

**Irish Taxation Institute
Annual Dinner
Burlington Hotel, Dublin 4
February 2009**

Address by ITI President, Jim Ryan

Commissioner McCreevy, our very welcome guests, members of the Irish Taxation Institute,

I am delighted to welcome you to our annual dinner and I would particularly like to thank our members and member firms for your support for this event. I would also like to especially thank our Guest of Honour, Commissioner Charlie McCreevy. The Commissioner has been a very welcome guest at Institute functions over recent years - we are delighted he could be with us this evening and I would like to thank him for his very thought-provoking speech.

I would also like to welcome our guests from our sister Institutes in the United Kingdom – in particular the President of the Chartered Institute of Taxation, Nick Goulding and the President of the Association of Tax Technicians, Annie Bailey.

We meet this evening at a time of great challenge for our country. This challenge must be met, and met by all of us – our Government, the Social Partners, our political representatives and decision makers, our employers and employees, and ourselves as taxation professionals.

On both a national and international basis, we are in uncharted territory - there are no simple solutions to the situation we find ourselves in. It is easy to identify those who benefited from the boom years – all sectors in society did. In particular, income earners at all levels benefited from the tax changes brought in over the years of the Celtic Tiger. For example, as a result of a series of generous Budgets two out of every five income earners in the country were taken completely out of the tax net.

And, perhaps contrary to public opinion, the boom year Budgets benefited the lowest income groups progressively more than the higher income groups, and rightly so. In fact, thanks to significant increases in tax exempt child benefit payments many working families in the State were not only removed from the tax net, they actually became net beneficiaries from the Exchequer.

However, these are different times and darker days for our economy. Recovery from the recession can happen, but it will require reforms and one key pillar of reform is that of taxation. In my view our main focus should be threefold – widening the tax base, stimulating employment, and making greater use of some of the tax incentives that were put in place in recent years and indeed during the early 1980's when we last experienced economic uncertainty.

In rising to meet the challenge in the area of taxation reform, it is important that the Government takes full account of the following points:

Firstly, reforms must be fair, proportionate, and understandable. It is fair that the tax burden should weigh more heavily on those with the greatest ability to pay – but in a manner that is proportionate and does not mitigate against the creation and retention of wealth in our economy. Taxpayers must understand why it is necessary for change. The Government must communicate, must create understanding, must lead and demonstrate innovation by ensuring our tax policy safeguards and creates employment.

Secondly, a vision for Ireland's economy after the recession must be articulated. Taxpayers are now being asked to shoulder a heavier tax contribution than they have for many years, they should believe they are contributing to a recovery from which we will all benefit in the future. We must all share a sense of a collective effort towards a common good.

Thirdly, we must not act in a way that damages competitiveness by overly increasing direct taxes on employment. This is crucial. Regaining our competitiveness must be one of our key goals over the next couple of years.

The most successful way of broadening the tax base is to increase the numbers in employment. This is especially important with the very real prospect of unemployment rising to stark levels if corrective action is not taken. Smart taxation reform can play a constructive part in stemming the number of job losses. For example, offering relief on employers' PRSI on new jobs created, and perhaps temporary relief from employers PRSI in certain sectors of the economy – this will help to reduce employment costs.

Of course, in charting the way forward we must benchmark our approach against the actions that other countries are taking and ensure we step above these – we must differentiate ourselves and then lead the way – we did this when we introduced the 12.5% rate of corporate tax and there is no reason why we cannot do it again. In these recessionary times, there will be greater competition for jobs and investment across Europe, and the wider world, and our attractiveness as an economic zone must be preserved.

For this reason especially, Ireland's 12.5% corporate tax rate remains crucial to our continued development. The domestic and international business community must be assured of our absolute commitment to this rate. In this regard it is appropriate this evening that we recognize the steadfastness which Commissioner McCreevy has demonstrated on this crucial element of our overall economic policy.

In addition, we need to ensure that tax incentives designed to sustain and create employment are working well. Reliefs such as the Business Expansion Scheme introduced in the 1980's, at a time of economic upheaval and significant unemployment, and the Seed Capital Scheme are more important now than ever before. The improvements to the Research and Development tax credit, introduced in the recent Finance Act, are very welcome as is Government's commitment to introduce further tax initiatives this year in the area of Intellectual Property.

The Irish Taxation Institute is the only dedicated professional organisation representing the tax profession in Ireland through its Registered Tax

Consultants. The collective knowledge and experience of our four thousand Registered Tax Consultants (qualified members) in the public and private sectors, in professional services firms and in the corporate sector is a very valuable resource as we look for new ideas to steer us on the road to economic recovery. Our members, through our Institute, devote very significant resources to our engagement with Government and in particular the Department of Finance, on policy matters and with Revenue on matters of administration. We are determined to continue this commitment which, in the past year has included support for our chief executive in his personal appointment to the Commission on Taxation. In referring to the Commission I would like to welcome Commission Chairman Frank Daly and other members of the Commission who are with us this evening and wish them well in meeting the considerable challenge they have been set.

In recent years we have seen examples of new tax legislation which has been clear and workable because its introduction was preceded by a process of effective consultation – we may not always agree but I believe where there is consultation the outcome is positive and workable. But unfortunately in the absence of consultation there are many examples of new tax legislation which is laden with uncertainty, and this adversely impacts on taxpayers including the business community, and most importantly in these uncertain times domestic and multinational employers – legislation which has, in certain cases, required the publication of clarifications and copious Revenue guidelines to remedy defects or omissions in the original legislation. The Irish Taxation Institute believes in certainty in the tax code. Now more than ever, taxpayers need the clarity and certainty which the tax code should deliver, and the Irish Taxation

Institute looks forward to working towards this goal with both the Department of Finance and the Revenue Commissioners.

The Irish Taxation Institute believes that reform of the taxation system can play a central role in our economic recovery. On behalf of our Institute, let me say that we are here to help with this reform, and to play our part in working towards Ireland's economic recovery.

Thank you.