

**Speech by Irish Tax Institute President David Fennell
Irish Tax Institute Annual Dinner
The Clayton Hotel
Friday 23 February 2018**

The breadth of international tax proposals and legislation has never been as far reaching. The pace with which they are being introduced has never been as rapid.

On the international tax policy side, 2018 will be a very significant year. There will emerge

- new proposals to tax the digital economy or digital transactions,
- further implementation of BEPS,
- the unfolding of US Tax Reforms **and**
- new central pillars for our very own [Irish] Corporate Tax Regime

Digital Taxation

The Internet fuelled rise of super-brands and new business models has proved quite a challenge for many national exchequers. They are now responding. However, the absence of any global policy consensus has led to a sense of frustration, causing some countries to take their own measures; to tax what they perceive to be their 'fair share' of digital economy profits.

The tax community is aware that even more countries are contemplating unilateral actions as they await the deliberations of the EU Commission and the OECD. The announcement in the UK overnight that they are considering a tax on revenues is an example of this. The danger with unilateral measures, is that they can result in double taxation and higher costs, which is not good for anyone.

Challenges of digital taxation will likely herald degrees of change not seen before

While I won't suggest 'Winter is Coming', the challenges of digital taxation will likely herald degrees of change not seen before. Minister, you have said, and we agree, that the OECD is the place to deal with this issue. It must ensure that new rules are supported globally. Its work must deal with issues such as where value is created. It must define what a digital transaction is, and it should recognise that the digital economy is no longer a distinct segment.

The essential fact on tax is that like all policy choices it requires assent and support to be sustained. People, you have pointed out, do not see the reality of their lives reflected in the official picture. That's true in our own community at home and its true in the international community too. Here I echo what the Taoiseach said recently in Davos; "we don't want to see meetings in Paris and Berlin that only countries with more than 40 million people are invited to attend, and the smaller countries being told afterwards what's good for Europe." That is not an official picture in which we could recognise ourselves.

In leading change on tax, in playing our role fully in the OECD and the EU, Ireland has recognised that change must be embraced. But change requires consent. Consent requires consultation. Consultation must embrace fundamental issues of fairness for all our people at home, and for Ireland abroad. We also must be wary of interim measures that become too attractive to remove.

Confident in future relationships with US companies post US tax reform

Across the Atlantic, the United States has introduced its own tax plan. The full extent of its impact has yet to be seen. We remain confident in our relationship with the US for inbound and outbound commercial activity. We also remain committed to our partnerships with US companies whether they are small in scale or global in their reach in providing a strong and stable land-bridge for expansion into Europe, especially against the backdrop of Brexit. That partnership has been built on decades of personal relationships, trust and hard work.

Domestic Tax Policy – we must grow and support our own as well as continuing to compete for FDI on the global stage.

We must nurture a changing economy that yields sustainable taxes that allows us to invest in our human capital and in our physical infrastructure. This Institute provides an open door for Irish indigenous business. If we want to deliver 'resilience' into the Irish economy, we must grow and support our own as well as continuing to compete for FDI on the global stage. To significantly increase the number of Irish owned companies of scale requires some key steps. These include:

- examining our Capital Gains Tax rate, which is the 4th highest in the OECD
- and improving our Entrepreneurs' Relief which falls well short of the UK.

We must also revisit our personal tax regime considering its effect on our skills base and our competitiveness. At the same time, we welcome the introduction of the KEEP scheme as at least a step in the right direction.

The Irish tax appeals regime remains unacceptably broken

Irish tax administration is not just about taxpayers and Revenue. A proper self-assessment system is tripartite, and it must include an efficient functioning appeals system as an integral component. However, the Irish tax appeals regime remains **unacceptably broken**. It brings **uncertainty, high interest rates** and **high stress** to thousands of blameless taxpayers.

After the publication of the 2016 Annual Report last year, I had pictured the appeals system as a giant funnel, not only with 20 appeals a week entering the system yet only 10 leaving it. A bottleneck which was made worse when 2,700 legacy cases transitioned from Revenue to the then new Tax Appeals Commission.

More recent statistics make for grim reading.

- It looks like appeals are now being lodged at over 30 a week
- 251 appeals were lodged last month alone (with only one resolved)]

Over 3,600 appeals remain to be resolved at the Commission amounting to over €1.6 billion impossible outstanding tax. If the trend continues we will soon see over 5,000 appeals awaiting resolution.

There is no primary filter such as arbitration or alternative dispute resolution to stem the flow of admissions from the Revenue Commissioners.

Older cases are not exiting the system fast enough. For those still awaiting a decision, the average time between having your appeal heard and a determination is now over 10 months, and that's not counting how long it took to get to an appeal hearing in the first place.

And I believe the Tax Appeal Commission is under resourced to properly handle the case load while also trying to administer the TAC.

All this puts serious stress on thousands of businesses as interest, AND perhaps costs, clock up while cases remain unresolved.

Taxpayers deserve certainty in terms of their tax liabilities. For a cohort of taxpayers who are locked indefinitely in the Tax Appeals System the State is letting them down.

ENDS