



## Ireland

### 6.25% Knowledge Development Box (KDB) Tax Rate

Ireland has announced the introduction of the Irish Knowledge Development Box (KDB) regime. The KDB enables companies carrying out research and development (R&D) activities to tax the profits arising from those activities at an effective rate of ONLY 6.25%.

The relief commences on 1st January 2016 and operates by providing a 50% deduction from qualifying profits, resulting in an effective 6.25% tax rate.

These include patented inventions, including those pending, copyrighted software, plant breeders' rights and supplementary protection certificates for medicinal products and for plant protection products.

Income that falls within the profit calculation includes royalties for the use of the qualifying assets and the portion of any income from the sale of products or services attributable to qualifying assets.

Ascribing an income stream from the sale of a product to the IP element is a key element to calculating the KDB benefit. It is a requirement of the law that companies document how they track and trace this calculation.

Qualifying expenditure includes the cost of R&D that is outsourced to unrelated parties, but excludes group outsourcing costs, including those related to cost-sharing agreements and costs incurred on the acquisition of IP.

For expenditure to qualify it must be incurred wholly and exclusively in the carrying out of R&D activities. There is some offset for the non-qualifying expenditure as the law allows an uplift of the qualifying expenditure by a specified amount. That amount is determined as the lower 30% of qualifying expenditure or the total amount paid to related companies for outsourced R&D activities and to acquire IP.

The KDB offers an opportunity for Irish companies to avail of substantially lower corporation tax on qualifying profits. The first claims will be made in 2017 in respect of 2016.

**PLEASE FEEL FREE TO CONTACT US WITH ANY QUESTIONS OR QUERIES.**

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