This report provides helpful information on the current business environment in Ireland. It is designed to assist companies in doing business and establishing effective banking arrangements. This is one of a series of reports on countries around the world.

Global Banking Service

Report on Ireland

Contents

RBC Royal Bank®

Important to Know

Official language

- English
- Irish (Gaelic)

Currency

- Euro (EUR)

Bank holidays

2010	
January	1
March	17
April	2, 25
May	3
June	7
August	2
October	25
December	27–29

Source: www.goodbusinessday.com.

Types of Business Structure

Under Irish law, there are several business structures available. Some require a minimum amount of share capital to be paid up before the business can be established. A financial institution must hold the paid share capital in a restricted account until the business is legally established. Private limited liability companies are generally uncomplicated to set up and easier to manage than public limited liability companies and are therefore usually the preferred choice of structure for foreign investors.

Public limited liability company

This is a company whose shares are tradable on a public stock market. It requires a minimum share capital of EUR 38,092.14, of which 25% of the share capital must be paid up before the business can be established. It must have a minimum of seven shareholders. Shares may be registered or bearer, ordinary or preferred and can only be issued at par value.

Private limited liability company

This is a company whose shares are registered to their owners and therefore are not publicly tradable. This requires no minimum share capital, but the number of shareholders must be at least two and may not exceed 99 (excluding employees). Shares can be ordinary or preferred. Single member companies can also be set up, but must have at least two directors and a secretary.

General partnership

In a general partnership, all partners have full and joint liability. This requires no minimum share capital.

Limited partnership

In a limited partnership, some partners enjoy limited liability (silent partners) although they are not permitted to exercise managerial control. Other partners are considered general partners and have unlimited liability. This requires no minimum share capital. A limited partnership must have at least one general partner and one limited partner, and should not exceed 20 partners. The limited partners invest a stated amount of capital and are not liable for the debts of the partnership beyond the amount invested.

Society/Union

Three types of societies/unions are recognized in Irish law: Industrial and Provident Societies, or cooperatives, which have limited liability; Friendly Societies, which must have at least seven people and are usually set up to provide benefits or promote an interest; and Trade Unions, which must have at least seven people and are established to represent employees to employers.

Other organizational types

Irish companies are entitled to form European Economic Interest Groupings (EEIGs) with companies based in other European Union (EU)* member states. An EEIG performs particular activities on behalf of its member owners. An EEIG is also permitted to perform these activities with entities outside the EU. An EEIG has unlimited liability.

*The EU is an economic and political union of 27 countries (including all members of its forerunner, the European Community, as well as other countries in Central and Eastern Europe), 16 of which use the euro as a common currency.

A *Societas Europaea* (SE) is a European public limited company, which can be established in any European Economic Area (EEA)* member state. It must maintain its registered office and head office in the same country, and it is subject to the company law in that country.

*EEA countries include those of the EU and three of the four European Free Trade Association (EFTA) member countries (Iceland, Liechtenstein and Norway).

Branches and representative offices

Non-Irish companies are entitled to establish a branch or a representative office in Ireland. A branch's activities are subject to Irish disclosure rules according to the EU's 11th Company Law Directive. They require no minimum share capital. To open a branch, a company must file a number of documents, including a memorandum of association.

Opening and Operating Bank Accounts

Residency

To be considered resident, a company must be incorporated in Ireland, or have its principal establishment or its centre of management in Ireland.

Domestic and foreign currency account restrictions

Residents are permitted to hold local currency (EUR) accounts outside Ireland and foreign currency accounts both within and outside Ireland.

Non-residents are permitted to hold local currency and foreign currency accounts in Ireland.

All local currency accounts are fully convertible into foreign currency.

Anti-money laundering and counter-terrorist financing rules

- Account opening procedures require formal identification of all account applicants other than those designated bodies, such as banks, building societies and stockbrokers, in Ireland corresponding with bodies in EU countries and other countries prescribed by the Ministry of Justice. Address verification is required.
- Financial institutions are required to take reasonable measures to identify customers when establishing business relationships or for single transactions or linked transactions aggregating to EUR 13,000.

- For corporate customers, the nature of the company's business should be ascertained and the beneficial owners and controllers identified. For private companies, a list of shareholders holding 10% or more of the issued share capital should be obtained and the occupations and dates of birth of those individual shareholders should be obtained. Where a significant shareholder (25% or more) is a body corporate, it is recommended that the ultimate beneficial owner is identified.

Supplied by BCL Burton Copeland (www.bcl.com). Data as at July 2009.

Special purpose accounts required by local regulation

None.

Value-added tax (VAT) on banking services

Under Irish law, banking and financial services are exempt from VAT.

Payment and Collection Instruments

Electronic funds transfers are the most common payment instrument for both domestic and cross-border payments in the EEA. They can be initiated using Internet and other electronic banking facilities. However, cheques remain an extensively used payment instrument in Ireland and are still the most common method of payment for business-to-business and consumer transactions by value. Cheques are used by smaller companies to make payroll payments. The use of non-urgent credit transfers has been encouraged by the Irish banking community to make payroll payments in recent years through the introduction of PayPath, a system which allows wages and salaries to be paid electronically directly into employees' bank or building society accounts. Enterprises can use third-party payroll agencies. Card payments are commonly used for consumer transactions, with both debit cards and credit cards in frequent use. Pre-authorized direct debits are becoming popular and are used by utility and insurance companies to collect domestic payments.

Payment Instrument Use (domestic)

Payment instrument	Transactions (million)		% change 2008/2007	Traffic (value) (EUR billion)		% change 2008/2007
	2007	2008		2007	2008	
Cheques	124.60	117.20	– 5.9	949.00	797.00	– 16.0
Credit transfers	153.07	168.10	9.8	176.50	198.70	12.6
Direct debits	96.80	104.00	7.4	84.60	106.20	25.5
Debit cards	152.00	199.40	31.2	9.68	12.10	25.0
Credit cards	110.64	118.45	7.1	14.06	13.88	– 1.3
Total	**637.11**	**707.15**	**11.0**	**1,233.84**	**1,127.88**	**– 8.6**

Source: ECB Payment Statistics, September 2009.

Single Euro Payment Area (SEPA)

SEPA payment instruments allow enterprises to make and receive EUR-denominated credit transfers, direct debits and debit card payments from a single bank account to and from other parties located anywhere within the EEA and Switzerland. The use of International Bank Account Numbers (IBANs) and Bank Identifier Codes (BICs) is compulsory for transfers denominated in EUR between bank accounts in the EU.

Ireland does not have a national SEPA-compliant ACH system, and thus low-value SEPA credit transfers have been settled elsewhere in Europe since their introduction on January 28, 2008.

International Payments

International payments, including foreign currency payments and payments to and from parties located outside the EEA, are processed through same-bank networks, through multibank alliances or by using traditional correspondent banking techniques.

Payment Processing Times

Transactions processed (EUR-denominated)	Value dating rules	Cut-off time(s) in local Western European Time (GMT)
High-value and urgent domestic and intra-EEA transfers	Settlement in real time with immediate finality	17:00 GMT
Non-urgent, low-value domestic consumer payments	Electronic payments are settled at 10:00 GMT the next day. Cheques are usually settled on a three-day cycle.	Cut-off times for non-urgent domestic payments are determined by bilateral arrangements between the respective banks
Non-urgent intra-EEA credit transfers with a maximum value of EUR 50,000*	Settlement either same-day or next-day	12:00 GMT for same-day settlement or 00:00 GMT for overnight or next-day settlement

* SEPA credit transfers are not subject to a maximum value threshold.

Central Bank Reporting

The Central Statistics Office collates balance of payments statistics from the responses to a number of surveys covering international trade and different forms of investment activity.

The Central Statistics Office currently asks around 500 non-financial companies and 4,000 financial companies to complete surveys on the nature of their transactions with non-resident entities.

Larger companies complete the surveys quarterly; smaller companies do so annually. Only those companies contacted by the Central Statistics Office are required to complete a survey.

Exchange Arrangements and Controls

Ireland does not apply currency exchange controls.

Cash and Liquidity Management

Although the International Financial Services Centre (IFSC) preferential tax regime was phased out completely in 2005, a number of multinational companies still consider Ireland to be an attractive location from which to manage their group cash and liquidity on a cross-border basis. This is due to a range of factors including the absence of exchange controls, comparatively few regulatory restrictions and because the Irish government introduced one of the lowest corporate tax rates in Europe (12.5% applicable to trading profits of active trading companies) to offset the phase-out of the IFSC.

Physical Cash Concentration

Physical cash concentration is available from all large Irish and international banks. Resident and non-resident companies can participate in the same domestic cash concentration structure.

Pools can be denominated in local currency (EUR) and some foreign currencies. A number of banks offer cross-border, cross-currency physical cash concentration.

Notional Cash Pooling

Notional cash pooling is available from most large Irish and international banks. Resident and non-resident companies can participate in the same domestic notional cash pooling structure.

A number of leading international banks based in Dublin offer cross-border notional cash pooling.

Short-term Investment

Bank instruments

Interest-bearing current accounts are permitted, but not extensively available. Banks offer time deposits in a range of currencies for terms from overnight to a year. Banks also issue certificates of deposit (CDs), usually for terms ranging from one week to a year.

Non-bank instruments

Some Irish companies issue commercial paper, although investors have access to the wider euro commercial paper (ECP) market as well. In both cases, the maximum maturity of the paper is one year, although ECP is usually issued for shorter periods from one to six months.

The National Treasury Management Agency (NTMA) issues a number of bills and notes on behalf of the Irish government, including Exchequer Notes – issued at discount for periods up to one year with a minimum investment of EUR 250,000 – Agriculture and Commodity Intervention Bills, and Section 69 Multicurrency Notes – denominated in any major currency and on terms stipulated by the investor.

Irish companies have access to a number of money market funds and they are popular with investors for investing short-term cash surplus.

Short-term Borrowing

Bank

Overdrafts, bank lines of credit and bank loans are usually all available in Ireland to both resident and non-resident companies. Banks will usually charge a margin over Euribor (the Euro Interbank Offered Rate) for EUR-denominated facilities. Other commitment and arrangement fees will also be charged.

Non-bank

Larger companies issue commercial paper into both the domestic and the ECP market.

Factoring and invoice discounting are available from a number of banks and specialist providers.

Taxation

Corporate Taxation

- Corporate taxation is based on the self-assessment method. A corporation tax rate of 12.5% applies to trading profits of active trading companies. Furthermore, a special rate of 12.5% applies to foreign dividends repatriated from foreign trading income where certain conditions are satisfied.
- An exemption from corporation tax with regard to profits and chargeable gains is provided for the first three years of trading where a company incorporated on or after October 14, 2008 commences trade in 2009 and the company's annual corporate tax liability does not exceed EUR 40,000. Marginal relief is available where the corporation tax liability does not exceed EUR 60,000. Certain exceptions apply.

- The rate of corporation tax on passive income (non-trading income) is 25%. A rate of 20% applies to non-residents on Irish-sourced income other than that derived from an Irish permanent establishment (which is liable to the standard corporation tax rates as set out above).
- A reduced rate of 10% is available for profits from a wide range of manufacturing activities and certain financial, shipping and service activities. However, this rate ceased for IFSC (International Financial Service Centre) companies on either December 31, 2002 or December 31, 2005, depending on when the activity commenced. The 10% rate will cease for most other manufacturing companies on December 31, 2010.

Tax payments

- Commencing for accounting periods ending on or after October 14, 2008, "large companies" (whose corresponding corporation tax liability for the preceding 12 months exceeds EUR 200,000) that have an accounting period greater than seven months are required to pay two preliminary tax instalments. The first is payable no later than the 21st day of the month following the end of the fifth month of the accounting period and should be based on 50% of the preceding year's liability or 45% of the current year's liability. The second instalment is payable no later than the 21st day of the month prior to the accounting period end and should be such that a total payment of at least 90% of the final year's liability for the year is made.
- Any balance of tax due (over and above preliminary tax) will be payable at the time the tax return is filed.
- In the case of a "small company" (a company whose corresponding corporation tax liability for the preceding 12-month accounting period does not exceed EUR 200,000), there is only one preliminary tax instalment. The preliminary tax obligation for an accounting period will be fulfilled by paying an amount which is not less than the lower of:
  - 90% of the final liability of the accounting period; or
  - 100% of the liability of the corresponding previous accounting period.
- The preliminary tax payment should be made no later than the 21st day of the month prior to the period end.
- In the case of companies in their first taxable period, no obligation to pay preliminary tax in the first year will arise provided the tax liability for that first accounting period does not exceed EUR 200,000 (reduced accordingly if the first accounting period is less than 12 months).

Carry forward losses

- Trading losses may be carried forward indefinitely against profits of the same trade.
- Losses and charges from most activities subject to the 10% or 12.5% corporation tax rate may be offset against current year income taxed at the 25% rate on a value basis. (For example, twice as many losses of a trade subject to the 12.5% corporation tax rate will be required to shelter an amount of income subject to the non-trading rate of 25%.)

Advance Tax Ruling Availability

- Ireland does not have a structured advance ruling system. However, revenue opinions are issued upon request where the circumstances are complex or a transaction is unusual and the existing information services do not provide the clarity required. The opinions are not legally binding; it is open to Revenue officials to review the position when a transaction is completed and all of the facts are known.

Withholding Tax (subject to tax treaties and other exemptions)

- DIRT (Deposit Interest Retention Tax), imposed by financial institutions on interest on certain deposits, is applied at a rate of 23% or 26%.
- Withholding tax on dividend payments and other profit distributions is at the standard income tax rate of 20%. Certain exceptions to this withholding tax apply, notably in respect of dividends paid to other Irish companies or companies ultimately controlled by companies resident in the EU or countries with which Ireland has a tax treaty. A declaration must be provided by the recipient to the Irish dividend paying company in advance of the payment of the dividend.
- A withholding tax of 20% is also levied on interest paid to residents and non-residents. Certain exceptions also apply to this withholding tax, notably in respect of interest paid to other Irish group companies or companies resident in the EU or countries with which Ireland has a tax treaty and where the interest is not paid in connection with a trade carried on by the recipient in Ireland through a branch or agency.
- Payments of interest to banks in Ireland or to a resident parent

from a subsidiary in which it holds a 51% stake are also exempt.

- Measures have also been introduced for companies providing financial services who make loans in the ordinary course of their business. These measures ensure that interest paid in Ireland to such companies may be paid without withholding tax provided certain conditions are met:
  - the company receiving the interest has fulfilled certain notification requirements to both the Revenue Commissioners and the payer;
  - the interest is paid in Ireland on a loan from a company in whose hands the interest is chargeable as trading income; and
  - the interest arises from a loan made by a company in the ordinary course of a trade which includes the lending of money.
- Interest paid on euro commercial paper (ECP) and certificates of deposit (CDs) is exempt from withholding tax where certain conditions are met.
- Reduced rates of withholding tax may apply to interest and royalties paid to non-residents located in a country with which Ireland holds a tax treaty.

Capital Gains Tax

- An Irish resident company is subject to corporation tax on its worldwide chargeable gains, calculated as the excess of sales proceeds over costs (which include incidental costs), foreign exchange movements and, where the asset was acquired before January 1, 2003 and held for more than one year, indexation. The capital gains tax rate is 22% effective from October 14, 2008.
- A non-resident shareholder of an Irish company will not be subject to capital gains tax on disposal of shares in the company unless the shares derive the greater part of their value from land and buildings or minerals or exploration rights in Ireland and are not quoted on a recognized stock exchange. A non-resident company is also subject to capital gains tax on any gains arising on the disposal of "specified assets" (including land and buildings situated in Ireland and minerals or exploration rights in Ireland).
- Capital losses can be carried forward against capital gains without time limit.
- A loss arising on the disposal of an asset to a connected person is not allowable except insofar as it can be set against a chargeable gain arising on a future disposal of some other asset to the same person.
- A participation exemption applies to gains arising on the disposal of certain shareholdings subject to the satisfaction of a number of conditions.

Stamp Duty

- There is an exemption from stamp duty on the issue of loan capital.
- A subsequent assignment of loan capital will also be exempt from stamp duty, provided the loan agreement complies with certain conditions.

Thin Capitalization

- Interest paid by an Irish company to a 75% non-resident group member is treated as a distribution and is not deductible for Irish tax purposes unless the interest expense is deductible as a trading expense (although interest paid to companies resident in non-EU countries, or countries with which Ireland does not have a double taxation agreement, may still be subject to withholding tax at 20%).
- Where the interest is a non-trading expense and it is paid by an Irish company to a 75% non-resident group member that is resident in an EU member state and where certain conditions are satisfied, the interest may be deducted against total profits of the company in the period in which the interest is paid.
- Interest in excess of that which represents a reasonable commercial return is treated as a distribution for Irish tax purposes and the excess is therefore not tax-deductible.

Transfer Pricing

- Ireland does not have any transfer pricing legislation. However quasi-transfer pricing rules operate in circumstances where companies benefiting from the 10% rate of corporation tax avail themselves of goods and services from group members that are taxed at the standard corporation tax rate. These rules operate by reference to arm's length principles. Ireland follows the Organisation for Economic Co-Operation and Development (OECD) transfer pricing guidelines but does not currently have formal documentation requirements or a specific penalty regime for transfer pricing adjustments.

Sales Taxes / VAT

- VAT is levied on all goods and services, and on all goods imported into Ireland from outside the EU. The standard rate of VAT is 21.5%. Two reduced rates exist for specific goods and services: 13.5% (for buildings, household fuels, entertainment, etc.) and 4.8% (for livestock). A zero rate exists for certain food and drink, exports, books, etc.
- Certain services are listed as Fourth Schedule Services (e.g., accounting, legal and financial services). A reverse charge occurs on the receipt of a Fourth Schedule Service, whereby the recipient of a service is obliged to account for the VAT instead of the supplier.
- Supplies of certain services are deemed exempt activities (e.g., banking and insurance). Where a company carries on an exempt activity, it is generally not entitled to any recovery of the VAT on inputs relating to that activity.
- Most of the supplies to business persons in other EU countries and to non-EU persons are zero-rated.

Payroll and Social Security Taxes

- Employers have to pay social insurance contributions at 10.75% on each employee's remuneration without a ceiling.
- Non-pecuniary remuneration is subject to social insurance contributions. The contributions are deductible for corporation tax purposes.

All tax information supplied by Deloitte LLP (www.deloitte.com). Data as at March 1, 2009.

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