

International Taxation

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Reaffirmation of Ireland's 12.5% Corporation Tax Rate

In his Budget speech, The Minister for Finance again reaffirmed the Government's commitment to Ireland 12.5% corporation tax rate.

He made particular reference to the fact that *"much of Ireland's growth at present can be attributed to the attractiveness of Ireland for inward investment"* and he directly linked Ireland's 12.5% rate to this attractiveness.

The following extract from his speech is worth reproducing *"Today, I want to say to our friends in the multinational sector who continue to invest so strongly in Ireland and Europe, there will be no change in Ireland's 12.5 per cent Corporate Tax Rate. We promised this in the Programme for Government and we will fulfil this commitment"*.

Introduction of Special Assignee Relief Programme

The Minister also announced his intention to introduce what he termed a "Special Assignee Relief Programme ("SARP")". The stated intention of SARP is to assist multinational and indigenous companies to attract key people to Ireland to create employment and to facilitate the development and expansion of businesses in Ireland.

Introduction of Foreign Earnings Deduction

The Budget speech also confirmed the Minister's intention to introduce a Foreign Earnings Deduction ("FED") with the stated intention of providing further support to Ireland's export drive by aiding companies seeking to expand into emerging markets. The FED is expected to operate as a form of Irish tax exemption where an individual spends 60 days a year developing markets for Ireland in Brazil, Russia, India, China and South Africa - the so called BRICS countries. Full details of the FED will be contained in Finance Bill 2012.

Attractiveness of Ireland as a location for inward investment

Ireland remains a destination of choice for international investment. Ireland's key attractions from a tax perspective include:

- A 12.5% corporate tax rate for most forms of trading activity
- A 25% Research & Development (R&D) tax credit which may be refundable over a three year period
- An intellectual property (IP) regime which provides a tax write off for a broad range of IP acquisitions
- An attractive holding company regime, including participation exemption from capital gains tax on disposals of shares in subsidiaries
- An effective zero tax rate for foreign dividends in many cases (12.5% tax rate on qualifying foreign dividends, with flexible onshore pooling of foreign tax credits)
- Access to extensive treaty network and EU Directives, and
- Generous domestic law withholding tax exemptions.