

# Submission to the Commission on Taxation and Welfare

*Your Partner For What's Next*

**Ireland is an open economy competing in the international marketplace for investment and talent. To succeed in this environment the country needs to maintain its attractiveness across a wide range of areas such as access to talented people, cost competitiveness and market access. In this context, it is crucially important that Ireland's tax system attracts and retains businesses and people here.**

In our submission, which has been prepared in response to specific queries raised by the Commission, we make a number of recommendations on improvements that should be made to the tax system to respond to what we believe will be key challenges and opportunities facing Ireland in the coming 10-15 years. These include the significant changes to the global tax landscape, the departure of the UK from the EU, accelerated digitalisation of the economy, climate change and the increasing importance of retaining and attracting talented and skilled people.

In considering the ways in which Ireland should adapt and respond to these challenges and opportunities, a number of key themes have been brought out in our submission:

## PERSONAL TAXES

- Our personal tax environment needs to be more attractive, particularly in areas such as:
  - Marginal tax rate (including PRSI)
  - Entry level to the top marginal rate
  - Treatment of stock-based compensation
  - Scope of the SARP programme for expatriates
  - CGT rate
  - Scope of CAT
- The need for improvements in these areas is heightened given the increasing mobility of highly skilled and talented people, and the increasing importance for Ireland to attract and retain these people to support the development of substantial businesses in Ireland



## CORPORATE TAX

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- As the relative attractiveness of Ireland's corporate tax rate will be reduced as a result of the introduction of a minimum corporate tax rate for large MNC's, it will be important for Ireland to improve other aspects of its corporate tax regime to improve its relative attractiveness. We have specific recommendations in respect of:
  - Maintaining a reputation for certainty
  - Reducing complexity
  - Minimisation of administrative burden and cost

## R&D

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- It will be crucially important for Ireland to be a leading knowledge economy and a very strong hub for Research and Development, with strong collaboration between industry and academia. We have recommendations on what could be done to ensure our R&D credit scheme is best-in-class, is easy to access and administer, and applies to as broad a range of activities as possible, including:
  - Increasing the rate of relief to 30% for all taxpayers
  - Increasing the rate of relief to 50% for those engaged in R&D in renewable energy and other green sectors
  - Removal of the restriction on relief for outsourcing

## IRISH SME'S AND ENTREPRENEURS

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- Our tax system must be improved with respect to the supports available to Irish SMEs and entrepreneurs. Existing measures must be improved to effectively support the creation and growth of new enterprises, and the re-investment of entrepreneurial capital in Irish enterprise, including:
  - CGT Entrepreneur relief
  - EIS
  - Amending SARP to allow domestic Irish businesses to avail of the relief when competing for international talent



## CLIMATE CHANGE

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- Tax can and should be used as a lever to help Ireland achieve its crucially important and ambitious climate agenda. We have identified ways in which the tax system could be used to mobilise private finance for green investment, incentivise the development and use of green technology, and support green agriculture

## HOUSING

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- Given the importance of access to affordable housing in terms of our attractiveness as a location, we have identified ways in which our tax system could assist in achieving the objectives outlined in the *Housing for All* strategy

## OTHER RECOMMENDATIONS

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- Indexation of all credits, base costs and reliefs to be introduced
- Stamp duty to be reduced
- Pensions regime to be improved to support greater savings for retirement
- Introduce a dynamic analysis methodology to fully evaluate the impact of changes to the tax system
- Improve taxpayers rights in the appeals process and in respect of interest on underpaid and overpaid tax
- Establish an Office of Tax Simplification to advise on areas where simplification can improve the efficiency of the system for Revenue and taxpayers

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