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## Doing Business in Ireland

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**MSI's guide on Doing Business in Ireland provides current information about the financial, regulatory and legal considerations that could affect business dealings within Ireland. For further assistance please contact our MSI member firms in Ireland.**

## Country overview

### Population

Ireland has a total population of 4.95 million inhabitants (January 2019).

### Government

Ireland is a parliamentary democracy with a written constitution and two houses of parliament. While according to the Constitution the President is the head of the State his powers are largely ceremonial. The Constitution of Ireland vests executive authority in the government which is headed by the Taoiseach (prime minister). The government is composed of government ministers, all of whom must be members of the Irish parliament, which in turn is elected by a general election.

Ireland is a member of the EU and the United Nations but retains a neutral stance on military matters.

Northern Ireland, as part of the United Kingdom, operates in a similar political and legal system.

### Languages

According to the Irish Constitution, Irish (Gaeilge) is still the first official language of Ireland, yet only 1 per cent of the population speaks Irish daily. English, the second official language of Ireland, is the main language spoken in Ireland.

### Currency

The national currency is the Euro.

### Economic summary

GDP: €356 billion

Income per capita: €70,145.00

### Main sectors of the economy

The Irish economy is a small trade dependent economy. This is reflected both in the international mobility of its labour and capital and in the high levels of direct foreign investment.

The Irish Government's policy has been and continues to be directed towards the creation of a stable economy which is supportive of the needs of businesses. The major economic sectors in Ireland include agriculture, tourism, services and industry.

The industry sector has grown rapidly in the past ten years particularly in the areas of pharmaceuticals and medical devices, computer hardware and software, brewing and food and beverage production.

Foreign Direct Investment (FDI) is also a key plank upon which the Irish economy is built. The Department of Business, Enterprise and Innovation estimates that 20% of all private sector employment in the state is directly or indirectly attributable to Foreign Direct Investment.

### EU country/ Non-EU and its impact on businesses and investors

Ireland is a member state of the European Union. Being part of the EU's Single Market makes it easier for Irish businesses to trade on both European and international markets.

Ireland is an appealing base for investment and doing business with its well-educated work force and strategic location being major contributors. The attractive fiscal climate and technological

infrastructure contributes to creating positive business environment as well.

## Setting up a business

Nationals of the European Economic Area (EEA) or Switzerland do not need permission to set up a business in Ireland. If you are a non-EU/EEA and non-Swiss national and wish to start a business or invest in the State, you may apply for permission under the Immigration Investor Programme and Start Up Entrepreneur Programme.

You can set up a business as a sole trader, as a partnership or as a limited company. The type of structure you choose depends on the kind of business you are running, with whom you will be doing business and your attitude to risk. It is advisable to get the advice of a solicitor or accountant when considering the structure for your business.

### Legal types of business entities

1. Sole Trader
2. Partnership
3. Private Company Limited by Shares (LTD)
4. Designated Activity Company (DAC)
5. Public Limited Company (PLC)
6. Company Limited by Guarantee (CLG)
7. Unlimited Company
8. Societas Europaea (SE)

The Private Company Limited by Shares is the most common form of incorporation for people wishing to start a business in Ireland. In this type of company, the shares are owned by its shareholders. In such a company, the shareholders liability, should the company fail, is limited to the amount, if

any, remaining unpaid on the shares held by them.

Many foreign companies choose to establish a branch in the State. Others prefer to set up a subsidiary. Any company which is incorporated outside the State and establishes a branch in Ireland must register with the Companies Registration Office (CRO) within 30 days of establishment of such branch.

#### **Process of how to set up a business**

The incorporation of a company in Ireland is a quick and straight forward process. Once certain basic decisions (such as the type of company you wish to form, the registered address and the identity of the subscribers, the company secretary and the directors) are made, the company can be incorporated in approximately five working days.

#### **Financial year of taxes and financial accounts**

The financial year coincides with the calendar year. However, legal entities may choose a different financial year if they so wish. The taxes your business is liable for will depend on the business's structure and activity. A sole trader or partnership will pay income tax, USC and PRSI (see below), while a limited company will pay corporation tax.

#### **Accounting and auditing**

Companies, who meet specific criteria as set out under the Companies Act, may avail of an exemption from the requirement to have their financial statements audited. In order to obtain such an exemption, the company must qualify as a small company.

A statutory audit is required when the following criteria are met:

1. Annual turnover > €12 million
2. Total Assets > €6 million
3. Number of Employees > 50

#### **Economic and fiscal incentives**

The Irish government offers a number of incentive schemes in various sectors to support companies in their business operations.

The Knowledge Development Box is a Corporation Tax relief which provides for a special tax regime for innovation profits to stimulate R&D activities. Research, Development and Innovation grant schemes are available to companies already established in Ireland and to overseas companies operating in Ireland.

In certain regions approved by the EU for Regional Investment Aid, aid may be given in the form of Capital Grants for the purchase of machinery and equipment or altering business premises.

#### **Incentives foreign investors/ local investors**

There are a number of bodies in Ireland that offer sector and geographic support.

1. Enterprise Ireland – Enterprise Ireland is the Government agency whose primary responsibility is the development of indigenous industry.  
[www.enterprise-ireland.com](http://www.enterprise-ireland.com)
2. IDA – The IDA Ireland is the Government agency whose primary function is the promotion of foreign direct investment into Ireland.  
[www.idaireland.com](http://www.idaireland.com)
3. Shannon Commercial Properties – is the business name of Shannon Commercial Enterprises Ltd and is the Government agency responsible for the Shannon region which is located in the South West of Ireland.  
[www.shannonproperties.ie](http://www.shannonproperties.ie)
4. County Enterprise Boards – Enterprise boards support the development of micro-enterprise in local areas with the aim of creating employment and a vibrant business environment.  
[www.localenterprise.ie](http://www.localenterprise.ie)

## **Taxation**

The tax system in any given country is invariably an extremely important criterion when it comes to companies finding a country of incorporation. The

view taken by the Irish government is that the tax system may under no circumstances form an impediment for companies wishing to incorporate in the Ireland.

In that framework, it is possible to obtain advance certainty regarding the fiscal qualification of international corporate structures in the form of so-called Advance Tax Rulings. In addition, Ireland is a party to a vast network of tax treaties with foreign countries aiming to prevent the occurrence of double taxation and to act as instruments for international tax planning.

In Ireland there is an income tax, a value added tax (VAT), corporation tax and various other taxes.

#### **VAT**

The general VAT rate is 23%. On foods and medicines the rate is 0%. A 13.5% VAT rate applies to certain goods and services.

#### **Income tax**

The taxation of earnings is progressive, with little or no income tax paid by low earners and a high rate applied to middle to top earners, the top marginal rate of tax (including USC and PRSI) is 52%.

#### **Corporate income tax**

The standard rate of corporation tax is among the lowest in the world at 12.5% on profits from trading activities and 25% on other profits.

#### **Registration procedures**

Private persons and companies are registered with the tax authorities and are given a fiscal registration numbers. Communication with the tax authorities by way of tax returns and tax assessments is largely done in an electronic way.

#### **Participation exemption**

Participation exemption or substantial holding exemption is one of the main pillars of corporate income tax. The scheme was introduced to prevent double taxation. Profit distribution between group companies is exempted from tax.

Participation refers to a situation where a company (the parent company) is the owner of at least 5% of the nominal paid-in capital of a company that is based either in Ireland or abroad (the subsidiary).

#### **Withholding taxes**

The most common withholding tax is dividend tax with a rate of 20%. Within the European Union the dividends are generally tax free under the participation exemption.

The same may apply to other countries, depending on the tax-treaty.

## **HR/ Labour Law**

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### **Employment law**

An employment agreement may be agreed for an indefinite or fixed period of time. Employees on fixed-term contracts have broadly similar rights to those on open-ended contracts. The majority of employees in Ireland work under open-ended contracts of employment.

Employees may not be employed on a series of fixed-term contracts indefinitely. If an employee has been employed on 2 or more continuous fixed-term contracts with the same employer, the total duration of those contracts may not exceed 4 years.

After this, if the employer wishes to renew the employee's contract, it must provide an open-ended contract.

### **Social security**

In general, the payment of social insurance is compulsory.

Most employers and employees (over 16 years of age and under 66) pay social insurance (PRSI) contributions to the Social Insurance Fund.

The contributions paid depend on the employee's earnings and occupation and therefore it is called a Pay Related Social Insurance (PRSI) contribution. Social insurance contributions are divided into different categories, known as classes or rates of contribution. The class and rate

of contribution paid is determined by the nature of the work performed.

A wide range of benefits are available to people who have paid social insurance.

### **Pension**

The state pension is paid to people from the age of 66 who have enough Irish social insurance contributions. It is not means-tested but is taxable.

It is obligatory for all employers to offer access to a Personal Retirement Savings Account ("PRSA") to all employees, unless each employee has access to an occupational pension scheme, within six months of being employed. There is no obligation on an employer to contribute to a PRSA on behalf of an employee. PRSA products are available from life assurance companies, banks and other investment firms.

### **Payroll**

When starting a business and employing staff, the company must register as an employer with the Revenue Commissioner for the purposes of payroll and social insurance (PAYE/PRSI). The registration is quick and easy.

Income tax and social security contributions are deducted from the employees' salaries and are paid monthly to the Revenue Commissioner.

### **Visa and work permits**

EEA and Swiss nationals are entitled to come to Ireland to take up employment or self-employment without an employment permit or a visa. As soon as coming to Ireland EEA and Swiss nationals should register for tax and social insurance by applying for a Personal Public Service (PPS) number.

In general, non-EEA nationals must have an employment permit to work in Ireland. EEA and Swiss nationals do not need an employment permit. Either the employer or the employee can apply for a permit which must be based on an offer of employment. Permits are issued to the employee and include a statement of the employee's rights and entitlements. An employee with an employment permit has all the

employment rights of Irish or EEA citizens for the duration of the employment permit.

## Contact us

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The information provided in this guide cannot be exhaustive and we recommend anyone considering doing business in Ireland should seek professional advice from our member firms before making any business or investment decision.

### Contact our member firms in Ireland to discuss your requirements:

#### Legal member

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