An Analysis of Corporation Tax Receipts in 2014-2015

April 2016

Statistics & Economic Research Branch

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

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Paul Tancred

The author is a member of the Statistics and 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.

Any queries in relation to this paper can be sent to statistics@revenue.ie.

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1 Introduction

Corporation Tax ("CT") net receipts of €6.87 billion in the 2015 tax year far exceeded both the prior year's receipts (+49%) as well as the 2015 forecast (+50%).[1] Gross CT receipts (i.e., before repayments or similar) increased from €5.23 billion in 2014 to €7.66 billion in 2015 (growth of +46%).

This paper presents a breakdown of the data underlying these increased receipts, as well as reviewing a number of related issues.

Table 1 – Net Corporation Tax Receipts versus Forecast

Corporation Tax Net Receipts versus Forecast			
	2014	**2015**	**Year on Year Change**
Forecast €m	4,380	4,575	**4%**
Receipts €m	4,617	6,873	**49%**
Deviation from Target	**5%**	**50%**	

Source: Revenue analysis.

It should be noted that all analysis in this paper is based on provisional tax receipts data (as available in early 2016) for 2015 and tax returns for 2014 (the most recent year available and also provisional in nature).

[1] Provisional Revenue net receipts figures, may differ from those published in Revenue's Annual Report or Exchequer Receipts published by Department of Finance.

2 International Comparisons and Effective Rates

In both 2014 and 2015 Ireland had the lowest statutory corporate income tax rate of OECD countries at 12.5%. Despite the lower rate, CT receipts in Ireland account for 8.3% of total tax revenue in 2014 and this is equivalent to 2.5% of GDP, both of which are within half a percentage point of the average for OECD countries.

Table 2 – Corporate Tax Rates and Receipts in Selected OECD Countries

2014 Corporate Tax Rates and Receipts Data in Select OECD Countries*			
Country	**Combined Corporate Tax Rate %**	**Corporate Tax Receipts as % of GDP**	**Corporate Tax Receipts as % of Total Tax**
Austria	25.0%	2.1%	5.0%
Belgium	34.0%	3.2%	7.1%
Czech Republic	19.0%	3.6%	10.8%
Denmark	24.5%	2.7%	5.3%
France	34.4%	2.0%	4.5%
Germany	30.2%	1.5%	4.2%
Ireland	**12.5%**	**2.5%**	**8.3%**
Italy	27.5%	2.7%	6.3%
Luxembourg	29.2%	4.3%	11.4%
Norway	27.0%	7.1%	18.2%
Spain	30.0%	1.9%	5.9%
Sweden	22.0%	2.6%	6.1%
Switzerland	21.2%	2.8%	10.5%
United Kingdom	21.0%	2.3%	7.0%
United States	39.1%	2.4%	9.1%
Average of Above	26.4%	2.9%	8.0%
OECD Average**	25.3%	2.8%	7.9%

* Source: 2014 OECD Revenue Statistics

** Includes only OECD countries for which 2014 GDP and total tax revenue data are available

The effective tax rate for companies is always lower than statutory rate due to the application of certain reliefs and credits. The issues around calculating effective rates in Ireland are well documented in a Department of Finance technical paper.[2] This technical paper shows a wide range of estimates, ranging from 2.2% to 15.5%, but concludes that 'Tax Due' as a proportion of taxable income from Revenue's Corporation Tax statistics data provides one of the best estimates of the effective rate of CT on the total profits that are subject to Irish tax.

Based on this definition, effective CT rates are 10.4%, 10.1% and 10.1% for 2011-2013. A provisional analysis of tax returns indicates that the effective rate of CT is 9.7% in 2014 (latest year available). The decrease in 2014 is attributable to increased R&D credit claims and film relief, were these unchanged the rate in 2014 would be 10.1%.

[2] Available at http://www.budget.gov.ie/Budgets/2015/Documents/Technical_Paper_Effective_Rates_Corporation_Tax_Ireland.pdf.

3 Corporation Tax Receipts in 2014 and 2015

3.1 Overview

As noted in the introduction, CT receipts of €6.87 billion in tax year 2015 are €2.2 billion above 2014 receipts (+49%). The increase is explained by a number of factors.

First, balances associated with earlier accounting periods in 2015 are more than €400 million higher than balances for earlier periods in 2014, as shown in Table 3.

Table 3 – Balances Associated with Earlier Accounting Periods

Balances Associated with Earlier Accounting Periods		
	2014	**2015**
Balances €m	655	1,069
Preliminary Tax and Other Payments €m	3,962	5,802
Total €m	**4,617**	**6,873**

Source: Revenue analysis.

Second, approximately €470 million in payments are received from roughly 16,000 companies that did not pay CT in 2014. This represents over 10% of companies. Growth in the overall number of positive CT payers is also observed between 2014 and 2015 with approximately 12% more CT payers having an overall positive net payment in the latter year as shown in Table 4.[3] Gross payers (before repayments) increase by 11%.

Table 4 – Number of Corporation Tax Payers by Year

Number of CT Payers by Year		
Year	**Number of Gross Payers**	**Number of Net Payers**
2014	37,980	35,654
2015	42,124	39,910
Growth	**10.9%**	**11.9%**

Source: Revenue analysis.

Third, companies that paid CT in 2014 paid more than €1.8 billion additional CT in 2015 (over €400 million of which is in respect of balances associated with earlier accounting periods). Of this €1.8 billion, approximately 78% (€1.4 billion) is received from payments made by foreign owned multinational corporations ("MNCs"), with the remaining €400 million being paid by indigenous firms.

A further factor is that the level of repayments made in 2015 is proportionally lower than in 2014. Though the monetary value of repayments made in respect of CT in 2015 is

[3] It should be noted that there remains a significant majority of the approximately 135,000 companies filing CT1 returns making neither positive gross or net payments of CT.

15% higher than in the previous year, when viewed in the context of the increased receipts the repayments are proportionally lower. Not all repayments are provided to companies by way of a monetary refund, rather some opt to offset the value of their repayments against other tax liabilities.

Table 5 – Corporation Tax Repayments by Year

Corporation Tax Repayments by Year	
Year	**Repayments €m**
2014	682
2015	784

Source: Revenue analysis.

3.2 Large Cases and Concentration of Payments

A breakdown of receipts by companies within Revenue's Large Cases Division ("LCD") and non-LCD companies, shown in Table 6, illustrates that net receipts in each increased in similar proportions, both in the region of 50%. Gross receipts from LCD companies also grew by 50%, whereas gross receipts from non-LCD companies grew by 39%.

Table 6 – Gross and Net Corporation Tax Paid by LCD and non-LCD Companies

Corporation Tax Paid by LCD and non-LCD Companies				
GCD	**Gross Receipts**		**Net Receipts**	
	Non-LCD Receipts €m	**LCD Receipts €m**	**Non-LCD Receipts €m**	**LCD Receipts €m**
2014	1,225	4,057	922	3,695
2015	1,699	5,948	1,343	5,528
Growth	**39%**	**50%**	**46%**	**50%**

Source: Revenue analysis.

Previous Revenue research documents the concentration of CT payments from the largest companies.[4] Receipts from the ten companies with the largest CT payments were €1.7 billion (approximately 37% of receipts overall) in 2014, with this figure increasing to €2.8 billion (almost 41%) of 2015 receipts as shown in Table 7. The share of gross receipts from the top ten is slightly lower in both years.

Table 7 – Corporation Tax Receipts by Top Ten Payers

Corporation Tax Receipts by Top Ten Payers				
Year	**Gross Receipts**		**Net Receipts**	
	Receipts €m	**% of Gross Receipts**	**Receipts €m**	**% of Net Receipts**
2014	1,729	32.7%	1,728	37.4%
2015	2,801	36.6%	2,798	40.7%

Source: Revenue analysis.

[4] Available at: http://www.revenue.ie/en/about/publications/corporation-tax.pdf.

3.3 Payments by Range

Table 8 details the percentage of total CT paid in a number of distributional ranges, and includes both multinational corporations as well as indigenous firms in 2014. A significant majority of net payments, more than two thirds, are made by companies that paid €5 million or more in CT. Examining the lower bands reveals approximately 18% of the total value of payments is received from corporate entities paying between €1 and €1 million.

In comparison in Table 9, more than 72% of net CT paid in 2015 was from companies paying a sum greater than €5 million and slightly less than 15% coming from payments of less than €1 million.

Tables 8 and 9 show both net and gross receipt data, the same net receipts data are displayed and compared graphically in Figure 1.

3.4 Payments by Foreign Owned and Indigenous Companies

Foreign owned MNCs account for around 80% of CT receipts and contribute approximately the same share of the increase in receipts in 2015.

Tables 10 and 11 show gross and net CT paid by range for foreign owned MNCs only (compared to Tables 8 and 9 that show the same information for all companies). Figure 2 shows the net receipts information from Tables 10 and 11 in chart form.

When MNCs are isolated there is a notably strong concentration of CT payments in the highest distributional bands. More than 97% of the net CT paid by multinational corporations in 2014 is accounted for by payments of at least €1 million. A similar pattern emerges for 2015 in bands up to and including €1 million payments. Payments between €1 million and €5 million in 2015 account for 2.4 percentage points less of the overall receipts, whereas the value of payments greater than €10 million increased by 5.6 percentage points.

Tables 8 through 11 reflect only those companies making positive CT payments in either year (as shown in Table 4).

Table 8 – Distributional Breakdown of Corporation Tax paid in 2014

Corporation Tax Paid in 2014				
Range of CT €	Gross Receipts		Net Receipts	
	% of Gross Cases	% of Gross CT Paid	% of Net Cases	% of Net CT Paid
1 - 20,000	78.0%	2.4%	78.1%	2.3%
20,001 - 40,000	8.2%	1.7%	8.3%	1.6%
40,001 - 60,000	3.6%	1.3%	3.5%	1.2%
60,001 - 80,000	2.0%	1.0%	2.0%	1.0%
80,001 - 100,000	1.2%	0.8%	1.2%	0.8%
100,001 - 200,000	2.8%	2.9%	2.8%	2.7%
200,001 - 500,000	1.9%	4.3%	2.0%	4.3%
500,001 - 1,000,000	0.9%	4.4%	0.9%	4.3%
1,000,001 - 5,000,000	0.9%	14.4%	0.9%	13.9%
5,000,001 - 10,000,000	0.2%	8.6%	0.2%	8.8%
10,000,001 +	0.2%	58.3%	0.2%	59.2%
Total	**100%**	**100%**	**100%**	**100%**

Source: Revenue analysis.

Table 9 – Distributional Breakdown of Corporation Tax paid in 2015

Corporation Tax Paid in 2015				
Range of CT €	Gross Receipts		Net Receipts	
	% of Gross Cases	% of Gross CT Paid	% of Net Cases	% of Net CT Paid
1 - 20,000	76.8%	1.9%	76.9%	1.8%
20,001 - 40,000	8.5%	1.3%	8.5%	1.3%
40,001 - 60,000	3.5%	0.9%	3.4%	0.9%
60,001 - 80,000	2.1%	0.8%	2.1%	0.8%
80,001 - 100,000	1.4%	0.7%	1.5%	0.7%
100,001 - 200,000	3.2%	2.5%	3.2%	2.4%
200,001 - 500,000	2.1%	3.6%	2.1%	3.6%
500,001 - 1,000,000	0.9%	3.4%	0.9%	3.4%
1,000,001 - 5,000,000	1.0%	12.7%	1.0%	12.6%
5,000,001 - 10,000,000	0.2%	7.8%	0.2%	7.3%
10,000,001 +	0.2%	64.2%	0.2%	65.3%
Total	**100%**	**100%**	**100%**	**100%**

Source: Revenue analysis.

Table 10 – Distributional Breakdown of Corporation Tax paid by Foreign Owned MNCs in 2014

Corporation Tax Paid by MNCs in 2014				
Range of CT €	Gross Receipts		Net Receipts	
	% of Gross Cases	% of Gross CT Paid	% of Net Cases	% of Net CT Paid
1 - 20,000	29.6%	0.0%	27.8%	0.0%
20,001 - 40,000	6.4%	0.1%	6.2%	0.0%
40,001 - 60,000	5.1%	0.1%	4.6%	0.1%
60,001 - 80,000	3.5%	0.1%	4.5%	0.1%
80,001 - 100,000	3.1%	0.1%	2.7%	0.1%
100,001 - 200,000	6.0%	0.2%	6.1%	0.2%
200,001 - 500,000	10.8%	1.0%	11.2%	1.0%
500,001 - 1,000,000	7.4%	1.5%	7.7%	1.4%
1,000,001 - 5,000,000	17.6%	11.6%	17.9%	11.1%
5,000,001 - 10,000,000	4.6%	8.9%	4.8%	8.7%
10,000,001 +	6.0%	76.5%	6.4%	77.3%
Total	**100%**	**100%**	**100%**	**100%**

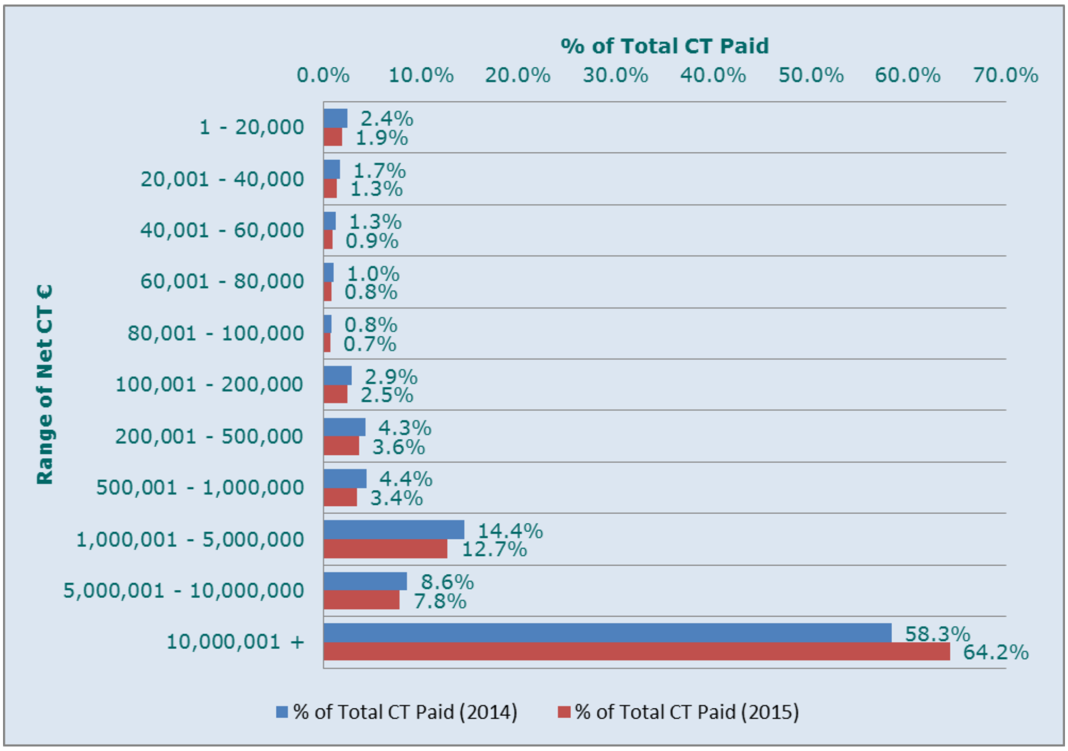
Source: Revenue analysis.

Table 11 – Distributional Breakdown of Corporation Tax paid by Foreign Owned MNCs in 2015

Corporation Tax Paid by MNCs in 2015				
Range of CT €	Gross Receipts		Net Receipts	
	% of Gross Cases	% of Gross CT Paid	% of Net Cases	% of Net CT Paid
1 - 20,000	27.3%	0.0%	25.0%	0.0%
20,001 - 40,000	5.4%	0.0%	4.9%	0.0%
40,001 - 60,000	3.9%	0.0%	4.0%	0.0%
60,001 - 80,000	3.0%	0.0%	3.0%	0.0%
80,001 - 100,000	2.6%	0.0%	2.5%	0.0%
100,001 - 200,000	8.2%	0.2%	8.9%	0.2%
200,001 - 500,000	9.3%	0.6%	9.1%	0.5%
500,001 - 1,000,000	8.7%	1.2%	9.5%	1.2%
1,000,001 - 5,000,000	19.5%	9.1%	20.1%	8.7%
5,000,001 - 10,000,000	5.1%	6.8%	5.2%	6.3%
10,000,001 +	7.1%	82.0%	7.8%	82.9%
Total	**100%**	**100%**	**100%**	**100%**

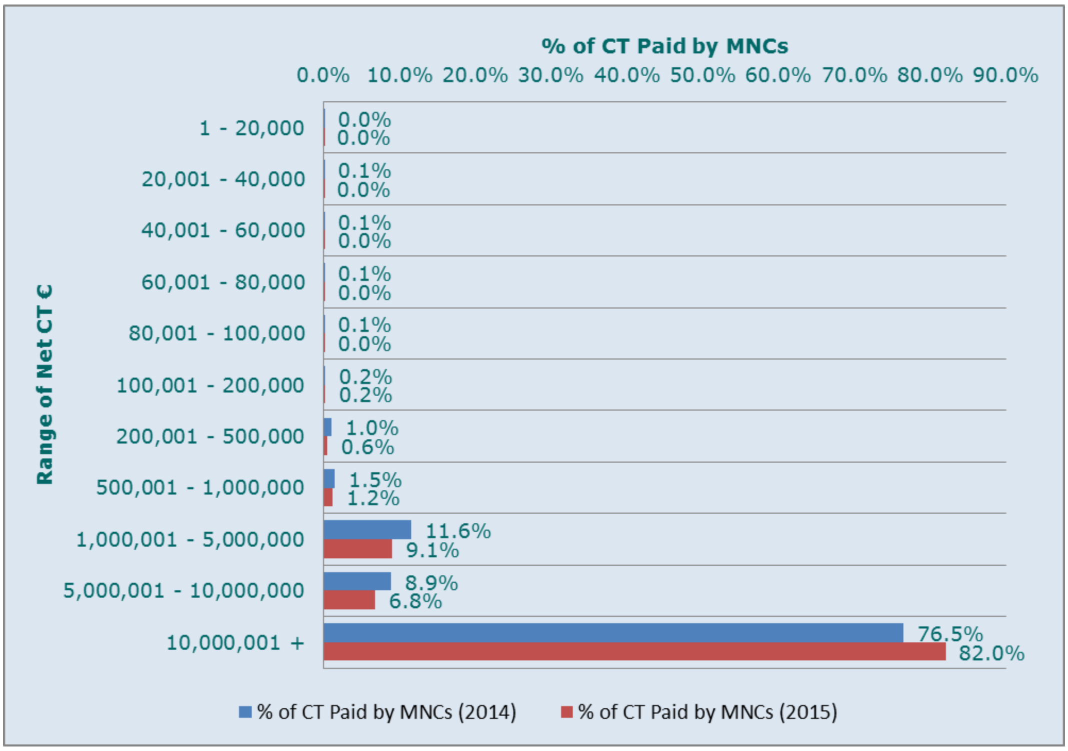
Source: Revenue analysis.

Figure 1 – Distribution of Net Corporation Tax paid in 2014 and 2015



Source: Revenue analysis.

Figure 2 – Distribution of Net Corporation Tax paid by Foreign Owned MNCs in 2014 and 2015



Source: Revenue analysis.

Overall, the growth in CT payments is attributable to both large (foreign owned) MNCs as well as indigenous firms operating solely in Ireland. It is notable that, while payments by MNCs are greatly concentrated in the highest distributional bands, 2015 saw a higher number of indigenous firms with net payments in the top bands than the year previous, as highlighted in Table 12.

Table 12 – Indigenous Companies Paying Net Corporation Tax over €1 Million

Number of Indigenous Companies Paying CT Greater than €1 Million		
Range of Net CT €	**2014**	**2015**
1,000,001 - 5,000,000	162	236
5,000,001 - 10,000,000	20	32
10,000,001 +	15	21
Total	**197**	**289**

Source: Revenue analysis.

3.5 Receipts by Sector

Table 13 shows the change in net CT paid by NACE sector between 2014 and 2015, and highlights strong growth in areas such as manufacturing and ICT, as well as financial services activities.

The increased CT receipts between 2014 and 2015 can be explained by reference to broad based growth throughout most sectors of the economy. High percentage growth rates are noted in several sectors but as these sectors are small payers in absolute (monetary) terms, this growth is not material to 2015 receipts.

Table 13 – Net Corporation Tax Paid by NACE Sector

Provisional Sectoral Breakdown of CT Receipts						
Trade Sector	2014 Net Collection %	2014 Net Collection €m	2015 Net Collection %	2015 Net Collection €m	Deviation 2014 to 2015 %	Deviation 2014 to 2015 €m
A Agriculture, forestry and fishing	0.6%	27.6	0.6%	41.2	49.4%	13.6
B Mining and Quarrying	0.7%	31.6	0.2%	13.7	-56.5%	-17.9
C Manufacturing	24.9%	1,148.7	26.5%	1,821.3	58.6%	672.7
F Construction	2.1%	94.9	1.6%	110.0	15.8%	15.0
G Wholesale and retail trade; Repair of motor vehicles and motorcycles	18.4%	850.4	16.5%	1,134.0	33.4%	283.7
H Transportation and Storage	1.9%	87.5	2.5%	171.8	96.4%	84.3
I Accommodation and food service activities	0.9%	42.4	0.8%	55.0	29.6%	12.6
J Information and Communication	19.7%	909.1	19.8%	1,360.9	49.7%	451.8
K Financial and Insurance Activities	22.5%	1,041.0	23.2%	1,594.5	53.2%	553.5
L Real estate activities	1.4%	65.0	1.3%	89.3	37.4%	24.3
M Professional, scientific and technical activities	2.7%	125.9	3.4%	233.7	85.6%	107.8
N Administrative and support service activities	1.9%	86.4	1.8%	123.7	43.1%	37.3
O Public administration and defence; compulsory social security	0.1%	3.6	0.1%	6.9	92.0%	3.3
All other Sectors/Unknown	2.2%	102.9	1.7%	116.8	13.5%	13.9
Total	**100%**	**4,617**	**100%**	**6,873**	**49%**	**2,256**

Source: Revenue analysis.

4 Other Issues: R&D, Losses and Payroll / Employment

4.1 Research and Development Tax Credit

Sections 766, 766A and 766B of the Taxes Consolidation Act 1997 provide for a tax credit for certain expenditure on Research and Development (R&D) activities, plant and machinery and buildings. Credit is given at 25% of allowable expenditure. For accounting periods commencing prior to 1/1/2015 the amount of qualifying expenditure is restricted to incremental expenditure over expenditure in a base year (2003).

The number of claims, and the aggregate values of same, for the R&D tax credit have been increasing. The value of the credit in 2010 to 2012 saw growth of 3.5%, 16.8% and 7.9% respectively on each of the previous years. This increased research activity continued in 2013, the latest year for which complete data are available, with the value of credits increasing by 49.5%. Provisional data for R&D claims in 2014 indicates that this trend has continued in respect of value with a further 31.4% increase, but a minor decrease in the number of claims for this credit is observable. It should be noted that, due to the manner in which claims for this relief are submitted, full data in respect of 2014 are not currently available. This figure is expected to be adjusted upwards at a later date.

Table 14 – Cost and Number of Research & Development Credit

Cost and Number of R&D Credits in Each Year		
Year	**€m**	**Number**
2009	216	900
2010	224	1,172
2011	261	1,409
2012	282	1,543
2013	421	1,576
2014	553	1,570

Source: Revenue analysis.

4.2 Losses

Significant losses were accrued in the recession, in particular in the financial services sector. A company may carry historical losses forward and this can result in it not having a CT liability until these losses are exhausted. However, losses carried forward may only be offset against taxable income of the same trade and, and thus a company may carry a loss forward but still incur a CT liability.

The cost, in terms of reduced CT payments, from losses in 2014 (the most recent year available) is over €1 billion. Once a company's losses are exhausted, it may result in that company paying CT and a number of such companies have starting paying CT again in

2015. A provisional analysis shows that in the region of €212 million gross CT is received in 2015 from companies that had losses in 2014. The tax cost of losses for these same companies in 2014 is estimated to be €100 million.

Further clarity in relation to the use of losses and losses carried forward will emerge when full data in respect of 2015 are available at a later date.

4.3 Payment of Other Taxes and Employment by Companies

As shown in earlier Revenue research, the corporate component of the tax base in Ireland does not only pay CT as outlined above.[5] Companies also make important contributions to other taxheads: companies pay per annum around €5 billion in VAT internal (excluding VAT on imports) and €2.3 billion in Excise over the period 2008 to 2012.

Perhaps the most significant contribution from companies is through employment and resulting payroll taxes. In total, companies have around 1.5 million employments (individual employees may hold more than one employment during a year) in 2014 and this does not include contractors or similar. PREM payments (i.e., PAYE, USC and PRSI remitted by employers) total €12.6 billion in 2014 (PAYE/USC of €6.2 billion).

A further breakdown of the 2014 PREM payments relative to gross CT payments is provided in Table 15 (displaying data on foreign owned MNCs only) and Table 16 (displaying only non-foreign owned MNCs). These Tables show only the subset of companies that make positive payments of both PREM and CT in 2014.

The PREM receipts are broken down by selected CT ranges with the corresponding number of employees within these companies and the number of companies that paid PREM shown in the second and third columns, and the value of PAYE/USC payments and PRSI payments displayed in the fourth and fifth columns respectively. Companies that did not have a positive gross CT payment are excluded from these tables.

[5] Available at: http://www.revenue.ie/en/about/publications/corporation-tax.pdf.

Table 15 – 2014 PREM Payments by Range of Corporation Tax (Foreign Owned MNCs only)

2014 PREM Payments Broken Down by Range of Gross CT (MNCs only)				
Range of Gross CT €	**Number of Employments**	**No. of Companies With Positive PREM Payments**	**Value of PAYE/USC Payments €m**	**Value of PRSI Payments €m**
1 - 20,000	13,483	155	155	90
20,001 - 40,000	4,210	52	54	30
40,001 - 60,000	4,935	30	36	25
60,001 - 80,000	6,772	27	55	22
80,001 - 100,000	3,624	22	25	15
100,001 - 200,000	7,993	42	64	46
200,001 - 500,000	19,165	78	126	90
500,001 - 1,000,000	28,921	55	121	73
1,000,001 - 5,000,000	63,597	141	324	211
5,000,001 - 10,000,000	17,343	34	126	74
10,000,001 +	84,060	53	392	278
Total	**254,103**	**689**	**1,479**	**952**

Source: Revenue analysis. Note: CT payment amount is gross rather than net.

Table 16 – 2014 PREM Payments by Range of Corporation Tax (All Other Companies)

2014 PREM Payments Broken Down by Range of Gross CT (non-MNCs only)				
Range of Gross CT €	**Number of Employments**	**No. of Companies With Positive PREM Payments**	**Value of PAYE/USC Payments €m**	**Value of PRSI Payments €m**
1 - 20,000	310,627	21,077	909	708
20,001 - 40,000	94,903	2,454	266	232
40,001 - 60,000	54,947	1,040	174	148
60,001 - 80,000	37,294	597	123	107
80,001 - 100,000	20,531	345	92	71
100,001 - 200,000	87,853	804	330	277
200,001 - 500,000	97,470	464	499	371
500,001 - 1,000,000	38,297	211	227	166
1,000,001 - 5,000,000	36,803	126	184	122
5,000,001 - 10,000,000	6,362	18	45	36
10,000,001 +	15,064	11	64	38
Total	**800,151**	**27,147**	**2,914**	**2,276**

Source: Revenue analysis. Note: CT payment amount is gross rather than net.

5 Conclusion

This paper reviews CT receipts in 2014 and 2015 to provide further detail on the increase in payments between these two years. Updated data are also provided for a number of related CT issues (R&D, payments of other taxes by companies and losses).

While there are factors specific to companies or sectors, the growth in receipts in 2015 reflects improved trading conditions, in particular of foreign owned multinational companies. While CT is concentrated among payments by large multinational companies, the analysis shows that the growth in receipts in 2015 is broad based in nature and not solely arising from foreign owned multinationals. Payments from indigenous companies, while lower in monetary terms, are growing at similar rates.

New companies and new subsidiaries of existing companies have been formed, which paid CT for the first time in 2015 due to the timing of their formation, are another contributor to 2015 receipts.

Overall, more companies are paying tax and average payments are higher.

Factors underlying this include the reduction of losses carried forward (a frequent reason why a company may have no CT liability is that trading losses may be carried forward - as historical losses from the recession have been exhausted, more companies are resuming paying CT) and increased profitability. If a company reports higher profits than in previous years, their CT payments increase also. It would be expected that as an economy grows, general levels of profitability would rise, therefore increasing CT payments. Information from LCD companies suggests that stronger international trading conditions (including improved foreign exchange positions) drove CT receipts growth from the multinational sector in 2015. Some restructuring of MNCs has also contributed to increased receipts.

While somewhat distorted by payments of a small number of large companies, the growth in CT receipts is consistent with the overall increase in tax receipts in 2015 and relevant economic indicators (nominal GDP was 13.5% higher in 2015, gross operating surplus grew by 19% to Quarter 3 2015, compared to the same period in 2014).