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IRISH SPILLOVER ANALYSIS PROJECT
Platform for Tax Good Governance

14 June 2016

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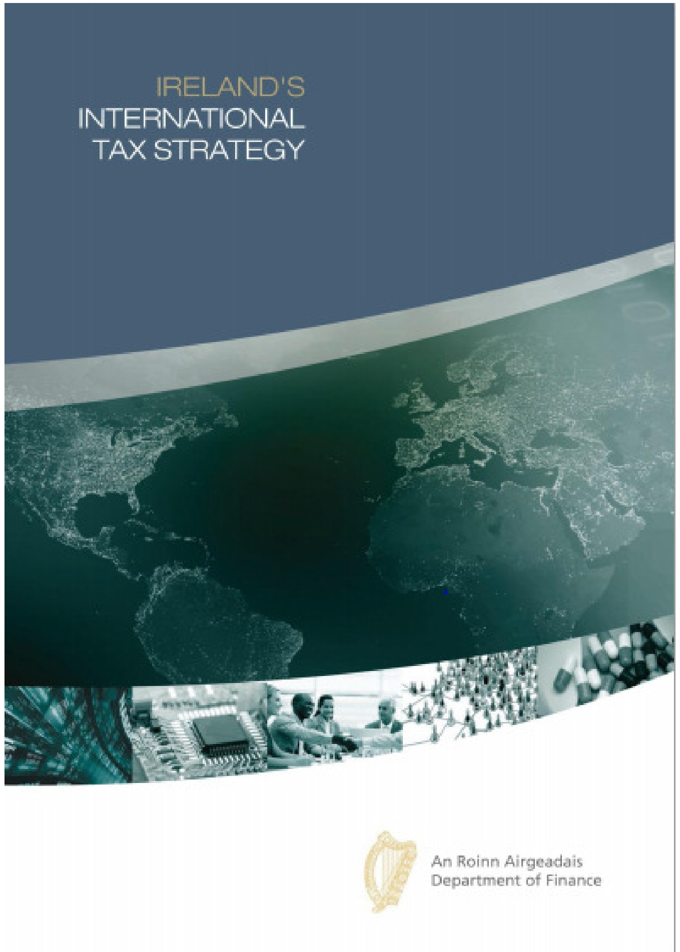
Overview

1. Why we undertook a Spillover Analysis

2. How we approached the project

3. Results

Genesis of Project – Domestic Policies



- ***"Ireland is committed to engage constructively and respectfully with developing countries in relation to tax matters"***

  - October 2013

Policy for International Development

- Whole of Government approach, coherent policy development
- Ability to generate and collect tax revenues is key to exiting from aid dependence

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International Interest in Spillover Analysis

- 2011 Report by IMF, OECD, UN and World Bank to G-20 Development Working Group
- Christian Aid
- Existing research
  - Ministry of Foreign Affairs, Netherlands – November 2013 report
  - IMF consultation on economic spillovers in international taxation

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Spillover Project Launched – April 2014

- "…the Minister for Finance has decided to undertake a 'spillover analysis' to research what impact, positive or negative, Ireland's tax system may have on the economies of developing countries"

Spillover Project Elements – Public Consultation

Public consultation

- 94 submissions received
- 83 from private individuals as result of e-mail campaign
- 11 from NGOs, academics and private individuals
- 6 included detailed submissions

Common themes from consultation:

- Tax treaties and withholding taxes
- Transfer pricing concerns
- Influence of domestic tax legislation
- Capacity Building
- Multi-lateral initiatives on AEOI and CBCR

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Spillover Project Elements – Research Contract

- Competitive tender process
- Invited proposals for appropriate methodology to carry out a spillover analysis
- IBFD appointed to carry out research

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Research Results - 1

- Trade and capital flows to and from Ireland
  - Limited volume of transactions
  - Difficult to draw firm conclusions
  - Spillovers unlikely due to low volumes

- Analysis of tax treaty provisions
  - Relatively few treaties between Ireland and developing countries at present
  - Some old (Zambia, Pakistan), some new (Egypt, Vietnam)
  - Identifies provisions of particular relevance to developing countries
  - Analysis is broadly positive

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Research Results - 2

- Domestic Irish Legislation and EU Directives
  - Review of Irish tax incentives – CT rate, withholding taxes, R&D
  - EU Directive limits on intra-EU withholding taxes
- Review of IMF Spillovers Report
  - *Strategic spillovers* – the impact of changes in a country's tax rate on the tax rates of other countries.
  - *Base spillovers due to real activities* – the effect of changes in a country's tax rate on the tax bases of other countries due to shifts in real economic activity.
  - *Base spillovers due to profit shifting* – the effect of changes in a country's tax rate on the tax bases of other countries due to profit shifting, separate from shifts in real economic activity.

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Publication and Promotion

- Published with Budget 2016 in October 2015
- Minister Noonan –

"…in order to show full commitment and foster a trusting relationship between the developed and developing world, the OECD should adopt at least in spirit a 16th action in the BEPS project that insists upon all countries undertaking spillover analyses of how their taxation regimes impact the developing world.