the specified return date, i.e., 92 days after the date of execution, up to a maximum of €63,495. Daily interest is levied on the total of the original stamp duty liability plus the late-filing surcharge amount.

• A fixed penalty of €3,000 may be charged on each accountable person for failure to deliver a correct return on time.

• A penalty of €3,000 may be imposed on the filer where a return does not reflect the facts and circumstances of which the filer is aware of.
Section 3

Local Property Tax

EY contact

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Tel: +353 61 449 904
Email: john.heffernan@ie.ey.com
9. Local property tax

Local property tax (LPT) is a tax payable on the market value of residential properties in the State. LPT collection is administered by the Revenue Commissioners.

The definition of ‘liable person’ in relation to LPT is an owner of a property or anybody with substantial rights in a residential property. The liable person is the person who must discharge the LPT liability. The liability falls due on a residential property on a specific ‘ownership date’ in any given year. For 2013 the ownership date was 1 May 2013. From 2014 the ownership date is 1 November of the preceding year, the ownership date for 2017 is 1 November 2016. If a property is sold after 1 November 2016 the liability for the 2017 LPT rests with the owner on 1 November 2016.

Residential property valuations for 2014 to 2019 remain similar to the valuations used for 2013, ignoring any improvements to the property or any changes in market value during this period.

LPT liability is calculated on the open-market value of a residential property on 1 May 2013 as self-assessed by the liable person. Valuations of properties are arranged in various bands. The liability is calculated by taking the mid-point valuation in each band and multiplying it by 0.18%. However, where the property valuation exceeds €1,000,000 the 0.18% only applies to the first €1,000,000 and the 0.25% rate applies to the excess over this amount. There are a total of twenty valuation bands and some examples are set out below:

<table>
<thead>
<tr>
<th>Valuation Band</th>
<th>Mid-Point</th>
<th>LPT Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>€150,001 – €200,000</td>
<td>€175,000</td>
<td>€315</td>
</tr>
<tr>
<td>€350,001 – €400,000</td>
<td>€375,000</td>
<td>€675</td>
</tr>
<tr>
<td>€650,001 – €700,000</td>
<td>€675,000</td>
<td>€1,255</td>
</tr>
<tr>
<td>€950,001 – €1,000,000</td>
<td>€975,000</td>
<td>€1,755</td>
</tr>
<tr>
<td>Value greater than €1m</td>
<td>0.18% on value up to €1m 0.25% on portion in excess of €1m</td>
<td></td>
</tr>
</tbody>
</table>

Five local authorities have reduced their LPT rate for 2017. Nine local authorities have raised their rate compared to 2016. For further information see www.revenue.ie

There are various methods of paying the LPT liability. An LPT liability may be paid in one single payment, or in phased payments. The method of payment selected for 2013 will continue to be the selected method of payment for 2016, unless the liable person applies to the Revenue Commissioners to alter the method of payment. LPT may be paid by:

- Single debit authority
- Debit/credit card
- Cash through approved Payment Service Providers (An Post and various other shops)
- Deduction from salary or pension
- Deduction from payments from Department of Social Protection (DSP) payments, although the DSP payment may not be reduced below €186 per week after the LPT payment

Certain properties are exempt from LPT. The most common are:

- New and unused properties, purchased from a builder/developer during the period 1 January 2013 to 31 December 2019
- First-time buyers of properties purchased between 1 January 2013 and 31 December 2013, when occupied by the purchaser as their sole residence, will be exempt until the end of 2019
- Properties owned by a builder or developer which remain unused
- Properties in various ‘ghost estates’ as designated by the Minister for the Environment, Community and Local Government
- Properties certified as having a significant level of pyrite damage

There are implications for failure to discharge the LPT liability. The Revenue Commissioners have a range of collection options available to them to collect the LPT liability, including:

- Mandatory deduction from salaries/occupational pensions
- Attachment to bank accounts
- Referral of the debt to a sheriff or solicitor
- Registering a charge on the property

Interest at the rate of 8% per annum applies to the late payment of LPT and penalties may also arise.

Chargeable persons for income tax and corporation tax could have a 10% surcharge imposed on their tax liability should the LPT remain unpaid by the relevant filing date irrespective of the income tax/corporation tax returns being filed in a timely manner. The surcharge will not exceed the LPT liability where the LPT return is submitted and the LPT liability discharged.

Annual charge on non-principal private residence (NPPR)

The NPPR ceased with effect from 1 January 2014. However, unpaid arrears together with any interest and penalties that have accrued will remain a charge on the property to which they relate. From 2014 the property is subject to LPT only.

Household charge

The household charge ceased with effect from 1 January 2013. Unpaid arrears together with any interest and penalties that have accrued will remain a charge on the property to which they relate. Arrears are being collected by Revenue through the LPT system.
Section 4
Corporation Tax

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10. Corporation tax

**Tax residency**

All Irish incorporated companies are regarded as Irish resident subject to an override in a double tax treaty. This rule applies from 1 January 2015 for companies incorporated on or after 1 January 2015, for companies incorporated before 1 January 2015, the new rule applies from the earlier of 1 January 2021 or a date on or after 1 January 2015 where there is both a change in ownership of the company and within one year before or five years after, there is a major change in the nature or conduct of the business of the company.

For companies within this transitional period and for companies that are incorporated in other jurisdictions, the general rule for determining company residence is where the central management and control of the company is exercised.

A company incorporated in Ireland before 1 January 2015 is, subject to there being no changes referred to above, treated as resident for tax purposes in Ireland unless either of the following applies:

- The company or a related company carries on a trade in Ireland and either of the following conditions is satisfied:
  - The company is ultimately controlled by persons resident in an EU member state, or in a country with which Ireland has a double tax treaty, or
  - The company or related company is traded on a recognised stock exchange in an EU member state or in a treaty country,
- The company is regarded as not resident in Ireland under a double tax treaty.

Notwithstanding the transitional rules, Finance (No.2) Act 2013 provides that an Irish incorporated company will be regarded as Irish resident if:

- The company is centrally managed and controlled in a territory with which a tax treaty is in force, and
- It would have been tax resident in that relevant authority under its laws had it been incorporated there, and
- The company would not otherwise be regarded by virtue of the law of any territory as resident in that territory.

This provision applies to all companies incorporated in Ireland from 24 October 2013 and to other existing Irish incorporated companies from 1 January 2015.

**Charge to corporation tax**

A company resident in Ireland for tax purposes is subject to corporation tax on its worldwide profits (income plus capital gains). A non-resident company trading through a branch or agency in Ireland is subject to corporation tax on trading profits of the branch or agency, other income from property or rights used and chargeable gains on the disposal of Irish assets used or held for the purposes of same. A non-resident company is liable to income tax in Ireland on Irish source income not derived from a branch or agency.

**Rates of tax**

The following rates of corporation tax apply:

<table>
<thead>
<tr>
<th>Corporation tax</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard rate, which applies to trading income</td>
<td>12.5%</td>
</tr>
<tr>
<td>Higher rate, which applies to income other than trading income</td>
<td>25%</td>
</tr>
<tr>
<td>Foreign dividends</td>
<td>0%/12.5%/25%</td>
</tr>
</tbody>
</table>

*The 0% rate applies to certain ‘portfolio investment’ distributions received from non-resident companies resident in an EU or treaty country, where the distribution is treated as trading income in the hands of the Irish recipient.*

The 12.5% rate applies in general to dividends out of trading profits earned by companies resident in:

- A treaty partner country; or
- An EU member state; or
- A country that has ratified the OECD Convention on Mutual Assistance in Tax Matters; or
- Which are not resident in a treaty or EU country, but which are owned directly or indirectly by a company which is publicly quoted

**Start-up companies**

A three-year exemption from taxation on certain trading profits and capital gains, subject to conditions, applies to new companies commencing to trade on or before 31 December 2018. For accounting periods ending on or after 1 January 2013 any unused relief may be carried forward beyond the initial three years for use in subsequent years. The relief is linked to the amount of employer’s PRSI paid in the accounting period, subject to a maximum of €5,000 per employee and an overall limit of €40,000.

**Close companies**

Undistributed investment and rental income of a closely-held company may be subject to a 20% surcharge if it is not distributed within 18 months of the end of the accounting period in question. A closely held professional services company is additionally subject to a 15% surcharge on 50% of its undistributed trading income.

**Relief for trading losses**

Subject to restrictions, the general rule is that trading losses may be used to reduce other income and chargeable gains in the current year or the preceding year (provided the same trade was then carried on) or they may be carried forward, without time-limit, for offset against future income from the same trade. However, trading losses incurred in a 12.5% activity cannot be set against income taxed at the 25% rate, but may be used to offset corporation tax payable in the current or preceding period on a value basis.
Groups of companies

Group relief for trading losses and excess charges on income is available if all of the companies are in a 75% group and the claimants/surrendering companies are tax resident in the European Economic Area (excluding Liechtenstein).

Loss relief was historically restricted to losses incurred in a business carried on by a company subject to Irish corporation tax. However, group relief is now available for certain ‘trapped’ trading losses incurred by non-Irish 75% subsidiaries resident in the European Economic Area, except Liechtenstein. In this regard a ‘trapped’ loss is basically a loss that cannot theoretically ever be used elsewhere.

In a 75% group, assets can be transferred without generating a chargeable gain. A non-resident company that is resident in an EU member state, Iceland or Norway may be considered when determining whether a group exists for chargeable gains purposes. Assets transferred to or from Irish branches of EU, Icelandic or Norwegian resident companies can qualify subject to certain conditions.

A 51% subsidiary resident in Ireland may pay dividends free of dividend withholding tax without the Irish resident parent company making a formal declaration. Withholding tax is not imposed on interest and royalty payments between members of a 51% group.

Dividend Withholding Tax (DWT)

Dividend withholding tax (DWT) applies at a rate of 20% to dividends and other distributions made by Irish resident companies. Exemptions apply to dividends and other distributions to certain shareholders, such as:

- Irish resident companies
- Certain residents of EU member states or tax treaty countries
- Non-resident companies controlled by residents of EU member states or tax treaty countries
- Non-resident companies whose shares are regularly traded on a recognised stock exchange in an EU member state (including Ireland), in a tax treaty country or in another country approved by the Minister for Finance, or 75% subsidiaries of such companies. Exemptions are also available where the recipient is wholly owned by two or more such quoted companies. The above ‘treaty country’ references extend to any country with which Ireland has signed a double taxation agreement.

Detailed certification procedures currently apply to some exemptions from DWT. However, a self-assessment system applies in respect of distributions to non-resident corporate shareholders. Therefore, audit certificates and certificates of residence are not required to be provided by the non-resident to support the position that the DWT exemption applies.

DWT does not apply to dividends covered by the EU Parent-Subsidiary Directive, although anti-avoidance provisions prevent the use of EU holding companies to avoid DWT.

Distributions paid out of certain types of exempt income, such as exempt woodland income are not subject to DWT.

Companies must file a DWT return within 14 days after the end of the calendar month of distribution. The return is required regardless of whether DWT applies to the distributions. Any DWT due must be paid to the Collector-General when the return is filed.

Irish transfer pricing rules

The key features of this regime are as follows:

- The regulations are effective for accounting periods beginning on or after 1 January 2011
- The regulations apply to any ‘arrangement’ between associated enterprises involving goods, services, money or intangible assets, but only where those transactions meet the definition of being an Irish trading transaction for one or both of the parties
- The regulations only apply where Irish trading receipts are understated or trading expenses are overstated
- ‘Grandfathering provisions’ apply generally to all existing transactions where the terms are agreed prior to 1 July 2010
- New arrangements entered into after this time or changes in the agreed pricing terms of existing arrangements are within the scope of the new rules
- To establish an arm’s length price, the OECD Transfer Pricing Guidelines for multinational enterprises and tax administrations is adopted
- Records need to be kept sufficient to support the arm’s length nature of the price
- Transfer pricing documentation where required should be prepared on a timely basis
- The rules apply to both domestic and cross-border transactions involving a company carrying on an Irish trade
- There are exemptions from the rules for small and medium sized enterprises, specifically companies with fewer than 250 employees and either turnover of less than €50m or assets of less than €43m (on a group-wide consolidated basis)
- A transfer pricing compliance review programme is in effect. This is a self-review carried out by the company/group of its compliance with regulations
- There is a mechanism to eliminate double taxation in domestic transactions.

Country-by-country reporting

Finance Act 2015 introduced country-by-country reporting compliant with OECD’s recommendations. For accounting periods commencing on or after 1 January 2016 Irish head quartered companies must file a country-by-country report with the Irish Revenue within 12 months of the end of their accounting period. Groups with annual consolidated group revenue in the immediately preceding accounting period of less than €750 million will be exempt from the reporting requirement.
Headquarters and holding companies

An exemption from capital gains tax applies where an Irish holding company disposes of shares in another company (the ‘investee’ company) where, at the time of disposal, the following tests are met:

- The investee company is resident for tax purposes in Ireland, in another EU member state or in a country with which Ireland has a tax treaty.
- The holding company has held, directly or indirectly, for a period of at least 12 months ending in the previous 24 months, a minimum holding of 5% of the shares in the investee company.
- This test may be met by including shareholdings held by other members of the same 51% group.
- The investee company is wholly or mainly a trading company or, taken together, the holding company and its 5% group and the investee company are wholly or mainly a trading group.

If a loss occurs, where a gain would have been exempt, the loss cannot be used to shelter other gains. The exemption applies automatically. There is no claim, election or ruling required.

Distributions between Irish tax resident companies are treated as franked investment income and not liable to corporation tax. The 12.5% standard rate of corporation tax applies (upon election) to certain ‘trading’ dividends received from companies resident in:

- EU member states; or
- Tax treaty countries; or
- A country that has ratified the OECD convention on mutual assistance in tax matters; or
- Which is controlled directly or indirectly by a publicly quoted company (see above). Otherwise, the 25% rate applies.

An additional foreign tax credit (AFTC) may be available if the dividend is received from a company resident in the European Economic Area, except Liechtenstein. See the Foreign tax relief section below for more details.

Foreign tax relief

Irish companies in receipt of foreign dividends are taxed at a rate of 25%, 12.5%, or 0% with a credit for any underlying tax. Foreign tax relief is available as either a deduction in calculating taxable income or as a credit against Irish tax. Ireland has implemented the EU Parent-Subsidiary Directive (as amended). These provisions, which overlap to a significant extent with the unilateral credit relief measures described below, extend to Switzerland.

Unilateral credit relief may be available for Irish resident companies, or Irish branches of companies resident in the EU, Iceland or Norway, receiving dividends from foreign subsidiaries. Under the measures, such a company receiving a dividend from a 5% subsidiary is entitled to reduce the Irish tax on the dividend by any direct or withholding tax imposed on the dividend and by an appropriate portion of the foreign tax imposed on the income underlying the dividend. For this purpose, a 5% subsidiary relationship exists if the parent company owns, directly or indirectly, 5% of the voting rights. Unilateral credit relief may be claimed even if a double tax treaty applies. This is useful if the relief provided under a tax treaty is not as beneficial as unilateral tax relief.

A parent company receiving a dividend from its 5% subsidiary, whether resident in a tax treaty country or not that itself has subsidiaries, is entitled to reduce the Irish tax by an appropriate amount of tax (direct or withholding) and by the underlying tax borne by that subsidiary and its subsidiaries, and so on down through the chain of companies.

This relief is subject to the following conditions: the payer of the dividend must be a 5% subsidiary of the recipient of the dividend; and the distributing company must be connected with the ultimate parent company. A company is connected if 5% of its voting rights are held, directly or indirectly, by the ultimate parent company.

An AFTC is available where the dividend is received from a company resident in the EEA, except Liechtenstein. The AFTC tops up the normal tax credits (if any) to an amount that represents the dividend taxed at the lower of the Irish and foreign statutory rates, subject to conditions. This is beneficial where the effective tax rate in the EEA state is lower than the statutory rate in that state due for example, to losses.

The holding company regime allows companies to ‘mix’ the credits for foreign tax on different dividend streams from 5% subsidiaries for the purpose of calculating the overall tax credit in Ireland (this is called ‘onshore pooling’). Any excess credit balance unused can be carried forward indefinitely and offset in subsequent periods.

The dividend – paying company can be resident in any country. However, excess tax credits on dividends at 12.5% can only be offset against tax on dividends taxed at this rate.

These provisions apply to shareholdings of companies resident anywhere, unlike the rules for capital gains tax relief (see Headquarters and holding companies section), which apply only to treaty partners and EU member states.

An Irish unilateral tax credit for taxes equivalent to corporation tax and capital gains tax paid by a branch in a country with which Ireland does not have a tax treaty, or where the treaty may not provide for relief, is available.

Where an Irish company has branches in more than one country, the Irish company can pool its foreign tax credits between different branches. Excess unilateral credits on branch profits may be carried forward for use in a subsequent period.

Unilateral credit relief is available for tax suffered on royalty flows received from non-treaty countries. This relief is available where such royalty flows are treated as trading income in the hands of the Irish taxpayer. For royalty income received after 1 January 2012 provision is made for a limited corporate tax deduction for foreign tax suffered which would not otherwise qualify for double tax relief or unilateral credit relief.

Unilateral credit relief exists for capital gains arising in countries where the tax treaty between Ireland and that country predates the introduction of capital gains tax in 1975.

Research and development credit

Expenditure on qualifying research and development (R&D) incurred by companies in respect of R&D activities carried on by them in the European Economic Area qualifies for a corporation tax credit of 25%.

This credit is in addition to any existing deduction or capital allowances for R&D expenditure and means an effective benefit of up to 37.5% of R&D expenditure.

R&D credits that cannot be utilised in an accounting period can be carried forward indefinitely to future accounting periods. Excess R&D credits can be carried back against corporation tax paid in the immediately preceding accounting period. Any remaining excess credits can be refunded over a three year period. This enhancement of the R&D credit regime represents a significant cash-flow
opportunity for loss-making companies. However, a 12 month time limit for submitting R&D claims applies.

For details of the reward scheme which allows companies to use all or part of the R&D credit to reward key R&D employees see Chapter 3, Employee remuneration.

Knowledge development box

Finance Act 2015 introduced the knowledge development box (KDB). The regime is compliant with the OECD’s modified nexus approach. The KDB provides that an effective tax rate of 6.25% will apply to qualifying profits. The relief is given by way of a tax deduction and applies for accounting periods commencing on or after 1 January 2016 and before 1 January 2021. For KDB purposes, qualifying assets are innovations protected by qualifying patents (including patents pending) and certain copyrighted software. Expenditure on marketing-related intellectual property such as trademarks and brands will not qualify. KDB claims must be made within 24 months of the end of the accounting period.

The Knowledge Development Box (Certification of Inventions) Act 2017 provides a legislative framework to enable small and medium sized enterprises involved in research and development activities to avail of an effective tax rate of 6.25% in respect of qualifying profits under the knowledge development box regime.

Tax relief for acquisition of intangible assets

The intangible assets regime enables Irish companies to claim tax relief in respect of capital expenditure incurred after 7 May 2009 on acquiring, both internally and externally, certain ‘specified’ intangible assets. The definition of specified intangible assets is broad and includes, but is not limited to, brands, trademarks, patents, copyright, designs, know-how, some computer software, pharmaceutical authorisations and related rights, licenses and attributable goodwill.

Relief is available in accordance with the write-off period of the assets for accounting purposes or an election may be made to allow the write-off over 15 years. The relief may be used to offset income of the trade of exploiting the intangible assets and this ‘trade’ is ring-fenced for the purposes of this relief. Therefore, excess allowances may be carried forward indefinitely, but may only be offset against future trading income of the same trade which is derived from the use of the specified intangible assets.

The aggregate amount of allowances and related interest expense that may be claimed for any accounting period is capped at 100% of the trading income of the relevant trade for that period (excluding such allowances and interest).

On the disposal of a specified intangible asset, a balancing allowance or charge applies where the disposal occurs within 5 years of the beginning of the accounting period in which the asset was first provided. This period is 10 years for expenditure incurred in the period 5 February 2010 to 14 February 2013 and 15 years for expenditure incurred before 5 February 2010.

Film credit corporation tax

Amendments to the provisions relating to relief for investment in qualifying films (Section 481 relief) were introduced in 2015. The principle of relief for investors in films is replaced with a tax credit system for producer companies. The film corporation tax credit of 32% applies against the corporation tax liability of the producer company. Any excess is available for payment to the producer company. Detailed certification rules and conditions apply.

International Financial Reporting Standards (IFRS)

The starting point in preparing a corporation tax computation is the accounts of a company prepared under the ordinary principles of commercial accounting. Therefore, any change to these principles will have a tax impact.

Any move to adopt International Financial Reporting Standards (IFRS), or new Financial Reporting Standards (FRS 101 or 102) (FRS applies for accounting periods commencing on or after 1 January 2015), may result in major changes to the tax treatment of certain items. Detailed rules should address any transition from Irish GAAP to IFRS and FRS 101 or 102.

Self-assessment – Pay and file

A company’s corporation tax liability is determined by self-assessment. Preliminary tax is payable in two instalments if the company is not a ‘small company’ as defined below. The first instalment is due on the 21st day of the sixth month of the accounting period, assuming the accounting period ends after the 21st day of a month. This instalment must be the lower of 50% of the tax liability for the preceding year or 45% of the tax liability for the current year. The second instalment is due 31 days before the end of the accounting period (see below) and must bring the aggregate preliminary tax payments up to 90% of the tax liability for the year. If the due date of this final instalment of preliminary tax falls after the 21st day of the month, the 21st day of that month becomes the due date.

For a small company, preliminary tax is payable in a single instalment 31 days before the end of the accounting period. If the due date for payment falls after the 21st of the month, the 21st day becomes the due date.

The preliminary tax payment must normally amount to at least 90% of the tax liability for the year. However, a ‘small company’ may either follow the above rule or pay preliminary tax equal to 100% of its tax liability for the preceding year. A company qualifies as a ‘small company’ if its corporation tax liability for the preceding year did not exceed €200,000.

Any balance of corporation tax due is payable by the due date for the filing of the corporation tax return (Form CT1). This is normally nine months after a company’s accounting year end. When the nine-month period ends on or after the 21st day of a month, the 21st day of that month becomes the due date for filing the Form CT1 and the payment of any balance of corporation tax.

In addition, a start-up company with a corporation tax liability of less than €200,000 is relieved from having to make any corporation tax payment until its tax return filing date.

A company that pays more than 90% of its corporation tax liability for a period as preliminary tax can elect jointly with another group company that has not met the 90% test to treat the excess as having been paid by that latter company for interest calculation purposes only. Certain conditions apply to this provision.

Similar relieving provisions apply in respect of companies obliged to pay a first instalment of preliminary tax.

Corporation tax returns (CT1) and payments must normally be filed electronically via Revenue Online Services (ROS). Electronic filers may avail of a maximum two day extension to return filing
and payment deadlines.

Companies that do not comply with filing obligations (including any requirement to submit accounts in iXBRL format) are subject to a surcharge of 5% or 10% of the tax payable, up to a maximum ceiling depending on how late the return is filed. Late filers may also suffer a restriction on offsetting losses against their own profits and those of group companies.

Any failure to pay and file local property tax (LPT), where relevant, will result in the company being deemed not to have complied with its corporation tax filing obligations.

Filing of financial statements in iXBRL format via ROS is mandatory for all customers filing corporation tax returns, except for those meeting iXBRL exemption criteria.

**Chargeable gains**

Chargeable gains realised by resident companies are subject to corporation tax at an effective rate of 33%. Gains deriving from disposals of development land, assuming such a gain is not taxable as part of a trade of dealing in developing land, are subject to capital gains tax at the same rate, as are chargeable gains made by non-resident companies on disposal of Irish-specified assets.

**Irish tax treaty network**

Ireland has signed double taxation agreements with 73 countries, of which 72 are in effect.

<table>
<thead>
<tr>
<th>Albania</th>
<th>Greece</th>
<th>Panama</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>Hong Kong</td>
<td>Poland</td>
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<tr>
<td>Australia</td>
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<tr>
<td>Germany</td>
<td>Pakistan</td>
<td>Zambia</td>
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</tbody>
</table>

An Agreement has been signed with Kazakhstan, but is not yet in force. However, certain Irish domestic tax exemptions available to residents of treaty countries are extended to residents of countries where a double taxation agreement has been signed, but is not yet in force (as and from the date of signature of that agreement).
Section 5
Indirect Taxes

11 Value Added Tax (VAT)

12 Customs duty, excise duty, vehicle registration tax and carbon tax

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11. Value Added Tax (VAT)

Taxable transactions
Value Added Tax (VAT) is chargeable on the supply of certain goods and services for consideration, and applies to each stage of the production and distribution cycle within Ireland.

Goods imported into Ireland from countries outside the EU are subject to VAT at the point of entry at the same rate applicable to the sale of these goods within Ireland.

Irish VAT — registered traders must self-account under the reverse charge rule for VAT on receipt of goods from other EU member states (known as intra-Community acquisitions). If the goods are used for the purpose of the trader’s taxable activities, the trader will be entitled to claim a simultaneous VAT input deduction. Most services received from abroad by traders in Ireland are subject to Irish VAT. Traders that obtain such services from abroad must self-account for VAT on the amount charged for those services under the reverse charge rule. They are entitled to claim a simultaneous VAT input deduction depending on the use for which the services are purchased. If they are engaged in VAT exempt activities only, they must register for VAT in order to self-account for VAT on the receipt of the service and will not be entitled to any input VAT deduction in this regard.

Taxable persons
Any person, other than an employee, who supplies taxable goods or services within Ireland in the course of business and whose annual turnover exceeds, or is likely to exceed, €37,500 from the supply of goods or €75,000 from the supply of goods, must register and account for VAT on the supply. A person whose annual taxable turnover is below the appropriate threshold is not required to account for VAT, but may voluntarily elect to do so. The potential advantage in electing to register is that VAT — registered traders may claim a refund or credit for VAT paid on business purchases to the extent that such VAT relates to its taxable activities.

Non-established traders making taxable supplies in Ireland are obliged to register and account for Irish VAT. Such traders not established in Ireland must register regardless of the value of supplies.

Exempt transactions
A trader engaged in the provision of an exempt supply (including certain financial and insurance related services, transport within the State and specified medical and educational services) is not required to charge VAT on the supply and is not entitled to deduct VAT on associated purchases, unless the person incurs VAT in connection with what are termed ‘qualifying activities’. In this context, qualifying activities include supplies of certain financial services to non-EU customers and the transport of passengers outside Ireland.

Rates of tax
VAT rates vary according to the goods or services supplied, as follows:

<table>
<thead>
<tr>
<th>Goods or services</th>
<th>VAT rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard rate (goods or services not specifically categorised as exempt or subject to VAT at any of the rates listed below)</td>
<td>23%</td>
</tr>
<tr>
<td>Construction services, short-term car rentals, electricity, general agricultural and veterinary services, driving tuition, general repair and maintenance services</td>
<td>13.5%</td>
</tr>
<tr>
<td>Hotel accommodation, newspapers, magazines, cinema admission, hairdressing services, hot take-away food and drink, food and drink supplied in the course of catering or by a vending machine</td>
<td>9%</td>
</tr>
</tbody>
</table>
| Livestock, greyhounds and the hire of horses | 9%/4.8% *
| Items including children's clothing, certain food items excluding confectionery, oral medicines, books, certain medical equipment and appliances, and exported goods | 0% |

*The 9% VAT rate applies to (a) the supply of live horses, other than those intended for use as foodstuffs or for use in agricultural production, (b) the supply of greyhounds, and (c) the hire of horses. The 4.8% livestock rate continues to apply to livestock in general, and to horses that are intended for use as foodstuffs or for use in agricultural production.

Taxable persons who derive 75% or more of their sales from the intra-Community supply of goods from Ireland to VAT — registered traders in the EU and/or from the export of goods from Ireland to outside the EU may be entitled, subject to attaining the necessary authorisation, to receive most goods, services and imports at the zero rate (0%). This facility is known as a VAT 56B authorisation and provides a cash flow benefit to qualifying businesses which avail of this mechanism.

Deductible VAT
A taxable person may deduct VAT paid on the purchase of most goods and services, as well as VAT paid on imported goods that are used for the purposes of its taxable activities. No deduction is allowed for tax paid on the purchase of goods and services used for any other purpose, including acquisitions for the provision of exempt supplies or any non-business purpose. VAT incurred on any of the following goods or services is not deductible whether the acquisition of the goods or services is for a taxable or other purpose:

- Food and drink (unless for resale by a VAT registered trader)
- Hotel and other accommodation with the exception of specified costs incurred in connection with attendance at ‘qualifying conferences’ (which are defined in VAT legislation)
- Personal services for an employee, even if the expense is incurred for business purposes
- Entertainment expenses
- Purchase and hire of passenger motor vehicles with the exception of certain low CO2 emission cars used for at least 60% business purposes, on which 20% of the VAT incurred on the purchase or hiring can be recovered
- Purchase or importation of petrol (other than as stock in trade)
Businesses that do not pay their suppliers within six months will be required to repay the VAT previously claimed.

**VAT compliance**

**Periodic VAT returns**

The standard period for making a VAT return is bi-monthly. Returns and payments due must be filed with the Collector-General no later than the 19th of the month following the end of each two-month period. For example, a January/February VAT return must be filed by 19 March. Where returns and payments are made using Revenue's online service (ROS), the deadline is extended by four days to the 23rd of the month. All companies are now required to pay and submit returns using ROS. Estimated or preliminary returns are not permitted.

For smaller traders, the frequency with which VAT returns can be filed depends on the annual VAT liability of the business. Traders with a yearly liability of €3,000 or less have the option of filing returns twice a year. For traders with a yearly liability between €3,001 and €14,400, the option of filing returns every four months is available.

Authorisation may be obtained to file VAT returns on a monthly basis where a taxpayer is in a permanent VAT repayment position.

Certain traders may be authorised to submit an annual return if they agree to pay a monthly amount by flexible direct debit. If a trader's liability for a year is less than the total of the direct debits, a refund of excess VAT will be paid. If the liability is greater, the excess must be paid with the final VAT return for a 12-month period. If the outstanding liability at year end exceeds 20% of the total liability for the year, the excess will be subject to interest charges of 0.0274% per day on outstanding amounts, backdated to the mid-point of the year.

Traders with low VAT liabilities may be permitted to make one annual VAT return without entering into a direct debit arrangement. Participation is not obligatory and is not available on the request of taxable persons, but is at the discretion of the Collector-General.

If a repayment of VAT arises, a registered trader is entitled to a refund. This will be made by the Collector-General and is normally paid directly to the bank account of the trader.

At year-end, an annual return of trading details is also required to be submitted, but this is a purely statistical return with no associated VAT liability. This annual return of trading details is a detailed analysis of the net amounts of supplies, purchases, imports and acquisitions of goods and services for the previous 12 months. The return is required to be filed on the 19th day of the month following the month in which the accounting period ends.

**EU sales listings**

Traders who engage in intra-Community supplies of goods to VAT registered recipients must complete periodic EU sales listings—known as VIES statements— that provide specific details of their trade (i.e. intra Community supplies of goods and certain transfers of goods) with traders in other member states.

In general, EU sales listings in relation to intra-Community supplies of goods are due to be submitted on a monthly basis. However, where the total value of intra-Community supplies to VAT registered traders for a calendar quarter or any of the previous four calendar quarters does not exceed €50,000, the trader is allowed to submit EU sales listings on a quarterly basis. Returns are due by the 23rd day of the month following the end of the period of return.

Traders who supply taxable services to VAT registered customers in other EU member states are required to complete EU sales listings reporting the intra-EU supplies of services falling under the business to business reverse charge procedure. The principal reporting timeframe is quarterly, but traders may elect to file monthly and, as above, the deadline in relation to these returns is the 23rd of the month following the end of the period of return.

EU sales listings must be completed electronically through ROS. In the case where there are different filing periods for goods and services, the trader is required to file monthly EU sales listings for goods and quarterly EU sales listings for services, the details regarding services will be included in the third EU sales listing of the quarter.

**INTRASTAT**

Traders who engage in intra-Community supplies or acquisitions of goods are obliged, subject to certain thresholds, to submit detailed statistical returns (known as INTRASTAT declarations). These provide information on the movement of goods from VAT-registered traders in EU member states to other EU member states.

The INTRASTAT threshold for arrivals is €500,000 per annum. The INTRASTAT threshold for dispatches is €635,000 per annum.

INTRASTAT declarations (arrivals and dispatches) must be submitted for every calendar month. The due date for submission is the 23rd day of the month following the filing period to which the return relates. Returns must be submitted electronically through ROS.

**Cross border refund applications**

An electronic VAT refund procedure (EVR) applies in respect of all claims for refunds of VAT by EU established traders where the trader is not VAT registered in the EU member state in which the VAT is incurred. In respect of Irish established traders, this procedure means that such traders will be required to submit an electronic application directly to the Revenue Commissioners for a refund of VAT incurred in other EU member states. The Revenue Commissioners will then forward the claim electronically to the tax authorities in the relevant EU member states for processing. In respect of EU established, but non-Irish VAT registered traders, when seeking a refund of Irish VAT, a claim must be submitted directly to the tax authorities in the member state in which they are established and this will be forwarded from these tax authorities to the Irish Revenue Commissioners for processing. Applications must be submitted by 30 September in the year following that in which the expenditure was incurred.

In respect of traders established outside the EU, refunds of Irish VAT continue to be made by way of 13th Directive refund applications. Application for a refund in this regard must be submitted within six months after the end of the calendar year in which the relevant invoices were issued, i.e., before 1 July each year.
12. Customs duty, excise duty, vehicle registration tax and carbon tax

Customs duty

Tariff classification
Goods imported into the EU must be declared to the customs authorities at the point of import. Customs duty is normally paid when the goods are released to free circulation. The duty amount is calculated according to the customs value of the goods and their tariff classification. Since the tariff classification of the goods determines duty rate, it is critical that the correct 10-digit tariff code is declared.

In order to obtain legal certainty as to the tariff classification of their goods, traders may obtain a Binding Tariff Information (BTI) ruling from the customs authorities in the Member State where they are established. With the introduction of the Union Customs Code (May 2016), BTI rulings are legally binding on the holder, the customs authorities in each of the 28 Member States and valid for up to six years from the date of issue.

Preferential origin
Depending on the origin of the goods, there may be preferential duty rates available for imported goods where a Free Trade Agreement (FTA) exists between the EU and the country of origin. The EU has negotiated several bilateral trade agreements (e.g., Chile, Iceland, Israel, Mexico, Norway, South Africa and Switzerland) whereby goods that meet certain origin criteria qualify for full or partial duty relief upon entry into the EU, with reciprocal treatment for EU originating goods upon arrival in the respective country. The EU has also agreed to grant preferential treatment to goods that originate in certain developing countries in the world. In order to avail of preferential arrangements, it is necessary to obtain the requisite proof of origin (e.g. certificate of origin) documentation.

Duty relief procedures
A variety of Economic Procedures are available to manufacturers in the EU where they can avail of full or partial duty relief on imported raw materials. These procedures, which require prior authorisation, are designed to help increase or maintain economic activity in the EU.

These special procedures include:
- Inward Processing (processing of imported raw materials for re-export within the EU by EU manufacturers)
- End Use relief (duty relief on the condition that the imported goods are put to a prescribed use within a certain period of time)
- Outward Processing (EU goods may be temporarily exported from the EU in order to undergo processing operations or repairs outside the EU)
- Customs Warehousing (store non EU goods in a customs warehouse, suspending duty until the goods are released from the warehouse)
- Temporary Admission (goods imported into the EU and re-exported afterwards in the same state as they were in at import without payment of duty). and
- Returned Goods Relief (goods exported from the EU but which are re-imported into the EU duty free)

Excise duty
Excise duty applies to a select range of goods (known as excisable goods). In Ireland, excise duty is typically the third largest source of taxation, after VAT and income tax. There are currently three categories of excisable goods in Ireland – alcohol products, mineral oils and tobacco products. In April 2018, it is expected that an excise duty will be introduced in Ireland for sugar-sweetened drinks.

Excise duty also extends to certain activities requiring a license including:
- Betting
- Brewing of beer
- Retailing spirits, both ‘on’-license and ‘off’-license
- Operating as a wine dealer
- Selling liquefied petroleum gas (LPG)
- Operating gaming machines
- Operating amusement machines

In most cases, excise duty is remitted by the manufacturer of the excisable goods (e.g. a brewery producing beer or a tobacco manufacturer making cigarettes). The excise duty amount is then passed on in the price of the goods to the ultimate consumers of the products.

Electricity
The supply of electricity to domestic customers is liable to electricity tax.

Coal
Coal is liable to mineral oil tax in certain circumstances.

Vehicle Registration Tax (VRT)
VRT applies to new and used vehicles that are registered for the first time in Ireland.

The amount of VRT payable on any particular vehicle depends essentially on the category of the vehicle:
- Category A – Cars
- Category B – Car-derived vans, jeep-derived vans, certain crew cabs and motor caravans
- Category C – Commercial trucks
- Category D – Special vehicles, such as ambulances, fire engines and refuse carts
- Motorcycles

In relation to categories A and B above, the VRT is calculated on the Open Market Selling Price (OMSP) at the appropriate VRT rate. The OMSP is determined by the Revenue Commissioners.

The rates of VRT are as follows:

• Category A - Cars
• Category B - Car-derived vans, jeep-derived vans, certain crew cabs and motor caravans
• Category C - Commercial trucks
• Category D - Special vehicles, such as ambulances, fire engines and refuse carts
• Motorcycles

In relation to categories A and B above, the VRT is calculated on the Open Market Selling Price (OMSP) at the appropriate VRT rate. The OMSP is determined by the Revenue Commissioners.
**Category A (cars)**
With effect from 1 July 2008, the VRT payable is based on the CO2 (carbon dioxide) emissions of the engine. There are now 11 emission bands:

<table>
<thead>
<tr>
<th>CO2 emission band</th>
<th>CO2g/km</th>
<th>VRT rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>0 to 80</td>
<td>14% of OMSP or €280 whichever is greater</td>
</tr>
<tr>
<td>A2</td>
<td>81 to 100</td>
<td>15% of OMSP or €300 whichever is greater</td>
</tr>
<tr>
<td>A3</td>
<td>101 to 110</td>
<td>16% of OMSP or €320 whichever is greater</td>
</tr>
<tr>
<td>A4</td>
<td>111 to 120</td>
<td>17% of OMSP or €340 whichever is greater</td>
</tr>
<tr>
<td>B1</td>
<td>121 to 130</td>
<td>18% of OMSP or €360 whichever is greater</td>
</tr>
<tr>
<td>B2</td>
<td>131 to 140</td>
<td>19% of OMSP or €380 whichever is greater</td>
</tr>
<tr>
<td>C</td>
<td>141 to 155</td>
<td>23% of OMSP or €460 whichever is greater</td>
</tr>
<tr>
<td>D</td>
<td>156 to 170</td>
<td>27% of OMSP or €540 whichever is greater</td>
</tr>
<tr>
<td>E</td>
<td>171 to 190</td>
<td>30% of OMSP or €600 whichever is greater</td>
</tr>
<tr>
<td>F</td>
<td>191 to 225</td>
<td>34% of OMSP or €680 whichever is greater</td>
</tr>
<tr>
<td>G</td>
<td>Over 225</td>
<td>36% of OMSP or €720 whichever is greater</td>
</tr>
</tbody>
</table>

The minimum amount of VRT payable on a Category A vehicle will be €280.

**Category B (car-derived vans)**
The VRT rate is 13.3% of the OMSP or €125, whichever is the greater.

**Category C (commercial trucks)**
The current VRT rate is a flat €200, regardless of the value of the vehicle.

**Category D (special vehicles, e.g., ambulances)**
These vehicles are exempt from VRT.

An electric vehicle is a vehicle that derives its power from a combination of an electric motor and an internal combustion engine, and is capable of being driven on electric propulsion alone for a material part of its normal driving cycle. The vehicles must be series production vehicles.

Remission or repayment of VRT up to a maximum of €1,500 applies in respect of certain hybrid electric vehicles until 31 December 2018. Remission or repayment of VRT up to a maximum of €2,500 applies in respect of certain plug-in hybrid electric vehicles until the same date.

**Electric vehicles and motorcycles**
Certain electric vehicles and motorcycles are exempt from VRT until 31 December 2018.

**Motorcycles**
In respect of motorcycles, scooters and certain all terrain vehicles, VRT is charged by reference to the cubic capacity of the engine.
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