Deloitte’s Daryl Hanberry, Tax Partner and Head of Global Employer Services at Deloittes, and Niamh Barry, Tax Manager, examine the tax landscape and find that a more joined-up approach is needed from the government to improve their regimes to compete on corporate tax rates and enhance their regimes to compete for FDI.

A significant differentiator in attracting in the 21st century is a platform for domestic multinationals to thrive in the attractiveness of the income tax regime, which helps bring in strong executives and retain highly skilled talent in the digital and multinational industries.

At a time when Ireland is facing strong competition due to Brexit, US tax reforms and other external factors, we need to enhance the elements of the income tax regime within our control, with a focus on our international competitiveness and attractiveness to international companies.

Multinational clients repeatedly tell us that Ireland’s income tax, USC and PRSI are the biggest barriers that they face when trying to get their employees to relocate in Ireland. This country has one of the highest marginal income tax rates in the OECD and one of the lowest points to tax.

By comparison, in California, which would have one of the highest state taxes in the US, an employee who earns over €150,000 would be paying around 40 per cent in Ireland. In Ireland, an individual’s marginal tax rate almost reaches 41 per cent on earnings over €30,000. Let’s look at some of the pre-Budget changes allowing workforces mobility in recent times.

**Tax relief**

In June, the government announced a public consultation for the Revenue of the Special Assignee Relief Programme (‘SARP’). SARP aims to incentivise non-Irish companies who relocate to Ireland and can make a claim to have attracting talent in the areas in which they operate.

The relief is currently restricted to those who spent at least six months working for the employer in an associated company outside of Ireland and continuously paying Irish tax. The programme was brought in to avoid double taxation in certain situations and to facilitate transfers of key employees.

The programme requires for a Critical Skills Employment Permit (‘ISEP’), currently €1,000. This would assist companies in attracting talent in the areas in which they operate.

**Businesses need to be aware of the possibility of onerous offences, ignorance is no longer bliss**

In summary, the implications for the Revenue of the Special Assignee Relief Programme (‘SARP’) is that Ireland’s high tax rates have led to an exodus of talent. The programme was brought in to avoid double taxation in certain situations and to facilitate transfers of key employees.

The programme requires for a Critical Skills Employment Permit (‘ISEP’), currently €1,000. This would assist companies in attracting talent in the areas in which they operate.

There is also provision for a Critical Skills Employment Permit (‘ISEP’), currently €1,000, to be granted to high-level employees to operate Irish payroll.

**Short-term business visits to Ireland are more complicated than you think**

Ireland is a prime location in Europe to do business and Ireland has a well-established regime for resident companies. However, we are not compliant with our residents. To ensure that Ireland is seen as a prime location, the government to ensure Ireland is seen as a prime location, and increase Ireland’s attractiveness for multinational companies deciding where to locate.

The government must adapt to taxing times and support the regime to compete for FDI. We are making great strides to improve our tax regime, and the more joined-up approach is needed from the government to attract more international companies to Ireland.

**Welcome reform**

We are also seeing welcome reforms with regard to immigration. The Irish government is expected to sign the new Treaty of Lisbon, which will see a new European Union, and reform the principles of free movement and establish a financial framework to support the Union.

The government is continuing to review its immigration policy and processes and activity, engaging with stakeholders to improve the Irish tax regime, to attract more skilled talent, and improve the experience for employers and employees.

Thank you,

Daryl Hanberry is Tax Partner and Head of Global Employer Services at Deloitte.