Nurturing Successful Businesses

BREXIT - Setting up in Ireland

Twitter:

@ sakurabusiness | #sakurabusinessclinics

www.sakurabusiness.co.uk

BREXIT - Issues for Business

While the 'transition' process between the UK and the EU continues over the next few months, significant uncertainty remains for businesses. Therefore, companies who have not yet done so, should plan NOW for their post-BREXIT future, with the potential opportunities and challenges beginning to crystallise and become more urgent.

BREXIT will bring a wide range of changes and challenges to the existing business environment, however we can already identify the main areas that will be impacted, irrespective of a 'deal' or 'no deal' situation:

- **Customer Issues** – where a significant number of existing customers, or sales activity, is between the UK/EU, how will the current uncertainty and the practical changes impact on that relationship?
- **Supplier issues** – how are or will your suppliers be affected, will they pivot towards EU only customers, will prices move significantly, will the impositions or tariffs or customs duties cause delays?
- **Staff** – how are your staff likely to be impacted e.g. are they EU nationals and concerned about status in the UK, will their spouses/partners impacted?
- **Customs issues** – will this impact 'day to day' admin such as changes to VAT returns, a return to separate VAT/customs charges on EU goods, requirement to complete Customs documentation, changes to existing UK/EU services rules etc.?
- **Travel** – are there likely to be reduced speed of exit/entry to UK/EU countries, new visa requirements (and costs), UK/EU driver's licences be acceptable?
- **Regulations** - what will be the impact of changes to rules on food/goods standards, acceptable professional qualifications in UK/EU, GDPR and data security/access?
- **Other** – will there be consequences or opportunities by completing new trade deals with the US, India, China etc?

BREXIT and Ireland

Ireland's ongoing relationship with the EU, as well as its close location and existing ties to the UK, a common language and comparable common law legal system, mean it is well placed as a potential solution for some, if not all, of the BREXIT related issues above.

Therefore in this guide, we have tried to provide some initial information for business owners to understand what is involved with setting up a presence in Ireland and what you can expect in terms of ongoing compliance and 'red tape' e.g.

1. incorporating an Irish limited company
2. main statutory obligations after incorporation
3. key tax issues for a limited company and employees
4. available grants and government support
5. other business related issues

At Sakura we are able to assist you to make the move into Ireland as simple and straightforward as possible, using our Dublin subsidiary office to coordinate and manage this process for you, as well as using our existing knowledge of the marketplace and local relationships.

Should you have any further queries or questions, then please ask!

Damian Connolly FCCA
Managing Director

Why Ireland?

Ireland is an ideal solution for UK-based businesses looking at managing the impact of the transition post-BREXIT for a number of key reasons. Hence UK-based businesses considering their existing structures and operations post- BREXIT (from 2021 onwards), should be evaluating what Ireland may offer in this respect.

The financial and business reasons that make Ireland an excellent option post-BREXIT include:

- The Companies Act 2014 (the “Companies Act”) makes it easier for a director to manage a company
- Aside from the UK, Ireland is the primary English-speaking common law country in the EU
- A 12.5% corporate tax rate
- Comprehensive Double Taxation Agreements (DTA), currently signed with 74 countries
- Common travel area with the UK, removing any visa requirements etc.
- The quality, flexibility and skills of the work force i.e. 40% of the population live within 100kms of Dublin
- A wide range of Government grants and incentives for SMEs
- Transparent judicial system
- Strong intellectual property protection
- The largest recipient of Foreign Direct Investment (FDI) in Europe, with a particular strength in its relationship with the US and US corporations
- Excellent image as a reputable corporate domicile, and positive working relationship with EU and other markets.

Added to that is Dublin’s location - being no more than 1 hour’s travel time from London- meaning that business meetings or other operational issues can be dealt with in an average working day.

Therefore in summary, incorporating a limited company in Ireland, dealing with companies and tax regulations, banks, employees etc., will not be completely unfamiliar, as most activities are broadly similar to that in the UK, but with local variations.

1. Incorporating an Irish Limited Company

General

When planning on establishing a presence in Ireland, it is important to choose the right trading structure for your business activities. Generally this will mean the incorporation of a wholly new Irish limited company, however an alternative may be to establish a local 'branch' of an existing UK business in Ireland (we will only cover a new limited company in this guide).

As always it should be noted that a company is a legal form of business organisation. It is a separate legal entity and, therefore, is separate and distinct from those who run it.

Incorporating an Irish limited company

Issues to consider (pre incorporation)

- **Registered office address** – this is the address in Ireland to which Companies Registration Office (CRO) or Revenue Commissioner correspondence and/or all other formal legal notices addressed to the company will be sent

- **Address where the proposed activity of the company will be carried on** – this must also be in Ireland; and

- **Address where the central administration of the company will be carried on** – this may be outside Ireland.

- **Type of Company** – this is typically a private limited company (LTD), but there are some other limited company types that can be selected instead, as appropriate

- **Share Capital** - there is no upper limit on Authorised Share Capital ("ASC") for any company type and no restriction on type of currency or denomination amount of shares;

- **Directors/Officers** – this can be a minimum of one director and a separate company secretary, however other company types, with the exception of a LTD, must have a minimum of two directors and must have a company secretary.

  In a one director company, the secretary must be a different person to the director. The company secretary may be a body corporate or a natural person, however a company director can only be a natural person in Ireland.

- **Residency Requirements** - At least one of the directors is required to be resident in a member state of the European Economic Area (EEA). Consideration should also be given, at this time, to the tax residency of the directors. A majority of the directors should be Irish tax resident to establish the Irish tax residency of the company.

  If this is not possible, the following two options are available:

  - Application to the CRO to grant a certificate confirming the company has a real and continuous economic link with Ireland; or

  - Provide a bond, in the prescribed form, to the value of €25,395

- **Company Names** - the CRO imposes some restrictions on the selection of a limited company name. These generally cover such areas as the following:

  - it is identical to or too similar to a name already appearing on the register of companies

  - it is offensive

  - it would suggest state sponsorship

  - the use of certain name or restricted or require approval for use ("bank", "banking", "society", "co-op" or "co-operative" "University" (Ollscoil), "Institute of Technology" , "Charity", "holding", "group, "architect"

Incorporating an Irish limited company

Incorporation Process

Where you are incorporating an Irish limited company, as with Companies House in the UK, you can go directly to the Companies Registration Office (CRO) and commence the process using their own forms etc., however the more efficient and simpler way is to use a formations agent (or accountant) in most instances.

Generally it is advisable to allow a period of 14 to 21 days from start to finish

1. To commence the process you will need to complete the basic information around the new company such as proposed company name (typically provide 3 options), details for the company address, business activities, directors (names, addresses, nationality, tax references, DOB etc.)

2. Once the key information is provided there will be a confirmation as to whether the proposed company name(s) are acceptable or not - hence the purpose of providing 3 options at the outset

3. Otherwise, within 7 days the new limited company will be incorporated at the CRO, whereupon a CRO fee of €50 will be due and payable

4. At this point the **Directors** will need to sign a consent form i.e. consenting to act as a director to the newly incorporated limited company, and the **Subscribers (Shareholders)** will need to sign a copy of the Constitution of the limited company, and ensure these originals are returned to the CRO (by post).

5. At the same time, as part of local **'Know Your Client'** regulations, a **certified copy** of each Director, Secretary and/or Shareholders original identity and (residential) address documents must be provided to the CRO (by post). These documents must also be certified by specific individuals (i.e. accountants and lawyers) and include a specific wording to be acceptable for the CRO.

6. Once the **consent forms** and the **'Know your Client'** documentation has been successfully received by the CRO, it will take another 7 days to complete the incorporation and to obtain the formal **Certificate of Incorporation**

7. Once the Certificate of Incorporation has been received, registrations for various Irish taxes can be commenced with the Revenue Commissioners, along with obtaining access to the Revenue Online Services (ROS) system – similar to HMRC's online Government gateway.

2. Annual Statutory Obligations

Companies Registration Office (CRO)

Annual Return

Once a limited company has been incorporated, the company will be required to file an annual return to the Companies Registration Office (CRO), initially after 6 months from the incorporation date, and thereafter annually.

Similar to the requirements of Companies House in the UK, the annual return date (ARD) will be based upon the limited company's incorporation date, but can be amended where appropriate.

Every company, whether trading or not, must file an annual return at the CRO not later than 28 days from its statutory annual return date (ARD). The annual return (Form B1) is a document setting out certain prescribed information in respect of the company e.g. companies' addresses; directors/shareholders addresses, date of birth etc.

The CRO's standard filing fee is €20 for electronic filing.

Annual Statutory Accounts

Where financial statements (accounts) are required to be attached to the annual return, the return filing deadline is either:

the company's ARD plus 28 days or
the company's financial year-end plus nine months and 28 days, whichever is the earlier.

In almost every case, financial statements must be attached to that return; the financial year end of those financial statements must be no earlier than nine months before the date of the return.

Generally speaking the documents required to be attached to the annual return, are a Balance Sheet, Profit and Loss Account, a copy of the directors' report etc.

Returns which are filed late (i.e. more than 28 days after the effective date of the return) with the CRO incur a substantial late filing fee.

The CRO prosecutes companies and their directors for failure to file annual returns on time, which may also include conviction, disqualification from acting as a director or having any involvement in the management of any company, Court Orders and Strike Off.

As with Companies House in the UK, the CRO also allows companies to submit not only the annual return and associated accounts, but also (most) other forms confirming changes to officers, addresses, shareholding online via its CORE portal for companies and their agents.

Annual Statutory Obligations

Register of Beneficial Ownership (RBO)

Beneficial Ownership

In a similar way to the UK's Person of Significant Control (PSC) requirements, in Ireland this is maintained via the Register of Beneficial Ownership (RBO), which is the central repository of information in respect of the natural persons who are the beneficial owners/controllers.

There is an ongoing obligation on limited companies to keep their own beneficial ownership register up-to-date and ensure that the information aligns with that filed at the RBO i.e. businesses must record any changes to their beneficial ownership within 14 days of these changes occurring.

3. Key Tax Obligations

Revenue Commissioners – Corporation Tax

A company is deemed to be tax resident in Ireland where it has been incorporated on or after 1 January 2015. This will always apply unless it is treated as a tax resident company in another country under a Double Taxation Agreement (DTA).

In practice in order to obtain access to the 12.5% corporation tax rate and, in particular to obtain a local VAT registration, it is important to be able to clearly demonstrate that the Irish incorporated company is operationally managed and controlled within Ireland.

To this end, we recommend a review by a local tax specialist to establish that this is met at an early stage of planning to operate via an Irish limited company structure.

Registration for Irish taxes can be made in one application following incorporation, or separately by tax, as necessary, either online via the Revenue Online Service (ROS) or by using the Form TR2 (which is submitted by post).

Corporation tax returns must be submitted within nine months (and no later than the 23rd day of the ninth month) after the end of the financial year. It should also be noted that in Ireland, companies pay corporation tax through a system of a 'Preliminary tax' payment and a 'Final' tax payment alongside the submission of the corporation tax return.

Preliminary tax payments for new limited companies are only required in Year Two of trading, but will be required to be made 31 days before the end of the accounting period, and before the 23rd of that month.

Key Tax Obligations

Revenue Commissioners - other taxes

VAT Registration

The VAT registration threshold in Ireland is significantly below that of the UK i.e. once turnover exceeds €35,000 then a business is required to register for VAT purposes.

The VAT rates applicable in Ireland also vary from those in the UK, with rates as follows:

21%	Temporary standard VAT rate (Feb 2021)
23%	VAT standard rate
13.5%	Lower VAT rate (mainly hospitality and related activities)
9%	Lower VAT rate
zero	VAT rate

In Ireland, the Revenue operates bi-monthly VAT periods instead of the quarterly structure applicable in the UK, and additionally there is also an end of year reconciliation return required by all VAT registered businesses, called the Return of Traders Details (RTD) return.

Dividend Withholding Taxes (DWT)

A dividend withholding tax applies at a rate of 25% to dividends and other distributions made by limited companies (especially 'close companies'), however there are specific exemptions that may be available for certain recipients of the dividend e.g. some non residents and limited company recipients etc.

Companies that make a dividend distribution are required, within 14 days of the end of the month in which the distribution is made, to make a DWT return as well as to make a payment of the withheld amount(s) to Revenue.

The submission will be made via the Revenue Online Service (ROS) and is required to contain details of the recipient of the dividend, the dividend and withheld amounts, as well as the reason for any exemption from dividend WHT.

Tax treaties

Ireland currently has a range of Double Tax Treaties with over 74 countries in place.

Key Tax Obligations

Revenue Commissioners - Individual taxes

Individuals/Employees

Ireland operates a system using tax credits for individuals against the calculated tax liabilities, rather than using Tax Free Allowances (TFA's) (against income amounts) as per the UK.

Specific tax credits are available for specific circumstances including for single, married, employed and self employed individuals. The tax year in Ireland itself is also different to that in the UK, as it has in recent years been moved from 5th April to 31st December each year.

Irish income tax is imposed on the worldwide income of an individual who is resident and domiciled in Ireland. An individual who is resident but not domiciled in Ireland, is liable to Irish income tax on Irish-source income, foreign-employment income earned while carrying out duties in Ireland, and on other foreign income to the extent that it is remitted into Ireland.

Employment income includes all amounts, whether in cash or non-cash benefits, arising from an office or employment (e.g. salary, wages, fees, overtime, bonuses, commissions, benefits in kind, assignment related allowances).

PRSI, which is the equivalent to National insurance in the UK, is charged on employment income, including taxable non-cash benefits. It also applies to Employers in the same way as NI does in the UK, with individuals who earn less than EUR 352 in any week are not required to pay PRSI for that week.

The USC is a tax payable on gross income, including notional pay, after relief for certain capital allowances but before deducting pension contributions. It was brought in as a 'temporary' tax post 2008 but has yet to be removed from the statute books.

4. Grants and Government Financial Supports

Businesses that are investing into Ireland, as well as domestic 'start up' and SME businesses, have access to an extraordinary range of financial supports that are available to both smaller and larger businesses through Local Enterprise Offices (LEOs), Enterprise Ireland, Udaras na Gaeilge and the IDA.

Essentially these are all aimed at providing financial support to SME businesses that are actively undertaking investment or development to drive growth, whether that is domestically (in Ireland) or internationally.

The financial supports on offer take the form of funding/part funding (grant schemes), training or mentoring programmes and/or loan finance, to ensure that Irish located businesses are as well equipped as possible in terms of:

- management ability and expertise, as well as
- internal processes, structures and business platforms e.g. ecommerce, financial robustness, innovation and marketing

The focus of the Government agencies is to assist businesses to deliver on growth potential through the provision of targeted assistance at each stage of their development i.e. a 'roadmap' enabling progression from support provided by LEOs through to Enterprise Ireland, ensuring continued growth and development along the way.

Tax Clearance Certificate (TCC)

This is a regime specific to Ireland and broadly is a structure to ensure that any business that takes advantage of any State contracts, tenders or grants etc., are up to date taxpayers.

It is not a requirement for every business to have a tax clearance in place, but where applying or tendering for specific public sector or related work, or accessing grants from Local Enterprise Offices, Enterprise Ireland etc., having an recent tax clearance certificate in place will be a requirement.

5. Other Business Issues

FX Exposure

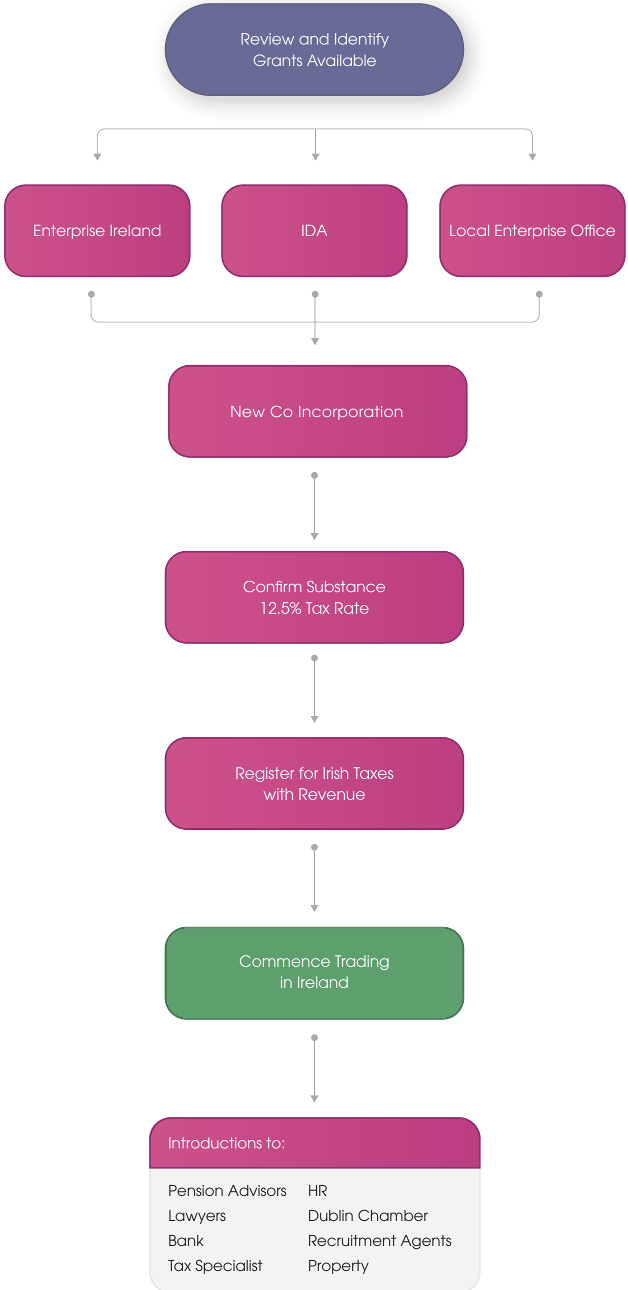
Currency risk e.g. operating in euros, in addition to the existing use of GBPs.

Although the risks at the initial stages may be relatively low with some funds required to provide 'start up' working capital only, ongoing management of the movement of funds back and forth to the UK and/or the financial impacts of changes in the relative rates of the euro and GBPs may become increasingly important.

Although we cannot support clients directly with this issue, we do have relationships with third parties who can work directly with you to manage FX exposure from the onset.

Our aim is to try and set ourselves apart from the more 'traditional' view of an accountant.

Next steps with Sakura



Services and Fees

There are a variety of services that we can offer to businesses commencing business in Ireland.

Company Incorporation

We can manage the incorporation of the Irish limited company, including dealing with all of the administration, providing the certification of all Directors/secretary and shareholder anti-money laundering documentation and all postage, CRO disbursements.

Provision of Company Secretary

We can also provide a local Secretary, to fulfil the duties of the role on your behalf i.e. the functions of a secretary are essentially administrative and not managerial.

- to provide comprehensive legal and administrative support and guidance to the board of directors **(maintaining the statutory company secretarial records)**
- to ensure that the board's decisions and instructions are properly carried out and communicated **(minimum statutory periods of notice of company meetings required to be given to shareholders)**
- to be responsible for ensuring that the company complies with all relevant statutory and regulatory requirements **(documents are prepared and submitted to CRO as required)**
- has responsibility for communication with the shareholders when required **(The financial statements are required to be sent at least 21 clear days before a meeting)**
- acts as principal administration officer, liaising with staff, customers, suppliers, media and the board of directors **(retaining the company seal, preparing company minutes etc.)**
- executes important documentation on behalf of the company, together with a director

Services and Fees

Business Tax Review

A pre requisite for an Irish incorporated company to avail of the 12.5% Irish Corporation Tax Rate is that the company is engaged in a trading activity. It is generally very obvious when the trade is being carried on e.g. a supermarket, but it can be more difficult to determine trading status in a situation where services, particularly high value services, are being provided.

Additionally, for the 12.5% rate to apply it is necessary that the company can demonstrate that they have sufficient substance in Ireland so as to qualify for it i.e. not just in terms of a physical presence, **but typically having the people with the appropriate skillset to generate the type of profits.**

This issue may also impact on the ability of the limited company to obtain a VAT registration number, so can be critical.

To resolve the above key tax issues, we can provide the following technical support:

- a business tax review in advance of trading activities commencing, to enable some straightforward steps to be taken that ensure the initial registration is indicative of an intention to trade.
- an additional practical review undertaken subsequent to the commencement of trading activities when the company is due to file its first Corporation Tax Return in Ireland e.g. 9 months after commencement.

Grants and Financial Supports

We can assist our clients to review and/or to identify whether any of the suite of existing grants and other financial support provided by the various Government agencies may be available to the business.

Annual Compliance Services

We also provide a suite of accountancy services to ensure that all annual compliance requirements with the CRO and Revenue in Ireland can be complied with simply and easily, alongside a variety of bookkeeping, management reporting, budget/cashflow forcecasting and general business advice solutions, where necessary.

Pricing

Services	Fee type	Fee (Excl VAT)
Incorporation of Irish limited company	One-off	**£350.00**
Provision of company secretary	Annual	**£1,500.00**
Initial business tax review	One-off	**£1,200.00**
Registration with Revenue Commissioners (Irish tax registration)	One-off	**£350.00**
Provision of Irish registered office/mailing address	Annual	**£500.00 - £1,500.00**
Limited company accounts/tax and compliance packages	Monthly	**From £300.00**
Grant review/identification and application support services	One-off	**From £175.00 - £650.00**
Bookkeeping services (Xero and Quickbooks)	Monthly	**From £250.00**

Already with an existing presence in Ireland, but require 'more' responsive accountancy support?
Contact us for more information on our accountancy and business advisory services!

sakura

Passionate about your business

London

Dawes Road Hub, 20 Dawes Road,
London, SW6 7EN

T 020 7952 1230
M 07833 902 187
E damian@sakurabusiness.co.uk
@sakurabusiness

Dublin

Suite 80, No. 20 Harcourt Street,
Dublin 2, Ireland

T (00353) 85 702 0949
E damian@sakurabusiness.ie