



Genworth
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133-137 Shannon Free Zone
Shannon
Co. Clare

Mr Jim Kelly
Secretary
Commission on Taxation
Le Pole House
Ship St Great
Dublin 8

27th May 2008

Re: Commission on Taxation – Consultation

Dear Mr Kelly,

Genworth Financial is pleased to make a submission to the Commission on Taxation Consultation Process.

Genworth Financial is a leading financial security company headquartered in Richmond, Virginia, USA. We have a significant operation in Ireland, including our largest site outside the United States in Shannon. We are a truly global company, with operations in 25 countries worldwide, including 18 in Europe.

Our product lines include payment protection insurance (PPI), which acts as an important safety net for borrowers impacted by accident, sickness or unemployment. Our Centre of Excellence in Shannon currently employs over 340 people and is the customer service centre for all U.K. and Ireland PPI policyholders.

We also offer mortgage insurance, a credit risk mitigant for lending institutions, which enables people, in particular first time buyers, to purchase houses in circumstances where they require a high loan to value mortgage.

1. General comments on taxation system

Genworth Financial believes that the emphasis in recent years on reducing levels of corporation tax and personal tax has encouraged economic activity, promoted employment and assisted in the creation of prosperity. In particular, Genworth Financial as a global company with significant Irish operations, views the 12.5% corporation tax rate to be critical in the context of the business decision made to establish and continue its substantive operation in Ireland.



Ireland is a high cost environment for companies to operate businesses that employ significant numbers of people. Over the last number of years, labour rates have increased and there are other additional costs that are higher in Ireland than might be elsewhere. In this context, the maintenance of the 12.5% corporation tax rate is critical to sustaining Ireland's competitiveness compared to some lower cost economies elsewhere in Europe.

2. Local Government Funding

Ireland differs from other jurisdictions through the manner in which local government is financed. At present, the base rate from which local government is funded is almost entirely directed at commercial and industrial facilities. In addition, metered water charges are levied exclusively on commercial customers, but domestic customers do not pay water rates. It is important, particularly in circumstances where companies with international operations are looking at a number of locations, that costs arising as a consequence of local government charges are levied on an equal basis and that commercial enterprises do not bear a disproportionate burden. A system of funding local government that represented a recognition of the cost of providing the services across both domestic, commercial and industrial customers would be more equitable and take account of the need to ensure that local government is adequately funded without imposing an undue burden on any particular sector.

3. Payment Protection Insurance

PPI provides an important safety net for borrowers impacted by accident, sickness or unemployment. It is also a vital contributor to easing pressure on social welfare provision. Those covered by a PPI policy are, when claiming, relieving the Irish taxpayer of considerable strain. There is therefore a case to review PPI premia from partial or complete exemption from the insurance levy. Genworth would be pleased to contribute company data and modelling to further any of the Commission's deliberations around this issue.

4. Property Taxation

Genworth Financial provides Mortgage Insurance to lending institutions in order to allow them to sustainably and prudently lend high loan to value mortgages to credit-worthy borrowers. The operation of the housing market is therefore of great interest to us.

It has been well documented that stamp duty has had a significant impact on the operation of the housing market and, together with the tightening credit availability, has impacted on new and second hand house sales. In this context Genworth Financial welcomed the changes in the 2008 Budget



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reducing the stamp duty burden for certain categories of purchasers. The smallest reductions in stamp duty experienced as a result of the changes were for properties valued between €250,000 and €300,000. Given that the national average price paid for property (in February 2008) was €284,000, it would appear that the average house prices experienced the lowest benefit from the changes made in 2008 Budget. This is an imbalance which Genworth feels should be addressed. This could be done by providing a greater reduction for average house price levels, resulting in a more balanced benefit for average price purchasers. This would increase affordability and add greater stability to property sales. By reducing the stamp duty, it is likely that there would be increased sales transactions and ultimately greater tax income from higher sales volumes.

Genworth welcomes the revision of the system for providing tax relief at source (TRS) for first time buyers in the last Budget. This revision increased the ceiling on interest payments for which the TRS was applied from €8,000/€16,000 (single/couple) to €10,000/€20,000. However, Genworth believes any further revision would need to be accompanied with a full impact assessment so that there is no distortion of true affordability or any potential risk for borrowers down the line.

There may also be an issue in relation to the impact of the abolition of stamp duty on second-hand properties for first time buyers in June 2007. As a consequence of this abolition, first time buyers are now exempt from stamp duty on both new and second-hand houses. However, non-first time buyers are exempt from stamp duty on new properties, but not on second-hand properties. The impact of these exclusions on the second-hand property market should be assessed to determine if there is a distortion of property prices in second-hand properties.

Genworth Financial welcomes the opportunity to make these observations to the consultation process and the Commission on Taxation and wishes the Commission well in its deliberations.

Yours sincerely

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