2019 Pre-Budget Submission

A Competitive Open Economy, Innovating for Prosperity.

July 2018

EXECUTIVE SUMMARY

The American Chamber of Commerce Ireland's priority is that Ireland remains a unique transatlantic trade and investment gateway and a location of choice for US inward investment to Europe.

The competition for foreign direct investment (FDI) is intense, and jurisdictions are responding by continuously improving their inward investment offering. In response, Ireland must sustain its focus on being a competitive open economy, innovating for prosperity. A recent survey of the leadership of American Chamber member companies identified the strategic priority areas to keep business competitive for inward investment as;

- developing, rewarding and attracting talent;
- access to residential accommodation,
- physical and digital infrastructure;
- enhancing the competitiveness of investment incentives;
- encouraging innovation and,
- controlling the cost base.

Therefore, the American Chamber recommends the following focus for Budget 2019:

Strategic Investment to Enable Growth: Public Investment is needed to accommodate growth with affordable accommodation provision in Ireland's urban centres; build knowledge and talent capacity; and ensure excellent physical and digital connectivity. For Ireland to be a digital leader it is vital to provide the national broadband coverage demanded by our knowledge-intensive economy; show leadership in data protection and innovation; and to have a reputation for resilience and robustness in its approach to national cyber security and deliver competitive utilities services to support industry.

Continuing Personal Tax Reform: To retain and reward talent, further reform of Ireland's Personal Tax Code is needed. The publication of a personal tax reform roadmap with an ambition that Ireland will have a globally competitive personal tax regime that rewards productivity and initiative would be greatly welcomed.

Strengthening Ireland's Corporate Tax Roadmap: An internationally competitive and certain Corporate Tax Policy is a necessary part of Ireland's ability to retain and attract substantive FDI operations. The certainty of Ireland's regime and its corporate tax rate of 12.5% must remain. To remain competitive, Ireland should continue to demonstrate leadership in policy development in responding to the post-BEPS landscape which seeks a greater alignment of taxable profits with the location of economic substance and value creation. The resourcing of critical international functions within Revenue and the Department of Finance remains high on the agenda.

The American Chamber believes that measures suggested in this submission will help drive growth by making Ireland more attractive for future inward investment and employment creation.

A SUMMARY OF RECOMMENDATIONS FOR BUDGET 2019

Strategic Investment to Enable Growth

Set Long-Term Capital Investment Goal of +3% of GDP

- *Accommodation*: Establish and Resource the proposed National Regeneration and Development Agency.
- *Knowledge Intensity*: Raise investment in SFI and establish a world class Advanced Manufacturing centre.
- *Innovation 2020*: Launch Ireland's first Challenge-Centric industry-led innovation programme of scale.
- *Strategic Resourcing:* Data Protection Commission, National Cyber Security Centre and Visa-Permits Regime.
- *Trade Promotion*: Invest in '*Ireland's Global Footprint'* including Enterprise Promotion Agencies in the USA market.
- *Training*: Strategic focus on the National Training Fund to pivot investment towards in-work training and development.
- *Education*: Accelerate the STEM Action Plan: Promoting STEM careers; teaching CPD rollout and coding for all levels.

Prioritised Infrastructure Investment

- *Broadband*: Speedy implementation of the 'National Broadband Plan' to deliver national coverage by 2020.
- *Dublin Region*: Delivery of Metro-North, Luas cross-city, Bus Connect, Dublin Airport and M50 enhancements.
- *Regional*: Expand portfolio of available Grade One office space and Advanced Technology Units.
- *Southern & Western Priorities*: M20 Cork-Limerick, M28 Ringaskiddy and N6 Galway City Transport Project.
- *Northwest Accessibility*: Delivery of A5/N2 Derry-Dublin, N4-M4 and N5 route upgrades.
- *Spatial Diplomacy*: Strategic plan to address north-south connectivity in the context of Brexit.
- *Utilities*: Improved electricity interconnection and competitive water infrastructure delivery.

Continuing Personal Tax Reform:

Publish personal tax reform roadmap.

- *Personal Tax*: Reduce the Marginal Tax Rate to below 50%.
- *Share-Based Remuneration*: Apply a capital gains regime on realisation of Share-based Remuneration.
- *Pension Provision*: Index link Contribution Thresholds to the Consumer Price Index (CPI) annually.
- *Special Assignee Relief*: Enhance Access by raising the Time Limit for Certification to 90 days and extend the 5-year term.
- *Business Travellers*: Aligning policy to pre-2018 position for Incidental and Business travel.

Strengthening Ireland's Corporate Tax Roadmap

The importance of the certainty of Ireland's Regime and its Corporate Tax Rate of 12.5% remains of critical importance.

- *EU ATAD Reforms*: Consultation is essential with particular attention to:
    - Controlled Foreign Company (CFC) rules and related participation exemption for foreign dividends.
    - The new Exit Taxation Regime where a 12.5% tax rate should apply on relevant assets.
- *R&D Credit Regime*: Expand limits for providing contracted R&D services. Administration clarity and consistency.
- *IP Regime*: Improve competitiveness for acquiring IP and continuance of the Knowledge Development Box regime
- *Double Taxation*: In the absence of fundamental reform to its territorial basis, simplify by removing the 'Irish measure of income' limitation for foreign withholding taxes on a formula-based approach and permit the pooling of surplus credits.
- *Competent Authority*: Continue to Invest in Revenue and the Department of Finance to sustain engagement with Ireland's treaty partner jurisdictions in a timely and authoritative manner.

INTRODUCTION

The American Chamber's priority is that Ireland remains a unique transatlantic trade and investment gateway and a location of choice for US inward investment to Europe. Inward investment to Ireland continues to make a positive contribution to Ireland's economic and social progress. It provides not only rewarding career opportunities – but also acts as a channel for knowledge transfer and the ongoing transformation of the Irish-based enterprise base and their respective industrial clusters. Today, 255,000 people are directly and indirectly employed by US multinationals in Ireland.

The competition for investment internationally has intensified as international investment flows have tightened in the face of changing trade policy and political uncertainty globally, including Brexit. Jurisdictions are responding by continuously improving their inward investment offering with a focus on attracting talent, investing in physical and knowledge infrastructure, encouraging innovation and enhancing tax competitiveness. The American Chamber believes that Ireland must focus on the things it can control in the face of political, economic, social and technological opportunities and/or challenges – whatever they bring and whenever they impact - to sustain competitiveness for inward investment.

Public investments are necessary to avoid capacity constraints placing pressure on costs, thus threatening the country's competitiveness as a place to operate an international business. Welcoming the planning framework and investment plan within Project Ireland 2040 as a basis for sustainable long term strategic growth for the country, the American Chamber believes that Ireland should aim to be recognised well within the world's top decile as a place to work and live. That ambition requires an acceleration in strategic investments to narrow the gap between Ireland and our key competitors.

To reward productivity and promote entrepreneurship, the Chamber is strongly of the view that further reform is needed in the Personal Tax Code. Attracting and retaining specialised skills and leadership talent is vitally important in supporting the substance and ambitions of the FDI sector to retain and grow operations and employment in Ireland.

Ireland should continue to evolve and demonstrate policy development leadership in responding to the post-BEPS landscape to remain competitive. The American Chamber welcomes Government's commitment to Ireland's sovereign decision-making authority and reaffirmation of unanimity at EU level in relation to taxation matters. **Internationally competitive, certain corporate tax policy is a necessary part of Ireland's FDI offering to retain and attract substantive operations in Ireland. Hence, the commitment to Ireland's regime and its corporate tax rate of 12.5% must remain.**

In respect of discussions on evolving taxation regimes for a digital economy, the American Chamber strongly supports the Government's position to seek a global solution through the OECD. Government opposition to the EU Commission's proposed Digital Services Tax (DST) Directive and Significant Digital Presence (SDP) Directive should continue, to protect innovation and competitiveness within the European economy.

STRATEGIC INVESTMENT TO ENABLE GROWTH

The American Chamber concurs with the National Competitive Council's perspective that addressing the competitiveness challenge requires a sustained, strategic and co-ordinated focus across a wide range of policy areas to improve the productive capacity of the economy. Therefore, the American Chamber is of the view that setting a long-term capital investment goal of +3% of GDP to support economic and demographic growth, targeting priority areas such as the provision of affordable, accessible and quality accommodation and quality public services, is key to future proofing the resilience of the economy.

1.1 Accommodating Economic and Demographic Growth:

Provision in the short-term and entry-level rental accommodation sector, together with the emergence of a larger stock of well-managed apartment-homes continues to be a priority.

According to the National Competitive Council[1]:

"The shortfall and affordability of residential housing can also influence decisions around relocation of talent"

Thus, the American Chamber welcomes the connection made between housing and Ireland's ability to remain internationally competitive in attracting and retaining talent in the planning framework for Project Ireland 2040. The American Chamber is strongly of the view that the provision of accommodation is a critical economic enabler that requires continued prioritisation for planning and capital investment. This is especially true in Dublin, with similar needs for designated urban centres of scale.

The American Chamber supports the investment plans and reforms within Government's Rebuilding Ireland action plan aimed at increasing the delivery of homes nationwide, but especially welcomes the targets for increasing the delivery of apartment units in Dublin by 2020 to 25,000. Ancillary facilities - such as schools, affordable childcare, roads and transport access are also viewed as essential requirements for employment growth.

The cost competitive, and innovative, delivery of housing commitments is imperative if Ireland is to remain a location that attracts world class talent. The **establishment and resourcing of the National Regeneration and Development Agency is welcome in so far as it expedites the supply of State-owned land for long term residential community development**. Furthermore, supporting agencies such as the Office of Public Procurement should be adequately resourced to strengthen the mission of the new Agency.

<u>Delivery</u>

Welcoming the publication of the Planning and Developing (Strategic Infrastructure) Bill, the American Chamber believes that more work is needed to improve and streamline Ireland's planning and appeals process; to support Ireland's vision as a globalized economy that is open to, and welcoming of, investment.

[1] Ireland's Competitiveness Scorecard 2018, July 2018

Improvements could include benchmarking Ireland against other jurisdictions and making proportionate changes to the planning process to narrow the differentials; improve certainty over the planning process; and the length of time needed to arrive at a final decision. **The American Chamber supports calls for a scenario-based approach to reviews of the planning and capital spending depending on the developing patters of economic and population change.** During the life of the National Planning Framework, reviews should be triggered by changes to strategic assumptions underlining the analysis and guidance, not by the passage of discreet time intervals.

TALENT AND INNOVATION PRIORITIES

1.2 Resource the Knowledge Intensity of Economic Activity

(i) Ireland as an Innovation Frontrunner

The American Chamber believes that the strategic goal for Ireland should be to attract further public-private investment through proven partnerships between US FDI and Ireland's research, development and innovation (RDI) system which would, within ten years, double national spending on RDI by 2025.

Science Foundation Ireland's (SFI) focus on "Excellence and Impact" is a sound strategy for inward investment. That investment must seek to retain the current RDI investment in scientific excellence but provide additional resources to build out research centres of scale focused on the application of knowledge and technology. The American Chamber is strongly supportive of investment that reinforces Ireland's leadership in world class advanced manufacturing as advancements in robotics, technology and the digital marketplace makes manufacturing more flexible and offers transformational benefits to many industrial processes. **Having a renowned and internationally recognised centre of excellence in advanced manufacturing would underpin Ireland's ambition to continue to design, supply and support the delivery of goods and services to global markets**.

Over the next period of Innovation 2020 resourcing a 'Challenge-Centric' research and innovation funding stream will be critical to achieve societal or economic impacts from public investment in RDI. **The American Chamber is very supportive of the 'Disruptive Technologies Innovation Fund' contained within the Project Ireland 2040 plan to address the national policy challenges – thus aligning this innovation investment with public priorities.** For 2019, the American Chamber recommends that Government formulate criteria for initial funding calls that promote industry leadership, encourage MNC-SME-HEI linkages and builds on established eco-system strengths to deliver projects of measurable impact within 3-5 years.

To strengthen Ireland's capacity to retain and attract investment and employment into Ireland, the American Chamber is supportive of continued investment in the trade and investment arms of the State, including the **marketing and account management leadership of the Industrial Development Authority and Enterprise Ireland**, the **regulatory and supervisory role of the Central Bank of Ireland** in an expanding International Financial Services and Fintech sector, and the **trade development and economic diplomacy work of the Department of Foreign Affairs and Trade** through its Embassy in Washington D.C. and its Consulates across the USA.

Government's 'Global Footprint to 2025' strategy seeking to **strengthening Ireland's presence in the United States, including a new diplomatic, trade, business and cultural promotion hub in Los Angeles, and investment in**

communications to increase visibility, raise awareness and enhance Ireland's reputation, is strongly supported by the American Chamber.

(ii) Ireland's Digital Leadership

Ireland is well placed to further enhance its reputation for digital leadership in Europe. **Sustaining Ireland's leadership requires a best in class ecosystem with ubiquitous national broadband coverage** (see Connectivity section) as a vital necessary condition in our knowledge-intensive economy to avoid digital, and thereby economic, blackspots. Investing in the right kind of infrastructure at national and local government level is necessary to take advantage of the **digital transformation**. This infrastructure can be transformative in how citizens engage with government in accessing services. It will require state alignment with long term economic and industrial planning that actively exploits public-private opportunities for data-driven innovation and world class cloud use.

Protecting Ireland's digital leadership reputation also requires investment in the key competent authorities on which Ireland's digital economy depends. Recent funding allocations to the Office of the Data Protection Commissioner has been warmly welcome. The combination of expanded regulatory responsibility with the General Data Protection Regulation in force, and the sustained attractiveness of Ireland for new business operations in Europe means that this investment has been necessary. To keep a step ahead of these twin expansions **the Chamber strongly recommends continued and elevated investment prioritisation for the new Data Protection Commission**.

In a comparable way, the implementation of **the Network and Information Systems (NIS) Directive and the continuing significance of security and protection online requires an increase in funding and resources to the National Cyber Security Centre.**

(iii) Education and Training

Industry and the FDI sector make significant contributors to higher and further education institutions through research and innovation programmes, curriculum development support and work placement opportunities. Benefits flowing from this engagement include strengthened learning outcomes, skills alignment and strategic linkages between industry and the education and training sector.

The long-term funding of Ireland's further and third level sector remains uncertain. Thus, the American Chamber supports a strategic decision on the recommended funding options outlined in the report of Expert Group on Future Funding for Higher Education (July 2016). The American Chamber believes that opportunities exist for further innovation and productivity to contribute to the sector through proper resourcing, as well as a transparent and equitable financial participation of the student in their further education.

According to the Lifelong Learning Participation Among Adults (2017) Report[2] :

"At almost 7% in 2015, Ireland's lifelong learning participation rate was below the EU 28 average of nearly 11% and well behind the top performers, Denmark (31%), Sweden (29%) and Finland."

The American Chamber is very supportive of the Action Plans for Education and Ireland's National Skills Strategy's goal of engaging more people in lifelong learning, as a key approach to boosting firm-level and national productivity and preparing for a world of work transforming with the application of digital technology. The American Chamber recognises that lifelong learning is a joint enterprise between government and business; and our member companies are committed to investing in the training and development needs of their employees.

The American Chamber welcomes the independent review of the National Training Fund (NTF) following the rise in the National Training Levy on employers in 2018 and remains of the view that the NTF should pivot its strategic focus away from labour activation, towards programmes relevant to employers, delivered with more transparency and stronger evaluation. Our members remain supportive of alternative pathways to education and career progression such as the new apprenticeship models and the reform of Springboard to widen access.

The American Chamber supports the measures announced in the National Planning Framework and in the Department of Education's STEM Education Policy to boost STEM education; in particular to increase by 20% the total students undertaking Chemistry, Physics, Technology and Engineering at Leaving Certificate level. However, the American Chamber calls for the increased funding of STEAM subjects (recognising the contribution of 'Arts' to innovation) and the acceleration of the implementation of relevant actions arising from the STEM Education and Review Group, through the provision of the infrastructure necessary for the digital and language strategies for schools.

A summary of the American Chamber's priorities here includes:

- Advancing the work of the **National Skills Council** on future skills foresight, especially as it relates to plans for **the provision of 50,000 upskilling and reskilling places by 2022**.
- Promotion of an **Industry-Education collaboration in a new model for school's career guidance**.
- Continuing to **support the ICT Action Plan including heightened efforts in promoting Ireland as destination for STEM career opportunities and development**.
- A decision on a **sustainable funding mechanism for third level education** for undergraduate, post graduate and part-time students.
- Commitment to the STEM Implementation Programme to include **speedy delivery of Computer Science into the Leaving Cert curriculum,** resourcing the **CPD framework for teachers** and investment in **promoting STEM careers at all levels** within the education system**.**
- Bringing forward the **implementation of the National Languages Strategy** that supports an all-of-system/levels approach including in-country immersion for language development to build on EU programmes such as Erasmus.
- Delivery on Government's plan to have **14,000 Apprentice and Traineeships per annum by 2020 by effective promotion of the opportunities to employer and candidate markets**, encouraging flexibility in work-training

[2] Solas, Lifelong Learning Participation Among Adults, 2017

timetables, the use of online tools and the exploration of headcount cost-sharing mechanisms to boost provision.

- Completion of a review of the **National Training Fund** and seek to pivot programmes away from activation and community development towards **greater employer-led initiatives focused on in-work upskilling and improved programme transparency**.
- Building-in **performance related metrics to the funding allocation model for higher level education** with a focus on alignment/engagement with industry requirements.
- Ensuring there is **clear link between the numbers forecasted to take up work in Ireland and planning for access to housing and schooling**.

Building on the modelling and forecasting from the Expert Group on Future Skills Needs (EGFSN, and others) to quantify the demand and supply for ICT talent under several economic scenarios – the **ICT Action Plan**'s strength is its joined-up approach to what is a global talent challenge.

This integrated approach includes: (a) seeking to generate forecasted skills and competencies from the pipeline of talent in the education and training system; (b) activating those already in the workforce to transition into the ICT sector where demand is located; and (c) where these measures are forecast to fall short, and talent from the EU/EEA does not bridge gaps, having a proactive migration policy by encouraging those with critical skills to come to Ireland to work and live.

These elements are integral to a systems approach. The American Chamber continues to support the **resourcing of, and further innovation in, Ireland's visa and permits system** with the aim of making Ireland's regime the international benchmark for forecasted skills ecosystem needs; leveraging IT and its ease of access and interaction with users.

CONNECTIVITY PRIORITIES

1.3 Ubiquitous Broadband Access

Vital in our knowledge-intensive economy, **the American Chamber calls for the speedy implementation of the 'National Broadband Plan' to meet the Government's ambition of ensuring that the entire population has access to quality fibre-based broadband services by 2020**. There has been a step-up in the provision of digital infrastructure among Ireland's competitors, with basic broadband now widely available throughout the EU.

For Ireland, the challenge is to improve the access to fast broadband outside the main population centres to add workplace flexibility, push-up labour participation and widen the available skills pool in city-regions. In addition, the mobility of users must be considered – especially as they move along the main road and rail transport arteries of the country.

1.4 Dublin: Ireland's Flagship City:

Ireland needs to invest to have a recognised flagship metropolitan city serving as a beacon for the entire country's investment attractiveness. Placemaking opinion leaders argue that cities and urban areas have increasingly preferred locations for high-tech companies' start-ups and largely because of the increased locational preference of highly skilled tech workers for such locations[3].

Dublin is a transatlantic magnet for internationally traded services and digital media inward investment and the American Chamber expects this demand to continue if the economy can absorb that opportunity. Transit congestion impacts competitiveness. In-step with the American Chamber's recommendations on planning targets around rapid access corridors, **Dublin needs certain and reasonable travel and transfer times in and around the city, its orbital route and the man arteries of access to adjoining urban areas.** The resourcing and speedy delivery of the Bus Connect programme and cycle network should be a key goal.

The American Chamber encourages the **on-time and on-budget delivery of existing commitments on Metro-North, expanding Luas cross-city and the delivery of Dublin Airport's new runway to provide needed extra connectivity capacity.** Planned enhancements to the M50, greater use of high-speed bus corridors and the expanded capacity on existing rail/light-rail services have important contributions to make to easing congestion. In the medium-term the consideration of new orbital routes to connect suburban and commercial centres should seek to reduce the use of the M50 for shorter interconnections, allowing it to serve its main function in taking traffic away from the city centre.

1.5 City Regions - Ireland's Urban Centres of Scale:

The American Chamber welcomed *Project Ireland 2040* as a basis for balanced regional development. In particular, economic development and renewal should be focused around urban centres of scale, requiring greater urban densification and metro transport capacity.

The American Chamber believes that the regions provide a balance to Dublin; encouraging talent to locate in areas with good regional and international connectivity, and affordable housing**. The attractiveness of 'City Regions' can be enhanced by the completion of the broadband network, the development of Grade One office space, and Advanced Technology Units for rapid turn-up of new manufacturing, service, supply chain and R&D operations.**

(i) Southern & Western Priorities: Building on the significant enhancements to the road network linking the capital with the main cities of the west and south, the following projects within the Project Ireland 2040 are vitally important opportunities to enhance physical connectivity;

- In Munster, the delivery of the M20 project between Cork and Limerick would significantly enhance the Atlantic/Western economic corridor by creating a world-class backbone transport artery, linking population centres, industrial clusters, ports and air hubs and thus improving regional connectivity and competitiveness to retain and attract investment. Proposals for the N28 Cork to Ringaskiddy motorway must be delivered in a timely manner to support high-tech life science investment in that important manufacturing and development hub.

[3] Richard Florida and Charlotta Mellande, 'Innovation, Skill, and Economic Segregation'

- In Galway, advancing the N6 Galway City Transport Project, especially improved access to Parkmore's industrial zone.

(ii) **Northwest Accessibility**: The American Chamber acknowledges the special attention that the Northwest Region received in the National Planning Framework considering the risks arising from Brexit. The region is currently an outlier in not being connected to Dublin and its international airport via an inter-urban motorway. The development of the A5/N2 between Derry and Dublin remains the goal for American Chamber members in the region.

The American Chamber notes that the following are priority short to medium term projects:

- The N14 Letterkenny to Lifford route with connectivity to the A5 (with supporting improvement and bypass projects) to dual carriageway standard;
- In Sligo, while the N4-M4 route upgrade to dual carriageway standard remains the objective, the timely delivery of the N4 Collooney to Castlebaldwin development is greatly anticipated.
- A step forward in connectivity of the midlands and the West will be achieved with the completion of the N5 upgrade.

(iii) **Spatial Diplomacy**

Planning and investment to address the Ireland-UK relationship is required to recognise and include all-island interdependencies in a post-Brexit relationship. The north-south context has shared talent pools, needs for improved physical interconnections in terms of roads (A5/N2), rail (high-speed Dublin-Belfast services), energy and public services (health and education). **In addition, the risks of a return to border and customs controls may require investment depending on the outcomes of the UK's exit from the EU.**

2.4 **Competitive Utilities:**

Energy: Investment is required to ensure adequate regional/local capacity to support investment locations, especially in the main urban centres. **Greater interconnection is a key priority, including the delivery of the all-island North-South Interconnector and the Celtic Interconnector to mainland Europe to ensure energy security and generation diversity**. Consideration should be given to extend the country's gas infrastructure network, to include penetration into the centres of the Northwest to improve their attractiveness for investment.

The American Chamber is of the view that underestimating electricity demand on all island basis and/or failure to have available capacity at high usage points (e.g. regions like Dublin and environs) would risk the loss of investment opportunities and represent a reputational challenge for Ireland as a secure location for international operations. Businesses are key contributors to meeting national targets for renewable energy, energy use reduction, and carbon emissions. The American Chamber would welcome an outcome to the upcoming capacity auctions that gives a strong positive signal that Ireland remains open to investment in its main industrial hubs and urban centres of scale in a manner that balances competitiveness, sustainability and security of supply.

Water: The American Chamber continues to support efforts to develop and resource a strategic approach to water services and management that is competitive for commercial users. Future inward investment opportunities will arise with more certainty as to water availability, quality, treatment capacity and price competitiveness. **A sustained commitment to capital expenditure is required to secure quality and affordable provision to industry**. In particular, Dublin’s critical capacity constraint is a risk to future industrial as well as population growth and must be addressed with urgency.

CONTINUING PERSONAL TAX REFORM

2.1 Personal Tax and Talent

The American Chamber welcomes the Government's commitment in recent Budgets to lower personal taxation – a key recommendation of the American Chamber. **A competitive personal tax regime is an important deciding factor for many of those with the option to choose where they wish to locate to develop their career.** As the American Chamber has previously stated in past submissions, the marginal personal income tax rate (together with PRSI and USC) with its low entry threshold should be reformed to enhance Ireland's ability to retain and attract leadership talent and specialised skills, improve productivity and reduce upward pressures on labour costs.

The evidence from our members is that Ireland's high marginal income tax rate continues to be a dissuasive factor in the retention and attraction battle for advanced skills and leadership experience. Ireland must remain sensitive to the fact that this vital talent pool is in short supply globally, and both employees and potential recruits are being attracted to jurisdictions where their total income tax and social security is lower – often significantly so. **The current higher marginal income tax rate of 52%, when one includes PAYE/PRSI and USC, is among the highest when compared with countries that Ireland currently competes with for investment**. The relatively early entry point that income is exposed to the highest marginal personal tax rate is uncompetitive for a traded economy reliant on a highly mobile labour market within Europe. Indeed, a European Commission's Economic Brief [4] notes that:

"*…single earners in Ireland face among the highest marginal tax rates in the EU. …, a very high marginal tax rate in Ireland is reached at a relatively low point in the income distribution. While marginal tax rates for couples at the average wage (with or without children) remain below the EU21-OECD average, they sharply increase with income*".

In addition, as a location of choice for international business, Ireland's competitiveness for investment needs to consider the OECD international tax reforms and redesigned transfer pricing rules. The reforms seek a greater alignment of taxable profits with the location of economic substance and value creation, with specific focus on the location of functions, assets and risks. With respect to business value derived from intangibles, post BEPS, corporate profit allocation will have greater alignment to where the significant elements of the development, enhancement, maintenance, protection, and exploitation of intangibles (DEMPE functions) is carried on. This drives a focus on people functions related to the DEMPE functions, and less on contractual terms and capital. The identity of the member or members of the multinational group performing such functions is now to become a key consideration in determining which entity or entities ultimately will be entitled to (and thereby subject to tax) returns derived by such groups. As a result, business will seek to structure their business models and the location of group assets (including intangible assets) with where economic substance, including the DEMPE functions, is located or can be relocated with a focus on key decision makers vital to the functioning of the business operation. For example, in an IP context, this may mean bringing the key people and substance to the IP, or the IP to the key people/substance locations. **Attracting or retaining this operational substance, especially key people related to DEMPE functions, and business expertise and related activity in a post-BEPS environment will be intrinsically linked with the corporation tax take in the future. Therefore, it is imperative that income taxation policy does not inhibit Ireland as a location of choice for such leadership and specialised talent.**

[4] Personal Income Tax in Ireland, Economic Brief 028, July 2017

Personal Taxation

The American Chamber is strongly of the view that reform should continue to be central to Ireland's ambition to reward existing talent, encourage émigrés back to develop their careers and ensure that working in Ireland is a rewarding proposition. **The American Chamber supports reforms focused on rewarding productivity by providing direct relief to individuals by increasing the entry point to the top marginal income tax rate and by reducing the current tax rate to below 50% on a phased basis of 1% per annum over the coming years.**

The American Chamber understands consideration is being given to merging the USC and PRSI regimes to alleviate the complexity of the income tax system and we would be happy to discuss the issue further given the differing bases involved and the potential impact on mobile workers who are taxed in multiple jurisdictions. The American Chamber continues to recommend reforms designed to reward productivity, attract talent and incentivise those taking leadership responsibility with a **Personal Tax Roadmap** to remain competitive.

By targeting the following additional areas, the American Chamber believes that the ability of our members to attract and retain critical technical and leadership talent within the jurisdiction would be significantly enhanced.

(i) Taxation of Share Based Remuneration

The American Chamber made a submission to the Department of Finance as part of the 2016 public consultation on the Taxation of Share Based Remuneration which remains relevant for this and future budget reforms[5]. At its core is the recommendation **that the personal tax treatment of shares acquired under all share-based remuneration arrangements (e.g. share option schemes, Restricted Stock Units, etc.) should be enhanced by removing the personal income tax charge on the acquisition/granting of such remuneration in favour of a capital gains charge on the realisation of the share-based income to the individual**. **This remains the Chamber's primary recommendation for policy change in this area.**

The American Chamber believes that certain amendments to the current taxation treatment of share-based awards could, in conjunction with other reforms to Ireland's personal tax regime, significantly enhance Ireland's overall FDI offering by rewarding productivity. Moves to enhance the taxation of share-based reward in 2018 with the introduction of the **Key Employee Engagement Programme** ('KEEP') targeted at small growing enterprises is welcomed. This is an area of significant importance for a wide range of our members but has special relevance to the new and emerging FDI players wishing to use share incentives effectively to attract and reward talent that take on the risk associated with joining a start-up or scaling-up organisation with finite cashflow resources.

For Budget 2019, the American Chamber puts forward two measures to build on the reforms introduced last year:

- **Extend the 'KEEP' programme by raising or eliminating the limits imposed in respect of employee numbers, turnover and balance sheet valuation and thus recognise the unique profile of Ireland's industrial base and the potential to grow investment employment by keeping international business in-scope for these changes.**

[5] See: http://www.amcham.ie/Advocacy/Policy-Work/Submissions

- Improve the tax treatment of all share-based remuneration arrangements by removing Employee PRSI and the USC. This would lead to direct take home pay benefits to all workers in such schemes, enhancing their attractiveness and reduce the administrative complexity for business/employers.

In line with the American Chamber's above-mentioned response to the 2016 public consultation, the Chamber believes the following recommendations remain appropriate to enhance the taxation of share-based reward, and enhance Ireland's competitiveness:

- Under various approved Profit Sharing Schemes, employees, under certain conditions, can receive up to €12,700 worth of shares in any one tax year free of income tax, PRSI and USC. The limit of €12,700 has been in place since Finance Act 1995, and accordingly the value of this benefit has declined over time. We recommend that this limited threshold should be significantly increased to not just reflect indexation but also to continue to encourage employee share ownership.
- To simplify the reporting of gains and payment of taxes for share-based remuneration (in the absence of moving to a CGT based approach, which is the primary recommendation from the American Chamber), it would be preferable to allow for an election for such incentives to fall within the employer payroll system rather than be treated as share options and therefore avoiding an additional administration burden and providing greater consistency and certainty for Revenue.
- The current employer social security position on the granting of share-based remuneration should be maintained. This represents a 10.75% cost saving (before costs of scheme administration) for all employers and represents a significant cost saving for US MNCs with operations in Ireland as such companies generally commit to strong levels of share awards.

(ii) Assignee Program

The American Chamber supports Government initiatives aimed at attracting specialised talent and leadership executives to relocate to Ireland with an aim of bringing with them investment and employment. To continue to make competitive enhancements, the American Chamber suite of recommendations made in its Pre-Budget Submission 2018[6] remain highly relevant. The Chamber would be pleased to discuss these with the Department.

Positive steps forward in Budget 2019 would include:

- That the obligation for the employer to certify within 30 days of the assignees arrival that the employee is a 'relevant employee' should be removed. This condition is proving problematic to administer, while not enhancing the operation of the relief. The American Chamber believes that such a strict administrative approach would be inconsistent with the broader policy objectives that SARP seeks to achieve and should therefore be removed. **To the extent that the Government does not wish to abolish this time period, at a minimum we would recommend that the time limit for this certification is extended to 90 days.**
- An assessment is made as to whether the 5-year relief term under SARP should be extended to remain competitive with other jurisdictions.

[6] http://www.amcham.ie/Advocacy/Policy-Work/Submissions

(iii) Business Travellers

Business travellers are key to any open economy which hopes to attract inward investment and generate increased export activity. These travellers include those who travel from US parent companies for meetings, for short projects or to provide experience and guidance to Irish staff.

While recent Revenue guidance did include some welcome improvements and clarity in some respects, it has removed the exemption for up to 60 work days in one tax year for residents of Double Taxation Agreements (DTA) countries through the introduction of multi-year tracking requirements. It has also removed a long-standing practice of treating not more than 30 work days as incidental and exempt. The need for certainty and clarity in this area is imperative.

The American Chamber considers the current rules to be unfavourable in comparison to our European neighbours and competitors. Key competitors such as the UK and Switzerland have more favourable and practical laws in place for business travellers. Accordingly, **the American Chamber is of the view that if the original practice cannot be restored within the context of existing legislation then consideration should be given to legislating to re-establish previous practice.**

(iv) Pensions Policy

It is of the utmost importance that pension policy changes do not adversely impact the sustainable competitiveness of doing business in Ireland and employers' ability to retain experienced leadership talent for Irish based operations. While a one-off move to a higher threshold would be a more impactful option, the American Chamber believes that a commitment by Government to index link the thresholds would be a more equitable way of ensuring that the limits are annually revised to ensure the real value of the current limits are maintained at current levels and not diluted over time.

Thus, **the American Chamber strongly recommends that the individual's Personal Fund Threshold and the Standard Fund Threshold should be increased in line with the Consumer Price Index (CPI) and this indexation should henceforth occur automatically each year**.

In addition, employers would be wholly opposed to any change which would give rise to a restriction in the age-based thresholds and annual earnings cap which determine the maximum pension contribution of an individual qualifying for income tax relief. Any such amendment would only serve to further dis-incentivise individuals from contributing to the funding of their future pensions.

(v) Professional Subscriptions

In the context of Ireland's knowledge economy, employee membership of professional bodies is a necessity for many businesses and should be eligible for tax relief, without triggering benefit in kind implications. The Chamber would be happy to discuss with the Department further.

STRENGTHENING IRELAND'S CORPORATE TAX ROADMAP

The Irish tax regime should continue to respond to the changing international tax competitiveness landscape through ongoing consultation and open communication with stakeholders.

Certain aspects of the EU's Anti-Tax Avoidance Directive (ATAD) will be required to be enacted in Irish domestic law from 1 January 2019 with important decisions to be made which will impact directly on companies operating and investing in Ireland. **There is still a significant level of uncertainty regarding many areas of the ATAD and the American Chamber would welcome the provision by Department of Finance of a roadmap of how the measures will be implemented into Irish tax legislation, to ensure companies have adequate time to verify their strategic needs and investment planning for 2019 and beyond with a level of confidence**.

In addition, the American Chamber believes a refreshed roadmap should consider the new EU Mandatory Disclosure Rules ("MDR") as it is essential for Irish resident companies to understand their obligations in respect of same.

3.1 Approach to the recent EU Anti-Tax Avoidance Directives (ATAD)

Specifically, in respect of the ATAD implementation, we have summarised our main priority areas below:

(i) Interest Limitation

The American Chamber understands the Irish position that this limitation will not be included into law until 2024 or until the OECD makes this restriction a minimum standard. Therefore, the following should be taken into consideration with that timeframe in mind:

- On implementation, the **30% interest limitation** should be included.
- On implementation, the proposed "**grandfathering**" of loans entered into pre-17 June 2016 should be included.
- The Government should consider how the Interest limitation provisions can be efficiently **implemented in conjunction with Ireland's existing tax legislation** in this area. The Chamber believes that simply adding the proposed interest limitation provisions into Irish legislation without amending and significantly simplifying current Irish tax legislation (potentially on a phased basis) would put Ireland at a significant competitive disadvantage in this context when compared to most other Member States.

(ii) Controlled Foreign Company (CFC)

- In respect of Controlled Foreign Company rules **("CFC")**, the Chamber believes that allowing taxpayer companies the scope to rely on either of **"Option A and B"** laid out in the ATAD would further reinforce that Ireland is an open economy for all company types. In the absence of both options being feasible to introduce into the legislation, the Chamber believes that Option B would be most appropriate for Ireland to adopt in its implementation of the CFC rules. It is important we gain clarity on this decision as soon as possible.

- In-line with most countries that currently have a CFC regime, on introduction of the proposed CFC legislation we recommend that the Government considers introducing a **participation exemption regime in the context of dividends** received from non-Irish subsidiaries.

(iii) Exit Tax Regime

- On implementation, the extended introduction date of **1 January 2020** should be included.

- Consideration of the appropriate rate of tax applicable where the Exit Tax provisions apply should be undertaken. The application of the current 33% capital gains tax rate places Ireland at a competitive disadvantage when compared to other Member States. While further consultation should be undertaken, the Chamber would **recommend that the 12.5% tax rate should apply** where the relevant assets are used as part of a trade carried on in Ireland. Confirming Governments position on this matter should be an integral part of communicating an updated Corporate Tax Roadmap.

- Further, we believe the exit tax provisions introduced under the ATAD should provide for the **"base cost" of assets already within the charge to Irish tax to be rebased to their market values** for the purposes of applying the new provisions which come into effect from 1 January 2020.

3.2 R&D Tax Credit Regime

The American Chamber believes that Research and Development (R&D) activity is fundamental to growing the Irish economy. Competition has intensified within the EU in recent years. This is mirrored on a global scale with locations such as Israel and Singapore establishing themselves as technological hubs for international companies. A more activist industrial policy in the UK is anticipated post-Brexit, especially focused on knowledge intensive investment.

The location of an R&D activity has a significant impact on long term economic growth potential of a jurisdiction by anchoring related manufacturing and service activities and driving enhanced skill levels. The R&D tax credit not only has a direct effect on the creation of 'new' R&D jobs, it is directly related to Irish-based facilities being engaged in additional development, manufacturing and commercialisation projects that would not have been possible in the absence of having R&D activities/projects in Ireland in the first instance. Importantly, these jobs tend to be larger in number than the R&D jobs themselves.

Ireland's R&D Credit Regime is intended to be best-in-its class. The American Chamber welcomed the analysis by the Department of Finance[7] that *"….indicates the tax credit achieves reasonable additionality….[they} estimate that of the R&D conducted by firms since 2009, 60% is additional R&D i.e. the tax credit incentivises firms to perform R&D that would not have occurred in the absence of the tax credit policy".*

However, it is the American Chamber's very considered assessment that the regime requires urgent targeted reform to address what our members view as a "mismatch" that has emerged between the principles underpinning the regime, its promotion and its implementation. **The regime needs to be clear and consistent if it is to be effective. As such, it needs to reflect the overarching policy, as outlined by Government and the Department of Finance, to be strategically focussed on reducing the business cost of undertaking R&D in Ireland.**

The American Chamber believes to remove the current level of considerable uncertainty within member companies, the following enhancements should be considered to compete with increasing competition in this area:

I. **Increasing the current limits imposed on third party payments to for providing contracted R&D services.** The regime currently provides insufficient incentive and support to companies to collaborate with Higher Education Institutes. To further encourage companies to work with third level institutions and invest in the 'R' activities which are the foundation of longer term progress in science and technology-based products and production methods, the American Chamber recommends that the limits applied to such expenditure are reviewed with a view to increasing them. This would encourage large investors in R&D to place more expenditure within academic institutions and assist in knowledge transfer to industry.

II. The American Chamber recommends that the R&D tax credit refund mechanism should be altered to **facilitate the offset of the refund arising from the R&D tax credit against other taxes**. This simple adjustment to how the refund is utilised will provide further flexibility to companies whilst being cost neutral to the Exchequer.

III. Section 766 TCA 1997 should be amended to delete the term "wholly and exclusively in the carrying on….of research and development" and replaced with "for the purposes of research and development." This is a broader test and is more aligned with the aim of reducing the business cost of undertaking R&D in Ireland. It is

[7] Economic Evaluation of the R&D Tax Credit, Department of Finance, October 2016

also more in keeping with the broader Revenue interpretation previously outlined in pre-December 2013 Guidelines.

IV. The R&D legislation should be amended to ensure that certain costs incurred in undertaking a qualifying R&D activity under the general framework of S.766 TCA 1997 should be allowable notwithstanding that they may be capitalised as a component of the valuation of an IP asset and potentially come within the ambit of S.291A TCA 1997.

V. To support global R&D projects the regime needs to recognise how Irish subsidiaries engage with connected parties (i.e. parent companies in the US). Therefore, the territoriality and connected party's restrictions contained in S.766 TCA 1997 need to be amended to allow Irish subsidiaries' collaborations to be catered for in the legislation. In the UK for example, research activities can take place outside the UK and are not bound by an EU/EEA restriction. Post Brexit, the UK, outside the constraints of the EU, will have the ability to make their R&D regime even more flexible so it is imperative Ireland's regime remains as competitive as possible.

VI. The regime, while remaining based on the OECD Frascati model, needs to evolve to expand the qualifying fields of science to emerging areas (e.g. such as the interaction between technology and human behaviour). This can be done by amending Statutory Instrument No.425 of 2004 and in particular, 'Appendix 2' that outlines categories of activity that are not research and development activities.

VII. The concept of 'scientific or technological advancement' contained in S.766 TCA 1997 needs to be more aligned to the specific requirements of a small island economy like Ireland. International R&D regimes have different novelty requirements, the most common being 'new to the company' rather than the more stringent "new to the world" approach. Typically, the "new to the world" approach is difficult to administer and is unlikely to capture the very significant 'D' that is undertaken in Ireland as it focuses more specifically on the pure 'R'. The American Chamber recommends that the level of novelty required to be sought in the Irish regime is clarified to reflect conditions on the ground and to allow Irish companies to continue on the path from 'D' to 'R' over time.

VIII. The nature of the R&D which qualifies for grant aid administered by IDA and that which qualifies for R&D tax credits is not consistent. Evolving the regime to reduce this inconsistency would be beneficial to the companies which are awarded RD&I grant aid for their investment programmes into Ireland. In addition to any changes in legislation to clarify the level of novelty outlined above, utilising the State's own technical resource as per the IDA's grant assessments to review the technical basis of R&D tax credits claims would assist in this alignment and allow reduced administration and increased clarity for those companies claiming both incentives.

IX. At present Ireland promotes the benefits available in respect of R&D investment as an effective 37.5% benefit, being a 25% R&D credit and a 12.5% corporate tax deduction for qualifying expenditure. A further potential innovation which would be welcomed by the American Chamber would be an election option for the R&D credit regime to allow claimants with a tax base to forgo corporate tax deductions and take the benefit foregone by way of R&D credit. Such an election would lead to a 50% increase in the potential "above the line" benefit. This increase in “above the line” R&D credits would make Ireland significantly more competitive when competing for mobile R&D investment.

The denial of a corporate tax deduction at 12.5% on the qualifying R&D expenditure means that the proposal is a cost neutral for the Exchequer. The American Chamber is conscious that without an appropriate restriction, a loss-making company could claim an unintended benefit but believe that this can be avoided by building appropriate safeguards into the legislation.

3.3 Intellectual Property (IP)

The American Chamber believes that the continued enhancement of Ireland’s IP offering is critical from an Irish tax policy perspective to create an environment where Ireland can compete for mobile IP related investment.

(i) <u>IP amortisation regime</u>

The Government and Department of Finance have stated that they regard Ireland as having a suite of offerings to attract knowledge intensive activity to Ireland from an IP perspective. **The Irish IP amortisation regime (included in Section 291A TCA 1997) is a key pillar within this suite and there are a number of areas where the American Chamber believes enhancements should be made in order to improve competitiveness and attract further IP related investment.** These recommendations are:

- Amendments to provide that there is no claw-back of IP amortisation allowances previously claimed.
- Provide further guidance (potentially certain “safe harbour” tests) in relation to what activities should be regarded as trading in an IP context.
- Amend the definition of “specified intangible asset” to include goodwill where such an amount is amortised for accounting purposes.
- The current requirement included in Section 291A to regard the income and expenditure from qualifying IP as a “separate trade” from an Irish tax perspective causes a number of practical issues for some of our Members. In this context, the American Chamber would recommend that the impact of this requirement is fully considered in conjunction with any potential costs that would be associated with removing this requirement with a view to ascertaining whether the removal of the “separate trade” calculation could be a worthwhile enhancement to Section 291A. The American Chamber would be more than happy to discuss this issue in more detail as required.
- The accounting for amortisation regimes (such as Ireland’s) under US accounting principles is a complex area. In a number of instances, this is a key issue for our Members. The American Chamber recommends that the Government considers whether the IP amortisation regime could be amended to deal with these particular challenges. Further, the majority of Irish companies who prepared financial statements under ‘old Irish GAAP’ were obligated to convert to FRS 100/101/2012. These new accounting standards require companies to ‘fair value’ certain assets, including IP. In effect, this means that such assets may no longer be amortised on an annual basis, and thus companies who claimed relief under Section 291A on the amortised basis may lose the relief if the law was to remain as is. In this context, it is evident that Section 291A may have to be amended technically in any event such that it is now timely for a review of the section for this and the above-mentioned US accounting issue. The American Chamber would be happy to explore these issues further with the Government and the Department of Finance as required.

As outlined earlier in this submission, the exit tax rate for IP leaving the Irish tax net should be decided and communicated without further delay, to facilitate early restructuring by impacted companies as may be required.

This area is of key importance in a post-BEPS environment and the American Chamber would be happy to consult further with the Department on any change not outlined above.

(ii) Knowledge Development Box (“KDB”)

The American Chamber was a key contributor to the consultation process initiated to consider the creation of a ‘Knowledge Development Box’ (KDB) regime for Ireland. **It is imperative that Ireland continues to illustrate its competitive and certain tax regime for IP development and exploitation in Ireland.** Understanding the necessity for reviewing tax expenditures requires an "end date" for the KDB, it would be important for investor certainty that the Minister make a positive statement in Budget 2018 that the intention would be to evaluate the incentive at that point for its ‘fitness-for-purpose’. **Further, the relief currently applies to accounting periods which commence before 1 January 2021 and confirmation of its continuance after that date would be welcomed.**

3.4 Double Taxation / Withholding Tax Regime (WHT)

It is important that Ireland can offer a competitive regime for dealing with withholding taxes suffered on inbound royalty payments. It is also important to at least maintain our current regime for granting relief for withholding tax on outbound royalty payments. Both are critical to ensuring that Ireland can compete internationally and be a hub for highly mobile, IP rich global operations.

While Ireland has implemented various attractive measures to compete for international business, its current foreign tax credit regime for inbound royalties is not competitive compared with other jurisdictions. This significantly impacts upon our members decisions to do business from Ireland with certain countries. The **Irish Measure of Income** regime is now extremely complex and burdensome for companies, and despite efforts to simplify it, the opposite is in fact the case for a lot of taxpayers.

To address the concerns outlined above, and ensure Ireland competes effectively for mobile FDI, the American Chamber strongly urge consideration be given to improving the double taxation relief afforded on tax suffered on inbound royalty payments. Improvements to this area are key to ensuring Ireland is competitive internationally to win global mandates:

- There should be a removal of the requirement for Irish taxpayers to estimate the Irish measure of income limitation for foreign withholding taxes on a formula-based approach – one size simply does not fit all. For example, consideration could be given to enable the taxpayer, particularly with different margins on products in different markets, to calculate based on actual net income from each foreign source. It should also be clarified that a full deduction for unrelieved or excess foreign withholding tax (WHT) should be permitted where credit is unavailable or limited.

- Unrelieved or excess foreign WHT should be deductible under general tax principles (on the basis withholding tax is an expense of business incurred "wholly and exclusively" for the purposes of a company's trade), if it is not otherwise deductible under specific WHT provisions.
- Clarification needs to be provided such that unilateral relief for withholding taxes under paragraph 9DB, Schedule 24, applies to income which under Irish tax rules would not typically be considered to be royalty income, but which certain foreign jurisdictions view as being subject to withholding tax. For example, companies suffer withholding tax on certain service fees including payments for software services / technical services, which are currently not included under the provisions of 9DB creating additional complexities to calculate the deduction for WHT. Therefore, extending the provisions of 9DB to include such services would be welcomed by the members.
- The domestic charge to withholding tax on royalty payments from one Irish resident company to another should be abolished, as this charge generates no additional tax take for the Exchequer

It will be important to consider the interaction of withholding tax credit relief rules with capital allowances available on certain intangible property (under Section 291A Taxes Consolidation Act 1997) where intellectual property is on-shored in Ireland. Relief for withholding taxes on income arising from the exploitation of assets eligible for relief under Section 291A is currently ring-fenced against tax on income from those assets. As the operation of the allowances regime reduces the taxable measure of income and the amount of current tax payable, companies which invest in assets in Ireland face a further limitation on their ability to utilise withholding tax credits. This could potentially impact any decision to move intellectual property to Ireland. Ideally an enhanced regime would facilitate use of credits against tax on other income in order to minimise any loss of credit or deduction relief.

A key feature of a competitive offering in terms of tax relief for withholding taxes is the ability to pool surplus tax credits. Currently, in contrast to other areas of the Irish tax legislation (for example dividends and foreign taxes suffered on branch profits), no pooling is available for withholding taxes suffered on royalty income. This is a significant disadvantage and renders Ireland uncompetitive in this area. Recognising that there may be cost implications to the introduction of the full scope pooling of credits, it may make sense to introduce this on a phased basis over the next 2/3 years.

If it was determined to phase it in (as opposed to making the bold move in FA 2018), this would need to be clearly expressed and delivered within an appropriate timeline. Overall the area of relief for foreign taxes is a complex one and a review of Sch24 TCA97 should be done with a view simplifying the application of the rules therein. The American Chamber would be pleased to consult on the matter with the Department.

3.5 Developing Ireland's Tax Treaty Network

The American Chamber continues to stress the importance of continuing to develop Ireland's Tax Treaty network. Ireland has made positive steps in this area and the American Chamber urges continued efforts with countries such as China and Japan as noted in past submissions.

As well as developing very extensive treaty networks, consideration should be given to the breadth of withholding tax relief application. Ireland is lacking treaties with many key trading partners, and in many instances where treaties are in place the level of withholding taxes remains high. It is crucial for Ireland to continually improve on its competitiveness on these matters to attract and retain business into the future.

3.6 Resourcing the Competent Authority within Revenue

As other States are positioning themselves to compete with Ireland for foreign direct investment though competitive tax regimes, potential investors are increasingly putting more weight towards the ease of doing business in a country and dealing with the local tax authority. It is imperative that Revenue plays their part in positioning Ireland as the best jurisdiction to operate from and sustain a 'best-in-class' reputation as an efficient and effective Irish tax authority

One of the many consequences of the OECD BEPS process has been a focus by Revenue Authorities around the world on increasing the tax yield from Revenue audits. One element of such audits in a cross-border group situation is to examine the supply of goods and services between group companies and in particular the transfer pricing arrangements that are in place to ensure these are at 'arm's length' and thus fair to the Exchequers of both countries.

The American Chamber welcomed the Government's actions over the last number of years to strengthen the capacity of the Revenue Commissioners to enable them to deal with any queries raised by other jurisdictions in a speedy and comprehensive manner. This is not just dealing with the speed of such responses, but also legitimately challenging the demands of other countries and to preserve, as far as possible, Ireland's corporation tax position and its tax base.

Given the importance of this issue**,** the **American Chamber strongly encourages Government to continue to invest to have a well-resourced competent authority team within Revenue to engage with Ireland's treaty partner jurisdictions** and to ensure that the team is appropriately trained with the relevant technical knowledge to engage with their counterparties in other jurisdictions.

3.7 Reducing Administrative Complexity

The Chamber welcomed the recently reported fact that Ireland was ranked as the most effective country in the EU to pay business taxes and 4th most effective worldwide[8]. Nevertheless, companies are experiencing increased compliance costs through additional reporting in recent years and these costs are set to further increase on the back of further measures released by the EU. There are a number of opportunities to remove measures that have no material purpose;

I. The American Chamber would recommend that a review should be undertaken of domestic reporting requirements such as the **Form 46G**, and where any such reports are viewed as redundant or non-essential, they should be removed as an obligation imposed on companies to allow for balance with respect to the increased reporting costs in other areas.
II. Further, where a company makes a distribution which does not require the application of Dividend Withholding Tax (DWT) due to, for example, valid declarations in place then the requirement for a "nil" **DWT return** should be removed.
III. Similarly, the requirement for a **CGT clearance certificate (CG50)** should be removed where the Revenue would be obliged to provide one in the first instance e.g. where the person making the disposal is Irish resident.

Concluding Remarks

The American Chamber of Commerce Ireland promotes policies that enhance Ireland's competitiveness to be the location of choice for US foreign direct investment into Europe. Competition for FDI remains intense as investment, rather than trade, emerges as the key driver of the global economy in this century.

We believe that if the measures and strategy suggested in this submission are embraced they will help drive growth by making Ireland more attractive for future inward investment.

[8] PwC/World Bank Group Paying Taxes 2018 Report