Ireland’s Corporation Tax Strategy
Objectives

- Jobs
  - Attract Foreign Direct Investment
  - Encourage Domestic Enterprise

- Growth

- Public Services
  - Raise Revenue

Corporation Tax Strategy
History of Corporation Tax Policy in Ireland

In Ireland in the 1950s there was a major shift in industrial and tax policy from protectionism to a more open and outward-orientated approach.*

Since that time, industrial policy has focussed on attracting and retaining Foreign Direct Investment and a competitive corporate tax strategy is a key tenet of that policy.

- **1956** – Export Profits Tax Relief introduced - zero rate of tax on income from export sales of manufacturing goods.
- **1973** – Ireland joins what is now known as the European Union – agrees to phase out the zero rate.
- **1980** – 10% rate of tax on manufacturing activity introduced with EU State Aid Approval.
- **1987** – 10% rate of tax on financial services introduced with EU State Aid Approval.
- **1996** – EU withdraws State Aid approval for the above sectoral tax incentives – phased out between 1996-2010.
- **1996 - 2003** – Phased reduction in the general rate of corporation tax to apply equally to all corporate taxpayers – 12.5% on trading income and 25% rate on non-trading income in order.

*Source – ‘Economic Development’ - published November 1958, by T.K. Whitaker, then Secretary of the Department of Finance.*
Ireland’s Corporation Tax Strategy

The 3 Rs
Rate, Regime, Reputation
Rate

Budget 2013 confirms that the Government’s policy in relation to the 12.5% Corporation Tax rate remains unchanged:

“The Government remains 100% committed to maintaining the 12.5% Corporation Tax Rate, a sentiment I believe is shared by the vast majority of Deputies in this House.”

Budget 2013 Speech by Minister for Finance
Michael Noonan, TD
Rate

**Commission on Taxation (CoT)**
A comprehensive review of Ireland’s tax system was undertaken in 2009. The CoT recommended that a low, stable corporation tax rate should remain a core aspect of Irish tax policy*

**OECD Research**
The OECD's Hierarchy of Taxes shows that Corporate Taxes are the most harmful to growth prospects. ** An OECD multi-country study found that a 1% increase in the corporate tax rate reduces inward investment by 3.7% on average.***

**2010 CT Receipts as a % of GDP ******
Ireland - 2.6%
EU 27 – 2.4%

* Source: http://www.commissionontaxation.ie/Report.asp
****Source: Taxation Trends in the EU 2012
2011: Effective CIT Rates

Source: Effective Average Corporate Tax Rates, non financial sector Taxation Trends in the EU, 2012, Eurostat
OECD Hierarchy of Taxes: Which tax affects economic growth?

- Property Taxes
- Consumption Taxes
- Personal Income Taxes
- Corporate Taxes

Regime

Ease of Doing Business

- "Best small country in the world to do business by 2016" – An Taoiseach, Enda Kenny, T.D.
- Ranked 1st in Europe for Ease of Paying Taxes (6th in the World)*

Effective Double Tax Relief

- 68 Double Taxation Agreements
- Domestic Relief of Double Taxation

Targeted Incentives

- R&D Tax Credit – ‘best in class’ internationally**
- 3-year Start-Up Exemption
- Intangible Asset Capital Allowances Regime

*Source: PwC / World Bank Paying Taxes Report 2011
**Mazars Review of Global R&D Incentives
Budget 2013 Announcements

R&D Tax Credit
2013 Review of the R&D Tax Credit to measure effectiveness and value for money.

Real Estate Investment Trusts (REITs)
• Globally recognised standard for investment in rental property
• Well-established in the US, the UK, Europe and Asia
• After-tax return for investors similar to that of direct investment in property while also giving the benefits of risk diversification
• Should assist in attracting foreign capital to the investment property market in Ireland.

Corporation Tax Measures to Support Small Business
The 10-point Tax Reform Plan to Help Small Business contains the 3 CT measures – the R&D Tax Credit and the 3-Year Tax Relief for New Start-Up Companies are being extended and the Close Company Surcharge is being amended to allow small companies to save for a rainy day.
Reputation

**Good governance policy**
- 25% Rate for Investment & Non-Trading Income
- Transfer Pricing Legislation to OECD standards
- General Anti-Avoidance Rule

**Transparency**
- Low Rate applied to a Wide Base
- Exchange of Information Provisions – 68 Tax Treaties & 20+ Tax Information Exchange Agreements

**International Cooperation**
- Bureau Member of OECD Forum on Harmful Tax Practices
- Member of EU Code of Conduct Group
- Chairing EU Group on Countering Tax Fraud and Evasion during Irish Presidency of EU Council
Recent examples of the strength of Ireland’s reputation include:

OECD Global Forum Peer Review
The January 2011 Global Forum Peer Review Report on Ireland’s legal and regulatory framework for transparency and exchange of information found that Ireland has an effective system for the exchange of information in tax matters and is fully compliant with OECD standards.

EU Presidency
During the forthcoming Irish Presidency of the European Council, the Department of Finance intends working closely with the European Commission and other EU Member States to make progress on new EU proposals on tax evasion and aggressive tax-planning.

Ireland-US Intergovernmental Agreement to Improve International Tax Compliance
Ireland is one of the first countries in the world to sign a new Intergovernmental Agreement with the United States of America which aims to combat tax evasion by providing for the automatic exchange of tax information. While the agreement applies primarily to individuals, it is, nonetheless, a concrete example of Ireland’s commitment to improving international tax compliance.
Positive Results of Ireland’s Corporation Tax Policy

Results of Ireland’s CT Strategy – Revenue

CT Contribution to Total Tax Yield 1989-2012
The pace of Ireland’s economic recovery is modest, yet the country’s FDI performance has remained buoyant. Despite a myriad of challenges, Ireland’s unique attributes as an investment location remain intact.

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<thead>
<tr>
<th>Results of Ireland’s CT Strategy – FDI and Export Growth</th>
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<tr>
<td><strong>€122.5bn in Exports in 2012</strong></td>
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<tr>
<td><strong>Total Employment of 260,000 in 2012</strong></td>
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<tr>
<td><strong>The 2011 IBM Location Trends Report highlights that Ireland is ranked 1st in the World for inward investment by quality and value</strong></td>
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<tr>
<td><strong>Over 1,000 Multinational Corporations have chosen Ireland as their strategic location in Europe</strong></td>
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For more information please go to:

http://www.taxpolicy.gov.ie

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