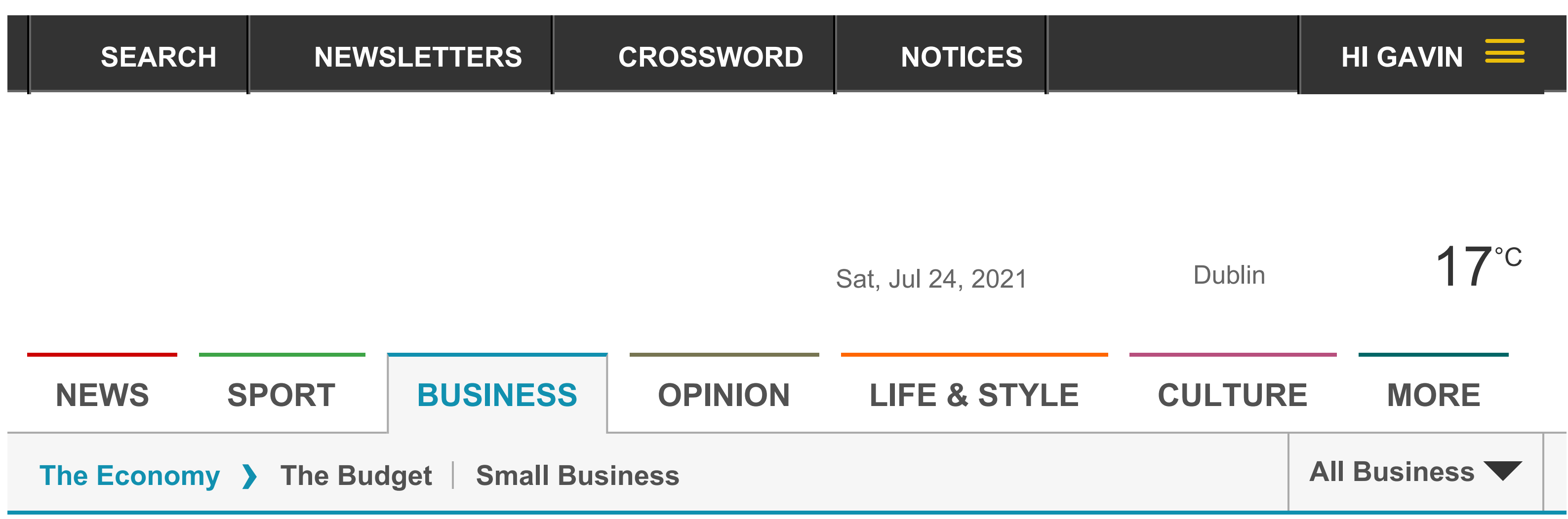

Planned EU tax rules have ‘serious implications’ for State

Department of Trade briefing urges intervention by Minister of State Robert Troy

Fri, Apr 9, 2021, 12:00 | Updated: Fri, Apr 9, 2021, 13:25

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Minister of State Robert Troy described the taxation move as ‘very controversial’. Photograph: Alan Betson

Planned EU rules for country-by-country tax reporting by multinationals would have “serious implications” for Ireland’s competitiveness and ability to attract investment to the country, according to a Department of Enterprise, Trade and Employment briefing.

The briefing said it was “strongly recommended” that Minister of State for Trade Promotion Robert Troy should make an intervention to oppose the tax changes at a public debate.

The European Union wants the new law to force multinationals to report their tax payments and activities for each member state to increase transparency.

However, a departmental briefing warned this would not benefit Ireland and was likely to impact investment from inside and outside the EU.

Implications

The brief said: “This proposal has serious implications for our competitiveness and ability to attract FDI [foreign direct investment] from both within and outside the EU, as countries including the US and

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Japan oppose publication of tax information."

It also warned Mr Troy of a possible conflict where he would be speaking against the change while it was being supported by Ireland's EU commissioner Mairead McGuinness.

"This means a commissioner from Ireland will speak in favour of a proposal while Ireland will intervene in opposition," the briefing said.

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Access to the briefing had originally been refused by the department but was released following an appeal.

Mr Troy was told that the matter had been deadlocked since 2016 but that the EU now had enough support – 18 member states – to move it forward.

It said Ireland should "continue to speak" against the proposal along with what were described as "six other like-minded member states".

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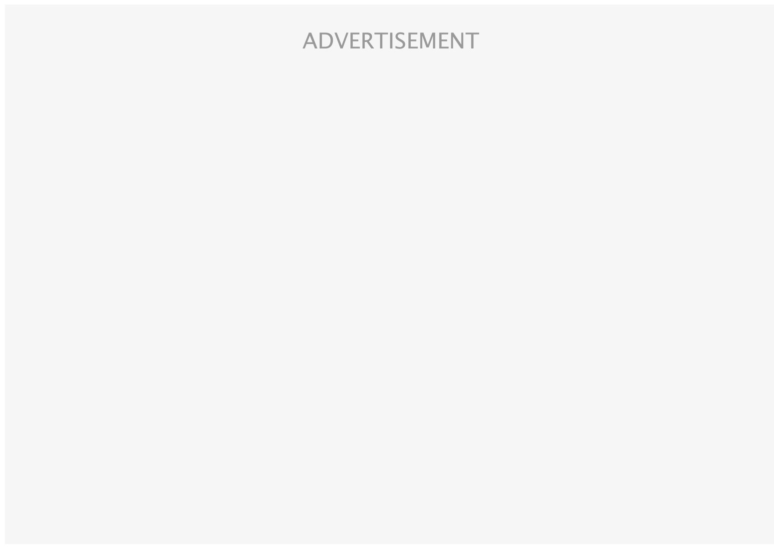
The briefing said any comments Mr Troy made were unlikely to halt the changes but would reinforce Ireland’s “principled opposition” to the move.

The briefing note said: “[Your remarks] are unlikely to change the commission’s or supporting EU member states’ views on the legal basis of the file.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“However, Ireland’s position should be maintained to ensure our principled opposition to the file proceeding . . . on the current legal basis is noted along with our commitment more generally to transparency.”

Intervention

It said an intervention was strongly recommended and that this approach had been discussed with both Tánaiste Leo Varadkar and Minister for Finance Paschal Donohoe.

Ireland has consistently opposed the changes because it is considered a tax measure, which the Government claims should be dealt with using different legislation and by finance ministers.

This would mean unanimous support would be required rather than a qualified majority, meaning the

new laws could be vetoed by a member state.

The briefing also provided a background note for Mr Troy saying the taxation move was "very controversial".

"Ireland has consistently voiced our opposition to the file proceeding . . . on a principled basis," it added.

Asked about the briefing, a department spokeswoman said: "A public policy debate on public country-by-country reporting took place at the Informal Competitiveness Council on February 25th. Robert Troy . . . set out Ireland's position at this council meeting."

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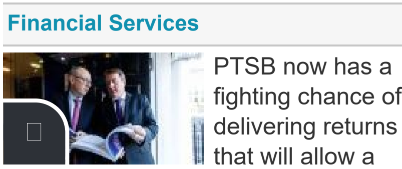

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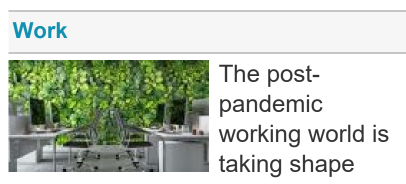

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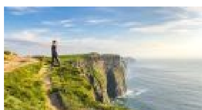

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Data Protection Commission ‘acutely strained’ by big tech cases

Agency warns multinationals have ‘disproportionate resources’

Thu, Jan 14, 2021, 05:05

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Data Protection Commissioner Helen Dixon: warned that the DPC’s ability to operate effectively was affecting Ireland’s “credibility on the world stage” and that a well-resourced regulator was now a “national and immediate imperative”. Photograph: Conor McCabe Photography

The Data Protection Commission warned it was “acutely strained” as it grappled with cases involving giant multinational tech companies and rising complaints from members of the public.

The agency also said it faced an uphill battle as it investigated big technology firms who had access to “disproportionate resources” to fight their corner.

They said the commission was now frequently accused of lengthy delays in its investigations because they were limited in the amount of inquiries they could progress at any one time.

The warnings were contained in a stark pre-budget submission, where the agency pleaded for extra manpower, financing, and a “fit-for-purpose management and organisation structure”.

The record has been made public just as the European Court of Justice issued an opinion on Wednesday that privacy complaints could be taken against tech giants in any EU state, and not just Ireland.

The Data Protection Commissioner had warned its ability to operate effectively was affecting Ireland’s

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“credibility on the world stage” and that a well-resourced regulator was now a “national and immediate imperative”.

A copy of the submission – released under Freedom of Information – said: “The reason for this request is driven by need, as opposed to any sense of self-aggrandisement on the part of the DPC.”

It said the international reputation of Ireland was now frequently under attack because of perceived weaknesses in the agency.

“Ireland’s support of its regulator has frequently – and unfairly – been cited as evidence of an overall laxity and linked to a national approach to attracting foreign investment,” said the document.

‘Dominant ideology’

It said while these views were inaccurate, there was a danger they were becoming a “dominant ideology” that Ireland would have to deal with.

In the budget, the Data Protection Commission ended up receiving just over half of the €4.16 million it had sought to bolster its resources. It was the second year in a row in which the DPC allocation fell far short of what was sought; in 2019, they were granted just €1.6 million of the €5.9 million they looked for.

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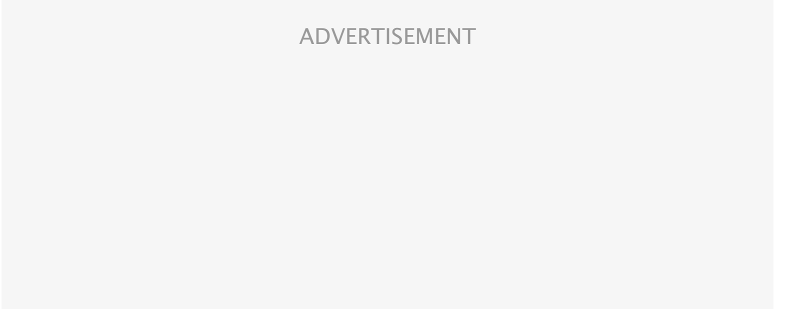

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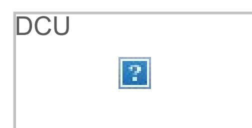
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The pre-budget submission said Ireland's role as de-facto regulator for Europe had been "thrust upon [US]" because of the number of multinationals based here. "Regardless of whether Ireland's regulatory importance is considered a benefit or not, the fact remains that it is a reality," it said.

It also warned that increased workload brought about by Brexit created a new exposure to "reputational risk" as they dealt with data sharing between Ireland and the UK.

In a statement, the Data Protection Commission said they had very much welcomed the increased funding awarded in last year's budget. They said: "[we are] at the frontline of EU data protection regulations and the increased funding provided . . . in what are very difficult economic times, is vital for the DPC to continue to build its capacity as an internationally respected and effective supervisory authority.

"We very much welcome the fact that the Government has listened and understood the need to adequately resource regulation in this area."

Topics: Data Protection Commission | Eu | Europe

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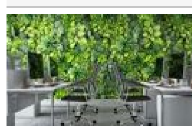
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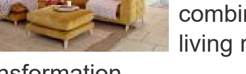
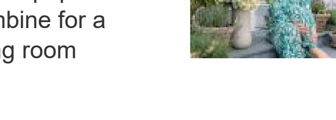

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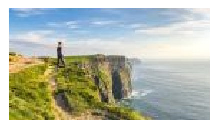
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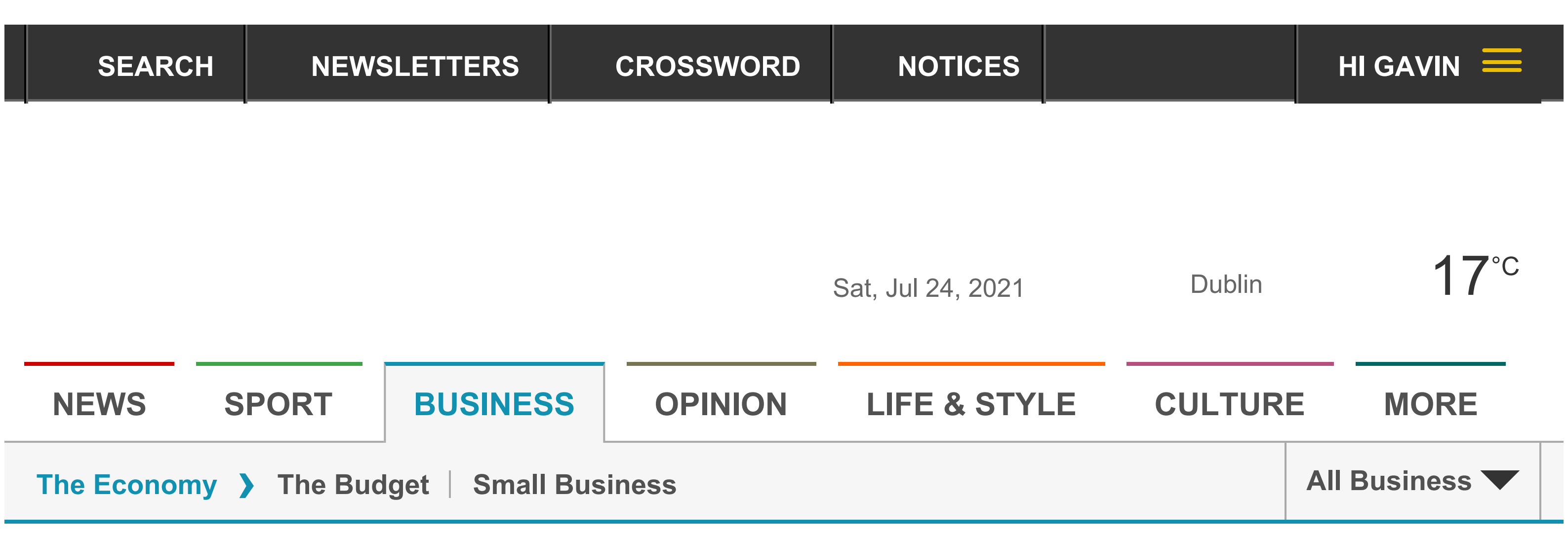

Cost of Sarp tax reliefs for overseas executives rises sharply

But number of multinational executive jobs supported via tax scheme 'falls sharply'

Fri, May 7, 2021, 05:55

Ken Foxe

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Minister for Finance Paschal Donohoe was advised to emphasise the fact that the €1 million cap had been introduced if questions arose about the controversial scheme. File photograph: Alan Betson

The number of jobs being supported through a lucrative tax-relief scheme for highly-paid multinational executives has "fallen sharply" according to an internal briefing for Minister for Finance Paschal Donohoe.

However, the cost to the taxpayer had also more than trebled to €73,000 for each job that was being supported, which was described by officials as a "cause for concern".

The submission – prepared for Mr Donohoe last autumn – said the cost per job through the Special Assignee Relief Programme (Sarp) had been just €23,000 in 2017, or less than a third of the rate in 2018.

Making comparisons with figures from years prior to that were "even less flattering" according to the Department of Finance document, which was released under freedom-of-information legislation.

The scheme allows generous tax relief for executives moving to Ireland and was at one stage being used for aggressive "advanced tax planning" by some companies.

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Eighteen people earning between €1 and €10 million had benefitted from the scheme in a single year, which lead to the introduction of a €1 million income cap in 2019.

Mr Donohoe agreed on "lines" put forward by officials to use if Sarp and its operation came up for discussion in the Oireachtas.

The Minister was advised to emphasise the fact that the €1 million cap had been introduced if questions arose about the controversial scheme.

The submission said: "In such an event, the point can be made that the data in the Revenue report may serve to reinforce the wisdom of the decision to impose the salary cap in Finance Bill 2018."

However, officials had already conceded in the submission that they did not have "any visibility" on what impact the cap might have had.

Cost-rise 'alarming'

The submission raises significant questions over the effectiveness of Sarp, according to Labour finance spokesman Ged Nash.

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"The story of Sarp is one of fewer jobs propped up by ever-increasing costs to the exchequer. It is alarming that the cost of the scheme has risen by a staggering €50,000 per job year on year.

"This is precisely why the Minister must now embark on a formal, in-depth review of the rationale for the scheme as it is currently constituted. Such a review must seek to determine whether or not the programme ought to continue to exist at all from a value-for-money and public-policy point of view."

The department submission described how 584 Sarp-related jobs were being supported in 2018 at an average cost of €72,500 each.

A year earlier there had been 1,222 "Sarp-supported" jobs at a cost of €23,000 each, it said.

"The numbers in the tables suggest that the cost per job has increased by over 200 per cent compared with 2017 and by over 800 per cent compared with 2015," officials wrote.

The submission speculated that the low number of jobs may not give a complete picture because of delays in the process for reporting.

However, it added: "At the same time, the fall in the number of jobs created and retained and the sharp rise in the cost per job are a cause for concern."

A spokeswoman for the department said the fall in jobs created was concerning but noted the effect of introducing a cap had not yet been reflected in the data, and also the possibility of reporting delays.

"A further assessment will be carried out later this year when data for 2019 become available," she said.

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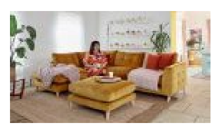

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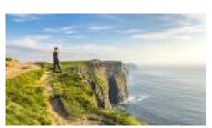
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