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Ireland – Intellectual Property incentives

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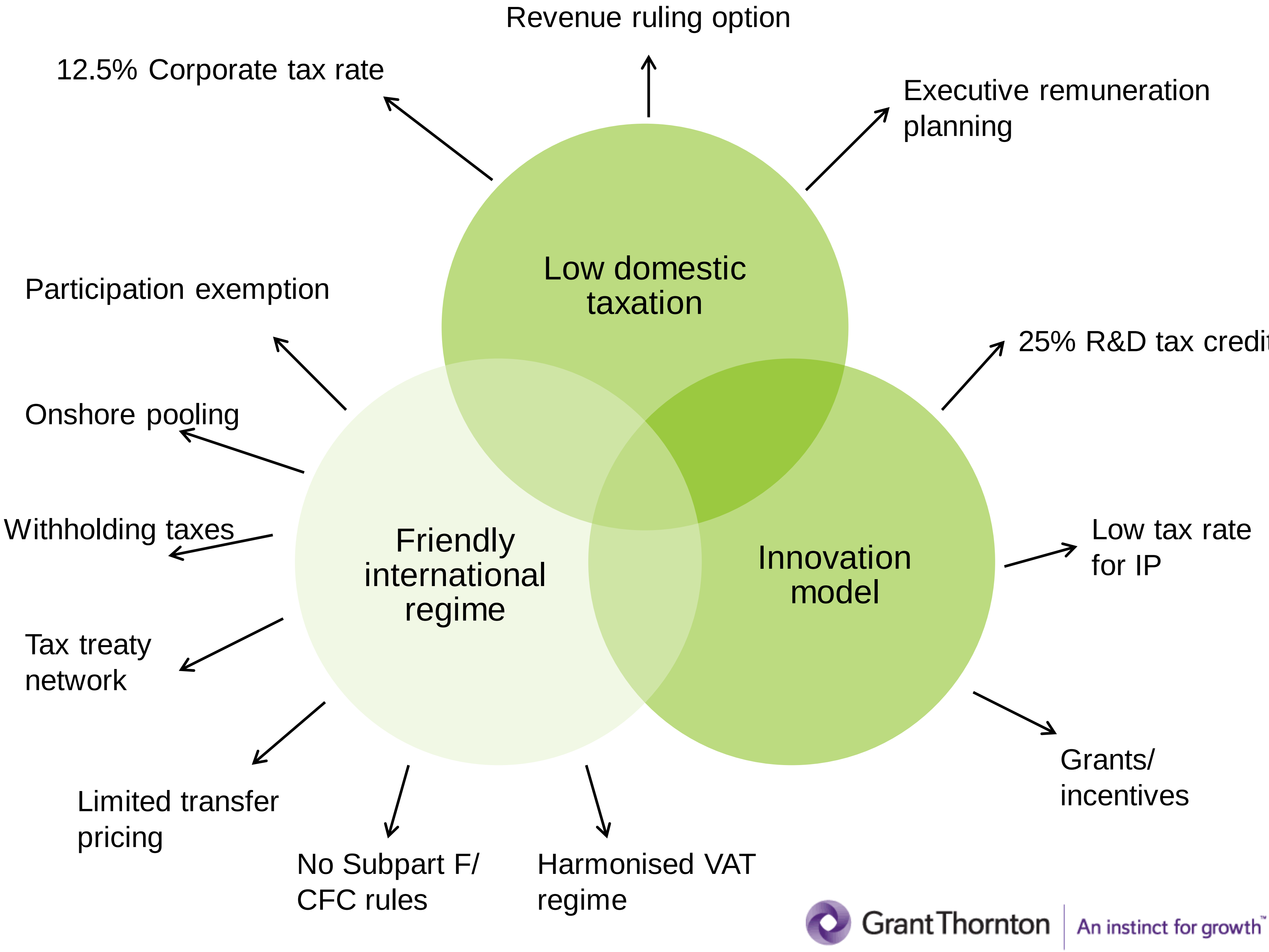
Topics to be covered

- Budget 2015 changes, including Double Irish
- Intangible Asset Regime post Budget 2015
- R&D tax credit regime post Budget 2015
- Knowledge Development Box – what and when
- Impact of BEPS on future landscape
- Conclusions


Revenue ruling option
12.5% Corporate tax rate
Executive remuneration planning
Low domestic taxation
Participation exemption
25% R&D tax credit
Onshore pooling
Withholding taxes
Friendly international regime
Innovation model
Low tax rate for IP
Tax treaty network
Grants/ incentives
Limited transfer pricing
No Subpart F/ CFC rules
Harmonised VAT regime
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Budget 2015 "Double Irish" changes

- abolition of Double Irish from 1 January 2015, with grandfathering provisions until 31 December 2020
- reputational benefits (the 3 "R"s)
- note changes made to draft legislation since Finance Bill publication – limits use of off the shelf companies
- impact of changes on international perception of Ireland from tax perspective - arguably minimised by improvements to other IP tax rules (see next slides)
- 6 years to transition to new structure, either alternative IP holding location or "onshore" to Ireland

Intangible Asset Regime – Budget improvements

Recap of old rules

- IP "cost based" regime introduced in 2009
- provides for amortisation of IP acquired, either based on accounting treatment or over 15 years – whichever produces better result
- allowances can be set against IP related income, up to a maximum of 80% of income
- need substance in Ireland to claim the relief
- note transfer of IP to Ireland can create issues in transferee jurisdiction

Intangible Asset Regime – Budget improvements

Abolition of 80% cap

- Budget 2015 has abolished the 80% income cap
- going forward, all IP related income can potentially be sheltered by allowances (or interest)
- puts us on more level footing with competing regimes
- note relief is cost based, so not relevant for IP brought to Ireland at early stage and developed here (Knowledge Box may provide solution in such cases)
- IP changes positively received

R&D tax credit – Budget Improvements

Recap of existing rules

- R&D tax credit provides for 25% tax credit for qualifying R&D
- based on excess of current spend over 2003 spend
- on top of 12.5% corporation tax deduction
- loss making companies can claim as a cash payment
- companies can also elect to surrender the credit to key R&D employees
- substantial cost to Exchequer
- subject of a full review last year by Dept of Finance

R&D tax credit – Budget Improvements

Abolition of base year rule

- Budget 2015 has abolished the base year rule
- going forward, 25% of current year R&D qualifying spend eligible for relief without any need to refer to 2003
- positive development and ensures all companies equally incentivised to carry out R&D
- result of significant lobbying for several years
- note also new guidelines to be issued by Revenue
- Revenue seeking to restrict ability to claim credit for spend not directly linked to R&D – will impact on eligibility of certain overheads

New Knowledge Development Box

- concept of Knowledge Development Box introduced by Minister on Budget day
- no detail but expected to mirror what currently exists in several other jurisdictions – 6.25% rate?
- note EU scrutiny of similar regimes
- focus on substance
- will compliment cost based existing IP regime
- important to offer alternative “on shore” IP option

Impact of OECD BEPS project on future landscape

- BEPS project will fundamentally alter global tax goalposts
- tackles artificial shifting of profits to avoid tax
- will impact on the effective tax rate of MNCs
- when finished, will mean many MNCs will pay more taxes – but where?
- significant focus of BEPS is on substance
- Impact of BEPS on IP planning? On Ireland?

Conclusions

- Ireland continues to offer a very benign tax environment in which to do business
- certainty over future tax direction
- IP tax incentives are key
- Knowledge Box is a timely boost
- changes have enhanced our reputation globally
- other jurisdictions under spotlight
- Ireland offers a “BEPS proof” solution

Questions?