

# Investing in Ireland



## Issue 11

December 2011

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

We go to print following the release of Budget 2012, which evidences Ireland's commitment to addressing its economic challenges by continuing with measures aimed at reducing the national deficit. In addition, a number of positive measures were announced which should be beneficial for existing and potential future FDI investors.

The OECD noted in October that while the Irish economy faces tough challenges, its long term prospects now appear better than many other European countries. Also, as recently as October, Ireland was ranked as the best European country in which to do business by Forbes.

This edition includes details of Budget 2012, various MNC investment announcements since September 2011 and other FDI updates. Remember to visit our FDI website for more updates and detailed information (<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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# Budget 2012

The Minister for Finance announced the 2012 Budget on 6 December last. The Budget includes a number of positive measures for existing and potential future FDI investors. Legislative provisions will be published in Finance Bill 2012 early in the new year.

## **Commitment to the 12.5% corporation tax rate**

In his speech, the Minister once again pledged the Government's commitment to maintaining Ireland's well established 12.5% corporation tax rate.

## **Research & Development ("R&D") tax credit regime**

The Minister announced welcome enhancements to the R&D tax credit regime as follows:

- Companies receiving the R&D credit may use a portion of the credit to reward key employees who have been involved in the Irish R&D activities. The credit will be a tax-free payment to the employee.
- The R&D credit currently applies to incremental expenditure above the 2003 fixed base period. Going forward, the first €100,000 of qualifying R&D expenditure will receive the 25% credit on a volume basis. The tax credit will continue to apply as before to incremental R&D expenditure in excess of €100,000. For companies which were not carrying on R&D activities in Ireland in 2003, a full volume basis continues to apply.

- The outsourcing limits for sub-contracted R&D costs are being increased to the greater of €100,000 or 10% (or 5%, in the case of outsourcing to third level institutions, as appropriate) of the qualifying spend.

## **International financial services**

The Minister acknowledged the success of the international financial services industry in Ireland over the last 20 years. He also recognised that financial services investments are highly mobile and that Ireland has to compete to retain and grow the industry.

This is consistent with one of the key messages included in a recent publication by the Taoiseach, entitled *Strategy for the International Financial Services Industry in Ireland 2011 - 2016*. In light of this, the Minister announced that the Finance Bill will include measures that support the international funds and insurance industries, the corporate treasury sector and the aircraft leasing industry.

## **Special Assignment Relief Program (SARP)**

SARP was introduced by Finance Act 2009 for certain non-Irish domiciled individuals coming to work in Ireland for the first time, for a period of at least one year, under a foreign employment contract and paid from a foreign payroll.

The relief available to qualifying individuals generally reduces their taxable employment income/benefits to €100K, plus 50% of the excess over that amount. An enhanced regime, possibly along the lines of the Dutch partial exemption regime, is to be introduced which will help multinationals & indigenous companies to attract key talent to Ireland.

## **Start-up companies**

To support the Government's commitment to promoting job creation and indigenous enterprise, the Budget proposes to extend the corporate tax exemption for start-up companies to new companies that commence trading in Ireland during 2012, 2013 and 2014.

## **Other items**

- The Budget contains no changes to personal income tax rates, bands or tax credits.
- The rate of capital gains tax ("CGT") and capital acquisitions tax ("CAT") increased from 25% to 30%, effective December 7, 2011.
- The Budget introduced a new incentive for property purchased between December 7, 2011 and December 31, 2013. If a property is purchased during this period and held for at least seven years, the gain attributable to that seven-year holding period will not be subject to Irish CGT.
- In order to stimulate the commercial property market, the stamp duty rate on non-residential property has been significantly reduced from a top rate of 6% (on transfers exceeding €80,000) to a flat rate of 2%. This new 2% rate will not only apply to transfers of commercial & industrial land and buildings, but also to transfers of business assets such as goodwill, debtors, contracts, etc.
- Effective 1 January 2012, the standard VAT rate will increase from 21% to 23%.



## **One, two, three.....**

**1st for real corporate taxes**  
(IBM 2011 Global Location Trends Report)

**1st for value of investment projects**  
(2011 IMD World Competitiveness Yearbook)

**1st for investment incentives**  
(2011 IMD World Competitiveness Yearbook)

**1st for skilled labour that is readily available**  
(2011 IMD World Competitiveness Yearbook)

**2nd for inward investment per capita**  
(IBM 2011 Global Location Trends Report)

**2nd for consumer price inflation**  
(2011 IMD World Competitiveness Yearbook)

**3rd for direct investment flows inwards**  
(2011 IMD World Competitiveness Yearbook)

## **Exports maintain strong performance**

**In the first nine months of the year, exports rose by 4 per cent to €69.43 billion, with FDI providing over 70% of total exports.**

### **The Irish funds industry**

The Irish Funds Industry Association (IFIA) recently launched two new office locations and will now have representatives on the ground in Tokyo and Singapore for the first time. IFIA representative offices were also opened in Chicago, Boston, Atlanta and London in June 2011.

Figures from the Central Bank of Ireland show that the number of QIFs (Qualifying Investor Funds) is at an all time high of 1,273 with assets also reaching a peak of €159 billion. Ireland, which already administers more than 40 per cent of the

world's alternative investments, has seen QIF assets grow some 18 per cent in the past 12 months.

European Fund and Asset Management Association (EFAMA) figures show that Ireland was also the domicile of choice for Undertakings for Collective Investment in Transferable Securities (UCITS) in 2011 attracting the highest inflow of net assets of any domicile for the year so far (€41.5 billion in net assets of UCITS in the year to date).

### **Paying Taxes Report**

In a recent PwC and World Bank study, Ireland was ranked as the easiest country in the EU, and the 5th easiest country in the world, in which to pay taxes for businesses. The *Paying Taxes 2012 Report* analysed both the cost of taxes borne by companies and the administrative burden of tax compliance faced by companies in 183 countries.

Ireland was also found to have the third lowest Total Tax Rate for businesses in the EU along with having to make the third least amount of tax payments for businesses.

# A selection of recent announcements

*“The Coca-Cola brand has been in Ireland for more than half a century and our long history here gives us continued confidence in the strength of the Irish workforce, the commitment of the Irish government and the know-how of Irish people to support our business”*

*Muhtar Kent, Chairman and CEO of The Coca-Cola Company*

**The Coca-Cola Company** announced the expansion of its Global Business Shared Services operation in Drogheda and opened a new \$300m manufacturing and innovation facility in Wexford. Each operation will create up to 100 new jobs.

**Twitter**, the global social networking phenomenon, is to establish international operations in Ireland.

Leading virtualisation and cloud computing company, **VMware**, is to create 250 new jobs in Cork over three years with the opening of its new office.

**HCL Technologies**, the Indian headquartered global technology and IT enterprise company, is to establish a software delivery centre in Dublin. The company is expected to create 80 jobs over 3 years.

**Pfizer**, one of the world's leading biopharmaceutical companies, is to make a substantial investment of \$200m at its Grange Castle biotechnology manufacturing facility in Dublin.

**arvato Finance**, which specialises in billing and payment services, is to create up to 150 highly skilled jobs in its finance division in Ireland over the next three years.

Global healthcare leader, **MSD**, announced the opening of a new €100m pharmaceutical R&D centre in Tipperary. The new €6m expansion has the potential to add a further 50 jobs.

**BioWare**, a division of Electronic Arts Inc., announced the opening of a state-of-the-art customer service centre in Galway creating 200 jobs.

**Biotrin Group**, a leading developer and manufacturer of diagnostic platform technology, announced the opening of a new research, development and manufacturing facility in Dublin.

**Dun & Bradstreet (D&B)**, the world's leading source of commercial information and insight on businesses, will grow its operation in Dublin by creating an additional 75 jobs by 2012.

**Caci**, the creditor insurance subsidiary of Crédit Agricole Assurances, announced plans to invest €3.2m in the establishment of a R&D Centre of Excellence in Dublin.

Internet search engine giant, **Google**, is to make a new €75m investment in an energy-efficient, air-cooled data centre in Dublin. Once operational, the centre will employ up to 30 people.

Business applications and consulting services company, **JRI America Inc.**, a subsidiary of the Japanese headquartered multinational, The Japan Research Institute, Limited, announced plans to open a Software Development Operation in Tralee which will create up to 100 highly skilled positions over the next 5 years.

International health insurance provider, **Allianz Worldwide Care**, is to expand their Irish operations with a further 128 positions to be filled at the company's headquarters in Dublin.

**Genzyme**, one of the world's leading biotechnology companies, officially opened a €150m expansion at their biotechnology campus in Waterford.

**Glass, Lewis & Co.**, a leading independent governance services firm is to open a new office in Limerick.

Leading Global Hedge Fund Administrator, **HedgeServ**, announced that it is on track for continued growth in Ireland with the announcement of an additional 300 jobs over coming years.

Investment management company, **Stone Tower Capital LLC**, announced the creation of **Stone Tower Europe Limited**, headquartered in Dublin, to enable the firm to expand its European operations and serve its growing investor base.

**IBM** confirmed the official opening of its Smarter Cities Technology Centre and the establishment of the first IBM Research & Development Laboratory in the European Union.

**Commence Corporation**, a leading provider of Customer Relationship Management Software, is establishing Commence International in Dublin. The company will create 20 jobs over 2 years.

**Pinger**, a cloud-based telecoms company, is establishing its EMEA headquarters and a customer and technical support operation in Dublin. This will result in the creation of 15 jobs over the next two years.

US-based technology company, **Engine Yard**, is setting up its EMEA headquarters in Dublin and plans to create 30 high quality jobs in the next three years.

**Pivot Acquisition Corp.**, headquartered in Canada and one of North America's largest value-added IT solutions providers, will open a Shared Services Centre in Galway, creating 25 jobs in 2011 and up to 75 additional jobs in 2012.

**Prometric**, a trusted provider of market-leading test development and delivery solutions, confirmed a major investment in its test development services business in Ireland. The long-term plan will add new technologies and more than 100 jobs in support of global test development initiatives in Dundalk.



**LANDesk Software**, a global leader in systems lifecycle management, endpoint security and IT service management is to establish an international financial services centre in Dublin with the creation of approximately 15 new high quality jobs.

**ON Semiconductor** plans to invest €13m expanding its R&D centre in Limerick which is expected to generate 69 new jobs.

Leading UK software Developer, **Misys**, plans to create 35 new jobs following the announcement to invest €5m in their Dublin R&D Operation.

**Intel** has located its new Energy and Sustainability Lab at its campus in Leixlip. The lab will drive Intel's research agenda in the application of information technologies to enable a 'High Tech, Low Carbon' economy with strong alignment to the EU 2020 sustainability goals.

**Covidien plc**, a leading global provider of healthcare products, announced that six research and development projects will be undertaken in partnership with the company's facilities in Galway and Athlone. The Irish government are jointly supporting the development projects which represent an investment of more than €25m.



## **US investment in Ireland**

US investment in Ireland totals \$199 billion. It has grown five fold over the past 10 years and has increased significantly since the economic downturn.

Ireland's share of total US investment in Europe has risen from 5.2% to 8.7% over the past decade and now accounts for one quarter of Irish GDP.

In addition, Irish companies are making their presence felt in the US with FDI from Ireland into the US reaching US\$8bn last year, bringing total Irish investment in the US to more than US\$30bn for the first time, with Irish companies employing some estimated 120,000 workers in the US.

### **Increased funding for Advanced Microscopy Laboratory**

CRANN (the Centre for Research on Adaptive Nanosciences and Nanotechnology) is celebrating the first anniversary of the Advanced Microscopy Laboratory. In its first year, over 20 companies from the energy, medical devices, biopharma and aeronautical sectors among others have become regular users of the facility. In addition, 200 researchers from eight academic institutions across Ireland have been trained across different microscopy instruments.

### **Tax treaty update**

Ireland has signed comprehensive double taxation agreements with 65 countries, of which 56 are in effect.

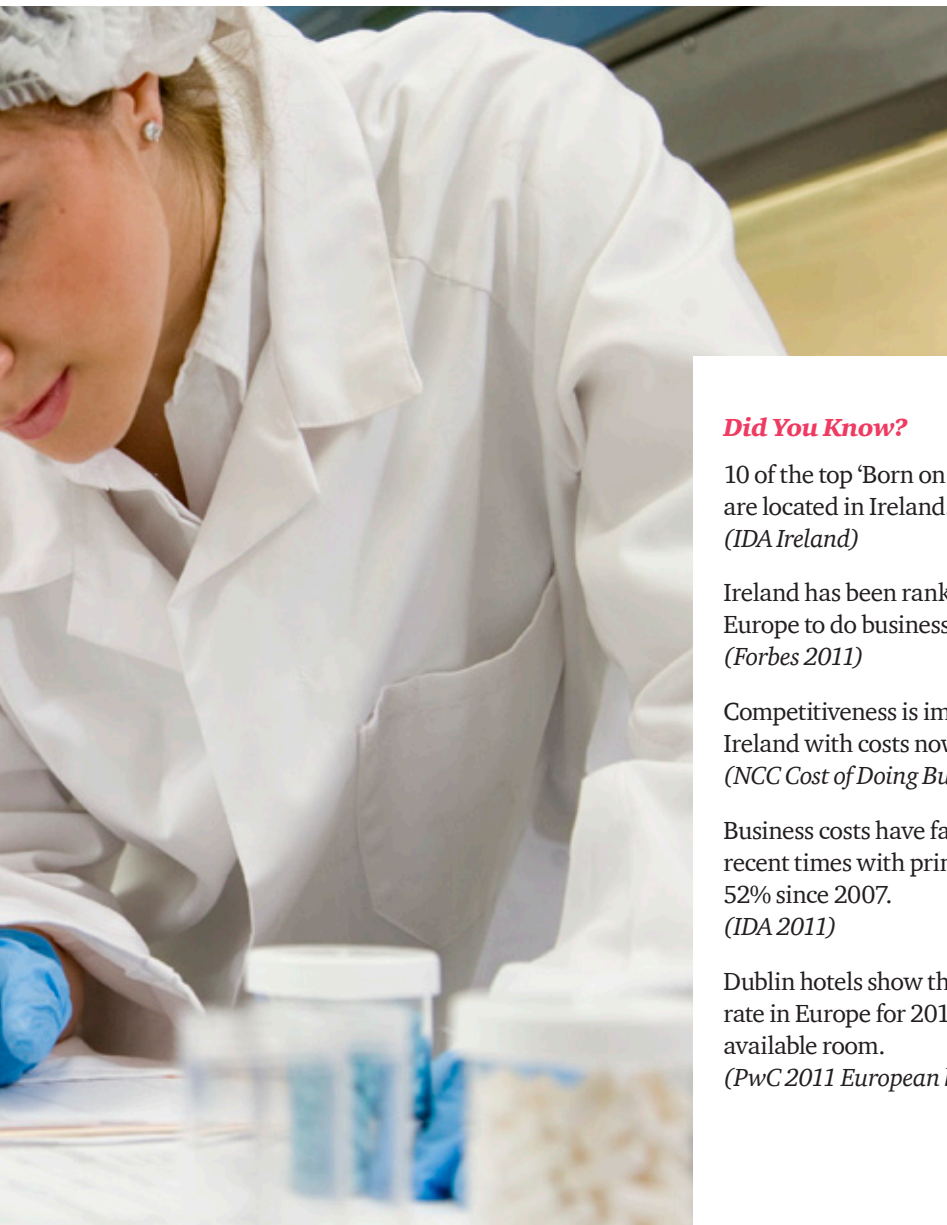
New agreements with Georgia, Moldova, Serbia, Singapore, Turkey and the United Arab Emirates have now come into force. These treaties are effective from 1 January 2011. New agreements have been signed with Albania, Hong Kong and Montenegro and will be effective from 1 January 2012. New agreements with Armenia, Saudi Arabia and Panama were signed in July 2011, October 2011 and November 2011 respectively.

Legal procedures to bring the new agreements with Bosnia and Herzegovina, Kuwait and Morocco were completed by Ireland in February 2011.

Negotiations for new agreements with Ukraine, Uzbekistan, Egypt and Thailand have also been concluded and are expected to be signed shortly, while negotiations for new agreements are ongoing with Argentina, Azerbaijan, and Tunisia.

### **Ireland's productivity well above EU average**

According to the European Competitiveness Report 2011, Ireland is one of the strongest EU performers on competitiveness. The report analyses industrial competitiveness and policy measures adopted by EU countries to improve their competitiveness and the competitiveness of Europe as a whole. Ireland also scores significantly above the EU average on many aspects of its business environment and workforce.



### ***Did You Know?***

10 of the top 'Born on the Internet' companies are located in Ireland.  
*(IDA Ireland)*

Ireland has been ranked as best country in Europe to do business.  
*(Forbes 2011)*

Competitiveness is improving significantly in Ireland with costs now back to 2003 levels.  
*(NCC Cost of Doing Business in Ireland 2011)*

Business costs have fallen significantly in recent times with prime office rents down 52% since 2007.  
*(IDA 2011)*

Dublin hotels show the second highest growth rate in Europe for 2011 in terms of revenue per available room.  
*(PwC 2011 European hotel forecast)*

## ***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 FDI 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 2012
- 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
- Tax facts

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