

Setting up a company in Ireland:
a guide to taxation and FDI



Ogier

Why Ireland?

Ireland is one of the world's most attractive locations for international businesses seeking a stable and innovative base in Europe. With a dynamic economy, pro-business policies, EU membership, a highly skilled workforce and sector-specific advantages across technology, financial services, aviation, life sciences, energy and natural resources, and private equity, Ireland continues to be a destination of choice for companies at all stages of growth.

A central pillar of Ireland's appeal is its competitive and globally recognised tax regime, offering a range of tax advantages.

These include:

- broad exemptions from withholding taxes on dividends, interest and royalties
- a favourable tax environment for investment funds and securitisation structures, including the Section 110 regime
- an OECD BEPS-compliant knowledge development box.
- a 30% R&D tax credit supporting innovation and investment
- capital allowances for a wide variety of tangible and intangible assets
- VAT exemptions for key financial services.
- tax frameworks that enable Islamic finance structures

Together, these features make Ireland an efficient and attractive location for international business, financial institutions, asset managers and fund vehicles.

Why Ogier?

Ogier in Ireland is uniquely positioned to advise on international investment structuring and complex cross-border transactions, drawing on multi-disciplinary legal expertise from our teams across the BVI, Cayman Islands, Dubai, Guernsey, Jersey, Hong Kong, London and Luxembourg.

We also offer seamless, integrated corporate services through our corporate and fiduciary experts at Ogier Global, including company formations, company secretarial support, board support, registered address services, financial, regulatory and statutory reporting, directorship services and administrative support.

From early-stage venture start-ups to multinational companies, our team in Ireland is perfectly placed to provide targeted expertise, seasoned experience and multidisciplinary support to meet your commercial objectives.

This guide explains the main tax considerations relevant to setting up a company in Ireland.

Ogier's dedicated Tax team has wide ranging experience advising clients on tax matters when establishing a business in the country.'

Ireland's tax framework

Ireland's low rate of corporate tax for trading companies and its wider tax framework make it an attractive location for holding companies and for regional headquarters.

This is particularly the case for investors located in treaty jurisdictions such as the United States and the European Union, which benefit from a domestic exemption on dividend withholding tax and interest withholding tax exemptions.

Tax incentives for setting up a business in Ireland

Main tax incentives are:

- the 12.5% corporate tax rate on trading income
- a 30% credit on qualifying research and development (**R&D**) expenditure, equating to a total effective tax deduction of 42.5% when combined with the 12.5% corporate tax rate
- the ability to exploit intellectual property (**IP**) at favourable tax rates
- accelerated tax depreciation allowances for approved energy efficient equipment

Headline tax considerations include:

- the 25% rate which applies to all other income, including non-trading income
- a participation exemption from capital gains on qualifying share sales
- a 33% standard rate of tax on gains arising from the disposal of capital assets (subject to various reliefs / exemptions)
- no duty on Irish goods moving intra-EU
- various rates which apply to goods being imported from outside the EU
- stamp duty payable on certain documents relating to, for example, transfers of property and share sales (subject to various reliefs / exemptions)
- a robust tax treaty network of over 78 double taxation agreements (**DTAs**), with 75 in effect and with many major business jurisdictions
- value added tax at a standard rate of 23%, a reduced rate of 13.5% (applicable to building and construction services, and hotel and short-term accommodation services, for example) and a second reduced rate of 9% (applicable to sales of apartments, food hospitality, and restaurant and catering services, among others)

Corporate tax residence in Ireland

A company incorporated in Ireland on or after 1 January 2015 is tax resident in Ireland unless, under the terms of a DTA, it is considered to be tax resident elsewhere. A non-Irish incorporated company may still be resident in Ireland for tax purposes if it satisfies the central management and control test. For example, where the strategic decision-making with regards to the company occurs. Factors important to satisfying the test include the location where the board of directors meets and the tax residence of the directors of the company.

Corporate tax is charged at 12.5% on profits of a trade carried on at least partly in Ireland subject to certain exceptions while non-trading income (for example, investment income) is taxed at 25%. There is no statutory definition in Irish tax law as to what constitutes a “trade”, although guidance as to what constitutes “trading” is available from case law and from a set of rules known as the “Badges of Trade” which consider:

- i. the subject matter of the sale
- ii. the length of period of ownership
- iii. the frequency of similar transactions
- iv. whether any supplementary work was undertaken
- v. the circumstances responsible for the realisation
- vi. the motive

The concept of “trading” pre-supposes a certain level of activity by a company. It must be actively engaging in its business and deriving profits from its business rather than passively receiving investment income.

However, the trading analysis is not industry or function specific. Any revenue-generating activities can potentially qualify as trading activities benefitting from the 12.5% rate. In addition to traditional activities such as manufacturing, many multinationals with decentralised models locate activities ranging from back office to marketing / customer support functions in Ireland, availing of the 12.5% rate.

Examples of such activities include:

- treasury / cash management functions (including insurance, hedging and risk management)
- IT / technical support and data management
- supply chain management
- IP management and exploitation
- marketing / customer support activities
- back-office functions (such as legal, finance and HR)
- R&D activities

Changes to the R&D tax credit

A tax credit of 30% is available on the full amount of qualifying research and development (**R&D**) expenditure incurred by a company on qualifying R&D activities. Qualifying R&D expenditure includes qualifying operational R&D costs and qualifying R&D plant and equipment costs. This credit is in addition to the normal, trading 12.5% revenue deduction available for the R&D expenditure, thereby resulting in an effective benefit of 42.5%.

The Finance Act 2025 has implemented a 5% increase in the R&D tax credit from 30% to 35%. Additionally, 100% of an R&D employee’s emoluments will now be considered a qualifying cost where at least 95% of their time is spent on R&D qualifying activities.

Research and development in Ireland

A separate R&D tax credit is available in respect of expenditure incurred on the construction or refurbishment of a qualifying R&D building, which will also include expenditure on the construction of an R&D laboratory in accordance with the Finance Act 2025. However, this will not include expenditure on any part used as an office or for any purpose ancillary to an office.

In order to qualify, 35% of the building must be used for qualifying R&D activities, and this threshold is measured over a four-year period (although this may be extended if use of the building was impacted by COVID-19). The credit for buildings is of relevance where R&D is carried on in a manufacturing environment as the building also needs to qualify for industrial building allowances. The credit available is equal to 30% of the proportion of the expenditure incurred on the construction or refurbishment of a qualifying building that aligns with the R&D use of the building over the measured four-year period.

Claiming the R&D tax credit

The R&D tax credit is a fully payable credit that is paid in three fixed instalments as follows:

- 50% of the credit in year one
- 30% of the credit in year two
- 20% of the credit in year three

A company operating in Ireland can claim to have each instalment paid out by the Irish tax authorities including the Irish Revenue Commissioners (**Revenue**) in each year. Separately, a company can elect to treat part or all of each instalment in each year as an overpayment of tax and use this overpayment to offset tax liabilities due and payable (including corporate tax, VAT and employment taxes) instead of having it paid out in cash.

Updates made in Finance Act 2024 mean that companies can claim the first €75,000 (up from €50,000) of an R&D tax credit claim as payable in the first year, even if their first monetised instalment is lower than this based on the three-year fixed instalment rules outlined above. Finance Act 2025 has further increased this first-year payment threshold from €75,000 to €87,500. A company may account for the R&D tax credit as income in its profit and loss account or income statement in arriving at the pre-tax profit or loss. This immediately impacts the unit cost of R&D, which is the key measurement used by multinational corporations when considering the locations of R&D projects.

Key employee incentive

Companies that claim an R&D tax credit have the option, in certain instances, to reward “key employees” through an alternative use of that credit. Subject to certain conditions and restrictions, the company may allocate a portion of their R&D credit to key employees to reduce their effective rate of tax to 23% (the average effective rate of tax for such employees would typically be in excess of 40% in the absence of such credit). In order to qualify as a key employee, an individual must perform 50% or more of their employment duties on qualifying R&D activities.

The R&D regime caters for pre-trading expenditure incurred on qualifying R&D activities. Where a company incurs R&D expenditure but has not yet commenced to trade, an R&D claim can be made within 12 months from the end of the accounting period in which the company first commences to trade. Companies can claim pre-trading expenditure as a payable credit over a three-year period from when a company commences to trade.

Subcontracted R&D costs of up to 15% of qualifying in-house R&D expenditure incurred by a company, or €100,000 (whichever is greater) can qualify for the R&D tax credit.

Payments to third level institutions located in the EU, European Economic Area (EEA) or United Kingdom of up to 15% of qualifying in-house R&D expenditure incurred by a company, or €100,000 (whichever is greater) can qualify for the R&D tax credit.

Exemptions to the R&D tax credit

Expenditure incurred on the acquisition of intangible assets that qualify for capital allowances under the IP regime and expenditure incurred in registering / applying for legal protection for intangible assets that are developed as a result of R&D activities do not qualify for the R&D credit

IP regime: specified intangible assets

Legislation provides for a tax deduction for capital expenditure incurred by a company which is carrying on a trade, on the acquisition of certain qualifying intangible assets, referred to as specified intangible assets (qualifying IP). This definition is widely drafted and includes the acquisition of, or the licence to use:

- patents and registered designs
- trade marks and brand names
- know-how, broadly in line with the Organisation for Economic Cooperation and Development (OECD) model tax treaty commentary on the definition of know-how
- domain names, copyrights, service marks and publishing titles
- authorisation to sell medicines, a product of any design, formula, process or invention (and rights derived from research into same)
- applications for legal protection including applications for the grant or registration of brands, trademarks, patents, copyright and so on
- expenditure on computer software acquired for commercial exploitation
- customer lists acquired, other than directly or indirectly in connection with the transfer of a business as a going concern
- goodwill, to the extent that it relates directly to the assets outlined above

Capital allowances

Capital allowances will be available at the same rate as the depreciation / amortisation charge for financial accounting purposes.

Alternatively, a company may elect to claim allowances over a period of 15 years with capital allowances provided at 7% per annum of the actual cost of the asset for 14 years and 2% in the final year. Expenditure on the intangible asset must not exceed an arm's-length amount.

Acquired software rights can also avail of the existing capital allowances regime where the rights are not acquired for commercial exploitation or were acquired for end use by the company.

Capital allowances on expenditure incurred on qualifying IP may be offset against income generated from exploiting those assets. For expenditure incurred on or before 10 October 2017, the maximum deduction is up to 100% of the relevant IP profits. For expenditure incurred on or after 11 October 2017, the maximum deduction is capped at 80% of relevant IP profits.

The remaining 20% is taxable at the 12.5% corporate tax rate on the basis that the company is carrying on a trade. Any IP amortisation that is not claimed in a year (an excess amortisation charge over the 100% or 80% qualifying profits in a year) can be carried forward for offset against the relevant trading IP profits of a company in future years.

The 80% ringfence is extended under Finance Act 2025 to also apply to balancing allowances arising on any disposal of qualifying IP assets occurring on or after 8 October 2025. All capital expenditure incurred on the provision of qualifying IP on or after 14 October 2020 is subject to a balancing charge on a subsequent disposal, regardless of when the balancing event may occur. In other words, all capital expenditure incurred on the provision of specified intangible assets on or after 14 October 2020 is fully within the scope of the normal balancing charge rules.

No balancing charge arises on the disposal of qualifying IP where capital expenditure was incurred on the provision of such qualifying IP prior to 14 October 2020 and where such qualifying IP has been held for more than five years.

The Finance Act 2025 confirms that the rules applicable to assets transferring during a qualifying reconstruction now explicitly extend to intangible assets transferred in the same context. Under these rules, when a trade and its related assets are transferred between companies within a 75% ownership group, the transaction does not give rise to balancing allowances or charges. Furthermore, the successor company inherits the predecessor company's position regarding future tax relief claims on the transferred assets.

Key Business Sectors



Financial services: for the past 40 years, global financial institutions have made Ireland their home. International banks, investment managers and insurers, aircraft leasing operators and administrators make up some of the 430+ financial services companies currently operating here.



MedTech: Ireland is home to 14 of the top 15 MedTech companies spanning multiple sites across the country. The sector now includes more than 300 companies employing over 40,000 people.



Biopharma: Ireland's life sciences sector has a global reputation for operational and innovational excellence. Leading industry names including Novartis, AbbVie, Janssen, Pfizer, Sanofi, Lilly, AstraZeneca, MSD, Bristol Myers Squibb and Takeda have significant operations here and make up some of the 90+ pharmaceutical companies operating in Ireland.



Media: Ireland accommodates a broad range of digital consumer and business companies, from social media giants, cutting-edge software houses and games developers, to online retailers, AV production studios and entertainment companies.



Technology: 13 of the top 20 global technology companies (according to 2024 investment brief data) and the top three enterprise software providers have chosen Ireland for major European operations. These include globally recognised names such as Alphabet, Amazon, Apple, Facebook, IBM, Intel, Microsoft, Oracle, Salesforce and Tencent.



Business services: leading business service providers including Accenture, Bertelsmann, Perot, Freightquote, Serco, GLG, Sita, Service Source and Western Union are among the 1,700 multinationals now active in Ireland.



Engineering: Ireland is the European location of choice for increasing numbers of industrial engineering and technology companies in manufacturing, research and innovation in sectors such as aerospace, automotive and automation.



Green economy: Ireland has one of the most ambitious decarbonisation plans of any country in the world, making it an attractive location for global companies to expand or invest in for the first time. Ireland ranks second in the EU for share of wind energy in electricity mix, third globally for installed wind power capacity per capital and is a world leader in integration of variable renewable electricity onto the grid.

Reasons to establish a business in Ireland



Access to EU markets and experienced importers and exporters ready to develop new partnerships



Access to a highly educated, skilled and young workforce



Ireland is the only English speaking common law trade and investment gateway to the EU



Strong track record in research and innovation



Access to high fibre broadband



A competitive tax system



Ranked 4th in the 2024 IMD World Competitiveness Yearbook

Ireland has a resilient economy - one of the best performing advanced economies in the world.



A pro-business environment with a stable regulatory framework



Strong commitment towards developing a greener economy



Knowledge Development Box

The Knowledge Development Box (**KDB**) provides an effective 10% corporate tax rate on profits arising from qualifying assets (including copyrighted software and patented inventions) where some or all of the related R&D is undertaken by the Irish company. A Ministerial Commencement Order was signed in October 2023 to increase the effective tax rate on KDB profits from 6.25% to 10% from 1 October 2023 to prepare for the implementation of Pillar Two. The relief applies for accounting periods up to 31 December 2026.

Exemption for new start-up companies

Relief from corporate tax applies to certain start-up companies that commence to trade before 31 December 2026, subject to conditions. The relief applies for five years from commencement to trade on or after 1 January 2018, where the total amount of corporate tax payable does not exceed €40,000 in each year. The relevant period was three years where the qualifying trade commenced before 1 January 2018.

Marginal relief is available where corporate tax payable is between €40,000 and €60,000. The amount of relief is computed by reference to the total employer's paying social insurance (**PRSI**) contributions for each year in respect of the company's employees and directors, subject to a limit of €5,000 per individual. For accounting periods beginning on or after 1 January 2025, relief can also be computed by reference to the total Class S PRSI contributions paid by certain company directors / owners through the PAYE system on emoluments from the company, subject to a limit of €1,000 per individual. There is an overall limit of €40,000 in any one year.

The exemption also allows unused relief arising in the first five years of trading (due to losses or insufficiency of profits) to be carried forward for use in subsequent years.

Grants

Cash grants may be available for capital expenditure on machinery and equipment and industrial premises, training of employees, creation of employment, rent subsidies, R&D, manufacturing and exporting products, providing services to customers overseas. The level of grant aid depends on several factors and is specific to each project. Rates depend on the location of the new industry.

Taxation of interest paid to foreign corporate shareholders

Interest paid by an Irish company to a non-Irish resident company is subject to interest withholding tax, which currently stands at the rate of 20%. However, there are wide exemptions from this withholding tax. This includes where the interest is paid by an Irish company in the ordinary course of its trade to a company which is tax resident in an EU member state (other than Ireland) or a country with which Ireland has signed a DTA and that country imposes a tax that generally applies to foreign source interest provided such interest is not paid in connection with a trade or business carried on by such company in Ireland through a branch or agency.

Taxation of patent royalties paid to foreign corporate shareholders

In general, where a royalty payment is made or other sum is paid in respect of the user of a patent, the payer is obliged to deduct out of the payment income tax at the standard rate. However, there is an exemption from withholding taxes for patent royalty payments made to an associated company resident in another EU member state, and withholding tax will not apply to patent royalties paid by a company in the course of a trade or business to a company resident in a treaty country.

Withholding is not imposed on other forms of royalties (for example, copyright) or on payments such as aircraft lease rentals unless the payments could be regarded as “annual payments”, which are recurring payments of a revenue (as opposed to capital) nature - pure profit income.

Debt financing

There are no rules in Ireland which prevent a company from being primarily debt-financed. However, certain restrictions apply to the deductibility of interest, for example, in the following circumstances:

- “connected with” shares in the company, meaning that, in consequence of the nature of the rights attaching to the securities or shares, and in particular of any terms or conditions attaching to the right to transfer the shares or securities, it is necessary or advantageous for a person who has, or disposes of or acquires, any of the securities also to have, or to dispose of or acquire, a proportionate holding of the shares
- under which the consideration given by a company for the use of the principal secured profit is to any extent dependent on the results of the company’s business or any part thereof, or represents more than a reasonable commercial return
- issued by a company (**the issuer**) and held by a company not resident in Ireland (**the non-resident company**), where:
 - i. the issuer is a 75% subsidiary of the non-resident company
 - ii. both companies are 75% subsidiaries of a third company which is not resident in Ireland
 - iii. except where 90% or more of the share capital of the issuer is directly owned by a company resident in Ireland, both the issuer and the non-resident company are 75% subsidiaries of a third company which is resident in Ireland

Participation exemption for certain foreign distributions

A company may receive a dividend or other type of distribution from a foreign subsidiary. This distribution is exempt from corporate tax where the qualifying conditions for the participation exemption are satisfied. The exemption applies to a relevant distribution made by a relevant subsidiary to a parent company on or after 1 January 2025. The parent company must hold a qualifying participation in the relevant subsidiary.

What is a relevant distribution?

A relevant distribution is a distribution made in respect of a foreign subsidiary's share capital. The distribution can be made of the profits of the relevant subsidiary. Alternatively, the distribution can be made of other assets of the relevant subsidiary. The distribution must be regarded as income (and not capital) in the hands of the parent company. Broadly, the parent company must otherwise be chargeable to tax on the relevant distribution under Case III of Schedule D (i.e. foreign income taxable at 25%). Distributions received as trading income are excluded. The distribution cannot be deductible for foreign tax purposes. A parent company can claim the exemption. This is a company that is either Irish tax resident or resident for foreign tax purposes in an EEA country and not generally exempt from foreign tax.

Foreign tax refers to a tax that corresponds to Irish corporate tax. That tax must apply to the income, profits and gains of a resident company at a nominal rate greater than zero per cent.

What is a relevant subsidiary?

The parent company must hold at least five per cent of the ordinary share capital of the relevant subsidiary. This is referred to as a qualifying participation. This must be held for a continuous period of at least 12 months. This period must include the date the relevant distribution is made. The company (the relevant subsidiary) making the relevant distribution must be resident for foreign tax purposes in a relevant territory (being an EU, EEA country or a country with which Ireland has a DTA) and not generally exempt from foreign tax. These conditions must be met on the date the relevant distribution is made and throughout the preceding five years DTA.

Changes introduced by the Finance Act 2025

The Finance Act 2025 has introduced several changes. One key change is the broadening of the geographic scope of the participation exemption on distributions. Previously, the exemption applied to entities resident in a relevant territory, namely an EEA, Treaty or Treaty-pending territory.

From 1 January 2026, the exemption will also apply to distributions from entities resident in a “specified territory”. A specified territory is one in which foreign tax is charged and paid directly on the distribution, at a rate greater than 0%. Importantly, this tax must not be repaid to any person; it must be non-refundable.

Furthermore, the lookback period during which a relevant subsidiary must not have acquired a “business” or “assets used for the purposes of another business” (an excluded acquisition) from non-relevant territory resident companies has been shortened from five years to three years, with effect from 1 January 2026.

The Finance Act 2025 further clarifies that for the purposes of reviewing acquisitions made by a relevant subsidiary during the lookback period when determining eligibility for the participation exemption, an excluded acquisition does not include the acquisition of share capital. Furthermore, acquisitions from a company resident in Ireland are explicitly out of scope and do not need to be considered in this context.

Where a company was resident in Ireland prior to becoming resident in a relevant territory, the period during which it was an Irish resident may be included for the purposes of the lookback period. These clarifications have retrospective effect and apply to distributions made on or after 1 January 2025.

International tax changes

As part of its anti-tax avoidance package and to provide a harmonised implementation of a number of the OECD Base Erosion and Profit Shifting (**BEPS**) concluding reports across the EU, the EU Council adopted Council Directive (EU) 2016/1164 (**the Anti Tax Avoidance Directive** or **ATAD 1**) on 12 July 2016 and subsequently, Council Directive (EU) 2017/952 (**ATAD 2**) on 29 May 2017, amending and supplementing ATAD 1.

ATAD 1 and 2 provide for an interest limitation rule, controlled foreign company rules, exit tax provisions, and anti-hybrid rules

On 20 December 2021, the OECD published the Global Anti Base Erosion Model Rules which are aimed at ensuring that Multinational Enterprises are subject to a global, minimum effective tax rate of 15%. A directive to implement the rules on minimum effective taxation in the EU (**the Pillar 2 Directive**) was adopted by the Council of the EU on 15 December 2022.

How Ogier can help

Ogier's Tax team in Ireland advises clients across sectors on a full range of matters including tax advisory and compliance requirements. Our tax services in Ireland include transaction tax structuring and due diligence and outsourced tax compliance across business tax, indirect and transfer taxes. Ogier's dedicated foreign direct investment (**FDI**) experts, based in Dublin, provide practical and commercial advice across the full range of FDI activities. For more information, contact our team via their contact details below.

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