

# Ireland update: Considerations for U.S. companies







## Ireland update: Considerations for U.S. companies

June 20, 2013





Assurance • Tax • Consulting

## Leading today's discussion

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## Ireland update: Considerations for U.S. companies

### Today's agenda

- **Ireland Today**
- **Practical considerations for doing business in Ireland**
- **Q&A**

Our presenters will answer audience questions at the end of the presentation. To submit a question, select the Q&A button at the top of your screen.



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### Ireland today

- 
- |  |   |
|--|---|
| • General overview of the state of the country | • Impact of FDI                           |
| • Why Ireland?                                 | • Key Strengths                           |
| • Who is investing?                            | • Competitiveness improving significantly |



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## Ireland today

Time Magazine, October 15, 2012

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## Snapshot: Ireland today

### Track Record

Ireland scores highly in global business rankings and continues to attract companies from a variety of sectors including ICT, Life Sciences, Financial Services, Engineering, Digital Media, Games and Social Media

\*ICT= Information Communication Technology

**1004** overseas companies have chosen Ireland as their strategic location in Europe

**1st** in the Eurozone for ease of doing business.

**1st** for inward investment by quality and value

**2nd** for inward investment jobs per capita.

**2nd** most attractive country globally for Foreign Direct Investment

**Best** location to invest in Western Europe

**Top10** of easiest places in world to do business.

### SUCCESS

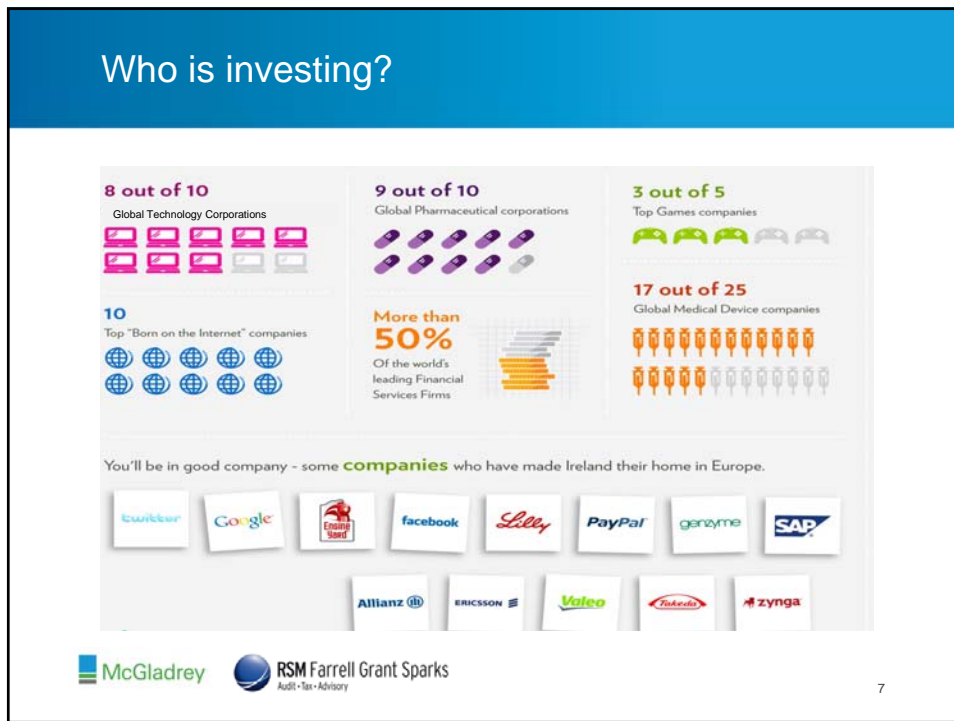
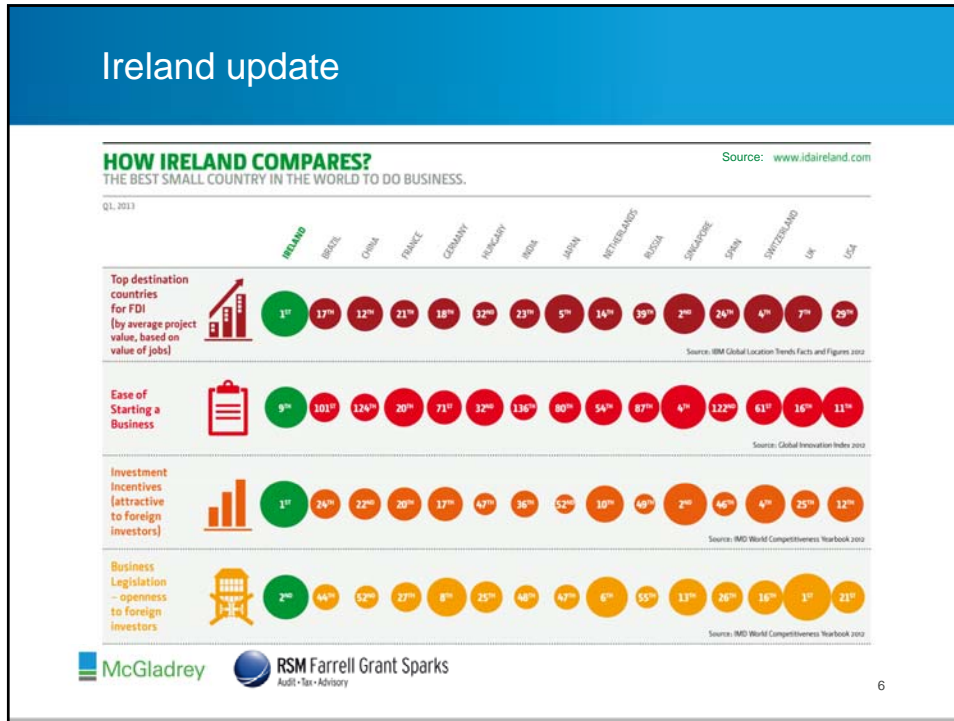
**93%** of overseas companies rate their investment in Ireland a success

**Sources:**

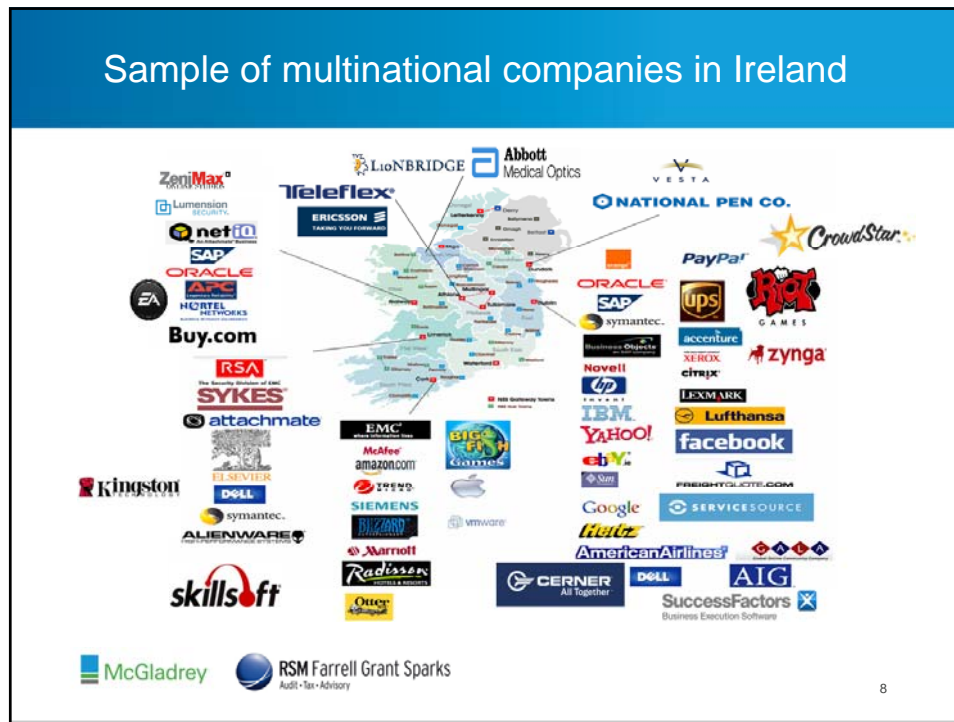
- 2011 IBM Global Location Trends Report
- NIB/ FDI Intelligence Inward Investment Performance Monitor 2011
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## Ireland update: Considerations for U.S. companies



### Key strengths remain

- Favorable tax regime
- Highly educated and skilled workforce
- Availability of attractive business incentives and grants
- Stable positive pro business environment
- Very experienced and professional approach to assisting international businesses in locating in the country
- Cultural affinity with the US
- Increased cost competitiveness
- Location – International airlines connecting to US and Asia same day

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## Competitiveness improving significantly

**Business costs have fallen significantly from peak in 2007/2008:**

- Prime office rents down 52%
- Unit labor costs down 12%
- Business Services down 7.3%

**Internal devaluation has occurred:**

- Real HCI's signalling costs back to 2003 levels
- Current account back in balance
- Recognised internationally: Goldman Sachs estimates that the price adjustment needed for external stability is largely complete in Ireland \*

**Real Harmonised Competitiveness Indicators**  
1999=100

\*[http://www.docstoc.com/docs/118482225/Goldman-Sachs---Achieving-fiscal-and-external-balance-\\_Part-1\\_#](http://www.docstoc.com/docs/118482225/Goldman-Sachs---Achieving-fiscal-and-external-balance-_Part-1_#)

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## Labor costs falling

**Irish hourly labor costs fell below the Euro Area in 2011**

- One of only 3 countries in the EU where nominal labor costs have fallen.
- Irish labor costs are 11th in the EU, below countries such as Luxembourg, Germany, Belgium, the Netherlands & Austria.

**Change in Labor Costs 2009-2011 (%)**

Country	Change in Labor Costs 2009-2011 (%)
Greece	~2%
Ireland	~-2%
Lithuania	~-1%
Latvia	~-1%
Estonia	~-1%
Portugal	~-1%
Spain	~-1%
Netherlands	~1%
Cyprus	~1%
Germany	~1%
EA 17	~1%
Italy	~1%
Malta	~1%
EU 27	~1%
Luxembourg	~2%
Austria	~2%
Slovenia	~2%
UK	~2%
Denmark	~2%
Belgium	~2%
France	~2%
Hungary	~2%
Slovakia	~2%
Romania	~2%
Poland	~2%
Czech Rep	~2%
Norway	~2%
Bulgaria	~2%
Sweden	~2%

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Source: EUROSTAT 2012

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- **Practical considerations for doing business in Ireland**
  - **Entry factors**
  - Taxation
- Final thoughts
- Q&A

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### Doing business in Ireland

- 
- The Digital Cluster in Ireland
  - Doing Business in Ireland - practical considerations
  - How we can help you setting up in Ireland



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### The digital cluster in Ireland

- Ireland has a very **strong Internet, digital media and social networking cluster** already in existence
- Ireland produces over **48,000 graduates** each year.
- Ireland has excellent **software and technical expertise** – particularly in middleware, networking tools, wireless, translation, localisation.



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### The digital capital of Europe

<b>TOP WEB BRANDS</b>	    
	   
<b>SOCIAL NETWORKS</b>	    
<b>DIGITAL GAMES</b>	     
	   
<b>B2B ECOMMERCE</b>	     
<b>MOBILE / TELCO</b>	    
<b>WEB SECURITY</b>	    




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# Ireland update: Considerations for U.S. companies

## Practical considerations




- Labor environment
- Business structures

- Accounting framework
- State Funding

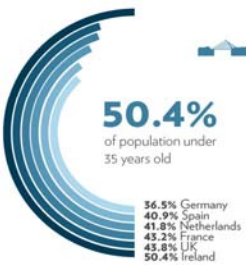


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## Labor environment


### Talent



Favourable demographics and a quality education system ensures a plentiful supply of highly qualified people with excellent technical, language and customer services capabilities



Country	Percentage
Germany	56.5%
Spain	40.9%
Netherlands	41.8%
France	43.2%
UK	43.8%
Ireland	50.4%




**1st** for the availability of skilled people.

**Dublin** Ireland is ranked as the best city in the world for human capital

**1st** for people's flexibility and adaptability



Ireland moves up **8 places** to **13th** in the Global Innovation Index



Share of population aged 25-34 with third level qualifications is higher in Ireland than in US or UK and above the OECD average

**Sources:**

- 2011 IBM Global Location Trends Report
- NIB/FDI Intelligence Inward Investment Performance Monitor 2011
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### Ireland also...

- ... has an existing internationally experienced labor pool.
- ... is a leading destination for people with language capability.
- ... employs 153,000 people directly in international companies (100,000 in US companies).
- ... has a high percentage of students who study foreign languages (e.g. French, German, Spanish, Italian) at both primary and second level.
- ... has an increasing multicultural / multilingual diverse software development community, where 22% are non Irish (13% in 2000).



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### Business structures

#### Common structures

- Private Limited Company
- Public Limited Company

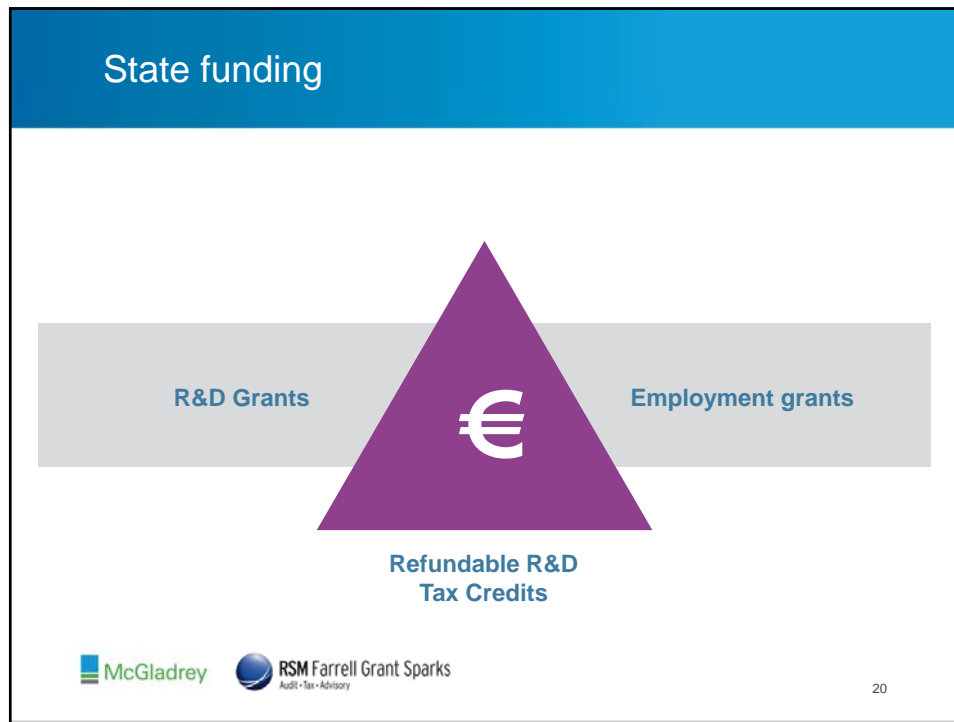
#### Process for setting up a company

- Documentation required
- Timeframe



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## Ireland update: Considerations for U.S. companies

### How we can help you setting up in Ireland

#### Newly incorporated companies

- Accountancy, Tax and Company Secretarial
- Banking
- Property
- Recruitment
- Legal

#### Acquiring an existing company?

- Due diligence and related services



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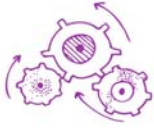


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## Snapshot: Taxation in Ireland today

**T**ax






Companies that have chosen Ireland as their European or International base have been able to maximise Ireland's competitive tax regime to achieve a high rate of return on their investment

**12.5%**  
corporate tax rate in Ireland





Ireland	12.5%
China	25%
UK	26%
India	33.9%
France	34.4%
USA	39.2%

-  **5th** of 183 economies surveyed for ease of paying tax
-  **1st** for corporate taxes
-  **25%** Research and Development tax credit
-  **Extensive** Tax Treaty Networks

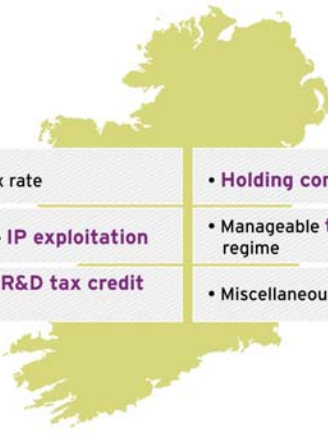
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## Taxation

**Key Attractions of Ireland's Tax Regime**



• <b>12.5% tax rate</b>	• <b>Holding company regime</b>
• <b>Favourable IP exploitation</b>	• <b>Manageable transfer pricing regime</b>
• <b>Attractive R&amp;D tax credit regime</b>	• <b>Miscellaneous</b>



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### 12.5% tax rate

- One of the lowest statutory rates in the world
- Applies to Irish trading activities
- Irish trading income (12.5%) versus passive income (25%) or foreign trading income (25%)
- Irish substance is key - consistent with requirements of US tax code



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### Favorable Intellectual Property (IP) exploitation

- Tax depreciation on broad range of trade related IP
- Depreciate over accounting life or 15 years
- No claw back if IP retained for at least 10 years
- Can result in effective Irish rate of 2.5% on IP exploitation income
- Deduction for licenced in IP
- No Irish stamp duty on acquisition of IP



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### Research & Development (R&D) tax credit regime

- Tax credit of 25% for qualifying R&D expenditure
- In addition to 12.5% deduction - effective value is 37.5%
- For new companies (post 2003) - relief is volume based
- Credit used to reduce CT liability or refundable in certain cases
- R&D tax credit may be “above the line” - directly reducing R&D cost
- Credit can be converted into tax efficient bonuses for R&D team



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### Holding company regime

- Ireland frequently used as regional or global headquarters
- Irish Capital Gains Tax (CGT) exemption for gains on sale of domestic and foreign subsidiaries (EU and treaty countries)
- Tax exemption for Irish dividends
- Effective exemption for foreign dividends (thru use of foreign tax credits)
- Extensive domestic law withholding tax exemptions
- No thin capitalisation or Controlled Foreign Companies (CFC) rules



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### Manageable transfer pricing regime

- Finance Act 2010 introduced transfer pricing (“TP”) rules to Ireland
- Enhances Ireland’s well regulated tax regime
- Assists Irish Revenue challenges to Multi-National companies from other jurisdictions
- Already had ‘wholly and exclusively’ test
- Imposes Arms Length Pricing (ALP) to understatement of Irish trading profits and overstatement of Irish trading expenses



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### Other tax considerations

- **Start up tax exemption in certain circumstances**
- **Extensive list of double taxation agreements**  
68 – includes all EU countries, USA, Canada, Australia, China, India, Japan, and Russia
- **Special Assignee Relief Programme (“SARP”)**  
may result in tax savings where tax equalisation exists
- **Real estate investment incentive**  
No Irish capital taxes on certain gains on disposal of real estate acquired before end of 2013

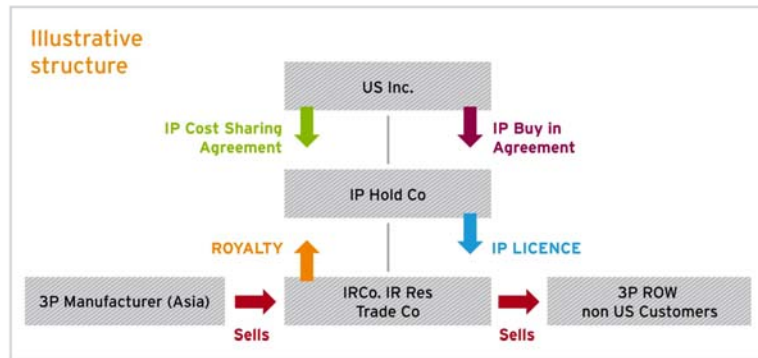


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### Taxation




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## Ireland update: Considerations for U.S. companies

### Final thoughts



- ★ Favourable tax regime
- ★ Highly educated and skilled workforce
- ★ Stable pro business environment
- ★ Increased cost competitiveness
- ★ Availability of attractive business incentives and grants
- ★ Location
- ★ Cultural affinity with the US
- ★ Ireland is not just for business

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### Final thoughts



 **Golf** - over 300 courses within Ireland and a number of world-class golfers including Rory McIlroy, Padraig Harrington, Graeme McDowell and Darren Clarke.

The Old Head Golf Links,  
Kinsale, County Cork

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### Answering your questions



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