

## **Finance Bill strikes reasonable balancing act but clarity on new Revenue powers needed**

**20 November, 2008:** A reasonable balancing act in difficult circumstances was how the Irish Taxation Institute (ITI) described the Government's Finance Bill which was published today. ITI cautioned that further analyses and consultation will be necessary before drawing a final conclusion on a number of measures in the Bill – particularly in relation to the proposals on Revenue audits.

Highlighting that the Bill confirms many painful costs signalled in the Budget, ITI said the Government has brought forward positive measures for businesses, in particular improvements to R&D and tax exemptions for start-up businesses.

Commenting on the Bill, Jim Ryan, ITI President said: "The Government has a very difficult job to do in trying to balance the need to stimulate the economy against the weakened exchequer situation. On the positives, the Bill contains many innovative measures that can spur economic activity domestically. It also helps "Ireland Inc" to regain competitiveness for inward investment. On the negatives, it confirms that many taxpayers will face greater income tax costs and additional levies. It also contains new Revenue audit measures that will require clarification to ensure they do not penalise bona fide taxpayers."

Describing improvements to the R&D (Research & Development) incentive as timely, Mr Ryan said: "Other countries have been leaving Ireland in their slipstream on R&D. Today's measures bring us much more into play when competing for the type of inward investment that brings well paid sustainable employment. In effect, we have moved to a volume based R&D system where credit will be given to businesses of all size in a defined time-frame, which is welcome."

The Finance Bill makes significant changes to Ireland's international tax treaty structures in offering more immediate benefits to businesses that trade globally. Mr Ryan said: "Heretofore, double tax agreements could take up to two years to ratify. Now, the Government will enable businesses to realise the benefits of these agreements immediately on signature which is welcome."

The Bill, which is over 200-pages long and contains 90 separate sections, will be analysed intensively by registered tax consultants over the coming days Mr Ryan said. "As always, the devil will be in the detail. There are a number of measures that were signalled in the Budget like the parking levy and income tax levy which need to be teased out. It is critical that businesses understand these new measures while also being mindful of the added responsibilities placed upon them.

“ITI will be seeking urgent consultations with Revenue and Finance to clarify the impact of a number of measures in the Bill including changes to tax residence rules. We are in a difficult time financially and cashflow is being squeezed. The last thing business needs are additional compliance costs. Now, more than ever, discretion and judgment are necessary and we are confident that such an approach can be realised”, Mr Ryan concluded.

**ENDS**

**Further info:**

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