

## **Oireachtas Committee on European Affairs**

### **Sub-Committee on Ireland's future in the European Union Opening Statement by delegation from Irish Taxation Institute. Tuesday 4 November 2008.**

#### **Mark Redmond – Chief Executive, Irish Taxation Institute**

Chairman and members of the Committee.

On behalf of the Irish Taxation Institute I would like to thank you for your invitation to appear before you this afternoon. I am joined by my colleagues – Ms. Úna Maguire, who has responsibility for EU matters in the Institute, Mr. Roddy Ryan, a member of our Institute and a Director of Glen Dimplex and Mr. Andrew Clarke, a Past President of our Institute who last year, on our behalf, was President of the European- wide collective body for Tax Institutes – the Confédération Fiscale Européenne (CFE)

#### **The Irish Taxation Institute**

The Irish Taxation Institute is the education and representation body for Registered Tax Consultants in Ireland. Our mission is to support an efficient, fair and competitive tax system that promotes an understanding of and expertise in taxation and encourages economic and social progress. 1,800 students are currently pursuing our three year professional tax qualification - Associateship of the Irish Taxation Institute (AITI) - and we have a qualified membership of almost 4,000 Registered Tax Consultants who work in professional practice, the corporate sector and the public sector.

The Institute and its members are actively involved in research and representation on taxation policy and administration matters which informs our constructive interaction with the legislature, the executive, the civil service and our policy work at EU level. The Institute also provides clear information and explanations about the tax system to the general public and, through initiatives such as its annual Tax Week, seeks to help PAYE taxpayers understand their rights and entitlements under the tax code.

The Institute has followed the work of this Committee with great interest. We recognise the volume of work undertaken by the Committee, the critical importance of the issues on your agenda and the very short timeframe which you have been given to consider these matters. We are grateful that the Committee has made time to hear the views of our Institute and we sincerely hope that our comments are of help to the Committee in its deliberation. Furthermore, Chairman, if any further input from our Institute would be of assistance to you and your Committee members you can rest assured that this will be readily forthcoming.

We have been asked to focus our comments this afternoon on what Ireland's future policy approach should be within the EU in respect of taxation policy. Taxation is one of the key issues of concern to our people when it comes to our membership of the European Union and in particular the terms of the Lisbon Treaty. In the course of the debate on the Lisbon Treaty major concerns were raised about our ability to maintain control over our corporation tax rate should the Treaty be ratified. This issue was linked by some in the debate to the separate matter of EU proposals to harmonise the corporate tax base throughout the EU – known as CCCTB. At this point I would like to

stress that these two issues are not directly linked – the Lisbon Treaty does not require Ireland to participate in the CCCTB and it does not facilitate the imposition of the CCCTB upon Ireland.

A number of parties who have already appeared before this Sub-Committee have emphasised the absolute necessity for Ireland to maintain a corporation tax policy that is underpinned by certainty and competitiveness. They identified this as one of the key factors, along with others such as infrastructure and investment in education, in attracting inward investment. Any threat to our 12.5% corporate tax rate will give rise to considerable uncertainty in the minds of those currently investing or considering investing in Ireland, thereby damaging the competitiveness of our economy and our capacity to sustain and create employment. The political consensus in Ireland on this point and the affirmation of the continuation of the 12.5% rate in the October Budget statement are particularly important. They are important because they provide certainty regarding Ireland's corporation tax policy to those who have created employment here and those who may consider investing to create new employment here. The provisions of the Lisbon Treaty provide no threat to this certainty. My colleague Úna Maguire will deal with this matter in more detail shortly.

As regards CCCTB, the Irish Taxation Institute has consistently raised concerns regarding these proposals and my colleague Úna Maguire will shortly deal with this issue.

As I have stated, for the key reasons of maintaining certainty and competitiveness, Ireland must maintain control over our corporation tax rate and structure. It is important to emphasise that we operate a very transparent corporation tax structure in Ireland – we have a very clear and transparent system with no hidden deductions or adjustments. We are fortunate to have a very advanced and rigorous Revenue Authority who underpin our self assessment system with appropriate checks and balances to ensure that those availing of our 12.5% corporation tax rate bring the required substance and presence to their operations in Ireland. The Committee has already heard detailed comment on these matters from representatives of the multinational sector and from IDA Ireland. We support the comments made by these previous speakers before the Committee.

Finally in the current difficult economic circumstances we collectively face, it is even more vital that we maintain control of our taxation rates and structures so that we can act swiftly and without unnecessary hindrance in managing our public finances. It is also vital that we maintain our influence and credibility at EU level. The committee has already heard in some detail the scale of the positive contribution to our social and economic well-being arising from our EU membership. The committee has also heard about the apparent damage to Ireland's influence and standing at the EU table since the rejection of the Lisbon Treaty. It is in our collective interests to take whatever action we can to repair this damage.

Chairman with your permission I would now like to invite my colleague Úna Maguire to speak in more detail regarding the Institute's position on the Lisbon Treaty and CCCTB.

## **Úna Maguire – Senior Manager – Irish Taxation Institute**

Thank you Mark.

Mr. Chairman and members of the Committee: firstly I would like to address you on the area of Ireland's veto over changes to direct taxation and the concept of unanimity in the context of the Lisbon Treaty. In the course of the Lisbon Treaty debate, considerable uncertainty arose regarding Ireland's ability to control its own destiny for its corporation tax rate should the Lisbon Treaty have been ratified. It would appear that this was one of the significant factors leading to the rejection of the Treaty last June. The Irish Taxation Institute issued an unambiguous statement in advance of the referendum vote that the terms of the Lisbon Treaty presented no threat to our ability to control our destiny regarding our corporation tax rates.

Unanimity currently applies to any changes to direct taxation in the EU. Under the Lisbon Treaty all direct taxation measures remain subject to unanimity, meaning Ireland's veto on tax changes is intact and copper-fastened. The Lisbon Treaty would allow the Council of the European Union, acting by unanimity, and unless any national parliament objects, to extend the use of qualified majority voting (QMV) to areas where unanimity is required at present. The decision to make such an extension of QMV to say, the area of taxation, must be unanimous and accordingly, under Lisbon, Ireland has a veto over any such extension. The Irish Taxation Institute's statement made it clear that under the Lisbon Treaty Ireland's 12.5% corporation tax rate and other direct taxation measures are safe and that our government retains control over direct taxation policy.

Secondly I would briefly like to cover the entirely separate issue of the European Commission's proposal for a common consolidated corporate tax base, CCCTB. We note that the issue of CCCTB has arisen in the committee's deliberations to date. I propose to make some brief comments on the subject. In the statement made by the Irish Taxation Institute prior to the referendum it was made clear that Lisbon and CCCTB are entirely separate issues that should not be linked. To date strong concerns have been expressed across the European Union about the impact of any proposal along the lines of CCCTB. The overall concern is that the competitiveness of the EU and the internal market would be damaged, the EU would disadvantage itself against emerging economies and the system would lead to increased compliance costs and effective tax rates operating within the EU. In addition to these shared concerns we understand that the prioritization that was previously placed on the CCCTB project may no longer be as strong but as this item has been on the EU agenda for some 20 years, we must remain focused and continue to engage on the debate on any such proposal, now and in the future. For the purposes of today, I wish to reaffirm the reality that there is no link between the Lisbon Treaty and CCCTB.