Arnall Golden Gregory LLP

Legal Insight

Significant Irish Tax Changes Will Impact Multinational Life Sciences Companies

Michael E. Burke

Multinational life sciences companies have used, and continue to use, Irish tax structures to increase the efficiency of their global operations. A recent announcement by Ireland's Minister for Finance creates challenges and opportunities for the tax-efficient structure of life sciences companies. On October 14, 2014, the Minister for Finance released the 2015 Irish budget, and confirmed that Ireland would end the "double Irish" tax structure as of the end of 2014. Used by many life sciences companies, the "double Irish" involves a structure wherein the management of an Irish incorporated company causes it to be treated as non-Irish resident. Pursuant to the changes announced with the 2015 budget, an Irish incorporated company will be treated as Irish resident unless it is treated as tax resident in another jurisdiction under the terms of a double tax treaty. Multinational life sciences companies will not be able to form new "double Irish" structures after January 1, 2015. Existing companies with "double Irish" structures will have until the end of 2020 to modify their tax structure to comply with the new regulations. The draft legislation implementing these changes is expected to be released in late October.

In the budget announcement, the Finance Minister also confirmed that Ireland's 12.5% corporate tax would not be modified, notwithstanding pressure from other European Union Member States. Of potential interest to life sciences companies, the Irish government also is considering the development of "Knowledge Development Box" tax structure, similar to a patent or innovation box offered in other jurisdictions. The "Knowledge Development Box" would offer a sustainable and competitive low tax rate for intellectual property—perhaps as low as 6.25%. The government proposes also to improve Ireland's tax amortization regime for intellectual property by expanding the list of qualifying assets and ending the 80% cap on the aggregate amount of allowances and interest expense that may be offset against income derived from exploiting intellectual property. Further, the government is proposing to improve the research and development tax credit rules by removing the base year restriction. Despite the loss of the "double Irish" structure, potential modifications to Ireland's tax system should be of significant interest to multinational life sciences companies.

Authors and Contributors

Michael E. Burke
Partner, DC Office
202.677.4046
michael.burke@agg.com

not *if*, but *how*.®

About Arnall Golden Gregory LLP

Arnall Golden Gregory, a law firm with more than 150 attorneys in Atlanta and Washington, DC, employs a "business sensibility" approach, developing a deep understanding of each client's industry and situation in order to find a customized, cost-sensitive solution, and then continuing to help them stay one step ahead. Selected for The National Law Journal's prestigious 2013 Midsize Hot List, the firm offers corporate, litigation and regulatory services for numerous industries, including healthcare, life sciences, global logistics and transportation, real estate, food distribution, financial services, franchising, consumer products and services, information services, energy and manufacturing. AGG subscribes to the belief "not if, but how.®" Visit www.agg.com.

Atlanta Office
171 17th Street NW
Suite 2100
Atlanta, GA 30363

Washington, DC Office
1775 Pennsylvania Ave., NW,
Suite 1000
Washington, DC 20006

To subscribe to future alerts, insights and newsletters: **http://www.agg.com/subscribe/**