

Knowledge Development Box

Avail of a 6.25% effective tax rate on profits
from innovation

A man in a white shirt is smiling and looking at a tablet device in a modern office setting. The background shows a glass-walled office space with other people working.

EY

Building a better
working world

A woman with dark hair tied back, looking thoughtfully to the side in a meeting. Other people are blurred in the background.

What is Knowledge Development Box?

The Knowledge Development Box (KDB) is an OECD compliant **Patent Box** that provides companies with additional incentive to **develop, commercialise and retain** innovative technology in Ireland. Introduced in 2016, the KDB is a key part of the Irish Government's competitiveness and economic growth agenda, and is designed to complement the other innovation tax incentives available in Ireland.

The KDB innovation tax incentive represents a significant opportunity for companies in Ireland that undertake innovative activities to avail of a **6.25% effective corporate tax rate** for profits generated from commercialising certain intellectual property ("IP"). This provides the potential for companies to **halve their corporation tax bill** in respect of profits qualifying for the KDB.

The relief must be claimed **within a two year period from the end of the accounting period** to which the claim relates. To obtain maximum benefit from the KDB regime, the profits generated from the IP must typically flow into the same entity undertaking the R&D activities that led to the IP creation.

As a result, there may be opportunities to embed significant **efficiency improvements in processes for capturing, analysing, tracking and tracing qualifying R&D expenditure** levels for the purposes of both the R&D tax credit and a KDB claim.

Why act now?

What growth could you achieve if you had additional funding? What we are hearing from multinational businesses and Irish SMEs:

- ▶ Want to manage your cash tax more effectively?
- ▶ Want to increase your investment in R&D but don't have the available cash?
- ▶ The tax authorities want more detail.
- ▶ How does KDB work with existing reliefs for intangible assets?
- ▶ Can you qualify for KDB if you don't patent your inventions?



Is the KDB relevant for you?

Does your company carry out R&D?

Does your company have an invention that is or can be protected by a patent or copyright?

Incentives for innovation in Ireland

- ▶ 12.5% tax rate
- ▶ 25% refundable R&D tax credit
- ▶ Tax relief on qualifying IP
- ▶ KDB 6.25%
- ▶ Grant aid

How can EY assist you with making a KDB claim?

Assess

Feasibility study to assess opportunities to avail of KDB for qualifying profits within two years of the end of the current accounting period

Qualify and Quantify

Our experienced scientists, engineers and tax specialists provide a bespoke systematic approach to qualifying and quantifying claims with minimal disruption to your organisation

Document and Deliver

Our multidisciplinary team maximise the level of your claim by ensuring appropriate documentation is in place to support all elements of your claim

Sustain

Through building your claim, we develop tailored and robust methodologies for processes and documentation requirements which act as a template for future claims



EY Innovation Incentives Team

Our Innovation Incentives team has a proven track record of offering a uniquely integrated service to clients by combining the skills of experienced engineers, scientists and qualified tax advisors.

- ▶ We have expertise in relevant sectors
- ▶ We understand the requirements of tax authorities
- ▶ We are a multidisciplinary experienced team
- ▶ We use tailored methodologies relevant to you/your sector

Visit ey.com/en_ie/tax/innovation-incentives to find out more



Find out more



Ian Collins

EY Ireland Tax Partner and Head of
Innovation incentives
+353 87 791 2703
ian.collins@ie.ey.com



Leanne Storan

EY Ireland Tax Director, Business Tax
Services.
+353 61 449905
leanne.storan@ie.ey.com

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organisation, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organisation, please visit ey.com.

© 2021 Ernst & Young. Published in Ireland. All Rights Reserved.

131880.indd 05/21. Produced by Creative (Ireland)

The Irish firm Ernst & Young is a member practice of Ernst & Young Global Limited. It is authorised by the Institute of Chartered Accountants in Ireland to carry on investment business in the Republic of Ireland.

Ernst & Young, Harcourt Centre, Harcourt Street, Dublin 2, Ireland.

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com
