Corporation Tax

2017 Payments and 2016 Returns

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Corporation Tax 2017 Payments and 2016 Returns

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Note: 2017 payments data and 2016 returns data included in this paper are provisional and may be subject to revision at a later date.

Corporation Tax
Payments & Returns

2017 PAYMENTS

€8.2 billion Corporation Tax 2017

An increase of €849 million (11.5%) on 2016

More companies paid CT in 2017 than 2016, an increase of 14%

+6,300

Manufacturing was the largest sector with 27% of CT

The ten largest payers equaled 39% of CT receipts in 2017

Top 10 = 39%

Large Cases Division accounted for 79% of all CT

2016 RETURNS

Trading profits increased by 10.2%
An increase of €14.7 billion

€158 billion

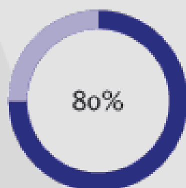
€14.9 billion

Cost to the exchequer from losses offset by companies

1.9 million company employments yielding Income Tax, USC and PRSI of

€16 billion

MULTI NATIONALS



Foreign owned multinationals paid 80% of CT receipts in 2017

A quarter of employments were in multinational companies yielding Income Tax, USC and PRSI payments

€7.3 billion

Executive Summary

Net Corporation Tax ("CT") receipts in 2017 were €8.2 billion, an additional yield of €849 million (+11.5 per cent) compared to 2016. CT was the third largest taxhead, accounting for 16 per cent of total net receipts in 2017.

This paper profiles CT payments in 2017 and reports on trends compared to previous years. The main features of CT payments in 2017 are:

- The largest sector in payment terms was manufacturing, which accounted for 27 per cent of net receipts. Receipts from financial & insurance services, the largest sector in 2016, fell during 2017 despite the overall increase in receipts.
- CT receipts from Large Cases Division ("LCD") companies increased by €474 million (+8 per cent) to €6.5 billion. LCD companies accounted for 79 per cent of receipts. Receipts from non-LCD companies increased by €374 million (+28 per cent).
- Net receipts from the 10 largest payers were 39 per cent of CT receipts in 2017, up slightly from 37 per cent in 2016.
- Foreign owned multinationals paid 80 per cent of CT receipts, Irish owned multinationals 4 per cent.
- Over 50,000 companies paid net CT in 2017, the number of net payers has increased by nearly 6,300 (+14 per cent).

While payments were received in 2017, tax returns (the "CT1" return) in respect of accounting periods ended in 2017 are not due until a later date. However, analysis of returns for 2016 provides context for the payments. The key features of 2016 returns are:

- Trading profits rose for the majority of sectors in the economy, totalling €158 billion, an increase of €14.7 billion (+10.2 per cent).
- Around 27,800 companies used losses in 2016. For 14,600 companies that fully utilised their losses in 2015, their net CT paid in 2016 was €266 million.
- The value of claims in respect of intangible asset capital allowances increased by 24 per cent. Tangible capital allowances claims for plant & machinery showed a greater relative increase (30 per cent).
- Provisional data show a marginal decrease of €34 million (-4.8 per cent) in the cost to the Exchequer of the R&D credit.
- Companies had 1.9 million employments (510,000 were in multinational companies) with combined Income Tax, USC and PRSI payments for their employees of €16 billion (€7.3 billion for multinationals' employees).

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1 Introduction

The purpose of this paper is to profile Corporation Tax ("CT") payments in 2017 and report on trends compared to previous years. While payments were received in 2017, tax returns (the "CT1" return) in respect of accounting periods ended in 2017 are not due until a later date. However, analysis of returns for 2016 (the most recent year for which returns have been filed at present) provides context for the payments.

Net CT receipts in 2017 were €8.2 billion. CT is the third largest taxhead, accounting for 16 per cent of tax net receipts in 2017. As shown in Table 1, while Ireland has the one of the lowest CT rates of OECD member countries, the amount of CT as a percentage of Ireland's total tax receipts in 2016 was about 4 percentage points higher than the OECD average. Ireland was close to average for CT yield as a percentage of GDP.

Table 1: International Corporate Tax Comparison 2016

Country	Combined Corporate Tax Rate %	Corporate Tax Receipts as % of GDP	Corporate Tax Receipts as % of Total Tax*
Austria	25.0	2.4	5.6
Belgium	34.0	3.4	7.8
Czech Republic	19.0	3.6	10.6
Denmark	22.0	2.7	5.9
France	34.4	2.0	4.5
Germany	30.2	2	5.3
Ireland	**12.5**	**2.7**	**11.6**
Italy	31.3	2.1	5
Luxembourg	29.2	4.5	12.2
Netherlands	25.0	3.3	8.5
Norway	25.0	3.4	9.0
Sweden	22.0	2.5	5.7
Switzerland	21.1	3.0	10.8
United Kingdom	20.0	2.7	8.1
United States	38.9	2.0	7.7
OECD Average	**24.7**	**2.8**	**7.9**

Source: OECD. Note: * "Total Tax" here includes social security contributions.

This paper updates earlier analysis of CT receipts.[1] The following sections review payments, liabilities and returns under a number of headings.

[1] Available at: https://www.revenue.ie/en/corporate/information-about-revenue/research/research-reports/corporation-tax-and-international.aspx.

2 Corporation Tax Payments 2017

2.1 Overview

Net CT receipts in 2017 (i.e., tax paid during the calendar year regardless of the tax year to which it relates) exceeded both forecasts for the year and the prior year's receipts. The year-on-year increase in net receipts was €849 million (+11.5 per cent) and follows a €480 million (+7.0 per cent) increase in 2016.

Table 2: Gross and Net Corporation Tax Receipts

Year	Gross Receipts €m	Net Receipts €m
2015	7,657	6,873
2016	8,206	7,352
2017	9,347	8,201

Source: Revenue analysis.

Approximately 86 per cent (€7,035 million) of net CT payments in 2017 related to preliminary tax payments for tax year 2017, whereas the remainder was in respect of balances for earlier years. Of the €849 million increase in CT receipts, €678 million was from preliminary payments and €171 million from balances.

Table 3: Net Receipts by Balances and Preliminary Tax

Year	2016 €m	2017 €m	Variance €m
Balances	996	1,167	171
Preliminary Tax and Other Payments	6,357	7,035	678
Total	**7,352**	**8,201**	**849**

Source: Revenue analysis.

Repayments, either as a monetary refund or an offset against liabilities under other tax heads, amounted to €1,147 million in 2017 (an increase of €293 million or 34 per cent). Repayments are an inherent part of the taxation system and there are a number of reasons why companies might be entitled to a refund.[2]

Table 4: Corporation Tax Repayments

Year	Repayments €m
2015	784
2016	854
2017	1,145

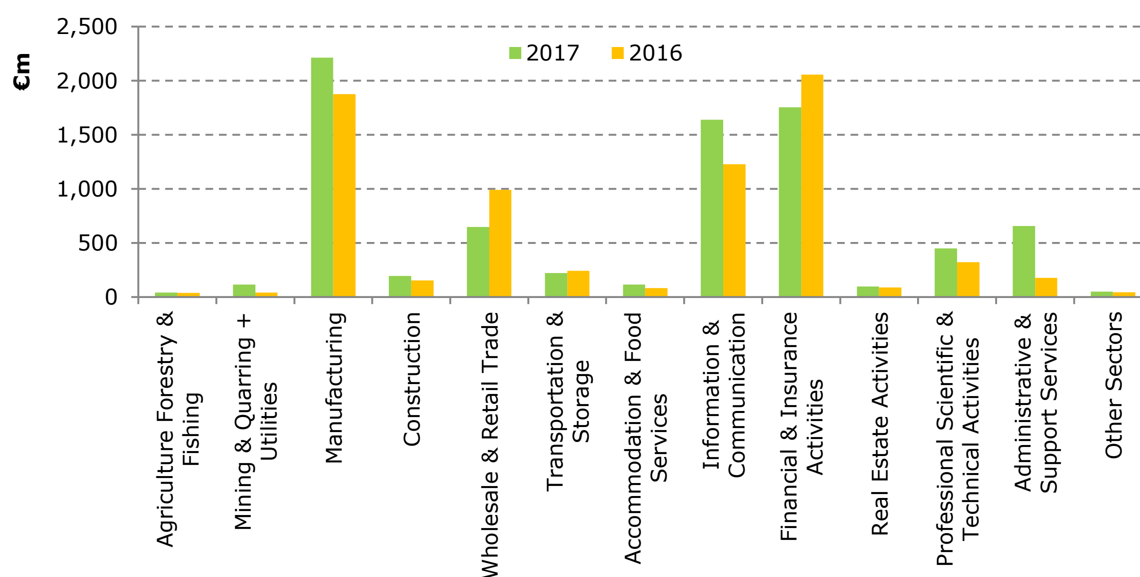
Source: Revenue analysis.

[2] These include overpayment of preliminary tax (e.g., due to lower than expected profits at the end of the accounting period), carry-back of losses to the previous accounting period (subject to a one year limit), terminal loss relief when a company ceases to trade and the repayable R&D tax credit.

2.2 Sectors and Geography

Figure 1 provides a breakdown of the net CT paid by sector.[3] The sector with the largest payments was manufacturing, which accounted for 27 per cent of net receipts. This was followed closely by the financial & insurance activities and information & communication sectors. It is notable that receipts from financial & insurance companies, the largest sector in payment terms in 2016, fell during 2017 from €2.1 billion to €1.8 billion, despite the overall increase in receipts.[4]

Figure 1: Net Corporation Tax Receipts by Sector



Source: Revenue analysis.

As well as the sectoral distribution of CT receipts, it is useful also to look at two specific categories of companies: Section 110 companies and aircraft leasing companies. These two categories are highlighted as they are the source of frequent requests for information.

A Section 110 company is an Irish resident special purpose vehicle (SPV) that holds and/or manages "qualifying assets". A company must meet certain conditions, one of which is to notify Revenue of its status as a qualifying company.[5] Table 5 shows the CT receipts from these companies. The Appendix provides a Technical Note on legislative changes related to Section 110 companies and the timing of tax return information.

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[3] It should be noted that where a multinational group has multiple affiliates, these will each be allocated a NACE code based on their own activity. For example, a company engaged in treasury operations for a pharmaceutical group would be coded to the financial & insurance sector rather than to pharma.

[4] This is consistent with preliminary National Account information for 2017 from the CSO, which notes that "Apart from a small contraction in the Financial and Insurance sector, all other sectors of the economy experienced growth in 2017": http://www.cso.ie/en/csolatestnews/pressreleases/2018pressreleases/pressstatementquarterlynationalaccountsandbalanceofpaymentsquarter42017andyear2017preliminary/.

[5] Finance Act 2016 made certain changes to the taxation of qualifying companies, within the meaning of section 110 Taxes Consolidation Act 1997.

Table 5: Gross and Net Receipts of Section 110 Companies

Year	Gross Receipts		Net Receipts	
	Amount €m	% of Gross Receipts	Amount €m	% of Net Receipts
2015	65	0.8%	65	0.9%
2016	201	2.5%	199	2.7%
2017	132	1.4%	128	1.6%

Source: Revenue analysis.

Table 6 shows net CT receipts from aircraft leasing companies. These receipts declined in 2017 following an increase in 2016 and remained at less than 1 per cent of CT receipts.

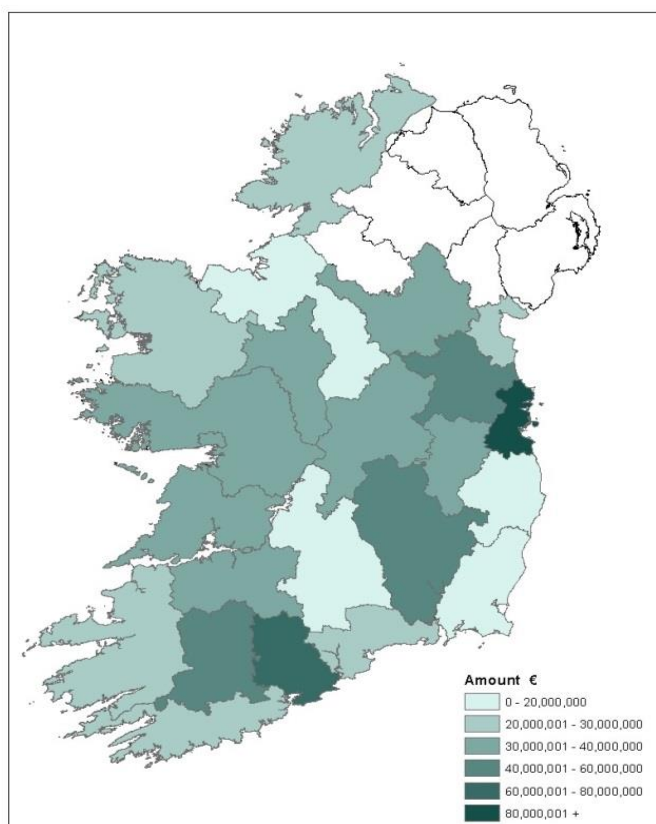
Table 6: Gross and Net Receipts of Aircraft Leasing Companies

Year	Gross Receipts		Net Receipts	
	Amount €m	% of Gross Receipts	Amount €m	% of Net Receipts
2015	39	0.5%	34	0.5%
2016	66	0.8%	61	0.8%
2017	47	0.5%	40	0.5%

Source: Revenue analysis. Note: Aircraft leasing identified as companies in NACE code 7735 on Revenue records.

Figure 2 shows CT paid based on the location of the company. The largest receipts amounts were paid by companies located in Dublin and Cork.

Figure 2: Net Corporation Tax Receipts by Location 2017



Source: Revenue analysis. Note: Revenue's General Claims District (GCD) is used to categorise location. GCD, which follows county breakdowns in most cases, is the tax district which manages a company's tax affairs.

2.3 Concentration and Ownership

Revenue's Large Cases Division ("LCD") has responsibility for managing the tax affairs of the largest taxpayers. Net CT receipts from LCD companies in 2017 increased by €474 million (+8 per cent) to €6.5 billion. These accounted for 79 per cent of net receipts, this has been stable in recent years. Net receipts from non-LCD companies increased by €374 million (at +28 per cent, a faster rate than LCD companies) compared with 2016.

Table 7: Corporation Tax Receipts by LCD and non-LCD Cases

Year	Gross Receipts		Net Receipts	
	Non-LCD €m	LCD €m	Non-LCD €m	LCD €m
2015	1,699	5,948	1,343	5,528
2016	1,712	6,537	1,319	6,034
2017	2,184	7,163	1,694	6,508

Source: Revenue analysis.

Net receipts from the 10 largest payers in 2017 were €3,320 million (17.2 per cent higher than payments by the 2016 top 10 companies). Payments from the top 10 equated to 39 per cent of CT receipts in 2017, up slightly from 37 per cent in 2016.

Table 8: Corporation Tax Receipts from Top 10 Companies

Year	Gross Receipts		Net Receipts	
	Amount €m	% of Gross Receipts	Amount €m	% of Net Receipts
2015	2,801	37	2,798	41
2016	2,762	33	2,755	37
2017	3,268	35	3,230	39

Source: Revenue analysis.

Another view of the 10 largest cases is shown in Table 9, taking the ten largest companies in each year to show the payments of these cases across multiple years. It is indicative of the change in the composition of the top 10 but also the volatility in CT receipts from year to year, in part explaining the difficulty in forecasting for this tax. The lower panel of the Table shows the same information but expressed as shares of receipts in each year, rather than the monetary amount of receipts.

Table 9: Corporation Tax Receipts from Each Year's Top 10 Payers

€m	Net CT Paid In Year				
Top Ten in Year	**2013**	**2014**	**2015**	**2016**	**2017**
2013	1,551	1,383	2,036	2,031	2,159
2014	1,416	1,728	2,659	2,346	2,373
2015	1,301	1,545	2,798	2,314	2,246
2016	1,314	1,554	2,647	2,755	2,862
2017	1,078	1,295	2,334	2,306	3,230

% Net Receipts	Net CT Paid In Year				
Top Ten in Year	**2013**	**2014**	**2015**	**2016**	**2017**
2013	36%	30%	30%	27%	26%
2014	33%	37%	39%	32%	29%
2015	30%	33%	41%	31%	27%
2016	31%	33%	39%	37%	35%
2017	25%	28%	34%	31%	39%

Source: Revenue analysis. Note: Central axis (shaded) matches the % for net receipts in Table 8.

The analysis above is calculated on an entity level basis (i.e., individual companies), rather than on the basis of payments by groups of companies. As shown in Table 10, the position for groups is relatively similar to that for companies, as most groups are only represented once among the top 10 companies.

Table 10: Corporation Tax Receipts from Top 10 Groups

Year	Gross Receipts		Net Receipts	
	Amount €m	**% of Net Receipts**	**Amount €m**	**% of Net Receipts**
2015	3,171	41	3,152	46
2016	3,015	37	2,999	41
2017	3,436	37	3,373	41

Source: Revenue analysis.

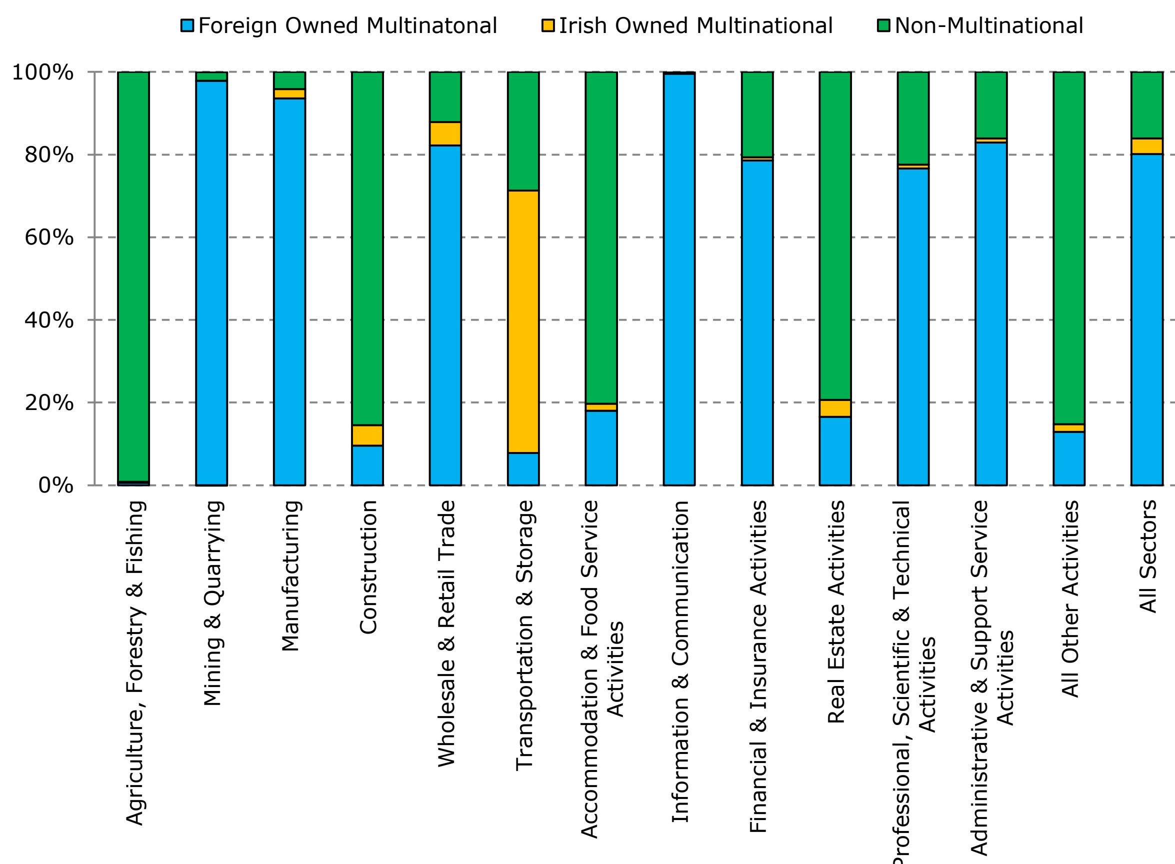
Tax records do not provide a reliable indicator of the country of ownership of companies operating in Ireland.[6] To address this, Revenue has compiled a new marker for companies tax resident in Ireland, distinguishing three categories: Irish owned multinational, foreign owned multinational and non-multinational.[7]

This identifies just over 6,200 foreign owned multinationals and around 300 Irish owned multinationals from the population of approximately 147,000 companies active on Revenue records (filing CT1 returns).

[6] As the ownership does not affect the tax liability of a tax resident company in Ireland, this information is not required to be collected through returns.
[7] While this marker will be updated as companies restructure or new companies register for tax, this reflects a manually compiled marker and therefore is subject to potential error and may be incomplete.

Matching to CT payments 2017, foreign owned multinationals paid 80 per cent of CT receipts, Irish owned 4 per cent. Figure 3 shows CT receipts by sector, split into foreign or Irish owned multinationals and receipts from other companies. There was a wide variation in the share of receipts by ownership. For the three largest sectors in overall CT receipts terms, the share from foreign owned multinationals was close to or exceeds 80 per cent.

Figure 3: Share of Corporation Tax Receipts by Sector and Ownership 2017



Source: Revenue analysis.

Table 11 shows that the top 100 companies accounted for 71 per cent of net receipts. This share was also stable despite increases in CT receipts in recent years.

Table 11: Corporation Tax Receipts from Top 100 Companies

Year	Gross Receipts		Net Receipts	
	Amount €m	% of Gross Receipts	Amount €m	% of Net Receipts
2015	4,973	64.9%	4,943	71.9%
2016	5,260	64.1%	5,226	71.1%
2017	6,013	64.3%	5,863	71.5%

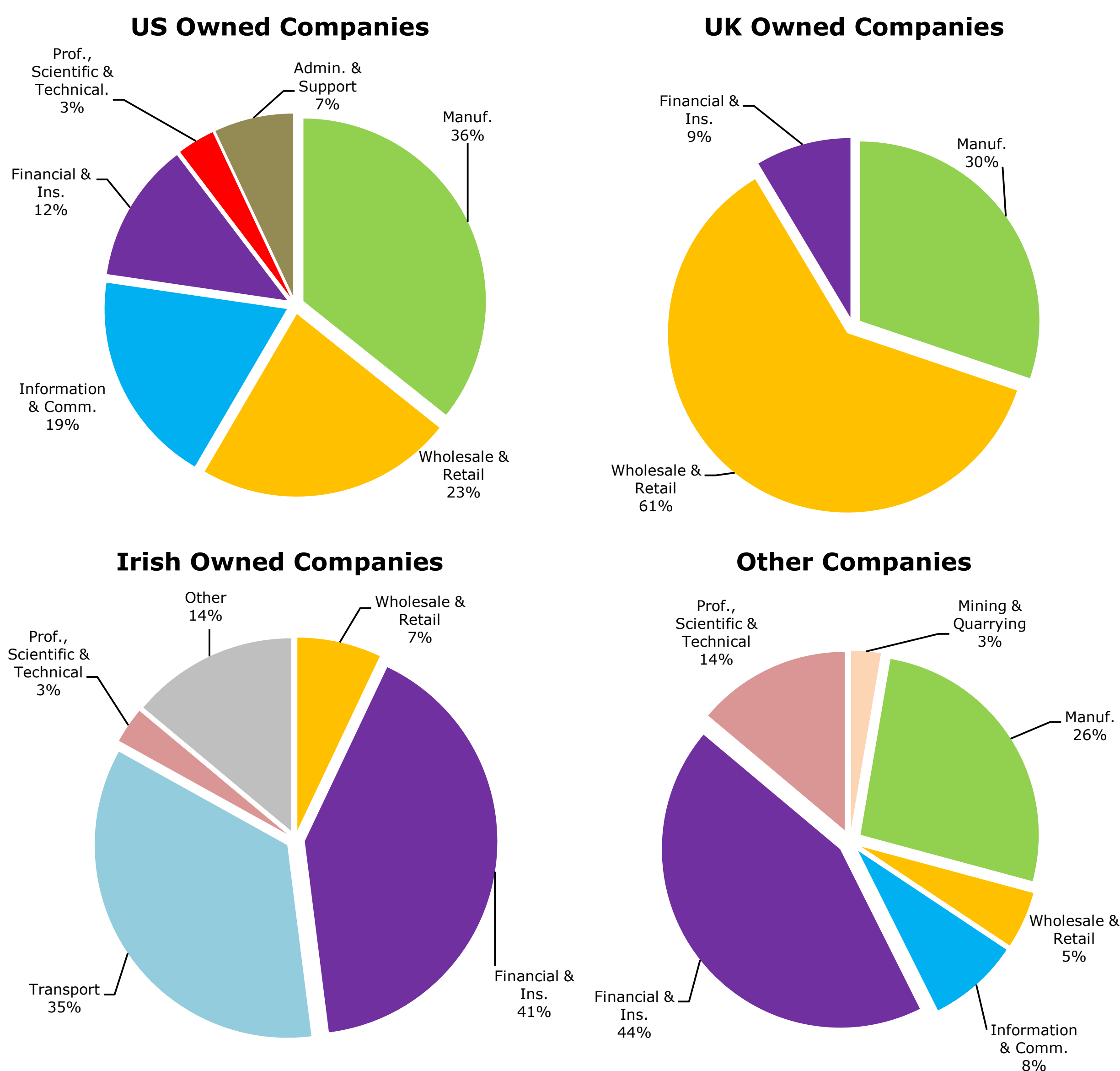
Source: Revenue analysis.

Similar to the marking of multinational cases discussed above, a further exercise has been undertaken to analyse the top 100 largest CT paying companies and identify the

nationality or tax residence of the ultimate owners of these companies. From the 2017 top 100 companies, there were 51 US companies paying €4.25 billion in CT and a small number (less than 10) UK companies paying €128 million.[8] There were just over 10 Irish companies in this category, paying €370 million, while other countries in the top 100 accounted for a further €1.11bn in CT payments.

Figure 4 shows the receipts of the top 100 by ownership and by sector (given the smaller number of companies, they do not operate in the full range of sectors).

Figure 4: Share of Receipts of Top 100 Companies by Sector and Ownership 2017



Source: Revenue analysis.

[8] The analysis of US companies effectively updates previous a Revenue paper (http://www.tara.tcd.ie/bitstream/handle/2262/62344/walsh%20pdf.pdf?sequence=1) indicating US companies contributed over one third of CT revenue in Ireland in the decade to 2009.

It should be noted that this exercise does not represent all US or UK owned companies in Ireland, only those in the 100 largest taxpayers in 2017. While these were the most significant in tax payments, they may not be representative of all such companies.

2.4 Numbers of Companies Paying Tax and Ranges of Payments

Just over 50,000 companies paid net CT in 2017 (there are 53,300 gross payers). Both the numbers of gross and net CT payers increased in recent years. In 2017, the number of gross CT payers increased by almost 7,000 (+15 per cent), whereas the number of net payers increased by nearly 6,300 (+14 per cent). Of the €849 million increase in net CT receipts in 2017, €594 million was paid by 19,400 companies that did not pay CT in 2016.

Table 12: Number of Gross and Net Corporation Tax Payers

Year	Number of Gross Payers	Number of Net Payers*
2015	42,124	39,910
2016	46,298	44,149
2017	53,277	50,449
2017 Growth	**15.1%**	**14.3%**

Source: Revenue analysis. Note: * Does not include "refund only" cases.

CT returns (which are discussed further in Section 3) provide insight into why companies do or do not pay tax. For 146,500 2016 CT returns, nearly 63,000 reported no trading or non-trading profits. Of the 83,500 with positive profits, a further 18,300 were not liable to CT due to the various reliefs and allowances available to companies. Therefore, only 65,300 were liable.

Table 13: Non-Paying Companies

Year	Number of Returns	Positive Profits	Without Positive Profits	Positive Profits Liable to Tax	Positive Profits Not Liable to Tax
2015	145,058	80,870	64,188	61,492	19,378
2016	146,470	83,540	62,930	65,250	18,290

Source: Revenue analysis. Note: Profits here includes either trading or non-trading.

Table 14 shows the range of both gross and net CT receipts – companies not paying CT or in a repayment position are excluded. The table shows the results for all companies and then separately the outcome for companies identified as multinationals.

Nearly two-thirds (66 per cent) of the total net CT paid in 2017 was attributed to payments greater than €10 million. Three-quarters of companies with positive CT payments paid an amount less than or equal to €20,000, which accounted for slightly less than 2 per cent of total net CT receipts.

Table 14: Distribution of Gross and Net Payments 2017

All Companies

Range of Corporation Tax Payment €	Gross Receipts		Net Receipts	
	% of Gross Cases	% of Gross CT Paid	% of Net Cases	% of Net CT Paid
1-20,000	75.5%	2.0%	75.5%	2.0%
20,000-40,000	9.3%	1.5%	9.3%	1.5%
40,000-60,000	3.9%	1.1%	3.9%	1.1%
60,000-80,000	2.3%	0.9%	2.3%	0.9%
80,000-100,000	1.4%	0.7%	1.4%	0.7%
100,000-200,000	3.3%	2.6%	3.2%	2.5%
200,000-500,000	2.1%	3.7%	2.1%	3.7%
500,000-1,000,000	0.9%	3.8%	1.0%	3.8%
1,000,000-5,000,000	0.9%	11.6%	0.9%	11.6%
5,000,000-10,000,000	0.2%	6.5%	0.1%	5.9%
10,000,000+	0.2%	65.6%	0.2%	66.2%
Total	**100%**	**100%**	**100%**	**100%**

Multinational Companies Only

Range of Corporation Tax Payment €	Gross Receipts		Net Receipts	
	% of Gross Cases	% of Gross CT Paid	% of Net Cases	% of Net CT Paid
1-20,000	31.3%	0.1%	29.7%	0.1%
20,000-40,000	7.7%	0.1%	8.1%	0.1%
40,000-60,000	4.9%	0.1%	5.1%	0.1%
60,000-80,000	4.2%	0.1%	4.4%	0.1%
80,000-100,000	3.5%	0.1%	3.1%	0.1%
100,000-200,000	11.8%	0.8%	11.9%	0.7%
200,000-500,000	13.0%	1.8%	13.3%	1.8%
500,000-1,000,000	8.4%	2.6%	8.9%	2.6%
1,000,000-5,000,000	10.1%	10.1%	10.6%	10.1%
5,000,000-10,000,000	2.1%	6.5%	1.9%	5.8%
10,000,000+	2.9%	77.6%	3.1%	78.4%
Total	**100%**	**100%**	**100%**	**100%**

Source: Revenue analysis.

3 Corporation Tax Returns 2016

As noted in the Introduction, while payments were received in 2017 (as analysed in Section 2), the CT1 returns in respect of accounting periods ended in 2017 are not due until a later date. However, analysis of returns for 2016 provides context for the payments, as outlined in this Section.

3.1 Profits

Analysis of the 2016 returns shows increased trading profits for the majority of sectors in the economy compared to 2015 (Table 15). Over €158 billion of trading profits was reported by companies in their 2016 returns, a yearly increase of €14.7 billion (+10.2 per cent), this compares to an increase in gross tax receipts of 7.2 per cent in 2016.[9]

Table 15: Trading Profits by Sector

Sector	Adjusted Profits €m *		Growth	
	2015	2016	€m	%
Manufacturing	55,406.32	65,924.43	10,518.10	19.0%
Financial & Insurance Activities	27,003.83	23,902.08	-3,101.75	-11.5%
Information & Communication	20,223.79	22,974.38	2,750.59	13.6%
Wholesale & Retail Trade	15,279.28	14,238.95	-1,040.33	-6.8%
Administrative & Support Services	13,347.40	15,218.22	1,870.83	14.0%
Professional, Scientific & Technical Activities	4,185.18	6,688.40	2,503.22	59.8%
Transportation & Storage	2,897.84	3,454.82	556.98	19.2%
Mining & Quarrying + Utilities	1,662.61	1,704.52	41.91	2.5%
Construction	1,317.68	1,498.56	180.88	13.7%
Accommodation & Food Services	783.82	969.31	185.49	23.7%
Real Estate Activities	395.86	522.88	127.03	32.1%
Human Health & Social Work Activities	372.51	390.15	17.65	4.7%
Agriculture, Forestry & Fishing	394.12	443.33	49.21	12.5%
Other Sectors	656.20	744.77	88.57	13.5%
Total	**143,926**	**158,675**	**14,748**	**10.2%**

Source: Revenue analysis. Note:* Adjusted profits are the trading profits of a company after being adjusted to reflect any differing treatment of certain items for accounting purposes compared to tax purposes.

Nearly 90 per cent (€142.2 billion) of trading profits were attributed to five sectors: manufacturing, financial & insurance activities, information & communication, wholesale & retail trade, and administrative & support services.[10] The remaining 11 sectors accounted for the other 10.4 per cent, as illustrated in Figure 5.

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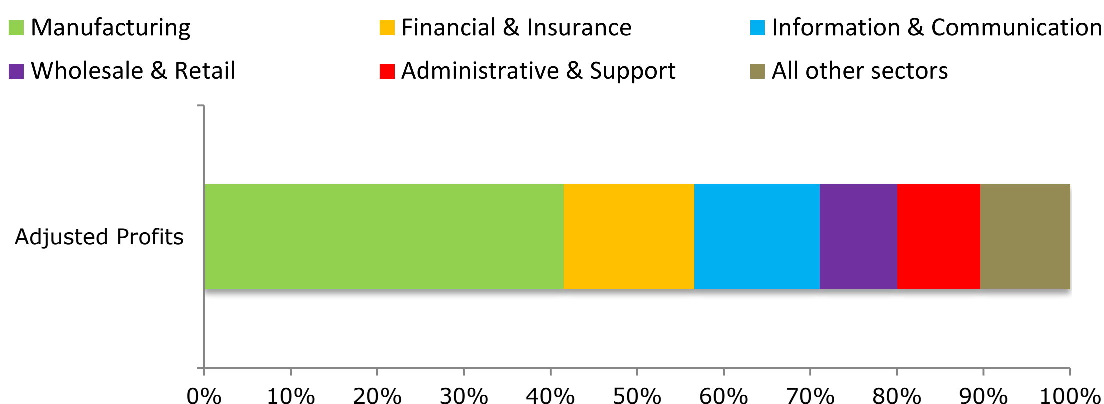
[9] As noted earlier, receipts *in* 2016 will not fully relate to returns filed *for* 2016 due to differences in accounting periods among companies.

[10] The administrative & support services sector includes aircraft leasing.

Figure 5: Trading Profits by Sector 2016



Source: Revenue analysis.

The sector with the largest trading profits was manufacturing (€65.9 billion), which recorded an increase of over €10 billion between 2015 and 2016 (also the largest increase of all sectors).[11] Other significant increases were evident in the information & communication sector (+€2.7 billion), professional, scientific & technical activities (+€2.5 billion) and administrative & support (+€1.9 billion). A decrease in the financial & insurance sector of €3.1 billion (-11.5 per cent) was recorded, mainly due to lower profits from a small number of large companies.

Non-trading taxable income of companies is taxed at the higher CT rate of 25 per cent. Table 16 shows non-trading taxable income increased by more than €2 billion between 2015 and 2016 (+98.6 per cent). In part this increase was due to foreign profits (these are subject to double taxation relief).

Table 16: Non-Trading Profits

Year	Non-Trading Profits €m
2015	2,076
2016	4,124

Source: Revenue analysis.

Companies, like private individuals and sole traders, are required to pay tax in respect of gains made on the disposal of assets. While the computation for corporations is slightly different, most of the same basic rules apply. The tax charged on companies' capital gains is equivalent to 33 per cent of the value of the gain.

[11] The largest manufacturing subsectors in CT terms are the manufacture of basic pharmaceutical products, the manufacture of pharmaceutical preparations, and the manufacture of medical & dental instruments / supplies.

Table 17 shows a small decrease in the number of companies that reported capital gains on their CT1 return for 2016. The decrease in capital gains was around €45 million. The associated decreased gross tax due in relation to capital gains was €15 million.

Table 17: Number and Value of Companies' Capital Gains

Number of Companies		Growth		Capital Gains €m		Growth	
2015	2016	Number	%	2015	2016	€m	%
1,143	1,101	-42	-3.7%	364	318	-45	-12.5%

Source: Revenue analysis.

As with individual Income Tax payers, companies can use net credits, deductions and reliefs against their profits to reduce taxable income. The full detail of this calculation is published on Revenue's website.[12] The following Sections set out a view of the most significant and high profile of these: losses, capital allowances, Research & Development credit and the Knowledge Development Box.

3.2 Trading Losses

Where a company has losses or, subject to certain rules, carries forward losses from a previous accounting period, these can be used to offset against their CT liability in a variety of ways, such as against current year profits, surrendered to group companies, in certain circumstances offset against a prior year's tax, or carried forward. While a company must record losses *claimed* on their CT1 returns, trading losses can only be *used* if there is an appropriate CT liability to offset.

Around 25,800 companies used losses in 2016 totalling €14.9 billion, at a cost to the Exchequer of €1.9 billion. Of companies with losses in 2015, over 14,600 did not carry losses into their 2016 returns, likely indicating that earlier losses had been fully utilised as a result of trading profits for these companies. The net CT paid by these companies was €266 million in 2016.

Over 52,800 companies claimed losses on their 2016 tax returns. Of these, 20,000 also claimed losses in 2015 (i.e., carrying losses for multiple years). About 10,300 companies did not carry any losses forward into 2015 from earlier years but carried losses forward into 2016 either as a result of losses or capital allowances not used on 2015 returns.

Table 18 shows the claimed and used amounts for losses carried forward and current year losses. The monetary amount of losses carried forward from earlier accounting periods

[12] Available at: https://www.revenue.ie/en/corporate/information-about-revenue/statistics/income-distributions/ct-calculation.aspx. Figures for 2016 will be published at this link once data are finalised.

into 2016 accounting periods decreased by €4.7 billion (from €218.3 billion to €213.6 billion) but this is based on provisional data and may be revised. Trading losses were also €1.8 billion higher for 2016 than in 2015 returns.

Table 18: Losses Used and Claimed

Year	Loss Forward Claimed €m	Loss Forward Used €m	Current Year Loss Claimed €m	Current Year Loss Used €m
2015	218,335	20,213	8,977	339
2016*	213,594	14,564	10,821	295.7

Source: Revenue analysis. Note: * 2016 is provisional and may be revised.

Table 19 provides a breakdown of the amount of losses carried forward by sector. The value of losses carried forward by the financial & insurance activities sector into accounting periods ending in 2016 decreased by €11 billion (-9 per cent). The only substantial increases in trading losses carried forward were in administrative & support services at €1.6 billion (+4.3 per cent), construction €1 billion (+10 per cent) and in other sectors €2.7 billion (+24 per cent).

Table 19: Trading Losses Carried Forward by Sector

Sector	Losses Carried Forward €m		Growth	
	2015	2016	€m	%
Financial & Insurance	124,174.78	112,770.98	-11,403.80	-9.2%
Administration & Support Services	37,965.59	39,603.66	1,638.08	4.3%
Information & Communications	10,533.94	11,062.25	528.30	5.0%
Construction	9,999.05	11,058.24	1,059.19	10.6%
Manufacturing	8,304.59	8,744.15	439.56	5.3%
Transport & Storage	8,382.38	8,501.72	119.35	1.4%
Wholesale & Retail Trade	7,627.64	7,757.59	129.95	1.7%
All Other Sectors	11,347.41	14,095.53	2,748.12	24.2%
Total	**218,335**	**213,594**	**-4,741**	**-2.2%**

Source: Revenue analysis.

While an analysis of the age of losses carried forward is not possible, several points should be considered in relation to the €214 billion figure for 2016.

Around €40 billion of losses brought forward (from €214 billion for 2016) were claims by companies that were in liquidation or otherwise unlikely to be in a position to ever use these losses. The bulk of such losses were recorded by companies in the financial sector.

About 90 per cent of the losses forward claimed on 2016 returns were by companies that had been claiming losses forward for 5 years or more.

Furthermore, on the basis of patterns of profits declared and loss usage reported on 2016 return, at least 75 per cent of the losses forward reported on the 2016 returns will not be used (to offset tax) in the next 20 years.

It is important to note that losses forward include claims for unused capital allowances.[13] Due to the manner in which information is recorded on tax returns, it is not presently possible to separate capital allowances from the losses in the €214 billion carry forward. However, €113 billion of these losses related to the financial & insurance sector, it is likely that they mainly related to historical losses carried forward from the downturn in the economy. This sector would not have significant levels of capital allowances. Whereas companies in administration & support, manufacturing and information & communication are more likely to have capital allowances carried forward. Analysis shows that companies in these three sectors with low (or insignificant) amounts of losses on their 2012 returns accounted for almost €12 billion of losses carried forward in 2016. It is reasonable to assume that the bulk of these losses forward may well be capital allowances. Furthermore, the second largest sector in losses terms is administration & support which includes aircraft leasing. A review of cases in this sector suggests that much of the €38 billion losses of companies in this sector probably relate to capital allowances also.

3.3 Capital Allowances

Companies are entitled to capital allowances in respect of certain expenditure and these can be set against profits. Table 20 shows the amount of certain capital allowances claimed in 2015 and 2016 returns.[14] The value of claims in respect of intangible assets increased by €6.9 billion. Tangible capital allowances claims for plant & machinery showed a greater increase, by €6.6 billion or 30 per cent. This marks a change compared to 2015, when intangibles accounted for virtually all of the increase in that year.

Table 20: Certain Capital Allowances Claimed

Capital Allowances Description	Amounts Claimed €m		Growth	
	2015	2016	€m	%
Plant & machinery	50,710	64,231	13,521	27%
Of which intangible assets*	28,871	35,737	6,866	24%
Industrial buildings	561	563	2	0%

Source: Revenue analysis. Note: * Includes claims made under the accounts based and straight line allowance (Section 291A Taxes Consolidation Act (TCA) 1997).

[13] Capital allowances are discussed further in the following Section.
[14] It should be noted that these figures represent the aggregate of claims on the return, as distinct from the amount utilised to reduce tax due.

The increase in the non-intangible components of plant & machinery capital allowances resulted in a tax reduction of over €800 million (assuming that the full benefit could be realised in one year).

In the case of intangible assets, the allowance is restricted such that it can only reduce trading income generated from the use of intangible assets, with any excess carried forward.[15] Income arising not related to the use of the intangible assets is still taxable. The recent Finance Act introduced restrictions to the amount of income that can be sheltered by these allowances.

Around €47 billion (of the €64 billion in plant & machinery capital allowances in 2016) was claimed by foreign owned multinational companies. Foreign owned multinationals accounted for 45 per cent and 99 per cent of tangible and intangible claims respectively for 2016. From the top 100 largest payers, total capital allowances (both tangible and intangible) amounted to €8.6 billion, of which US owned companies claimed €6.2 billion.

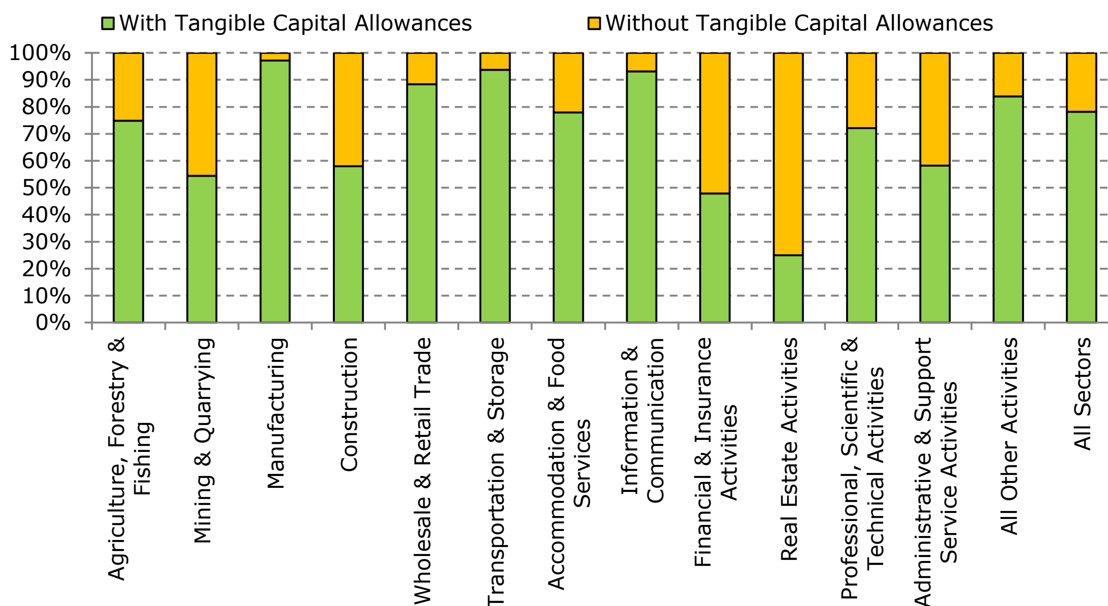
There is a potential link between investment by multinationals and reduced likelihood of their exit. It may be reasonable to consider that companies that have invested significantly in physical capital to operate in Ireland may be less likely to leave the country. The less mobile the investment and the more embedded and substantive the presence of the company, the more stable their CT payments.

To place the capital allowances in context as a potential indicator of embeddedness, a measure of tangible or physical capital allowances is obtained by stripping out intangible allowances. Figure 6 shows CT receipts split into companies with and without tangible (physical) capital allowances. Figure 7 shows the growth in receipts since 2012 for the four largest sectors (in CT payment terms) based on the same split.

Overall, the growth rate for companies without tangible capital allowances claims was slightly higher than those with. However, for the largest sectors, the increases were markedly higher for those with tangible capital allowances (manufacturing and wholesale & retail trade) or roughly the same (information & communications). The exception was the financial & insurance sector, which would not be expected to be a significant user of tangible assets. These results indicate that much of the increase in CT receipts was being paid by companies also investing significantly in tangible assets.

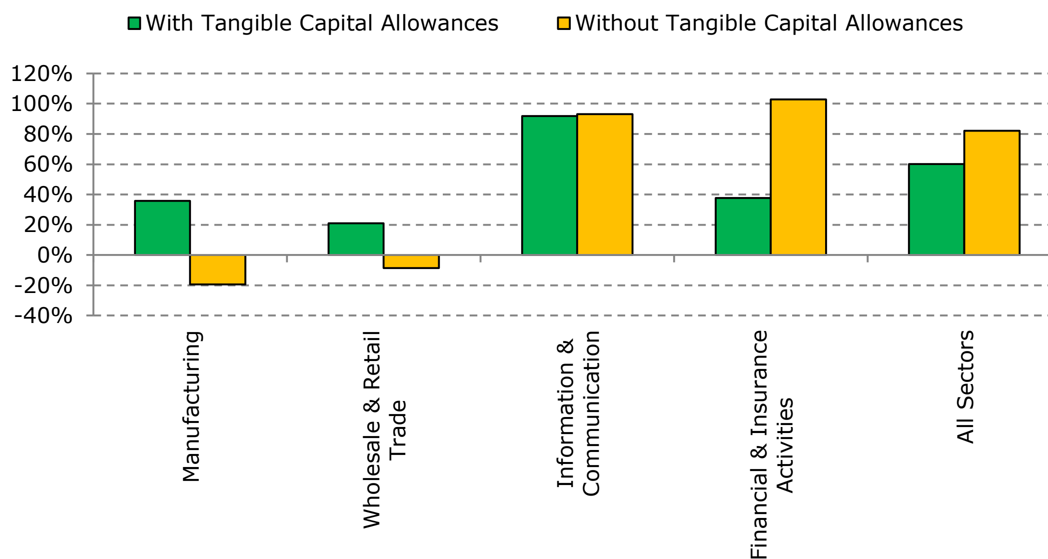
[15] Section 291A TCA 1997.

Figure 6: Corporation Tax Receipts and Investment in Tangible Assets 2016



Source: Revenue analysis. Note: Tangible Capital Allowances refers to plant & machinery capital allowances excluding intangibles.

Figure 7: Growth in Corporation Tax Receipts 2012 to 2016 and Tangible Assets



Source: Revenue analysis. Note: Tangible Capital Allowances refers to plant & machinery capital allowances excluding intangibles.

It should be noted that the above analysis can only include companies reporting plant & machinery capital allowances in their returns.

3.4 Research & Development and the Knowledge Development Box

The Research and Development ("R&D") tax credit provides relief for qualifying expenditure on certain research activities. Table 21 shows a decrease of €34 million (-4.8

per cent) in the cost to the Exchequer of the R&D credit in 2016 returns. As further returns are analysed this may change. [16] The number of companies dropped marginally from 1,535 to 1,486 (-3.2 per cent). The repayable element of the credit accounted for about half of the cost, although this varies somewhat year to year.[17]

Table 21: Cost and Number of Companies Claiming the R&D Credit

Year	Number of Companies	Cost €m	Of which, Repayable Credit Cost €m
2014	1,570	553	326
2015	1,535	708	359
2016*	1,486	674	240

Source: Revenue analysis. Note: * 2016 is provisional and may be revised.

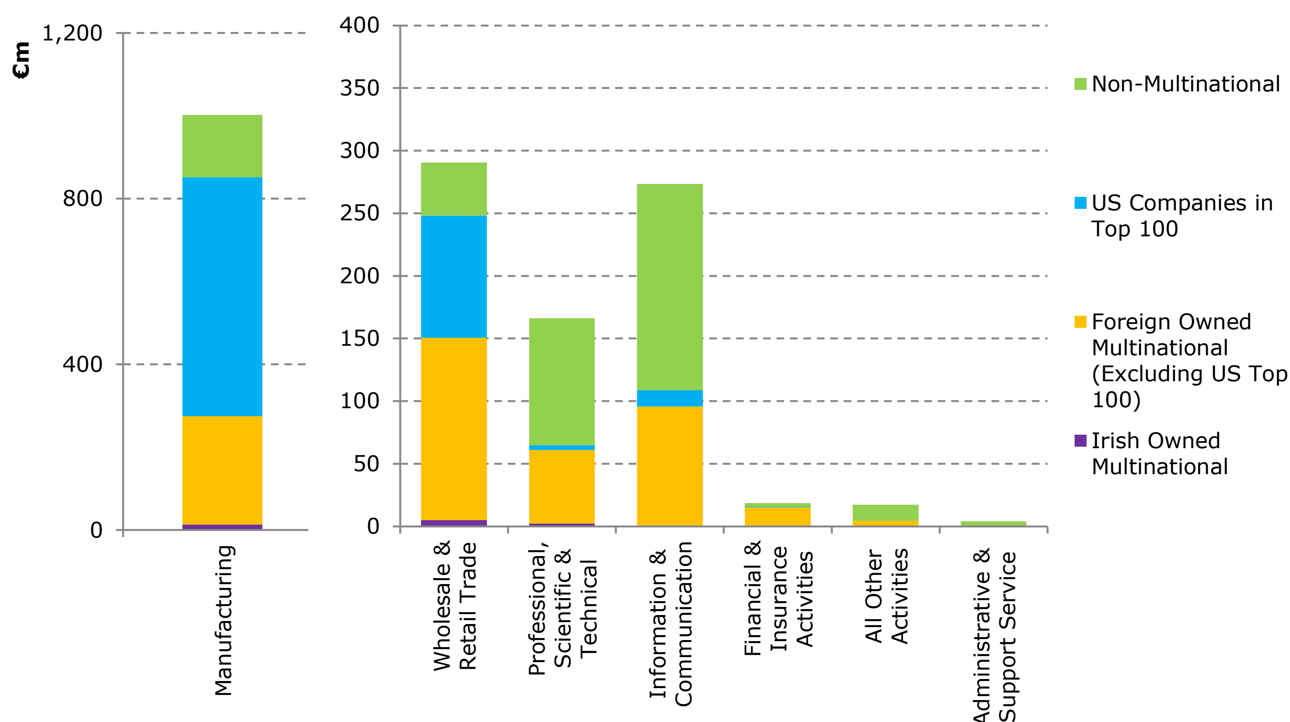
Revenue data shows that the value of R&D expenditure for 2016, against which tax relief is claimed, was around €1.8 billion in the year. The companies making these claims for relief also paid €2.45 billion of net CT receipts (an amount that would clearly be higher were the credit not used to reduce some liabilities).

As Figure 8 shows, the majority of this expenditure occurred in a relatively small number of sectors as would be expected but with manufacturing by far the largest. Of the €1.8 billion expenditure, €1.27 billion was from foreign owned multinational companies and €690 million of this from US owned companies among the top 100 largest CT payers. R&D by UK companies among the top 100 payers or by Irish owned multinationals was relatively negligible. Non-multinationals account for the bulk of the remainder.

It should be noted that the above analysis only includes companies conducting R&D where the expenditure is liable for the tax credit. Other forms of R&D may be undertaken that are not eligible for the tax credit.

[16] Based on previous experience, it is expected that R&D cost may be revised upwards when final 2016 returns data become available.
[17] Sections 766 and 766A of the TCA1997 provide for a tax credit in respect of qualifying expenditure on R&D tax credit must be used initially to reduce the CT liability of the company for the accounting period in which the relevant expenditure is incurred. Any unused amount may be carried forward and used to reduce the CT of following accounting periods. However where an excess remains, instead of carrying forward that excess, a company may claim to use it to reduce the CT of the preceding accounting period. If any excess still remains it may still be carried forward and used to reduce the CT of succeeding accounting periods. In the event that there is no CT liability in the current year, the company may claim to have the amount of that excess paid to them by Revenue in 3 instalments over a period of 33 months from the end of the accounting period in which the expenditure was incurred.

Figure 8: R&D Expenditure by Sector and Ownership 2016



Source: Revenue analysis.

The Knowledge Development Box ("KDB") was introduced in the Finance Act 2015 for accounting periods commencing on or after 1 January 2016. While the R&D credit is a support for creation of new intellectual property or other research, the KDB provides for a reduced rate of CT (6.25%) payable on profits arising from qualifying IP assets.

A claimant company has a period of up to 24 months to make a claim for KDB relief. The KDB is available only to companies that carry out R&D within the meaning of Section 766 TCA 1997. The estimated full year cost of the KDB on the basis of 2016 tax returns was in the region of €5 million (with less than 10 companies returning claims to date). Given the supporting documentation required, it is anticipated that more companies will make use of the 24 month time frame available. As such, more claims in respect of the year ended 31 December 2016 may be made by September 2018.

3.5 Taxable Income and the Effective Rate

As noted earlier, companies face three rates of tax: trading income (taxed at 12.5%), passive income (25%) and capital gains (33%). While it is not possible to provide the amounts of *tax collected* under each rate (due to the manner in which the tax assessment calculation operates), Table 22 provides the *taxable income* returned at each.

Table 22: Taxable Income by Tax Rate

Year	Taxable Income 12.5%	Passive Income 25%	Capital Gains 33%
2014	48,249	2,454	604
2015	63,000	2,077	961
2016	67,301	4,124	840

Source: Revenue analysis.

As certain reliefs can be offset against profits taxable at the higher rate before offsetting them against income taxable at the 12.5% rate, the bulk of CT paid was attributed to trading profits in all years.

While the main statutory CT rate is 12.5%, the effective tax rate for 2016 is provisionally calculated at 10 per cent.[18] This represents a marginal increase on the rate of 9.6 per cent for 2015. Due to the nature of various tax reliefs and credits, an effective rate of tax will always be lower than a statutory rate.

[18] The effective tax rate is calculated by Revenue as tax due in proportion to taxable income, as outlined in the Department of Finance technical paper by Coffey and Levey (2014).

4 Employment and Trade

4.1 Employment and Payroll

As well as CT, many companies contribute to the Exchequer as employers by collecting and paying over payroll taxes. Table 23 breaks down the value of PAYE, USC and PRSI remitted by employers (on behalf of employees) and employment income (paid to employees) in 2016 by ranges of gross CT liability. The first panel displays data in respect of all companies, the following panels show the same for all multinationals, foreign owned multinationals, Irish owned multinationals and non-multinational companies respectively. Figure 9 shows employments by county.

It should be noted that Revenue figures report *employments* rather than *employees*. An employee may have more than one employment (e.g., changing employment during the year or having a second job). Employments are a mix of part-time and full-time and also include as employees those who are in receipt of occupational pensions.

The source of the information is the CT return matched against employer returns. As company structures are sometimes organised in such a way that employees are paid by one company in a group, it may appear that a company has no employees but the employees may be paid by a different company within the group.

The table shows a combined total of nearly 1.9 million employments in companies. Around a quarter (510,000) of employments were in multinational companies while the majority were employed by non-multinationals. The combined tax payments for these employees were €16 billion (€7.3 billion for multinationals' employees). Average earnings (and consequently average Income Tax, USC and PRSI payments) were highest among employees of foreign owned multinationals.

Foreign owned multinationals had 434,000 employments in 2016 on Revenue records. This is consistent with the approximately 200,000 employees in IDA supported companies in Ireland in the same year.[19] Revenue data show 202,000 employments in manufacturing, administrative & support, information & communication and financial services sectors, which are likely to be the traditional FDI sector (with export oriented activities and IDA support). The remainder of the 434,000 (approximately 232,000), of which the largest share was 114,000 in wholesale & retail trade, are most likely foreign owned multinationals operating in Ireland to serve the domestic market.

[19] See: https://www.idaireland.com/about-ida/annual-reports.

Table 23: Corporation Tax Liability and Employment 2016

All Companies

CT Liability	CT Returns	Total CT Liable	Employees	Earnings	Income Tax	USC	Employer PRSI
€	Number	€m	Number	€m	€m	€m	€m
Negative or Nil	89,904	-461.8	616,859	14,309	2,472	587	1,766
1-20,000	44,987	193.8	460,431	8,925	1,320	328	1,041
20,000-40,000	4,591	129.7	126,337	2,778	434	108	357
40,000-60,000	1,825	89.2	70,271	1,574	254	63	206
60,000-80,000	1,043	72.0	52,013	1,153	193	47	153
80,000-100,000	678	60.7	39,064	1,120	199	49	155
100,000-200,000	1,499	211.2	141,886	3,325	557	136	439
200,000-500,000	958	297.3	121,519	3,229	568	138	453
500,000-1,000,000	409	283.1	87,466	2,342	408	99	329
1,000,000-5,000,000	408	877.0	104,484	3,661	757	174	516
5,000,000-8,000,000	56	342.5	10,451	514	112	26	74
8,000,000+	112	5,060.8	64,942	3,485	826	185	468
Total	**146,470**	**7,156**	**1,895,723**	**46,416**	**8,100**	**1,939**	**5,958**

Multinational Companies Only (Foreign and Irish Owned)

CT Liability	Companies returns	Total CT Liable	Employees	Earnings	Income Tax	USC	Employer PRSI
€	Number	€m	Number	€m	€m	€m	€m
Negative or Nil	2,871	-177.5	70,242	3,057	692	156	434
1-20,000	1,327	6.4	41,178	1,281	253	59	174
20,000-40,000	276	8.0	14,329	528	106	25	77
40,000-60,000	177	8.7	8,934	345	74	17	49
60,000-80,000	140	9.7	9,375	342	77	17	49
80,000-100,000	129	11.6	9,695	365	78	18	53
100,000-200,000	434	62.7	71,431	1,894	340	81	252
200,000-500,000	466	150.3	71,526	2,054	385	92	292
500,000-1,000,000	251	174.2	57,715	1,684	306	74	236
1,000,000-5,000,000	315	699.1	89,630	3,266	696	158	461
5,000,000-8,000,000	47	289.8	8,870	411	86	20	61
8,000,000+	105	4,840.9	57,032	3,009	716	160	419
Total	**6,538**	**6,084**	**509,957**	**18,237**	**3,808**	**876**	**2,559**

Foreign Owned Multinationals Only

CT Liability €	Companies returns Number	Total CT Liable €m	Employees Number	Earnings €m	Income Tax €m	USC €m	Employer PRSI €m
Negative or Nil	2,832	-172.6	63,629	2,770	625	141	394
1-20,000	1,305	6.2	37,284	1,215	245	56	166
20,000-40,000	269	7.8	13,636	509	103	24	74
40,000-60,000	166	8.2	8,274	323	69	16	46
60,000-80,000	127	8.8	8,350	310	71	16	44
80,000-100,000	115	10.3	8,028	316	70	16	47
100,000-200,000	372	53.4	60,520	1,662	302	71	219
200,000-500,000	386	124.8	55,003	1,630	316	74	231
500,000-1,000,000	217	151.1	48,108	1,509	283	67	213
1,000,000-5,000,000	290	651.9	83,034	3,104	670	151	439
5,000,000-8,000,000	44	271.6	7,673	374	80	19	56
8,000,000+	96	4,532.9	41,202	2,316	569	127	325
Total	**6,219**	**5,655**	**434,741**	**16,039**	**3,401**	**780**	**2,254**

Irish Owned Multinationals Only

CT Liability €	Companies returns Number	Total CT Liable €m	Employees Number	Earnings €m	Income Tax €m	USC €m	Employer PRSI €m
Negative or Nil	39	-4.9	6,613	287	67	15	40
1-20,000	22	0.2	3,894	66	8	2	9
20,000-40,000	<10	0.2	693	20	3	1	3
40,000-60,000	11	0.5	660	22	5	1	3
60,000-80,000	13	0.9	1,025	32	6	1	5
80,000-100,000	14	1.3	1,667	48	8	2	7
100,000-200,000	62	9.3	10,911	232	38	9	33
200,000-500,000	80	25.5	16,523	424	69	17	61
500,000-1,000,000	34	23.1	9,607	175	23	6	23
1,000,000-5,000,000	25	47.2	6,596	162	27	6	23
5,000,000-8,000,000	<10	18.2	1,197	36	6	2	5
8,000,000+	<10	308.0	15,830	693	147	33	95
Total	**319**	**430**	**75,216**	**2,198**	**407**	**95**	**304**

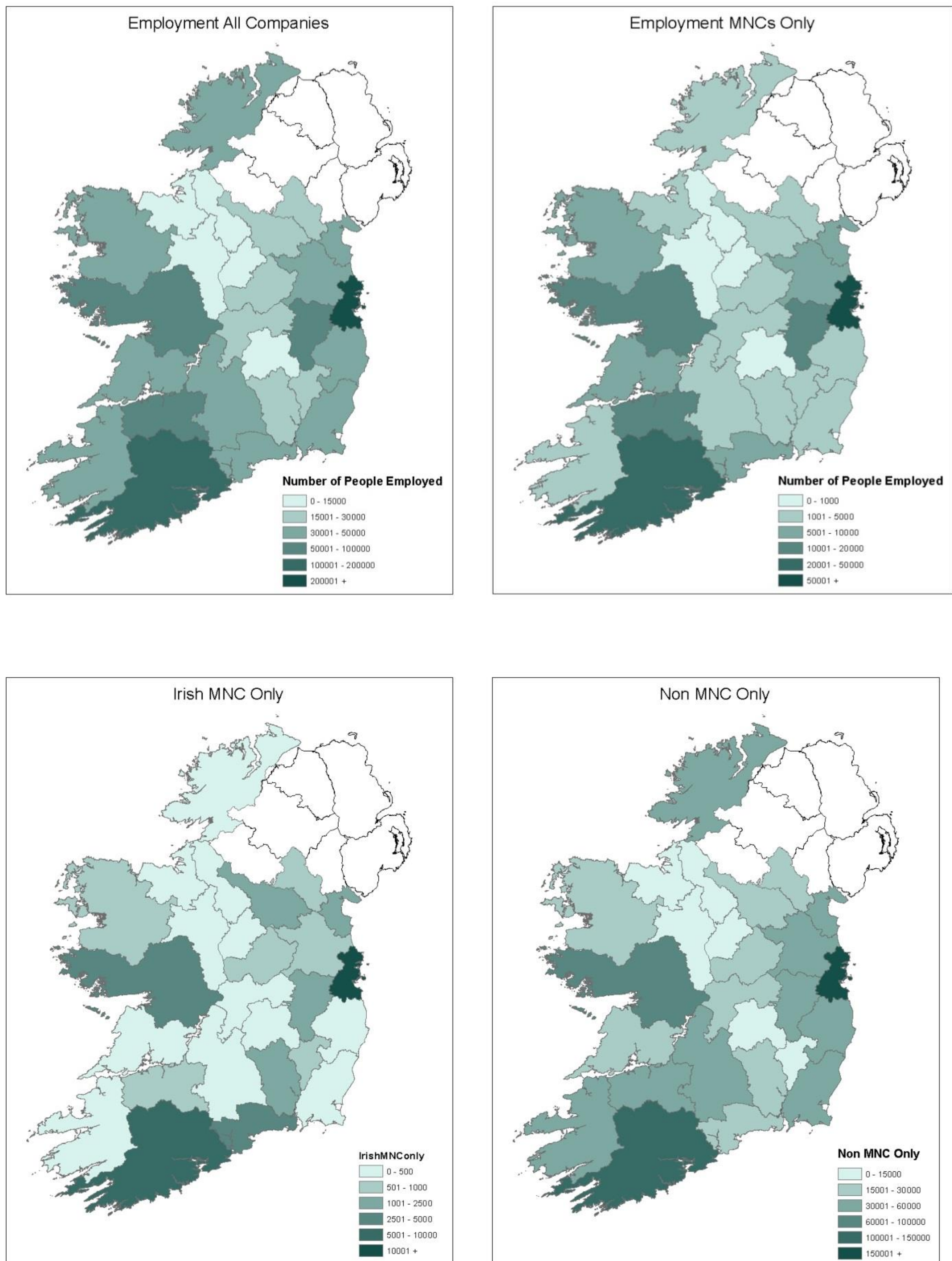
Non-Multinational Companies Only

CT Liability	Companies returns	Total CT Liable	Employees	Earnings	Income Tax	USC	Employer PRSI
€	Number	€m	Number	€m	€m	€m	€m
Negative or Nil	87,033	-284.3	546,617	11,252.1	1779.3	431.3	1,331.8
1-20,000	43,660	187.4	419,253	7,644.6	1,067.0	269.6	866.9
20,000-40,000	4,315	121.7	112,008	2,249.4	327.6	83.1	280.4
40,000-60,000	1,648	80.5	61,337	1,229.4	180.8	45.9	156.2
60,000-80,000	903	62.2	42,638	811.5	115.4	29.7	104.1
80,000-100,000	549	49.1	29,369	755.5	121.7	30.4	101.9
100,000-200,000	1,065	148.5	70,455	1,431.2	216.9	54.9	187.8
200,000-500,000	492	147.0	49,993	1,174.5	183.0	46.1	160.9
500,000-1,000,000	158	108.9	29,751	657.8	102.5	25.6	92.4
1,000,000-5,000,000	93	178	14,854	394.9	61.2	15.8	55.1
5,000,000-8,000,000	<10	52.6	1,581	103.3	25.8	5.7	13.0
8,000,000+	<10	219.9	7,910	475.5	110.4	25.3	48.2
Total	**139,932**	**1,072**	**1,385,766**	**28,180**	**4,292**	**1,064**	**3,399**

Source: Revenue analysis. Note: "<10" indicates that there are less than 10 companies in a range and the information is not displayed to protect confidentiality of taxpayer information. [20]

[20] Further detail on Revenue's Statistical Disclosure Controls are available at: https://www.revenue.ie/en/corporate/information-about-revenue/statistics/about/statistical-disclosure-control.aspx.

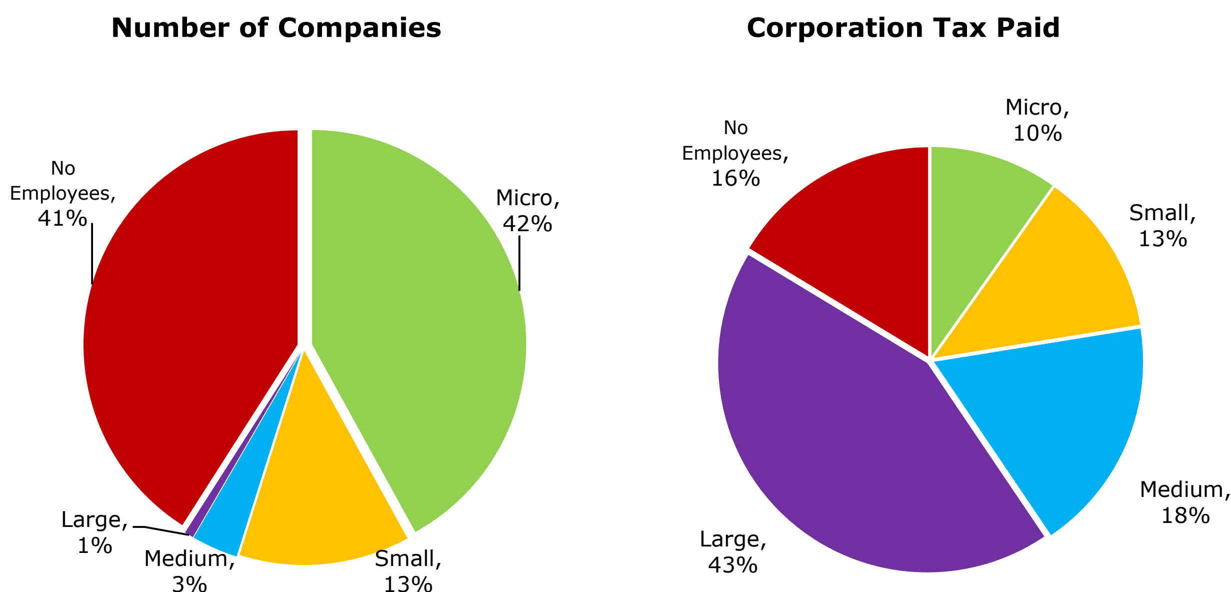
Figure 9: Employment by County 2016



Source: Revenue analysis.

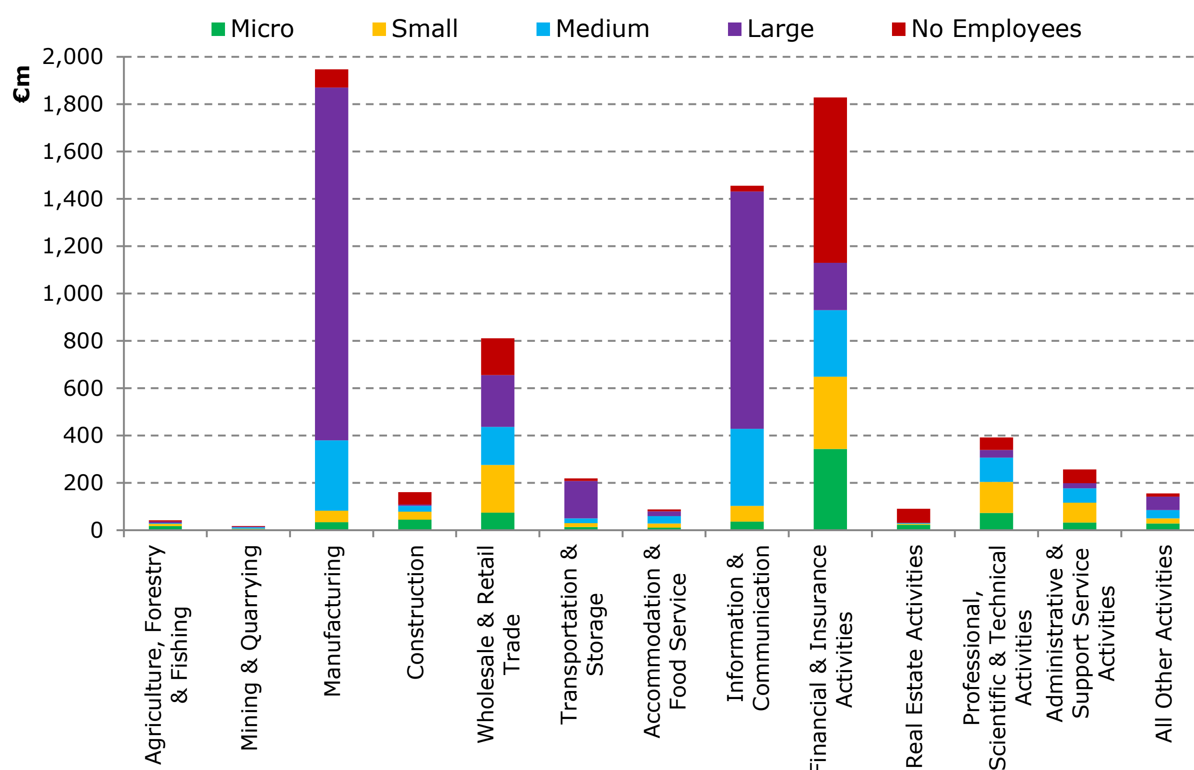
Figure 10 shows the breakdown of number of companies and CT payments, both categorised by number of employments. While the majority (42 per cent) were micro companies, large companies accounted for over two fifths of CT receipts. Companies with no employees were mostly likely affiliates within a larger corporate group, where one company paid the CT and another held the employments for the group.

Figure 10: Number of Companies and Corporation Tax by Company Size 2016



Source: Revenue analysis. Note: 'Micro' refers to companies with between 1 and 10 employments, 'Small' 11 and 50 employments, 'Medium' 51 to 250, and 'Large' over 250 employments.

To further examine the links between employments and CT payments, Figure 11 shows for the CT payments by sector broken down by the size of the company (based on number of employees). The majority of payments of CT, particular across the largest sectors, were made by companies with significant employment.



Source: Revenue analysis. Note: 'Micro' refers to companies with between 1 and 10 employments, 'Small' 11 and 50 employments, 'Medium' 51 and 25, and 'Large' over 250 employments.

It is worth noting that even companies which were not CT liable (for example, because they had not made a profit in a given year) were significant employers. Of the totals as shown in Table 23, non-liable companies were responsible for 33 per cent of employments among companies and 30 per cent of associated PREM. Non-CT liable foreign owned multinationals accounted for only 15 per cent of total foreign multinational employments and 18 per cent of associated PREM payments for foreign multinational companies.

Another aspect of the labour linkages is the path of employees of multinational companies. From Revenue records, 426,000 employments from multinational companies in 2009 are tracked over the subsequent 6 years. Of these, 247,000 (58 per cent) were employed by multinationals in 2015 with three quarters remaining with same employer. A further 81,000 (19 per cent) were employed by a different (non-multinational) employer.

The analysis shows that in the intervening period since 2009, 23,700 employees of multinationals became newly self-employed (registering for self assessment Income Tax with Revenue) and 5,900 of the 426,000 were registered as proprietary directors in 2015.

4.2 Trade Flows and Companies

Ireland is a highly open economy with significant trade links. A large share of Irish trade is carried out by multinational companies. Companies operating in Ireland use the State as a base from which to export into countries in the EU, as well as the wider European market and to other regions. In addition, many multinationals' Irish operations are part of global supply chains and therefore trade flows represent movements of goods or services forming part of supply chain or production processes elsewhere.

The importance of trade and the consequent impact on profits or CT receipts of Irish resident companies is difficult to discern directly. However, assessing the trade among companies in Ireland, and combining with CT payments information, can offer a greater understanding of the links between CT receipts and trade flows.

Revenue data can be used to identify companies that trade with specific countries. This is analysed for companies trading with the US, the UK and the rest of the EU.[21]

The VAT Information Exchange System (VIES) applies to exports and imports within the European Union. Businesses registered in Ireland supplying goods or services to VAT registered traders in other EU member states without charging Irish VAT must complete a VIES return. There are no thresholds and all such supplies must be reported.

For companies trading goods with non-EU countries (known as third countries and including the US), such transactions must be accompanied by a customs Single Administrative Declaration (SAD) document. Similar information is not recorded for services trade.

From these two sources, companies trading (exporting or importing) with the EU, the UK and US can be identified. Table 24 provides detail on the number of these companies, their contribution to CT receipts and the value of their exports for 2016. For example, 5,125 companies were identified as exporting goods to the UK (exports valued at €13.5 billion). These companies paid €2.24 billion in CT and employed around 287,000.

[21] It is important to bear in mind that the following analysis is based on companies (that is CT registered cases with Revenue). There will be other businesses trading with the UK in particular that are registered for Income Tax (self assessment) that are not captured here. However, in general these tend to be smaller in nature. Revenue has published research that includes analysis of businesses (both CT and non-CT registered) trading with the UK: https://www.revenue.ie/en/corporate/documents/research/ireland-uk-tax-and-customs-links.pdf.

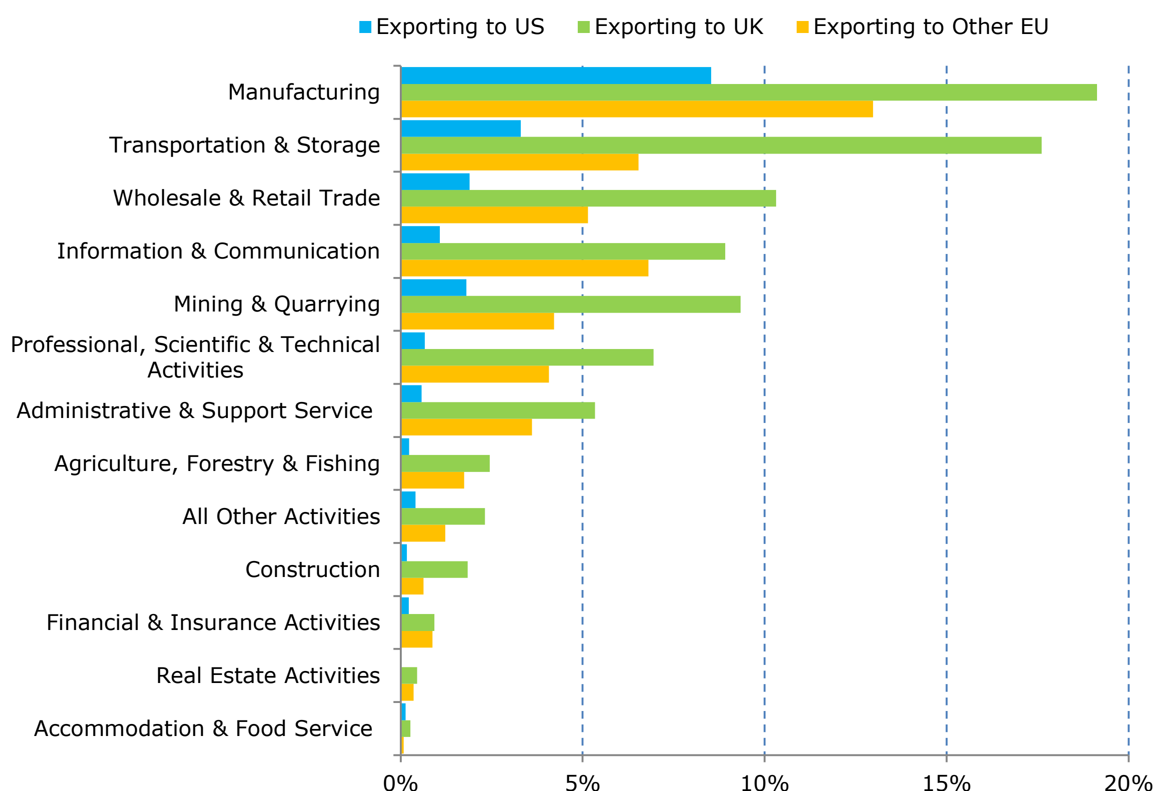
Table 24: Corporation Tax and Trading Relationships 2016

Exporting to UK	Number of Companies	Corporation Tax Receipts €m	Number of Employees
Exporting Goods to the UK	5,125	2,247	286,697
Exporting Goods to other EU	2,745	2,635	231,548
Exporting Goods to the US	1,804	3,081	281,582
Exporting to Goods & Services to UK	8,706	3,159	488,679
Exporting to Goods & Services other EU	5,036	3,495	391,623
Exporting or Importing Goods with UK	7,188	3,558	505,407
Exporting or Importing Goods with other EU	6,075	3,511	453,678
Exporting or Importing Goods with US	5,046	5,046	492,330

Source: Revenue analysis.

Figure 12 shows the share of companies in each sector exporting. There were wide variations as would be expected given the nature of the activities. With the exception of financial & insurance, the largest CT paying sectors tended to have relatively higher shares of companies exporting.

Figure 12: Share of Companies Exporting by Sector 2016

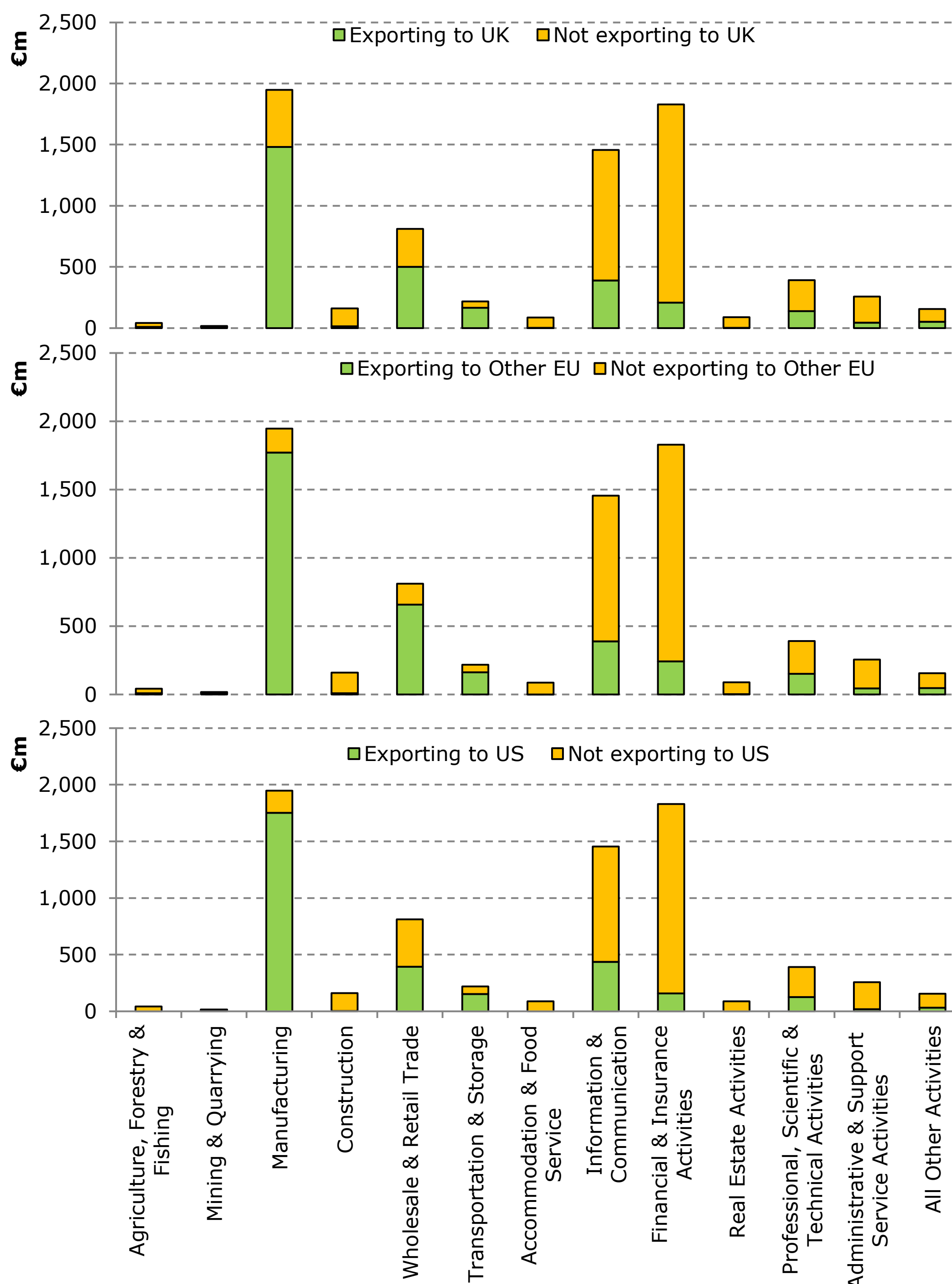


Source: Revenue analysis. Note: Exporting to UK and other EU reflects goods and services, exporting to US are only companies exporting goods (these companies may export services also but data are not recorded).

To assess the importance of trading companies to CT receipts, Figure 13 shows the split of receipts between those companies exporting and those not exporting. This is split into exporting to UK, other EU and US (goods exports only for the US) but there is clearly

overlap in that the same companies export to two or all three of these destinations. In the largest sector in CT terms (manufacturing) around 90 per cent receipts were paid by companies exporting. For the next largest sectors (financial & insurance and information & communication), the shares were lower at less than 20 per cent in most cases.

Figure 13: Exporting Companies Share of Corporation Tax Receipts 2016



Source: Revenue analysis. Note: Exporting to UK and EU reflects goods and services, exporting to US are only companies exporting goods.

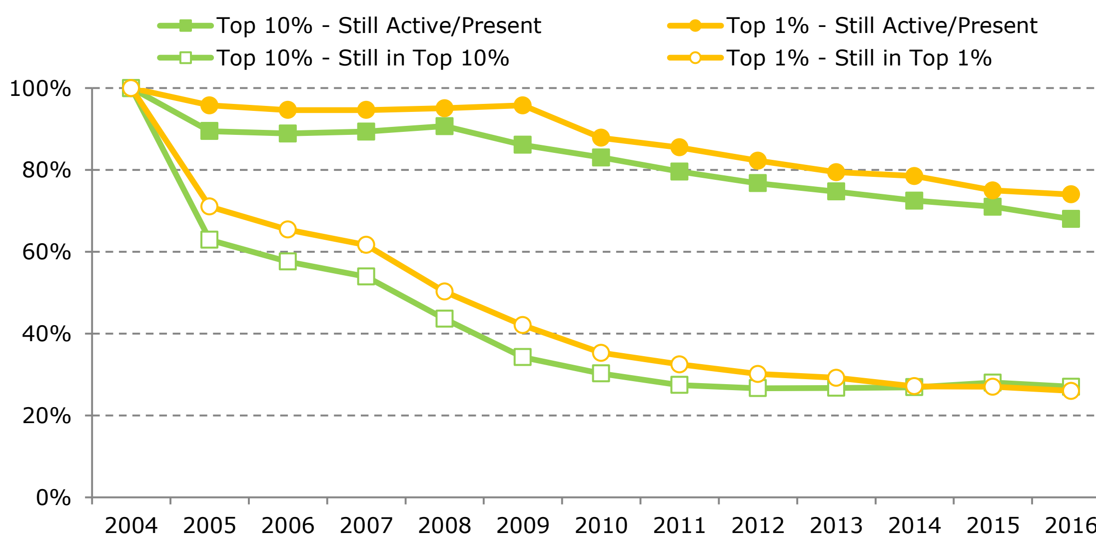
5 Conclusion

This paper summarises the trends in CT payments in 2017.

While not making any comment on sustainability for future years, the data suggest that CT receipts are relatively stable in 2017. Although the share of receipts from the top 10 companies increased marginally from 37 per cent in 2016 to 39 per cent (71 per cent to 72 per cent for the top 100), the share from LCD companies fell from 82 per cent to 79 per cent. The share for the top 10 groups was unchanged. Finance & insurance was no longer the largest sector in payment terms, replaced by manufacturing. There was a 14.5 per cent increase in the number of companies paying net CT.

Figure 14 shows the levels of survival among CT liable companies. Based on the top decile in 2004, 27 per cent remained in that decile by 2016 and 68 per cent were still active. Among the top percentile, 26 per cent remained in this cohort by 2016 and 74 per cent were still active. The levels of company survival were therefore high, particularly so among the larger firms. This also supports the indications that the tax base is quite stable.

Figure 14: Survival of Companies



Source: Revenue analysis. Note fall offs and transition in this chart can also be due to mergers and acquisitions as well as company failures.

From analysis of returns for 2016, the increase in receipts appears to be due to improved trading profits. An additional factor is that as more companies exhaust losses going forward, more profits are taxed. As long as positive trading conditions continue, it would be expected that further companies currently not paying tax on their trading profits will begin to do so over the coming years.

Appendix: Technical Note on Section 110 Companies

This Technical Note provides a more in-depth explanation of the movement in gross and net CT receipts of Section 110 companies (Table 5).

Legislative Changes

Section 22 Finance Act 2016 made certain changes to the taxation of qualifying companies within the meaning of Section 110 TCA 1997. The focus of these changes was to prevent qualifying companies being used to reduce the Irish tax base in respect of profits derived from Irish land and buildings. These changes took effect from 6 September 2016.

Section 20 Finance Act 2017 made further amendments in this respect, which came into force in respect of interest accrued on or after 19 October 2017.

Timing of Payments following the Legislative Changes

Table 5 identifies the payments received from qualifying companies in a year rather than the tax year to which the payment relates. The timing of the tax payments arising from the Finance Act 2016 and Finance Act 2017 amendments depends on when each affected company must pay its CT.

- "Small companies": Where a company paid less than €200,000 CT in the prior year, that company makes a single payment of preliminary tax and then pays its final liability at the same time as it files its CT1 tax return. For a company with a year ended 31 December 2017 which paid less than €200,000 CT for the year ended 31 December 2016:
  - Preliminary tax that was due to be paid by 23 November 2017 should be calculated as 100% of the CT liability for 2016 or 90% of the expected CT liability for 2017.
  - The balance of the CT for 2017 and the tax return for 2017 are due by 23 September 2018.
- "Other companies": Where a company paid more than €200,000 CT in the prior year, that company pays its preliminary tax in two tranches.
  - The first instalment for the year ended 31 December 2017 was due on 23 June 2017, with that instalment calculated as 50% of the 2016 cCT liability or 45% of the expected 2017 CT liability.
  - The second instalment of preliminary tax was due by 23 November 2017 and must bring the total tax paid to 90% of the 2017 expected CT liability.
  - The final CT for 2017 and CT1 for 2017 are due by 23 September 2018.

The Finance Act 2016 changes were introduced with effect from 6 September 2016 meaning that for a 31 December 2016 year end, they impact on the profits for 4 out of 12 months. Prior to those amendments the majority of qualifying companies were small companies and so paid tax under the first set of rules outlined above. Following Finance Act 2016 a number of companies' 2016 CT liability increased above €200,000 moving them into the 'other companies'.

For 31 December 2017 year ends, the Finance Act 2016 changes impacted on the full 12 months profits which moved a number of companies into the second set of rules. As a result of the payment dates the amount of tax paid during 2017 includes the final tax for 2016 (the majority of the 2016 liability for companies which were small companies when they paid their preliminary tax for 2016) and the preliminary tax for 2017 (which will be approximately 50% of the 2016 liability for companies who are no longer small companies). The payments received during 2016 are therefore, based on the timing of the payments, likely to represent more than a full year's impact while the 2017 amounts are more likely to represent a full year's impact.

Where companies have year ends other than 31 December, the payment dates will move accordingly.

Other Factors

The amendments made in Finance Act 2016 and Finance Act 2017 were anti-avoidance in nature. As such, they were designed to have a deterrent effect: to prevent the section being misused. The success of such measures is the reduction in the activity taking place rather than an increase in tax raised.

During 2017 and 2018 (year to date) 18 companies have elected out of the Section 110 regime. It is not possible to judge how many companies chose not to elect into the regime in that period as a result of the Finance Act 2016 and Finance Act 2017 amendments.

Future Analysis

Following the introduction of the Finance Act 2016 amendments, changes were made to the CT1 return to be filed by qualifying companies for accounting periods which end in 2017.

As the majority of qualifying companies have a 31 December financial year end, the majority of the 2017 CT returns for qualifying companies are not due to be filed until 23

September 2018. After those returns are filed and analysed, Revenue will be able to assess the full impact of the amendments.

The amendments made by Finance Act 2017 will be captured by the CT1 to be filed by 23 September 2019. After those returns are filed and analysed, Revenue will be able to assess the full impact of the amendments.

Interaction with the Irish Real Estate Fund Regime

Section 23 Finance Act 2016 introduced, and Section 18 Finance Act 2017 amended, the Irish Real Estate Fund ("IREF") regime. IREFs do not pay CT, but an IREF withholding tax. While these amendments are separate to those made to Section 110 TCA 1997 it is not advisable to assess the impact of one amendment in isolation to the other.

The first IREF returns are due for filing by 31 July 2018. Once those returns have been filed and analysed, Revenue will be in a position to further assess the effect of the legislative amendments.