

20 February 2024

# Ireland's Research & Development Credit - Recent Changes

The Research & Development ("R&D") credit has been a significant Irish tax incentive since its introduction in Finance Act 2004. A credit under the scheme is available for refund or offset against a company's tax liability in addition to the expenditure being deductible in the arrival at taxable profits. The credit is calculated as a percentage of qualifying expenditure on R&D activities. The relief was introduced to incentivise large multinational companies, such as technology and life science companies, to create a presence in Ireland for R&D activities, along with encouraging indigenous SMEs to undertake R&D activities.

The expenditure must be incurred on systematic, investigative or experimental activities in the fields of science and technology. It must include basic research, applied research or developmental activities and must seek to achieve scientific or technological advancement or solutions to scientific or technological uncertainties. This relatively broad definition has allowed the R&D credit regime to be one of the most attractive corporate tax reliefs for domestic and international businesses.

## Finance Act 2022

Finance Act 2022 brought about the overhaul of the Irish R&D credit regime. The main change saw the introduction of changes to the timing of the credit, enabling it to align with the Pillar Two Global Anti-Base Erosion ("GloBE") definition of a qualified refundable tax credit, wherein the credit must be paid as cash or available as cash equivalents, within 4 years from when the claimant satisfies the conditions for receiving the credit.

Finance Act 2022 provided changes to allow the taxpayer to have the option to call for payment of their R&D credit or request for it to be offset against other liabilities.

The R&D credit is available in three annual instalments. A company must specify in its corporation tax return whether each instalment or a portion of same is to be:

- Treated as an overpayment of tax; or
- Paid to the company by Revenue.

The three annual instalments are calculated as follows:

- 1) The first instalment will be the greater of:
  - €25,000 (or the amount of the credit, if lower) or
  - 50% of the amount of the R&D corporation tax credit claimed
- 2) The second instalment will be 60% of the remaining balance of the credit, and
- 3) The third instalment is the balance of the credit remaining after the first two instalments.

The above changes were introduced in Finance Act 2022, (i.e. the first €25,000 of a claim will be payable in the first year) in order to provide a cash flow benefit for companies engaged in R&D activities. The changes encourage companies to continue to invest in R&D, along with supporting new companies to invest in activities. This immediate access to additional cashflow was a positive and practical introduction for businesses.

## Finance Act 2023

Finance Act 2023 introduced further changes to the R&D regime, building on the substantial changes from the prior year. Finance Act 2023 introduced an increase in the credit from 25% to 30% of qualifying expenditure, along with increasing the refund amount available in the first year of claim from €25,000 to €50,000.

## Increase in Rate

The 25% rate of the R&D credit has been consistent for many years. The increase to 30%, as introduced in Finance Act 2023, is vital to maintaining Ireland's attractiveness to multinational groups who will be subject to the 15% minimum effective tax rate arising from the Pillar Two Global Anti-Base Erosion ("GloBE") rules). The increase will ensure that companies subject to the minimum tax rate of 15% will be availing of the same net value of the credit as before the introduction of the 15% rate.

The Minister for Finance, Michael McGrath, noted "This will maintain the net value of the existing credit for those businesses subject to the new 15% minimum effective tax rate, while also delivering a real increase in the credit to those smaller companies who will not be in scope of Pillar Two."

The change in rate is a welcome enhancement of the tax incentive for large and small companies alike and will help to solidify Ireland's position as a global hub for R&D investment.

## Increase in Amount Payable

Finance Act 2023 has built upon the initiatives of the previous year by increasing the amount repayable in the first year from €25,000 to €50,000. Coupled with the increase in the rate of the credit to 30%, the acceleration of repayment will undoubtedly have a positive impact on the indigenous SME sector.

Previously, the refundable element of the credit was subject to restrictions in line with corporation tax and payroll taxes paid by the company. These restrictions have been removed and the full credit is now repayable. This should support start-up and other companies who may be impacted by cashflow concerns following the events of recent years.

## Conclusion

Over the course of the past two years, Ireland has taken proactive steps to ensure that it remains an attractive location for R&D investment by large multinational companies and indigenous SMEs.

The changes introduced in Finance Act 2023 will continue to strengthen Ireland's position as a leading location to develop Intellectual property (IP) and maintain competitiveness particularly with increased global tax harmonisation.

Article by:

[Leah Newport](#) – Assistant Manager | Tax | Moore  
[Colin Dignam](#) – Director | Tax | Moore

If you have any queries or concerns regarding the R&D Credit or how it could benefit your business, please do not hesitate to contact us.

## Contact Us

[www.mooreireland.ie](http://www.mooreireland.ie)

For further information please contact:

Eoghan Bracken | Tax Partner  
[Eoghan.Bracken@mooreireland.ie](mailto:Eoghan.Bracken@mooreireland.ie)

Colin Dignam | Tax Director  
[Colin.Dignam@mooreireland.ie](mailto:Colin.Dignam@mooreireland.ie)

Moore – Dublin  
Ulysses House, Foley  
St Dublin 1, Ireland  
D01 W2T2  
T +353 (0) 1 888 1004

Moore – Cork  
83 South Mall  
Cork, Ireland  
T12 Y15N  
T +353 (0) 21 427 5176

We believe the information in this E-zine to be correct at the time of going to press, but we cannot accept any responsibility for any loss occasioned to any person as a result of action or refraining from action as a result of any item herein. Printed and published by Appold Ireland Limited, trading as Moore, a member of Moore Global Limited, a worldwide network of independent firms.  
February 2024