HLB Ryan & Co.
Chartered Accountants & Registered Auditors

Statement on Ireland's International Tax Strategy

In tandem with Mr Michael Noonan's Budget 2014, his department released an International Tax Strategy mission statement. Over the past twelve months Ireland has been the focus of global debate concerning the international rules for taxing multi-national companies. The statement is a welcome move towards addressing international concerns regarding Ireland's policies in relation to International tax issues. Mr Noonan said,

"Let me be crystal clear. Ireland wants to be part of the solution to this Global tax challenge, not part of the problem. That is why today I am publishing a new international tax strategy statement which sets out Ireland's objectives and commitments in relation to these issues. I will also be bringing forward a change in the Finance Bill to ensure that Irish registered companies cannot be "stateless" in terms of their place of tax residency.

Countries are increasingly competing more and more aggressively for mobile foreign direct investment. I want Ireland to play fair – as we have always done – and I want Ireland to play to win. That is why I will continue to examine ways in which Ireland can ensure that our corporate tax regime remains competitive."

"Stateless Companies" refer to Irish incorporated companies which, due to a mismatch between Ireland's and other countries' tax residency rules, are not resident in any tax jurisdiction.

Ireland's corporate tax strategy has three key elements: rate, reputation and regime.

Ireland's 12.5% Corporate Tax Rate

The Minister has re-iterated that the Government remains 100% committed to maintaining Ireland's 12.5% corporation tax rate on trading income. This rate is a key factor in Ireland's ability to attract foreign direct investment which in turn generates employment.

A higher rate of 25% corporate tax applies to investment/non trading income to reinforce the role of Ireland's corporation tax regime in fostering active, substantial trading operations here.

International Initiatives

Ireland has been active in its participation in efforts at European and OECD level, in addition to efforts through domestic legislation, in developing a response to aggressive tax planning i.e.

- The Base Erosion and Profit Shifting project which is being undertaken by the OECD, the aim of which is to better align the right to tax with real economic activity.
- The EU Code of Conduct Group which examines harmful tax practices in the EU.
- Global automatic exchange of tax information between countries.

Developing Countries

Ireland will continue in its support for developing countries by helping them increase their domestic revenues in ways that are more efficient, fairer and promote good governance and equity.

Measures to be introduced in the Finance Bill

Two measures will be included in this year's Finance Bill which will further extend Ireland's information exchange network which will help in tackling aggressive tax planning:

1. The ratification of three new international tax agreements. The first is the double tax agreement with Ukraine and tax information exchange agreements with Montserrat and Dominica.

2. Although the concept of "Statelessness" applies to only a small number of companies incorporated in Ireland the Minister confirmed that changes to our company residence rules will be introduced which will ensure that a company must be tax resident in some jurisdiction.

A full outline of the Budget 2014 will be available online shortly.

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