

2025/2026

Sample Notes Pages: 29
 Complete Notes: **282**

TAXATION – ROI – CAP 2 - **SAMPLE**

Income Tax	
Administration and procedures	✓
Residence, domicile and ordinary residence	✓
Computation of income tax	✓
Foreign income	✓
Irish rental income	✓
Employment income	✓

Capital Gains Tax	
Residency	✓
Common reliefs from CGT	✓
Disposal of shares	✓

Capital Acquisition Tax	
Territoriality	✓
Exemptions from CAT	✓
Common reliefs from CAT	✓
CAT and CGT	✓
Limited interests	✓
Free use of property	✓
Gifts from companies	✓

Corporation Tax	
Residence and administration	✓
Research and Development Expenditure	✓
Treatment of corporation tax losses	✓
Close companies	✓
Groups	✓
Capital gains	✓
Taxation of investment companies	✓
Treatment of intangible fixed assets	✓
Treatment of foreign income (Schedule D case III)	✓
Taxation of directors and shareholders	✓
Transfer pricing	✓

VAT	
Basic principles & Partial exemption	✓
International supplies	✓
Transfer of a business	✓
Property	✓
Group registration	✓

Stamp Duty	
Basic principles and administration	✓
Treatment of gifts and asset sales	✓
Treatment of property transactions	✓
Common reliefs from stamp duty	✓

CAP2 NOTES TOPICS ORDER

1. Appeals, Compliance Interventions and Qualifying Disclosures
2. Territoriality, Residence and Domicile
3. Shares, Revised Entrepreneurial Relief, Transfer of Business to A Company, Retirement Relief, Acquisition by A Company of Its Own Shares
4. EXEMPTIONS AND RELIEFS
5. STAMP DUTY
6. Limited Interests
7. Foreign Investment Income
8. Schedule E – Employment
9. CAT
10. CGT
11. Corporation Tax
12. Interest Rate Limitation Rules
13. VAT

RESIDENCE AND DOMICILE TERRITORIALITY RULES

When Can an Individual Elect to Be Irish Resident?

An individual can **elect** to be treated as **Irish resident** for a tax year if:

1. **They are not already resident** in Ireland for that same tax year; **and**
2. **They satisfy Revenue** that they are present in Ireland with the **intention** and under **circumstances** indicating they will be **resident** in Ireland for the **following** tax year.

Reasons for Electing Irish Residency

1. **Access to Full Tax Credits**
 - Electing to be resident may allow the individual to claim the entire range of personal tax credits available under Irish tax law.
2. **Avail of Ireland's Double Taxation Agreements**
 - Being considered an Irish resident can help the individual benefit from Ireland's **network of double taxation treaties**, reducing or eliminating double tax exposure on foreign-source income.
3. **Qualify for Joint Assessment**
 - Electing Irish residency can allow the taxpayer to file under **joint assessment** (i.e. jointly with a spouse), potentially lowering the overall tax liability.
 - However, the Irish Revenue's position is that **both spouses** must be Irish resident for the tax year to qualify, though they will consider each case on its own facts.

Ordinary Residence

1. **Definition**
 - Ordinary residence is based on an **individual's pattern of residence** over multiple tax years.
 - It is determined **separately for each tax year**.
2. **When Is an Individual Ordinarily Resident?**
 - An individual is **ordinarily resident** in Ireland for a given tax year if they were **resident** in Ireland for **each of the previous three consecutive tax years**.
3. **Losing Ordinary Residence**
 - An individual **ceases** to be ordinarily resident **only** after they have been **non-resident for three consecutive tax years** prior to the year in question.

Domicile

- **Definition**
 - Domicile is a **legal concept** referring to the **permanent home** of an individual.
 - An individual can only have **one domicile** at any given time, although they may have multiple homes.
- **Key Principles**
 - A person **cannot be without a domicile**.
 - A person **cannot have more than one domicile** at the same time.
 - A **domicile once established** is presumed to continue until it is clearly proven that a **new domicile** (domicile of choice) has been acquired.

Domicile of Origin

- **Nature**
 - An individual **inherits** their domicile of origin at birth, usually from the **father**.
 - If the parents are **not married**, the child acquires the **mother's** domicile.
- **Changing the Domicile of Origin**
 - To abandon a domicile of origin, one must conclusively prove:
 1. **Severance of all ties** with the country of the original domicile; and
 2. The **acquisition** of a new domicile of choice.
 - **Mere abandonment** (e.g., moving away) is not enough; a domicile of origin **remains** unless a new domicile is definitively established.

Domicile of Choice

- **Definition**
 - A domicile of choice can be acquired by an **independent person** (usually someone 18 or older) who:
 1. **Physically resides** in a new jurisdiction; and
 2. Demonstrates an **intention** to remain there **indefinitely**.
- **Abandoning a Domicile of Choice**
 - Occurs if an individual either:
 1. **Acquires a new domicile of choice**; or
 2. **Reverts to (revives) their domicile of origin** by leaving the current domicile of choice and showing no intention to remain there.

Domicile of Dependence

- **Dependent Persons**
 - Children under 18 and persons deemed incapacitated **share** the domicile of the individual on whom they are dependent.
 - Their domicile **tracks** the domicile of the responsible adult (e.g., parent or guardian).

Territoriality Rules

Location of Assets

1. **Impact on CGT**
 - Whether a gain is chargeable (or a loss is allowable) depends on:
 - The **location** and **nature** of the asset; and
 - The individual's **residence, ordinary residence, and domicile** (see notes 2).
2. **General Location Rules**
 - Outlined in Section 2.6. For example, land is located where it is physically situated; shares are located where the register is maintained, etc.
3. **Special CGT Rule for Debts**
 - **For CGT purposes:** A debt is located in **Ireland** only if the **creditor** is **resident** in Ireland.
 - This differs from the general law position (where a simple contract debt is located where the debtor resides).

Individual is Resident or Ordinarily Resident

Irish-Domiciled Individual: Resident/Ordinarily Resident

- **Worldwide Chargeable Gains**
 - An **Irish domiciled** individual who is **resident** or **ordinarily resident** in Ireland is liable to CGT on their **worldwide** disposals.

Foreign-Domiciled Individual: Resident/Ordinarily Resident

- **Irish Gains vs. Foreign Gains**
 - Liable on **all Irish gains** outright.
 - Liable on **foreign gains** only to the extent that they are **remitted** (brought) into Ireland; i.e., **remittance basis** applies.
- **Loss Relief**
 - **No foreign loss relief** is available for individuals taxed on the remittance basis.
- **CGT Rate**
 - The CGT rate applied to **remitted gains** is the rate in effect **at the time of the disposal**.
 - **Example:** A 2012 disposal attracting a 30% CGT rate remains 30% if the proceeds are remitted in 2023.

Irish-Domiciled, Non-Resident but Ordinarily Resident

- **Still Liable to Irish CGT**
 - An Irish-domiciled individual who is **ordinarily resident** but **non-resident** remains chargeable to CGT in Ireland.
 - Historically, some individuals sought to **avoid** Irish CGT by being resident in certain tax treaty countries; however, an **anti-avoidance** rule imposes tax on certain disposals by **temporary non-residents**

Temporary Non-Residents

Background

- **Purpose of the Law**
 - Prevents **Irish-domiciled individuals** from avoiding Irish CGT on share disposals by:
 1. Becoming **non-resident** or moving to a **tax treaty country**;
 2. Disposing of shares while outside Ireland; and
 3. Returning within a few years—thus trying to escape Irish CGT.
- **5-Year Threshold**
 - If an individual remains **non-resident for more than five consecutive tax years**, this anti-avoidance rule **does not** apply.

Liability to Irish Tax

1. **Relevant Assets**
 - The temporary non-resident rules apply to shares (or other holdings) that, on the **last day** of the individual's Irish tax residence, meet either of these conditions:
 1. They represent **5% or more** (by value) of the **issued share capital** of the company; **or**
 2. They have a **value > €500,000**.
2. **Deemed Disposal**
 - The individual is treated as if they disposed of the relevant assets on the **last day** of the tax year they were still Irish resident (e.g. 31 December 2023 if they leave in December 2023).
 - If the individual **actually** disposes of those assets (or a portion thereof) while away (in a period of **five years or less** of non-residence), the disposal is **pulled back** into the last year of Irish residence, and **Irish CGT** becomes payable when they **return**.
3. **Calculation and Timing**
 - **Market Value** used: The gain is calculated using the **actual market value** at the **actual disposal date**.
 - **Return Filing**: The individual includes this gain in their **Irish tax return** for the year they re-establish Irish residence.
 - **Double Taxation Credit**: A **credit** is given for any **foreign tax** paid on the disposal if it occurred in a territory with which Ireland has a **double taxation treaty**.
4. **Conditions for Charge to Arise**
 1. The individual is **Irish-domiciled** and **was** Irish tax resident before leaving.
 2. The individual **disposes** of the relevant assets in the intervening period.
 3. The individual is **non-resident for five years or less**, then becomes resident again—thus making the disposal chargeable under Irish law.

Domicile Levy

Purpose and Rationale

- **Objective:**
 - The **Domicile Levy** was introduced to ensure that individuals who are **domiciled in Ireland** contribute to the **Exchequer**, irrespective of their **residence status**. This measure targets high-net-worth individuals who might otherwise minimize their tax liabilities through residency planning without altering their **domicile**.
- **Legislative Framework:**
 - **Section 531AA TCA 1997**: Established the domicile levy, effective from **1 January 2010**.
- **Inclusivity:**
 - The levy applies to individuals **domiciled in Ireland**, regardless of their **citizenship**.

Eligibility Criteria

An individual is liable to the **Domicile Levy** if they meet **all** the following conditions in a given tax year:

1. **Domiciled in Ireland:**
 - The individual must be **domiciled in Ireland** during the tax year.
2. **Worldwide Income Exceeds €1 Million:**
 - **Worldwide income** for the tax year must be **greater than €1,000,000**.
3. **Final Irish Income Tax Liability Below €200,000:**
 - The individual's **final Irish income tax liability** (excluding **Universal Social Charge (USC)** and **Pay Related Social Insurance (PRSI)**) must be **less than €200,000**.

4. Irish Property with Market Value Over €5 Million:

SHARES

Shares present special problems when attempting to compute gains or losses on disposal.

1. FIFO Principle

- When shares of the **same class** in the **same company** are sold, the **oldest** (earliest acquired) shares are deemed to be disposed of first for **CGT** purposes.

2. Base Cost Calculation

- Because the **earliest acquisitions** are matched first against disposals, the **cost** used to compute a gain/loss is the purchase price (plus any allowable costs) of the **longest-held** shares.

3. Indexation Relief

- Indexation relief (available for certain periods of ownership) applies to those shares that have been held the **longest**.
- Therefore, FIFO **maximizes the advantage** for taxpayers by potentially providing a greater indexation uplift if older shares (with earlier purchase dates) are the ones disposed of.

4. Example Context

- In a scenario where Joe has multiple share purchases at different times, the cost for CGT purposes on a particular disposal is attributed to the earliest share purchase(s). In the example, Joe's **base cost** is €2,000, representing the cost of his first batch of shares under the FIFO rule

Rights Issues

1. Rights Issue and the Original Block of Shares

- Where an existing shareholder acquires additional shares via a **rights issue**, those newly purchased shares are treated as part of the **original block** of shares.
- For CGT purposes, the **FIFO** rule applies to the entire enlarged holding as if the shares acquired via the rights issue were always part of the single original pool.

2. Cash Paid: Enhancement Expenditure

- Although the shares from the rights issue merge into the original block for **FIFO** identification, the **cash paid** for the rights issue happens on a **later date** than the original purchase.
- Consequently, this **cash outlay** is treated as **enhancement expenditure** for indexation relief calculations.
- Indexation relief (where applicable) on the enhancement expenditure will be **calculated from the date** of the rights issue payment, rather than from the date of the original share purchase.

3. Practical Effect

- The **base cost** of the shareholding for CGT will consist of:
 1. The **original cost** of the shares, and
 2. The **cash paid** for the rights issue (treated as enhancement expenditure).
- This structure ensures that the **FIFO** rule and the **indexation relief** rules are both applied correctly to the enlarged shareholding.

Acquisition within Four Weeks of Disposal and Disposal within Four Weeks of Acquisition

Acquisition within Four Weeks of Disposal

1. Scenario

- A person disposes of shares, **realising a loss**, and **re-acquires** the **same class** of shares **within four weeks** of that disposal.

2. Restriction on Using the Loss

- The **loss** cannot be used against other gains in that tax year (or subsequent years).
- It may **only** be used against a future **gain** made on **those same re-acquired shares**.

3. Partial Re-acquisition

- If **fewer** shares are re-acquired than were sold, a **proportion** of the loss remains available for immediate offset (the portion related to the shares **not** re-acquired).
- The rest of the loss attaches to the re-acquired shares and can only be offset when those particular shares are sold again.

Key Employee Engagement Programme (KEEP)

1. Purpose

- Introduced to help **unquoted SMEs** attract and retain key employees with **share-based remuneration**.
- Under KEEP, the **gain on exercise** of qualifying options is **exempt from income tax, USC, and PRSI**, provided various conditions are met.

2. How It Works

- Instead of being taxed at exercise, the **tax is deferred** until the employee ultimately **sells the shares**.
- At that point, **CGT** is payable on the **difference** between the **sale proceeds** and the **price paid on exercise**.

3. Time Frame

- Applies to **qualifying share options** granted from **1 January 2018** to **31 December 2025**.

4. Conditions

(a) Qualifying Share Options

- The shares must be **ordinary, fully paid-up** shares of a **qualifying company** (or qualifying holding company).
- **Option price** \geq **market value** at grant.
- A **written contract** must detail the share type, option price, and exercise period.
- Options **cannot** be exercised within 12 months of grant (except in limited cases).
- Options **must** be exercised within **10 years** of grant.
- The main purpose of the option is **commercial** (to recruit/retain employees), not primarily for **tax avoidance**.

(b) Qualifying Company

- Must be **incorporated** in an EEA state (or the UK) and **tax-resident** or operating in Ireland through a branch/agency.
- Must exist **wholly or mainly** for carrying on a **qualifying trade** (i.e. not engaged primarily in excluded activities such as financial services, professional services, land dealing, etc.).
- Must be an **SME** (fewer than 250 employees, turnover $<$ €50m or balance sheet \leq €43m).
- Must remain **unquoted** (other than on certain small exchanges) from the date of grant to the date of exercise.
- **Not** in financial difficulty under EU State aid rules.

(c) Qualifying Individual

- Must be an **employee/director** working **at least 20 hours per week** (or 75% of total working time) in the qualifying company.
- Must not own (together with connected parties) **more than 15%** of the ordinary share capital.
- The role must be capable of lasting at least **12 months** from the option grant.

(d) Overall Limits

- The **market value** of shares under qualifying options cannot exceed:
 - **€100,000** in one tax year,
 - **€300,000** in three consecutive tax years, **or**
 - The individual's **annual emoluments** for the year of grant.

5. Tax Reporting

- The **qualifying company** must make an **annual return** to Revenue with details of options granted/exercised.
- If an individual **ceases to qualify** before exercising, the option **loses** its KEEP relief status and is instead taxed under standard rules (income tax on exercise).

Transfer of a Business to a Company

Sole Trader Transfers Trade to Company

- **Separate Legal Entities**
 - A sole trader and a limited company are legally distinct.
 - When a sole trader **transfers assets** (e.g. goodwill, buildings, machinery) to a company, it typically creates a **disposal** for CGT.
- **Market Value Requirement**
 - The transfer is between **connected parties** (the individual and their company).
 - All assets (including goodwill) must be transferred at **market value**.
- **Subsequent Disposal by the Company**
 - Once the company owns the assets, any **future sale** of those assets is a disposal by the **company**, subject to **corporation tax** on chargeable gains (or CGT if it is development land).

Section 600 TCA 1997: Deferral of CGT

1. **Key Features**
 - If a business is transferred to a company **in exchange for shares**, the CGT on the **disposal of the assets** can be **deferred**.
 - The business must be transferred as a **going concern**, with **all** its assets (or all except cash) going into the company.
 - The individual receives **shares** in the new company in return.
2. **Conditions for Relief**
 - The transaction must be done for **bona fide commercial reasons** and **not** form part of a tax avoidance arrangement.
 - Any portion of the consideration **not** in shares (e.g. cash or liabilities taken over by the company) triggers **immediate** CGT on that portion.
3. **How the Deferral Works**
 - **Normal Gain** is computed first (as if all assets were sold at market value).
 - The part of the gain linked to **non-share consideration** (cash, assumed liabilities, loan account in favor of the former proprietor) is **taxed immediately**.
 - The **remainder** (the “deferred gain”) is allocated across the shares received, reducing their base cost.
 - Upon a **future disposal** of those shares, the deferred gain **crystallizes**, increasing the CGT payable at that time.
4. **Valuing Shares**
 - The **value of shares** is essentially the difference between the **market value** of the assets transferred and any **cash (or deemed cash)** consideration.
 - This is often the trickiest part in practice but is primarily an **accounting/valuation** issue.

Limitations on the Relief

1. **Liabilities Taken Over = Cash Consideration**
 - Liabilities assumed by the company reduce the potential for deferral because they are treated as if the individual received **cash**.
2. **Double Taxation Inside a Company**
 - Gains on assets held by a company can be effectively taxed **twice**:
 1. When the **company** disposes of the asset; and
 2. When the **shareholder** disposes of **shares** in the company (e.g. on sale or liquidation).
3. **Must Transfer All Trade Assets**
 - Relief requires **all** trade assets (except cash) be transferred. Otherwise, Section 600 relief does not apply.
4. **Reduced Base Cost of Shares**
 - The deferred gain **reduces** the share’s base cost, which could lead to a higher future CGT on disposal of the shares.
 - However, if the individual plans to use **retirement relief** later (see Chapter 8) or never intends to sell the shares, the reduced base cost might be less of a concern.
5. **Interaction with Entrepreneur/Retirement Relief**

Exemptions and Reliefs

Exemptions

1. **Transfers of Government Stock**
 - No stamp duty arises on transferring Irish government stocks.
2. **Wills:** Instruments under a **will** (transfers/inheritanes) are exempt from stamp duty.
3. **Transfers Between Spouses/Civil Partners**
 - **Exempt** if legally married or in a civil partnership, even if separated.
 - On **divorce/dissolution**, a transfer of property under an **Irish court order** (or foreign order recognised in Ireland) remains **exempt**.
4. **Transfers/Leases of Land for Charitable Purposes:** Applies to charities operating in the State or NI.
5. **Intellectual Property**
 - Sale, transfer, or disposition of IP (patents, trademarks, copyrights, etc.) is **exempt** from stamp duty.
6. **Conveyances of Immovable Property Outside the State:** Generally exempt if certain conditions are met.

Reliefs

Young Trained Farmer Relief (Section 81AA SDCA 1999)

- **Full Stamp Duty Relief** on farmland transfers (including buildings on that land) to a “young trained farmer,” valid until **30 June 2023**.
- **State Aid Limit:**
 - Aggregate of all reliefs (including certain income tax reliefs) is capped at **€70,000** from **1 July 2014** to **30 June 2023**.
- **Qualifying Conditions:** The farmer must
 1. Be **under 35** at the date of deed execution,
 2. Have a **recognised agricultural qualification**,
 3. Submit a **business plan** to Teagasc,
 4. Be a **micro or small enterprise** under EU definition, and
 5. Undertake to:
 - Spend **≥50%** of normal working time farming the land for **5 years**, and
 - Retain **ownership** of the land for that period.
- **Deferred Qualification:**
 - If the young farmer lacks the qualification at execution but obtains it within **4 years**, they can apply for a **refund** of stamp duty paid, subject to satisfying the other conditions.
- **Clawback**
 - If any or all of the land is disposed of within **5 years** without replacement, the relief (or a portion) is clawed back.
 -

Transfers of Farmland Between Relations (Consanguinity Relief)

- **1% Rate** for farmland transfers (sale or gift) between **close relatives**, if done **on or before 31 December 2023**.
- **Conditions:**
 1. The transferee (or lessee, if leased) must farm the land for **≥6 years** (commercially, with profit intent), **and** either:
 - Devote **≥50%** of normal working time to farming, **or**
 - Hold a recognised farming qualification.
 2. Must be a **close relative** (lineal descendants, siblings, aunts/uncles, etc.).
 3. If farmland includes **farm buildings**, they are included, but a **farmhouse** is considered **residential** (subject to standard rates).
 4. **Deadline:** Transfer must occur **before 1 January 2024**.
- **Example:**
 - If an uncle transfers farmland to his nephew who is a qualifying farmer, stamp duty is **1%** on the farmland’s market value.

General Principles and Conveyance or Transfer on Sale

Introduction

- **Stamp Duties Consolidation Act 1999 (SDCA 1999)**
 - Consolidated pre-1999 legislation (Stamp Act 1891, etc.) into a single Act, subsequently amended by Finance Acts.
- **Main Principle:** Stamp duty is a tax on certain **instruments** (written documents) specified in **Schedule 1** of the SDCA.

Charge to Stamp Duty

Section 2 SDCA 1999: An instrument is chargeable if it is:

1. **Executed in the State;** or
2. **Relates to property** in the State; or
3. **Relates to any matter/thing done** (or to be done) in the State,

Unless an **exemption** applies.

Instrument

- Must be a **written document** that accomplishes or records something legally operative.
- **Oral agreements** or recordings (film, tape, etc.) with **no written document** do **not** create stamp duty liability.

Schedule 1 SDCA 1999

- Lists **which instruments** attract stamp duty, specifying either:
 1. **Ad valorem duty** (based on the value of property or consideration); or
 2. **Fixed duty** (a set amount regardless of value).
- Instruments not in Schedule 1 are **not** subject to stamp duty (unless specifically deemed so, e.g. a gift).

Executed in the State

- “Execution” typically means **signing** (and sealing, if required).
- An agreement signed **in Ireland** can be subject to stamp duty even if the property is located abroad.

Property Situated in the State

- The **location rules** generally align with the CGT rules (e.g. land/buildings physically in Ireland).

“Any matter or thing done, or to be done, in the State”

- Rarely invoked, but can apply if there is a **substantive action/obligation** connected with Ireland.
- Merely having an Irish resident party, without more, usually **does not** trigger Irish stamp duty if the transaction/instrument is otherwise foreign.

Payment and Returns

When is Stamp Duty Payable?

- Due **within 30 days** of the instrument’s execution.
- **Revenue practice** allows **44 days** from the date of first execution.

Who is Liable to Pay Stamp Duty?

- Typically, the **purchaser/transferee** (or **lessee** for leases).
- In a **gift**, **either** party can be pursued by Revenue, but customarily the recipient pays.
- In practice, **professionals** (solicitors, stockbrokers, etc.) collect and remit the duty on behalf of clients.

e-Stamping via ROS

- **Online** filing and payment of stamp duty via **Revenue Online Service (ROS)** is the norm.
- A **stamp certificate** is generated, printed, and affixed to the instrument.
- **Paper filing** is permitted only if Revenue exempts the filer (lack of internet access, age/infirmity, etc.).

LIMITED INTERESTS

1. Definition of Limited Interest

- **Limited Interest:** As defined in **Section 2 CATCA 2003**, a "limited interest" refers to:
 - (a) An interest (other than a leasehold interest) lasting for the duration of one or more lives or for a fixed period.
 - (b) Any other interest that is **not** an absolute interest.
 - **Examples:**
 - **Annuity:** An annual fixed payment for a limited period qualifies as a limited interest.
 - **Impact on Taxable Value:**
 - Limited interests are **less than** absolute interests, resulting in a **lower taxable value**.
 - **Calculation:** Taxable value is determined by reducing the **incumbrance-free value** (market value minus expenses, costs, and liabilities, but before deducting consideration).
-

2. Market Value of an Annuity

2.1 Annuity Charged or Secured on Property

- **Definition:**
 - An annuity or limited interest **secured** on specific property means the annuity payments are tied to that property's value.
- **Valuation Method:**
 - The **market value** of the gift or inheritance is deemed to consist of the **appropriate portion** of the property securing the annuity.
 - **Formula:**

$$\text{Appropriate Part} = \frac{\text{Annuity Amount}}{\text{Annual Income from Property}} \times \text{Total Property Value}$$

- **Example -**
 - **Scenario:**
 - Gary gifts an **annuity** of **€5,000** annually to his son, Stephen.
 - The annuity is **secured** by a block of investments worth **€150,000**, which generates **€10,000** annually.
 - **Calculation:**
$$\text{Appropriate Part} = \frac{€5,000}{€10,000} \times €150,000 = €75,000$$
 - **Result:** The **market value** of the gift to Stephen is deemed to be **€75,000**.

2.2 Annuity Not Charged or Secured on Property

- **Definition:**
 - An annuity or limited interest **not** tied to any specific property.
- **Valuation Method:**
 - The **market value** is determined by calculating the **present value** of the annuity based on the latest **Government securities** issued prior to the gift/inheritance date.
 - **Steps:**
 1. **Determine Required Capital Sum:** Calculate the capital needed to generate the annuity amount using the interest rate of the relevant Government security.
 2. **Adjust for Security Price:** Multiply the capital sum by the current price of the Government security to get the market value.

Foreign Investment Income

Taxation of Foreign-source Income

- **Scope:**
 - **Foreign-source income** refers to income earned by individuals **outside of Ireland**.
- **Applicability:**
 - **Irish Residents and Ordinarily Residents:**
 - **Liable to Irish Income Tax** on foreign-source income.
 - Assessed under **Schedule D, Case III**, unless specific conditions redirect the income to **Case IV**.
 - **Non-residents:**
 - Typically **only liable** for Irish tax on **Irish-sourced income**.
 - Foreign income generally **not subject** to Irish tax unless remitted under specific circumstances (covered in Chapter 28).
- **Double Taxation:**
 - Foreign income may also be **taxed in the country of origin**.
 - **Double Tax Relief (DTR)** mechanisms help mitigate **double taxation**.

Classification of Foreign-source Income

- **Schedule D, Case III:**
 - **Primary Classification:** Most foreign income falls under **Case III**, encompassing various types of foreign-source earnings.
- **Schedule D, Case IV:**
 - **Secondary Classification:** Certain foreign incomes are classified under **Case IV**, subject to different tax treatments.
- **Exclusions:**
 - **Double Taxation** considerations and **specific exemptions** may alter the default classification.

Schedule D, Case III

Case III Income pertains to **actual income** arising within the **tax year** and includes a diverse range of **foreign-source incomes**. These incomes are assessed to tax under **Schedule D, Case III**, with specific subcategories detailed below.

Types of Foreign-source Incomes Under Case III

Non-EU Deposit Interest

- **Definition:**
 - **Interest arising from deposits** located **outside the European Union (EU)**.
- **Taxation Rates:**
 - **Standard Rate: 33%** (applicable to standard-rate taxpayers).
 - **Higher Rate: 40%** (applicable to non-standard-rate taxpayers).
- **Conditions for Standard Rate:**
 - **Tax Liability Discharged:**
 - The taxpayer must have **fully paid** the **tax liability** by the **return filing date** for the relevant year.
- **Limitations:**
 - **Standard Rate Band:**
 - The **33% rate** applies **only** to the portion of **non-EU deposit interest** that **fits within** the **unutilised standard rate band**.
 - **Excess Interest:**
 - Any **non-EU deposit interest exceeding** the **unutilised standard rate band** is taxed at the **higher rate of 40%**.
- **Implications:**
 - **Tax Planning:**
 - Individuals should aim to **fully discharge** their tax liabilities to benefit from the **lower tax rate**.
 - **Managing Interest Earnings:**
 - Balancing interest earnings with the **available standard rate band** can optimize tax liabilities.

EU Deposit Interest

- **EU Deposit Interest** refers to **interest earned on deposits held** within **Republic of Ireland** banks, building societies, and credit unions by **Irish resident individuals**.
- It encompasses:
 - **Interest from EU-based financial institutions.**
 - **Excludes** interest from **non-EU sources**, which are covered under **Case III**.

Taxation Mechanism

- **Assessment under Case IV:**
 - **EU Deposit Interest** is assessed under **Case IV**.
- **Deposit Interest Retention Tax (DIRT):**
 - **Standard Rate: 33%** for the tax year **2025**.
 - **Higher Rate: 40%** applies if:
 - The taxpayer has **not discharged** their tax liability by the **return filing date**.
 - The interest exceeds the **unutilized standard rate band** (covered under **Case III**).
- **Tax Credit:**
 - Individuals are **allowed a tax credit** for the **DIRT withheld**.
 - **Refundability:** DIRT is **only refundable** in **certain limited situations**.
- **Non-Applicability of USC:**
 - **EU Deposit Interest** is **not liable** to the **Universal Social Charge (USC)**.
- **Pay Related Social Insurance (PRSI):**
 - **Liable at 4%** if the recipient is a "**chargeable person**".

Conditions for Tax Rates

- **33% Rate Applicability:**
 - Applies when the **taxpayer has fully paid** their **Irish income tax liability** by the **return filing date**.
- **40% Rate Applicability:**
 - Triggers if there is an **outstanding tax liability**.
 - In such cases, the **EU Deposit Interest** is also **assessed under Case III**.

Recent Legislative Amendments

- **Finance Act 2022:**
 - **Amendment:** Allows **collection agents** to **pay withholding tax** to Revenue and provide necessary information (including the landlord's tax reference number).
 - **Impact:** Agents making such payments are **no longer chargeable** to income tax on behalf of the landlord.
 - **Status: Not yet effective;** contingent upon a **ministerial commencement order**.

Taxpayer Obligations

- **Discharge of Liability:**
 - Taxpayers must ensure that their **DIRT liability** is **fully discharged** by the **return filing date** to benefit from the **lower tax rate**.
 - **Record-Keeping:**
 - Maintain accurate records of **interest earned**, **tax payments**, and **DIRT deductions** to substantiate tax filings and claims for credits.
-

Schedule E – Employment Income

Components of Employment Income Subject to Schedule E

The following types of income are subject to tax under **Schedule E**:

1. **Emoluments from Offices and Employments:**
 - Salaries, wages, and other forms of remuneration received from employment or holding office.
2. **Pensions and Annuities:**
 - Retirement income and regular payments received from pension schemes or annuities.
3. **Benefits in Kind and Perquisites:**
 - Non-cash benefits provided by the employer, such as company cars, housing, or other perks.
4. **Certain Lump Sum Payments:**
 - **Ex-gratia and Compensation Payments:**
 - Lump sums received upon retirement or dismissal, subject to specific rules (detailed in later)
5. **Taxable Social Welfare Benefits:**
 - Certain state-provided benefits that are subject to income tax.
6. **Treatment of Flight Crews:**
 - Specific tax rules apply to income earned by flight crew members.
7. **Payments Made Under Restrictive Covenants:**
 - Compensation received for adhering to post-employment restrictions.
8. **Income Arising to Members of the European Parliament (MEPs):**
 - Income paid out of the **Irish State's funds** is subject to tax under **Schedule E**

Tax Exemptions and Reliefs

- **Partial Exemptions:**
 - Certain portions of **Schedule E** income may be **exempt** or **relieved** from income tax based on specific conditions or programmes, such as the **Special Assignee Relief Programme (SARP)**.

Special Assignee Relief Programme (SARP)

Overview of SARP

The **Special Assignee Relief Programme (SARP)** is designed to provide **income tax relief** for certain individuals assigned to work in Ireland from abroad. This programme aims to attract highly skilled employees by offering tax incentives, thereby enhancing Ireland's competitiveness in the global market.

Eligibility Criteria for SARP

Under **Section 825C TCA 1997**, an individual can qualify for SARP if they meet **all** of the following conditions:

1. **Residency in Ireland:**
 - The individual must be **resident** in Ireland for tax purposes.
2. **Employment with a Relevant Employer or Associated Company:**
 - The individual must **perform duties** in Ireland for a "**relevant employer**" or an "**associated company**".
3. **Obtainment of a PPS Number:**
 - The individual must have obtained a **Personal Public Service (PPS) number**, which is essential for tax and social welfare purposes in Ireland.
4. **Minimum Relevant Income:**
 - **For Employees Arriving Between 1 January 2023 and 31 December 2025:**
 - **Relevant Income** must be **not less than €100,000**.
 - **For Employees Arriving Prior to 1 January 2023:**
 - **Relevant Income** must be **not less than €75,000**.

Definitions and Key Terms

Relevant Employee

A "**relevant employee**" is defined as a person who:

1. **Employment History:**
 - Was a **full-time employee** of the "**relevant employer**" for the **entire six months** immediately before their **arrival** in Ireland.
 - **Exercised duties** of their employment **outside Ireland** during this period.

Foreign Earnings Deduction (FED)

The **Foreign Earnings Deduction (FED)** is a special tax deduction available to certain employees who undertake part of their employment duties in specified non-European Economic Area (EEA) countries, referred to as “**relevant states**”. Introduced under **Section 823A TCA 1997**, FED aims to provide tax relief for employees whose work assignments abroad meet specific conditions, thereby encouraging international mobility and competitiveness within the Irish workforce.

Eligibility Criteria

Qualifying Conditions

To qualify for the **Foreign Earnings Deduction**, an employee must satisfy **all** of the following conditions:

1. **Employment in Relevant States:**
 - The employee must have **carried out duties** in one or more of the **relevant states**. These include countries outside the EEA such as **Russia, China**, and nations in **Africa, South America, Asia**, and **Arabia**. A **full list** of relevant states is available on the **Revenue website**
2. **Minimum Period of Employment Abroad:**
 - The employee must have worked in the relevant state(s) for a **minimum period of 30 qualifying days** within a **12-month period**.
3. **Definition of a Qualifying Day:**
 - A **qualifying day** is defined as **one of at least three consecutive days** dedicated substantially to performing employment duties, with the employee **present** in the relevant state **for the entire day**.
 - **Inclusions:**
 - **Saturdays, Sundays, and Public Holidays:** These days can be counted as qualifying days **only if** they are **present for the entire day** in a relevant state and are an **unavoidable part** of a business trip.
 - **Travel Days:** Days spent **traveling directly** from Ireland to a relevant state, from a relevant state to Ireland, or between two relevant states are treated as **qualifying days only if** the travel is **direct** (i.e., without stops in other destinations).
4. **Nature of Employment Duties:**
 - The days devoted to employment must be **substantially** related to **carrying out the duties** of the employment. This ensures that the deduction is granted for genuine work-related activities abroad.
5. **Employee Status:**
 - The employee must be **resident** in Ireland for tax purposes during the year of assessment.

Strategic Considerations for Eligibility

- **Planning Assignments:**
 - Employers and employees should **strategically plan** the duration and nature of international assignments to maximize the number of qualifying days without overstepping the required thresholds.
- **Documentation:**
 - Maintaining **detailed records** of travel dates, locations, and the nature of duties performed is crucial for substantiating claims for FED.
- **Coordination with Employers:**
 - Employers should **coordinate** with employees to ensure that assignments abroad meet the qualifying conditions, and that necessary documentation is prepared in advance.

Relief Available

The **Foreign Earnings Deduction** available to eligible employees is determined by the **lesser** of:

1. **€35,000**, or
2. The “**specified amount**”, calculated as:

$$\text{Specified Amount} = \left(\frac{D}{F} \right) \times E$$

Where:

- **D** = Number of **qualifying days** worked in a relevant state during the tax year.
- **E** = **Total employment income** for the tax year, **excluding:**
 - **Tax-deductible expense payments**
 - **Benefits in kind**
 - **Termination payments**
 - **Payments payable under restrictive covenants**

Including:

Strategic Considerations and Implications

Tax Planning for FED

- **Optimizing Qualifying Days:**
 - Plan international assignments to maximize the number of **qualifying days** within the required period, thereby increasing the **specified amount** eligible for deduction.
- **Managing Employment Income:**
 - Structure employment contracts and income to ensure that **relevant income** is maximized while complying with FED conditions.
- **Utilizing Allowable Expenses:**
 - Accurately track and claim **tax-deductible expenses** to enhance the effectiveness of the FED.

Compliance and Documentation

- **Accurate Record-Keeping:**
 - Maintain comprehensive records of **travel dates, employment duties performed abroad, and income statements** to support FED claims.
- **Employer Collaboration:**
 - Work closely with employers to ensure that **required statements** are provided in a timely manner to substantiate FED eligibility.

Understanding Exclusions

- **Awareness of Overlapping Reliefs:**
 - Recognize when other tax reliefs apply to ensure that FED is not incorrectly claimed on income already relieved under different programs.

CAPITAL ACQUISITIONS TAX

1. **Nature of CAT**
 - CAT applies to **benefits** received **without full consideration**—either as a **gift** (lifetime transfer) or **inheritance** (on death).
 - **Aggregation:** All gifts and inheritances received by a person **on or after 5 December 1991** are combined when calculating their overall CAT liability.
2. **What Is Taxed**
 - Both **gifts** and **inheritances** are taxed similarly, with only a few differences (e.g., small gift exemption).
3. **Valuation**
 - The **taxable value** of a gift/inheritance is typically **market value** of the benefit **less** any consideration (money or money's worth) paid by the beneficiary.
4. **Company Gifts**
 - If a **private company** makes or receives a gift, CAT “looks through” to the **ultimate shareholders**, treating them as the effective **disponer** or **donee**.

Basic Elements of a Gift/Inheritance

Key elements for CAT are:

1. **Disposition**
 - A **legal act** or omission that results in a reduction in the disponent's estate (e.g., transferring property, failing to exercise a right, paying money, etc.).
2. **Disponent**
 - The person who **provides** or is the **source** of the benefit.
 - Often straightforward (e.g., a parent gifting shares); in other cases (e.g., waiving a debt in exchange for transferring assets), the disponent may be an indirect party.
3. **Donee/Successor**
 - **Donee:** The recipient of a **gift** (lifetime benefit).
 - **Successor:** The recipient of an **inheritance** (arising on death).
4. **Entitled in Possession**
 - The beneficiary must have a **present right** to enjoy the property—i.e., the date the recipient actually becomes entitled to use or benefit from it.
5. **On a Death**

- An **inheritance** is any benefit that arises specifically **because** of a death, e.g., under a will, intestacy, or certain trust arrangements.
6. **Benefit**
 - Any **estate, interest, income, or right**—including absolute ownership, life interests, annuities, etc.
 7. **Consideration**
 - If the recipient pays **full** consideration (money or money’s worth), **no** gift or inheritance arises.
 - Any **partial** payment reduces the taxable value of the benefit.

Distinguishing Gifts vs. Inheritances

- **Gift:** Taken **otherwise than on a death**.
- **Inheritance:** Taken **on a death**.
- **Small Gift Exemption:** The first €3,000 of **gifts** from one disponent to one donee each calendar year is exempt (no equivalent for inheritances).

Dates for Disposition, Gift, and Inheritance

1. **Date of the Disposition**
 - Often the date the **disponent** does the act creating the benefit (e.g., signing a deed, transferring funds to a solicitor).
 - For **inheritances**, it is typically the **date of death**.
2. **Date of the Gift**
 - The date the **donee** becomes entitled **in possession**.
 - This might differ from the disposition date if actual enjoyment is deferred (e.g., a gift only arising upon marriage).
3. **Date of the Inheritance**
 - Normally the **date of death** which causes the inheritance.
 - If a gift is “converted” into an inheritance because the disponent dies within two years, the **date of the inheritance** is the **date of the gift**.

Importance of These Dates

- **Tax Rules & Rates:** The **date of gift/inheritance** determines the **CAT rates** and **thresholds** in force.
- **Liability & Reliefs:** Determines whether CAT is **chargeable**, and if certain **exemptions** or **reliefs** apply (examined in later chapters).

Key Takeaways

1. **CAT Basics:** Applies to benefits received below full consideration, aggregated across gifts and inheritances since 5 December 1991.
2. **Gift vs. Inheritance:** A **gift** happens **during life**; an **inheritance** arises **on death**. Despite similar treatment, there are slight differences (e.g., the small gift exemption for gifts).
3. **Dates:**
 - **Disposition date:** When the disponent **creates** the benefit.
 - **Gift date:** When the **donee** takes **possession**.
 - **Inheritance date:** Usually the **date of death** of the disponent.
4. **Valuation:** The **taxable amount** is **market value less** any valid consideration.
5. **Entitlement in Possession:** CAT liability crystallizes only when the beneficiary has a **present right** to the benefit.

Group Thresholds – Special Relationships

Minor Child of a Deceased Child

- The **Group A** threshold (€335,000 in 2023) applies if the beneficiary is the **minor child** (under 18, never married) of:
 1. A **deceased child** of the disponent;
 2. A **deceased child** of the civil partner of the disponent;
 3. The **civil partner** of a deceased child of the disponent; or
 4. The **civil partner** of a deceased child of the civil partner of the disponent.

Example:

- Emma's father, Jim, died in 2023. Emma's grandfather (Jim's father) then gave Emma a gift. Because Emma is a **minor child** of a **deceased child** of the disponent, **Group A** applies to that gift.

If the minor child does **not** meet these specific relationships, the usual Group B or Group C thresholds will apply according to standard rules.

Benefits Taken by a Parent

Generally, a parent inheriting from a child falls under **Group B**. However:

1. If the parent **inherits** an absolute interest (not a limited interest) **on the death** of their child, the **Group A** threshold applies.
2. If the parent **inherits** from a child who, within the previous **5 years**, had received a **non-exempt gift/inheritance** from either parent, the **inheritance** is **exempt** from CAT altogether.

Example:

- If Tara dies intestate and leaves her estate to her mother, Dee, that inheritance typically qualifies for **Group A**.
- If Dee had given Tara a **taxable gift** in the **5 years** prior to Tara's death, Colette's inheritance from Tara would be **fully exempt** from CAT.

Spouse/Civil Partner of the Disponent

Any **gift** or **inheritance** taken by a spouse or civil partner **from** their spouse/civil partner is **fully exempt** from CAT. Therefore, the normal group thresholds do not apply in these cases.

Favourite Niece/Nephew

Normally, nieces and nephews fall under **Group B**. However, **Schedule 2 CATCA 2003** allows them to be treated as **children of the disponent** (Group A threshold) if:

1. The beneficiary is a **child** of the disponent's brother/sister (or the child of the civil partner of the disponent's brother/sister).
2. The niece/nephew has **worked substantially on a full-time basis** for the disponent **for at least 5 years** ending on the date of the disposition:
 - Working **>24 hours/week** at the place of business, or
 - Working **>15 hours/week** if the business is run exclusively by the disponent, the disponent's spouse/civil partner, and the niece/nephew.
3. The property inherited/gifted relates to the **trade, business, or profession** in which they worked (or **shares** in the company controlled by the disponent for which they worked).

Example:

- June leaves her niece Catherine a farm (trade asset) and some **public** company shares. Catherine worked full-time on the farm for 5+ years.
 - **Farm** → Group A threshold.
 - **Public shares** → Group B threshold (because they do not relate to the trade business in which Catherine worked).

Territorial Scope of CAT

1.1 Irish Property – Always Taxable

Any benefit (gift or inheritance) consisting of **Irish-situated property** is automatically within CAT scope, regardless of the **residence** or **domicile** of the disponent or beneficiary.

Example: Joe gives Ray one acre of **Irish** land in 2023 → **liable** to CAT, irrespective of either party's residence/domicile.

1.2 Foreign Property – General Rule

For **benefits** where the date of the **disposition** is **on or after 1 December 1999**, foreign property (i.e., not Irish-situated) is taxable if **either**:

1. The **disponent** is **resident** or **ordinarily resident** in Ireland in the year of assessment the disposition is made, **or**
2. The **beneficiary** is **resident** or **ordinarily resident** in Ireland in the year of assessment the benefit is taken.

Examples

- (15.2) An Irish-resident disponent gifts Spanish property → Spanish villa is within CAT.
- (15.3) A German-resident disponent gifts shares in a German company to an Irish-resident beneficiary → foreign shares are within CAT because the **beneficiary** is Irish resident/ordinarily resident.

Foreign-Domiciled Persons – The Five-Year Rule

Foreign-domiciled individuals are **not** treated as Irish-resident or ordinarily resident for CAT unless:

1. The date in question is **on or after 1 December 2004**, and
 2. They have been **Irish-resident** for **five consecutive tax years** immediately **before** the year in which that date falls, and
 3. They are **resident** or **ordinarily resident** in Ireland on that date.
- **Date for the disponent:** The date of the **disposition**.
 - **Date for the beneficiary:** The date the **gift/inheritance** arises.

Examples

- (15.4) Ivan moved to Ireland in 2019, is French domiciled, and now resident/ordinarily resident in 2023. Because he **hasn't** been Irish resident for 5 consecutive years **prior** to 2023, a foreign gift is **not** taxable under CAT.
- (15.5) Bart moved to Ireland in 2013, is domiciled abroad, but has been Irish resident since then. By 2023, he **has** 5 consecutive years of residence, so he pays CAT on a foreign gift.

Double Tax Relief (DTR)

When foreign property **also** incurs a tax **similar** to CAT in another country, Ireland grants a **credit**:

- Restricted to the **lower** of:
 1. The **Irish CAT** due on the foreign property, or
 2. The **foreign tax** paid on that same property.

If Ireland has a **double taxation treaty** (currently with the **UK** and **US** for CAT), the terms of that treaty govern the relief.

Key Takeaways

1. **Irish-Situated Property** → Always within CAT scope, regardless of anyone's residence/domicile.
2. **Foreign-Situated Property** → Generally brought into CAT if the disponent **or** beneficiary is Irish resident/ordinarily resident **unless** the beneficiary (or disponent) is **foreign domiciled** and fails the **5-year test**.
3. **Five-Year Rule** → Foreign-domiciled persons must have **5 consecutive years** of Irish residence behind them to be considered resident/ordinarily resident for CAT on foreign assets.
4. **Double Tax Relief** → Offsets some or all CAT if a **comparable** foreign tax is paid on the same benefit, under either **unilateral relief** or **CAT double taxation treaties** (with UK/US).

Capital Gains Tax (CGT)

The Charge to Capital Gains Tax

- **Capital Gains Tax (CGT)** is a tax on the gain (profit) arising from the disposal of chargeable assets.
- The governing legislation is **section 28 of the Taxes Consolidation Act 1997 (TCA 1997)**.
- Four requirements must be met before CGT applies:
 1. There must be a **disposal**;
 2. Of an **asset**;
 3. By a **chargeable person**;
 4. **After 5 April 1974** (the date CGT was first introduced).
- Whether gains are chargeable or losses allowable depends on:
 - The **location** and **nature** of the asset, and
 - The individual's **tax residence, ordinary residence, and domicile** (as explained in Chapter 1).

Disposal of an Asset

For CGT to arise, there must be either an **actual disposal** or a **deemed disposal** of an asset. This can occur in various ways, including:

1. **Sale of an asset.**
2. **Sale of part of an asset** (part disposal).
3. **Gift** (the whole or part of an asset).
4. **Receipt of a capital sum** resulting from ownership (e.g., insurance compensation for damage).
5. **Receipt of a capital sum** for the use or exploitation of an asset.
6. **Transfer of an asset** to a trust or a corporate body.
7. **Exchange of assets** in a barter transaction.
8. **Loss or destruction** of an asset (e.g., a painting destroyed in a fire).
9. **Negligible value claim** — if an asset becomes worthless and a loss claim is allowed, it is treated as a deemed disposal.

Assets

- **All forms of property** are considered assets for CGT, including:
 - **Tangible** property (e.g., land, buildings, non-wasting chattels).
 - **Intangible** property (e.g., options, copyrights, patents, goodwill).
 - **Debts and foreign currency.**
 - **Interests in property**, such as a lease.
- A **non-wasting chattel** is tangible movable property expected to last **more than 50 years** (e.g., paintings, antiques, sculptures, jewellery).

Chargeable Persons

- **Individuals, partnerships, and trusts** are liable to CGT on disposals of chargeable assets.
- **Companies** are liable to CGT **only** on disposals of **development land**. Other capital gains of companies are subject to **corporation tax** rather than CGT.

Spouses and Civil Partners

- Each spouse (or civil partner) is a **separate chargeable person** for CGT, and each individual's gains or losses are calculated separately.
- **Residence and domicile** status must be considered for each spouse/partner independently.
- **Transfers between spouses** (who are living together for tax purposes) occur at **no gain/no loss**. Thus, no immediate CGT arises.
- The **original cost** and period of ownership are carried over when the receiving spouse eventually disposes of the asset.
- **Losses:** Where a married couple are living together, any unutilised losses of one spouse can be used to offset gains of the other spouse in the same tax year.

Separated and Divorced Couples

- **Year of separation:** Revenue practice allows transfers in the year of separation to be treated as **no gain/no loss**, even if the couple are not living together for that year.
- **Subsequent years:** Where an asset is transferred under a **legal obligation** (e.g., deed of separation or court order) **after** the year of separation or on divorce/dissolution, it is also deemed to pass at **no gain/no loss**.
- The acquiring spouse effectively “steps into the shoes” of the transferring spouse and inherits the asset’s original base cost and acquisition date.
- If assets are transferred **outside** a legal separation agreement or **after** the decree of divorce/dissolution (and not under a court order), the transfer is deemed to be at **market value**, and CGT is calculated in the normal way.

Example

- Joe transfers shares (original cost €20,000) and interest in the family home (original cost €30,000) to Anne as part of their separation.
- **No CGT** arises on Joe’s part for these transfers (either in the year of separation or subsequently if under court order).
- When Anne later sells the shares, the taxable gain is based on the **original cost** (€20,000) and the **original acquisition date**.

Cohabiting Couples

- Cohabiting couples are generally treated as **single individuals** for CGT.
- **Court Order Transfers:** Where an asset is transferred under a **court order**, the transferring cohabitant is not liable to CGT, and the receiving cohabitant is not liable to CAT (gift/inheritance tax).
- **Subsequent Disposal:** If the receiving cohabitant later sells the asset, CGT arises on the gain from the **time it was received**.
- A **qualifying cohabitant** is one who has been cohabiting for:
 1. **At least two years** if they have dependent children, or
 2. **At least five years** otherwise.
- If a cohabitant received an asset from a **previous** cohabitant, then sells it later, they pay CGT from the date they originally received it.

Rate of CGT

- Capital Gains Tax (CGT) is charged on gains arising in a given tax year, which for individuals runs from **1 January to 31 December**.
- The **CGT rate for 2025** is assumed to be **33%**.

Annual Exemption

- **Individuals** (not companies) are entitled to an **annual exemption** of **€1,270** for 2025.
- If an individual’s **chargeable gains** do not exceed **€1,270** for 2025, **no CGT** is payable.
- If the gains **exceed** €1,270, **only the excess** above €1,270 is taxable.
- **Married couples** (or civil partners) each have their own €1,270 exemption; it **cannot** be transferred between them if unused, nor can any unused amount be carried forward to later years.

Date of Payment

CGT in Ireland operates on a **self-assessment** basis, with the payment of any liability split into **two** instalments:

1. **Tax Payable for the Initial Period**
 - Due **on or before 15 December 2025** (i.e., in the tax year itself).
 - This covers any gains made from **1 January 2025 to 30 November 2025** (“the initial period”).
 - When calculating the liability for this period, all relevant **reliefs** (e.g., losses brought forward, annual exemption) are taken into account as if the tax year ended on 30 November.
2. **Tax Payable for the Later Period**
 - Due **on or before 31 January 2026** (i.e., the following month after the tax year ends).
 - This amount is the total CGT for the **full tax year 2025** (1 January to 31 December) **minus** the tax already paid for the initial period.

DEVELOPMENT LAND

- **Development land** disposals have **special CGT rules**.
- **Companies** resident in Ireland pay CGT **only** on **development land**; all other chargeable gains of companies are subject to **corporation tax** instead of CGT.
- **Definition:** Land is considered **development land** if, on the date of disposal, its **consideration** (or **market value**) **exceeds** its **current use value (CUV)**.
 - The **CUV** is what the land would be worth if **no development** were legally permissible.
 - Example: A farm worth **€10,000** per acre for pure farming use but sold for **€50,000** an acre with outline planning permission is **development land**.
- **Shares** in an unquoted company that derive their **value** (or most of their value) **directly or indirectly** from **land** fall under similar rules.
- The **CGT rate** on development land is the **normal rate**, i.e. **33%**

Restriction of Indexation Relief

- **Acquired before 6 April 1974:**
 - **Indexation relief** can only be applied to the **CUV portion** of the **6 April 1974** market value.
 - Any **excess** over the CUV (i.e., the “development” value) can still be **deducted** as cost, **but no indexation** is allowed on that portion.
 - **Enhancement expenditure** (incurred after acquisition) is **allowable**, but **not** eligible for indexation.
- **Acquired on or after 6 April 1974:**
 - Indexation relief applies **only** to the portion of the **purchase price** (and associated acquisition costs) that corresponds to the **CUV**.
 - **Enhancement expenditure** is still allowable but **does not** qualify for indexation.

Restriction of Loss Relief

- **Usual Rule:** Allowable CGT losses may be set off against gains in the same year or carried forward against future gains.
- **Development Land Rule:**
 - **Losses** on **non-development land** assets **cannot** be used to offset **development land** gains.
 - **Losses** on **development land** can offset **any** type of capital gains (including non-development land gains).

Disposals of Development Land for €19,050 or Less

- The **special CGT rules** (indexation/loss relief restrictions) **do not apply** if the **total consideration** (not the gain) for **all** development land disposals by an **individual** in a year **does not exceed €19,050**.
 - This relief is **only** for **individuals**, **not** companies.

Key Takeaways

1. **Companies vs. Individuals**
 - **Companies** pay CGT **only** on **development land** gains; all other capital gains are taxed under **corporation tax**.
 - **Individuals** pay CGT (33% in 2025) on **all** capital gains, but special rules apply when the disposed asset is **development land**.
2. **Restriction on Indexation**
 - Indexation applies **only** to the **CUV** portion.
 - The “development” portion (exceeding CUV) and **enhancement expenditure** **do not** get indexation relief.
3. **Restriction on Loss Offsets**
 - **Non-development land losses** may **not** offset **development land** gains, but **development land losses** can offset gains on **any** asset.
4. **Exemption for Small Disposals**
 - If **total** proceeds from all development land sales in a tax year are **€19,050 or less**, the special rules restricting indexation/loss relief **do not** apply

Corporation Tax

- **Scope of Taxation:**
 - **Resident Companies:** Taxed on their **worldwide income and gains**.
 - **Non-resident Companies:** Taxed on **Irish-sourced trading and rental income**, and **chargeable gains** from disposing of specified Irish assets.
 - **Accounting Period:**
 - Corporation tax is calculated based on the company's **accounting period**, which **cannot exceed 12 months**.
 - **Definition of Profits:**
 - Under **Taxes Consolidation Act 1997 (TCA 1997)**, corporation tax is levied on the **income and chargeable gains** that constitute the company's **profits**.
-

2. Charge to Corporation Tax

2.1 Resident Company

- **Tax Liability:**
 - **All income and chargeable gains** are subject to corporation tax, regardless of where they arise.
 - **Exclusions:**
 - **Gains on development land** are **not** subject to corporation tax but are instead subject to **Capital Gains Tax (CGT)**.
- **Tax Reliefs:**
 - Certain **tax reliefs** are **only available** to **resident companies**.

2.2 Non-resident Company (Section 21.2.2)

- **Tax Liability (Effective from 1 January 2022):**
 - **Income Attributable** to any trade conducted in Ireland via a **branch or agency**.
 - **Chargeable Gains** from disposing of:
 - **Specified Irish assets** used for the trade or attributable to the branch/agency.
 - **Irish rental income** and gains from disposing of Irish rental properties.
 - **Example:**
 - A **German company** operating a factory in Ireland is liable for Irish corporation tax on income and gains from that factory.
 - **OECD Guidelines & Authorised OECD Approach (AOA):**
 - **Relevant Branch Income:** Calculated as if the Irish branch were an independent entity, considering **functions performed, assets used, and risks assumed**.
 - **Documentation Requirements:**
 - Maintain detailed records, including business descriptions, functional and factual analyses, and transfer pricing methods.
 - **Exemptions:** SMEs with **relevant branch income < €250,000** per accounting period do not need to maintain such documentation.
 - **Double Taxation Treaties (DTT):**
 - Non-resident companies may be **subject to Irish income tax** on Irish-sourced income not attributed to a branch, depending on the **applicable DTT**.
-

3. Residence of Companies

3.1 Determining Company Residence

- **Primary Rule:**
 - A company's **residence** is typically where it is **managed and controlled**.
- **Managed and Controlled Test:**
 - Influenced by **UK case law**, the key factors include:
 1. **Policy Decisions:** Where important policy decisions are made.
 2. **Directors' Meetings:** Location of board meetings.
 3. **Directors' Residency:** Where most directors reside.
 4. **Shareholders' Meetings:** Location of annual general meetings.
 5. **Contract Negotiations:** Where major contracts are negotiated.
 6. **Head Office Location:** Physical location of the head office.
 7. **Books of Account:** Where company records are maintained.

8. **Bank Accounts:** Location of company bank accounts.

- **Key Principle:**
 - **Control Over Decisions:** Real decisions affecting the company are made where the directors hold meetings.

3.2 Irish Incorporated Companies

- **Default Residence:**
 - Irish-incorporated companies are **tax resident** in Ireland **unless** they can **claim a treaty exemption**.
- **Treaty Exemption:**
 - Applies if the company is **regarded as resident** in another country under the terms of an **applicable Double Taxation Treaty (DTT)**.
 - **Conditions:**
 - The company must be **managed and controlled** in the **other country** as per the treaty's definitions.
- **Implications:**
 - **Without Treaty Exemption:** Irish-incorporated companies are liable for Irish corporation tax on their global income.
 - **With Treaty Exemption:** Tax liability may shift to the treaty country, avoiding double taxation.

4. Rates of Corporation Tax

4.1 Trading Rate of Corporation Tax

- **Rate:** 12.5%
- **Applicable To:**
 - **Schedule D Case I and II profits**
 - **Capital gains** as adjusted for tax
 - **Certain foreign dividends**

4.2 Passive Rate of Corporation Tax

- **Rate:** 25%
- **Applicable To:**
 1. **Case III Income:** Foreign income and untaxed Irish interest (except certain foreign dividends taxable at 12.5%).
 2. **Case IV Income:** Taxed Irish income and miscellaneous income not taxed under other Cases.
 3. **Case V Income:** Irish rental income.
 4. **Income from an "excepted trade"**.

5. Reporting Requirements

5.1 Filing Deadlines

- **Deadline:** 23rd day of the ninth month after the end of the accounting period.
 - **Example:** Accounting period ending **31 December 2023** → **Deadline: 23 September 2024**.
- **Method:**
 - **Electronic Submission:** Via **Revenue Online Service (ROS)** using **Form CT1**.

5.2 Country-by-Country (CbC) Reporting

- **Applicability:**
 - **Irish-resident parent companies** of large multinational enterprises (**MNEs**) with **consolidated turnover > €750 million** in the preceding accounting period.
- **Requirements:**
 - Submit a **CbC report** within **12 months** of fiscal year-end.
 - **Contents:**
 - Revenue, profit before income tax, income tax paid/accrued, stated capital, accumulated earnings, number of employees, tangible assets per jurisdiction.
 - Tax identification numbers, tax residence, business activities of each entity.
- **Compliance:**
 - **Penalties** for non-compliance:
 - **€19,045** plus **€2,535** for each day the failure continues.

Group Relief

1. Overview: Groups in Irish Tax Law

- **Separate Legal Entities:**
 - Each company is treated as a **separate legal entity** for tax purposes.
 - **Group Formation:**
 - Companies can form a **group** to avail of specific **tax reliefs** not accessible to individual entities.
 - **Definition:** A group typically consists of a **parent company** and its **51% subsidiaries** or companies under **common control**.
 - **Types of Group-Based Tax Reliefs:**
 1. **Payments Relief**
 2. **Loss Relief**
 3. **Relief from Tax on Capital Gains** (discussed later)
-

2. Payments Relief

2.1 Overview

- **Purpose:**
 - Facilitates **tax-efficient payments** (such as interest and royalties) between companies within the same group.
- **Standard Withholding:**
 - Certain payments typically require **withholding of income tax at the standard rate (20%)**:
 - **Yearly Interest**
 - **Annual Payments**
 - **Patent Royalties**
- **Section 410 TCA 1997 Provision:**
 - Allows these payments to be made **gross** (without withholding tax) **within a group**, provided specific conditions are met.

2.2 Conditions to Avail Payments Relief

1. **Residency in a Relevant Member State:**
 - **Both Paying and Recipient Companies** must be **resident** in a “**relevant Member State**”, which includes:
 - **EU Member States**
 - **EEA Countries** with a **tax treaty** with Ireland
 - **The United Kingdom (UK)**
2. **51% Shareholding Relationship:**
 - **Ownership Requirement:**
 - **Direct or Indirect ownership of more than 50%** of the **ordinary share capital**.
 - **Examples:**
 - **Indirect Ownership:** If **A Ltd** indirectly owns **54%** of **D Ltd**.
 - **Direct Ownership:** If **B Ltd** directly owns **90%** of **C Ltd**.
 - **Common Control:** Both companies are **51% subsidiaries** of another company.
 - **Exclusions:**
 - **Share-Dealing Companies:** Shareholdings in companies primarily engaged in share trading do **not** satisfy the 51% requirement.
 - **Non-Resident Companies:** Companies not resident in a **relevant Member State** cannot establish the necessary shareholding relationship.
3. **Taxability in Recipient’s Country of Residence:**
 - **Non-Resident Recipients:**
 - If the **recipient company is not resident** in Ireland, the **payment** must be **taxable** in the recipient’s **country of residence**.

Example -

- **Scenario:**
 - **A Ltd** indirectly owns **54%** of **D Ltd**.
 - **B Ltd** directly owns **90%** of **C Ltd**.
- **Implications:**
 - Both **A Ltd** and **B Ltd** satisfy the **51% shareholding requirement** with their respective subsidiaries.
 - Payments of interest or royalties between these companies can be made **gross** without withholding tax, provided all conditions are met.

<pre> graph TD A[A Ltd] -- 100% --> B[B Ltd] B -- 90% --> C[C Ltd] C -- 60% --> D[D Ltd] </pre>	<pre> graph TD X[X Ltd] -- 51% --> Z[Z Ltd] X -- 51% --> H[H Ltd] </pre>
<p>Assuming all companies are Irish resident, interest paid by D Ltd to A Ltd will qualify for relief, as there is a 54% relationship between these two companies (i.e. $100\% \times 90\% \times 60\% = 54\%$). Equally, interest paid by D Ltd to B Ltd or C Ltd will qualify for relief, as there is at least a 51% relationship between the companies</p>	<p>Qualifying payments from Z Ltd to H Ltd, or vice versa, would qualify for relief as both companies are 51% subsidiaries of another company, providing X Ltd, Z Ltd and H Ltd are resident in a relevant Member State and the recipient company is taxed on the interest/royalty in its country of resident. If X Ltd is resident in, say, the USA, the conditions would not be met and relevant payments between them would be subject to 20% income tax being withheld at source.</p>

3. Group Loss Relief

- **Purpose:**
 - Allows **losses** incurred by one company within a **group** to be **utilized** by another profitable company within the same group, reducing the overall corporation tax liability.
- **Applicability:**
 - Applies to companies that are members of a **loss group**, defined by specific shareholding and control criteria.
- **Legislative Reference:**
 - **Sections 411–429 TCA 1997**

4. Qualifying Groups for Loss Relief

4.1 Definition of a Group

- **Standard Group Definition:**
 - A **parent company** and its **51% subsidiaries** form a **group**.
- **Additional Group Criteria:**
 - Companies under **common control** are also treated as a single group for loss relief purposes.

4.2 Qualifying Group – 75% Relationship

- **75% Group Test:**
 - **Ownership Requirement:**
 - **Direct or Indirect** ownership of **not less than 75%** of the **ordinary share capital**.
 - **Or**, both companies are **75% subsidiaries** of a **third company**.
 - **Profit and Asset Entitlement:**
 - The **parent company** must be entitled to **75% of profits** available for distribution.
 - Must also be entitled to **75% of assets** on winding up.
- **Ordinary Share Capital Definition:**
 - Includes all **issued share capital** except:
 - **Capital** where holders have a **fixed dividend rate** but **no other profit rights**.
 - **Includes** participating preference shares as part of ordinary share capital.
- **Exclusions in Shareholdings:**
 - **Ignored Shareholdings:**
 - **Share-dealing companies**.
 - **Companies not resident** in the **EU** or a country **without a tax treaty** with Ireland.
 - **Residency Requirement for Parent:**
 - Parent company must be **resident** in the **EU**, a country with a **tax treaty** with Ireland, or **quoted on a stock exchange** in such a country.
- **Aggregation of Shares:**
 - **Combined Shareholdings:**
 - Can aggregate **direct and indirect** ordinary shares to meet the **75% threshold**.

1. INTRODUCTION TO INTEREST RATE LIMITATION RULES

Interest rate limitation rules are tax provisions that restrict the amount of interest expense that a taxpayer can deduct from their taxable income. The primary objective is to prevent excessive debt financing that erodes the tax base by reducing taxable profits through high interest payments. These rules ensure a balanced approach to taxation, promoting fairness and preventing tax avoidance strategies that exploit interest deductions.

In Ireland, these rules are particularly significant for corporations engaged in financing activities, multinational enterprises, and individuals with substantial interest expenses. The limitations are governed by both domestic tax laws and international standards, such as the OECD's Base Erosion and Profit Shifting (BEPS) initiatives.

2. LEGISLATIVE FRAMEWORK IN IRELAND

The interest rate limitation rules in Ireland are primarily encapsulated within the **Taxes Consolidation Act 1997 (TCA 1997)**, as amended by subsequent Finance Acts. Key provisions include:

- **Section 61:** Governs the deduction of interest on loans, subject to specific limitations.
- **Section 259C:** Addresses the **Business Interest Limitation (BIL)**, incorporating rules aligned with OECD BEPS Action 4.
- **Section 295B:** Pertains to interest deductibility for non-resident entities.

Additionally, Ireland has transposed relevant EU directives and has been influenced by international standards, notably the OECD's recommendations on preventing base erosion through interest deductions.

Key Legislation:

- Taxes Consolidation Act 1997
- Finance Acts (annual amendments)
- OECD BEPS Action Plans (for international alignment)

3. APPLICABILITY AND SCOPE

The interest rate limitation rules in Ireland apply to both corporate entities and, to a lesser extent, individual taxpayers. The scope encompasses:

- **Corporate Entities:** All resident companies, including partnerships and limited liability companies, are subject to BIL rules.
- **Multinational Enterprises (MNEs):** Particularly those engaged in cross-border financing arrangements, where inter-company loans may trigger limitation rules.
- **Individuals:** While primarily focused on corporations, high-net-worth individuals with substantial interest expenses may also be affected under certain provisions.

Types of Interest Expenses Covered:

- Interest on bank loans
- Bonds and debentures
- Other forms of debt financing, including convertible notes

Exclusions:

- Interest related to exempt income
- Certain qualifying interest expenditures as defined under specific provisions

VAT

Intra-EU Acquisition and Supply of Goods

The terms “**intra-EU acquisition**” and “**intra-EU supply**” pertain to the movement of goods between businesses located in different EU Member States or between Northern Ireland and EU Member States. Specifically:

- **Intra-EU Acquisition:** Purchase of goods by a business in one EU Member State from a supplier in another EU Member State or Northern Ireland, where the goods are dispatched or transported to Ireland.
- **Intra-EU Supply:** Sale of goods by a business in Ireland to a supplier in another EU Member State or Northern Ireland, with goods dispatched or transported out of Ireland.

Key Points:

- **Intra-Community Trade:** Encompasses both intra-Community supply and intra-Community acquisition of goods.
- **Northern Ireland Consideration:** Despite the UK's exit from the EU, **Northern Ireland** remains subject to EU VAT rules under the **Protocol on Ireland/Northern Ireland**. Therefore, intra-EU VAT treatments apply to transactions involving Northern Ireland similarly to other EU Member States.
- **Notification Requirement:** From **1 January 2023**, businesses with a **domestic VAT registration** initiating intra-Community trade must **notify Revenue in writing within 30 days** of commencing such trade.

VAT on Purchases from Other EU Member States and Northern Ireland

Accountable Persons: is typically a VAT-registered business engaged in taxable activities within Ireland.

VAT Treatment:

1. **Providing VAT Number:**
 - When an Irish accountable person purchases goods from a supplier in another EU Member State or Northern Ireland, they must provide their **Irish VAT number** to the supplier.
2. **Zero-Rating by Supplier:**
 - Upon verification of the Irish VAT number, the **supplier** will **zero-rate** the goods, meaning no VAT is charged at the point of sale.
3. **VAT Liability on Acquisition:**
 - The **accountable person** becomes liable for **VAT on the acquisition** of the goods in Ireland.
4. **VAT Return Declaration:**
 - The accountable person must **declare the VAT liability** in their **VAT return**.
5. **Input VAT Credit:**
 - Simultaneously, the accountable person can **claim an input VAT credit**, effectively **cancelling out the VAT liability** (assuming full deductibility is applicable).
6. **Subsequent Supply:**
 - If the goods are later **sold**, VAT is charged on the sale as per normal procedures.

VAT on Sales to Other EU Member States and Northern Ireland

The VAT treatment for supplies of goods to other EU Member States and Northern Ireland varies based on the **taxable status** of the customer. Understanding these distinctions is crucial for businesses engaged in intra-EU trade to ensure compliance and optimize VAT obligations.

VAT-Registered Customers

Zero-Rated Supply Conditions

When an **Irish VAT-registered business** sells goods to a **VAT-registered business** in another EU Member State or Northern Ireland, the transaction can be **zero-rated** in Ireland. This means no Irish VAT is charged on the supply, and the responsibility to account for VAT shifts to the purchaser in their respective Member State.

Conditions for Zero-Rating:

1. **Customer's VAT Registration:**
 - The customer must be **registered for VAT** in their respective EU Member State or Northern Ireland.
2. **Valid VAT Numbers:**
 - The supplier must obtain and retain the **customer's VAT registration number**, including the country prefix (e.g., 'XI' for Northern Ireland).

3. **Invoice Requirements:**
 - Both the supplier's and customer's VAT numbers must be **quoted on the sales invoice**.
4. **Goods Dispatch/Transportation:**
 - The goods must be **dispatched or transported** from Ireland to the customer's Member State or Northern Ireland.

Failure to Meet Conditions:

If any of the above conditions are not satisfied, the Irish supplier must **charge Irish VAT** at the applicable rate as if the sale occurred between two Irish businesses. Should the conditions be met retrospectively, the customer can **recover the VAT** from the supplier, who must then **adjust their VAT return** accordingly.

Example: VAT-Registered Customer Supply

- **Supplier:** Green Tech Solutions Ltd. (Ireland VAT-registered)
- **Customer:** Eco Innovate GmbH (Germany VAT-registered)
- **Transaction:**
 - **Goods Supplied:** 500 solar panels
 - **Price per Panel:** €200
 - **Total Value:** €100,000
- **VAT Details:**
 - **Irish VAT Rate:** 23%
 - **German VAT Rate:** 19%

Steps:

1. **Providing VAT Numbers:**
 - Green Tech Solutions Ltd. provides its **Irish VAT number** and obtains Eco Innovate GmbH's **German VAT number**.
2. **Zero-Rating the Supply:**
 - Upon verification, Green Tech Solutions Ltd. zero-rates the supply of solar panels.
3. **Invoice Requirements:**
 - The sales invoice includes both VAT numbers:
 - **Supplier's VAT Number:** IE1234567A
 - **Customer's VAT Number:** DE9876543
4. **Dispatch of Goods:**
 - The solar panels are **transported from Ireland** to Germany.
5. **German VAT Liability:**
 - Eco Innovate GmbH accounts for **German VAT** on the acquisition under the **reverse charge mechanism**:

$$\text{German VAT} = €100,000 \times 19\% = €19,000$$

6. **Irish VAT Return:**
 - Green Tech Solutions Ltd. reports the **zero-rated supply** in their Irish VAT return without charging Irish VAT.

Outcome:

- **Green Tech Solutions Ltd.:**
 - **No Irish VAT Charged** on the sale.
 - **Compliance** achieved by meeting all zero-rating conditions.
- **Eco Innovate GmbH:**
 - **Accounts for German VAT** of €19,000 on the acquisition.

Unregistered Customers

VAT Treatment for Unregistered Entities

For **unregistered customers**, including private individuals and non-VAT registered businesses, the VAT treatment differs:

1. **VAT Charge in Supplier's Member State:**
 - The Irish supplier must **charge Irish VAT** at the applicable rate unless specific exemptions apply.
2. **Installation or Assembly Exception:**
 - If the **supplier** is responsible for **installing or assembling** the goods in the customer's Member State or Northern Ireland, **Irish VAT is not charged**. Instead, the supplier may need to **register for VAT** in the customer's Member State and charge the **local VAT rate**.

3. **Threshold for Registration:**
 - If the **intra-EU acquisition threshold** of **€41,000** is exceeded, the **unregistered entity** must **register for VAT in Ireland** and account for VAT as an **accountable person**.
4. **Input VAT Credit Limitation:**
 - Entities that are **non-taxable or engaged in exempted activities** cannot claim **input VAT credits**, resulting in higher costs for acquisitions.

Example: VAT-Unregistered Customer Supply

- **Supplier:** Bright Homes Ltd. (Ireland VAT-registered)
- **Customer:** John Smith (Private Individual, Germany)
- **Transaction:**
 - **Goods Supplied:** 2,000 kitchen units
 - **Price per Unit:** €150
 - **Total Value:** €300,000
- **VAT Details:**
 - **Irish VAT Rate:** 23%
 - **German VAT Rate:** 19%

Steps:

1. **Customer's VAT Status:**
 - John Smith is a **private individual** and **not VAT-registered**.
2. **VAT Charge by Supplier:**
 - Bright Homes Ltd. **charges Irish VAT:**

$$\text{Irish VAT} = \text{€}300,000 \times 23\% = \text{€}69,000$$
3. **Goods Dispatch:**
 - The kitchen units are **transported from Ireland** to Germany.
4. **Potential VAT Registration:**
 - Since the **threshold** of **€41,000** is **exceeded**, Bright Homes Ltd. must **register for VAT in Germany** and charge **German VAT** instead of Irish VAT.
5. **OSS Utilization:**
 - Alternatively, Bright Homes Ltd. can use the **One Stop Shop (OSS)** to declare and remit the German VAT through their existing VAT processes.

Outcome:

- **Bright Homes Ltd.:**
 - Initially charges **Irish VAT** of €69,000.
 - Upon recognizing the **threshold breach**, registers for VAT in Germany or utilizes OSS to remit **German VAT** of:
$$\text{German VAT} = \text{€}300,000 \times 19\% = \text{€}57,000$$
 - Adjusts their **Irish VAT return** accordingly.
- **John Smith:**
 - **Pays German VAT** of €57,000 on the purchase.

Key Points

1. **Zero-Rated Supplies:**
 - Applicable only to **VAT-registered customers** with valid VAT numbers.
 - Ensures VAT is accounted for in the **customer's Member State**.
2. **Unregistered Customers:**
 - Generally, require charging **Irish VAT** unless the supplier is responsible for **installation/assembly** in the customer's Member State.
 - Exceeding the **€41,000** threshold mandates **VAT registration** in Ireland or the customer's Member State.
3. **Documentation and Compliance:**
 - Accurate retention of **VAT numbers** and **invoicing** is essential for zero-rating.
 - Non-compliance can lead to incorrect VAT charges and potential penalties.

Intra-EU Distance Sales

Distance sales involve the sale of goods by a business to private individuals or unregistered customers in other EU Member States or Northern Ireland, where the supplier is responsible for **delivering** the goods. The EU's **VAT e-commerce package** regulates these transactions, introducing thresholds and mechanisms to simplify VAT compliance.

Distance Selling Rules and Thresholds

1. **EU-Wide Threshold:**
 - An **annual threshold** of **€10,000** applies to **intra-EU distance sales** across all Member States.
 - **Threshold Implications:**
 - **Below €10,000:** Suppliers can **charge Irish VAT** on sales.
 - **Above €10,000:** Suppliers must **charge VAT** at the **customer's Member State** rate, regardless of where the business is established.
2. **One Stop Shop (OSS):**
 - A **simplified VAT reporting system** allowing businesses to **declare and remit VAT** for all intra-EU distance sales through a **single VAT return** in their home Member State.
 - Eliminates the need for **multiple VAT registrations** across Member States.
3. **OSS Registration:**
 - Suppliers exceeding the **€10,000** threshold must **register for OSS** to manage their VAT obligations efficiently.
4. **Installation or Assembly Exception:**
 - If the supplier **installs or assembles** the goods in the customer's Member State or Northern Ireland, they **do not charge Irish VAT**. Instead, they may need to **register for VAT locally** and charge the **local VAT rate**.

One Stop Shop (OSS)

The **OSS** simplifies VAT compliance for businesses engaged in **B2C** services across multiple EU Member States by allowing them to **report and remit VAT** through a single VAT return in their home Member State.

Key Features:

- **Threshold:** Applies to **B2C** services exceeding the **€10,000** annual threshold across all EU Member States.
- **Registration:** Businesses exceeding the threshold must **register for OSS** in their home Member State.
- **VAT Rates:** VAT is charged at the **customer's Member State** rate.
- **Reporting:** VAT due in various Member States is reported and remitted through the OSS VAT return alongside the domestic VAT return.