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# *Investing in Ireland*

**Issue 8**

December 2010



Welcome to the eighth edition of PwC's newsletter on foreign direct investment ("FDI") in Ireland.

This issue goes to print as the Irish 2011 Budget is passed confirming that the 12.5% corporation tax rate is here to stay. Other proposed adjustments of €6 billion, as announced in the National Recovery Plan, will be implemented over a four year period, with two thirds of the adjustment coming through expenditure cuts and one third from taxation measures.

This edition also includes items on recent investment announcements, FDI facts and figures and recent business news and updates. Remember to visit our FDI website for more detailed information on investing in Ireland (<http://www.pwc.com/ie/fdi/>).

Should any of the topics covered in this newsletter be of particular interest to you, please do not hesitate to contact me, any member of our team, or your usual PwC Ireland contact. If any of your colleagues would like to be included on our mailing list, please let us know.

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# National Recovery Plan 2011-2014 and Budget 2011

Ireland's "National Recovery Plan 2011-2014" was released on 24 November last. The Plan is required to deal with Ireland's current fiscal challenges and lays out a roadmap for a return to sustainable growth in the Irish economy.

The Plan outlines fiscal adjustment measures of €15 billion over a four-year period. This adjustment is comprised of substantive reductions in expenditure and some €5 billion of taxation measures, principally involving taxes on individuals and property, as well as indirect and capital taxes. Some of the key tax measures contained in the Plan are summarized below. The Minister for Finance delivered the 2011 Budget on December 7 and this specified how the first year of the Plan will be implemented.

## **12.5% tax rate**

The Plan and Budget 2011 reaffirms Ireland's unambiguous position on maintaining the 12.5% corporate tax rate as a cornerstone of Irish taxation and economic policy.

This commitment to the 12.5% rate is confirmed repeatedly throughout the Plan, with references to the rate representing "an essential pillar of enterprise policy" and not being increased "under any circumstances".

Immediately after publication of the Plan on November 24, a motion was also passed in the Irish Parliament supporting the maintenance of the 12.5% rate, receiving unanimous cross-party approval.

Also, on November 28, the Irish Prime Minister confirmed that the terms of Ireland's financial support package principally from the EU/IMF does not involve any change to Ireland's 12.5% corporate tax rate.

## **Other taxation measures**

The other taxation measures proposed in the Plan which may be relevant for existing and prospective international investors include the following:

- broadening of the income tax base, including a phased reduction in income tax bands and credits;
- a phased reduction in various pension related tax reliefs;
- changes to various employee incentive/share plan arrangements;
- a proposal to broaden the capital gains tax ("CGT") base by moving from a single 25% rate to a system of differing rates and abolishing or restricting certain reliefs and exemptions;
- a phased increase in the rate of VAT from the current rate of 21% to 22% in 2013 and 23% in 2014; and
- an increase in carbon tax from €15 to €30 per tonne by 2014.

The Plan does not include any changes to the recently introduced and enhanced Special Assignment Relief Program ("SARP"), which provides tax benefits for inbound assignees to Ireland.



## Tax treaty update

Ireland has signed comprehensive double taxation agreements with 62 countries, of which 49 are in effect.

New agreements with Georgia, Moldova, Serbia and Turkey have recently come into force and will be effective from 1 January 2011. New agreements were signed with Hong Kong, Kuwait, Montenegro, Morocco, Singapore and the United Arab Emirates and are awaiting legal procedures to be completed before coming into effect. (All of these treaties have immediate effect in Ireland under domestic law once signed).

Negotiations for new agreements with Armenia, Panama, Singapore, Saudi Arabia, Thailand, a new agreement replacing the existing treaty with Germany and negotiations on Protocols to the existing agreements with Belgium and Switzerland have been concluded and are expected to be signed shortly.

### **Research support – new competence centres in microelectronics and nanotechnology**

As part of its strategy to support the semiconductor/microelectronics industry, the Government recently launched two new competence centres, namely the Microelectronics Competence Centre Ireland and the Applied Nanotechnology Centre. Both centres, whose research programmes will be determined by corporate members (rather than universities), will undertake leading edge, commercially focused research to support the industry.

### **International mobile employees**

The past 3 years have seen some significant developments for internationally mobile employees, including:

- a useful concession on the VAT treatment of charges in respect of seconded staff from related foreign companies;
- changes to the tax-free subsistence arrangements available for employees assigned to work temporarily in Ireland;
- the introduction of the new Special Assignment Relief Program (“SARP”) with effect from 2009 and its extension to employees from EEA countries with effect from 2010;
- the overhaul of the social security rules governing intra-EU secondments with effect from 1 May 2010.

Employers can generate significant savings by taking advantage of cost control opportunities which the Irish tax system may offer for incorporation into their corporate international assignment policies. More detailed information can be obtained at [www.pwc.com/ie/hrs](http://www.pwc.com/ie/hrs).

### **Ireland No.1 for FDI**

Ireland is ranked as the number one destination globally for jobs by inward investment per capita. The IBM 2010 Global Location Trends Report highlights that significant gains in inbound investment were achieved, particularly as a result of the country’s strengths in Services and R&D. Overall, Ireland created more FDI jobs per capita in 2009 than any other country, almost 2 jobs for every 1,000 inhabitants.

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# A selection of recent announcements...

**Stryker**, the US multinational which makes surgical orthopaedic implants, announced it is to invest €30 million in its Limerick facility.

**Citi**, the leading global financial services company, is to create 250 roles in the next year at its offices in Dublin and Waterford.

**Aspect**, a global provider of unified communications and collaboration services and software, announced it is opening two new facilities in Galway. The new Aspect facilities will provide customer technical support, software production and distribution, and serve as a shared services centre for select administrative functions.

**KEMP Technologies**, a US based information technology company providing server load balancing solutions for small to medium enterprises and internet service providers, is to locate its European sales and marketing headquarters in Limerick.

**Rockwell Automation** has announced that it will increase its workforce in Ireland by 10% by the end of 2011.

**GENBAND**, a leading developer of Internet Protocol infrastructure and service solutions, plans to establish its International headquarters and business services centre in Galway, which represents an €8 million investment by the company that will create more than 100 new jobs.

**Accenture** announced plans to open a research, development and innovation centre in Dublin, to develop predictive analytics solutions for clients worldwide and is expected to create 100 new highly-

skilled jobs over the next four years adding to Accenture's 1,300 people in Ireland today.

**Industrial Info Resources Inc.** is establishing a European operations centre in Galway, creating 50 positions over 5 years, with the support of IDA Ireland.

Global insurance and reinsurance provider, **Global Indemnity plc**, is to establish an IT development operation in Cavan creating 30 high value jobs over the next 5 years.

**Yves Rocher**, the French worldwide Botanical Beauty brand, announced a €3.7 million investment in the company's Cork facility.

**Synchronoss Technologies Inc.**, the leading provider of on-demand transaction management software platforms, announced the expansion of its international operations in Europe by opening a research and development and operations centre in Galway.

Europe's leader in 'Content on Demand', **GoAdv** has marked its rebrand to Populis with the opening of its new European headquarters in Dublin. The company, which employs over 45 people in Ireland, is also expanding its Irish employee base at the office in Dublin.

**Hollister ULC** will invest €65 million in expanding its current manufacturing facility in Mayo. This major development project will add approximately 75,000 square feet to the company's existing manufacturing facility and will allow the creation of 250 new jobs upon completion.

Technology firm **Hewlett-Packard** announced that it hopes to create up to 120 jobs at its Irish operation.

**Alliance Healthcare Information** announced it is to establish a multi-lingual EU call centre in Dublin.

100 customer service jobs are to be created in Dublin by online betting exchange company **Betfair**.

Financial firm **Capita Financial Group** announced that it will more than double its workforce, creating 60 jobs in Dublin by 2013.

**Covidien**, a leading global supplier of healthcare products, announced the first phase of a multi-part investment of €1.8 million with Irish academic institutions.

**Salesforce.com** announced that it is recruiting for more than 100 new jobs in sales, business development, marketing and technical IT and support. The company already employs 300 people at its European corporate sales headquarters in Dublin.

**D&B**, the world's leading source of commercial information and insight on businesses, will create an additional 150 jobs in Dublin by 2011.

**OtterBox**, an innovator of protective solutions for leading global handheld manufacturers, wireless carriers and distributors, is establishing its EMEA headquarters in Cork, creating up to 50 jobs over 2 years.

**Intel Corporation** announced details of a 3 year, \$1.5 million advanced research collaboration signed with Ireland's leading ICT research Institute, Tyndall National Institute, UCC.

Japanese pharmaceutical equipment company, **Freund Pharmatec** opened a new European hub in Offaly, with the creation of 25 new high quality jobs.

**Fi-Tek**, a US based financial services solutions provider, announced that it is establishing its European headquarters in Dublin. Fi-Tek, expects to create 50 jobs over 5 years.

**Google** is to create 200 new jobs in Ireland with the establishment of a new operations centre in Dublin...

**AOL Global Operations** announced that it is to further expand its Dublin operation, creating an additional 20 software development positions.

**Helsinn** announced the official opening of a new R&D centre of excellence in Dublin with an investment of €13 million.

**ServiceSource**, the global leader in technology-based service revenue performance solutions for the high-tech, healthcare and life sciences industries, is to expand its EMEA headquarters in Dublin. The expansion will see the creation of 70 new high skilled positions, bringing total employment to 380.

**Kellogg's** announced the expansion of its European headquarters in Dublin. The company is creating 50 high value positions bringing total employment at the Dublin centre to 250.

**Lumension**, the global leader in operational endpoint security, is expanding its Galway-based global R&D centre.

**Riot Games**, a leading independent developer and publisher of premium online video games, is establishing its European headquarters in Dublin.

US health insurer **UnitedHealth Group** is to expand its operation in Letterkenny with the creation of 200 new jobs.

**Eli Lilly**, one of the leading pharmaceutical companies in the world, is to establish a European financial services centre in Cork creating up to 100 new high-skilled finance positions.



*“Dublin is rapidly becoming the multilingual internet capital of Europe and Google is proud to be leading the charge on this and further increasing our presence here”*

David Martin, Director, Geo Operations for Google in Europe

### **Taoiseach announces €359m investment in research and innovation**

The Irish Government announced a €359 million investment plan for research and innovation to create jobs and new enterprises and drive Ireland's economic recovery. The Government's Programme for Research in Third-Level Institutions invests in physical infrastructure and research projects in higher education institutions.

Since 2006, invention disclosures have doubled and patent licences issued to companies have trebled. Last year, half of IDA Ireland supported FDI investments were in research, development and innovation and valued at €500 million.

### **Ireland substantially reduces its cost base, increasing competitiveness**

Ireland's cost competitiveness has improved significantly. Business costs, including energy, private rents, office rents, services, construction and labour, are all more competitive. For example, the cost of industrial electricity dropped by 24pc, gas prices decreased by 25.9pc, and benchmark salaries for new employees in Irish companies were down between 5pc and 22pc in 2009.



## **Did you know?**

- The level of total FDI into Ireland increased by \$30.4 billion to €169.3 billion in 2009.
- The level of US investment in Ireland has gone from \$11 billion in 1995 to \$165 billion in 2010.
- Ireland has the third highest proportion of maths, science and computer graduates in the 20-29 age cohort in the EU, according to the Eurostat Yearbook 2010.
- Ireland was ranked 9th out of 183 nations (and 3rd in the EU) for its ease of doing business in the World Bank 'Doing Business 2011' report.
- Ireland is the largest hedge fund administration centre in the world with almost half of all global alternative investment funds. According to the latest Lipper, Fitzrovia Irish Fund Industry survey, PwC Asset Management holds the majority share of the audit league table for funds for the eighth year running.
- Ireland is again the easiest place in the EU to pay taxes according to the PwC report 'Paying Taxes 2011'.
- In the 2010 IMD World Competitiveness Yearbook, Ireland was ranked fourth in the world in terms of availability of skilled labour and openness to new ideas, sixth on labour productivity and seventh for the flexibility and adaptability of people.



## *Would you like to know more?*

Should any of the topics covered in the newsletter be of particular interest to you, please do not hesitate to contact any member of the Inward Investment team, or your usual PwC Ireland contact. If any of your colleagues would like to be included on our mailing list, please let us know.

Please click on our website [www.pwc.com/ie/fdi](http://www.pwc.com/ie/fdi) for information on various topics of interest for investors, including:

- Budget 2011
- The National Recovery Plan
- 12.5% corporation tax rate
- Why Ireland?
- Establishing in Ireland – how PwC can help
- Generating cash from Irish R&D activities
- Ireland as a centre for IP management
- Grants regime for inward investors
- International mobile employees
- Company law and other legal updates
- Doing business and investing in Ireland
- Tax facts

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