Ireland

Contacts

David Shanahan
Partner
dshanahan@deloitte.ie
+353 14172598

Adrian Walker
Director
adrwalker@deloitte.ie
+353 14172519

David O'Connell
Director
doconnell@deloitte.ie
+353 14172815

What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

R&D tax credits increased from 5% to 15% of internal expenditure for subcontracted R&D payments to universities as from 1 January 2020.

R&D tax credit rate for small and micro companies increased to 30% (subject to EU approval) as from 1 January 2020.

The EXEED scheme to support energy efficiency improvement projects for operations is anticipated to reopen in the fourth quarter of 2020.

Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
R&D tax credit	A refundable tax credit of 25% of qualifying expenditure on basic or applied research or experimental development	25%	• Personnel costs • Materials • Equipment used in R&D • Overhead costs incurred in R&D • thirdparty subcontracting • Construction and refurbishment of buildings for R&D	• Subcontracted expenditure to commercial third parties is limited to the greater of EUR 100,000 or 15%, and to universities is limited to the greater of EUR 100,000 or 15% • Residual value of materials used are deducted • Grant support is deductible
RD&I grants	Support for R&D projects that address technical challenges for which the solution has potential for commercialization	25%	• Staff costs (base salary only) • Consultancy • Materials • Travel and subsistence • Equipment (Capex)	Grant amounts are dependent on location, technical challenge present, commerciality
Disruptive Technologies Innovation Fund grants	Support for projects that leverage Irish research for commercial impact within a series of priority areas	50% for commercial consortium members 100% for organizations and consortium members carrying out research	• As per EU rules on state aid • Personnel costs • Instruments and equipment • Consultancy, contracted research, knowledge, and patents purchased or licensed under arm's length conditions • Overhead and materials incurred directly by the project	• Consortium projects (all funded partners must have an Irish presence) • Must include an SME • Minimum threshold of EUR 1 million funding • Large scale projects of EUR 5 million or higher total investment over three years • Annual calls

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Industries most often affected by government incentives in country

	Technology, Media & Telecom		**Financial Services**
●	Telecom, Media & Entertainment	●	Banking & Capital Markets
●	Technology	●	Insurance
	Consumer		Investment Management
●	Consumer Products		Real Estate
	Retail, Wholesale & Distribution		**Life Sciences & Health Care**
	Automotive		Health Care
	Transportation, Hospitality & Services	●	Life Sciences
	Energy, Resources & Industrial		**Government & Public Services**
●	Power & Utilities		Health & Social Care
	Mining & Metals		Defense, Security & Justice
●	Oil, Gas, & Chemicals		Civil Government
	Industrial Products & Construction		International Donor Organizations
			Transport

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Type	National incentive?	State, provincial, regional or local incentives?[1]	Filing deadlines imposed?	Is the claim made in advance or arrears?[2]	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
Innovation							
Research & development (R&D)	Permanent incentive	No	National: Permanent incentive Local: Not applicable	National: Arrears Local: Not applicable	Irish companies incurring staff costs, materials, consumables, plant and machinery, subcontracted expenditure (subject to limits) and certain overhead costs on R&D activity.	Tax credit of 25% of of qualifying R&D expenses	Tax credit of 25% for medium companies
Patent box	Temporary incentive	No	National: Permanent incentive Local: Not applicable	National: Arrears Local: Not applicable	Irish company performing R&D and then earning income (from sales, royalties, or licensing) from the IP assets resulting from the R&D.	Effective corporate tax rate of 6.25% on the profits attributable to the qualifying IP assets	Effective corporate tax rate of 6.25% on the profits attributable to the qualifying IP assets
R&D grant (national or EU)	Permanent incentive	No	No	Advance	Cash grant applicable to base salary costs, materials, equipment, consultancy. Grant rate is negotiable based on attractiveness to government and incentive effect (location, industry, exports)	25% (though typically lower), EU grants can be higher depending on scheme	25% (though typically lower), EU grants can be higher depending on scheme
Disruptive Technologies Innovation Fund	Temporary incentive	No	Permanent incentive	Advance	Companies in a consortium (including at least one small or medium enterprise), funding supports project costs such as salaries, materials, equipment, and consultancy fees. Priorities for applications can change with each call.	Up to 50% of eligible costs for companies, up to 100% for RPO (research performing organization) within a consortium. Investment must be EUR 5 million or higher over three years.	Up to 50% of eligible costs for companies, up to 100% for RPO (research performing organization) within a consortium. Investment must be EUR 5 million or higher over three years.
COVID-19 products scheme	Temporary incentive	No	Permanent incentive	Varies	The investment in R&D (which requires a nonexclusive license to third parties in the EEA), upscale/upgrade construction of production or testing facilities, enhance/fast track production capacity for products used in the fight against COVID-19.	50% (though typically lower)	50% (though typically lower)

Key: = PERMANENT INCENTIVE = TEMPORARY INCENTIVE = NEGOTIABLE = NO = LIMITED APPLICABILITY = NOT APPLICABLE

Notes:

1. Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
2. If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.

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Type	National incentive?	State, provincial, regional or local incentives?[1]	Filing deadlines imposed?	Is the claim made in advance or arrears?[2]	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
Investment							
Capex	Limited applicability	Limited applicability	No No	National: Advance Local: Advance	Cash grant to support investment in facilities and/or equipment in Ireland	Maximum of: • 10% for first EUR 50 million of investment • 5% for next EUR 50 million of investment • <5% for investment above EUR 100 million	Maximum of: • 10% for first EUR 50 million of investment • 5% for next EUR 50 million of investment • <5% for investment above EUR 100 million
Employment	Limited applicability	Limited applicability	No No	National: Advance Local: Advance	Cash grant to support the creation of permanent new employment in Ireland	Maximum grant of 15% of two years salary per new role created	Maximum grant of 15% of two years salary per new role created
Training	Permanent incentive	No	No No	National: Advance Local: Advance	Cash grant to support the training of staff in new skills to enhance the competitiveness or transformation of the company	50% of costs up to a maximum of EUR 2 million	50% of costs up to a maximum of EUR 2 million
Environmental sustainability							
Sustainability	Permanent incentive	No	No No	National: Arrears Local: Arrears	Capital allowances for items on government's list of low energy equipment	Capital allowance against taxable profits for 100% of cost of equipment in year equipment comes into use (and is added to asset register)	Capital allowance against taxable profits for 100% of cost of equipment in year equipment comes into use (and is added to asset register)
EXEED: funding to support the development of long-term energy efficient operations in buildings	Limited applicability	Temporary incentive	Permanent incentive Permanent incentive	National: Advance Local: Advance	Grant funding to support investment in professional services and capital costs above the baseline energy equipment.	Maximum of 50% funding to a maximum value of €500,000	Maximum of 50% funding to a maximum value of €500,000

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Country background

Ireland's incentive schemes are focused on continuing economic development and providing an exceptional business environment for both local and foreign direct investment companies.

R&D incentives are designed to support companies throughout the life cycle of the R&D activities, with grant support available before the company commits to the project and tax credits available within 12 months of the activities taking place. Additionally, a knowledge development box (KDB) provides a lower tax rate on the income generated after the R&D project has ended and the IP resulting from qualifying R&D is in service.

R&D
- Basic and applied research
- Product development
- Product enhancement
- Process development
- Process enhancement
- Software development

Knowledge Development Box (KDB)
- Qualifying asset/IP
- Developed from qualifying R&D
- Registered invention or copyrighted software
- 6.25% corporation tax rate

Grants
- Enterprise Ireland
- Industrial Development Authority
- EU grants including Horizon 2020, LIFE program, and Innovation Fund

The general corporate tax rate is 12.5%, and the government has confirmed that it is committed to maintaining this rate.

Innovation Incentives

Research and development (R&D)

Nature of incentives

Deduction: R&D expenses are deductible in the year in which the expenses are incurred.

Volume-based credit: A 25% volume-based credit is available on all qualifying R&D expenses.

R&D facilities credit: A 25% credit is available for expenditure incurred on constructing or refurbishing buildings or structures used in the conduct of qualified R&D activities (provided at least 35% of the building is used for qualifying R&D over a four-year period).

Surrendering of credits: Credits may be surrendered to key R&D employees to use against their personal income tax liability. A number of restrictions apply, including that the individual cannot be a director (or be connected to a director) or have a material interest in the company, and the tax credit cannot result in the recipient's tax rate going below 23%.

Unused credits may be carried back to reduce the tax liability of the preceding accounting period. If the credit is not fully utilized in the current and preceding tax periods, the excess may be carried forward indefinitely or refunded to the taxpayer through payments from the Revenue Commissioners (the refund is paid in installments over a three-year period).

Credit refunds are limited to the greater of:

- The total corporation tax paid by the company for the 10 years before the period for which the company is making the claim; and
- The payroll tax liabilities for the specific period in which the qualifying expenditure was incurred, plus the payroll tax liabilities of the immediately preceding accounting period, subject to certain restrictions relating to refunds in prior years.

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Eligible industries and qualifying costs
Eligibility is broad and is not limited to particular industries.

R&D activities mean systematic, investigative, or experimental activities in a field of science or technology that include basic research, applied research, and experimental development. Four categories of activity generally qualify for the credit:

1. Natural sciences;
2. Engineering and technology;
3. Medical science: basic medicine, clinical medicine, or health sciences; and
4. Agricultural sciences.

Qualifying expenditure includes royalties, expenses deductible for trading purposes (wages and supplies), plant and machinery entitled to capital allowances, revenue and capital expenditure on scientific research, and buildings subject to capital allowances.

A fee paid to a contractor to perform research on the taxpayer's behalf is qualified research expenditure if the contractor is not related to the taxpayer. Fees paid to third-party contractors are limited to the greater of EUR 100,000 or 15% of the total qualifying research expenditure. Where the R&D activities are contracted to a university or research institution, the limit is the greater of EUR 100,000 or 15% (5% for accounting periods ending prior to 1 January 2020) of the total qualified research expenditure.

Payments made to connected parties within the same group of companies may not be claimed (unless purchasing materials or equipment). However, if an Irish company performs research for other unrelated companies for a fee, the company performing the research is permitted to claim the credit, as long as the company providing the funding is not claiming the credit.

Materials or supplies used in R&D also may be claimed if they have a value after the R&D is completed (i.e., if they have the potential to be sold); any residual value must be deducted from the cost of the materials or supplies being claimed.

All qualifying expenditure must be net of any grant funding that the company is entitled to in relation to the expenditure incurred in carrying out the R&D activities.

IP and jurisdictional restrictions
R&D activities must take place within Ireland or the European Economic Area (EEA). The credit is denied when the activities occur in an EEA country where a corresponding tax deduction for such expenditure is permitted.

A stamp duty exemption is available for certain IP.

Other concerns
Credit must be claimed within 12 months after the end of the accounting period in which the expenditure was incurred. All credits are computed on a group basis.

Patent box
Ireland's KDB is effective for tax years commencing on or after 1 January 2016. The KDB reduces the tax rate on the profits earned by the Irish resident company performing the R&D (as per the definitions of R&D in the R&D tax credit legislation) that is attributable to the invention to 6.25% (compared to the standard 12.5% corporation tax rate). The scheme is compliant with the OECD modified nexus approach.

IP assets do not have to reside in Ireland, but the Irish entity claiming KDB must have the right to earn income from the asset and the asset must be a patented invention or a computer program protected by copyright. The scheme requires companies to maintain documentation supporting the nature of R&D, the qualifying R&D expenditure, the additional expenditure incurred in developing the IP asset, and how the profits relating to the IP asset have been identified and captured.

Grant aid in Ireland
There are two state agencies in Ireland, the Industrial Development Authority (IDA), and Enterprise Ireland (EI).

Enterprise Ireland (EI) is the state agency responsible for supporting the development of indigenous companies. It can assist with funding for the following:

- High-potential start-ups;
- Established small to medium enterprises (SMEs) (i.e., more than 10 employees); and
- Large companies (i.e., more than 250 employees).

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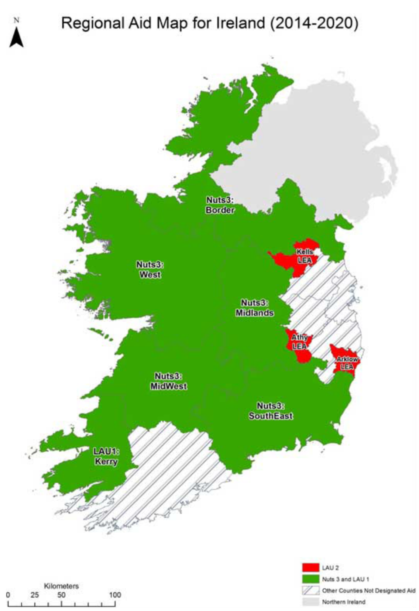
EI's grant programs cover R&D, market research assistance, and internationalization support, as well as employee growth and company expansion packages.

The IDA provides support and grant aid to foreign companies locating or expanding their operations in Ireland.

The funding available includes research, development, and innovation (RD&I) grants, employment and business expansion grants, training grants, and capital investment grants.

EI and IDA capital and employment grants generally are limited by EU state aid guidelines and will apply to new investments in areas meeting socio-economic criteria, which are located outside the main populations. The applicable areas for capital and employment grants commonly are known as the BMW region, or "Border, Midlands, West" and are shown in the map below as the green and red areas. The red areas are commuter belt populations of the greater Dublin area.



R&D grants

As noted above, Ireland has two grant awarding bodies, EI to support indigenous companies and the IDA for foreign direct investment. Projects must address technological challenges and have an expectation of commercialization. Additional considerations for IDA grants are the creation of long-term employment and, for EI grants, the export potential. Grant awards are not industry or geographically specific. Both awarding bodies require that applications be made in advance of the project being initiated in Ireland. Grants provide maximum support of 25% of qualifying costs. Expenditure supported by R&D grants includes staff costs (base salary only), consultancy, materials, travel and subsistence, and equipment (Capex). Overhead costs are not included on an incurred basis but are accounted for through a 30% uplift on qualifying staff costs.

R&D grants (EU)

Companies in Ireland are able to apply for all EU-wide technology grant schemes, such as Horizon 2020, LIFE (limited), Innovation Fund, and Eurostars. Calls for proposals are announced regularly and deadlines apply to each call. EU grants commonly are industry specific or targeted at environmental improvements.

Disruptive Technologies Innovation Fund (DITF)

The DTIF was launched in 2018 to support large scale projects (i.e., EUR 5 million or higher total investment over a period of three years) seeking to deliver high-impact technology into commercial use. The scheme has been structured to encourage collaboration between industry and research performing organizations (RPOs) and SMEs. The fund will be releasing up to EUR 500 million of funding over a 10-year period and grant awards will support up to 50% of costs incurred by commercial companies (located in Ireland) within a consortium and up to 100% of costs incurred by RPOs within a consortium. Annual calls for proposals set out the research priorities for the year, which include previous years' priorities such as future networks, internet of things (IoT), connected health, smart and sustainable food production and processing, decarbonizing the energy systems, novel material, and innovation in services and business processes.

A disruptive technology is one which has the potential to significantly alter markets, their functioning, and the way businesses operate and combine technology with business model innovation.

COVID-19 products scheme

In response to the COVID-19 pandemic, the government has allocated EUR 200 million to support production of COVID-19-related products, which (although not specified) includes vaccine development, identification of therapeutics, manufacture of protective equipment production, technology to assist in track and trace, upscale/upgrade/construction of manufacturing or testing facilities, and enhance/

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fast track production capacity for products used in the fight against COVID-19. The scheme is temporary and applications must be approved and agreements signed by 31 December 2020 (agreements may be used for investments made as from 1 February 2020). Awards are up to 50% of the eligible capital investment and the scheme is open to clients of the IDA and EI. There are certain conditions regarding IP ownership for R&D projects and project completion timing; for example, products resulting from supported R&D have a nonexclusive license to third parties in the EEA.

Investment Incentives

Ireland facilitates foreign direct investment and internal investment in enhancing economic activities in the form of capital, employment, and training grants that are not restricted by company size or industry or linked to product development. Some of these grants are limited to regions of the country that are designated as development areas (due to EU state aid rules).

Capital grants

Grants are awarded to subsidize expenditure on the purchase of land, buildings, and new plant and equipment. The scheme is restricted to companies in the BMW regions of Ireland. The grants are not industry specific or linked with a requirement to be performing R&D (though R&D capital investment also can qualify) and are subject to EU regulations on the levels of awards and approvals. Grants are subject to a maximum award of:

- 10% for first EUR 50 million of investment;
- 5% for next EUR 50 million of investment; and
- Less than 5% for investment above EUR 100 million.

Employment grants

Employment grants are offered on up to 15% of a new employee's salary, for a maximum of two years. The scheme is restricted to companies in the BMW regions. The grants are not industry-specific or linked with a requirement to be performing R&D and are subject to EU regulations on the levels of awards and approvals.

Training grants

Training grants are awarded by the IDA and EI up to a value of EUR 2 million (over the life of a project) to assist in training and providing skills to a workforce. A maximum of 50% is available for such grants, without a geographical restriction. The grants are subject to EU state aid limits.

A maximum grant rate of 50% of costs is available for training. A combination of specific and general training is allowed, although percentages may differ between the two types in an award. An overall maximum award of EUR 2 million is in place.

Environmental Sustainability Incentives

Energy sustainability

Capital allowances of 100% are available for low-energy-consuming plant and machinery. The full allowance can be claimed against taxable profits in the year the equipment comes into use. Claims are made in arrears via the corporation tax return; however, only equipment that is included on the list maintained by the Sustainable Energy Authority of Ireland (SEAI) at the time of purchase are eligible for the incentive. Applications can be submitted twice a year to add equipment to the list by the manufacturer or a licensed agent in Ireland.

Excellence in Energy Efficiency Design (EXEED)

The EXEED scheme is expected to reopen in the fourth quarter of 2020. This scheme provides funding to assist companies in developing long-term energy efficient operations. Up to 50% funding for professional services and 30% of incremental capital costs above costs of baseline energy equipment will be available. Funding is available up to EUR 500,000. Administered by the SEAI, there is a two-stage application process. The funding is available for both new project design and for major upgrades.