Corporation Tax 2018 Payments and 2017 Returns

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Statistics & Economic Research Branch

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Cáin agus Custaim na hÉireann
Irish Tax and Customs

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Payments & Returns

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2018 PAYMENTS

Corporation Tax 2018 €10.4 billion

Increase of €2.2 billion (**26.7%**) on 2017

55,400 companies paid CT in 2018, an increase of nearly 5,000 or 9.8% on 2017

9.8%

Manufacturing was the largest sector

31% of CT

Ten largest payers equalled 45% of CT receipts in 2018

Top 10 = 45%

Large Corporates Division accounted for **81%** of all CT

2017 RETURNS

€159 billion in Trading Profits

Trading profits

€238 million increase

Research & Development Credit

€222 million decrease

Intangible Asset claims

7%

Tangible Asset claims

3%

MULTINATIONALS

Irish owned multinationals paid **4%** of CT receipts in 2018

Foreign owned multinationals paid **77%** of CT receipts in 2018

Over 2 million employments in companies with combined Income Tax, USC and PRSI of €18.4 billion

28% of employments were in multinational companies, yielding Income Tax, USC, and PRSI of €7.9 billion

Executive Summary

Net Corporation Tax ("CT") receipts in 2018 were €10.4 billion, an additional yield of €2.2 billion (+26.7 per cent) compared to 2017. CT was the third largest taxhead, accounting for 19 per cent of total net receipts in 2018.

This report profiles CT payments in 2018 and reports on trends compared to previous years. The main features of CT payments in 2018 are:

- The largest sector in payment terms was manufacturing, which accounted for 31 per cent of net receipts. Receipts from financial & insurance services, the largest sector in 2017, fell during 2018 despite the overall increase in receipts.
- CT receipts from Large Corporates Division ("LCD") companies increased €1.9 billion (+30 per cent) to €8.45 billion. LCD companies accounted for 81 per cent of receipts. Receipts from non-LCD companies increased by €240 million (+14 per cent).
- Net receipts from the 10 largest payers were 45 per cent of CT receipts in 2018, up from 39 per cent in 2017.
- Foreign owned multinationals paid 77 per cent of CT receipts, Irish owned multinationals 4 per cent.
- Over 55,000 companies paid net CT in 2018, the number of net payers increased by nearly 5,000 (+9.8 per cent).

While payments were received in 2018, tax returns (the "CT1" return) in respect of accounting periods ended in 2018 are not due until a later date. However, analysis of returns for 2017 provides context for the payments. The key features of 2017 returns are:

- Total trading profits in 2017 were €159 billion, an increase of €238 million.
- Around 25,000 companies used losses in 2017. For 14,000 companies that fully utilised their losses in 2016, their net CT paid in 2017 was €204 million.
- The value of claims for intangible asset capital allowances increased by 7 per cent. Tangible capital allowances claims for plant & machinery increased 3 per cent.
- There was a decrease of €222 million (-33 per cent) in the cost to the Exchequer of the R&D credit.

Companies had over 2 million employments (553,500 were in multinational companies) with combined Income Tax, USC and PRSI payments for their employees of €18.4 billion (€7.9 billion for multinationals' employees).

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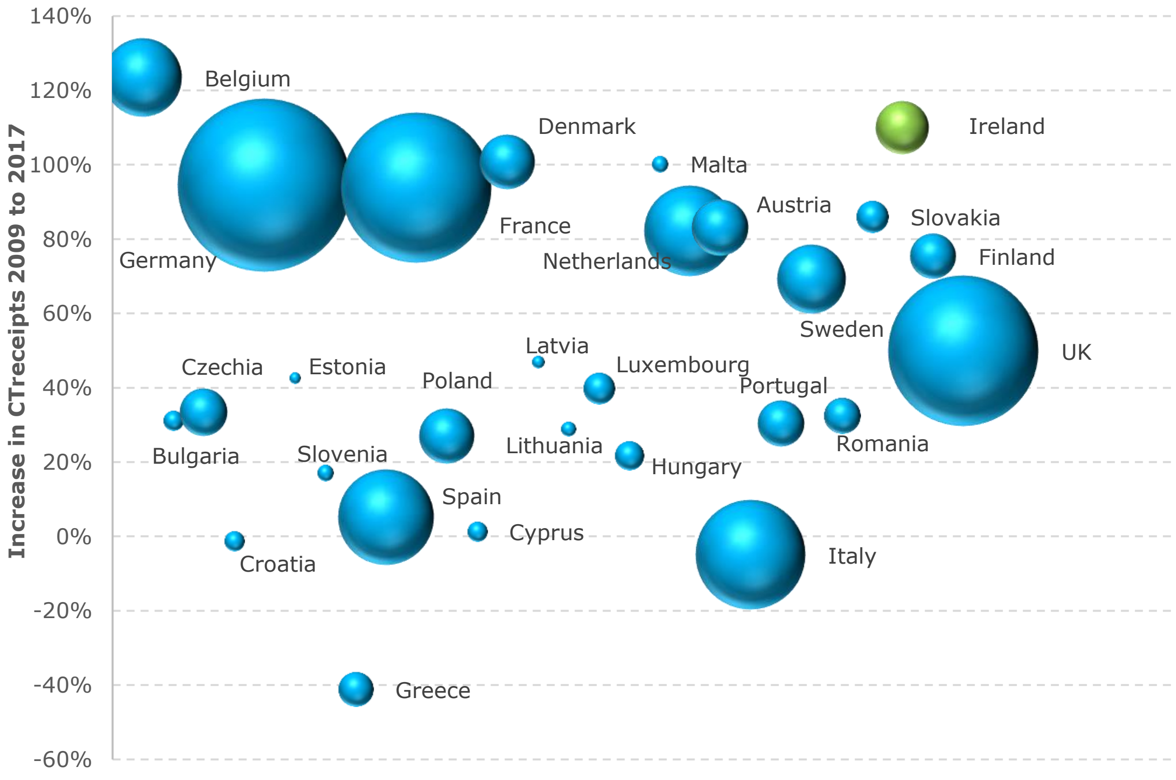
1 Introduction

This report profiles Corporation Tax ("CT") payments in 2018 and outlines trends compared to previous years.

While payments were received in 2018, tax returns (the "CT1" return) in respect of accounting periods ended in 2018 are not due until a later date. However, analysis of returns for 2017 (the most recent year for which returns have been filed at present) provides context for the payments.

This analysis is the latest in a series of reports by Revenue on CT performance.[1] The context for these reports is the increased payments of CT in recent years. As Figure 1 shows, Ireland is similar to many European Union ("EU") countries in seeing significant growth in receipts since 2009 (the trough for CT receipts in the EU as a whole).

Figure 1: Corporation Receipts 2009 to 2017



Source: Revenue analysis of Eurostat data. Note: "Bubble" size represents € amount of CT receipts in 2017.

The following sections review payments in 2018, returns for 2017 and a number of features of company activity in Ireland.

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

2 Corporation Tax Payments in 2018

2.1 Overview

CT is the third largest taxhead, accounting for 19 per cent of net tax receipts in 2018. Net CT receipts in 2018 (i.e., tax paid during the calendar year regardless of the tax year to which it relates) were €10.387 billion, exceeding both forecasts for the year and 2017 receipts. The year-on-year increase in net receipts was €2.2 billion (+26.7 per cent) and follows a €849 million (+11.5 per cent) increase in 2017.

Table 1 shows net and gross CT receipts by the calendar year in which the payments are received. Figures shown are liabilities by reference to tax year (tax year 2017 is discussed further in Section 3). Figure 2 shows a summary of the main trends in net receipts in 2018, aspects of which are then discussed in more detail below.

Table 1: Receipts and Liabilities

Year	Gross Receipts (calendar year) €m	Net Receipts (calendar year) €m	Liability (tax year) €m
2014	5,300	4,617	4,931
2015	7,657	6,873	6,249
2016	8,206	7,352	7,159
2017	9,347	8,201	8,105
2018	11,442	10,387	*

Source: Revenue analysis. Note: * not available until returns have been filed and analysed.

Figure 2: Net Receipts 2017 to 2018

Repayments of €1.1bn in 2018

€10.4bn splits between preliminary tax of €9.0bn and balances of €1.4bn

2017 Net Receipts €8.2bn

+€2.2bn Increase

2018 Net Receipts €10.4bn

Sector	2018	Change
Manufacturing	€3,219m	+€1,128m
Financial & Insurance Activities	€2,105m	-€197m
Information & Communication	€2,094m	+€727m
Wholesale & Retail Trade	€768m	-€339m
Administrative & Support Services	€772m	+€574m
Professional, Scientific & Technical Activities	€341m	-€18m
Transportation & Storage	€283m	+€12m
Mining & Quarrying + Utilities	€149m	+€104m
Construction	€263m	+€91m
Accommodation & Food Services	€119m	+€25m
Real Estate Activities	€129m	+€29m
Agriculture, Forestry & Fishing	€76m	+€33m
Other Sectors	€68m	+€17m

Large Corporates Division
+€1,945m (+30%)

Other companies
+€240m (+14%)

Balances (earlier years)
+€255m (+22%)

Preliminary tax (current year)
+€1,929m (+27%)

Receipts from top 10 companies 45%

Receipts from top 100 companies 73%

Receipts from top 10 groups 48%

€350m of the €2.2bn increase relates to once off increases from accounting standard changes (IFRS15). A further €350bn is also believed to be once off in nature. The remainder of the growth arises from improved trading conditions and increased product sales among large multinational companies based in Ireland.

Receipts from Large Corporates Division companies 81%

Receipts from foreign owned companies 77%

Source: Revenue analysis.

2.2 Distributions of Receipts

Figure 2 provides a breakdown of the net CT paid by sector.[2] The sector with the largest payments was manufacturing (31 per cent of net receipts). This was followed by the financial & insurance activities and information & communication sectors. Most of the increase in 2018 is driven by manufacturing and information & communication.[3]

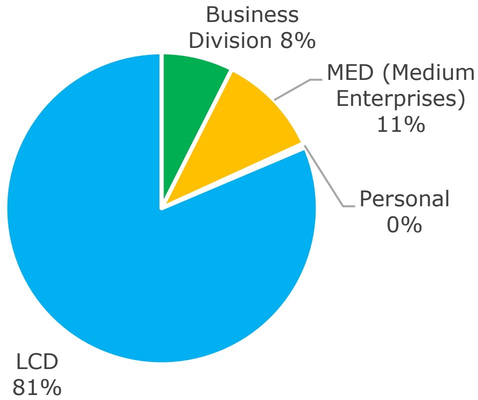
Revenue's Large Corporates Division ("LCD") has responsibility for managing the tax affairs of the largest taxpayers. Net CT receipts from LCD companies in 2018 increased by €1,945 million (+30 per cent) to €8.45 billion. These accounted for 81 per cent of net receipts, this has been stable in recent years. Net receipts from non-LCD companies increased by €240 million (at +14 per cent) compared with 2017. Figure 3 shows the distribution of receipts by Revenue Division

Table 2: Receipts by LCD and Non-LCD Cases

Year	Gross Receipts		Net Receipts	
	Non-LCD €m	LCD €m	Non-LCD €m	LCD €m
2016	1,712	6,537	1,319	6,034
2017	2,184	7,163	1,694	6,508
2018	2,497	8,945	1,934	8,453

Source: Revenue analysis.

Figure 3: Net Receipts by Revenue Division 2018



Source: Revenue analysis.

Net receipts from the 10 largest payers in 2018 were €4,671 million or 45 per cent of CT receipts (Table 3). This is up from 39 per cent in 2017.

[2] 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.
[3] It is useful to note that the Administrative & Support Services sector includes aircraft leasing. While companies in this sector overall paid just under €800m in 2018, aircraft leasing companies (identified by the NACE code 7735) accounted for €54m of these net receipts (their gross receipts were €64m).

Another view of the 10 largest cases is shown in Table 4, 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 3: Receipts from Top 10 Companies

Year	Gross Receipts Amount €m	Gross Receipts % of Gross Receipts	Net Receipts Amount €m	Net Receipts % of Net Receipts
2009	1,397	27	1,345	35
2010	1,281	26	1,268	32
2011	1,379	30	1,378	39
2012	1,416	30	1,414	34
2013	1,553	31	1,551	36
2014	1,729	33	1,728	37
2015	2,801	37	2,798	41
2016	2,762	33	2,755	37
2017	3,268	35	3,230	39
2018	4,675	41	4,671	45

Source: Revenue analysis. Note: A once off change in accounting standards (IFRS15) led to additional receipts in 2018. If these were excluded the share of net receipts for the top 10 companies would have been 43%.

Table 4: Receipts from Each Year's Top 10 Payers

€m	Net CT Paid In Year				
Top Ten in Year	**2014**	**2015**	**2016**	**2017**	**2018**
2014	1,728	2,659	2,346	2,373	3,398
2015	1,545	2,798	2,314	2,246	3,325
2016	1,554	2,647	2,755	2,862	3,940
2017	1,295	2,334	2,306	3,230	4,258
2018	1,106	1,819	2,055	2,995	4,671

% Net Receipts	Net CT Paid In Year				
Top Ten in Year	**2014**	**2015**	**2016**	**2017**	**2018**
2014	37	39	32	29	33
2015	33	41	31	27	32
2016	33	39	37	35	38
2017	28	34	31	39	41
2018	24	27	28	36	45

Source: Revenue analysis. Note: Central axis (shaded) matches the % for net receipts in Table 3.

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 5, the position for groups is relatively similar to that for companies, as most groups are only represented once among the top 10 companies.

Table 5: Receipts from Top 10 Groups

Year	Gross Receipts		Net Receipts	
	Amount €m	% of Gross Receipts	Amount €m	% of Net Receipts
2016	3,015	37	2,999	41
2017	3,436	37	3,373	41
2018	4,966	43	4,957	48

Source: Revenue analysis. Note: A once off change in accounting standards (IFRS15) led to additional receipts in 2018. If these were excluded the share of net receipts for the top 100 companies would have been 46%.

Table 6 shows that the top 100 companies accounted for 73 per cent of net receipts. This share was stable despite increases in CT receipts in recent years.

Table 6: Receipts from Top 100 Companies

Year	Gross Receipts		Net Receipts	
	Amount €m	% of Gross Receipts	Amount €m	% of Net Receipts
2016	5,260	64.1	5,226	71.1
2017	6,013	64.3	5,863	71.5
2018	7,613	66.5	7,559	72.8

Source: Revenue analysis.

Tax records do not provide a complete record of the nationality of companies operating in Ireland.[4] 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.[5]

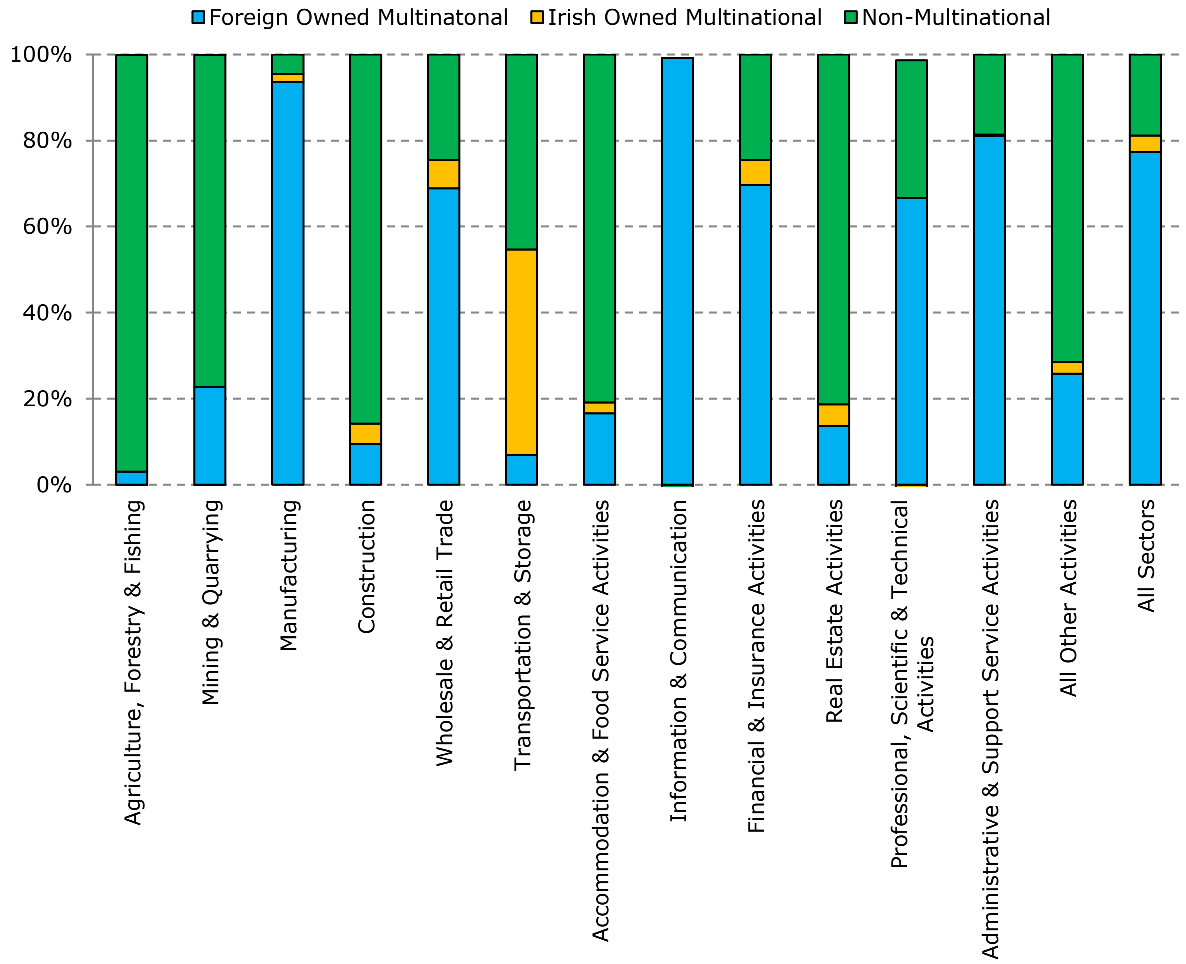
This identifies just over 5,900 foreign owned multinationals and around 350 Irish owned multinationals from the population of 156,892 companies active on Revenue records (filing CT1 returns for 2017).

Matching to CT payments 2018, foreign owned multinationals paid 77 per cent of net CT receipts, Irish owned 4 per cent. Figure 4 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 two largest sectors in overall CT receipts terms, the share from foreign owned multinationals was close to or exceeds 80 per cent.

[4] While the ownership can be identified on a company by company basis, robust analysis of this in aggregate is not possible.

[5] While this marker will be updated as companies restructure or new companies register for tax, it is manually compiled marker and therefore is subject to potential error and may be incomplete.

Figure 4: Share of Corporation Tax Receipts by Sector and Ownership 2018



Source: Revenue analysis. Note: Where a sector does not appear to total 100%, this is due to repayments.

2.3 Numbers of Companies Paying Tax and Ranges of Payments

Just under 55,400 companies paid net CT in 2018 (there were 58,300 gross payers). In 2018, the number of gross CT payers increased by almost 5,000 (+9.4 per cent), the number of net payers also increased by nearly 5,000 (+9.8 per cent). Of the €2,184 million increase in net CT receipts in 2018, €397 million was paid by 18,700 companies that did not pay CT in 2017.

Table 7: Number of Gross and Net Corporation Tax Payers

Year	Number of Gross Payers	Number of Net Payers*
2016	46,298	44,149
2017	53,277	50,449
2018	58,293	55,368
2018 Growth	**9.4%**	**9.8%**

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

3 Corporation Tax Returns for 2017

As noted in the Introduction, while payments were received in 2018 (as analysed in Section 2), the CT1 returns in respect of accounting periods ended in 2018 (i.e., returns for the liability year 2018) are not due until late 2019. However, analysis of returns for 2017 provides context for the payments, as outlined in this Section.

3.1 Profits

Analysis of the 2017 returns shows little change in trading profits for the majority of sectors in the economy compared to 2016. Over €159 billion of trading profits was reported by companies in 2017 returns. Nearly 88 per cent (€139.0 billion) of trading profits were attributed to five sectors: manufacturing, financial & insurance activities, information & communication, wholesale & retail trade, and administrative & support services.[6] The remaining 11 sectors accounted for the other 12 per cent.

Table 8: Trading Profits by Sector

Sector	Adjusted Profits* €m		Growth	
	2016	2017	€m	%
Manufacturing	65,946.38	65,543.27	-403.10	-0.61
Financial & Insurance Activities	23,877.22	20,790.49	-3,086.73	-12.93
Information & Communication	22,988.89	19,371.00	-3,617.89	-15.74
Wholesale & Retail Trade	14,283.58	12,969.00	-1,314.58	-9.20
Administrative & Support Services	15,213.70	20,437.37	5,223.68	34.34
Professional, Scientific & Technical Activities	6,689.02	8,584.93	1,895.91	28.34
Transportation & Storage	3,459.18	3,727.10	267.92	7.75
Mining & Quarrying + Utilities	1,707.31	1,849.12	141.81	8.31
Construction	1,531.46	2,369.43	837.98	54.72
Accommodation & Food Services	974.26	1,148.53	174.27	17.89
Real Estate Activities	527.97	339.78	-188.19	-35.64
Human Health & Social Work Activities	393.88	418.50	24.62	6.25
Agriculture, Forestry & Fishing	446.08	609.50	163.42	36.63
Other Sectors	748.88	867.28	118.40	15.81
Total	**158,788**	**159,025**	**237.52**	**0.15**

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.

The sector with the largest trading profits, manufacturing (€65.5 billion), recorded a small decrease between 2016 and 2017. Significant decreases were evident in financial & insurance (-€3.1 billion), information & communication (-€3.6 billion) and wholesale &

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

retail trade (-€1.3 billion). There were Increases in the administrative & support services (+€5.2 billion) and professional, scientific & technical activities (€1.9 billion).

The above tables analyse trading profits, which are taxed at the standard rate of CT (12.5%). There are a number of other income and profit streams taxed in different ways, some of which are summarised in Table 9.

Table 9: Non-Trading Profits and Other Incomes

Year	Net Dividend Income		Non-Trading Income		Capital Gains	
	Number of Companies	Amount of Income €m	Number of Companies	Amount of Income €m	Number of Companies	Amount of Capital Gains €m
2016	478	6,159	21,928	4,126	1,110	318
2017	477	8,688	21,510	4,409	1,143	228
Growth	**0%**	**41%**	**-2%**	**6.9%**	**3%**	**-28%**

Source: Revenue analysis.

Net foreign dividend income increased by €2.5 billion in 2017. This led to a net increase in profits taxed at the 12.5% rate but no additional tax as this was offset by double taxation relief.

Non-trading taxable income of companies is taxed at the higher rate of 25%. Non-trading taxable income increased by 6.9 per cent between 2016 and 2017. In part this increase was due to foreign profits (these are subject to double taxation relief).

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% of the value of the gain. There was a small increase in the number of companies that reported capital gains on their CT1 return for 2017, but the value of the capital gains decreased by €90 million. The associated decreased gross tax due in relation to capital gains was €30 million.

As with individual Income Tax payers, companies can use net credits, deductions and reliefs against their profits to reduce taxable income or CT payable. The full detail of this calculation is published on Revenue's website.[7] The following Sections set out a view of the

[7] Available at: https://www.revenue.ie/en/corporate/information-about-revenue/statistics/income-distributions/ct-calculation.aspx. Figures for 2017 will be published at this link once data are finalised.

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 its CT liability in a variety of ways. These include being set against current year profits, surrendered to group companies, offset against a prior year's profits in certain circumstances 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.

Figure 5 shows the claimed and used amounts for losses carried forward and current year losses. The amount of losses carried forward from earlier accounting periods into 2017 accounting periods decreased by €1.65 billion (from €214.6 billion to €212.9 billion).

Over 56,800 companies claimed losses on their 2017 tax returns. Of these, 43,200 also claimed losses forward in 2016 (i.e., carrying losses for multiple years). About 13,600 companies did not carry any losses forward into 2016 from earlier years but carried losses forward into 2017 either as a result of new losses or capital allowances created in 2016.

Around 26,000 companies used losses in 2017 totalling €14.4 billion, at a cost to the Exchequer of €1.8 billion. Of companies with losses in 2016, over 12,700 did not carry losses into their 2017 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 €204 million in 2017.

It is important to note that losses forward include claims for unused capital allowances. This is discussed further in Section 3.3.

Figure 5: Losses on 2017 Tax Returns

Financial & Insurance	€106,949m
Administration & Support Services	€45,464m
Information & Communications	€11,936m
Construction	€10,713m
Manufacturing	€8,449m
Transport & Storage	€8,500m
Wholesale & Retail Trade	€8,832m
All Other Sectors	€12,105m

Losses carried forward decreased by €1.65bn (-0.8%). The financial & insurance activities sector decreased by €5.8bn (-5.2%). The only substantial increases were in administrative & support services at €5.8bn (+14.7%), these are mainly attributed to the aviation sector.

Around €35bn of losses brought forward were claims by companies in liquidation or otherwise unlikely to ever use these losses. The bulk were recorded by companies in the financial sector.

88% of the losses forward were by companies that had been claiming losses forward for 5 years or more.

Financial & Insurance	€3,687m	+€670m
Administration & Support Services	€2,327m	+€275m
Information & Communications	€1,127m	-€31m
Construction	€528m	-€769m
Manufacturing	€862m	+€80m
Transport & Storage	€419m	+€7m
Wholesale & Retail Trade	€811m	+€28m
All Other Sectors	€2,964m	+€915m

Financial & Insurance	€3,175m	-€4,193m
Administration & Support Services	€6,470m	+€2,929m
Information & Communications	€581m	+€170m
Construction	€1,142m	+€664m
Manufacturing	€962m	-€359m
Transport & Storage	€230m	-€103m
Wholesale & Retail Trade	€820m	+€148m
All Other Sectors	€1,045m	+€227m

Losses forward include unused capital allowances. Around €50bn of losses forward may be capital allowances – see Section 3.3.

Source: Revenue analysis.

3.3 Capital Allowances

Companies are entitled to capital allowances in respect of certain expenditure and these can be set against profits. Table 10 shows the amount of trade capital allowances *claimed*.[8] The value of claims in respect of intangible assets increased by €2.6 billion in 2017. The tangible component of plant & machinery increased by €0.8 billion.

Table 10: Trade Capital Allowances Claimed

Capital Allowances Description	Amounts Claimed €m		Growth	
	2016	2017	€m	%
Plant & machinery	28,482	29,270	788	3
Intangible assets*	35,737	38,332	2,595	7
Industrial buildings	564	540	-24	-4
Other	254	274	20	7

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

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. Income not related to the use of the intangible assets is still taxable. Finance Act 2017 restricted the share of annual income that can be sheltered by these allowances.

Of €67.6 billion in plant & machinery and intangible capital allowances in 2017, €49 billion was claimed by foreign owned multinational companies. Foreign owned multinationals accounted for 45 per cent and 98 per cent of tangible and intangible claims respectively.

Table 11 shows the number and amount of capital allowances (including intangible assets) *used* by companies. The cost can be derived by multiplying the amount by 12.5%.

Table 11: Trade Capital Allowances Used

Year	Number of Companies Using Capital Allowances	Amount of Capital Allowances Used €m
2015	53,400	46,153
2016	57,800	59,254
2017	62,000	61,926

Source: Revenue analysis

It is important to note that the €218.1 billion losses forward (Section 3.2) includes claims for unused capital allowances. After the first year of claim, any losses and capital allowances carried forward are combined in tax returns data. Therefore, it is not possible

[8] 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.

to separately identify capital allowances and losses in the carry forward at aggregate level. However, some further analysis can be undertaken at sectoral level and by reviewing the tax records (and accounts filed) of the largest companies. From such analysis:

- Of losses in the financial & insurance sector (€107 billion carried forward into 2017), it is likely these mainly relate to historical losses carried forward from the downturn in the economy (the sector would not have high capital allowances).
- The second largest sector in losses forward is administration & support (€46 billion carried forward into 2017), which includes aircraft leasing companies who are significant claimants of capital allowances.
- The 30 largest capital allowances claimants in 2011 and 2017 were reviewed and their *claimed* and *used* amounts compared (the difference being unused capital allowances to be then carried forward as losses). On the basis of this review, capital allowances not used and available for carry forward during the period is up to €50 billion.
- This is corroborated by analysis showing companies in administration & support, manufacturing and information & communication with low or insignificant amounts of losses in 2013 returns accounted for almost €50 billion of losses forward in 2017. It is reasonable to assume the bulk of these may well be capital allowances.

3.4 Research & Development and the Knowledge Development Box

The Research & Development ("R&D") tax credit provides relief for qualifying expenditure on certain research activities. Table 12 shows a €222 million decrease (-33 per cent) in the cost to the Exchequer of the R&D credit in 2017 returns. The net number of companies dropped marginally from 1,506 to 1,505. The repayable element of the credit accounted for about one third of the cost, although this varies year to year.[9]

Table 12: Research & Development Tax Credit

Year	Number of Companies	Cost €m	*Of which, Repayable Credit Cost €m*
2015	1,535	708	*359*
2016	1,506	670	*236*
2017	1,505	448	*152*

Source: Revenue analysis.

[9] Sections 766 and 766A of the TCA 1997 provide that the tax credit in respect of qualifying expenditure on R&D 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. 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 insufficient CT liability in the current year, the company may claim to have the amount of the excess paid to them by Revenue in 3 instalments over 33 months from the end of the accounting period in which the expenditure was incurred.

Revenue data shows that the value of R&D expenditure for 2017, against which tax relief is claimed, was €1.7 billion in the year. This only includes 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. The companies using R&D relief paid €2.84 billion of net CT receipts (an amount that would clearly be higher were the credit not used to reduce liabilities).

Most of this expenditure occurred in a relatively small number of sectors as would be expected. Of the €1.7 billion expenditure, €1.11 billion was by foreign owned multinational companies. R&D credit claims by Irish owned multinationals were relatively negligible. Non-multinationals account for the bulk of the remainder.

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.

Table 13: Knowledge Development Box

Year	Number of Claimants	Cost €m
2016	12	9.4
2017*	10	13.9

Source: Revenue analysis. Note: *Likely to increase as further claims are received for this year.

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. 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 2017 may be made by September 2019.

3.5 Taxable Income, Paying Tax and the Effective Rate

For 164,200 2017 CT1 returns filed, nearly 72,100 reported no trading or non-trading profits. Of the 92,100 with positive profits, a further 24,100 were not liable to CT due to the various reliefs and allowances available to companies, leaving 68,000 liable to the tax.

Figure 6: Liable to Tax Companies 2017

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

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 14 provides the *taxable income* returned at each.

Table 14: Taxable Income by Tax Rate

Year	Trading Income 12.5%	Non-Trading Income 25%	Capital Gains 33%
2015	63,000	2,077	364
2016	67,350	4,126	318
2017	75,246	4,409	228

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.

The effective tax rate for 2017 is calculated at 10.2 per cent for all companies and 12.7 per cent and 12.3 per cent respectively for the top 10 and 100 companies liable to tax.[10] This overall rate represents a marginal increase on the rate of 10.0 per cent for 2016 and 9.6 per cent in 2015. Due to the nature of various tax reliefs and credits, an effective rate of tax can sometimes be higher than a statutory rate. Non-trading income which is taxable at a higher rate of 25%, can lead to effective tax rates in excess of the statutory tax rate. Approximately half of the top 100 companies had non-trading income taxable at 25%.

3.6 Close Companies and Surcharges

A 'close company' is a company that is under the control of 5 or fewer participators (together with their associates), or any number of participators (and their associates) who are directors. A participator is, broadly speaking, any person with a share or interest in the capital or income of the company.

A surcharge at the rate of 20% is imposed on the undistributed estate and investment income (broadly, interest and rental income) of close companies if it is not distributed within 18 months of the end of the accounting period to which it relates. Close companies that are service companies are also liable to a 15% surcharge on 50% of their undistributed trading income. This surcharge will not arise where the income is distributed. Table 15 shows the estimated number of close company returns and the associated CT liability, alongside the close company surcharge amounts for each year. Also

[10] 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).

shown are the number of companies liable to the service company surcharge and the amount due for the years shown.

Table 15: Close Company and Service Company Surcharge

	2014	2015	2016	2017
Number of Close Company Corporation Tax returns	110,898	116,421	122,410	131,675
Corporation Tax Liability (close companies)	€770m	€632m	€596m	€805m
Number of Companies returning Close Company Surcharge	4,794	4,607	4,603	4,575
Amount of Close Company Surcharge returned	€20.7m	€21.4m	€23.5m	€26.9m
Number of Companies returning Service Company Surcharge	1,662	1,883	2,110	2,453
Amount of Service Company Surcharge returned	€9.4m	€12.2m	€13.6m	€14.4m

Source: Revenue analysis.

3.7 Section 110 Companies

A Section 110 company is an Irish resident special purpose vehicle that holds and/or manages "qualifying assets".[11] Table 16 shows the CT receipts from these companies. Table 17 shows Section 110 notifications and registrations ceased.

Table 16: Gross and Net Receipts of Section 110 Companies

Year	Gross Receipts		Net Receipts	
	Amount €m	% of Gross Receipts	Amount €m	% of Net Receipts
2016	201	2.5	199	2.7
2017	132	1.4	128	1.6
2018	93	0.8	87	0.8

Source: Revenue analysis.

Table 17: Section 110 Companies

Year	Number of Notifications Received	Number of Registrations Ceased
2015	2,886	1,192
2016	478	22
2017	382	1
2018	471	1
Total	**4,217**	**1,216**

Source: Revenue analysis.

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.

[11] A company must meet certain conditions, one of which is to notify Revenue of its status as a qualifying company Finance Act 2016 made certain changes to the taxation of qualifying companies, within the meaning of section 110 Taxes Consolidation Act 1997.

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.

3.8 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, which takes effect for accounting periods commencing on or after 1 January 2017. 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.

Where a fund has an accounting period that ended in the second half of 2017, the return and payment date for IREF withholding tax deducted was 31 July 2018. Where a fund has an accounting period that ended in the first half of 2018, the return and payment date for IREF withholding tax is 31 January 2019.[12] Table 18 shows the initial information available from returns that were due 31 July 2018.

Table 18: Irish Real Estate Funds 2017

IREF Asset Description	Value
Residential - Dublin	€618.4m
Residential - Leinster (Ex Dublin)	€52.5m
Residential - Ulster	€116.0m
Residential - Munster	€33.8m
Residential - Connacht	€14.8m
Retail	€2,082.5m
Commercial	€3,794.4m
Mixed-use	€55.6m
Development land	€448.9m
Other	€235.9m
Shares in a REIT	€98.0m
Other shares	€171.5m
Units in an IREF	€76.2m
Total	**€7,798.4m**

Amount of IREF taxable event*	€649.4m
Number of Returns received	51
Amount of IREF WHT deducted	€9m

Source: Revenue analysis. Note: * IREF taxable event including distributions and redemption payments deriving from certain income and gains.

[12] On that date all IREFs whose accounting period commenced on or after 1 January 2017 and ended on or before 30 June 2018 must also file accounts with Revenue.

4 Employment and Payroll

As well as CT, many companies contribute to the Exchequer as employers by collecting and paying over payroll taxes.

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 CT1 return matched against employer returns.

Table 19 breaks down the value of PAYE, USC, PRSI remitted by employers (on behalf of employees) and employment income (paid to employees) in 2017 by ranges of gross CT liability. The VAT paid over by companies is also shown. 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. Table 20 shows the same information by sector of the company.

There were over 2 million employments in companies. Around a quarter (553,500) were in multinational companies, while the majority were employed by non-multinationals. The combined Income Tax, USC and PRSI payments for these employees were €18.4 billion (€7.9 billion for multinationals' employees). Average earnings (and consequently average tax payments) were highest among employees of foreign owned multinationals.

Foreign owned multinationals had 468,700 employments in 2017 on Revenue records. Revenue data show 251,600 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 468,000 (approximately 217,100), of which the largest share was 131,000 in wholesale & retail trade, are most likely foreign owned multinationals operating in Ireland to serve the domestic market.

Figure 7 shows the growth rates of employments, overall and for foreign multinational companies, by county between 2016 and 2017.

Table 19: Employment by Liability Amount 2017

All Companies

CT Liability €	Companies returns Number	Total CT Liable €m	Employees Number	Earnings €m	Income Tax €m	USC €m	Employer PRSI €m	VAT €m
Negative or Nil	101,339	-398	654,285	15,143	2,614	554	1,855	1,507
1-20,000	49,392	221	516,141	9,833	1,470	320	1,150	2,971
20,000-40,000	5,486	154	146,743	3,164	499	110	402	763
40,000-60,000	2,208	108	90,335	2,120	378	82	280	370
60,000-80,000	1,183	82	59,537	1,292	204	45	170	257
80,000-100,000	738	66	47,523	1,135	197	43	154	46
100,000-200,000	1,682	237	130,167	3,259	572	125	448	506
200,000-500,000	1,078	333	145,014	4,333	806	171	613	384
500,000-1,000,000	451	312	90,312	2,352	416	90	329	608
1,000,000-5,000,000	466	1,022	124,903	4,269	858	181	610	1,100
5,000,000-8,000,000	54	350	22,560	1,069	236	50	154	76
8,000,000+	124	5,617	92,965	4,425	1,051	218	582	494
Total	**164,201**	**8,105**	**2,120,485**	**52,393**	**9,303**	**1,990**	**6,748**	**9,081**

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	VAT €m
Negative or Nil	2,715	-85	61,643	2,526	557	116	364	381
1-20,000	1,199	6	44,047	1,334	267	56	187	535
20,000-40,000	277	8	18,680	649	137	29	90	115
40,000-60,000	168	8	7,558	356	85	18	51	58
60,000-80,000	105	7	7,008	279	60	13	41	19
80,000-100,000	83	7	6,520	265	62	13	38	36
100,000-200,000	347	50	33,510	1,089	217	47	157	120
200,000-500,000	363	117	53,736	1,817	373	78	260	38
500,000-1,000,000	221	156	59,791	1,586	290	63	223	564
1,000,000-5,000,000	308	707	79,804	3,160	672	141	453	933
5,000,000-8,000,000	39	251	20,421	982	217	47	141	75
8,000,000+	100	5,025	76,013	3,495	833	173	479	336
Total	**5,925**	**6,258**	**468,731**	**17,540**	**3,770**	**793**	**2,484**	**3,210**

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	VAT €m
Negative or Nil	86	-9	7,127	287	68	14	43	-25
1-20,000	37	0	5,171	99	14	3	13	-10
20,000-40,000	<10	0	3,502	53	6	1	7	28
40,000-60,000	23	1	5,720	105	15	3	15	20
60,000-80,000	<10	1	2,091	49	7	2	7	-1
80,000-100,000	<10	1	1,276	45	9	2	7	-10
100,000-200,000	57	9	8,505	201	33	7	29	34
200,000-500,000	74	24	29,121	972	183	38	142	53
500,000-1,000,000	30	20	7,826	198	33	7	27	-16
1,000,000-5,000,000	21	39	7,337	157	26	6	22	92
5,000,000-8,000,000	<10	21	1,375	39	6	1	5	6
8,000,000+	<10	267	5,860	254	60	12	24	-4
Total	**362**	**373**	**84,911**	**2,460**	**459**	**96**	**340**	**167**

Non-Multinational Companies Only

CT Liability €	Companies returns Number	Total CT Liable €m	Employees Number	Earnings €m	Income Tax €m	USC €m	Employer PRSI €m	VAT €m
Negative or Nil	98,538	-304	585,515	12,329	1,990	424	1,448	1,152
1-20,000	48,156	215	466,923	8,401	1,189	261	950	2,446
20,000-40,000	5,201	146	124,561	2,462	356	79	305	621
40,000-60,000	2,017	98	77,057	1,659	279	61	214	291
60,000-80,000	1,070	74	50,438	963	137	31	122	240
80,000-100,000	648	58	39,727	825	126	28	110	20
100,000-200,000	1,278	178	88,152	1,969	323	71	263	351
200,000-500,000	641	192	62,157	1,543	250	55	211	292
500,000-1,000,000	200	136	22,695	568	93	20	79	61
1,000,000-5,000,000	137	275	37,762	952	160	35	136	74
5,000,000-8,000,000	12	78	764	48	12	3	7	-5
8,000,000+	16	325	11,092	675	159	34	79	162
Total	**157,914**	**1,474**	**1,566,843**	**32,394**	**5,074**	**1,101**	**3,924**	**5,704**

Source: Revenue analysis.

Table 20: Employment by Sector 2017

All Companies

Sector	Companies returns	Total CT Liable	Employees	Earnings	Income Tax	USC	Employer PRSI	VAT
	Number	€m	Number	€m	€m	€m	€m	€m
Manufacturing	9,981	2,098	243,449	8,346	1,499	333	1,176	-13
Financial & Insurance Activities	17,777	1,939	114,886	5,335	1,280	258	728	65
Information & Communication	12,156	1,482	125,758	5,456	1,285	255	720	485
Wholesale & Retail Trade	26,657	803	462,194	10,098	1,566	345	1,280	5,087
Administrative & Support Services	10,388	515	248,819	4,072	652	144	537	441
Professional, Scientific & Technical Activities	21,831	371	138,643	4,890	1,058	212	589	804
Transportation & Storage	4,869	251	90,355	2,576	385	89	324	139
Mining & Quarrying + Utilities	294	31	4,875	158	25	6	23	-8
Construction	21,418	213	135,756	3,316	508	109	417	112
Accommodation & Food Services	8,565	108	278,694	2,800	216	58	326	522
Real Estate Activities	9,910	113	24,885	610	120	24	75	922
Agriculture, Forestry & Fishing	5,149	55	28,207	463	57	13	52	-17
Other Sectors	15,206	126	223,964	4,274	653	143	502	543
Total	**164,201**	**8,105**	**2,120,485**	**52,393**	**9,303**	**1,990**	**6,748**	**9,081**

Foreign Multinational Companies Only

Sector	Companies returns	Total CT Liable	Employees	Earnings	Income Tax	USC	Employer PRSI	VAT
	Number	€m	Number	€m	€m	€m	€m	€m
Manufacturing	649	1,931	93,143	4,390	926	202	647	251
Financial & Insurance Activities	1,822	1,487	52,974	2,696	683	138	384	-28
Information & Communication	508	1,457	49,379	2,849	727	145	393	198
Wholesale & Retail Trade	832	533	131,195	3,795	708	153	527	2,583
Administrative & Support Services	699	429	56,142	1,178	201	44	164	102
Professional, Scientific & Technical Activities	540	290	27,856	1,212	289	59	170	111
Transportation & Storage	123	21	9,063	297	48	11	43	-53
Mining & Quarrying + Utilities	12	27	392	19	4	1	3	-26
Construction	271	20	6,690	239	45	9	35	19
Accommodation & Food Services	68	19	21,029	257	23	6	34	20
Real Estate Activities	178	16	3,490	107	24	5	15	33
Agriculture, Forestry & Fishing	31	2	560	17	2	1	2	-3
Other Sectors	192	25	16,818	484	89	19	67	4
Total	**5,925**	**6,258**	**468,731**	**17,540**	**3,770**	**793**	**2,484**	**3,210**

Irish Owned Multinationals Only

Sector	Companies returns	Total CT Liable	Employees	Earnings	Income Tax	USC	Employer PRSI	VAT
	Number	€m	Number	€m	€m	€m	€m	€m
Manufacturing	71	61	12,282	360	56	13	51	-90
Financial & Insurance Activities	64	73	16,993	765	162	33	114	-48
Information & Communication	22	3	4,696	84	11	2	11	13
Wholesale & Retail Trade	67	82	13,959	288	51	11	38	237
Administrative & Support Services	29	3	9,360	132	18	4	19	34
Professional, Scientific & Technical Activities	24	-4	3,790	176	43	9	25	53
Transportation & Storage	16	139	6,929	246	50	10	23	-31
Mining & Quarrying + Utilities	0	0	0	0	0	0	0	0
Construction	35	8	7,597	254	48	10	38	-24
Accommodation & Food Services	<10	3	1,060	20	3	1	3	10
Real Estate Activities	12	4	169	12	4	1	2	7
Agriculture, Forestry & Fishing	<10	0	44	1	0	0	0	0
Other Sectors	13	2	8,032	122	13	3	16	6
Total	**362**	**373**	**84,911**	**2,460**	**459**	**96**	**340**	**167**

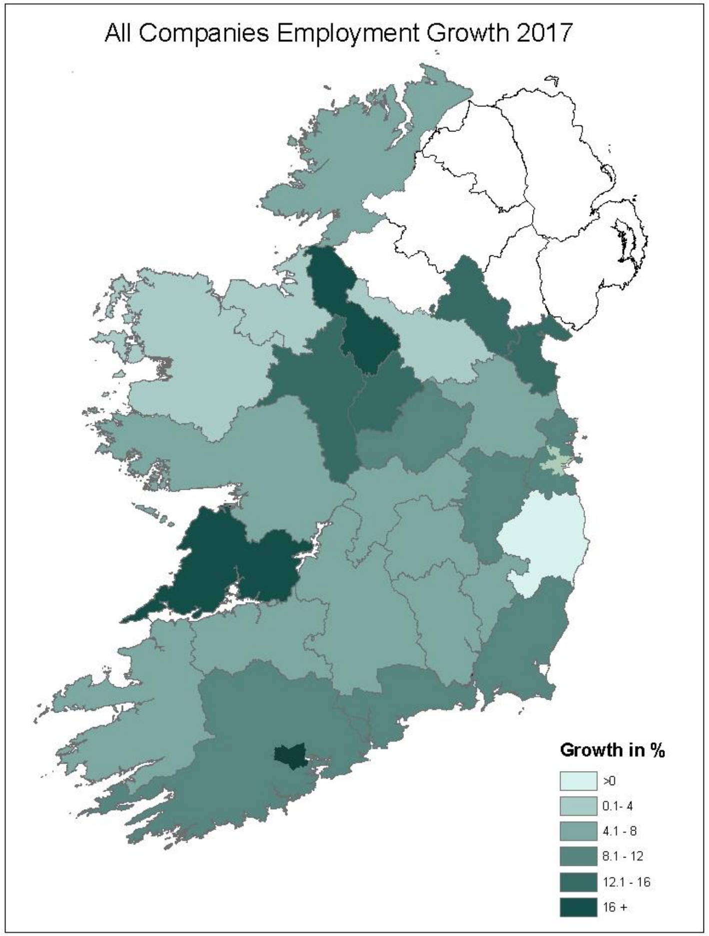
Non-Multinationals Only

Sector	Companies returns	Total CT Liable	Employees	Earnings	Income Tax	USC	Employer PRSI	VAT
	Number	€m	Number	€m	€m	€m	€m	€m
Manufacturing	9,261	106	138,024	3,596	516	118	478	-174
Financial & Insurance Activities	15,891	379	44,919	1,873	435	86	230	141
Information & Communication	11,626	21	71,683	2,522	547	108	315	274
Wholesale & Retail Trade	25,758	188	317,040	6,015	807	182	715	2,267
Administrative & Support Services	9,660	83	183,317	2,762	433	96	354	305
Professional, Scientific & Technical Activities	21,267	86	106,997	3,502	726	144	395	641
Transportation & Storage	4,730	91	74,363	2,033	286	68	257	222
Mining & Quarrying + Utilities	282	4	4,483	139	21	5	20	18
Construction	21,112	185	121,469	2,823	415	90	344	117
Accommodation & Food Services	8,489	86	256,605	2,522	189	52	290	492
Real Estate Activities	9,720	94	21,226	491	93	19	58	883
Agriculture, Forestry & Fishing	5,117	53	27,603	445	54	13	49	-14
Other Sectors	15,001	98	199,114	3,668	552	121	419	534
Total	**157,914**	**1,474**	**1,566,843**	**32,394**	**5,074**	**1,101**	**3,924**	**5,704**

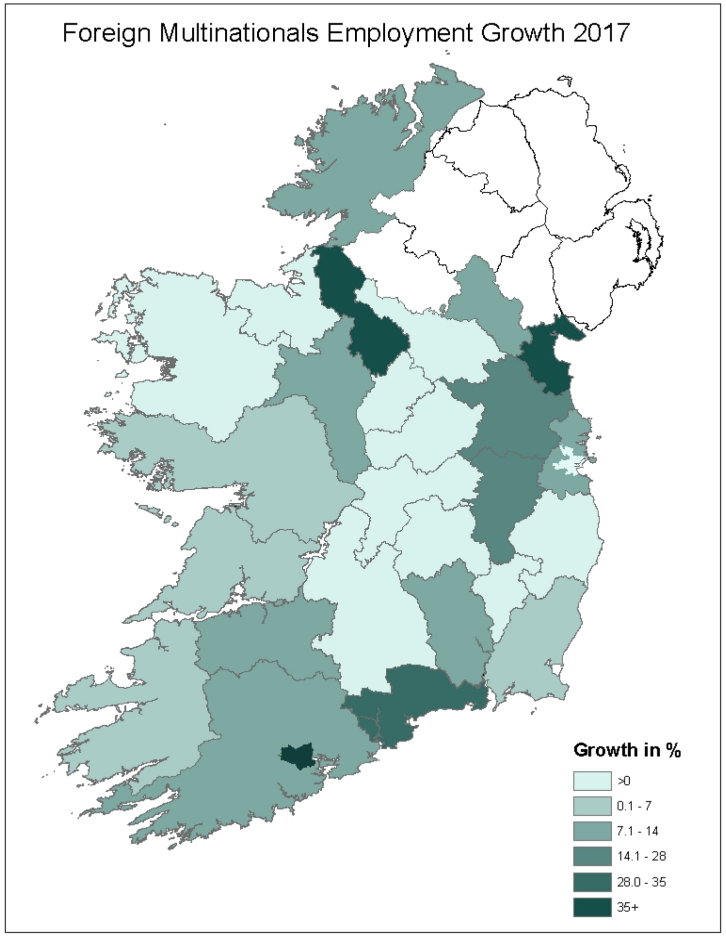
Source: Revenue analysis.

Figure 7: Employment Growth County 2017

All Companies



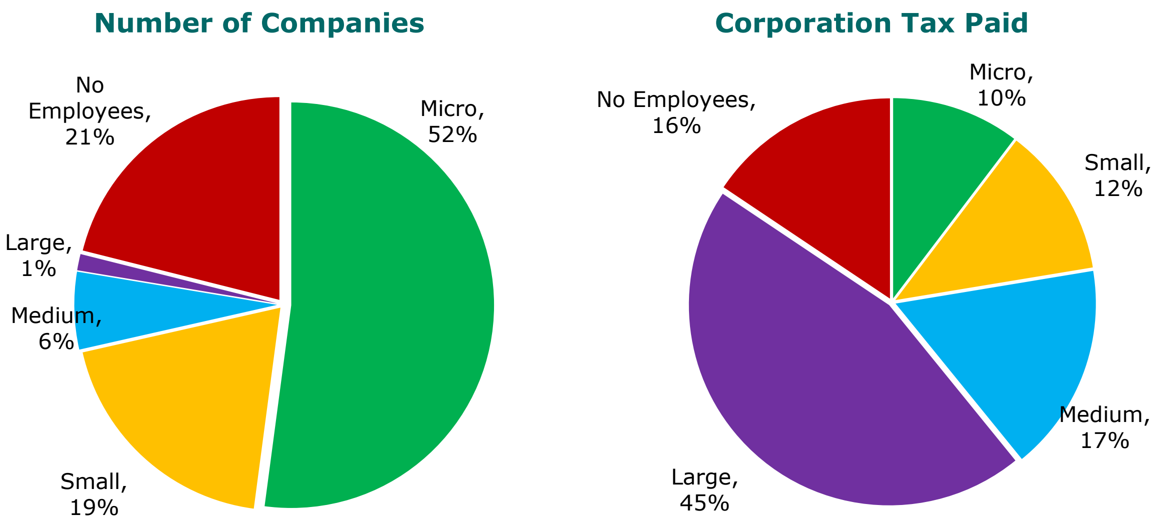
Foreign Owned Multinationals Only



Source: Revenue analysis.

Figure 8 shows the number of companies and CT payments, both categorised by number of employments. While the majority (52 per cent) were micro companies, large companies accounted for over two fifths of CT receipts. Companies with no employees may be affiliates within a larger corporate group, where one company paid the CT and another held the employments for the group. This will account for some of the "no employee" category in the Figure.

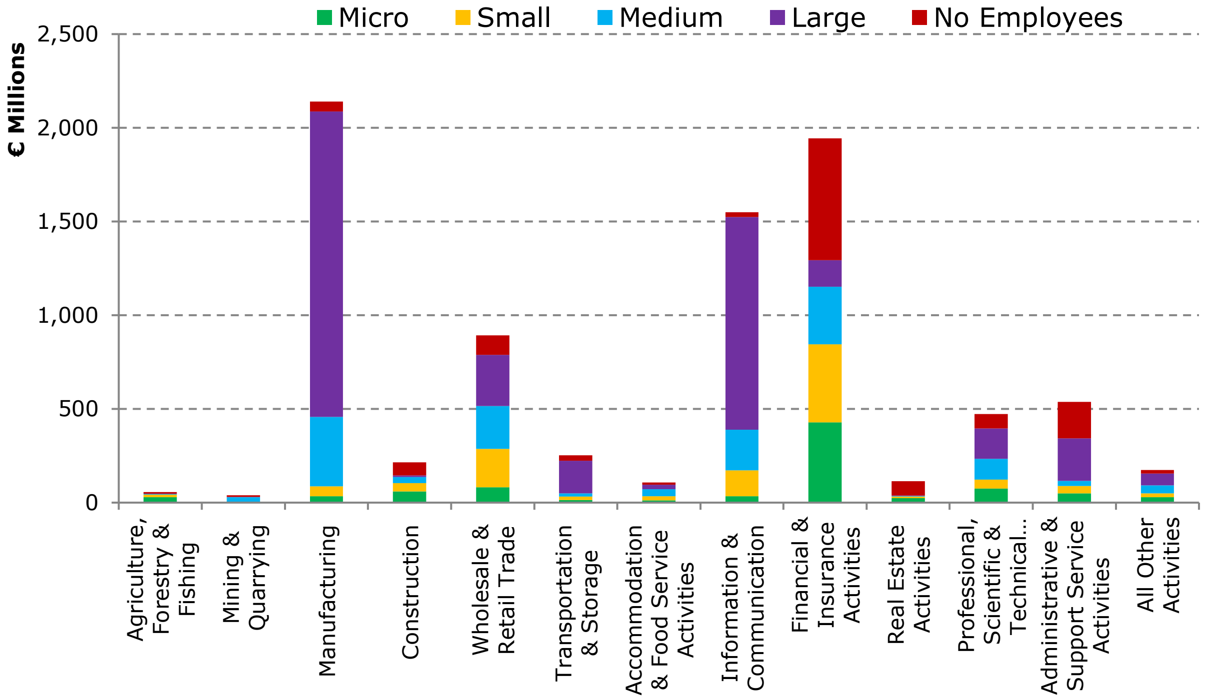
Figure 8: Number of Companies and Corporation Tax by Company Size 2017



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 9 shows 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.

Figure 9: Corporation Tax by Company Size 2017



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 19, non-liable companies were responsible for 30 per cent of employments among companies and 44 per cent of associated Income Tax, USC and PRSI. Non-CT liable foreign owned multinationals accounted for only 13 per cent of total foreign multinational employments and 15 per cent of associated Income Tax, USC and PRSI payments for foreign multinational companies.

5 Conclusion

This report summarises the trends in CT payments in 2018, returns for 2017 and employment by companies. As Revenue strives to make more information available to policy makers and other interested stakeholders, the report also introduces new information on Section 110 Companies, Irish Real Estate Funds and close companies.

Net CT in 2018 increased by €2.2 billion to €10.4 billion. This increase over 2017 was mainly due to increases in the payments from the manufacturing, information & communication and administration & support services sectors. There were small reductions in financial & insurance and wholesale & retail trade.

The number of net CT contributors continues to increase. However, receipts remain concentrated. The largest 100 companies account for over 70 per cent of net CT and foreign owned multinationals are responsible for 77 per cent of CT liability, while employing around 23 per cent of company employees.

Information from CT1 returns indicate that the main drivers behind the increase in tax liabilities in 2017 (over 2016) are not significant increases in trading profits but are instead mainly due to reduced claims in respect of R&D tax credits and reduced deductions by companies. While returns for 2018 are not yet filed, the information available from a small number of large companies suggests that it is likely that increases in trading profits are responsible for increased tax payments in 2018.