

Irish Tax Institute President's Speech - Annual Dinner 2024

Introduction

Thank you, Martin. Just to reassure everybody, my speech will be more of a short sprint than an endurance test. Mind you, with all the changes of recent years working in tax sometimes feels like an obstacle course.

Minister, distinguished guests, ladies, and gentlemen, it's my privilege as President to welcome you to the Institute's Annual Dinner.

I want to thank Minister McGrath for rejigging his commitments in Brussels to be with us tonight. You've been our Guest of Honour for the last 3 years, Minister and we are extremely grateful for the priority you have given this event. We don't take it for granted!

The Chairman of the Revenue Commissioners, Niall Cody is also with us tonight along with fellow Commissioner Ruth Kennedy. You're both very welcome.

It's great to see so many fellow members and their guests gathered here. Look this is a night for catching up with friends and colleagues so, I won't keep you long.

Pillar Two

As Martin said, I've spent all my working life in the multinational manufacturing sector. So, I have a practical insight into the impact of the new Pillar II global minimum rate on businesses.

Effectively, what we have now is a new taxing system for large businesses which sits alongside our domestic corporation tax code. It's complex and cumbersome, but at least we have clarity on how the new Pillar II rules will be implemented in Ireland.

Those of us working in the tax functions of large multinationals are now getting our heads around how we comply with the new rules. And that really is a test of endurance!! Suffice to say that as we grapple with the complexities of this untested tax system, we need Revenue to be supportive and pragmatic in its approach to compliance.

There is a lot of uncertainty about how the rules will operate internationally. Any divergence in interpretation is bound to lead to disputes and revenue audits. So, we need workable resolution mechanisms. Otherwise, businesses could end up in lengthy tax litigation, potentially with multiple tax authorities around the world. That would increase compliance costs and add further uncertainty to an already difficult trading environment.

Companies are realistic and they will get on with it. But after a decade of upheaval, they surely need a break. They need certainty. And they need space to focus on growing their businesses.

I'm sure we can all agree that the last thing we need is the European Commission's BEFIT proposal.

Competitiveness

The bigger issue for Ireland is how we continue to attract foreign investment in a post Pillar Two world? I've seen some predictions that investment "will dry up." This won't happen. Inward investment and trade are central to our economic growth model.

Building more houses, investing in public infrastructure and services are key to attracting the talent and investment we need to grow our businesses and the wider economy.

Cost and Ease of Doing Business

The cost and ease of doing business are critical factors that were as important as our 12.5% rate in the investment decisions of the companies I have worked in.

Controlling cost is vital for smaller domestic businesses. The cost of new regulations or mandatory requirements should be measured before they're imposed on SMEs so that they can be managed. And, Minister, your recent decision to zero rate interest on warehoused tax debt is a recognition of the current cost pressures on small businesses.

One way of cutting costs for the FDI sector is to reduce the compliance burden. Implementing Pillar II is expensive. Resources will have to be beefed up, and new systems built to manage this new taxing system.

Territorial

Moving to a territorial tax regime will be some compensation. We welcome the Minister's commitment to include a participation exemption on foreign dividends in this year's Finance Bill. But our strong view is that we should introduce a foreign branch exemption at the same time.

The Coffey Review first recommended this 7 years ago. And now that Pillar Two is on the Statute Books, the case for a full territorial system is conclusive. We should get on with it and plan for its introduction no later than the start of 2025.

Simplification

Simplifying our tax code would greatly enhance our reputation for ease of doing business. You know our views on this Minister, and I think there's substantial agreement between us.

We are working well with the TALC sub-group which is examining how the administration of SME business tax measures could be simplified. And we welcome your commitment to engaging with us on simplifying our tangled web of interest deductibility rules.

All of this is positive, but the consultation must soon give way to action. The competition for foreign investment is intensifying and big countries like France and Germany are joining the fray. We cannot afford to lose ground.

A properly resourced simplification project with a clear timetable for the delivery of reforms that would ease compliance would give certainty to domestic and multinational businesses. And as you know Minister, certainty is hugely important in business and unfortunately, it's in short supply globally right now.

Personal Tax

Changes in the last two budgets have significantly benefited middle- and lower-income groups. But higher earners in Ireland still pay over half their income in tax.

Employees of large foreign owned companies are among the highest paid workers in the country. If we want to attract and retain these businesses and the jobs they create we should reduce the marginal cost of employment for both businesses and individuals.

Building on our success

We sometimes forget we've got a lot of things right in this country. A small island living in the shadow of a larger island off the edge of Europe didn't become a high-performance advanced country by accident.

The policies and actions of successive governments over the last 30 years were crucial:

- Investment in education
- Fostering a pro-business environment
- A relentless focus on attracting and maintaining FDI.

These policy decisions have been transformational.

Another factor, which in my experience has given us the edge is the "can-do" attitude that is ingrained in the Irish character.

I have worked in businesses all over the world and I can honestly say that the Irish work culture wins hands down. And workers deserve their fair share of the credit for where Ireland is today.

So, we're starting from a high base as we enter a post Pillar II world. We know what we must do – it's all there in the White Paper on Enterprise, published just over a year ago. We just need to deliver.

We need to make decisions and deliver on them across all areas of government quickly and effectively.

On a positive note, we have the money. Our booming corporation tax receipts are safely lodged in the Minister's two public investment funds. We need to spend it

wisely and efficiently to make Ireland a great place to live for our citizens and for those who come here to work.

The 2022 census found that 1 in 5 living in Ireland was born elsewhere – that's 20%. Look around your workplaces and you will see your talented colleagues from abroad who are happy to come here to work. That's something to celebrate! Our reputation as a stable, open, and tolerant democracy has been a huge asset. But it could be easily undone. In the current testing times, we must all play our part in protecting it. We all have a role.

Conclusion

So, before I finish, I wanted to say a few words of thanks, Firstly, I want to thank you the members for your participation in the Institute. It is so important and in my current role I really see that.

I want to thank my colleagues at Aveva Group and Schneider Electric for supporting me in this role.

Thank you to my fellow Council members, especially our Past President Colm Browne, our Deputy President, Aoife Lavan and Vice President, Shane Wallace and of course the excellent team in the Institute.

Despite being on Council for years, it is only this year that I really got the opportunity to see how brilliantly the Institute team operates. We should be proud as members to have such dedicated support.

And lastly, a word of thanks to my husband, John for his strong support over the last year and throughout my career and my friends who are here tonight in all their finery sitting listening to these boring speeches and saying hurry up!

So, with that, thank you for listening and enjoy the night.