

Irish Tax Facts

Introduction	Taxation in the Republic of Ireland is at a national level. The tax system is administered by the Irish Revenue Commissioners.
Tax Year	1 January to 31 December.
Assessment Basis	<p>Irish resident domiciled individuals are subject to income tax on their worldwide income whereas Irish resident non-domiciled individuals are, in general, subject to taxation on Irish and UK source income, foreign employment income (where the duties of employment are carried out in Ireland) and other foreign income to the extent that it is remitted to Ireland.</p> <p>A self assessment system applies to all individuals except where total income is taxed under the Pay As You Earn (PAYE) system. Married couples may choose to be taxed singly, separately or jointly. All taxpayers require a Personal Public Service (PPS) number which is obtained when the individual registers with the Department of Social and Family Affairs.</p>
Income Tax	<p>An individual's taxable income includes employment income and benefits in kind, income from a trade or a profession, income from property and other investment income.</p> <p>Income is taxed at progressive rates with a rate of 20% applied to the standard rate band (up to €34,000 for single individuals or €43,000 for married couples with one income and €68,000 for married couples with two incomes. The amount of €68,000 is transferable between spouses up to a maximum of €43,000 per spouse) and 41% on the balance. A number of tax credits are available some of which depend on the marital status of the taxpayer, for example, a single individual will receive a tax credit of €1,760, whilst a married couple is entitled to a credit of €3,520.</p> <p>Tax relief is given at source at the standard rate for mortgage interest and approved medical insurance.</p> <p>Employment income (including benefits in kind) is subject to PAYE, whereby the employer withholds tax from earnings.</p>
Taxation of Investment Income	<p>In general, investment income is included and taxable with other income when calculating an individual's income tax liability.</p> <p>Irish source interest income is taxed through the Deposit Interest Retention Tax (DIRT) system. Standard DIRT Accounts i.e. ones that pay interest on an annual basis or more frequently, incur tax of 20% which is deducted at source. Other accounts, e.g. where interest is only added at maturity, incur a tax of 23% which is also withheld at source. In both cases there is no further tax liability however the health contribution of 2%/2.5% is payable where applicable (See Social Security Contributions).</p> <p>Irish company dividends incur a 20% withholding tax.</p>
Tax on Property Rental Income	<p>Rental income is included in the calculation of taxable income and taxed at the relevant rate. Various expenses can be deducted in arriving at taxable rental income. Income derived from this source is not taxed through PAYE and individuals must submit a tax return.</p> <p>Income from the letting of a room in a person's principal private residence is exempt from tax where the gross annual rental income is not greater than €7,620. Principal private residence relief for capital gains tax is unaffected.</p>
Wealth Taxes	There are no wealth taxes in Ireland
Capital Gains Tax	<p>A capital gains tax of 20% is levied on the disposal of assets. Losses on assets held for over 12 months can be used to offset gains in the current year, with unused losses being carried forward. The value of an asset can be adjusted for inflation up to 31 December 2002.</p> <p>There are various exemptions available including an annual exemption for gains up to €1,270 for an individual. In addition, gains on the disposal of an individual's principal residence, together with land occupied as its garden or grounds up to a maximum of one acre are also exempt where certain conditions are fulfilled.</p>

Inheritance and Gift Tax

A capital acquisition tax (CAT) is levied on transfers of assets on death or gifted during an individual's lifetime. The tax is payable by the recipient.

The recipient of the assets is classified into one of three categories depending upon their relationship with the donor. Differing tax free thresholds apply dependent upon the category into which the recipient falls, for example gifts or inheritances during 2007 to an individual's child are exempt up to €496,824. Gifts or inheritances taken on or after 5 December 1991 are aggregated with later gifts or inheritances received under the same group threshold in order to arrive at the amount of tax payable.

The rate of tax is 20% and various exemptions apply, including transfers between spouses. The first €3,000 of gifts taken by a donee from any one disponent in a calendar year is exempt from tax. Where the beneficiary is gifted or bequeathed property that will become their main residence, the gift or inheritance is exempt from CAT.

Regional and Municipal Taxes

Local authorities levy annual local property taxes on commercial properties but not dwellings. Rates are payable per €1 rateable valuation of the property. The valuation is based on presumed rental value and is determined by the local authority.

Property Taxes

There are no property taxes in Ireland other than those described above.

Stamp Duty

Stamp duty is charged on certain transactions/documents and the rate varies according to the type of transaction. Transactions include the creation of a lease with annual rentals in excess of €19,050.

Stamp duty applies to the sale of commercial and residential property. In respect of residential property, rates are between 3% and 9% for properties valued at over €127,000. Owner occupiers purchasing a new property (under 125 sqm) are exempt from stamp duty.

From 31 March 2007 a first time buyer purchasing as his or her principal private residence a new house or a second hand property is exempt from stamp duty.

Sales Tax

A sales tax (VAT) of 21% applies in Ireland and is generally added to the sale price of goods. Some goods are subject to a reduced rate of 13.5% or 4.8% and some goods are exempt.

Social Security Contributions

Social security contributions in Ireland are known as Pay Related Social Insurance (PRSI). The employer's contribution is 8.5% where employees earn up to €356 a week and 10.75% where employees earn in excess of €356 a week. Employees pay 4% of their gross salary up to a ceiling of €48,800 with the first €127 a week being exempt. Employees earning less than €339 in any week are not required to pay PRSI in that week.

In addition, employees pay a health contribution of 2% on all earnings. With effect from 1 January 2007 an additional health levy of 0.5% has been introduced on all earnings exceeding €1,925 per week. Employees who earn less than €480 in any week are exempt from the health contribution for that week.

Taxation of Expatriates Living in Ireland

The scope of Irish taxes with regard to an expatriate individual living and working in Ireland depends upon the individual's residence, ordinary residence and domicile status. There are a number of tests to determine an individual's residence status in Ireland.

Residence

An individual's residence status for Irish tax purposes is determined by the number of days an individual is present in Ireland during any given tax year. To be resident in Ireland for a tax year an individual must satisfy either of the following circumstances:

- Spend 183 days or more in Ireland for any purpose in that tax year; or
- Spend 280 days or more in Ireland for any purpose over a period of two consecutive tax years; they will be regarded as resident in Ireland for the second tax year, provided they spend more than 30 days in Ireland during each tax year.

A person is present in Ireland during a given day if they are in Ireland at midnight.

Ordinary Residence

The term ordinary residence refers to an individual's pattern of residence over a number of years and is distinct from residence. An individual who arrives in Ireland and is resident for three consecutive tax years will become ordinarily resident from the beginning of the fourth tax year. Once acquired, ordinary residence is retained until an individual has left Ireland and has been non resident for three consecutive tax years. An individual who is non resident for a particular tax year but who is ordinarily resident may be chargeable to tax in the same manner as a resident but subject to certain exemptions and treaty provisions.

Domicile

Domicile is a concept of general law. It may be broadly interpreted as meaning residence in a particular country with the intention of residing permanently in that country. Every individual acquires a domicile of origin at birth. A domicile of origin will remain with an individual until such time as a new domicile of choice is acquired. However, before a domicile of origin can be changed there has to be clear evidence that the individual has the positive intention of becoming a permanent resident in another country, has abandoned the idea of ever returning to live in their country of birth and severed connections with that country.

Extent of liability to Irish tax

The taxation basis applicable to an individual's Irish and foreign source income and gains depends on their residence, ordinary residence and domicile status. An individual who is an Irish resident, is ordinarily resident in Ireland and has an Irish domicile will be taxed on worldwide income and gains. Gift and inheritance tax will be based on the value of their worldwide assets. The table below shows the potential liability to tax.

Individual's residence, ordinary residence and domicile status	Extent of liability to Irish tax	
	Income Tax & investment income	Capital Gains Tax
Resident, ordinary resident and Irish domiciled.	Worldwide income.	Worldwide disposals.
Not resident, ordinary resident and Irish domiciled.	Worldwide income with the exception of: <ul style="list-style-type: none"> Income earned from duties performed outside Ireland. Other foreign income, e.g. investment income, provided that it does not exceed €3,810 in a tax year. 	Worldwide disposals.
Not resident, ordinarily resident and not Irish domiciled.	<ul style="list-style-type: none"> Irish source income. Employment income the duties of which are carried out in Ireland. Remittance of foreign investment income exceeding €3,810. Remittance of employment income the duties of which are carried on abroad. 	Liable on gains arising on the disposal of assets situated in Ireland and the UK and on all other foreign gains to the extent that those gains are remitted to Ireland.
Resident and ordinarily resident but not Irish domiciled.	<ul style="list-style-type: none"> Irish and UK source income. Foreign employment income where duties are carried out in Ireland and remittances of foreign employment income where the duties are not carried out in Ireland. Remittance of foreign investment income. 	Liable on gains arising on the disposal of assets situated in Ireland and the United Kingdom and on all other foreign gains to the extent that those gains are remitted into Ireland.
Resident and domiciled but not ordinarily resident.	<ul style="list-style-type: none"> Irish and UK source income in full. Remittance of employment income the duties of which are carried on abroad. Remittance of foreign investment income. 	Worldwide disposals.
Not resident and not ordinarily resident.	All Irish source income in full (including foreign source income earned in respect of duties performed in Ireland).	Gains made on the disposal of certain Irish specified assets.

N.B. The remittance basis of assessment applying to foreign income excludes UK source income which is taxed in full. With effect from 1 January 2006 the remittance basis will no longer apply in respect of foreign employment income earned where the duties are performed in Ireland.

The charge to Capital Acquisition Tax (CAT) on gifts or inheritances is residence based and will generally arise on the entire property received where the donor or the beneficiary is resident or ordinarily resident in Ireland. If neither the donor nor the beneficiary is resident or ordinarily resident in Ireland, the charge is only in respect of property which is situated in Ireland. A non-domiciled individual moving to Ireland will only become liable to CAT on non Irish property after they have been resident for 5 years or more.

Where income is taxable in both the country where it is sourced and in the country in which the recipient of that income is resident, relief may be provided under the terms of a double taxation agreement. Ireland has concluded over 40 double taxation agreements with other countries in order to provide relief where income is taxable in both countries.

An individual's liability to social security contributions depends on such factors as the length of assignment to Ireland, the individual's country of origin and the country in which the employer is situated, if different. There are three distinct groups of countries which affect liability to Irish social security contributions. If an individual is posted to Ireland from an European Economic Area (EEA) country there is no liability to pay PRSI if the individual holds a certificate from the social security authorities in their home country confirming that they are still subject to their social security legislation and continue to pay the equivalent contributions in that country. For non-EEA countries with which Ireland has a reciprocal social security agreement, an individual will, in certain circumstances, remain in the social security system of their home country for up to five years, depending on the maximum period provided for in the specific agreement. In respect of any other country, an individual may not be required to pay PRSI for the first 52 weeks after arrival if the individual is working in Ireland temporarily for a non-Irish employer. Full contributions are payable when the 52 week period has expired.

Expatriate Financial Planning

As a whole, the Irish tax regime is less onerous for expatriates who are not resident, not ordinarily resident or not domiciled in Ireland compared with the regime for individuals who are resident and domiciled in Ireland. Generally, for resident but not domiciled individuals only Irish, UK, foreign employment income earned from duties of employment performed in Ireland, remittances of foreign employment income where duties are not performed in Ireland, remittances of foreign investment income and gains are subject to Irish tax.

In addition, an expatriate who is considering a move to Ireland, should review their finances with a suitably qualified and independent financial advisor before making the move. They may wish to consider offshore investments, including offshore life products, in order to manage their tax liability and/or control when tax charges arise, as well as considering options available for remuneration structures and estate planning.

Whilst the specific benefits of an offshore life product will depend on individual circumstances, they do offer a number of potential benefits:

- Investments in an offshore life product grow virtually free of tax throughout the time the product is held, suffering only a small amount of irrecoverable withholding tax on investment funds located in certain countries.
- They allow, in general, an individual to manage when benefits are taken and potentially to defer the realisation of benefits to a period that may be more advantageous from a taxation perspective.
- Offshore products often feature a strong range of the life company's own individual offshore funds and managed offshore funds specifically tailored to fit with the spread in clients' attitudes to risk. Offshore products also offer access to household name fund managers, including many international and specialist fund managers.
- An offshore product has the flexibility to adapt to changes in individual circumstances, including changes in residence status.
- Most companies offering offshore life products are subsidiaries of global financial services companies.
- The offshore life companies are regulated in first class jurisdictions which benefit from strong regulatory controls.

Your independent financial adviser can help you ensure that you maximise the financial benefits of your expatriate status and help you to assess if offshore life products are right for your individual circumstances.

This document has been prepared on behalf of the members of the Association of International Life Offices ("AILO") and relies on information and technical analysis provided by third party professionally qualified tax advisers. Whilst AILO has used its best endeavours in selecting its advisers to ensure the accuracy of the information contained in this document, AILO and its tax advisors cannot be held responsible for any errors and omissions.

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