

Ref: 16/4541/MF

19 December 2016

Mr. Jim Clarken
Chief Executive
Oxfam Ireland
2nd Floor
Portview House
Thorncastle Street
Ringsend
Dublin 4

Dear Mr Clarken,

The Minister for Finance, Michael Noonan T.D., has asked me to thank you for your email and copy of the Oxfam report "Tax Battles, the dangerous global Race to the Bottom on Corporate Tax".

The Minister strongly disputes the categorisation of Ireland as a tax haven. Ireland does not meet any of the international criteria for being considered a tax haven. Ireland has been, and remains, a leading supporter of international efforts to increase transparency in the area of corporation tax. Ireland has committed to the OECD BEPS process and is playing a full part in its implementation domestically, at the OECD and at the EU. Ireland is also committed to the OECD and EU efforts to tackle harmful tax competition by actively participating in the EU's Code of Conduct and the OECD's Forum on Harmful Tax Practices.

The Oxfam report at page 19 highlights three main concerns about Ireland which paint a wholly inaccurate picture of Ireland. The Minister has asked me to address each of these points:

- The report includes Ireland's 12.5% rate as one of the factors in calling Ireland a tax haven. This is totally inappropriate and inaccurate. Interestingly, the report also recognises the benefits of the 12.5% to Ireland and the recommendations made in the report do not suggest that Ireland should change the rate. The report also ignores the fact that Ireland applies a 25% rate on passive income and a 33% rate on capital gains. The 12.5% rate is fully in line with OECD and international best practice of having a low rate and applying it to a very wide tax base. The 12.5% rate is only available on trading profits where there is substantial activity in Ireland. Ireland's corporate tax policies are designed to attract real and substantive operations to Ireland. Ireland has not been and will never will be a brass-plate location.
- The report includes Ireland's tax incentives as being a feature of a tax haven. This is simply incorrect. Ireland have a very limited number of targeted tax incentives that are fully in line with agreed international best practice. The Knowledge Development Box, which is singled out in the report, was the first such measure in the world to be deemed fully compliant with OECD rules by the Forum on Harmful Tax Practices. While a number of countries not

included on the Oxfam list have Boxes which failed these rules and were considered harmful, Ireland's box was fully approved.

- The report mentions Ireland in the context of profit shifting activities. The Minister has consistently been clear that we believe aggressive tax planning can best be countered by international tax reform. Profit shifting can only be carried out where global rules applied in all countries are ineffective or misaligned. This is why the BEPS project was needed and why the BEPS recommendations now need to be implemented globally. For this reason, Ireland is an active participant in global work to reform the international corporate tax system. Ireland has implemented Country by Country Reporting, agreed the Anti-Tax Avoidance Directive and are working towards the implementation of the remaining OECD BEPS recommendations both domestically and internationally.

These misunderstandings of the Irish regime and Ireland's positions on international tax issues contribute to the fundamentally inaccurate portrayal of Ireland as a tax haven.

It is also worth noting that the recommendations made by the Oxfam report fail to take account of the significant work underway internationally on international tax reform. The last year alone has seen significant changes including all EU Member States agreeing the Anti-Tax Avoidance Directive, the establishment of the BEPS Inclusive Framework and the Platform for Collaboration on Tax, the publication of the Multilateral Instrument and the widespread implementation of Country by Country Reporting. More work remains to be done and Ireland will be an active contributor to this work.

Each year, the Minister publishes an Update on Ireland's International Tax Strategy highlighting the actions we have taken in line with our core policies and principles in the area of international tax reform, cooperation and competitiveness. A copy of this document can be found on the Department of Finance website.

If you wish to discuss the Department's serious concerns with the report further, please contact Mr. Brendan Crowley in the Tax Division at 076 100 7603 or by email at brendan.crowley@finance.gov.ie.

Yours sincerely,

JUSTIN DOLAN

Justin Dolan
Private Secretary to the
Minister for Finance