Will Ireland Act On Tax?

By Melanie Mingas | **PUBLISHED:** 11:09, 18 June, 2020 | **UPDATED:** 11:46, 18 June, 2020

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Nobel laureate and economist Joseph Stiglitz this week accused Ireland of "robbing" its European neighbours, by allowing multi-nationals – including some of the world's biggest tech firms – to avoid tax obligations by basing part of their operations in the country.

It follows earlier calls to tackle the practice – known as base erosion and profit shifting (BEPs) – which has caused international debate for years.

Stiglitz said: "I think Ireland did get some advantage by having a lower tax rate of 12.5%. I didn't think they had much of an advantage for zero or close to zero [tax rate] that they gave to Apple. That was a gift that was robbing their neighbours in **Europe**. "

The idea of a new global tax framework for technology companies was dismissed by the US overnight, with treasury secretary Steven Mnuchin warning that discussions had reached an "impasse".

However, the latest research claimed Apple saved more than €16 billion euros by holding most revenue in Ireland over the US, while Microsoft avoided paying €5 billion.

“The reality is that Ireland has been doing this openly for years. It has adhered to international treaties and has been, on the face of it, a diligent and successful member of the EU,” said Michael Hatchwell, partner at Child & Child, a member of Globalaw.

“There is no regulatory impact. The profit-shifting regime is a result of global and national regulation and it results in a lawful redirection of income to the lowest tax rate jurisdiction possible,” he added.

In tackling the gaps in global tax structures, the OECD and G20 have initiated a BEPS framework, which to date has recruited more than 135 countries to collaborate on 15 specific actions and “put an end to tax avoidance strategies that exploit gaps and mismatches in rules”.

“Governments have a responsibility to create an environment that they consider appropriate. Ireland did that several years ago by deliberately creating a low tax base for large international corporates to take advantage of. In return they flocked there, bringing jobs, investment and opportunity. Ireland has been a very successful economy in part because of such measures,” explained Hatchwell.

How big is the problem?

The latest research draws on figures amalgamated from company statements and international media coverage. It stated 10 of the world’s biggest companies “avoided paying €36.15 billion in tax by holding company operations in Ireland rather than the US”.

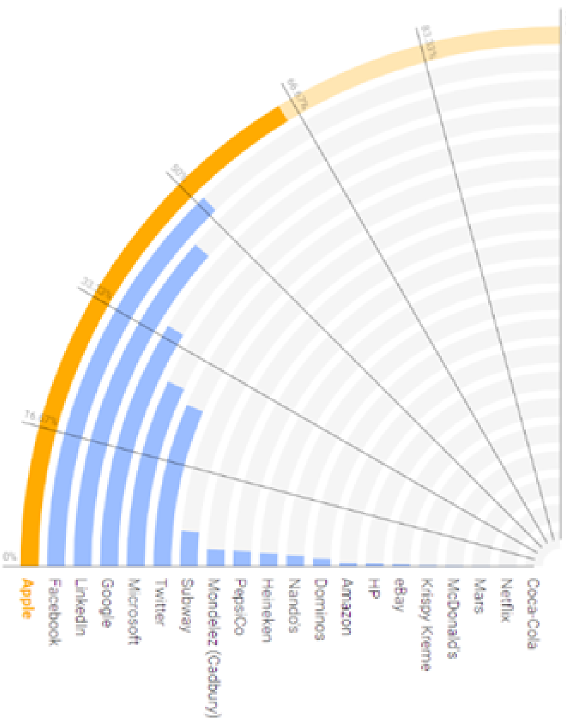
Six of the 10 are tech firms.

It continued: “Comparatively, UK-held revenue from the same 10 companies works out an extraordinarily insignificant 1.5% of total global sales, or €19.5 billion from a total figure of €844.7 billion.”

A total of 20 companies were analysed, with the highest positions in the top 10 taken by Apple, Facebook, LinkedIn, Google, Microsoft and Twitter (see graphic).

Research authors BlueClaw calculated that the money Apple saved by basing revenues in Ireland could have covered the cost of hiring 586,477 nurses, homing 9,588,137 homeless people, or lifting 2,982,777 children out of poverty in the UK.

REVENUE REGISTERED IN **IRELAND** AS A % OF TOTAL REVENUE



Some are feeling the pressure. Google this year committed to stop using Dutch and Irish tax laws to its advantage and Facebook is keen for the world to know its Irish team members are among the best paid in the company.

Referencing Starbucks' 2012 U-turn, when public pressure saw the American coffee chain commit to pay £20m in tax over two years, Hatchwell said: "Amidst a growing clamour that allowing such practices to continue is immoral and wrong, there are now an increasing number of companies who wish to show they are paying taxes and not taking advantage of such structures."

The European Commission has now recommended that, along with Ireland, Cyprus, Hungary, Luxembourg, Malta and the Netherlands also take action to firm up their tax systems.

Given the bottom-line economic contributions of hosting such companies, Ireland is unlikely to move first in amending its tax regime. However, as pressure from the EU mounts, and other nations commit to similar change, it may have no other choice.

"A country that wishes to be a low tax regime legitimately and which structures it legally will always attract companies seeking to maximise their profits. Companies have an obligation to maximise profit for their shareholders. They have not created the tax laws or negotiated the double tax treaties that exist between countries. They simply work within the system," Hatchwell added.