The Consultative Committee of Accountancy Bodies-Ireland

Chartered Accountants Ireland
The Association of Chartered Certified Accountants
The Chartered Institute of Management Accountants
The Institute of Certified Public Accountants in Ireland

Pre-Budget Submission 2021

Tax measures to support the economy in crisis and in recovery

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1. About CCAB-I

The Consultative Committee of Accountancy Bodies – Ireland is the representative committee for the main accountancy bodies in Ireland. It comprises Chartered Accountants Ireland, the Association of Chartered Certified Accountants, the Institute of Certified Public Accountants in Ireland, and the Chartered Institute of Management Accountants.

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2. Introduction

The CCAB-I recognises the immense task facing the new Government as the Irish economy responds to its biggest crisis in ten years. Our 2021 Pre-Budget Submission aims to assist the Government with this awesome task as we present emergency tax measures to assist businesses in making it through to the end of 2020. We also set out tax measures to support the SME sector, which is unquestionably the sector most impacted by COVID-19 restrictions. We then set out proposals to support a stable recovering economy. All our proposals are based on our vast expert tax and business knowledge garnered from our role as accountants operating in practice and business across all sectors of the Irish economy.

A number of measures in the Programme for Government resonate with the tax policies we have promoted over the years and we urge the Government to steadfastly see through to fruition the following policies.

- Review the taxation environment for SMEs and entrepreneurs with a view to introducing improvements to different schemes, so that Ireland remains an attractive place to sustain and grow an existing business or to start and scale up a new business.
- Focus any tax rises on those taxes which tax behaviours with negative externalities, such as carbon tax, sugar tax, plastics, etc.
- A renewed commitment to the 12.5% corporation tax rate.
- Recognition that taxation is a national competence.
- Continued engagement on international tax reform through the OECD process.
- Implement the Roadmap on Corporation Tax Reform.
- Encourage greater take-up of the R&D Tax Credit by small domestic companies with emphasis on pre-approval procedures and reducing record-keeping requirements.
- Prioritise Green Finance strategic actions that are developed in line with climate justice targets and Sustainable Development Goals.

All of these policies feature in the proposals set out in our 2021 Pre-Budget submission.

3. Urgent tax measures

In common with many revenue authorities across the world, the Irish Revenue has played a crucial role in channelling Government supports to businesses in difficulty due to COVID-19 restrictions. Along with operating the wage subsidy scheme, Revenue also granted moratoriums on tax filing dates and tax payment dates, which has proven to be extremely helpful to businesses facing cash-flow difficulties. However extraordinary Revenue's initiatives have been, the catastrophic impact of COVID-19 restrictions on the economy means that even more extraordinary tax supports are urgently needed to ensure the survival of businesses through to the end of 2020.

3.1 Early recognition of 2020 corporation tax losses

The early recognition of corporation tax losses arising in 2020 would help ease cash-flow pressures on companies. Advanced 2020 tax losses could then be used by a company or a group member for offset against any balance of corporation tax due for the 2019 accounting year-end. While the early recognition of corporation tax losses for 2020 accelerates the timing of tax relief claims, it does not represent an overall cost to the Exchequer and will be the crucial difference to many a company's survival.

3.2 Suspend surcharges and interest for Autumn tax compliance deadline

Surcharges and interest should be suspended this September and November when the bulk of tax returns and payments are due to be filed for corporates and self-assessed individuals. Late filing and late payment penalties should be suspended to give taxpayers and accountants time to get tax returns and

tax payments ready. Many accountancy firms are eight weeks behind their normal workflow due to the impact of COVID-19.

While surcharges for late corporation tax returns due by 23 March 2020 and onwards are currently suspended until further notice, it is essential that this suspension is extended to also apply to the most important corporation tax deadline of 23 September 2020.

Over 700,000 individuals registered for self-assessment income tax are due to file 2019 tax returns along with income tax payments on 12 November 2020. Most self-assessed income taxpayers and corporation taxpayers require the assistance of an accountant to file tax returns and to calculate tax liabilities. However, accountants have been busy providing emergency assistance to the 55,500 employers claiming support under the Temporary Wage Subsidy Scheme, as few employers could have implemented the scheme without the assistance of their accountant. Accountants have also provided emergency assistance to clients in making representations to banks and landlords to access emergency financial assistance. Accountancy firms were also impeded in their work as staff worked from home during the lockdown, with limited access to files and information necessary to prepare tax returns for their clients.

Accountants will get tax returns filed on time for as many clients as possible, but a respite in terms of surcharges and interest will give the profession much needed extra time to assist clients financially impacted by the COVID-19 restriction. Measures to suspend the application of interest and surcharges should be implemented as soon as possible to provide clarity and support to accountants working against the clock assisting companies and self-employed individuals during this time of crisis.

3.3 Tax supports for self-employed individuals

The Government has swiftly implemented measures using the tax system to assist employees, along with measures to warehouse a company's VAT and PAYE debt. The self-employed taxpayer is also facing a liquidity crisis brought about by the impact of the COVID-19 restrictions on his or her business. Many of these taxpayers will not be in a position to pay their income tax liability due in November this year. The income tax bill will comprise the balance of tax due for the 2019 tax year along with preliminary tax due for 2020. Preliminary income tax for 2020 can be based on 90% of the individual's tax liability for 2020, which in many cases will mean a reduced tax liability as income for 2020 is adversely impacted by COVID-19 restrictions. However, the self-employed individual will still have to fund the payment of his/her balance of tax liability for 2019. For many, the burden of this tax payment will mean extreme financial difficulty.

The write-down of the first €10,000 of the balance of the 2019 tax liability of self-employed individuals on a targeted basis for those in financial difficulty would be a highly effective means of support. The Irish tax and social protection systems have discriminated against this cohort of taxpayer for years in terms of higher rates of USC, limited access to welfare benefits and non-qualification for the PAYE credit, which has only been redressed in recent years by the phased introduction of an earned income credit. The self-employed taxpayer needs the urgent assistance of the Irish Government to financially survive the economic impact of COVID-19.

3.4 Extend the warehousing scheme to corporation tax debt

The VAT and PAYE debt warehousing scheme is a very helpful support for businesses those impacted by COVID-19 restrictions. However, many companies will also have difficulty paying corporation tax due in 2020 due to the impact of COVID-19 restrictions on liquidity. The warehousing scheme should be extended to also include corporation tax debt, which may take the form of unpaid balances of 2019 corporation tax due in 2020 and/or unpaid 2020 preliminary corporation tax due in 2020. These debts should be ringfenced in terms of suspended interest and debt collection in the same manner as qualifying PAYE and VAT debts.

3.5 Continue prioritisation of refunds and interim payments for all of 2020

Revenue implemented a policy of prioritising the approval and processing of tax repayments and refunds along with interim PSWT repayments and accelerated R&D instalment refunds. Revenue also relaxed

the requirement to submit iXBRL accounts at the same time a Form CT1 is filed while allowing tax repayments and refunds to continue to be processed. These measures are helping taxpayers manage cash-flow and should remain in place for the duration of 2020.

3.6 Reduce MyEnquiries customer standard to five working days

MyEnquiries has been the only Revenue communications channel over the COVID-19 lockdown as Revenue phone lines closed (with the noted exception of the Employer Helpline) along with Revenue's public offices. Revenue redeployed resources to MyEnquiries over this time and there is a marked improvement in response times to queries, which is of help to accountants as they deal with tax issues on behalf of clients as efficiently as possible.

Over the last number of years, Revenue has engaged with the CCAB-I on improvements to MyEnquiries and this has resulted in additional ROS functionality to reduce MyEnquiries traffic along with turnaround time improvements and better quality MyEnquiries communication. However, the key constraint with MyEnquiries is the 20 to 25 working days customer service standard for dealing with queries. Today's businesses are fundamentally unable to cope with a 20 to 25 working days response standard.

The COVID-19 restrictions have transformed work practices whereby businesses, the accountancy profession and Revenue have mobilised their staff to work from home. The improved response rate to MyEnquiries over this period has proven crucial to the functioning of the tax system. However, we are fearful that this standard will not be maintained as Revenue staff disperse to other duties when COVID-19 restrictions ease. As the implications of COVID-19 may be with us for some time to come, resources should be made available to Revenue to enable it to formally pledge a MyEnquiries query response time of no more than five working days in its customer service standard statement, to make the service consistently efficient and effective as the main communication channel between Revenue and self-assessed taxpayers and their accountants.

3.7 Tax landlords on a rent received basis for 2020

Rental income is assessable to tax on the amount receivable by the landlord in a tax year. This means that a landlord continues to be taxable on full rents for 2020 even in cases where the tenant does not pay the rent. Due to the economic impact of the COVID-19 restrictions, many tenants now find themselves unable to pay their rents while the landlord continues to be assessable to tax on the rents due. In response to the exceptional nature of this problem, landlords should be allowed to pay tax on rents they actually receive for 2020 rather than on rents receivable.

3.8 Put COVID-19 tax measures on a legislative footing

A number of very important initiatives were implemented by Revenue as an emergency response to the difficulties facing taxpayers due to COVID-19 restrictions. The CCAB-I calls for these emergency measures to be reflected in legislation to provide certainty to taxpayers. The legislative process also presents an opportunity for the Government to refine these measures, taking into account the recommendations set out by stakeholders such as ourselves. A legislative footing to the following very practical emergency measures relating to cross-border workers and tax residency rules is particularly important for the sake of taxpayer certainty.

- The addition of 60 extra days to the 90-day employer filing obligation necessary to comply with the Special Assignee Relief Programme.
- Under Trans-Border Workers Relief, a relaxation of the cross-border working rules in the case of employees required to work from home in Ireland due to COVID-19 restrictions.
- A relaxation of the 30-day notification requirement for PAYE dispensations applicable to short-term business travellers from countries with which Ireland has a double taxation treaty who are going to spend in excess of 60 workdays in the State in a tax year.
- A relaxation of Irish payroll obligations for foreign employers in genuine cases where an employee was working abroad for a foreign entity prior to COVID-19 but relocates temporarily to the State during the COVID-19 period and performs duties for his or her foreign employer while in the State.

- Provisions which allow for the operation of Irish payroll on the basis of established work pattern pre-COVID-19 in the case of multi-state employees of foreign employers.
- The PAYE exclusion order rules are relaxed such that an exclusion order will not be withdrawn if an employee works more than 30 days in the State due to COVID-19 restrictions.
- Recognition that COVID-19 restrictions are 'force majeure' circumstances for the purposes of establishing presence in the State under tax residency rules for individuals.
- Recognition of COVID-19 travel restrictions as a basis to disregard presence in the State or outside the State of an employee, director, service provider or agent for the purposes of tax residency rules for a company.

It is not envisaged that detailed legislation is necessary, however it is important that these helpful and important emergency measures are recorded in legislation.

This list is without prejudice to the many other emergency measures, including the debt warehousing scheme, which now must also be reflected in legislation.

3.9 Stock relief rule for 2020

The rule for stock relief should be relaxed for farmers with accounting period end-dates coinciding with cattle mart closures due to COVID-19 lockdown measures. Stock relief takes the form of a deduction from farming profits and is calculated by reference to the increase of the trading stock values between the beginning and end of an accounting period. For 2020, impacted farmers could claim the same level of stock relief as an average of stock relief over the last three tax years.

3.10 Reintroduce 9% VAT rate for hospitality sector

The special reduced VAT rate of 9% should be reintroduced to support the hospitality sector in what must be the most serious economic crisis this sector has ever encountered. The special reduced VAT rate of 9% should be reinstated for goods and services associated with the following sectors:

- restaurant and catering services;
- hotel and similar accommodation;
- admissions to cinemas, museums and other attractions; and,
- hairdressing services.

The special reduced VAT rate of 9% introduced in 2011 was instrumental in generating demand for goods and services in the hospitality sector which ultimately led to sustainable job creation in that sector. This is a tried and tested tax support. The reintroduction of the special reduced VAT rate is essential to the recovery of the hospitality sector in the wake of the COVID-19 crisis.

3.11 Guidance for employees receiving TWSS and individuals receiving PUP

Clear guidance is necessary on how the Government plans to collect tax on the Temporary Wages Subsidies Scheme (TWSS) payments made to over 500,000 employees. This could amount to a substantial tax bill for an employee. For example, if an employee receives €350 per week for 22 weeks, this will amount to €7,700 in untaxed income that must be dealt with by the employee at the end of 2020. It is normal Revenue practice to collect any tax owing in manageable amounts by reducing an employee's tax credits for a future year or years to minimise any hardship, but specific guidance has not yet issued on exactly how tax due on TWSS payments will be collected. Given the potential tax bills involved, and the strain many employers face in motivating their staff under difficult circumstances, definitive guidance is needed now along with confirmation that tax on TWSS payments will be collected over four or more years so the employee is not left with a substantial drop in take-home pay in the coming tax years.

Clear guidance is also necessary on how the Government plans to collect tax from individuals claiming the COVID-19 Pandemic Unemployment Payment.

3.12 Brexit

The Withdrawal of the United Kingdom from the European Union (Consequential Provisions) Bill 2019, more commonly known as the "Brexit Omnibus Bill", was drafted in early 2019 to provide for a "no deal" scenario on the UK's exit from the EU. As a no-deal situation was averted, it is likely that new legislation is now required to deal with the equally difficult scenario of the UK exiting the EU in January 2021 without a trade deal or with a limited trade deal.

The Brexit Omnibus Bill provides for the introduction of postponed VAT accounting for imports of goods coming into Ireland from the UK as a non-EU jurisdiction post-Brexit. Postponed VAT accounting for imports will eliminate the VAT cash-flow cost of imports, resulting in a significant VAT cash-flow benefit for traders, and it is essential that new drafts of legislation make provision for this measure. Postponed VAT accounting will apply in the UK from January 2021. It is important that the same postponed VAT accounting measures are also introduced in Ireland from January 2021 to support Irish traders

Revenue has undertaken nationwide customs seminars to raise awareness of customs requirements following Brexit. This important work should continue with particular emphasis on raising awareness of simplification options for customs warehousing and inward processing relief.

Revenue's 2019 Annual Report details the recruitment of new staff along with increased capacity of electronic systems to deal with an expected 20 million import and export declarations following the UK's exit from the EU. As negotiations between the UK and the EU yet again appear to be in deadlock, it is imperative that resources continue to be made available to Revenue. Irish traders and businesses are depending on an efficient customs system to support them through a difficult Brexit made even more challenging by the economic impact of the COVID-19 restrictions.

4. Tax measures to support SME recovery

SMEs account for over 1 million employees, or 68.4% of total employment in the Irish business economy.[1] Reports from the Central Banks indicate that SMEs are particularly vulnerable to the economic impact of the COVID-19 restrictions and face liquidity pressures which could result in business closures without Government support. The tax system is a powerful means of getting supports to SMEs, which in turn always respond positively with increased economic activity.

4.1 Support capital tax reliefs

Capital tax reliefs such as Retirement Relief and Revised Entrepreneur Relief are essential to the functioning of the SME sector. These tax reliefs support entrepreneurship and incentivise investment in the Irish economy. Entrepreneurship is an important driver of SME growth and employment. Any move to restrict the tax relief value of Retirement Relief and Revised Entrepreneur Relief will compound the dire economic conditions facing the SME sector on foot of the COVID-19 restrictions.

Now is the time to implement the recommendations of the Indecon Report on the Revised Entrepreneur Relief,[2] which highlighted the following measures as necessary for the relief to operate as intended.

1. Entrepreneur Relief is worthwhile as a support to entrepreneurship and should be retained.
2. The requirement for the claimant to hold a minimum of 5% of ordinary shares should be reformed.
3. The lifetime cap of €1 million should be significantly increased to €12 million for entrepreneurs who reinvest in a new business.

[1] Central Bank, Financial Stability Note, *SME Liquidity needs during COVID-19 shock*, 2020.
[2] Government of Ireland, *Budget 2020, Report on Tax Expenditures*, 2019.

4. A Review of the merits of an integrated Entrepreneur/Retirement Relief should be undertaken.
5. Information required from claimants should be refined to facilitate future evaluations of the Relief.
6. The impact of any changes to the Relief should be subject to an evaluation after three years.

4.2 R&D Tax Credit

The R&D tax credit needs to be tailored to facilitate the economic recovery of the SME sector. This can be achieved by enacting legislation to enhance and accelerate qualifying corporation tax refunds to SMEs and by reducing the level of paperwork required of SMEs to qualify for the R&D tax credit.

Finance Act 2019 provided for the introduction of several measures to support micro or small companies:

- a tax credit of 30%;
- qualifying pre-trading expenditure to qualify for a tax credit which may be offset against payroll and VAT liabilities;
- an enhanced method for the payable tax credit.

However, these SME-focused initiatives are subject to a Ministerial Order which has yet to be enacted.

CCAB-I members see first-hand the difficulties experienced by SMEs and start-up companies attempting to access the tax credit as these businesses do not have the resources in terms of support staff or funds to engage the professional advice needed to prepare the documentation requirements as stipulated by Revenue. A lighter touch documentation requirement for the SME sector would go a long way in addressing this barrier and should be achievable in a manner which also protects the integrity of compliance checks necessary to police the tax credit. Documentation requirements for the R&D tax credit could be aligned with the Enterprise Ireland documentation requirement for grant aid.

An "Advance Assurance" option for SMEs similar to that available in the UK would also bring much needed security to start-up SMEs. Advance Assurance gives companies a guarantee that R&D claims will be accepted for the first three accounting periods without enquiries by HMRC if the claim is in line with pre-agreed criteria with HMRC. This gives a company certainty that its project will qualify for the R&D tax credit and the company will also be able to devote its resources to conducting R&D rather than dealing with tax enquiries on the science test, accounting test and documentation obligations.

4.3 Angel investor CGT rate

Measures should be introduced to encourage investment in viable SME businesses in urgent need of capital investment. Investors would be incentivised to make these high-risk investments if a reduced rate of CGT of 10% is available to them on the ultimate realisation of their investments. The reduced rate of CGT would apply to investments in trading SMEs in 2020 and 2021 where the investor does not dispose of his/her investment for a set period of seven years.

4.4 Digital tax credit for SMEs

The future success of the Irish SME sector is very much dependent on how fast the sector can automate and digitalise its business processes.[3] The COVID-19 lockdown has intensified the drive for digitalisation across all sectors of business. SME investment in structured digitalisation/innovation programs could be incentivised through the introduction of a tax credit similar to the R&D tax credit. This approach is more effective in terms of matching tax relief with the investment in comparison with traditional tax relief for business assets, such as capital allowances. The tax credit would reduce the corporation tax liability of an SME or generate a refund if the SME does not have taxable profits in the accounting period.

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[3] Department of Business, Enterprise and Innovation, *The Digitalisation of small and medium enterprises in Ireland*, 2019.

4.5 EIIS scheme

In the current difficult trading environment, equity is an important source of funding for SMEs to assist in improving their balance sheets, and to raise debt funding from a bank or other third-party lender. The Employment Investment Incentive Scheme (EIIS) could be refined to generate much needed equity funding for SMEs operating in these difficult economic circumstances. The rules underlining the EIIS are subject to EU state-aid criteria. However, the financial crisis facing the SME sector in many EU countries should provide a valid basis for the relaxation of these rules by the EU. Suggestions to bolster the EIIS investments offering are as follows.

- Increase tax relief to investors in recognition of the higher risk of making an investment in the uncertain pandemic environment.
- The seven-year rule could also be waived to allow SMEs more than seven years to access EIIS generated equity funding without the need to launch either a new product or enter into a new market.
- Founders (and/or connected parties) could be given tax relief to encourage investment by them or their connected parties in the SME.
- The tourism sector has been particularly adversely impacted by the COVID-19 restrictions. The pre-condition of Fáilte Ireland approval should be relaxed to make it easier for businesses in the sector to apply for the scheme.

The appeal of EIIS investments would be greatly enhanced by allowing other investment vehicles, such as private equity partnership, to qualify for tax relief on EIIS investments. Increasing the range of collective investment structures which can access EIIS tax relief will generate funding for SMEs facing liquidity challenges so pervasive at this time.

The Start-Up Capital Incentive (SCI) is an under-utilised tax relief which would benefit from a public awareness campaign to promote it as a viable means of funding.

The SCI is open to investors connected to the original shareholders only in the case of early-stage (less than two years old) micro companies. Given the importance of personal networks when small businesses are raising finance in start-up and in expansion or pivot phases of a business, connected investors should be allowed access to tax relief for SCI investment in all micro and small businesses at any point in their lifecycle. In addition, the €500,000 investment limit is restrictive and could be increased to €1 million.

4.6 Start Up Relief for Entrepreneurs (‘SURE’)

Unfortunately, the COVID-19 crisis has given rise to redundancies. SURE can provide support to individuals who decide to set up their own business. Simplification of the application process would do a lot to improve access to this valuable source of funding for start-up businesses, along with a public campaign to raise awareness of the scheme’s existence.

4.7 KEEP scheme

Employers should be in a position to incentivise employees to take a financial interest in the employer company in a tax-efficient manner. This is more important for employers now where cash rewards might not be a viable option. In this regard, the Key Employee Engagement Programme (‘KEEP’) scheme should be enhanced to make it fit for current purposes. In particular, a CGT treatment should be introduced on the buy-back of shares to reflect the fact that the employer company represents the main buyer of employee shares in the SME sector.

4.8 Reform tax rules to reflect modern work practices

Modern work practices benefit from a great deal of flexibility in terms of where an employee can carry out the duties of his/her employment and this flexibility has allowed many businesses to continue to operate over the duration of the COVID-19 lockdown. Working outside the workplace – be that from home, or from a remote shared workspace, etc. – will continue for many months and potentially years in a COVID-19 world.

In cases where an employer is in a position to pay for the provision of equipment such as office furniture, computers, software and phones on behalf of an eWorker, a BIK charge will not apply provided private use of the equipment is minimal. However, in circumstances where an employee must purchase equipment for the purposes of carrying out an employment from home due to the COVID-19 restrictions, a higher test of "wholly, exclusively and necessarily" must be demonstrated by the employee to claim a tax deduction for his/her expenditure. The "wholly, exclusively and necessarily" test tolerates no element of personal use by the employee and as a tax rule it is complex to understand and unfair in comparison to the straightforward and accessible rules in place to avoid a BIK charge. This form of tax discrimination should be corrected if employees are expected to work from home and incur the cost of equipment necessary to perform the duties of their employment.

An employee's normal place of work is central to the tax treatment of travel and subsistence reimbursements made by an employer to an employee. Revenue's position is that an employee's home does not qualify as a normal place of work other than under exceptional circumstances and this brings a great deal of complexity to what should otherwise be a straightforward matter. Rules to establish a normal place of work should now be reconsidered in light of the change to workplace arrangements brought about by the COVID-19 restrictions. The employee's normal place of work should be based on the facts of where the employee carries out the majority of his/her duties of employment irrespective of whether that is their home or an employer's office or another workspace.

5. Tax measures to stabilise the economy

Consumer sentiment dipped to its lowest level since 2012 with sales of property and cars down 90% in April this year. As expected, pent-up demand provided a temporary sales boost once shops and services began to reopen. However, a drop of 9% in consumer spending is still forecast for the full year of 2020.[4]

Stable consumer spending is now a challenge for the Irish economy. The tax system could be reviewed to consider ways of allowing individuals retain more after-tax income and gains with the goal of promoting consumer spending at least in quarter four of 2020 and on into 2021.

Ireland is also moving forward in its work with the OECD on international corporate tax reform. In terms of the Irish domestic tax system, foreign tax credit reform and the timing of ATAD measures should also be considered for the purposes of protecting the country's valuable FDI offering.

5.1 Increase tax-free lump sum on retirement

The retirement lifetime tax-free lump sum reduced from €1.35 million in 2010 to the current limit of €200,000. This limit applies to the retirement funds of employees and self-employed individuals. Increasing the retirement tax-free lump sum to €500,000 would be a very effective tool to influence consumer spending and is uncomplicated in its application to both employees and self-employed individuals reaching retirement age.

5.2 Reduce exit tax on investment funds

In general, Irish domestic life policies/funds are subject to an exit tax of 41% on payment to individuals. Regulated funds located in the EU or EEA or in countries with whom Ireland has a Double Tax Agreement are also subject to tax at 41% on income or gains made by individuals. Individuals in receipt of income from an offshore fund are generally subject to tax at 41% income tax plus PRSI and USC.

Over the last five years, the rate of DIRT has reduced from 41% to 33% with no corresponding reduction in exit tax on fund investments. This 8% differential in the tax treatment of savings products

[4] UCS Michael Smurfit Graduate Business School, *Consumer Market Monitor Q1 2020*.

seems unjustifiable and now is a good time to correct this anomaly given the need for consumer spending stimulus.

5.3 International tax measures

To ensure Ireland remains competitive in attracting FDI, a number of international tax issues require attention this year.

Initiatives arising from the Anti-Tax Avoidance Directive, such as the corporate interest limitations, should be deferred. The current deadline of January 2021 is unworkable given the disruptions caused by COVID-19 to companies and to the Irish Government. There is no scope at this stage in the year to conduct a consultation for proper consideration of these complex and far reaching measures. In advance of implementation, the underlying interest deduction rules should be reviewed to remove compliance burdens and to ensure Ireland's tax rules are commercially aligned for Irish and international businesses.

Ireland currently operates a credit-based system for double tax relief on foreign dividends, branch profits and other cross border income generated by companies located in Ireland. The rules for the credit-based system are incredibly complicated. Many other jurisdictions competing with Ireland for FDI investment operate a simplified system of participation exemption to remove instances of double taxation on various forms for foreign income. Ireland's FDI offering would be greatly enhanced with the introduction of a participation exemption system. The most effective approach to design this would be to hold a public consultation to garner the vast experience of accountants who work with multi-national companies and use that input to draft legislation for Finance Act 2020.

5.4 Reduce capital tax rates to increase the yield

Tax revenue generated by capital taxes in Ireland in recent years has failed to match the high yields flowing into the Exchequer in the Celtic Tiger years. This is the case despite the recovery of asset values and higher CGT and CAT rates of 33% compared with the 20% rates in place pre-2008. There is merit now in considering if a lower rate of CGT and CAT could drive a surge in business and personal transactions to bring much needed funds into the Exchequer. Businesses and individuals would view a headline rate of 25% as a more acceptable level of taxation on gains and on transfers between family members compared to a loss of a third of a gain to taxation as is currently the case.

5.5 Green Agenda

Green finance strategic actions developed in line with climate justice targets and sustainable development goals are stated as a priority in the Programme for Government.

Sustainable finance is also a priority of Ireland's International Financial Services Strategy. "Ireland for Finance 2025: the new strategy for the further development of the international financial services (IFS) sector in Ireland to 2025".[5] This strategy document notes that EU developments on sustainable finance represent "a significant opportunity for Ireland to be in the vanguard of this growing area". There is a considerable opportunity for Ireland to become a market leader and centre of excellence for Green Finance and ESG compliant products. While this opportunity appears to be recognised by the Government, action must be taken as soon as possible to realise Irish opportunities in green finance as other countries will also make strides for market dominance in this area.

[5] Government of Ireland, *Ireland for Finance; the new strategy for the further development of the international financial services (IFS) sector in Ireland to 2025*. 2019

CCAB-I

The Consultative Committee of Accountancy Bodies–Ireland is an umbrella group of the accountancy profession in Ireland.

It was established in 1988 to coordinate the representation functions of the participant professional bodies in areas of common interest to the profession. It has a number of committees which respond to Government and regulatory initiatives in their respective areas.

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