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Re: Review of Ireland's Special Assignee Relief Programme (SARP)

Dear Brian,

The American Chamber of Commerce of Ireland (American Chamber) appreciates the opportunity to respond to this scheduled review of Ireland's assignee taxation regime. The American Chamber fully supports Government measures that encourage the attraction of specialised skills and leadership talent to Irish-based business operations, where such experience is critically in short supply within the Irish labour market.

Attracting assignees serves to expedite knowledge transfer, develop new capabilities and anchor international operations in Ireland, thus contributing positively to the exchequer and providing a platform for wider employment expansion. A competitive personal tax regime is an important deciding factor for global talent who can choose where they wish to locate to develop their career. For many highly sophisticated new-to-Ireland projects, attracting the target assignee heightens the importance of Ireland as a nexus in that global cluster of expertise, thereby enhancing the probability of building a talent pipeline and winning future investment into Ireland. The 2014 review of SARP acknowledged a role for assignee regimes in attracting FDI leading to enhanced yields for the exchequer from corporation tax, payroll taxes and increased economic activity¹.

'Based on most recent OECD data as at June 2019, the average rate of income tax and social security as a percentage of total earnings shows the Irish regime to be the second highest in the competitor sample group including the Netherlands, Switzerland, Singapore, the UK and the USA' OECD Taxes on Labour Database 2019²

'Ireland's high rate of marginal taxation on income plays an increasingly important part in an individual's decision-making process. The fact that many of competing EU countries have schemes offering reduced levels of personal taxation for talented, mobile individuals serves to exacerbate this problem.' **National Competitive Council – Ireland's Competitive Challenges³**

In a post-BEPS environment, corporate profit allocation will be increasingly aligned to the location of the significant elements of the development, enhancement, maintenance, protection and exploitation of intangibles (DEMPE functions). Attracting or retaining operational substance, especially key people related to DEMPE functions, and business expertise and related activity post BEPs will be intrinsically linked with corporation tax take in the future. It is imperative that income tax policy does not inhibit Ireland as a location of choice for such leadership and specialised talent.

¹ See: : http://www.budget.gov.ie/Budgets/2015/Documents/Report_on_SARP_final.pdf

² An American Chamber comparative analysis using OECD Taxes on Labour Database, June 2019

³ Ireland's Competitiveness Challenges – National Competitive Council (Dec 2018).

The competition for investment is intense as international investment flows react to changing trade policy and political uncertainty, including Brexit. Our competitor jurisdictions are responding by continuously improving their offering to inward investments to attract talent and enhance tax competitiveness. As such, Ireland's ambition should seek to have in operation a best-in-class programme that makes a tangible contribution to national economic growth and employment by being internationally competitive, simple to administer, certain for the assignees period in Ireland.

The American Chamber recommends the following to enhance the positive impact of SARP:

- The requirement for the employee to have been employed for a period of 6 months prior to the assignment to Ireland can, in certain instances, preclude individuals employed in the technology and knowledge-based sectors from qualifying and should be reviewed in the context of competitor jurisdiction regime qualification rules.
- An assessment of whether the threshold of €75,000 renders the Irish regime uncompetitive by comparison with other countries and consider appropriate changes to the lower income threshold to reflect the evolution of the "critical skills" shortages within the economy.
- An assessment of whether the 5-year relief term under SARP should be extended to remain competitive with other jurisdictions.
- Application of the relief to USC and PRSI, in addition to income tax.
- Simplify the process to avail of the relief by removing, for those who do not wish to claim relief via payroll, the requirement for application for relief within 90 days. The majority of individuals claim the relief via their income tax return and removing the separate application process would reduce administration for taxpayers, employers and Revenue.
- Extend the SARP relief beyond 2020 to give certainty to individuals and corporates considering locating in or increasing their investment in Ireland.

The American Chamber's priority is that Ireland remains a unique transatlantic trade and investment hub and an inclusive location-of-choice for talent and innovation with global impact. The Chamber would be pleased to discuss our recommendations further with the Department.

Yours sincerely,



Brian Cotter

Director of Public Affairs & Advocacy