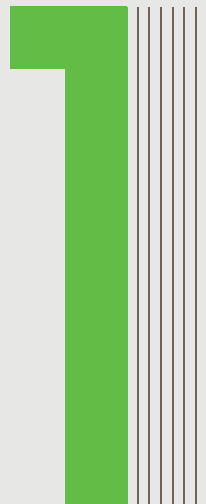
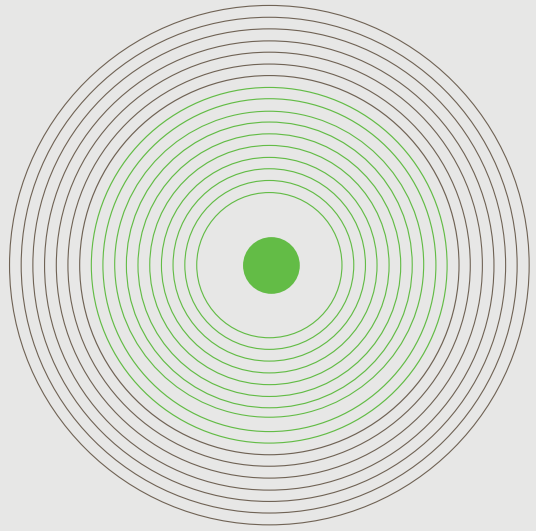


TAX
GUIDE
IRELAND



FACTS & FIGURES

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Fig 1: % Corporation Tax Headline Rates.
Source: PricewaterhouseCoopers 2011

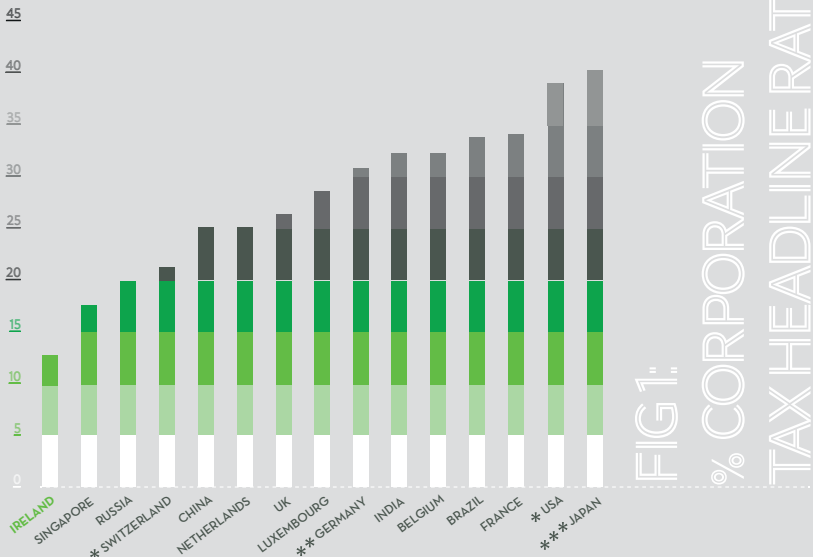


FIG 1:
% CORPORATION
TAX HEADLINE RATES

- * Regional corporation tax rates on top of federal/national corporation tax rates vary. We have therefore used a blended rate for these countries.
- ** Berlin rate used for illustrative purposes. Corporation tax rate varies depending on location.
- *** Tokyo Metropolitan Area rate used for illustrative purposes. Corporation tax rate varies depending on location. Please note that the 2011 tax reform proposals for Japan include a 5% corporation tax reduction which is not reflected above.

Fig 2: % Increase in profit required to achieve same distributable income available in ireland based on rates in Fig.1.
Source: PricewaterhouseCoopers 2011

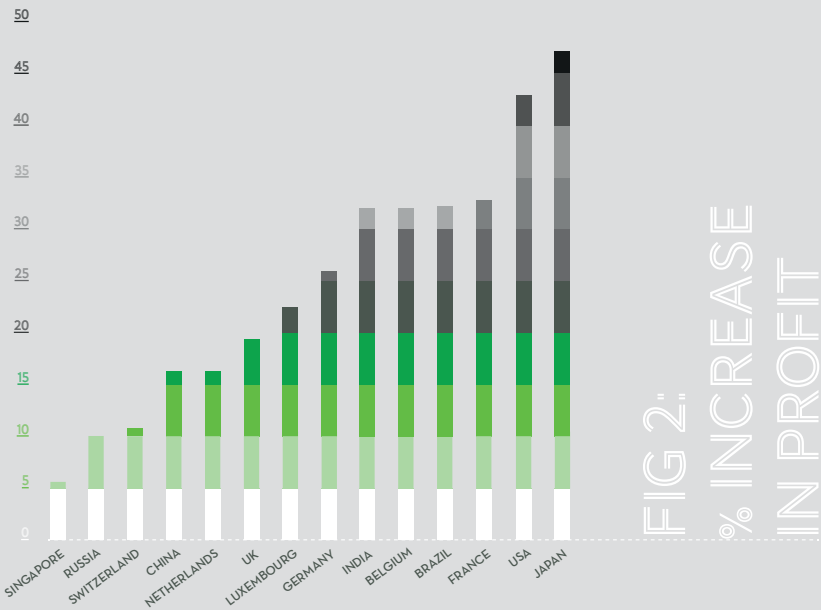


FIG 2:
% INCREASE
IN PROFIT

Fig 3: OECD Country Ranking - Ease of Paying Taxes.
Source: PricewaterhouseCoopers 2011

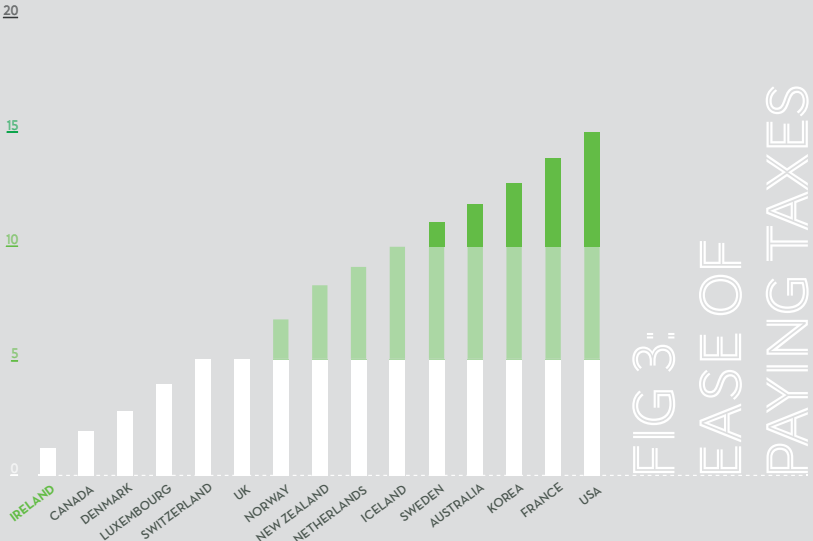
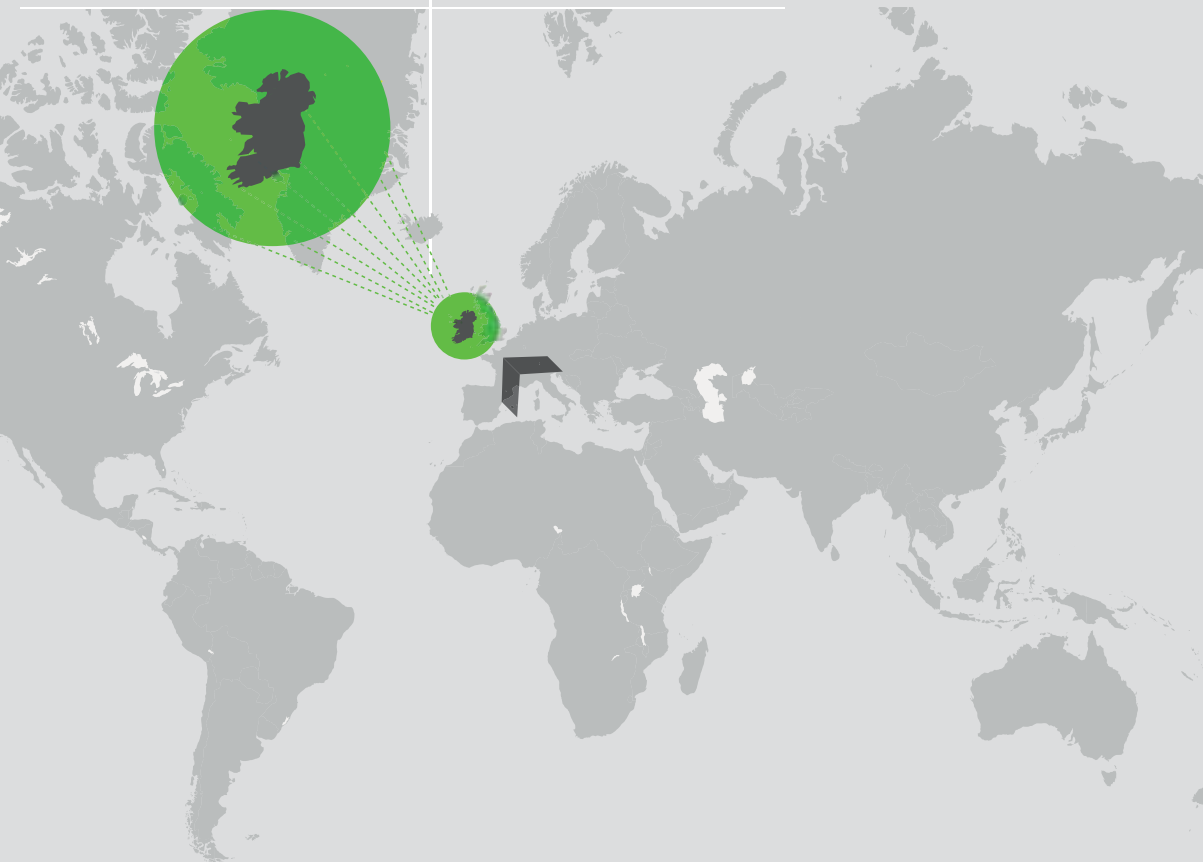


FIG 3:
EASE OF
PAYING TAXES



53°N

08°W

LOCATION

INTRODUCTION

Almost 1,000 Multinational Corporations (MNCs) have chosen Ireland as their strategic European base, attracted by our pro-business, low corporate tax environment, track record of success and a young, highly skilled talent pool. Many of these MNCs have gone on to expand their facilities in Ireland because of the positive, adaptable attitude of the workforce and the ready availability of highly educated and experienced managers. MNC management teams in Ireland take a forward-thinking, partnership approach to business, anticipating market developments and coming up with great ideas to seize new opportunities. That's why so many have moved up their value chain to take on higher value, knowledge-intensive activities.

Ireland has a strong track record in attracting investment in Information and Communications Technology (ICT), Life Sciences, Financial Services and Globally Traded Business, including Digital Media, Engineering, Consumer Brands and International Services. The strategy that has brought Ireland this far is also focused on three key areas: **High Value Manufacturing, Global Business Services, and Research, Development and Innovation (RD&I).**

Ireland's FDI strategy has continually evolved by scanning the horizons of enterprise and focusing on and securing FDI in new technologies, innovative business models and new markets.

IRELAND'S ACHIEVEMENTS

IRELAND'S UNIQUE PROPOSITION AS A WORLD-CLASS ENVIRONMENT FOR BUSINESS IS FURTHER ENDORSED BY GLOBAL INDEPENDENT RESEARCH:

-
- Ireland is the easiest country in Europe in which to pay business taxes for the third year running and the sixth easiest country in the world. This is according to a new report issued by PricewaterhouseCoopers, the World Bank and IFC entitled "Paying Taxes 2010 – The global picture".

 - The 2011 IMD World Competitiveness Yearbook ranks Ireland first for the availability of skilled labour.

 - Grant Thornton places Ireland first out of thirty-six developed economies for access to skilled labour.

 - The 2010 IBM Global Location Trends Annual Report ranks Ireland as the second destination globally for jobs by inward investment per capita.

 - A European Commission study of third-level education, 2010, stated that International recruiters believe that Ireland produces the most highly-employable graduates in the world.

 - According to the Global Innovation Index Report 2009-2010, Ireland ranks fifth in the world for protecting investors and seventh for creative products and services and export earnings of creative industries.

12.5%

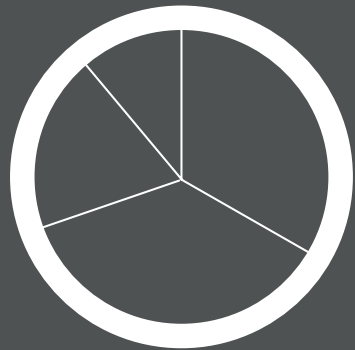
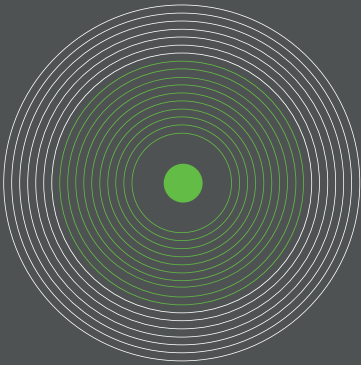
CORPORATION TAX



CURRENCY

4,400,000

POPULATION



€1.5 BILLION

GDP 2011

53°N 08°W

LOCATION

IRELAND: A WINNING
LOCATION FOR
GLOBAL BUSINESS

CORPORATE TAX IN IRELAND

THE KEY FEATURES OF IRELAND'S TAX REGIME THAT MAKE IT ONE OF THE MOST ATTRACTIVE GLOBAL INVESTMENT LOCATIONS INCLUDE:

- a 12.5% corporate tax rate for active business;
- 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 broadly defined 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 (12.5% tax rate on qualifying foreign dividends, with flexible onshore pooling of foreign tax credits);
- an EU-approved stable tax regime, with access to extensive treaty network and EU Directives;
- generous domestic law withholding tax exemptions.

Corporate Tax Rates

Ireland's 12.5% corporate tax rate on trading income is one of the lowest 'onshore' statutory corporate tax rates in the world. It is not an incentive regime, rather it is Ireland's standard tax rate applicable to active business or 'trading' income from any industry or sector.

The Irish Government is committed to retaining the 12.5% corporate tax rate on trading income as affirmed by the Minister for Finance in the 2011 Jobs Initiative in which he stated: "Let me be absolutely clear on this issue: our 12.5% rate of corporation tax is here to stay. It is central to our industrial policy and is an essential part of our international brand".

A tax rate of 25% applies to non-trading income (passive income) such as investment income, foreign dividends sourced from non-trading profits, rental income, net profits from foreign trades, and income from certain land dealings and oil, gas and mineral exploitations.

12.5%

CORPORATE TAX RATE

The Irish Corporate Tax System

The extent of a company's liability to Irish corporation tax depends on its tax residency. Irish resident companies are liable to corporation tax on their worldwide income and capital gains. A company is considered to be tax resident in Ireland if its central management and control (or in some cases its place of incorporation alone) are located in Ireland.

Companies not resident in Ireland but with an Irish branch are liable to corporation tax on (i) profits connected with the business of that branch and (ii) any capital gains from the disposal of assets used by or held for the purposes of the branch in Ireland. Companies not resident in Ireland which do not have an Irish branch are potentially liable to:-

- income tax on any Irish source income and
- capital gains tax from the disposal of specified Irish assets (e.g., Irish land/buildings, certain Irish shares, etc.).

Calculating Tax Liability

In Ireland, companies are liable to corporation tax on their total profits, including trading income, passive income and capital gains. In order to calculate the amount of profit that is subject to Irish tax, it is necessary to understand the basics of the Irish tax system.

TAX RELIEF AVAILABLE

Interest

Interest on borrowings used for a trade or business is generally tax-deductible on an accruals basis, subject to some exceptions. Interest on borrowings used for non-trading purposes, for example, for the acquisition of shares in another company, may be deductible on a paid basis, subject to certain conditions.

Capital Allowances

Generally, with the exception of certain intellectual property (see page 10) and leasing taxpayers, accounting depreciation is not deductible in calculating business profits for tax purposes. Capital allowances (or tax depreciation) are, however, available in relation to expenditure on:

Plant and Machinery

- Expenditure on plant and machinery, fixtures and fittings, and certain software, etc., may be written off at 12.5% per annum on a straight-line basis over an 8-year period.
- Expenditure on scientific equipment is eligible for a 100% year one capital allowance.
- Expenditure on qualifying energy efficient equipment qualifies for a 100% year one capital allowance (in the year of the expenditure) as part of the Irish Government's Green Initiative. Eligible equipment includes:
 - Motors and Drivers;
 - Systems lighting;
 - Building Energy Management Systems (BEMS);
 - Information Communications Technology (ICT);
 - Heating and electricity provision;
 - Heating ventilation and air-conditioning control systems;
 - Electric and alternative-fuel vehicles;
 - Refrigeration and cooling systems;
 - Electro-mechanical systems;
 - Catering and hospitality equipment.

Industrial Buildings

Expenditure on industrial buildings used for manufacturing purposes qualifies for an annual tax allowance of 4%, written off on a straight-line basis over a 25-year period.

Losses

Trading losses can be used as follows:

- i. Offset trading income and foreign dividends taxable at the 12.5% rate in the same period
- ii. Offset trading income of the immediately preceding period
- iii. Offset trading income of subsequent periods

To the extent not usable against trading income, a current year trading (12.5%) loss can effectively be converted into a tax credit which may be used to reduce the corporation tax payable on other passive income and chargeable gains (at the rate of 25%) in the same period or the immediately preceding period.

Capital losses can typically be offset against other capital gains, either within the same period or in future periods (subject to some exceptions).

Group Relief

Ireland's tax regime does not involve the filing of consolidated tax returns. Affiliated companies may, however, be able to avail of corporate tax 'group relief' provisions. Irish tax legislation provides that two companies are deemed to be members of a group of companies if:

- both companies are EU resident companies;
- one company is a 75% subsidiary of the other company; or
- both companies are 75% subsidiaries of a third company (The relevant companies must be resident in Ireland, an EU Member State or a European Economic Area country (EEA)¹).

Group relief can be claimed in Ireland on a current year basis in respect of the following:

- trading losses;
- excess management expenses;
- excess charges on income (such as certain interest income) within a group.

Irish legislation now provides that an Irish resident parent company may offset against its profits any **losses of a foreign subsidiary** resident for tax purposes in the EU. This is provided that the losses cannot be used in the local jurisdiction.

Capital losses cannot be surrendered within a group.

Capital Gains Tax (CGT) Group

Where capital assets are transferred between qualifying group companies, CGT group relief will apply automatically. CGT group relief has the effect of deferring any CGT that may arise on the transfer of a capital asset from one Irish tax resident company to another in a 75% group. The gain will not crystallise until the asset is sold outside the group.

A group for CGT purposes is a principal company and all its effective 75% subsidiaries. The principal company means a company of which another company is an effective 75% subsidiary. For the purposes of identifying the relevant indirect ownership interest in a company, holdings by any Member State/EEA resident company can be taken into consideration.

Pre-Trading Expenses

Certain pre-trading expenses of companies are allowable in calculating taxable trading profits once the trade has commenced. A deduction is allowed for pre-trading expenses incurred in the three years prior to commencement of the trade.

Examples of eligible pre-trading expenses are:

- accountancy fees;
- advertising costs;
- costs of feasibility studies;
- costs of preparing business plans;
- rent paid for the premises from which the trade operates.

Tax Exempt Government Securities

Foreign-owned Irish companies are exempt from corporation tax on interest earned on certain Irish Government securities issued to them. Such securities can be issued in a number of major currencies.

¹ The EEA includes the European Union Member States together with Iceland, Liechtenstein, Norway, Switzerland and Turkey.

RESEARCH & DEVELOPMENT (R&D) TAX CREDIT

Ireland has had an R&D Tax Credit scheme since 2004. Qualifying R&D expenditure will generate a 25% tax credit for offset against corporate taxes in addition to a tax deduction at 12.5%. Its purpose is to encourage both foreign and indigenous companies to undertake new and/or additional R&D activity in Ireland. The R&D tax credit is available to Irish resident companies and branches on the incremental cost of in-house, qualifying R&D undertaken within the EEA, provided such expenditure is not otherwise eligible for tax benefits elsewhere within the EEA. Incremental spend is calculated in comparison to a base year of 2003; therefore, for new entrants to the R&D sector the credit is essentially volume-based.

In order to qualify for the tax credit, it is necessary to seek to achieve scientific or technical advancement and involve the resolution of scientific or technological uncertainty.

Qualifying spend includes both revenue and capital expenditure. In practice, qualifying expenditure includes wages, related overheads, plant and machinery, and buildings.

The credit regime also provides that up to:

- 5% of the R&D expenditure can be outsourced to European Universities (includes Irish Universities); and in addition
- 10% of the R&D expenditure can be sub-contracted to other unconnected parties (i.e., 15% in total).

The tax credit can be **refundable** over a three year period where there is insufficient corporate tax liability to utilise the full credit in a particular year or otherwise carried forward.

HOW IT WORKS - EXAMPLE OF IRISH SUPPORT FOR R&D SPEND OF €100

COMPANY PERSPECTIVE		IRISH SUPPORT	
R&D SPEND	100.00	TAX RELIEF: 90 @ 12.5% =	11.25
GRANT AID (10%)	<u>(10.00)</u>	TAX CREDIT: 90 @ 25% =	<u>22.50</u>
NET OF GRANT COST	90.00	TOTAL TAX SAVING	33.75
TAX SAVING	<u>(33.75)</u>	PLUS GRANT AID	<u>10.00</u>
TOTAL NET COST	<u>56.25</u>	TOTAL SUPPORT	<u>43.75</u>

Companies now have the option to account for the credit '**above the line**' in the Profit & Loss account under IFRS, Irish and US GAAP, thereby immediately impacting on the unit cost of R&D which is the key measurement used by MNCs when considering the location of R&D projects. This is extremely helpful to Irish subsidiaries of MNCs in competing with lower cost jurisdictions.



R&D

TAX CREDIT

INTANGIBLE ASSETS & INTELLECTUAL PROPERTY (IP) IN IRELAND

IRELAND'S TAX SYSTEM HAS FOR SOME TIME ENCOURAGED BOTH THE CREATION AND MANAGEMENT OF INTELLECTUAL PROPERTY, BY MEANS OF OUR 12.5% TAX RATE, R&D TAX CREDIT, AND, MOST RECENTLY, OUR IP TAX REGIME.

In 2009, a new tax incentive was introduced for expenditure incurred on the acquisition of intangible assets. The relief applies to qualifying acquisitions occurring after 7 May 2009 and allows for the capital expenditure to be written off in line with the accounting treatment, or a fixed period of 15 years. The relief is given by means of a tax depreciation (capital allowance) deduction available against trading income from the management, development or exploitation of the intangible asset concerned. There is no clawback after 10 years on expenditure incurred after 4 February 2010 (previously 15 years).

The regime applies to specified intangible assets recognised under generally accepted accounting practice, which includes:

- patents;
- copyright;
- registered designs;
- design rights or inventions;
- trademarks;
- trade names;
- brands;
- brand name;
- domain name;
- service mark or publishing title;
- know-how;
- certain software;
- costs associated with applications for certain legal protection.

Other Tax Deductions for IP Costs

Other existing provisions continue to apply, separate to the new scheme, for revenue and capital expenditure on qualifying scientific research and the acquisition of software, where the software is used for "end use" business purposes.

INTANGIBLE ASSETS & I.P.

TRANSFER PRICING RULES IN IRELAND

Ireland has introduced transfer pricing legislation endorsing the OECD Transfer Pricing Guidelines and the arm's length principle. The new regime is confined to related party dealings that are taxable at Ireland's corporate tax rate of 12.5% (i.e., 'trading' transactions). The rules apply to domestic and international related party transactions.

This legislation takes effect for accounting periods commencing on or after 1 January 2011. A 'grandfather' clause is included whereby appropriately documented arrangements entered into between related parties prior to 1 July 2010 are excluded from the new regime provided the appropriate documentation was in place prior to 1 July 2010 and the arrangements remain unchanged. The new legislation should not hinder new companies setting up in Ireland, particularly given that most counterparty locations already have transfer pricing legislation that covers related party transactions.

There is an exemption from the transfer pricing legislation for Small and Medium Enterprises (SMEs) (fewer than 250 employees and with a turnover of less than €50m or assets of less than €43m globally).

INTERNATIONALISATION

Holding Companies

Thanks to its attractive tax, regulatory and legal regime, combined with its open and accommodating business environment, Ireland's status as a world-class location for international business is well established.

In recent years Ireland has increasingly emerged as a favoured onshore location for MNCs establishing regional or global headquarters to manage the profits, functions, and shareholdings associated with their international businesses.

Ireland's main tax advantages for holding companies are:

1. Capital gains tax participation exemption on disposal of qualifying shareholdings;
2. Effective exemption for foreign dividends via 12.5% tax rate for qualifying foreign dividends and a flexible foreign tax credit system;
3. Double tax relief available for tax suffered on foreign branch profits and pooling provisions for unused credits;
4. No withholding tax on dividends paid to treaty countries (or intermediate non-treaty subsidiaries) under domestic law;
5. Access to treaties to minimise withholding tax on inbound royalties and interest, and further domestic provisions to minimise withholding tax on outbound payments;
6. Extensive treaty network and access to EU directives.

Other key tax advantages for companies locating in Ireland include a sustainable EU-approved tax regime, which is not under threat from anti-tax haven sanctions. In addition Ireland has no CFC, thin capitalisation rules, capital duty or net wealth taxes. Funding costs may also be tax deductible.

1. Participation Exemption for CGT on Share Disposals

Companies are chargeable to 25% CGT in respect of gains arising on the disposal of capital assets. Irish legislation provides an exemption from CGT on the disposal of shares in a qualifying subsidiary. The exemption is, however, subject to a number of conditions; for example the company must hold at least 5% of the shares of the subsidiary being disposed of for a minimum of 12 months, and the subsidiary must be EU/treaty resident and pass a 'trading' test at the time of the disposal.

2. Foreign Dividend Income

Foreign dividend income is liable to corporation tax in Ireland at either 12.5% or (in the case of certain dividends sourced from non-trading profits) at the passive 25% rate. In general, however, no incremental Irish tax arises as a result of our flexible foreign tax credit pooling system.

Dividends paid by a company located in the EU or in a country with which Ireland has a double tax agreement (including agreements that are signed but not yet ratified) are liable to corporation tax at the 12.5% rate provided the dividend is paid out of 'trading profits'.

Dividends paid out of 'trading profits' of a company resident in a non-treaty country may also be subject to corporation tax at the 12.5% rate where certain conditions are met, namely, the company must be a 75% subsidiary of a company, the principal class of shares in which are substantially and regularly traded on a 'recognised' stock exchange.

De Minimis Rule

If part of the dividend is paid from non-trading profits and part from trading profits, the non-trading balance will be taxed at the 25% rate. However, where a dividend is paid from trading and non-trading sources, a 'de-minimis rule' states that under certain conditions the entire dividend can be taxed at 12.5%, regardless of the fact that a portion is derived from non-trading profits.

An exemption also exists from Irish tax on foreign dividends received by an Irish company where it holds less than 5% of the share capital and voting rights in a foreign company. This exemption only applies where the Irish company is itself taxed on the dividend income as 'trading' income.

Tax Credit Pooling

'Onshore Pooling' allows foreign withholding taxes and underlying taxes (taxes on the profits out of which the dividend has been paid) to effectively be pooled together and used to offset Irish tax on the dividends. However, excess tax on foreign dividends liable at a rate of 12.5% cannot be used against those liable at the 25% rate. The tax credits do not need to be utilised in the year in which the dividend is received. They can be carried forward indefinitely for offset against Irish tax on future foreign dividends.

INTERNATIONALISATION

3. Branches and Foreign Tax Credits

Irish tax resident companies are liable to Irish corporate tax on their worldwide income. A foreign branch of such a company may, therefore, be simultaneously liable to both foreign and Irish tax. In order to eliminate double taxation, Ireland enables companies offset the foreign tax as a credit against the corresponding Irish corporation tax liability.

A pooling provision is available for excess credits. The extent of the pooled credit depends on the nature of the profits, and, hence, whether they are taxed in Ireland at 12.5% or 25%. In all cases, the credit is limited to the Irish tax on the income item. This pooling provision allows for the fact that foreign branch profits may be taxed at a variety of tax rates and looks at the overall rate, not at the rates country by country.

Any unused credits can be carried forward indefinitely and credited against corporation tax on foreign branch profits in future accounting periods.

4. Irish Dividend Withholding Tax (DWT)

A withholding tax of 20% prima facie applies to dividends and other profit distributions made by an Irish resident company. Extensive exemptions are, however, available in cases of certain payments to shareholders, including:

- Irish tax resident companies;
- Certain companies and individual residents in other EU Member States, or countries with which Ireland has a tax treaty.

In particular, dividends can be paid free of withholding tax to any non-resident company where 75% of the shares of the recipient are held directly or indirectly by a company trading on a recognised stock exchange.

The administration is on a self-assessment basis, thus alleviating the administrative complexity.

5. Royalties and Interest

Royalties

Withholding tax prima facie applies in respect of patent royalties at a rate of 20%. Other forms of royalty may also attract withholding tax, including where the royalty constitutes an 'annual payment'. An annual payment is one that is capable of recurring and which the recipient earns without having to incur any expense. Broad ranging domestic exemptions from withholding tax are available, for example, for payments to companies resident in the EU or double tax treaty countries.

Royalty payments can also be made free of withholding tax from Ireland to companies resident in the EU or double tax treaty countries without advance Revenue clearance, provided the royalties are paid for bona fide commercial reasons and the country in which the company receiving the royalty is tax resident generally imposes a tax on such royalties receivable from sources outside that territory. Also in the case of patent royalties paid to non-treaty recipients, Irish Revenue practice allows for such payments to be made free from withholding tax provided certain conditions are satisfied and advance clearance is obtained from Irish Revenue.

In addition, royalty payments to related companies in the EU may be exempt from withholding tax in accordance with the EU Interest and Royalties Directive. An extensive network of double taxation agreements also typically provide for an exemption from withholding tax, if required.

With regard to royalties received in Ireland on which withholding tax has been suffered, relief should be available in Ireland for such foreign withholding tax for such foreign withholding tax by way of credit or deduction. Care should be taken however when structuring foreign operations in order to minimise foreign withholding tax on royalties and other similar payments in the first instance.

Interest

Interest withholding tax at the rate of 20% prima facie applies to interest payments made on loans and advances capable of lasting for 12 months or more. However, where the interest is paid in the course of a trade or business to a company resident in an EU or treaty country which generally taxes interest received from outside its territory, no withholding tax will apply. Various other domestic exemptions, treaty provisions or the EU Interest and Royalties Directive may also provide an exemption from interest withholding tax.

6. Double Taxation Agreements

To facilitate international business, Ireland has signed comprehensive double taxation agreements with 63 countries, of which 55 are in effect as at July 2011 with the remaining treaties pending ratification. These agreements allow for the elimination or mitigation of double taxation.

Where a double taxation agreement does not exist with a particular country, unilateral provisions within domestic Irish tax legislation allow credit relief against Irish tax for foreign tax paid in respect of certain types of income.

In addition, in many instances Irish domestic law provides for an outright exemption from Irish withholding tax on payments to treaty residents.

Ireland is continuously expanding this network of double taxation agreements:

- New agreements with Georgia, Moldova, Serbia, Singapore, Turkey and Hong Kong have now come into force. These treaties are effective 1 January 2011 with the Hong Kong treaty being effective 1 January 2012.
- Legal procedures to bring the new agreements with Albania, Kuwait, Montenegro, Morocco and the United Arab Emirates into force were completed by Ireland in February 2011.
- Negotiations for new agreements with Armenia, Panama, Saudi Arabia and Thailand have also been concluded and are expected to be signed shortly, while negotiations for new agreements are ongoing with Argentina, Azerbaijan, Egypt, Tunisia and Ukraine.
- Tax cooperation agreements have been signed with Anguilla, Antigua and Barbuda, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, the Cook Islands, Gibraltar, Grenada, Guernsey, the Isle of Man, the Marshall Islands, Jersey, Liechtenstein, Samoa, St Lucia, St. Vincent and the Grenadines, the Turks and Caicos Islands and Vanuatu.

Capital Gains Tax (CGT)

Profits arising from the disposal of assets are subject to capital gains tax. (Disposals up to 31 December 2002 are adjusted for inflation in the holding period). With effect from 8 April 2009 the standard rate in respect of disposals is 25%.

12.5% trading losses may be offset on a 'value' basis against capital gains for the current or previous year (e.g., €200 of trading losses are required to offset capital gain of €100). Capital assets may generally be transferred between qualifying companies without triggering a CGT liability. Irish legislation provides an exemption from CGT on the disposal of shares in a qualifying subsidiary.

(Note: the above reliefs may not be available in the case of certain Irish property disposals).

Relief from Capital Gains Tax

Unilateral Credit Relief

Relief is available in Ireland for capital gains tax paid in certain countries including Belgium, Cyprus, France, Italy, Japan, Luxembourg, the Netherlands, Pakistan and Zambia (Ireland signed tax agreements with these countries prior to the introduction of Irish capital gains tax).

In addition, persons (an individual or a company) who are liable to CGT in Ireland, but are also taxed on the gain in another country, will generally be entitled to a credit for foreign tax paid against Irish capital gains tax due.

Stamp Duty

Stamp duty is payable on the transfer of most forms of property where such transfer is effected by way of a written document; in the absence of a written document no charge will generally arise.

Duty of 1% applies on the transfer of common stock or marketable securities of an Irish company. Transfers of most other forms of property, including intangibles but excluding residential property, attract duty at 6%, where the consideration exceeds €80,000. Reduced rates are available where the consideration does not exceed €80,000. Transfers of residential property are liable to duty of up to 2%.

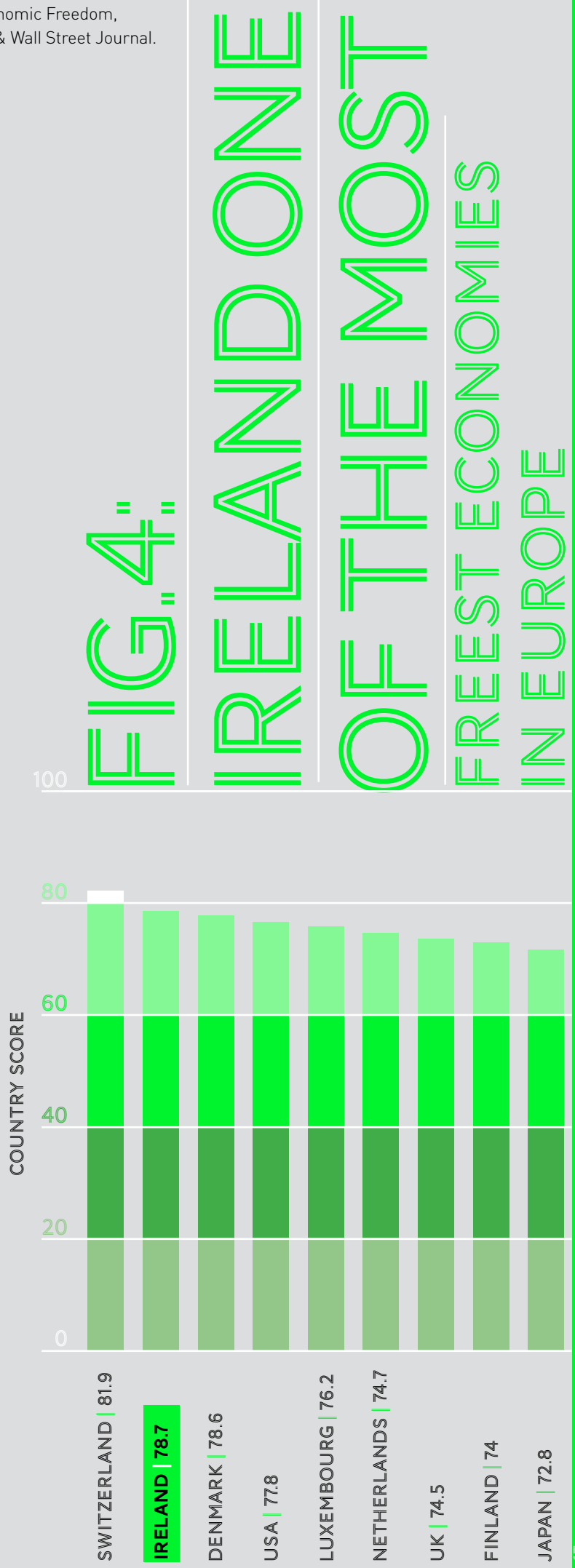
Stamp duty relief is available for transfers arising from corporate reorganisations and reconstructions effected for bona fide commercial reasons. In addition, no duty arises on transfers between associated companies (90% direct or indirect relationships) subject to conditions. Other exemptions are available, including for transfers of intellectual property, a wide range of financial instruments, foreign land and foreign shares.

An e-stamping system is in effect in Ireland whereby the mandatory stamp duty return (SDR1) must be filed online via Revenue's Online Service ('ROS'). The stamp duty return form filed with Revenue must include the tax reference number of each party to the instrument being stamped.

Where a foreign company that is not otherwise required to be registered for Irish tax requires an Irish tax registration number for the purpose of filing a stamp duty return, the company is required to apply for a special 'customer service number' to use on the form.

Capital Duty

Ireland has no capital duty tax on the issue of shares.



Tax Administration

The Irish tax system is a self-assessment regime, in which companies are obliged to determine the extent to which they incur tax liabilities and, if so, to file a tax return and make an appropriate tax payment.

When activities in Ireland become subject to Irish tax, the company is required to file a form (TR2) with the Irish Revenue Commissioners to register for Corporation Tax, PAYE/PRSI and VAT, where appropriate. Tax returns can be filed online by using the Revenue Online Service (ROS), www.ros.ie. ROS also enables taxpayers to view details of their tax balances and provides any relevant information they need to pay and file within the set deadlines.

Three-Year Exemption for Start-Up Companies

A three-year exemption from corporation tax demonstrates Ireland's commitment to encouraging entrepreneurship, business start-ups and employment creation.

Companies that are incorporated after 14 October 2008 but commence to trade in 2009, 2010 or 2011 are granted relief on:-

- profits of the new trade, and
 - chargeable gains on disposals of assets used for the trade,
- up to a prescribed amount for the three year period. The quantum of relief is also linked to the number of employees and the amount of employers PRSI paid by the company in the relevant accounting period.

When the total amount of annual corporation tax does not exceed €40,000, a full exemption is granted. Amounts between €40,000 - €60,000 are granted marginal relief.

Financial Reporting Standards

The financial results of Irish businesses must generally be prepared under Irish GAAP or IFRS (US or other GAAP are not generally acceptable). Where financial statements are drawn up in accordance with either Irish GAAP or IFRS, they will be used as the basis for determining taxable company profits for Irish tax and reporting purposes.



CORPORATION TAX

3 YEARS'

EXEMPTION

FOR START-UPS

OTHER BUSINESS TAXES

Local Taxation

There are no provincial, municipal or local taxes on the profits of companies in Ireland. The only local tax is a property tax, referred to as 'rates', levied by Local Authorities on commercial properties. An amount (or rate) is payable per €1 valuation of the property. The rate is set annually by each Local Authority, which also determines the valuation of the property. Rates are tax deductible for Irish corporation tax purposes.

Value Added Tax (VAT)

Value Added Tax is a consumption tax and is charged on goods and services supplied in the course of business. Credit is given for VAT paid to most registered traders, thus this tax is ultimately borne by the final consumer.

VAT rates range from zero to 21% depending on the type of product or service. Detailed VAT rules apply to supplies of property and to cross border supplies of goods and services (including electronically supplied services) to private consumers elsewhere in the EU.

Export VAT Exemption

Cross-border supplies of goods to customers within the EU are generally subject to 0% Irish VAT (except when supplied to private consumers in the EU). Imports and acquisitions of goods and most services from other countries are generally liable to Irish VAT.

In addition, a VAT exemption certificate may be obtained from the Revenue Commissioners by Irish businesses whose turnover mainly relates to the export of goods from Ireland (at least 75% of turnover). This certificate enables the holder to receive most goods and services in Ireland without incurring Irish VAT. This is a beneficial cash-flow measure operated by the Revenue Commissioners, effectively reducing administration.

Customs, Excise Duties and Export Controls

Customs Duties

Ireland is a member of the EU and all border controls between EU Member States have been eliminated. This allows customs duty-free importation of goods from other EU countries where they are of EU origin or customs cleared in the EU.

Goods imported into Ireland from outside the EU are subject to customs duties. The rates of duty are provided by the EU's Common Customs Tariff. The key duty drivers are:

-
- tariff classification;

 - customs valuation; and

 - origin.

The EU has preferential tariff agreements with certain countries and country groupings, which results in customs duty being reduced or eliminated. In addition, the EU operates certain customs duty reliefs and procedures, for example tariff suspensions, inward processing relief, warehousing and processing under customs control.

It is essential to assign the correct tariff classification, customs valuation and origin to goods imported into the EU to avoid over/underpayment of duty and to make the correct use of any available customs duty reliefs and procedures.

Customs duty becomes due at the point of importation. However, importers can apply to operate a deferred payment procedure whereby the duty and/or import VAT becomes payable by the 15th day of the month following importation. This provides the importer with a cash flow advantage.

Excise duties

Excise duties are chargeable on mineral oils, alcohol products and tobacco products imported into or produced in Ireland and released for consumption here. The rate of excise duty varies depending on the goods and is payable on import (in addition to any customs duty) or when released for consumption. However, as with customs duty, importers can apply to operate a deferred payment procedure for payment of excise duty.

There are also national excise taxes charged in Ireland, for example:

- An excise energy tax is charged on the supply of electricity in Ireland; and
- Vehicle Registration Tax (VRT) is charged on the registration of motor vehicles in Ireland.

Various drawbacks, rebates and allowances may be claimed for certain uses of excisable goods.

Since 1 April 2010, Ireland has adopted a new EU-wide electronic system for the control of duty-suspended excisable goods moving within the Community, known as the Excise Movement and Control System ('EMCS').

Export controls

Companies located in Ireland who are exporting goods to outside the EU (and in some cases, when making intra-Community supplies) must comply with EU and Irish export control legislation, as well as US re-export control legislation where applicable.

The EU "Dual-use Regulation" controls the movement of specific dual-use goods, i.e. goods with both a civilian and military application, while the Irish Control of Exports Order controls the movement of goods specifically designed or modified for military use.

Carbon Tax

In an effort to reduce carbon emissions and encourage energy users to switch to renewable energy sources, a carbon tax was introduced in 2010. The tax applies to the following categories of fuel that are supplied in Ireland:

- transport fuels: petrol and auto-diesel;
- non transport fuels: oil, gas and kerosene, and
- solid fuels: peat and coal.

The carbon tax rate is €15 per tonne of CO₂ emitted and is charged at the time the fuel is supplied to the consumer. The fuel supplier is liable and accountable for the payment of the tax.

PERSONAL TAXATION

Income Tax

Income tax is generally chargeable on all income arising in Ireland, and on income for services performed in Ireland. The tax with regard to other income and gains depends on residency and domicile.

The most common form of income tax is PAYE (Pay As You Earn), which is a salary withholding tax deducted by employers from an employee's pay. Persons who are self-employed or receive income from non-PAYE sources use the self-assessment system. Personal income tax rates depend on marital status.

For employees, the tax due on employment income is withheld at source by their company through the PAYE system.

PERSONAL INCOME TAX RATES

	AT 20%	AT 41%
SINGLE PERSON	32,800	BALANCE
MARRIED COUPLE (ONE INCOME)	41,800	BALANCE
MARRIED COUPLE (TWO INCOMES)	65,600	BALANCE

Taxation of Foreign Domiciled Persons in Ireland

Most foreign executives working for overseas companies in Ireland are classified as being resident, but not domiciled, in Ireland. This means they are subject to Irish income tax on income earned in Ireland, as well as any income remitted from outside Ireland.

As regards employment income earned under a foreign employment contract, such income will be taxable to the extent it is attributable to Irish duties but otherwise only if remitted to Ireland.

Foreign executives may reduce their tax liabilities through a number of exemptions and reliefs as they will be treated as a qualifying person for the purposes of the Remittance Basis of Taxation (RBT). RBT is available in respect of (i) foreign source employment income not applicable to duties performed in Ireland (referred to as non-Irish workdays) and (ii) foreign source investment income. 'Foreign source' means arising outside Ireland.

In addition, Special Assignment Relief Programme may be available to key overseas talent in certain circumstances as outlined below.

Special Assignment Relief Programme (SARP)

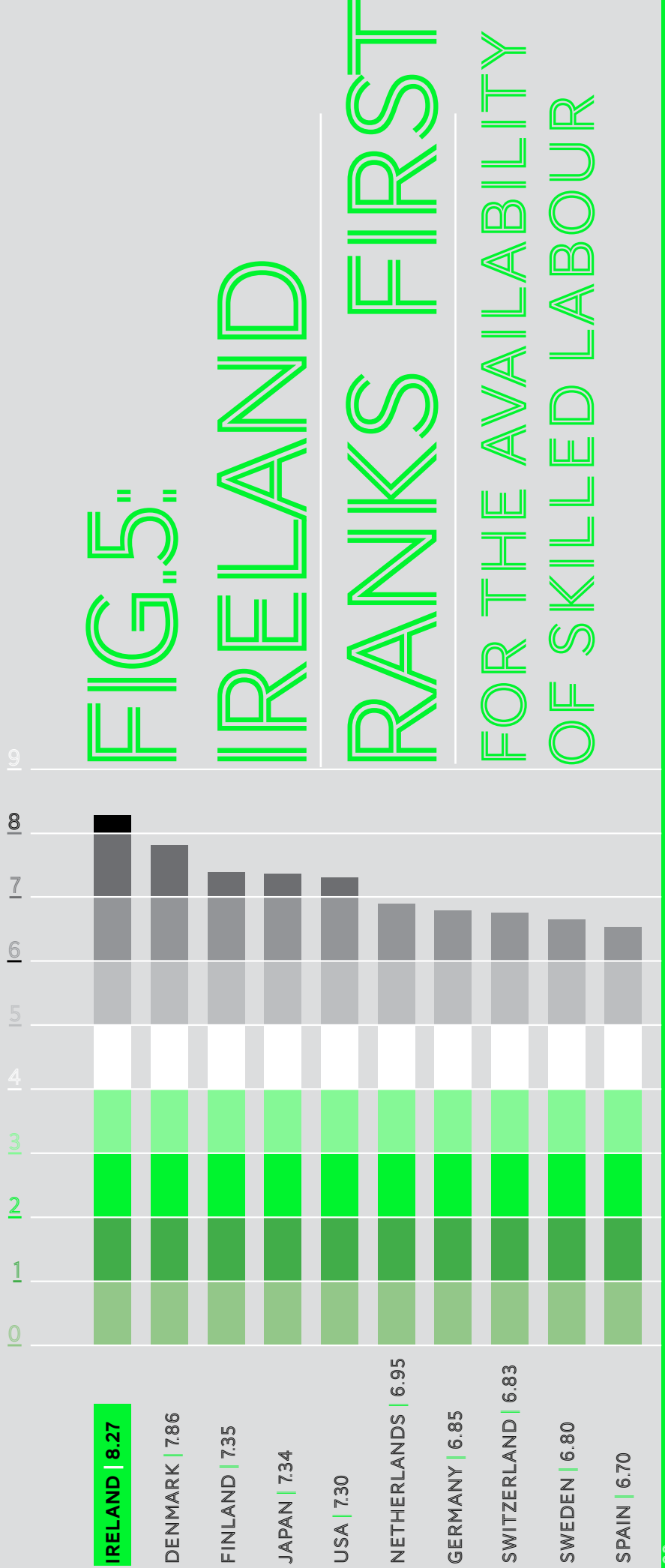
SARP is aimed at encouraging key overseas talent to come to Ireland.

In the case of individuals who come to Ireland on or after 1 January 2010 to take up tax residence and exercise the duties of their employment in Ireland for the first time, the relief applies to individuals who are assigned to Ireland from any country with which Ireland has a tax treaty. The minimum time period that an individual must remain working in Ireland is one year.

Where the conditions for SARP are met, relevant employees may apply to have their final Irish income tax exposure calculated on the higher of:

- total employment earnings and benefits received in or remitted to Ireland; or
- the first €100,000 plus 50% of earnings and benefits in excess of €100,000.

The overseas employer must operate Irish PAYE, the Universal Social Charge (and PRSI where appropriate – see further below) on the employment income. Individuals will then be required to claim the relief by filing a tax return at the end of the relevant tax year.



Share Schemes and Profit Sharing Schemes

It is possible for companies to operate share schemes and/or profit sharing schemes to allow employees to participate in the business in a tax-efficient manner. Employers' PRSI does not apply to share schemes. In addition, if the grant of a share award/option was subject to a written agreement before 1 January 2011, employee PRSI is not due on vest/exercise.

Social security (PRSI) and USC

PRSI

Employed persons are compulsorily insured under a State-administered scheme of Pay-Related Social Insurance (PRSI). Contributions are made by both the employer and the employee.

Contributions by the employer are an allowable deduction for corporation tax purposes. The PRSI contribution rate for employers is 10.75%. A reduced rate of 4.25% applies where earnings in any week are less than €356 (in effect from July 2011).

Employers' PRSI applies to all employment earnings including taxable benefits. The individual's share of PRSI is 4%. For employees, the first €127 per week of earnings is exempt from PRSI contributions. Certain exemptions also apply.

Universal Social Charge (USC)

A Universal Social Charge (USC) is also payable by employees ranging between 2% and 7% (USC of up to 10% is payable by self-employed individuals in certain circumstances).

FURTHER INFORMATION

Corporate Tax in Ireland

- A guide written by the Irish Revenue Authority explains what is classified as 'trading income' www.revenue.ie/en/practitioner/tech-guide/index.html

Tax Relief

- More information regarding energy efficient equipment can be sourced from Sustainable Energy Authority of Ireland, www.seai.ie
- Further clarification on pre-trading expenses can be obtained from the Irish Revenue Authority, www.revenue.ie/en/tax/it/reliefs/index.html

Tax Administration

Value Added Tax (VAT)

- www.revenue.ie/en/tax/vat/index.html
- Tax returns can be filed online by using the Revenue Online Service (ROS), www.revenue.ie/en/online/ros/index.html
- Detailed rules for VAT on property are available at www.revenue.ie/en/tax/vat/property/index.html

Business Taxes

- Customs and excise duties and rates of excise tax vary. For detailed information, visit www.revenue.ie/en/customs/index.html

Double Taxation Agreements

- Agreements and terms and conditions can be found at www.revenue.ie/en/practitioner/law/tax-treaties.html

R&D Tax Credit

- Guidance on what activities constitute R&D is available at www.revenue.ie/en/practitioner/tech-guide/index.html

Personal Taxation and Tax Credits

- For more information visit www.revenue.ie/en/personal/index.html

PricewaterhouseCoopers

IDA would like to thank PwC for their work and contribution to the IDA's Guide to Tax in Ireland. For further information from PwC please visit www.pwc.com/ie/fdi



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