



American Chamber of Commerce Ireland  
Submission to the  
**Commission on Taxation**

9<sup>TH</sup> JUNE 2008

# Submission to the Commission on Taxation

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## BACKGROUND

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With over 580 US companies employing over 100,000 people directly, it is estimated that a further 225,000 jobs in Irish companies are directly supported by US companies based here. The contribution these companies make to the Revenues of the State in terms of corporation tax, PAYE, Vat and other taxes is considerable.

Total US investment in Ireland is \$83 billion. Continued investment is crucial to Ireland's current and future success, both as an investor and a significant trading partner.

Ireland continues to face increasing competition from lower cost economies for this investment. The American Chamber of Commerce continues to work with its members to identify how, in the light of our rising cost base Ireland can implement other policies and initiatives which will help us to remain an attractive location for foreign direct investment.

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## SUBMISSION

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AmCham fully supports the commitments in the Programme for Government on economic competitiveness and taxation. In particular it supports the commitment to keep the overall tax burden low. Amcham believes that the general approach to tax policy should reflect the fact that Ireland is no longer a low cost economy and every effort should be made to ensure that taxes do not unduly add to the cost base and that tax policy supports all measures to enhance the productivity of capital and labour.

### **Corporation Tax**

Amcham fully supports the Government guarantee on the 12.5% tax rate. However, it must also be recognised that the effective tax burden on corporate profits is a function of the rate and the base. The combination of low taxes and more generous deductibles provide potent competition from many jurisdictions including Switzerland, Singapore, Israel, Poland and other EU states and indeed the US itself. In particular Amcham believes that Ireland needs a more competitive regime in the following areas;

- write off for the cost of acquiring intellectual property and know how
- write for the cost of acquiring goodwill in a business acquisitions
- tax credits for expenditure on research and development
- deductibility of catastrophe and equalisation provisions to insurance undertakings

### **Personal Taxes**

The personal tax regime should be designed to encourage the retention of skilled workers, the up skilling of under-productive workers and attracting internationally mobile skills. Amcham submits that the personal tax regime should be modified to reflect these goals, in particular

- personal tax rates need to reflect the global competitive environment and the increasing mobility of workers
- tax deductions should be available to workers for the cost of vocational and professional training
- Tax rules should be devised to allow Ireland to compete with such locations as the UK and Switzerland for mobile non-domiciled employees particularly in the financial services sectors.

## **Environmental and Carbon Taxes**

AmCham recognises that Ireland must play its part in meeting emissions standards set by the international community. However, we submit that our policy in this area must be guided by realism and should strike an appropriate balance between what is required to meet our international obligations and the minimisation of cost to industry.

## **VAT**

International financial services is an increasingly important component in the Irish economy. For much of the industry VAT is an operating cost. The standard rate of 21% applies to much of the cost base of such companies and compares unfavourably with competing locations. Within the constraints imposed by the EU the overall policy direction should be to avoid any increase in the VAT burden borne by the financial services sector.

The Irish government should support EU efforts to minimise the impact of VAT on outsourced services.

## **Tax Transparency**

Within international financial services the funds administration business has emerged as very important sub-sector. The choice of Ireland as a domicile for investment funds is critically dependent of their tax status. Essentially this recognises that Ireland does not seek to tax income arising outside the state or non-resident investors in such funds. This factor is often overlooked in the competitive analysis. Tax policy should not impact in any way on the free movement of capital through internationally traded investment products such as mutual funds, hedge funds, private equity vehicles, holding companies, securitisation vehicles, life products, and international investment and pension funds established for the benefit of non-Irish residents. Irish tax policy should respect the fundamental principal that income and gains should only be taxed either in the country of source or the country of residence of the ultimate investor or beneficiary.

## **Protecting and Extending Ireland's Tax Treaty Network**

The Chamber recognises the vital importance to Ireland of it's extensive network of tax treaties, not least, that with the USA. It fully endorses the Irish Governments commitment to maintaining a competitive tax regime while cooperating fully with treaty partners to curb tax evasion. It urges the Government to fully exercise it's sovereign right to engage in fair tax competition within the guidelines promulgated by the OECD and in the EU's Code of Conduct.

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## APPENDIX 1

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### *Members of the American Chamber of Commerce Ireland*

3M Ireland	EAP Institute	Merck Sharp & Dohme Ireland Ltd
A&L Goodbody	eBay International AG	Merit Medical Ireland Ltd
Abbott Ireland (Ballytivnan-Sligo)	Ed Werner	Merrill Brink International
Abbott Ireland (Vascular Division Galway)	EG Pettit & Co	Merrill Lynch International Bank Ltd
Abbott Ireland Diabetes Care	Eircom Ltd	Meteor Mobile Communications
Abbott Ireland Diagnostics	Elan Corporation Plc	Microprint Ltd
Abbott Laboratories Ireland Ltd (Citywest-Dublin)	Elavon Financial Services	Microsemi Ireland
Accellent	Electronic Concepts Europe Ltd	Microsoft Ireland
Accenture	Eli Lilly and Company (Ireland) Ltd	Millipore
ACT Venture Capital	Eli Lilly SA - Irish Branch	MJ O'Connor Solicitors
Adare Manor Hotel & Golf Resort	EMC Ireland	ModusLink Ireland Operations
Aderra	Enterasys Networks (Distribution) Ltd	Molex Ireland Ltd
Adhesives Research Ireland Ltd	Enterprise Rent A Car	Monsanto Ireland Ltd
Adobe System Software Ltd	Equifax Commercial Services Ltd	Monster Cable International Ltd
Advanced Medical Optics	Ernst & Young	Moog Ltd
Advanced Medical Optics (AMO) Ireland	Ernst & Young (Cork)	MRPA KINMAN Communications
Aer Lingus	ESB	Murray Consultants Ltd
Aerogen (Ireland) Ltd	ESS Group	National Irish Bank Ltd
Affinity Insurance Brokers	Eugene F Collins	National Standards Authority Ireland
AIB Corporate Banking	Executive Edge	National University of Ireland Maynooth
AIB Corporate Banking	Exploration Station	Network Recovery
AIG Europe (Ireland) Ltd	Federal Express Europe Inc	Nortel Networks (Ireland) Ltd
AIG Life Ireland Ltd	Fexco	Northern Trust (Ireland) Ltd
Ailesbury Investments	Fidelity Investments	NorthgateArinso
Air Products Ireland Ltd	Fidelity Investments (Galway)	Novell Ireland Software Ltd
Alcon Laboratories Ireland Ltd	Fleishman-Hillard International Communications	Nypro Ltd
Allergan Medical	Fluor Ireland Ltd	O'Callaghan Hotels
Allergan Pharmaceuticals Ireland	FMC International	O'Donnell Sweeney Eversheds
Alltech (Ireland) Ltd	Forest Laboratories Ireland	O'Halloran Liam
Altera European Trading Co Ltd	Fort Dodge Laboratories Ireland	Old Head Golf Links
Alza Ireland Ltd 2	Four Seasons Hotel Dublin	Oppenheim Investment Managers
Amarin Corporation	Fragomen LLP	Oracle
Amazon Data Services Ireland Ltd	FraudHalt Ltd	Organon (Ireland) Ltd
American Power Conversion (Galway)	Freescale Semiconductor Ireland Ltd	PacificCare International
American Power Conversion (Mayo)	FTI Finance Ltd	Palm Global Operations Ltd
Amgen Ireland Ltd	GE Commercial Aviation Services Ltd	Parc Group Ltd
Amway (UK) Ltd	General Motors Ireland Ltd	Parsons Brinckerhoff (Ireland) Ltd
Analog Devices BV	Genesis Lease Ltd	Patterson Pumps Ireland Ltd
Anglo Irish Bank	Geneva Ireland Financial Trading Ltd	PayPal
AOL Global Operations Ltd	Genworth Financial	Pearse Trust Ltd
Aon Group	Genzyme Ireland Ltd	Pepsi Cola Manufacturing Ireland
Apple Operations Europe	Geodis Ireland	Pfizer Healthcare Ireland (Citywest)
Arthur Cox	Georgia Tech Research Institute	Pfizer Ireland Pharmaceuticals (Cork)
Ashford Castle	German-Irish Chamber of Industry and Commerce	Pfizer Ireland Pharmaceuticals (DunLaoghaire)
Assurant Solutions	Gilead Sciences Ltd	PFPC International (Wexford)
Attachmate	Glanbia Plc	PFPC International Ltd
Attachmate Incorporated	Gleeson McGrath Baldwin	Pillar Data Systems EMEA Ltd
Avaya	Glenlo Abbey Hotel	Pitney Bowes (Ireland) Ltd

Avocent International Ltd	GMB Executive Search & Selection Ltd	PM Group
AWAS	Google Ireland Ltd	Pramerica Systems Ireland
Ballina Beverages	Grafton ESP	Premiere Global Services
Bank of America NA	Grant Thornton	PricewaterhouseCoopers
Bank of Ireland Corporate Banking	GTECH Ireland Operations Ltd	Proctor & Gamble
Barclays Bank Ireland Plc	Guggenheim Partners Europe Ltd	Prometric Ireland Ltd
Bárd	Habitat For Humanity Ireland	Prospectus
Bausch & Lomb	Hartford Life Ltd	PWA International Ltd
Baxter Healthcare - Ireland Manufacturing	Hasbro Ireland Ltd	QLogic
BCM Hanby Wallace	Hay Group (Ireland) Ltd	Quintiles Ireland Ltd
Beacon Hospital	Hayfield Manor Hotel	Radisson SAS Hotel & Spa (Cork)
Beauchamps Solicitors	Heineken Ireland Ltd	Radisson SAS Hotel & Spa (Galway)
Beckman Coulter Ireland Inc	Henry Ford & Son Ltd	Radisson SAS Hotel & Spa (Sligo)
Becton Dickinson & Company Ltd	Hertz Europe Service Centre Ltd	Radisson SAS St Helens Hotel
Benchmark Electronics	Hewitt Associates Ltd	Red Hat Ltd
Best Doctors	Hewlett Packard Ireland	Reddy Charlton McKnight
Beverly Smyth	Hewlett-Packard Galway Ltd	Remax Advantage
Bioniche Pharma Group	High Performance Training	Resources Global Professionals
Bisys Hedge Fund Services (Waterford)	Honeywell International Technologies Ltd	Right Management
Black Box Network Services	Honeywell Process Control	Ronan Daly Jermyn
Bord Gais Eireann	Horner Ireland Ltd	Royal Dublin Society
Bose GP	HR Holfeld Group	RR Donnelley Global Turnkey
Boston Scientific (Clonmel)	HRM	RR Donnelly Global Turnkey (Cork)
Boston Scientific (Letterkenny)	IBM (Cork)	rXi Ventures
Boston Scientific Cork Ltd	IBM (Galway)	Salesforce.com
Boston Scientific Ireland (Galway)	IBM Ireland	Sanmina-SCI Fermoy
Bovis Lend Lease	IBM Technology Campus	SAP Ireland
Bowen Group	IDA Ireland	SAP SSC (Ireland) Ltd
Brightwater	Innocoll Technologies Ltd	SAS Institute
Bristol Myers Squibb	Intel Ireland Ltd	SBLM Architects Ireland Ltd
Bristol-Myers Squibb	Intel Shannon Ltd	Schenker (Ireland) Ltd
BT Ireland	International Fund Services (Ireland) Ltd	Schering - Plough (Avondale) Company
Business & Finance Magazine	Investors Trust Europe (a State Street Company)	Schering Plough (Brinny) Co
Business Objects Software Ltd	IPICS - The Supply Chain Management Institute	Sciele Pharma Ireland Limited
C. R. Bard	Irish Dairy Board/Kerrygold	Science Recruitment Group
Cadence Design Systems	Irish Management Institute	Sepam Group Ltd
Camp Dresser & McKee (Ireland) Ltd	Iron Mountain Records Management	Sercom Solutions
Capella Hotels & Resorts	Isotron	Shannon Development
Career Decisions Ireland	ITW Mima	Shannon International Airport
Catalent Pharma Solutions Inc	Ivor Fitzpatrick Solicitors	Shannon LNG
CEI Collins Engineers Ltd	Janssen Pharmaceutical Ltd	Sheraton Fota Island Hotel & Spa
Celtic Relocations & Irish Homesearch Ltd	JPMorgan Bank (Ireland) Plc	SIG (Susquehanna Ireland Ltd)
Centocor Biologics (Ireland) Ltd	Junior Achievement Ireland	Sirikit Ltd
Chubb Insurance Company of Europe SA	Kellogg Company of Ireland	Sisk
Cigna HealthCare Ireland Ltd	Kelly Services	Six Degrees Ltd
Cisco Internetworking (Ireland) Ltd (Galway)	Kildare Hotel, Spa & Country Club	SkillSoft Ireland Ltd
CIT Group	Kilroys Solicitors	Sligo Institute of Technology
Citco Corporate Services (Ireland) Ltd	Kingston Technology International Ltd	Smart Telecom Holdings
Citi	Knight Frank	Solis Lough Eske Castle
Citrix Systems	KPMG	Sonopress Ireland Ltd
Cognex Ltd	Kuehne Nagel	SPX Dollinger
Colgate Palmolive Support Services	Lake Region Medical Ltd	State Street International (Ireland) Ltd
COLT Telecom Ireland Ltd	Letterkenny Institute of Technology	StructureTone
CommScope EMEA Ltd (Systimax Solutions)	Leyton Associates	Stryker Orthopaedics (Limerick)

Conference Partners	Liberty Mutual Insurance Europe Ltd	Stryker Orthopedics Cork
ConocoPhillips Ireland	Links Golf Ireland	Sun Life Information Services Ireland Ltd
Conrad Dublin	Lionbridge Technologies	SWS BPO Ltd
Continental Airlines	Lionbridge Technologies International (Mayo)	Symantec Ltd
Cook Ireland Ltd	Lisney	Synopsys International Ltd
Cork University Foundation	Logitech Ireland Services Ltd	Teleflex Medical
Covidien (Tyco Healthcare Ireland Ltd)	Lotus Works	The Merrion Hotel
Coyle Hamilton Willis Holdings	LSI Storage Ireland Ltd	The National University of Ireland Galway
CP3 Group	M/A COM Eurotec BV	The Rezidor Hotel Group
Cpl Resources	Magnet Networks	The Ritz-Carlton Hotel
Crannagh & Company	Manpower Ireland Group	The Shelbourne Hotel
Crestcom Inc	Marathon Oil Ireland Ltd	The Westin Hotel Dublin
CRH Plc	Maryborough Hotel and Spa	Thermo King Europe
Critical Path	Mason Hayes & Curran	Think Marketing
Crown Relocations	Matheson Ormsby Prentice	Transfermate
Cruickshank Intellectual Property Attorneys	MBNA Ireland	Transitions Optical Ltd
Dalkia	McAfee Ireland Ltd	TransPerfect Translations Ltd
Dalriada Executive Search and Selection	McCann FitzGerald	Tyco Healthcare (Athlone)
Data Electronics	McDonald's Restaurants of Ireland Ltd	UCD College of Business & Law
Data Exchange Europe (DEX)	McEvoy Associates Signium International	Ulster Bank Ireland Ltd
De Puy (A Johnson & Johnson Company)	McKesson Information Solutions Ireland Ltd	United Airlines
DeCare International	McQuillan Kelly & Co	US Airways
DeCare Systems Ireland Ltd	Medtronic Cardiovascular Galway	Valois Ireland Ltd
Dell Ireland	Mentor Graphics	Veolia Environmental Services Ireland Ltd.
Dell Products Europe BV	Mercer	Veolia Water Ireland Limited
Deloitte & Touche	Merck Sharp & Dohme Ireland (Human Health) Ltd	Verizon Ireland Ltd
Delta Air Lines Inc		Vhi Healthcare
DEPFA ACS Bank		VIASYS Healthcare
DeRoyal Europe Ltd		VIVAS Health
Diamond Innovations Ireland		Wachovia Bank International
Digital River Ireland		Walsh Western International Ltd
Doonbeg Golf Club		Waterford Crystal Ltd
Dornan Engineering Ltd		Waters Technologies
Downer & Company		Watson Wyatt (Ireland) Ltd
Dromoland Castle		Westpark Shannon Ltd
Druids Glen Golf Club		William Fry
Drury Communications		William P McCarter & Coy Ltd
Dublin Airport Authority		Wyeth Biotech
Dublin City University		Wyeth Medica Ireland
Dublin Institute of Technology		Wyeth Nutritionals Ireland
e/net		Xilinx Ireland
Eagle Star		Zeus Industrial Products (Ireland) Ltd