An Analysis of 2015 Corporation Tax Returns and 2016 Payments

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The author is a member of the Statistics & Economic Research Branch of the Office of the Revenue Commissioners. Any opinions expressed in this paper are the views of the author and do not necessarily reflect the views of the Office of the Revenue Commissioners. The author alone is responsible for the conclusions.

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Please note that data in this paper are provisional and may be subject to future revision. Further information in respect of 2016 receipts will become available when the relevant returns are filed, processed and analysed.

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Executive Summary

Net Corporation Tax ("CT") receipts in 2015 were €6.87 billion, over €2.2 billion higher than 2014. Receipts further increased in 2016 to €7.35 billion, an additional yield of €480 million compared to the previous year.

This paper uses Corporation Tax returns in respect of accounting periods ended in the 2015 calendar year to explore the reasons for tax liabilities in the year. While returns for 2016 are not yet available, the paper summarises the trends in payments in 2016.

Trading results are linked to tax liability. The largest contributing factor to increased CT receipts in 2015 is a €46 billion (49 per cent) increase in trading profits. Improved trading conditions and increases of productive capital stock in Ireland have led to higher levels of profits to be taxed and thus a higher tax yield. It is notable that nearly all sectors record increases in profits in 2015.

Other factors behind changes in 2015 include:

- Over 7,900 companies carried forward losses in 2014 but not into 2015, and are therefore taxed on profits in 2015 (nearly €200 million in increased receipts);
- The value of gains on the disposal of capital assets compared with 2014, reported by an additional 170 companies, is 57 per cent higher and these capital gains resulted in higher tax liabilities of €110 million; and
- Claims for the R&D tax credit show that, though the number claiming has dipped, the cost of the credit to the Exchequer has increased by at least 16 per cent.

Receipts in 2016 are 7 per cent higher than 2015. Data indicate that the number of net CT payers increased by 11 per cent. Of the €480 million increase in net CT receipts in 2016, €345 million is paid by 14,400 companies that did not pay CT in 2015.

Payments by Large Cases Division companies continue to account for over four-fifths of the total CT yield (82 per cent in 2016) and nearly all of the increase in receipts in 2016. Notwithstanding this, 37 per cent of the receipts are paid by the 10 largest companies, a 4 percentage point decrease compared to 2015.

1 Introduction

Net Corporation Tax ("CT") receipts in 2015 were €6.87 billion, over €2.2 billion (+49 per cent) higher than 2014. CT receipts further increased in 2016 to €7.35 billion, an additional yield of €480 million compared to the previous year.

This paper uses for the first time data from Corporation Tax returns ("CT1 returns") in respect of accounting periods ending in 2015 to explore the reasons for tax liabilities in this year. While returns for 2016 are not yet available, the paper also summarises the trends in payments in 2016.

A comparison of corporate tax rates in certain OECD countries, as well as the proportion of corporate tax revenues relative to GDP and total tax, is presented in Section 2.

Section 3 presents analysis of 2015 CT1 returns (with comparisons to 2014 where useful). This analysis covers trading profits, losses, depreciation / capital allowances, companies' capital gains and the Research and Development (R&D) tax credit.

CT1 returns in respect of accounting periods ended in 2016 are not due until a later date. In the absence of these returns, Section 4 looks at the available, but more limited in nature, payments information.[1]

At the outset, an important distinction should be drawn between a tax year liability for a particular year, as calculated in a CT1 return, and CT payments actually made within a calendar year. The Appendix contains an explanation of the CT compliance cycle for large companies, and illustrates when a company will pay its CT liability and file its CT1 return.

[1] Effectively this section updates the analysis undertaken of CT receipts in 2015 and published in April 2016, available at: http://www.revenue.ie/en/about/publications/corporation-tax-receipts-2014-2015.pdf.

2 International Comparison

OECD data show that in 2015 Ireland continued to have one of the lowest combined corporate tax rates of its 35 member countries.[2]

Both the OECD average corporate tax yield as a percentage of GDP and the Irish CT yield to GDP are 2.7 per cent in 2015. The amount of CT as a percentage of Ireland's total tax receipts in 2015 is 11.4 per cent, about 4 percentage points higher than the OECD average. It should be noted that CT as a percentage of Exchequer tax receipts in 2015 is 15.1 per cent. The OECD includes social security contributions as well as tax.

Table 1 – International Corporate Tax Comparison 2015

Country	Combined Corporate Tax Rate %	Corporate Tax Receipts as % of GDP	Corporate Tax Receipts as % of Total Tax
Austria	25.0	2.3	5.2
Belgium	34.0	3.4	7.6
Czech Republic	19.0	3.6	10.6
Denmark	23.5	2.6	5.7
France	38.0	2.1	4.6
Germany	30.2	1.7	4.7
Ireland	**12.5**	**2.7**	**11.4**
Italy	31.3	2.1	4.8
Luxembourg	29.2	4.4	11.9
Netherlands	25.0	2.7	7.2
Norway	27.0	4.5	11.9
Spain	28.0	2.4	7.1
Sweden	22.0	3.0	6.9
Switzerland	21.1	3.0	10.9
United Kingdom	20.0	2.3	7.0
United States	39.0	1.9	7.4
Average of Above	26.6	2.8	7.8
OECD Average*	24.9	2.7	7.7

Source: 2015 OECD Revenue Statistics.
* Includes only OECD countries for which 2015 GDP and total tax revenue data are available.

The main statutory CT rate in Ireland is 12.5 per cent, with the effective tax rate for 2015 provisionally calculated as 9.8 per cent.[3] This represents a marginal increase on the rate of 9.7 per cent estimated for 2014. Due to the nature of various tax reliefs and credits, an effective rate of tax will always be lower than a statutory rate.

[2] The combined corporate tax rate accounts for certain OECD countries having a sub-central government rate in addition to a central government rate.
[3] 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). More data underlying the effective rates in operation are available at http://www.revenue.ie/en/about/statistics/corporation-tax-calculation.html.

3 Corporation Tax Returns for 2015

3.1 Trading Profits

Analysis of the 2015 CT1 returns shows an increase in the trading profits for the majority of sectors in the economy, as broken down by NACE code in Table 2. A total of over €141 billion of trading profits is reported by companies in their 2015 CT1 returns, an increase of approximately €46 billion (49 per cent).

Table 2 – Trading Profits by Sector

Sector	Adjusted Profits*		Variance	
	2014 €m	2015 €m	€m	%
Manufacturing	26,307.01	55,207.66	28,900.65	109.9%
Financial and Insurance Activities	23,051.54	26,257.56	3,206.02	13.9%
Information and Communication	16,649.96	18,448.05	1,798.09	10.8%
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles	10,356.87	16,584.44	6,227.57	60.1%
Administrative and Support Service Activities	9,072.66	12,983.09	3,910.43	43.1%
Professional, Scientific and Technical Activities	2,526.25	4,119.63	1,593.38	63.1%
Transportation and Storage	2,477.60	2,713.95	236.35	9.5%
Mining and utilities Sector	1,727.20	1,657.31	-69.89	-4.0%
Construction	1,042.63	1,252.60	209.97	20.1%
Accommodation and Food Service Activities	555.93	761.01	205.08	36.9%
Other Activities and Sectors	412.05	524.95	112.90	27.4%
Real Estate Activities	404.97	393.20	-11.78	-2.9%
Human Health and Social Work Activities	336.54	352.40	15.86	4.7%
Agriculture, Forestry and Fishing	345.15	368.90	23.75	6.9%
Education	54.62	64.06	9.45	17.3%
Public Administration and Defence	52.55	31.68	-20.87	-39.7%
Total	**95,374**	**141,720**	**46,347**	**48.6%**

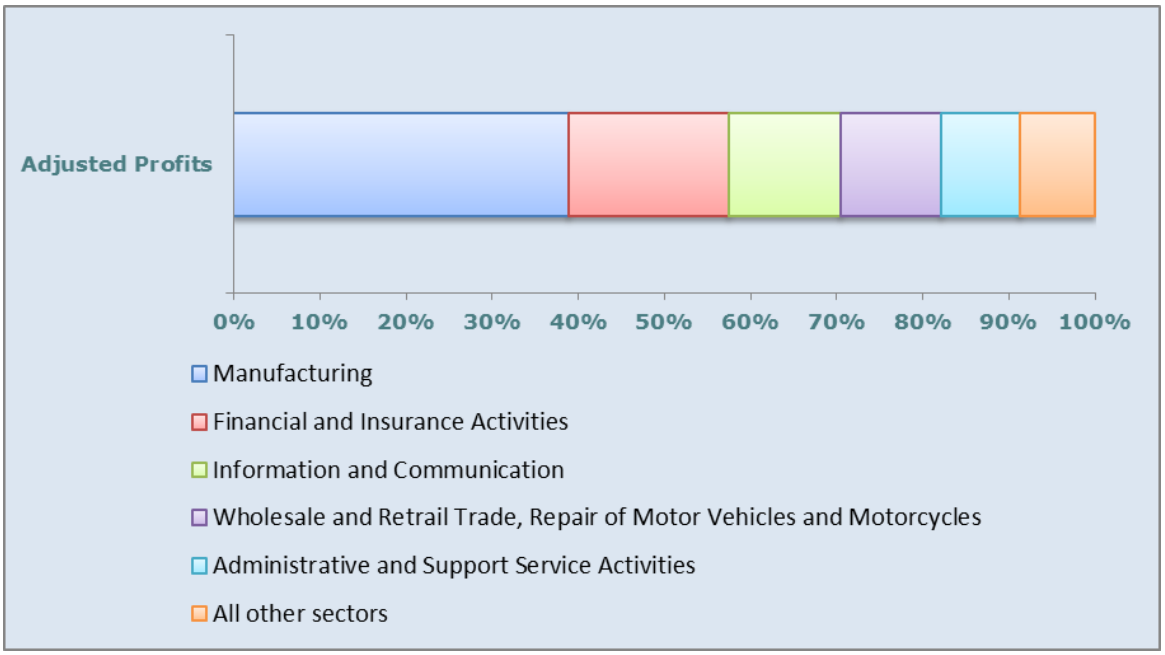
Source: Revenue analysis.
* Adjusted profits are the trading profits of a company after being adjusted to reflect any differing treatment of certain items for accounting purposes compared to tax purposes.

As per 2015 CT1 returns, over 90 per cent (€129 billion) of trading profits are attributed to five sectors: manufacturing, financial & insurance activities, information & communication, wholesale & retail trade, and administrative & support services.[4] The remaining 16 sectors account for the other 10 per cent, as illustrated in Figure 1.

The sector with the largest trading profits is manufacturing, with profits of €55.2 billion.[5] The manufacturing sector records an increase of nearly €29 billion between 2014 and 2015, also the largest increase of all sectors. Other significant increases are observable in the wholesale & retail trade sector (+€6 billion), the administrative & support sector (+€3.9 billion) and the information & communication sector (+€1.8 billion).

[4] The administrative & support services sector includes aircraft leasing.
[5] The largest manufacturing subsectors in CT terms are the manufacture of basic pharmaceutical products, the manufacture of pharmaceutical preparations, and the manufacture of medical & dental instruments / supplies.

Figure 1 – Trading Profits by Sector 2015



Source: Revenue analysis.

3.2 Non-Trading Profits

Non-trading taxable income received by corporations is taxed at the higher CT rate of 25 per cent. Table 3 shows the value of non-trading taxable income fell by more than €450 million between 2014 and 2015 (-18.8 per cent). As certain reliefs can be offset against profits taxable at the higher rate before offsetting them against income taxable at the 12.5 per cent rate, the bulk of CT paid is attributed to trading profits. This mitigates the impact of the decline in non-trading taxable profits on net CT receipts.

Table 3 – Non-Trading Profits

Year	Non-Trading Profits €m
2014	2,454
2015	1,992

Source: Revenue analysis.

3.3 Trading Losses

Where a company has losses or, subject to certain rules, carried forward losses from a previous accounting period, these can be used to offset against their CT liability in a variety of ways, such as against current year profits, surrendered to group companies, in certain circumstances offset against a prior year's tax, 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.

Table 4 shows the claimed and used amounts for both losses carried forward and current year losses. The monetary amount of losses carried forward from earlier accounting periods into 2015 accounting periods decreased by approximately €6.5 billion (from €215 billion to €209 billion). The trading losses in the current period are also €189 million lower in 2015 than reported in 2014 returns. The table indicates that in 2015 companies are in a position to utilise more of their losses carried forward from earlier years, presumably due to increased profitability. Also evident from the table is that the rate at which current year losses are being claimed is slowing down.

Table 4 – Comparison between Losses Used and Claimed

Year	Loss Forward Claimed €m	Loss Forward Used €m	Current Year Loss Claimed €m	Current Year Loss Used €m
2014	215,454	14,685	8,527	644
2015	208,973	19,966	8,338	273

Source: Revenue analysis.

Just over 54,000 companies claimed losses on their 2014 tax returns. Of these, over 36,600 also carried trading losses from earlier years into 2015 (i.e., carrying losses for multiple years).

Of companies with losses in 2014, over 7,900 did not carry losses into their 2015 returns, likely indicating that earlier losses have now been fully utilised as a result of trading profits for these companies. The net CT paid by these companies is approximately €200 million in 2015.

The remaining 10,700 companies did not carry any losses forward into 2014 from earlier years but carried losses forward into 2015 either as a result of losses or capital allowances that are not used on their 2014 tax returns.

Table 5 – Number of Companies Carrying Losses Forward

Description	Number of Companies
Carried losses into both 2014 & 2015 returns	36,668
Carried losses into 2014 but not 2015 return*	7,933

Source: Revenue analysis.
* Includes only companies that filed a 2014 and 2015 return.

Table 6 provides a breakdown of the amount of losses carried forward by sector. The value of losses carried forward by the financial & insurance activities sector into accounting periods ending in 2015 decreased by €9 billion (-7 per cent). Large decreases of €1.9 billion (-18 per cent) and €988 million (-11 per cent) are also seen in the construction and the manufacturing sectors respectively. The only substantial increase in

trading losses carried forward is in the administrative & support service activities sector at €6.6 billion (+22 per cent).

Table 6 – Trading Losses Carried Forward by Sector

Sector	Losses Carried Forward		Variance	
	2014 €m	2015 €m	€m	%
Financial and Insurance Activities	129,021.15	119,884.55	-9,136.60	-7.1%
Administrative and Support Service Activities	29,587.39	36,172.65	6,585.26	22.3%
Information and Communication	10,200.21	10,136.85	-63.36	-0.6%
Construction	10,827.67	8,880.75	-1,946.92	-18.0%
Manufacturing	9,253.78	8,266.20	-987.58	-10.7%
Transportation and Storage	8,039.73	7,916.72	-123.01	-1.5%
Wholesale and Retrail Trade, Repair of Motor Vehicles and Motorcycles	7,597.48	7,123.64	-473.84	-6.2%
All Other Sectors	10,926.42	10,592.07	-334.36	-3.1%
Total	**215,454**	**208,973**	**-6,480**	**-3.0%**

Source: Revenue analysis.

It is important to note that around €40 billion of losses brought forward (from the €209 billion for 2015 in the above tables) are claims by companies that are in liquidation or are otherwise unlikely to be in a position to ever use these losses. The bulk of such losses are recorded by companies in the financial sector.

3.4 Capital Allowances

Companies are entitled to capital allowances in respect of certain expenditure and these can be set against profits. Table 7 shows the amount of certain capital allowances claimed in 2014 and 2015 returns.[6] The value of claims in respect of intangible assets increased by €26 billion. This accounts for almost all of the increase in capital allowances claims for plant & machinery that, in the absence of the increase in intangible claims, would have increased more modestly by €502 million (+2.2 per cent).

Table 7 – Certain Capital Allowances Claimed

Description	Amount Claimed €m		Variance	
	2014	2015	€m	%
Plant & machinery	23,233	49,955	26,722	115%
Of which intangible assets*	2,652	28,872	26,220	989%
Industrial buildings	509	547	38	7%

Source: Revenue analysis.
* Includes claims made under both the accounts based and straight line allowance.[7]

[6] 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.
[7] Section 291A Taxes Consolidation Act (TCA) 1997 allows for a company to claim capital allowances on specified intangible assets (such as patents, trademarks, copyrights, etc.) using one of two methods. The first, as per s291A(3) TCA 1997, is to depreciate the asset in accordance with generally accepted accounting principles as charged to the company's profit and loss statement. In the alternative, a company may elect under s291A(4) TCA 1997 to claim capital allowances on specified intangible assets on a straight-line basis at 7% for 14 years and 2% in the final 15th year. The value of s291A TCA 1997 claims as shown above include claims under both the accounts based and straight-line methods of calculation.

The increase in the non-intangible components of plant & machinery capital allowances results in a tax reduction of about €60 million (assuming that the full benefit could be realised in one year).

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.[8] Income arising not related to the use of the intangible assets is still taxable.

3.5 Capital Gains

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 per cent of the value of the gain.

Albeit from a small base, Table 8 shows a 19 per cent increase in the number of companies that report gains on their CT1 return for 2015. The actual value of the increase in capital gains is around €340 million, or approximately 57 per cent. The associated increased gross tax due in relation to gains is €113 million.

Table 8 - Number and Value of Companies' Capital Gains

Number of Companies		Variance		Capital Gains €m		Variance	
2014	2015	No.	%	2014	2015	€m	%
910	1,080	170	18.7%	604	948	343	56.8%

Source: Revenue analysis.

3.6 Research and Development Tax Credit

The Research and Development (R&D) tax credit provides relief for qualifying expenditure on certain research activities. Table 9 shows an increase of €86 million (+15.5 per cent) in the cost to the Exchequer of the R&D credit in 2015 returns. However, the number of companies that have utilised the credit dips from 1,570 to 1,276 (-18.7 per cent).[9]

[8] Section 291A TCA 1997.
[9] R&D data will be revised upwards when final 2015 returns data become available.

Table 9 – Exchequer Cost and Number of Companies Claiming the R&D Credit

Year	Exchequer Cost €m	Number of Companies
2009	216	900
2010	224	1,172
2011	261	1,409
2012	282	1,543
2013	421	1,576
2014	553	1,570
2015	639	1,276

Source: Revenue analysis.

3.7 Summary of 2015 Returns

The €46 billion increase in trading profits is the key driver for increased 2015 CT liabilities. As noted by Central Statistics Office (CSO), nominal GDP increased by €62 billion (32.4 per cent) in 2015.[10] This was largely underpinned by the gross stock of assets in the economy increasing by €350 billion. Capital stock can increase through investment and balance sheet movements. According to the CSO, there were increased airplane imports into Ireland and corporate restructurings (including inversions) involving the movement of assets to Ireland. The effect is increased productive capacity in the economy.

This is consistent with growth in trading profits in CT1 returns. Applying the statutory rate of CT 12.5 per cent, on a straight-line basis, to the increase of €46 billion in trading profits is equivalent to €5.8 billion in tax. However, as the increased intangible asset claims are used against a significant portion of increased profits, the underlying increase in non-intangible asset related trading profits is closer to €20 billion or approximately €2.5 billion in tax. Similarly, applying the estimated effective rate for 2015 of 9.8 per cent (noted in Section 2) would be an increase of nearly €2 billion. Notwithstanding the differences in tax year liability for a particular year and CT payments made within a calendar year, this is close to the €2.2 billion increase in receipts in 2015.

Analysis of 2015 returns also shows that receipts are bolstered by additional tax payments from companies that claimed losses forward on their earlier tax returns but did not claim any on their 2015 returns.

[10] See http://www.cso.ie/en/releasesandpublications/er/nie/nationalincomeandexpenditureannualresults2015/.

4 Corporation Tax Payments in 2016

4.1 Overview

Net CT receipts in 2016 (i.e., tax paid during the calendar year regardless of the tax year to which it relates) exceeded both forecasts for the year and the prior year's receipts. The year-on-year increase in net receipts is €480 million (+7 per cent).

Table 10 – Net Corporation Tax Receipts

Year	Net Receipts €m	Increase €m	Increase %
2015	6,873	2,256	49%
2016	7,353	480	7%

Source: Revenue analysis

Approximately 86 per cent (€6,357 million) of net CT payments in the 2016 calendar year relate to preliminary tax and other payments, whereas the remainder is in respect of balances for earlier years.[11] While payment of balances decreased by €70 million, the value of preliminary tax and other payments increased by over €550 million.

Table 11 – Net Receipts by Balances and Preliminary Tax

Payment Type	Amount €m		Variance	
	2015 €m	2016 €m	€m	%
Balances	1,070	996	-74	-6.9%
Preliminary Tax and Other Payments	5,803	6,357	554	9.5%
Total	**6,873**	**7,353**	**480**	**7.0%**

Source: Revenue analysis.

Both the numbers of gross and net CT payers increased in recent years. Since 2014, the number of gross CT payers has increased by over 8,300 (+22 per cent), whereas the number of net payers has increased by nearly 8,500 (+24 per cent) in the same period. Of the €480 million increase in net CT receipts in 2016, approximately €345 million is paid by 14,400 companies that did not pay CT in 2015.

Table 12 – Number of Gross and Net Corporation Tax Payers

Year	No. Gross Payers	No. Net Payers
2014	37,980	35,654
2015	42,124	39,910
2016	46,298	44,149
2016 Growth	**9.9%**	**10.6%**

Source: Revenue analysis.

[11] The Appendix provides a brief overview of CT payment dates for large companies.

Repayments, either as a monetary refund or an offset against liabilities under other taxheads, amount to about €850 million in 2016 (an increase of €70 million or 8.9 per cent). It should be noted that repayments are an inherent part of the taxation system and there are a number of reasons why companies might be entitled to a refund.[12]

Table 13 – Amount of Corporation Tax Repayments

Year	Repayments €m
2014	682
2015	784
2016	854

Source: Revenue analysis.

4.2 Large Cases and Concentration of Payments

Revenue's Large Cases Division ("LCD") has responsibility for managing the tax affairs of the largest taxpayers. Net CT receipts from LCD companies in 2016 increased by €506 million (+9 per cent) when compared with 2015. Net CT receipts from these companies totalled €6,034 million or 82 per cent of the overall CT yield. Net receipts from non-LCD companies decreased marginally by €24 million (-2 per cent) when compared with 2015.

Table 14 – Corporation Tax Receipts by LCD and non-LCD Cases

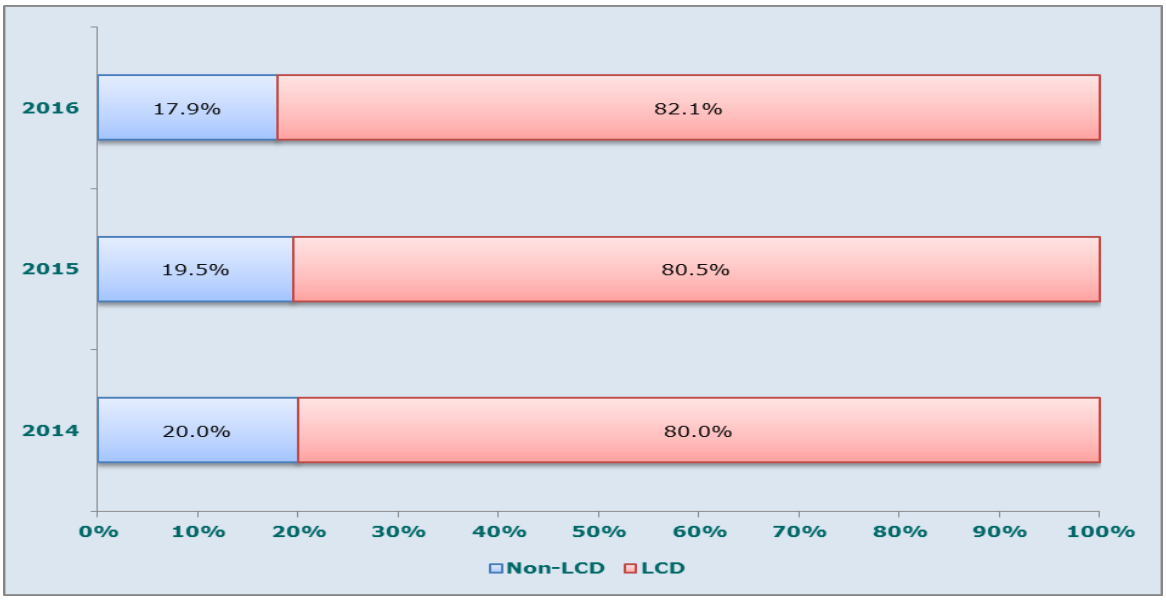
Year	Gross Receipts		Net Receipts	
	Non-LCD Receipts €m	LCD Receipts €m	Non-LCD Receipts €m	LCD Receipts €m
2015	1,699	5,948	1,343	5,528
2016	1,712	6,537	1,319	6,034

Source: Revenue analysis.

Figure 2 provides an illustration of the portion of net CT receipts attributable to LCD and non-LCD companies since 2014 and this shows the split is relatively stable.

[12] These include overpayment of preliminary tax (e.g., due to lower than expected profits at the end of the accounting period), carry-back of losses to the previous accounting period (subject to a one year limit), terminal loss relief when a company ceases to trade, and the repayable R&D tax credit subject to the requirements of sections 766 and 766A TCA 1997. Further details on the R&D tax credit can be found at http://www.revenue.ie/en/tax/ct/research-development.html.

Figure 2 – Net Corporation Tax Receipts by LCD and Non-LCD Companies



Source: Revenue analysis.

Net receipts received from the 10 largest payers in 2016 are €43 million (-1.5 per cent) lower than payments by the 2015 top 10 companies. Having increased to over two-fifths of the total CT receipts in 2015, the proportion of CT paid by the top 10 dropped 4 percentage points to 37 per cent in 2016. It should be noted that this is calculated on an entity level basis (i.e., individual companies), rather than on the basis of payments by groups of companies.

Table 15 – Corporation Tax Receipts from Top 10 Payers

Year	Gross Receipts		Net Receipts	
	Receipts €m	% of Gross Receipts	Receipts €m	% of Net Receipts
2006	1,142	16%	1,107	17%
2007	1,036	14%	1,007	16%
2008	932	16%	903	18%
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%

Source: Revenue analysis.

Another view of the ten largest cases is shown in Table 16. This table takes the ten largest companies in each year and shows the payments of these cases across multiple years. It is indicative of the change in the composition of the top ten but also the

volatility in CT receipts from year to year, in part explaining the difficulty in forecasting for this tax. Table 17 shows the same information but expressed as shares of receipts in each year, rather than the monetary amount of receipts.

Table 16 – Corporation Tax Receipts from Each Year's Top 10 Payers

€m	Net CT Paid In Year				
Top Ten in Year	2012	2013	2014	2015	2016
2012	**1,414**	1,417	1,306	1,960	1,895
2013	1,272	**1,551**	1,383	2,020	2,053
2014	1,227	1,416	**1,728**	2,659	2,346
2015	1,123	1,301	1,545	**2,798**	2,314
2016	1,071	1,314	1,554	2,647	**2,755**

Source: Revenue analysis.
Note: Central axis (bolded) matches the € amounts for net receipts from top ten payers in Table 15.

Table 17 – Share of Corporation Tax Receipts from Each Year's Top 10 Payers

	Net CT Paid In Year				
Top Ten in Year	2012	2013	2014	2015	2016
2012	**34%**	33%	28%	29%	25%
2013	31%	**36%**	30%	30%	28%
2014	29%	33%	**37%**	39%	32%
2015	27%	30%	33%	**41%**	31%
2016	26%	31%	33%	39%	**37%**

Source: Revenue analysis.
Note: Central axis (bolded) matches the % for net receipts from top ten payers in Table 15.

4.3 Foreign Owned Companies

Net CT receipts from foreign owned multinational companies accounted for around 80 per cent of net CT receipts in 2015. A similar proportion of net receipts in 2016 are attributed to foreign owned multinational companies operating in Ireland.

4.4 Range of Payments

Tables 18 and 19 show the range of both gross and net CT receipts – companies not paying tax or in a repayment position are excluded. Table 18 shows the results for all companies and Table 19 shows separately the outcome for companies identified as foreign owned multinationals.

Nearly two-thirds (64 per cent) of the total net CT paid in 2016 is attributed to payments greater than €10 million. Three-quarters of CT payers paid an amount less than or equal to €20,000, which account for slightly less than 2 per cent of total net receipts.

Table 18 – Distribution of Gross and Net Receipts 2016

Range of CT €	Gross Receipts		Net Receipts	
	% of Gross Cases	% of Gross CT Paid	% of Net Cases	% of Net CT Paid
1 - 20,000	75.7%	2.0%	75.6%	1.9%
20,001 - 40,000	9.1%	1.4%	9.1%	1.4%
40,001 - 60,000	3.9%	1.1%	3.9%	1.0%
60,001 - 80,000	2.2%	0.9%	2.2%	0.8%
80,001 - 100,000	1.5%	0.7%	1.4%	0.7%
100,001 - 200,000	3.1%	2.5%	3.1%	2.4%
200,001 - 500,000	2.2%	3.8%	2.2%	3.7%
500,001 - 1,000,000	1.0%	3.9%	1.0%	3.8%
1,000,001 - 5,000,000	1.0%	12.1%	1.0%	11.8%
5,000,001 - 10,000,000	0.2%	7.8%	0.2%	8.2%
10,000,001 +	0.2%	63.9%	0.2%	64.3%
Total	**100%**	**100%**	**100%**	**100%**

Source: Revenue analysis.

Table 19 – Distribution of Gross and Net Receipts 2016 (Foreign MNCs Only)

Range of CT €	Gross Receipts		Net Receipts	
	% of Gross Cases	% of Gross CT Paid	% of Net Cases	% of Net CT Paid
1 - 20,000	25.1%	0.0%	23.8%	0.0%
20,001 - 40,000	6.8%	0.0%	6.9%	0.0%
40,001 - 60,000	2.9%	0.0%	2.9%	0.0%
60,001 - 80,000	2.7%	0.0%	2.3%	0.0%
80,001 - 100,000	2.8%	0.0%	3.0%	0.0%
100,001 - 200,000	8.1%	0.2%	7.9%	0.2%
200,001 - 500,000	10.5%	0.6%	11.1%	0.6%
500,001 - 1,000,000	8.8%	1.1%	8.8%	1.1%
1,000,001 - 5,000,000	19.9%	8.5%	20.0%	8.2%
5,000,001 - 10,000,000	5.3%	7.5%	6.0%	8.0%
10,000,001 +	7.2%	81.9%	7.3%	81.8%
Total	**100%**	**100%**	**100%**	**100%**

Source: Revenue analysis.

4.5 Sectors

Table 20 provides a breakdown of the net CT paid by sector. The sector with the largest payments is the financial & insurance activities sector, which accounts for 28 per cent of the net receipts.[13] This is followed closely by the manufacturing sector. Figure 3 presents a treemap chart illustrating net CT receipts by sector and the number of companies contributing to the net receipts. The colour gradient indicates the amount of CT paid by each sector, with a darker shade indicating higher levels of net payments. The size of each box indicates the number of companies within the sector contributing to the net receipts, with a larger area meaning more companies are in that sector.

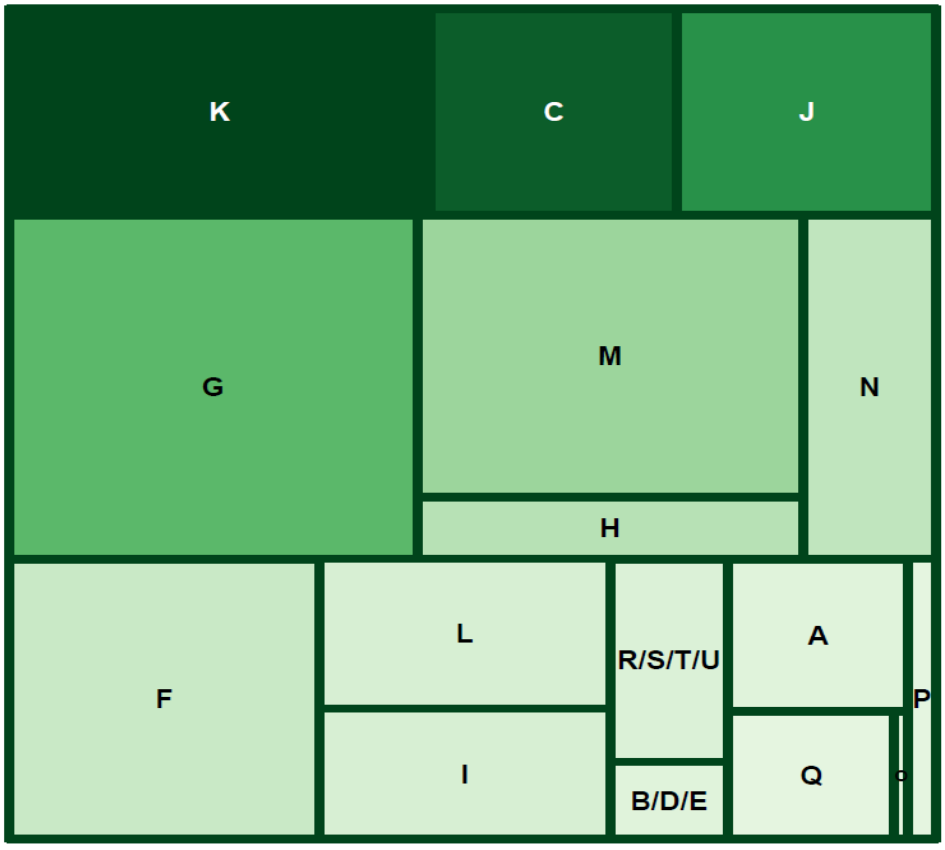
[13] It should be noted that where a multinational group has multiple affiliates, these will each be allocated a NACE code based on their own activity. For example, a company engaged in treasury operations for a pharmaceutical group would be coded to the Financial & Insurance sector rather than pharma.

Table 20 – Net Corporation Tax Paid by Sector 2016

	Sector	Net CT €m	Net CT %
A	Agriculture, Forestry and Fishing	39.3	0.5%
B/D/E	Mining and Quarrying, Utilities	40.5	0.6%
C	Manufacturing	1,875.6	25.5%
F	Construction	153.1	2.1%
G	Wholesale and Retrail Trade, Repair of Motor Vehicles and Motorcycles	993.1	13.5%
H	Transportation and Storage	243.9	3.3%
I	Accommodation and Food Service Activities	83.7	1.1%
J	Information and Communication	1,229.3	16.7%
K	Financial and Insurance Activities	2,058.3	28.0%
L	Real Estate Activities	90.2	1.2%
M	Professional, Scientific and Technical Activities	322.8	4.4%
N	Administrative and Support Service Activities	177.1	2.4%
O	Public Administration and Defence	4.3	0.1%
P	Education	2.9	0.0%
Q	Human Health and Social Work Activities	-15.4	-0.2%
R/S/T/U	Other Activities and Sectors	54.2	0.7%
	Total	**7,353**	**100.0%**

Source: Revenue analysis.

Figure 3 – Net Corporation Tax Paid by Sector 2016



Source: Revenue analysis.
Note: Letter identifiers for sectors are shown in Table 20; size of each box is reflects the number of companies; colour gradient indicates the amount of CT paid, with a darker shade indicating higher payments.

4.6 Payroll Taxes

Besides CT, companies contribute to the Exchequer by collecting and paying over payroll taxes. Tables 21 and 22 breakdown the value of PREM payments (i.e., PAYE, USC and PRSI remitted by employers) and total employment income (paid to their employees) in 2015 by ranges of gross CT paid. Table 21 displays data in respect of foreign owned multinational companies (MNCs) only, whereas Table 22 shows all other companies.

The tables show a combined total of nearly 1.1 million employments in companies that paid gross CT. An employment differs from an employee, as an employee may have more than one employment (e.g., changing employment during the year or having a second employment). Figure 4 shows employments by county.

Table 21 – PREM Payments (Foreign Owned MNCs only) 2015

Range of Gross CT €	Number of Employments	Number of Companies with Positive PREM Payments	Value of PAYE/USC Payments €m	Value of PRSI Payments €m	Employment Income €m
1 - 20,000	39,323	767	315	173	1,249
20,001 - 40,000	10,651	195	114	62	431
40,001 - 60,000	6,679	113	72	40	276
60,001 - 80,000	15,944	93	97	39	383
80,001 - 100,000	7,309	80	96	49	335
100,001 - 200,000	28,365	200	244	135	953
200,001 - 500,000	47,397	208	413	214	1,541
500,001 - 1,000,000	44,361	135	381	215	1,508
1,000,001 - 5,000,000	74,979	186	678	371	2,633
5,000,001 - 8,000,000	12,057	34	172	84	585
8,000,001 +	49,285	171	722	347	2,471
Total	**336,350**	**2,182**	**3,304**	**1,730**	**12,363**

Source: Revenue analysis. Notes: CT payment amount is gross rather than net; the data exclude companies that had no CT liability or a negative gross CT payment in 2015.

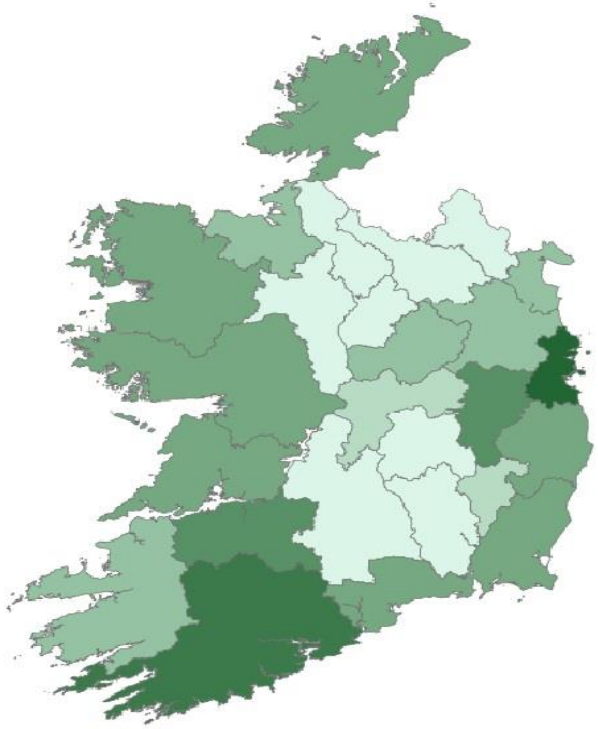
Table 22 – PREM Payments (All Other Companies) 2015

Range of Gross CT €	Number of Employments	Number of Companies with Positive PREM Payments	Value of PAYE/USC Payments €m	Value of PRSI Payments €m	Employment Income €m
1 - 20,000	357,096	26,923	1,220	758	6,565
20,001 - 40,000	110,270	2,987	431	283	2,234
40,001 - 60,000	56,576	1,210	242	157	1,199
60,001 - 80,000	33,903	618	148	96	741
80,001 - 100,000	22,600	390	101	68	513
100,001 - 200,000	70,299	803	354	227	1,666
200,001 - 500,000	100,196	491	437	301	2,165
500,001 - 1,000,000	25,212	138	138	93	654
1,000,001 - 5,000,000	38,302	94	330	192	1,353
5,000,001 - 8,000,000	1,065	8	11	6	42
8,000,001 +	62,370	2,359	399	209	1,750
Total	**877,889**	**36,021**	**3,812**	**2,388**	**18,881**

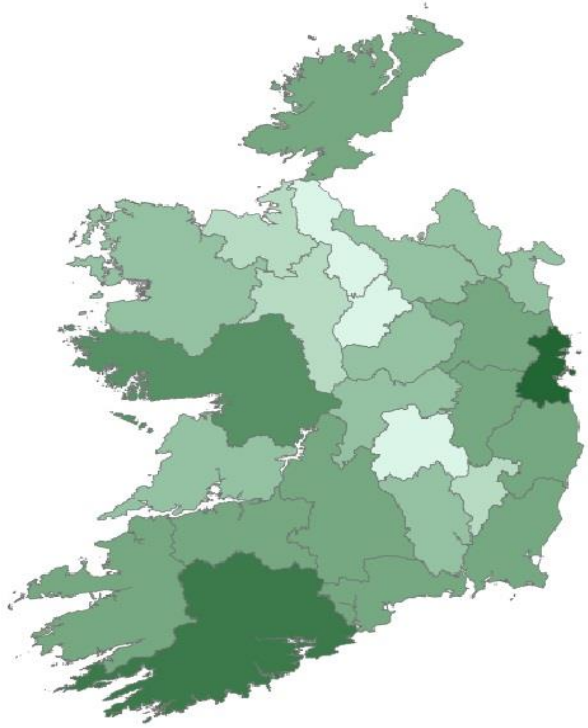
Source: Revenue analysis. Notes: CT payment amount is gross rather than net; the data exclude companies that had no CT liability, or a negative gross CT payment in 2015.

Figure 4 – Employment by County 2015

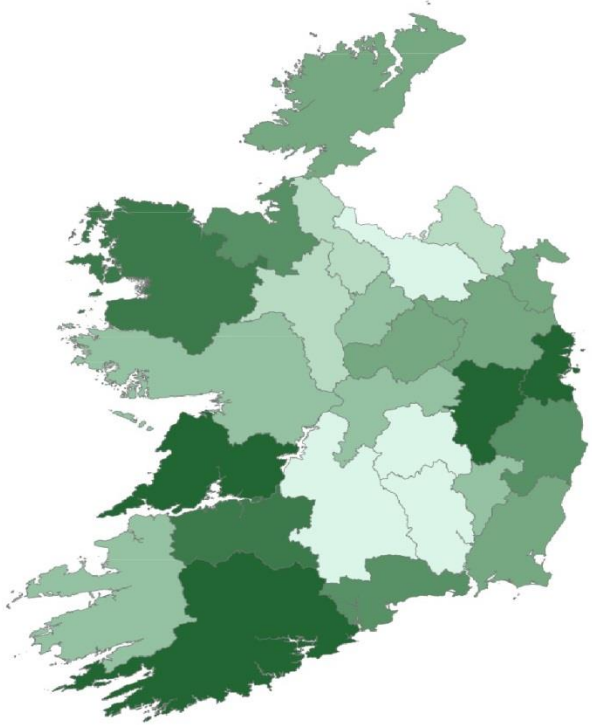
Employment Foreign Owned MNCs only



Employment All Other Companies



Employment by Foreign Owned MNCs as a Share of Employment by All Companies



Source: Revenue analysis.

5 Conclusion

This paper reviews data from CT returns in respect of accounting periods ending in 2015 to explore the reasons for increased tax liabilities in this year. The paper also summarises the trends in payments in 2016.

An international comparison of corporate tax rates in certain OECD countries, as well as the proportion of corporate tax revenues relative to GDP and total tax shows Ireland's CT yield as a percentage of GDP is found to be equal to that of the OECD average, but as a share of total tax CT yield is almost 4 percentage points higher.

The results show that a large contributing factor to increased CT receipts in 2015 is a €46 billion (49 per cent) increase in trading profits. Improved trading conditions and increases of productive capital stock have led to a higher level of profits being taxed and thus a higher tax yield. It is notable that nearly all sectors record increases in profits.

The increased value of capital allowances claimed for intangible assets is significant in 2015. The effect of the increased allowances would be to reduce tax liability. However, capital allowances granted in respect of intangible assets can reduce only income attributable to the use of those intangibles.

In tandem with increased profits, there are also additional tax payments by companies that claimed losses forward on their earlier tax returns but did not claim any on their 2015 returns. As more companies exhaust losses going forward, more profits are taxed. As long as positive trading conditions continue, it would be expected that further companies currently not paying tax on their trading profits will begin to do so over the coming years.

Receipts in 2016 are 7 per cent higher than the previous year. Data indicate that the number of net CT payers increased by 11 per cent. Of the €480 million increase in net CT receipts in 2016, €345 million is paid by companies that did not pay CT in 2015.

Payments by LCD companies continue to account for over four-fifths of the total CT yield (82.1 per cent in 2016) and nearly all of the increase in receipts in 2016. Notwithstanding this, 37 per cent of the receipts are paid by the 10 largest companies, a 4 percentage point decrease compared to 2015.

Appendix – Pay & File Cycle for Large Companies

A distinction is drawn between liability as calculated on the CT1 returns in respect of accounting periods ended in 2015, and CT paid within a calendar year due to the CT payment cycle. Large companies[14] pay their CT liability in a number of instalments: the first preliminary tax ("PT") payment is made in the 6th month of the company's accounting period, and the second preliminary tax payment in the 11th month. The balance of any tax owed is paid with the filing of the CT1 return 9 months after the end of the accounting period.

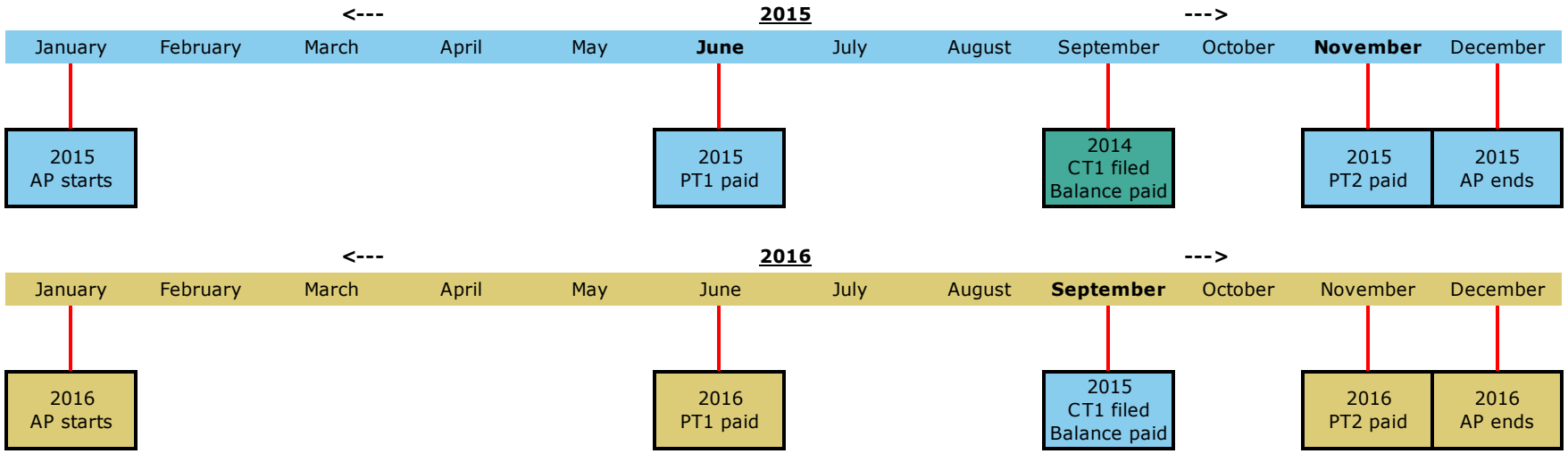
Taking a company with a 12 month accounting period ending 31 December, Figure A1 below shows their compliance cycle. In this instance, the company pays PT1 and PT2 in June (6th month) and November (11th month) respectively and therefore satisfies most of its anticipated liability within the same calendar year. The balance of their liability is then paid when filing the annual CT1 return in September of 2016.

However, a company can have an accounting period ended in any month of the year. Figure A2 shows the compliance cycle for 2015 in respect of a large company with an accounting period ending 30 June. For this company, PT1 is paid in December 2014 (i.e., before the 2015 calendar year begins), PT2 in May 2015, and the balance of the tax in March 2016. Therefore, only 1 of the 3 CT payments related to this 2015 liability is paid within the 2015 calendar year.

The timing of compliance cycle also underlines the difficulties in forecasting of receipts. Companies are required to estimate year end profits and tax due in the 6th month and again in the 11th month. Variations or changes in these may cause deviations in receipts from targets as the year progresses. However, tax receipt forecasts are usually set in October of the proceeding year, for example in October 2015 for 2016 receipts, and this is done in the absence of full year receipts for 2015 for most companies (and 2014 is the most recent year for returns are filed).

[14] Special rules apply to small companies, i.e., those with a liability of €200,000 or less in the previous accounting period, and start-up companies.

Figure A1 – Compliance Cycle for Large Company with AP end 31 December



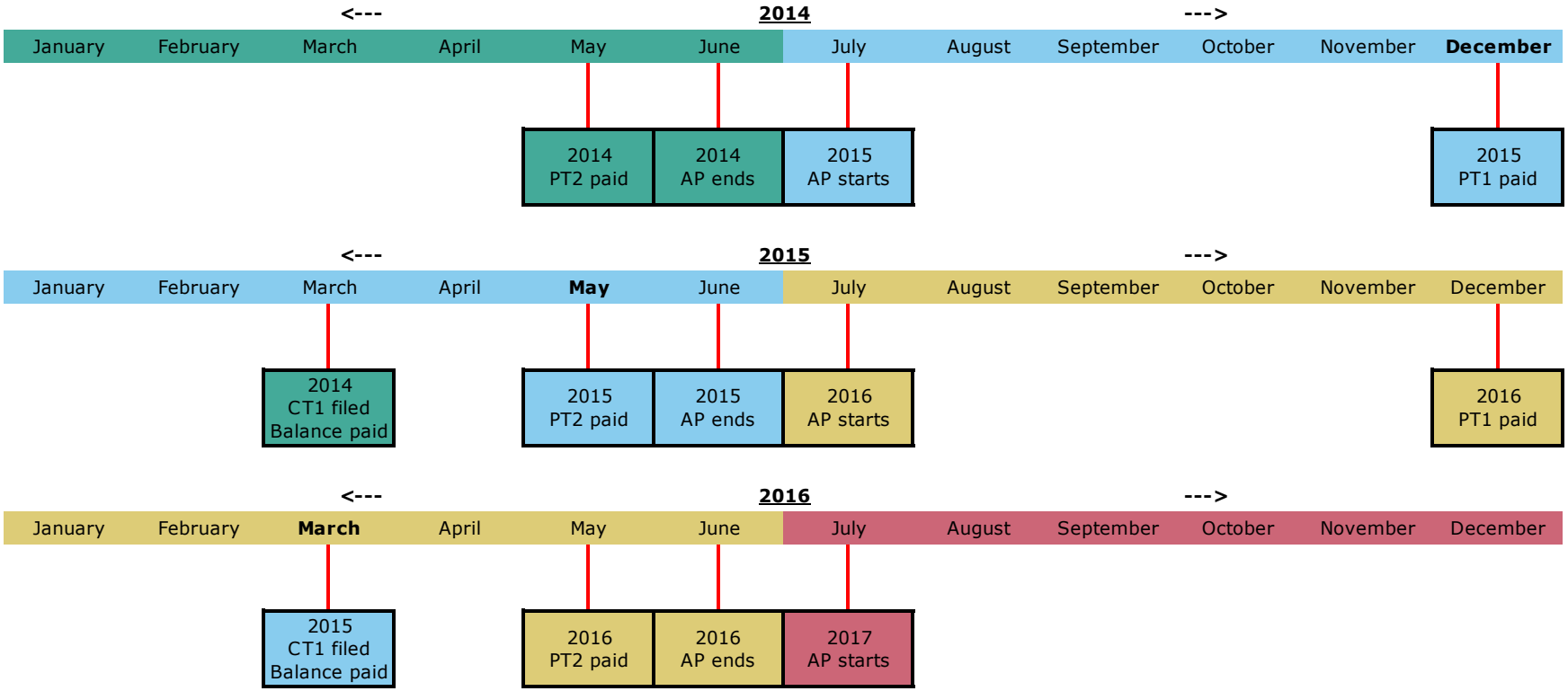
Colour key:

2014	
2015	
2016	
2017	

AP	Accounting period
CT1	Corporation Tax return
PT	Preliminary tax

Source: Revenue analysis.

Figure A2 – Compliance Cycle for Large Company with AP end 30 June



Colour key: 2014, 2015, 2016, 2017

AP Accounting period
CT1 Corporation Tax return
PT Preliminary tax

Source: Revenue analysis.