Northern Ireland Assembly

Research and Information Service
Briefing Note

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Foreign Direct Investment in the Republic of Ireland - supplementary

1 Introduction

The following paper supplements *NIAR 61-15: Foreign Direct Investment in the Republic of Ireland*. It responds to an Enterprise, Trade and Investment Committee query on the comparable provision of specific factors in Northern Ireland (NI) and the Republic of Ireland (RoI). These factors are.

- Openness to Foreign Investment;
- Visa, work permit and residence requirements;
- Labour market;
- R&D tax credits and IP incentives; and
- Location outside urban centres.

Where possible the paper compares NI with the RoI directly. In some cases, particularly in the area of visa, work permit and residence requirements where powers are not devolved to NI, and where direct comparisons with NI could not be located the RoI is compared with the UK.

2 Openness to Foreign Investment

NIAR 61-15 cites the US Department of State's (DoS) assessment of treatment of foreign investors in RoI regulatory framework. It states that:

> *…the DoS notes that all firms incorporated in the RoI are treated on an equal basis. There are almost no constraints preventing foreign individuals or entities from ownership or participation in RoI firms (a notable exception is in aviation which must be 50% owned by EU residents to ensure full access to European airspace). Foreign investors are not restricted in the purchase of land for residential or industrial purposes. Formal screening of FDI is common only when the investor is in receipt of grants or assistance from one of the investment promotion agencies. Assistance, financial or otherwise, is often predicated on jobs and investment criteria and investors are often assessed to ensure these criteria are met. The DoS states that these processes 'are transparent and do not impede investment'.*[1]

The DoS draws similar conclusions on foreign investment restrictions in the UK:

> *With a few exceptions, the UK does not discriminate between nationals and foreign individuals in the formation and operation of private companies. U.S. companies establishing British subsidiaries generally encounter no special nationality requirements on directors or shareholders, although at least one director of any company registered in the UK must be ordinarily resident in the UK. Once established in the UK, foreign-owned companies are treated no differently from UK firms. Within the EU, the British Government is a strong defender of the rights of any British- registered company, irrespective of its nationality of ownership.*[2]

They add that *'Local and foreign-owned companies are taxed alike'* and that:

> *The UK imposes few impediments to foreign ownership. The UK subscribes to the OECD Committee on Investment and Multinational Enterprises' (CIME) National Treatment Instrument and the OECD Code on Capital Movements and Invisible Transactions (CMIT).*[3]

Where exceptional exception do exist, these concern specific rules govern the acquisition of UK companies operating in regulated business areas such as banking, financial services, broadcasting, television, energy and utilities.

[1] The US Department of State, Investment Climate Report, Ireland (July 2014) http://www.state.gov/documents/organization/227418.pdf

[2] The US Department of State, Investment Climate Report, UK (June 2014) http://www.state.gov/documents/organization/228651.pdf

[3] *Ibid*

3 Visa, work permit and residence requirements

On the issue of visa, work permit and residence requirements, NIAR 61-15 states:

> *…the DoS rate the visa, residence and work permit requirements of the RoI as non-discriminatory and 'generally liberal' for US investors. Additionally they note that there are 'no restrictions on the numbers and duration of employment of foreign managers brought in to supervise foreign investment projects, though their work permits must be renewed annually'.*[4]

On the RoI visa and work permit system in general Deloitte comments:

> *An employer must hold an employment permit if it employs a non EEA national in Ireland. Different types of employment permits exist (e.g. work permits and green card permits), and the type of permit required will depend on the salary offered to the employee and the employee's job title. Where an employee is seconded by their foreign employer to work or train in a related Irish entity, an intra-company transfer permit may be applied for. In 2007, a spousal scheme was introduced, enabling the spouse of an individual with an Irish work permit to apply for a spousal work permit once they have secured a job offer from an Irish employer.*[5]

The DoS makes no comment on the UK visa system in their UK investment assessment. Table 1 compares visas/work permit arrangements (for non-EEA countries) applicable to FDI growth – those available to investors and entrepreneurs wishing to set up or invest in the UK and the RoI. Key points from this comparison are as follows:

- Both jurisdictions offer visas tailored toward investors and entrepreneurs, the UK has a specific scheme for graduate entrepreneurs for which no equivalent in the RoI could be found;
- Required levels of investment for investor visa schemes are lower in the RoI;
- Required levels of investment funds for entrepreneur visa schemes (graduate scheme apart) are lower in the RoI;
- Application fees are higher in the UK; and,
- Family members are required to pay additional application fees in the UK for investor schemes; this is not the case in the RoI programme.

[4] The US Department of State, Investment Climate Report, Ireland (July 2014) http://www.state.gov/documents/organization/227418.pdf

[5] http://www2.deloitte.com/ie/en/pages/tax/articles/investing-in-ireland.html

Table 1: Comparison of Investor and Entrepreneur Visas UK and RoI

	Visa	Purpose	Options/Terms
UK	Investor Visa Scheme[6]	Visa scheme for non-EEA nationals seeking to invest in the UK	○ Applicants must invest £2m or more in UK government bonds, share capital or loan capital in active and trading UK registered company; ○ Applicant must pay £874 to apply in person (or £1,093 online or by post) and a further £874 (or £1,093) for each dependent; ○ Visa allows applicant to work or study; ○ Visa is for a maximum of 3 years and 4 months with the option to extend for a further 2 years; ○ Applicants can apply to settle after 2 years if they £10m, and after 3 years if they invest £5m; ○ Success applicants may not invest in companies mainly engaged in property investment, property management or property development
	Entrepreneur Visa Scheme[7]	Visa scheme for non-EEA nationals seeking to set up or run a business in the UK	○ Applicants must have access to £50,000 in investment funds; ○ Applicants must pay £874 to apply in person (or £1,093 online or by post) and a further £874 (or £1,093) for each dependent; ○ Visa is for an initial period of 3 years and 4 months, with the option to extend for a further 2 years; c Applicant can apply for settlement after five years; ○ Visa allows applicants to set up or take over the running of 1 business or more, work for your business, including being self-employed and take family members with them; ○ It does not allow applicants to do any work outside your business or access public funds.
	Graduate Entrepreneur Visa Scheme[8]	Visa Scheme for non-EEA graduates who have been officially endorsed by UK Trade and Investment as having a genuine and credible business idea	○ Must be endorsed by UK Trade and Investment or current UK Higher Education Institution; ○ Pay £310 fee when applying from inside the UK (£422 from outside) and additional fees for each dependent; ○ Allows applicants to stay for one year with option to extend for a further year; ○ Applicants must demonstrate £945 in savings when applying from inside the UK and £1,890 when applying from outside the UK.

[6] https://www.gov.uk/tier-1-investor/overview
[7] https://www.gov.uk/tier-1-entrepreneur/overview
[8] https://www.gov.uk/tier-1-graduate-entrepreneur-visa

	Visa	Purpose	Options/Terms
RoI	Immigrant Investor Programme[9]	The Immigrant Investor Programme is open to non-EEA nationals and their families who commit to an approved investment in Ireland. Approved participants in the Programme and their immediate family members will be granted rights of residence in Ireland which will allow them to enter the State on multi-entry visas and to remain here for a defined period but with the possibility of ongoing renewal. Successful applicants granted residence for 5 years (subject to review at year 2), further residence applied for in 5 year tranches.	○ Immigrant Investor Bond - €1million invested in the bond at 0% interest rate ○ Enterprise Investment - €500,000 invested in an Irish Enterprise for 3 years ○ Investment Funds - €500,000 invested in an approved fund. Approved Investment Fund is not available at this point. ○ Real Estate Investment Trusts (REIT) - A minimum investment of €2 million in any Irish REIT that is listed on the Irish Stock Exchange. ○ Mixed Investment - Investment in a residential property of minimum value of €450,000 and a straight investment of €500,000 into the immigrant investor bond, giving a minimum investment of €950,000. ○ Endowment - €500,000 philanthropic donation by an individual (€400,000 where 5 or more individuals pool their endowment for one appropriate project); ○ Application fee is €750, the fee covers principal applicant and all family members.
	Start-up Entrepreneur Programme[10]	The purpose of the Start-up Entrepreneur Programme is to enable non-EEA nationals and their families who commit to a high potential start up business in Ireland to acquire a secure residency status in Ireland.	○ Applicants must have a proposal for a high potential start-up business and must demonstrate access to €75,000 in funding. ○ High potential start-ups must by in an innovative sector, have international potential, be capable of creating at least 10 jobs and realising €1m in sale, be headquartered and controlled in RoI and less than 6 years old. ○ Application fee is €350.

Source: Gov.uk visas and immigration & Irish Naturalisation and Immigration Service

[9] http://www.inis.gov.ie/en/INIS/Guidelines%20for%20Start-up%20Entrepreneur%20Programme.pdf/Files/Guidelines%20for%20Start-up%20Entrepreneur%20Programme.pdf
[10] http://www.inis.gov.ie/en/INIS/Guidelines%20for%20Start-up%20Entrepreneur%20Programme.pdf/Files/Guidelines%20for%20Start-up%20Entrepreneur%20Programme.pdf

4 Labour market flexibility

On the RoI labour force, NIAR 61-15 states:

> *… the DoS notes that the RoI's labour regulation is **'less restrictive compared with most continental EU countries'**. The workforce is characterised by a **high degree of labour flexibility**, mobility and education.*[11]

Labour market flexibility is defined by the International Labour Organisation (ILO) Working Paper for the United Nations Department of Economic and Social Affairs as the ability of the labour market to respond to change. It includes a number of dimensions:

- Employment protection – which governs employer freedom to hire and fire employees;
- Wage protection – which influences the way in which employers may vary wages, including minimum wage and trade union activity;
- Internal and functional flexibility – which concerns *'ability of firms to organize and reorganize internal processes of production and labour use in the interests of productive/dynamic efficiency, e.g. through the flexibility of working time, job content, skill needs or technical change'*; and
- Supply side flexibility – the ability of workers to demand flexibility in their working patterns.[12]

It should be noted that whilst certain aspects of labour market flexibility might be viewed as placing restrictions on employers, such as employment protection, these same protections may be conversely viewed as positive by employees.

Figures 1 to 4 present the four main indicators the OECD uses to compare the employment protection legislation of its Member countries in 2013 (unfortunately the data is not disaggregated at level that would allow for a comparison of Northern Ireland and the OECD countries). The indicators are measured on a scale where 0 is the least restrictive and 6 is the most restrictive. As can be seen from the figures the UK has one of the least restrictive labour market protection policies of the OECD countries, namely:

- Protection of permanent workers against individual and collective dismissals – the UK has the fourth least restrictive policy on this measure;
- Protection of permanent workers against (individual) dismissal – the UK has the third least restrictive policy on this measure; and

[11] The US Department of State, Investment Climate Report, Ireland (July 2014) http://www.state.gov/documents/organization/227418.pdf

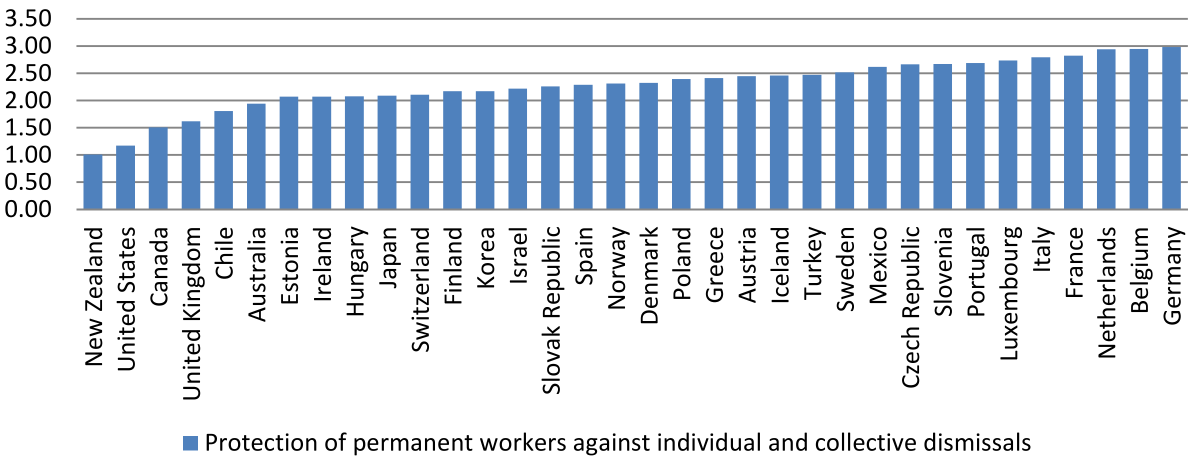
[12] Rodgers, G ILO United Nations Department of Economic and Social Affairs, Working Papers: Labour Market Flexibility and Decent Work (July 2007) http://www.un.org/esa/desa/papers/2007/wp47_2007.pdf

- Regulation on temporary forms of employment – the UK has the third least restrictive policy on this measure.

By contrast the RoI is ranked eighth, seventh and eighth on these measures respectively.

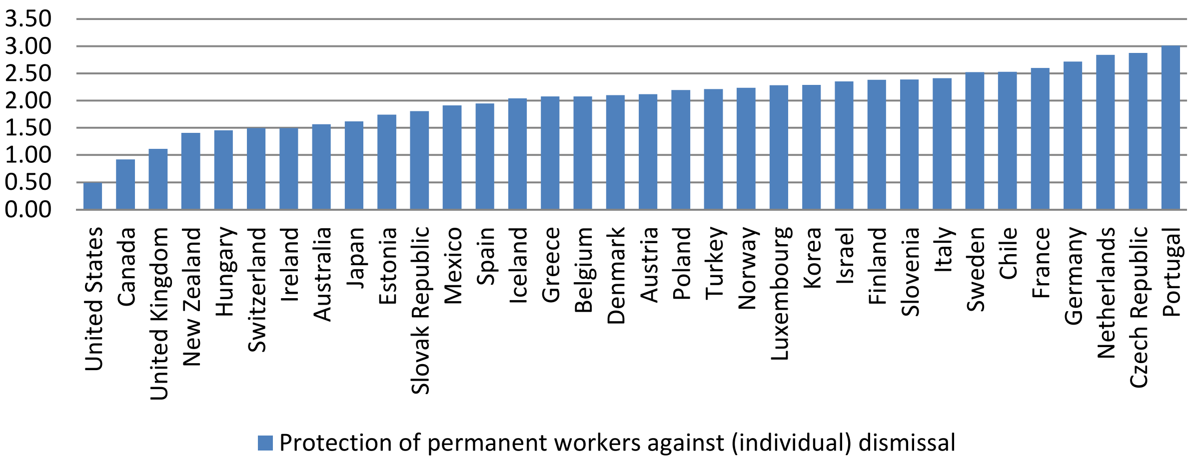
On the remaining measure - Specific requirements for collective dismissal – the UK is ranked joint tenth, while the RoI is ranked joint twenty-sixth.

Figure 1: Protection of permanent workers against individual and collective dismissals in OECD countries 2013[13]



Source: OECD

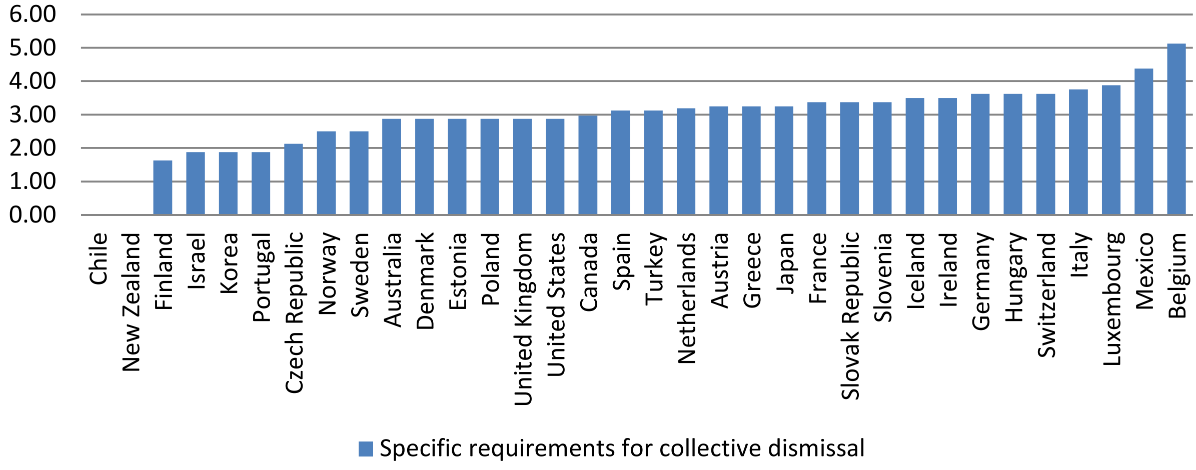
Figure 2: Protection of permanent workers against (individual) dismissal in OECD countries 2013[14]



Source: OECD

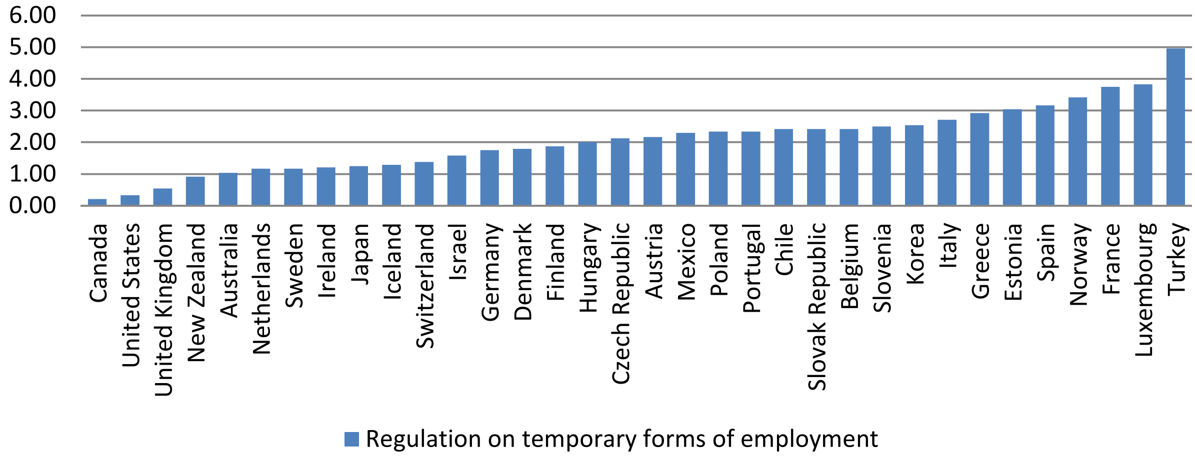
[13] OECD Employment Protection Legislation Data (2013) http://www.oecd.org/els/emp/EPL-data2013.xlsx
[14] *Ibid*

Figure 3: Specific requirements for collective dismissal in OECD countries 2013[15]



Source: OECD

Figure 4: Regulation on temporary forms of employment in OECD countries 2013[16]



The World Economic Forum's (WEF) competitiveness index compares countries across a number of measures, including labour market efficiency. The indicators used to measure labour market efficiency fall within the UN's four dimensions of labour market flexibility – these indicators are: Cooperation in labour-employer relations; Flexibility of wage determination; Hiring and firing practices; Redundancy costs; Pay and productivity; Reliance on professional management; Brain drain; and Women in labour force.[17]

[15] *Ibid*
[16] *Ibid*
[17] Economic Advisory Group Northern Ireland, Competitiveness Index for Northern Ireland (June 2013) http://www.eagni.com/fs/doc/publications/eag-competitiveness-index-report.pdf

In 2013, the Economic Advisory Group Northern Ireland published a study which applied the WEF criteria to Northern Ireland and compared these findings with other regions including the UK and the RoI.[18] These results are presented in Table 2. These figures, which are based on 2011 data[19], ranks Northern Ireland's overall labour market efficiency (45th of 145 countries) considerably lower than either the UK (5th/145) or the RoI (6th/145).

Commenting on the data the report notes that Northern Ireland's score is above the average of the 145 countries measures, and that:

> *…when compared with the 145 National Group, NI is ranked in the top quartile on:*
>
> - *Cooperation in labour-employer relations;*
> - *Redundancy costs, weeks of salary,*
>
> *All remaining indicators are ranked in the second quartile with the exception of brain drain which falls in the third* [quartile].[20]

Table 2 directly compares NI results with those of the UK and the RoI. NI is ranked below both regions in the areas of:

- Cooperation in labour-employer relations;
- Hiring and firing practices;
- Pay and productivity;
- Reliance on professional management; and
- Brain drain.

In addition, NI is ranked:

- Below the UK as whole, but above the RoI in flexibility of wage determination;
- Below the RoI, but above the UK as a whole(one place higher) in redundancy costs; and
- Above both the UK as a whole and the RoI in women in the labour force.

[18] *Ibid*

[19] The index is not only focused on labour market efficiency, but examines a range of indicators. There are 113 individual indicators in total. Northern Ireland's standing on these indicators is based on statistical data for 25% of these indicators (28 indicators in all). The NI results for the remaining 75% of indicators (85 indicators) are sourced from an Executive Opinion Survey

[20] *Ibid*

Table 2: Competiveness Index for Northern Ireland – comparisons with the UK and RoI (2011 data)[21]

Measure	NI		UK		RoI	
	Value	Rank	Value	Rank	Value	Rank
Overall Labour Market Efficiency	**4.57**	**45**	**5.42**	**5**	**5.00**	**16**
Cooperation in labour-employer relations	4.8	34	5	27	5.3	15
Flexibility of wage determination	5.3	50	5.7	16	4.5	107
Hiring and firing practices	3.3	112	4.4	32	3.9	75
Redundancy costs, weeks of salary*	5.9	23	4.9	24	6.1	18
Pay and productivity	4.2	51	4.8	12	4.4	31
Reliance on professional management	4.7	44	6	9	5.9	12
Brain drain	3.3	80	5.6	4	4.6	25
Women in labour force	5.9	51	5.9	53	5.5	72

Source: EAGNI

5 R&D tax credits and IP incentives

On R&D tax credits and IP incentive in the RoI, NIAR 61-15, quoting PriceWaterhouseCoopers, states:

> *… We note that, while RoI retains corporation tax at 12.5 per cent, this is now complemented by other incentives and advantages including R&D tax credits and IP incentives that have encouraged clustering and investment from specific sectors.*[22]

The R&D tax credit referred to in this statement enables businesses to receive a refund of up to 25% of cost incurred on R&D. The scheme has the following features:

- The scheme allows companies to claim back 25% of qualifying expenditure as a tax credit set against the company's corporate tax liability or in cash;
- Qualifying expenditure must:
  - Be systematic, investigative or experimental activities;
  - Be in a field of science or technology;
  - Involve one or more of the following categories of R&D—a. basic research, b. applied research, or c. experimental development.
  - Seek to achieve scientific or technological advancement; and
  - Involve the resolution of scientific or technological uncertainty.

[21] *Ibid*

[22] Quoted in House of Commons Devolution of Corporation Tax to Northern Ireland (28 January 2015) http://www.parliament.uk/Templates/BriefingPapers/Pages/BPPdfDownload.aspx?bp-id=SN07078

- Since 1 January 2015 all qualifying R&D expenditure is eligible for the 25% credit (this removes a previous requirement whereby 'the amount of qualifying expenditure is restricted to incremental expenditure over expenditure in a base year (2003) defined as the "threshold amount"').
- Costs which are not wholly and exclusively incurred in the carrying on of the R&D activity, including indirect overheads such as recruitment fees, insurance, travel, equipment repairs or maintenance, shipping, business entertainment, telephone, bank charges and interest, do not qualify as relevant expenditure.
- Overheads which are wholly and exclusively incurred directly in the carrying on of the qualifying R&D activity, for example power consumed in the R&D process, qualify for the credit.
- Where an employee spends an identified proportion of their time "in the carrying on" of qualifying activity, then that same proportion of their emoluments may be considered to be qualifying expenditure. Emoluments may be taken to include pension contributions, bonus payments, health insurance or other items included in the reward package paid to R&D employees.
- Expenditure on the construction or refurbishment of a building for use for qualifying R&D activity may qualify for an R&D tax credit where such expenditure also qualifies for capital allowances.
- Expenditure plant and machinery may qualify for the R&D tax credit where such expenditure also qualifies for capital allowances.
- As an incentive to certain staff, a company may transfer some or all of its R&D credit to 'key employees'[23]. To surrender all or part of credit to employees the company must pay the amount of corporation tax that would have otherwise been reduced, make a claim to Revenue, and notify each employee in writing of the amount surrendered to that employee. A key employee can claim the credit in the tax year following the tax year in which the accounting period of the company that surrendered the credit ends.[24]

Companies located in Northern Ireland may also avail of a R&D tax credit. Like the RoI scheme this offers tax relief on level of corporation tax paid by companies. There are two schemes, one for SMEs and one for large companies.

In both cases tax relief of 10% is available on qualifying expenditure. The SME scheme offers an R&D tax enhancement of 225%. This means, for example, that for every £100,000 a SME spends on qualifying expenditure the company can deduct £225,000 when calculating its taxable profit, or loss, for corporation tax payments. This means:

> *As the £100,000 would already be accounted for in its accounts, the balance of £125,000 would be an additional deduction from its taxable profit*

[23] For example "key employees" must *'perform at least 50% of their duties in "the conception or creation of new knowledge, products, methods and systems" and 50% or more of the cost of earnings from their employment must qualify as R&D expenditure.'*

[24] http://www.revenue.ie/en/tax/ct/leaflets/research-dev.pdf

> *and the tax saving would be £25,000 (at a Corporation Tax rate of 20%). The equivalent of the company receiving 25p from HMRC for every £1 they spent on R&D activities.*

SMEs may choose to surrender their R&D enhanced allowance to HMRC in return for a cash credit. Should they do so, the cash credit may be valued up to 32.63p for each £1 of R&D expenditure.

The large company scheme has a tax enhancement level of 130%, which means, for example, that for every £100,000 a company spends on qualifying expenditure it can deduct £130,000 when calculating its taxable profit, or loss, for corporation tax payments.

A second large company scheme, known as the Above the Line (ATL) Credit currently operates alongside the tax enhancement large company scheme. From 2016, however, the ATL Credit will be the only scheme available to large companies. Under the tax enhancement scheme large companies apply the tax credit to reduce its taxable profit. The ATL credit is calculated directly as a proportion of the companies R&D expenditure (at a rate of 10%), it is then recorded in the company's accounts as a reduction in the cost of R&D.[25]

The ATL Credit:

> *… allows the benefit of the R&D relief to be accounted for as a reduction of R&D expenditure within the Profit and Loss (P&L) account. The associated tax credit is offset against corporation taxes payable.*
>
> *The principal intention for the introduction of an ATL R&D tax credit scheme is to increase the visibility and certainty of UK R&D relief. Additionally, it is to provide greater financial support to loss making companies through having the R&D tax credit repayable where there is no corporation tax liability.*[26]

The second incentive mentioned in the PriceWaterhouseCooper statement is the IP tax incentive. Historically, RoI engaged in trading activities and earning income from qualifying IP that income will qualify for the 12.5% corporation tax rate. In addition the company may claim a tax deduction for the capital cost of the IP in line with amortisation or over 15 years. This allows companies to reduce their effective rate of corporation tax below the 12.5% headline rate.

In the RoI Budget 2015 the government announced that it would be enhancing IP tax incentives by introducing a 'Knowledge Development Box' (KDB). This will see the introduction of a mechanism provide an effective tax rate for IP income that is below the normal headline rate of corporation tax. No definite details of the mechanism have

[25] http://www.out-law.com/articles/2012/december/above-the-line-rd-tax-credits-treatment-will-be-mandatory-from-2016/
[26] http://www.ey.com/Publication/vwLUAssets/EY-Tax-services-Above-the-line-RD-Tax-Credit/$FILE/EY-Tax-services-Above-the-line-RD-Tax-Credit.pdf

been released to date. A consultation was launched on 14 January 2015 (running until 8 April 2015). The Department of Finance, who are taking the scheme forward, note that the:

> *EU and OECD are currently finalising new rules for the design of such tax incentives and Minister Noonan has already committed that the Irish KDB will comply with those international standards which are expected to be finalised by the end of this year.*[27]

Northern Ireland companies, like companies throughout the UK, may avail of HMRC's Patent Box. This is similar to the KDB proposed in RoI. The Patent Box ensures that companies pay a 10% rate of corporation tax on profits earned from patented inventions. The scheme is being phased in, with the proportion of profits upon which the reduction can be applied increasing on a yearly basis as follows:

- 1 April 2013 to 31 March 2014: 60%;
- 1 April 2014 to 31 March 2015: 70%;
- 1 April 2015 to 31 March 2016: 80%;
- 1 April 2016 to 31 March 2017: 90%; and
- From 1 April 2017: 100%.[28]

To qualify for the Patent Box the company must own or exclusively license-in the patents and must have undertaken qualifying development on them.

Disagreements at European level have led to changes in the incentive. Germany argued that the tax treatment of IP in the UK created inequality in Europe, with the UK's 10% rate being significantly lower than tax relief rates in other Member States (other areas offering patent box regimes have a corporation tax rate of 15% or above). Germany was also concerned that:

> *…the patent box* [did] *not require the R&D underpinning an eligible patent to have actually occurred in the UK, and that consequently in addition to the legitimate effect of stimulating the commercialisation of innovation in the UK, it* [had] *the potential to act as a tax haven for multinational companies whose R&D operations are based elsewhere in Europe.*[29]

To overcome these objections and to advance negotiations on new rules for preferential IP regimes within the G20/OECD Base Erosion and Profit Shifting (BEPS) Project the UK and Germany agreed a joint proposal in November 2014. This proposal centred on the following aspects:

- Uplift of qualifying expenditure: where related party outsourcing or acquisition costs are incurred which do not constitute qualifying expenditure, companies will be able

[27] http://www.finance.gov.ie/news-centre/press-releases/department-finance-launches-consultation-process-knowledge-development

[28] https://www.gov.uk/corporation-tax-the-patent-box

[29] http://www.dyoung.com/article-patentbox

to obtain a maximum 30% uplift of their qualifying expenditure (subject to a cap based on actual expenditure) included within the formula;

- Closure and abolition of intellectual property regimes: to allow time for the legislative process, all existing regimes will be closed to new entrants (products and patents) in June 2016 and will be abolished by June 2021;
- Grandfathering: to allow time for transition to new regimes based on the modified nexus approach, intellectual property within existing regimes will be able to retain the benefits of these until June 2021; and
- Tracking and tracing: the forum on harmful tax practices should work to reach agreement by June 2015 on a practical and proportionate tracking and tracing approach that can be implemented by companies and tax authorities, which includes transitional mechanisms for intellectual property from existing into new regimes, and special rules for previous expenditure.[30]

From a practical perspective this will mean that:

- The current patent box regime will continue to be available until 2021 to all companies who enter it up until the 2016 cut off;
- The UK will introduce a new patent box in June 2016 which will run until 2021;
- The new patent box will employ a Nexus Approach, which will ensure *'claimant companies have good UK substance'* by restricting *'qualifying IP income that can benefit from the Patent Box by reference to the claimant company's qualifying research and development (R&D) as a percentage of total R&D and IP acquisition expenditure of the group'*; and
- The UK government has recommended that the Forum for Harmful Tax Practices reach agreement by June 2015 on *'practical and proportionate tracking and tracing approach that can be implemented by companies and tax authorities, and which includes transitional mechanism'.*[31]

6 Location outside urban centres

On steps taken by IDA Ireland to encourage firms to locate outside of Dublin, NIAR 61-15 states:

> *While Investors are free to choose where in the RoI they would like to locate IDA Ireland has encouraged investment in regions outside Dublin since the 1990s. To encourage the location of firms outside Dublin, IDA Ireland has developed 'magnets of attraction', including: a Cross Border Business Park linking Letterkenny with Derry/Londonderry, a regional Data Centre in Limerick, and the National Microelectronics Research Centre in Cork. IDA Ireland has supported construction of business parks in Oranmore and Dundalk for the biotechnology sector.*

[30] http://www.taxation.co.uk/taxation/Articles/2014/11/13/332310/uk-makes-patent-box-compromise
[31] http://pwc.blogs.com/midlands/2014/11/uk-patent-box-uk-and-germany-compromise-on-preferential-ip-regimes-.html

In response to a Northern Ireland Assembly question (16 January 2015) seeking information on how the Department of Enterprise, Trade and Investment encouraged FDI to areas outside of Belfast and Derry/Londonderry, the Minister for Enterprise, Trade and Investment stated:

> *Invest NI's track record in attracting high quality Foreign Direct Investment provides a very significant benefit for all of Northern Ireland. A record year in 2013/14 was followed by Invest NI's best ever mid-year results, released at the start of November last year, with some of the achievements from the previous year already surpassed. Those mid-year results show that 40% of the job-related inward investment offers were made to companies outside the Belfast and Londonderry areas.*
>
> *It is important to note that, in order to compete internationally, Invest NI promotes Northern Ireland as a whole. To promote parts of Northern Ireland individually, or to exclude specific areas, would dilute the proposition in what is a very competitive market for FDI. That is not to say that Invest NI does not take steps to understand and appreciate each area's key demographics and attributes. This is achieved through direct engagement with interested parties in a number of ways.*
>
> *For example, Invest NI has engaged with a number of Councils and other stakeholders to help them develop sales propositions which show the strengths and opportunities in their area. The agency has also developed an "FDI app" and a "District Council App" and is working with a number of Councils on developing this tool. The app will help present a snapshot of the benefits of setting up in Northern Ireland, and in specific areas, to potential investors.*
>
> *Ultimately the investor will make the decision as to where they locate based on their specific business needs and having considered the options available to them. The requirements will vary depending on the nature of the project, but a company will typically look at existing investors in the same business sector; universities and colleges that offer courses relating to that sector; and suitable, available property. In addition, potential investors are often drawn to population centres that they consider will provide the appropriate number of suitably skilled potential employees. Therefore, a clear understanding and evidence of skill demographics for any region greatly assist a potential investor in considering a particular area.*[32]

Selective Financial Assistance (SFA) aid ceilings in Northern Ireland were previously weighted towards firms locating outside of Belfast. However, since changes to Regional Aid Guidelines introduced 1 July 2014 the same aid ceilings apply throughout

[32] Northern Ireland Assembly Written Questions, AQW4084/11-15 (16 January 2015)

the region. Table 3 outlines changes to Regional Aid ceilings for large, medium and small companies, comparing upper limits on assistance in the periods 2011 to 2013 and 2014 to 2014.

Table 3: Changes to Regional Aid Ceilings in Northern Ireland between 2011-13 and 2014-2020

Area/timeframe	Aid Ceiling		
	Large	Medium	Small
Inner Belfast (1 July 2011 - 31 December 2013)	10%	20%	30%
Outer Belfast & Rest of NI (1 July 2011 - 31 December 2013)[33]	15%	25%	35%
All of NI (1 July 2014 - 31 December 2020)[34]	10%	20%	30%

7 Conclusions

From the above it is possible to draw the following conclusions on the specific areas queried by the Committee:

- Visa, work permit and residence requirements – whilst the DoS specifically praised the RoI's arrangement in these areas they made no comment on the UK's policies. Comparison of visa arrangements between the UK and RoI show that similar 'products' are offered to investors and entrepreneurs in both jurisdiction but that the UK tends to be more expensive in terms of required investment funds and application fees.
- Labour market – on the labour market, RoI was praised by the DoS for labour flexibility, and in particular for the lower level of restrictiveness compared to elsewhere in Europe. The latest OECD data (2013) shows that the UK has one of the least restrictive employment regulation regimes of all OECD member countries. It also shows that the RoI is more restrictive than the UK.

  OECD data does not examine NI alone however. The EAGNI Competiveness Index for Northern Ireland does however provide a comparison (based on 2011 data). This ranked NI's overall labour market efficiency as lower than both the UK and the RoI. NI also ranked lower than both regions in five other areas (Cooperation in labour-employer relations; Hiring and firing practices; Pay and productivity; Reliance on professional management; and Brain drain).
- R&D tax credits and IP incentives – the RoI and the UK offer R&D tax credits and IP incentives to companies. The RoI is currently developing a patent box regime similar to the UK's. The UK wide patent box has been subject to criticism at EU level and will be changed from 2016 onwards.
- Location outside urban centres – the DoS draws specific attention to the RoI's magnets of attraction. It is arguable, of course, that the Cross Border Business Park

[33] http://www.niassembly.gov.uk/globalassets/Documents/RaISe/Publications/2012/finance_personnel/3012.pdf

[34] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/365657/BIS-14-1152-An-introduction-to-assisted-areas.pdf

linking Letterkenny with Derry/Londonderry mentioned in this statement is also a benefit to NI. The statement from the ETI Minister quoted in Section 6 suggests that whilst Invest NI promotes NI as a whole, it has engaged with local Councils to assist them in enhancing their FDI proposition. In both the RoI and NI there is recognition that it is the investor who makes the ultimate decision as to where they will choose to invest.