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# INTRODUCTION

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A strong research, development and innovation ecosystem is vital for the Irish economy, as it enhances competitiveness, productivity, and social wellbeing. It is reassuring that this remains a primary focus of the Irish government, particularly with the increasingly competitive international tax landscape.

The Government's *Impact 2030: Ireland's Research and Innovation Strategy* published in 2022<sup>1</sup>, commits to Ireland's continued investment in research, development and innovation with a view to aligning its impact with multiple national priorities. Core objectives include, for example, ensuring that research expertise is more accessible to policymakers and the public, and nurturing and attracting top talent.

Encouraging private sector research and development (R&D) remains essential for maintaining and boosting R&D spending in Ireland. "Impact 2030" sets a target to raise the country's total R&D spending (public and private) to 2.5% of Gross National Income (GNI). Achieving this will necessitate a substantial increase in R&D funding across the board. With the most recent available statistics from 2021 showing that the business sector contributes over 80% of total R&D spending in Ireland, the highest in the EU<sup>2</sup>, tax incentives and other measures will play a crucial role in reaching this objective.

This book sets out to explain in detail how Ireland's core R&D funding incentive, the R&D tax credit ("RDTC"), works in practice. Since its introduction in 2004, the RDTC has been very effective in incentivising innovation. Over 1,600 RDTC claims are filed annually by eligible companies – a tenfold increase from 2004 – resulting in €1.1 billion of Government support provided via the RDTC in 2022.

With changes to the international tax landscape, such as the introduction of the OECD's BEPS Pillar 2, significant structural changes have been made to the RDTC to align it with international tax changes. These changes have been considered and outlined in this book.

The book also addresses other tax reliefs such as the Knowledge Development Box ("KDB"), Intangible Assets (s291A TCA 1997), Scientific Research Allowances (s765 TCA 1997), and the newly introduced Digital Games Corporation Tax Credit (s481A TCA 1997).

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<sup>1</sup> Impact 2030 - Ireland's Research and Innovation Strategy - Prepared by the Department of Further and Higher Education, Research, Innovation and Science

<sup>2</sup> Department of Further and Higher Education, Research, Innovation and Science - The Research and Development Budget 2022-2023 (Figure F, Page 13)

In addition to tax incentives, there are also direct incentives in the form of Research Development and Innovation (“RD&I”) (plus other) grants which are made available to companies through different granting bodies. These are described in Chapter 10.

The subsequent sections delve into the intricate aspects of various incentives offered to businesses, including the tax technical criteria that a company must meet to avail of these reliefs, the types of income and expenditure that can attract the reliefs, and the conditions that the activities conducted by a company must meet to satisfy the legislative requirements.

We have adopted a practical approach by including sections on avoiding common pitfalls and addressing the documentation and tracking requirements of the reliefs, as well as an in-depth review of the various Revenue guidance notes.

We believe that Ireland’s research, development and innovation landscape is strong. Although there is room for improvement, Ireland is positioned as a “Strong Innovator” within European Innovation Scoreboard 2024<sup>3</sup>. As Ireland strives to become a global Innovation Leader, the evolution of incentives to support further investment in this space is crucial. We hope that you find this book insightful and thought-provoking.

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<sup>3</sup> European innovation scoreboard - European Commission - <https://research-and-innovation.ec.europa.eu/>

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