An Roinn Airgeadais
Department of Finance

Globalisation
Macroeconomic and tax policy implications
Department of Finance Sixth Annual Policy Conference

Ireland and the Taxation of Income from Intangible Assets

30th April 2019

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A TRADITION OF INDEPENDENT THINKING

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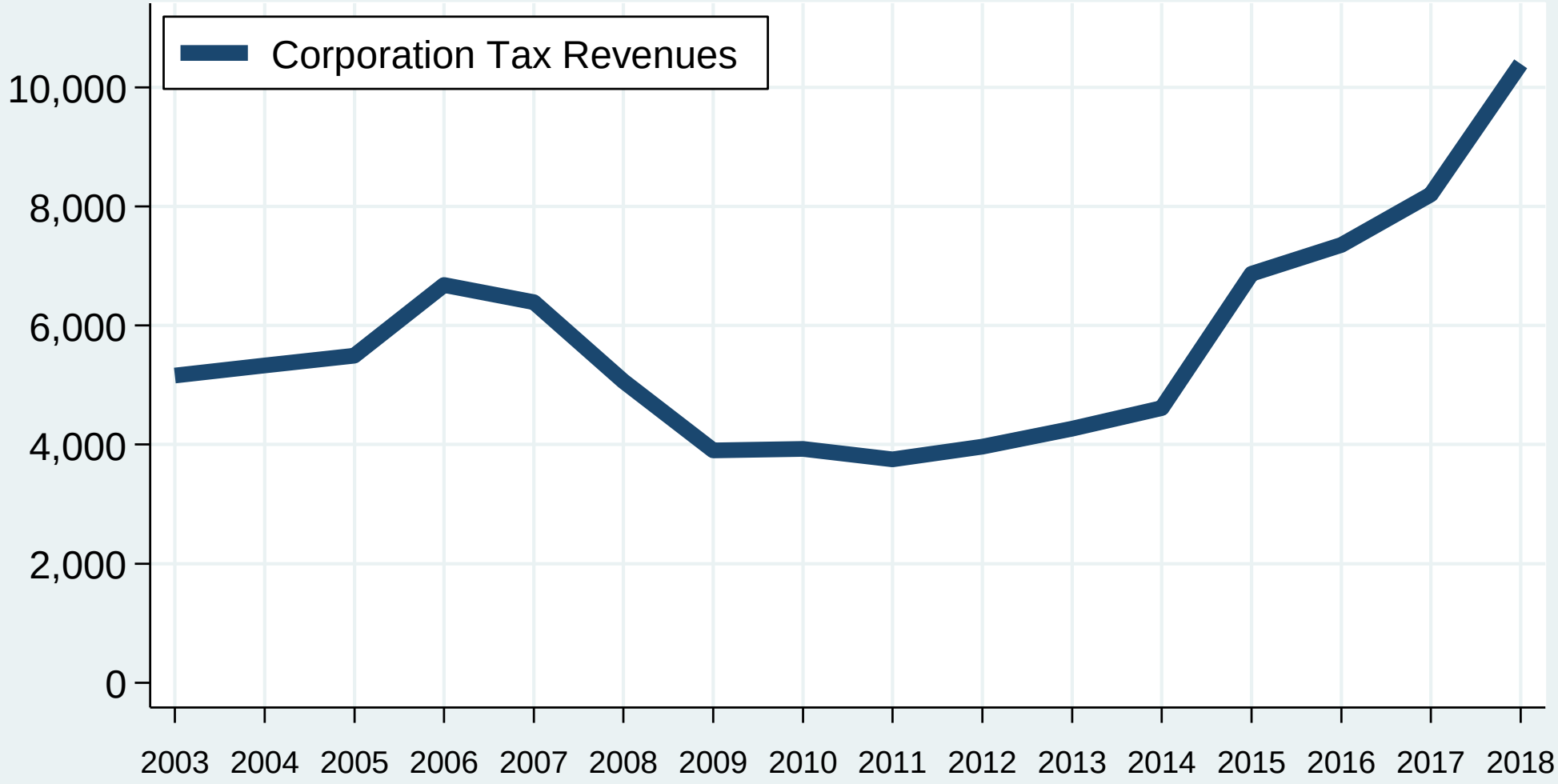
Exchequer Returns: Corporation Tax

Exchequer Annual Net Corporation Tax Revenues, €million



Source: Department of Finance

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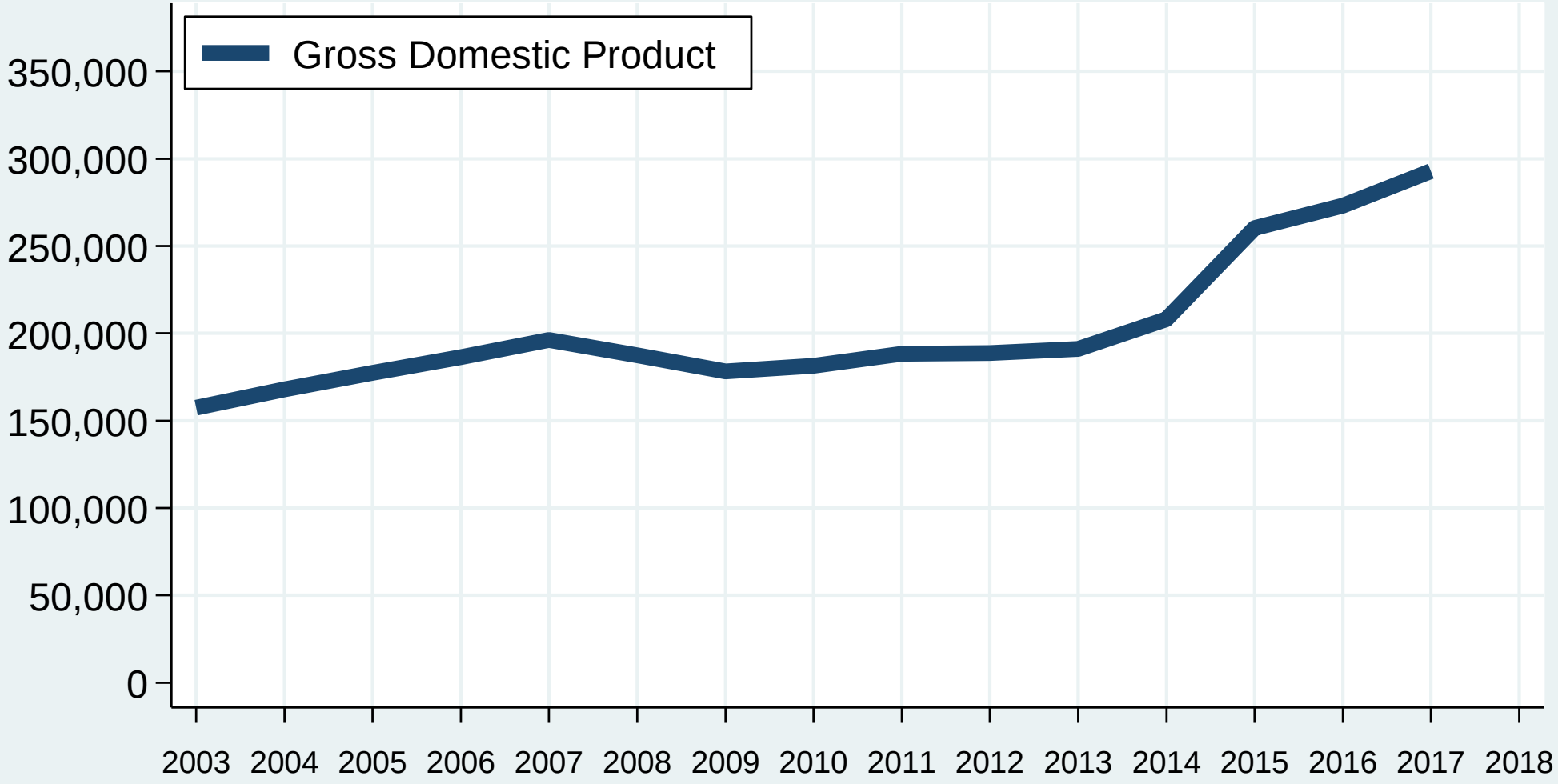
National Accounts: GDP

Real Gross Domesric Product (2016 Prices), €million



Source: Central Statistics Office

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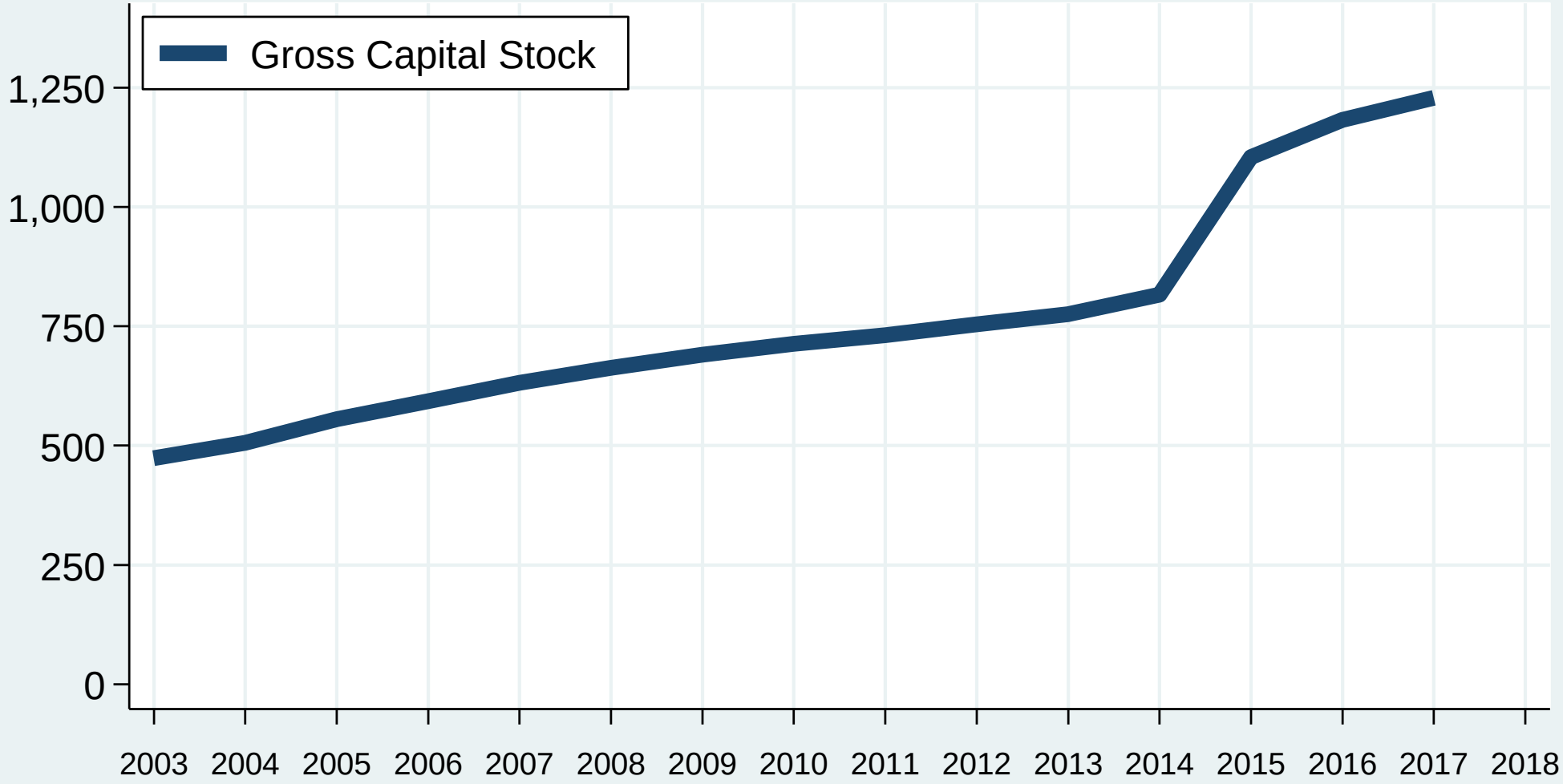
National Accounts: Capital Stock

Gross Capital Stock of Fixed Assets (2016 Prices), €billion



Source: Central Statistics Office

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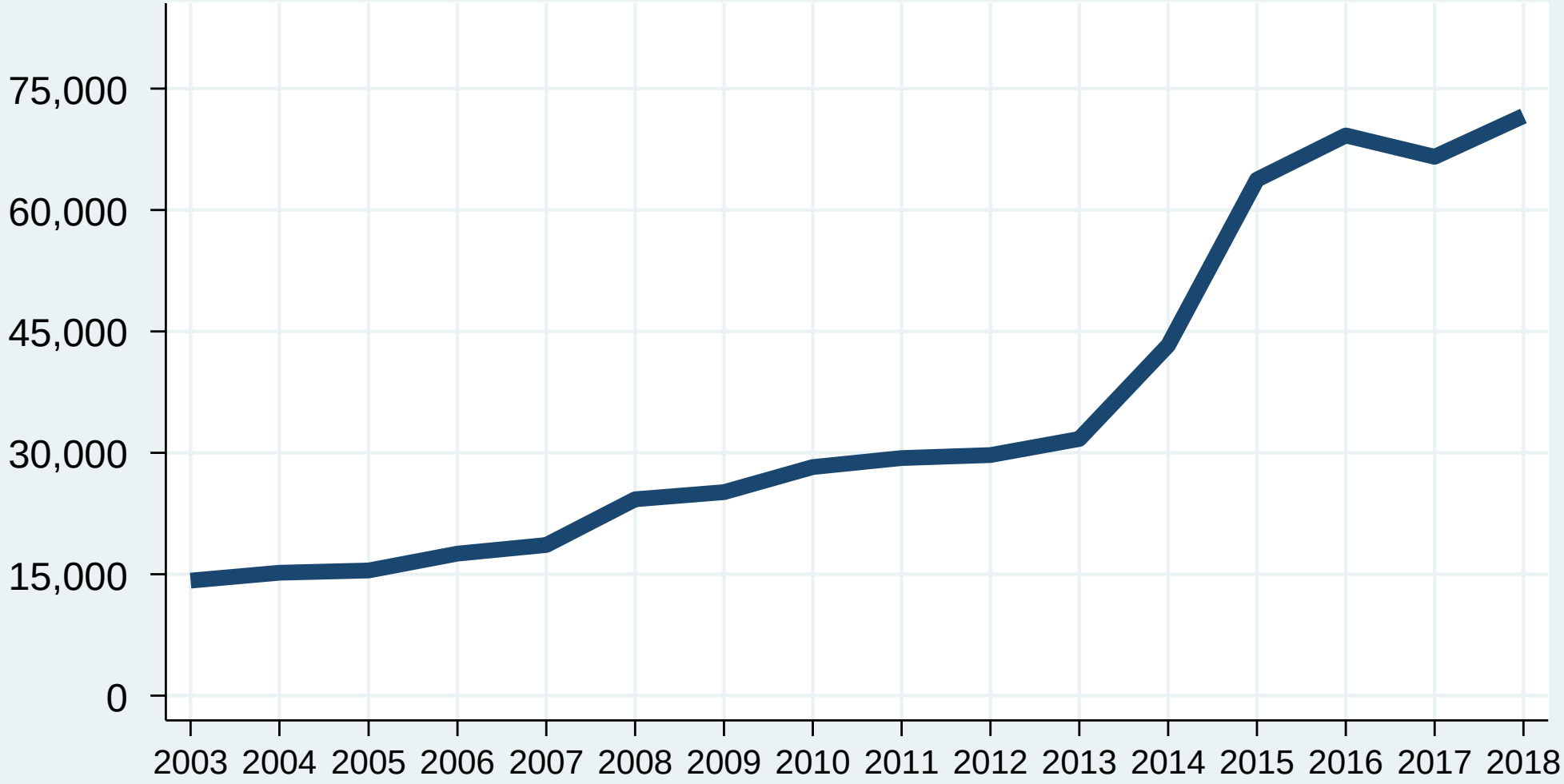
Balance of Payments: Royalties

Annual Imports of Royalty/Licence Services, €million



Source: CSO, Balance of Payments

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Aggregate Corporation Tax Computation, 2012-2016

Year	2012	2013	2014	2015	2016
	€m	€m	€m	€m	€m
Gross Trading Profits	**74,905**	**80,812**	**95,639**	**144,128**	**159,228**
plus Balancing Charges	1,521	2,423	2,738	4,971	4,976
	76,426	83,234	98,422	149,099	164,204
less Allowances and Losses Forward					
Capital Allowances used	(8,475)	(15,955)	(18,621)	(46,153)	(59,254)
Trade Losses Carried Forward used	(10,094)	(10,120)	(14,685)	(20,213)	(14,627)
Net Trading Income	**57,858**	**57,160**	**65,117**	**82,733**	**90,323**
plus Other Income					
Net Rental Income	526	545	567	576	627
Gross Interest Received	571	447	414	539	641
Foreign Income	4,232	3,685	5,805	8,665	8,362
Capital Gains (regrossed)	625	1,699	1,595	2,536	2,217
Other Income	509	518	492	639	1,447
Total Income	**64,321**	**64,052**	**73,991**	**95,688**	**103,617**
less Charges and Deductions					
Trade Charges	(14,451)	(17,396)	(16,847)	(23,885)	(23,876)
Current Year Trading Losses	(386)	(227)	(645)	(339)	(316)
Group Relief	(2,545)	(2,505)	(1,724)	(1,894)	(3,164)
Other Deductions	(3,696)	(3,462)	(4,072)	(4,495)	(4,786)
Taxable Income	**43,243**	**40,462**	**50,703**	**65,077**	**71,475**
Of which:					
Amount Chargeable at 12.5%	41,575	38,580	48,249	63,000	67,350
Amount Chargeable at 25.0%	1,664	1,883	2,454	2,076	4,126

Source: Revenue Commissioners

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Capital Allowances Available and Used

Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
	€m	€m	€m	€m	€m	€m
Trade						
Plant and Machinery Capital Allowances	17,328	19,142	20,466	23,233	50,710	64,219
of which:						
Capital Allowances for Intangibles				2,653	28,872	35,737
Other Plant and Machinery Capital Allowances				20,580	21,838	28,482
Industrial Buildings Capital Allowances	551	499	522	509	561	564
Other Capital Allowances	345	282	237	259	241	254
Rental						
Rental Capital Allowances	241	268	322	316	268	225
Total Available	**18,465**	**20,192**	**21,546**	**24,317**	**51,780**	**65,262**
Amount offset against trading profits	**8,453**	**8,475**	**15,955**	**18,621**	**46,158**	**59,254**

Source: Revenue Commissioners

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Plant & Machinery Capital Allowances by range of Net Income

Range of Net Income	2013	2014	2015	2016
	€m	€m	€m	€m
Negative or nil				
€1 - €25,000				
€25,001 - €50,000				
€50,001 - €75,000				
€75,001 - €100,000				
€100,001 - €200,000				
€200,001 - €300,000				
€300,001 - €400,000				
€400,001 - €500,000				
€500,001 - €600,000				
€600,001 - €700,000				
€700,001 - €800,000				
€800,001 - €900,000				
€900,001 - €1,000,000				
€1,000,001 - €5,000,000				
€5,000,001 - €10,000,000				
Over €10,000,000				
All cases	**20,466**	**23,233**	**50,710**	**64,219**

Source: Revenue Commissioners

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Plant & Machinery Capital Allowances by range of Net Income

Range of Net Income	2013	2014	2015	2016
	€m	€m	€m	€m
Negative or nil	11,690	12,591	38,190	47,454
€1 - €25,000	1,231	1,960	2,490	2,172
€25,001 - €50,000	58	66	61	68
€50,001 - €75,000	41	47	48	56
€75,001 - €100,000	46	33	45	49
€100,001 - €200,000	109	123	158	136
€200,001 - €300,000	68	159	101	114
€300,001 - €400,000	55	57	64	77
€400,001 - €500,000	40	58	78	66
€500,001 - €600,000	65	62	38	64
€600,001 - €700,000	31	39	43	65
€700,001 - €800,000	31	72	32	51
€800,001 - €900,000	31	37	35	23
€900,001 - €1,000,000	20	30	30	35
€1,000,001 - €5,000,000	611	639	764	854
€5,000,001 - €10,000,000	392	379	462	792
Over €10,000,000	5,947	6,880	8,072	12,143
All cases	**20,466**	**23,233**	**50,710**	**64,219**

Source: Revenue Commissioners

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Aggregate Corporation Tax Calculation for Companies with no Net Income

	2013	2014	2015	2016
	€m	€m	€m	€m
	Companies with no Net Income			
Gross Trading Profits	**9,732**	**13,458**	**40,022**	**49,914**
Capital Allowances Available	(11,898)	(12,779)	(38,359)	(47,454)
Trading Losses Carried Forward Available	(145,482)	(131,570)	(159,374)	(183,249)
Current Year Losses	(17,732)	(7,872)	(10,390)	(11,062)
Net Trading Income	**0**	**0**	**0**	**0**
Net Rental Income	448	448	435	474
Regrossed Capital Gains	1,062	593	1,133	879
Foreign Income	2,899	4,532	7,926	6,960
Other Income	643	575	712	1,548
Total Income	**5,052**	**6,147**	**10,206**	**9,861**
Trade Charges Available	.	.	.	.
Group Relief Available	.	.	.	.
Other Deductions	(643)	(627)	(824)	(930)
Total Taxable Income	**4,407**	**5,346**	**9,267**	**8,862**

Source: Revenue Commissioners

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Conclusion

- Within the OECD there is agreement “without prejudice” to assess allocating more taxing right to market countries.
- This could be achieved through the re-allocation of profits, digital permanent establishment or rules for marketing intangibles.
- The winners from this will be the market countries; the losers depend on the extent to which tax is currently paid on IP-related profits.
- Taxable income in Ireland linked to IP is substantial but, up to 2016 at least, has been close to fully offset by capital allowances.
- The surge in CT receipts in 2015 was not related to intangibles.
- A cap on the amount of capital allowances that can be claimed reduced the risk and volatility of CT receipts.
- This applies for transactions after October 2017 but not for those before this date.