
Consultation on Ireland's Personal Tax System

Response from the American Chamber of Commerce
Ireland (AmCham) to the Department of Finance Public
Consultation on Ireland's Personal Tax System.

April 2023

The American Chamber of Commerce Ireland The Voice of US-Ireland Business

The American Chamber of Commerce Ireland (AmCham) is the collective voice of US companies in Ireland and the leading international business organisation supporting the Transatlantic business relationship. Our members are the Irish operations of all the major US companies in every sector present here, Irish companies with operations in the United States and organisations with close linkages to US-Ireland trade and investment.

Ensuring Ireland is a 'location of choice' for talent is key to Ireland's continued competitiveness on the international stage. Talent is more mobile internationally than at any previous point in history. Therefore, ensuring Ireland is an attractive location for talent is of the utmost importance, and personal taxation is a significant factor in this regard. AmCham therefore welcomes the opportunity to engage with the Department of Finance on Ireland's personal tax regime.

In a recent survey 100% of AmCham members said certainty with regard to the availability of highly skilled talent is important to maintaining FDI employment in Ireland. Tackling the high personal taxation burden is key to attracting and retaining talent, and subsequently, further encouraging greater inward investment to Ireland. AmCham members regularly explain that talent attraction and skills shortages are core issues for US multinationals in Ireland.

In the AmCham 2023 pre-Budget submission, AmCham advocated for the reduction of the personal taxation burden. AmCham has additionally advocated for the Department to outline a roadmap for the indexation of taxation bands and thresholds. AmCham acknowledges that stakeholder engagement is an integral step in defining this roadmap and appreciates the request for submissions.

AmCham recognises the positive step the Department has taken in Budget 2023 with increase in the threshold for entry to the higher tax bracket. Addressing the personal taxation burden is necessary to support Ireland's position as a destination-of-choice for talent, and in supporting workers with the increasing cost of living.

Ireland has a highly-skilled, well-educated, and internationalised workforce. In further strengthening AmCham's reputation in this regard, AmCham believes there is scope to be more ambitious in our income tax offering, particularly if we compare our personal tax regime to competitor jurisdictions. Additionally, this would support Ireland as a base in which to place leadership and global roles, allowing those leaders to build teams within Ireland, and therefore supporting the creation of jobs across all levels within companies, and within communities throughout the country.

Do you have any suggestions on how the personal tax system could be reformed or enhanced, while broadly maintaining the yield and ensuring it continues to provide a sustainable and stable source of revenue to the Exchequer to fund public services?

In a recent survey of AmCham members, 59% indicated that Ireland's personal tax regime was either minimally or not competitive. Further, almost 60% of respondents indicated that all rates should be reassessed to reduce the burden on employees. Therefore, on that basis, it would be beneficial that all tax brackets are reassessed to ensure Ireland's personal tax regime is competitive, particularly given the importance of attracting and retaining talent.

In the same survey, 64% of respondents said they expect the number of employees in the Irish operations of their organisation to increase over the next 12 months. To continue to attract this projected FDI, the protection and enhancement of competitive personal tax policies designed to attract key in-demand individuals and to encourage talent to move to Ireland, is required.

Reducing the personal tax burden would assist in addressing the cost-of-living crisis for employees and it would further enhance Ireland's reputation for being a great place to live and work, which would benefit Ireland's attractiveness overall.

Does the personal tax system sufficiently support a competitive economy to incentivise and encourage work?

In enhancing Ireland's personal tax regime to increase its competitiveness, it is important that any new measures taken do not compound the tax burden on employees. Further, it is essential that the personal tax regime is competitive and the burden on job creation and retention is reduced. Ensuring action is taken to match the marginal tax burden to international standards will be important in terms of ensuring Ireland's competitiveness into the future.

In AmCham's recent survey, 69% of AmCham members said their organisation is currently experiencing a skills gap in Ireland. 31% of respondents said their biggest skills gap is in engineering, 24% of respondents said digital and data, while 16% said machine learning and AI. It is essential that measures are taken by the government to address this skills gap and ensure Ireland is best placed to continue to attract FDI. This would include ensuring that the taxation burden on job creation and retention does not act as a barrier to growth and talent attraction.

Following the recent OECD international tax agreement, Ireland will need to ensure it remains competitive in terms of attracting talent. Ireland needs to find a way to distinguish itself from competitors for FDI.

In order to attract and retain talent in Ireland, AmCham recommends the advancement of the reduction of the personal taxation burden by outlining a roadmap for the indexation of taxation bands and thresholds. The combination of income tax, USC, and employee PRSI results in a high marginal tax burden which could impact Ireland by international standards in attracting key talent.

What are the key areas in the personal tax system for future policy consideration?

AmCham believes that any medium to long term planning of the personal tax regime should include a commitment to not increase the personal taxation burden. This will allow companies to provide security to prospective talent for the medium to long term. All tax rates and thresholds should be reassessed and the tax burden on employees reduced.

The personal tax regime for in-demand individuals should be made more attractive to encourage talent to move to Ireland, as AmCham member companies continue to expand. The protection and enhancement of competitive personal tax policies designed to attract key in-demand individuals is needed to encourage talent to move to Ireland.