



Ireland's Corporation Tax Strategy and FDI

BUDGET 2013



An Roinn Airgeadais
Department of Finance



Ireland's Corporation Tax Strategy



Corporation Tax Strategy and FDI in Ireland

Ireland's industrial policy has been firmly focussed on attracting and retaining Foreign Direct Investment (FDI) for the last fifty years. Central to that policy is a competitive corporate tax regime.

There are three key components to Ireland's Corporation Tax Strategy:

- **Rate**
The Government policy in relation to the 12.5% rate of corporation tax is clear
- **Regime**
This refers to the additional elements of Ireland's broader Corporation Tax Strategy – e.g. R&D Tax Credit
- **Reputation**
Ireland offers a transparent corporation tax regime accompanied by a rapidly growing network of international tax treaties with full exchange of tax information



Rate

Budget 2013 confirms that the Government's policy in relation to the 12.5% Corporation Tax rate remains unchanged:

“ The Government remains 100% committed to maintaining the 12.5% Corporation Tax Rate, a sentiment I believe is shared by the vast majority of Deputies in this House.”

Budget 2013 Speech by Minister for Finance



Regime

A number of additional measures beyond the restatement of the commitment to the 12.5% corporation tax rate were announced in Budget 2013:

R&D Tax Credit

A review of the R&D Tax Credit will be carried out in 2013. This is the first such review since the scheme was introduced in 2004. The objective is to ensure that the R&D Tax Credit remains 'best in class' internationally and that it represents value for money for taxpayers.

Real Estate Investment Trusts (REITs)

A Real Estate Investment Trust (REIT) regime is being introduced. REIT is a globally recognised standard for investment in rental property, and is already well-established in the US, the UK, Europe and Asia. 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. Introduction of REITs should assist in attracting foreign capital to the investment property market in Ireland.

Corporation Tax Measures to Support Small Business

Three Corporation Tax measures are being introduced as part of the *10-point Tax Reform Plan to Help Small Business* – the R&D Tax Credit and the 3-Year Tax Relief for New Start-Up Companies are being extended and the Close Company Surcharge is being amended to allow small companies to save for a rainy day.



Reputation

Ireland-US Intergovernmental Agreement to Improve International Tax Compliance

In Budget 2013, it was announced that Ireland is one of the first countries in the world to have concluded a new Intergovernmental Agreement with the United States of America to Improve International Tax Compliance and Implement FATCA (US Foreign Account Tax Compliance Act). This Agreement aims to combat tax evasion by providing for the automatic exchange of tax information. This is a concrete example of Ireland's commitment to improving international tax compliance.

Tax Treaty Network

Tax treaties are essential for the development of trade between nations as they reduce tax barriers to cross-border trade and investment and thus support FDI. Ireland's tax treaty network compares very favorably with the networks of other larger OECD countries and now includes most of the world's major economies. This shows the high regard in which Ireland's tax regime is held internationally.

EU Presidency

During the forthcoming Irish Presidency of the European Council, the Department of Finance intends working closely with the European Commission and with other EU Member States to make progress on new EU proposals on tax evasion and aggressive tax planning.



Ireland: Location of Choice for FDI

The pace of Ireland's economic recovery is modest, yet the country's FDI performance has remained buoyant. Despite a myriad of challenges, Ireland's unique attributes as an investment location remain intact.

Over 1,000 Multinational Corporations have chosen Ireland as their strategic location in Europe

The 2011 IBM Location Trends Report highlights that Ireland is ranked 1st in the World for inward investment by quality and value

The IMD World Competitiveness Yearbook 2012 ranks Ireland 4th in the world for corporate tax rate and 2nd in the world for business legislation open to foreign investors



For more information please go to:

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