

Tax alert

Ireland

Tax alert: COVID-19

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Introduction

"The COVID outbreak is evolving with such pace that the global narrative is changing daily thus making contingency planning highly complex for businesses. As the global economy and the world come to grips with the expanding effects of Coronavirus (COVID-19), those managing the tax affairs of a company need to support their management in dealing with the consequences. Decisions at this time are likely to have immediate and potentially long-term implications from a tax perspective.

We recommend all companies to immediately:

1. Assess how COVID-19 could impact the tax profile of the group and entities in both the near and longer-term
2. Identify opportunities to create value and to avail of stimulus in various markets you operate in
3. Participate in internal decision-making processes to assist, evaluate and advise other stakeholders to maximise the tax effectiveness of necessary business decisions

Some of the key areas to assess the impact are as follows:

- Consider the impact of travel restrictions and the interplay with significant decisions e.g. physical attendance at board meetings
- Critically assess existing transfer pricing policies insofar as they relate to the assumption of risk and actual control of risks within the business in light of COVID-19 and consider refinements of amendments where necessary
- Consider the impact of declining global demand on low risk models, review of intercompany agreements and possible amendment where necessary
- Consider the current state of financial markets and the impact on Intercompany financing to assess the benchmarking impact on interest rates

Identify opportunities to create value and avail of stimulus

- Leverage the EY COVID-19 Global Stimulus tracker to identify potential stimulus in the individual markets that you operate in. It will be updated regularly to reflect the evolving situation. Please find [a link to our Global COVID-19 Stimulus Tracker](#).
- Avail of the temporary wage subsidy announced by the Irish Government on the 24th March - see [EY Tax Alert](#).
- Consider the ability of transfer pricing to assist in group cashflow through advance charging for services or other mechanisms, business should examine the options available to them and appropriately document the same from a transfer pricing perspective
- Work with the business to reassess financial forecasts to reassess preliminary tax payments and identify losses to utilize them efficiently from a cashflow perspective
- Proactively engage with Irish Revenue to accelerate any refunds outstanding or defer payments if you are encountering any trading or cashflow issues
- Consider the potential to accelerate R&D tax credit refunds. The R&D tax credit regime provides for a **cash refund** worth 25% of your R&D expenditure in respect of R&D activities incurred by a company, regardless of size. These refunds are paid by Irish Revenue spread over a 3 year period.
- Proactively engage directly with government and industry bodies on any specific stimulus you believe would be beneficial to your business.

Staying connected

Due to the immediate disruption discussions are likely happening in-house already, now more than ever it is key for tax teams to be connected with the business and proactively engage in these discussions and keep tax issues in mind for any suggested changes in business operations.

EY teams can help you identify and evaluate the key tax issues, as well as support you to collaborate and advise other stakeholders within your company at this time.

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