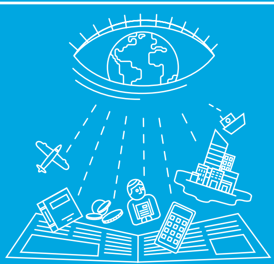
BUDGET
2017



IRISH BUDGET 2017 UPDATE

Ireland's 12.5% corporation tax rate

The Finance Minister again reaffirmed the government's commitment to maintaining Ireland's 12.5% corporation tax rate. This has become a regular and annual event and all shades of political opinion here broadly support this strategy. He also mentioned that no-one, and in this case you can take it that he means other EU member states, is asking for the rate to be changed.

As part of his commentary on the 12.5% CIT rate he referenced that it was an important plank of our FDI policy and in the context of the forthcoming Brexit negotiations. We will issue a separate note on the Brexit implications but in general companies with operations in the UK, currently serving the EU market will need a strategy of remaining in the EU whilst not ignoring the continued importance of the UK market. A side by side Irish UK approach is certainly a model that has gained a lot of traction of late

Ireland's International Tax Strategy

As outlined above Minister Noonan used the Budget Statement as an opportunity to publish an update on Ireland's "International Tax Strategy". Clearly, as mentioned above the intention is to show Ireland's proactive role in driving the BEPS initiatives and wider EU reform on avoidance. This link brings you to the actual document. http://www.budget.gov.ie/Budgets/2017/Documents/Update%20on%20Ireland's%20International%20Tax%20Strategy%202016_final.pdf

Ireland concluded two new treaties last year with developing countries and it was noted in the Strategy document that these new treaties strike a more appropriate balance of taxing rights. Ireland is also only one of two developed countries to have carried out a spillover analysis project on the impact of our tax system on the economies of developing countries.
The document seeks to highlight the Government's commitment to more tax transparency and the recent Directive on Administrative Cooperation (DAC 3 & 4) will be implemented by Ireland by the end of 2016.

Other measures

This link will bring you to the detailed measures introduced in the Budget statement. Most of them are domestically focussed and will not impact adversely or conversely positively on foreign owned companies operating in Ireland. http://www.rsm.global/ireland/news/budget-2017-tax-facts-and-figures .

What was disappointing was the lack of support given to the Entrepreneurs striving to build new businesses here in Ireland. The special rate of CGT for the sale of businesses was reduced to 10%, but only in respect of the first €1M of gains. This compares unfavourably with the UK's similar scheme which has a rate of 10% on the first stg £10M of gains. Similarly the opportunity was missed to deal with some anomalies in our Share Option Scheme legislation whereby taxation can arise, even in circumstances where no cash event has taken place. It would have been revenue neutral but would have indicated support for start-up companies who attract talent by sharing equity as part of their remuneration packages.

He did indicate that he would take account of recent research showing that employee participation in their company's ownership and profits has been shown to increase competitiveness, support employment and encourage growth, and he announced his intention to develop a new stock based incentive scheme which will be aimed at small and medium sized enterprises, and which will be introduced around this time next year. Why the delay of a year is hard to fathom and it is disappointing.

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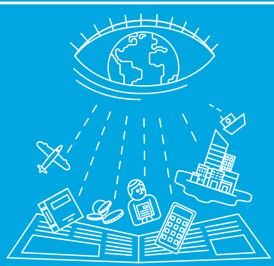

The Special Assignee Relief Programme ("SARP") and the Foreign Earnings Deduction ("FED") regimes are being extended until the end of 2020. SARP provides for a favourable Irish income tax regime in certain circumstances for employees relocated to Ireland by their foreign employers. The idea of the regime is to incentivise multinational companies to send key employees to Ireland with a view to enhancing the Irish operations. FED on the other hand is an income tax incentive which is designed to encourage Irish companies to send employees abroad to specified jurisdiction with a view to securing new markets in these jurisdictions.

He announced modest reductions in what is known as the Universal Social Charge ("USC") which are aimed at providing modest reductions. Details of these reductions are contained in the document which is attached to the link above. The key issue in relation to the international aspect of this, is that Ireland remains a high tax jurisdiction for employees and if FDI is driven by employees coming in from abroad this could be a disincentive. Therefore qualifying for the SARP relief, mentioned above is key and planning should be undertaken in advance of any decisions on who should lead any investment here.

Overall Assessment

My overall assessment is that the Budget was used as an opportunity to ease worries MNC's may have had on Ireland following the Apple judgement and was reiterating the Open for Business message. A disappointment is the continued lack of support for Start Up companies, with promises of future help being really all that was done for them. The reality is that they are a disparate group and not well grouped in a lobby that gets the ear of government.

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