



An Roinn Airgeadais  
Department of Finance

# Tax Treaty Policy Consultation

## April 2021



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# 1. Introduction

The Department of Finance invites interested parties to make submissions in relation to the formulation of Ireland's future tax treaty policy.

As outlined in the recently published update on [Ireland's Corporation Tax Roadmap 2021](#), the Department of Finance has committed to review Ireland's tax treaty policy, taking account of international developments, and publish a tax treaty policy statement by the end of 2021.

The purpose of bilateral tax treaties is to promote economic relations between countries by eliminating double taxation and tackling tax avoidance and evasion. Double taxation agreements, originally intended to prevent taxpayers being taxed twice on the same income by two different jurisdictions, have evolved over the years to incorporate other aspects such as non-discrimination, exchange of information, mutual agreement procedures and, most recently, the anti-abuse procedures brought about by the OECD BEPS programme.

For a number of years, it has been considered desirable that Ireland, as an open export oriented economy with a relatively small home market, would benefit from an extensive treaty network. It has heretofore been Ireland's policy to expand and maintain Ireland's tax treaty network in order to remove obstacles for Irish companies to operate competitively abroad and to facilitate inward trade and investment from partner countries. Ireland currently has signed double taxation agreements with 74 countries, of which 73 are in effect.

It is now timely to consider the broad directions of Ireland's tax treaty policy, particularly in the context of potential outcomes of international tax discussions at the OECD.

In developing the Policy Statement, the Department is consulting with key stakeholders including economic representative bodies to ensure that Ireland's tax treaty network can continue to support economic growth and prosperity, particularly in relation to new or emerging sectors of the economy.

The Policy Statement will have a particular emphasis on tax treaties with developing countries, having regard to Ireland's development commitments and in consultation with the Department of Foreign Affairs and Irish Aid.

Once this process is complete, it is intended that a tax treaty policy statement will be published, which will set out the broad parameters of Ireland's treaty policy.

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## 2. Consultation Questions

Interested parties are invited to respond to this consultation on Ireland's tax treaty policy. Specifically in relation to how such a policy can continue to support economic growth and prosperity and having regard to Ireland's development commitments.

To assist in this process, this consultation poses the following questions relevant to the development of Ireland's tax treaty policy.

### 1. Economic Considerations

Ireland's recent tax treaty policy has been to expand and maintain Ireland's tax treaty network, in order to remove barriers and facilitate trade and investment opportunities between Ireland and partner countries. The negotiation of treaties has sought to achieve balanced agreements which would benefit the broader economy, with a particular focus on certain sectors. International tax reforms in recent years have further evolved the role tax treaties play including the desire that treaties should not be used to facilitate double non-taxation.

It is opportune to review this approach, and to update it where appropriate. For example, are there sectors of the economy for which our current tax treaty policy may not facilitate access to broader economic opportunities?

It is timely to consider the merits of pursuing such industry-specific outcomes together with the broader policy goals. In this regard, suggested input to Ireland's future policy is welcome.

#### Questions:

- a) Does Ireland's tax treaty policy sufficiently cater for the evolving economic and business environment?
- b) Do you have any suggestions on how could Ireland's tax treaty policy be enhanced, as a means to continue to facilitate economic opportunity into the future?
- c) Does Ireland's tax treaty network sufficiently serve all business sectors in the economy?
- d) How can Ireland optimise its tax treaty priorities in the context of recent international tax reforms, notably at the OECD?
- e) What should the criteria be for prioritising the negotiation and renegotiation of specific tax treaties in the years ahead? Are there any significant gaps in Ireland's tax treaty network by reference to those criteria?

## 2. Policy on Developing Countries

In an increasingly globalised world developing countries can benefit from inward investment to enhance the flow of tax revenues as domestic resource mobilisation, which can fund sustainable public expenditure. Developing countries may seek to negotiate double tax agreements as a means of attracting foreign direct investment.

However, there are both benefits and potential costs for any country in concluding a double tax agreement and, in some instances, this can involve challenges for developing countries.

When deciding whether to undertake negotiations with a developing country, the objectives of the process need to be considered, what outcomes are desired, and how can a treaty assist in achieving those outcomes in the interests of both parties.

### **Questions:**

- a) Are there any specific areas of Ireland's treaty policy which should be modified or tailored, in relation to developing country?
- b) Are there international best practices which Ireland can draw on to further enhance our approach to the specific circumstances of developing countries?
- c) When negotiating with developing countries, should more emphasis be placed on the UN Model Treaty? If so, please provide details.
- d) Should any specific standard positions, e.g. on source taxation, be adopted for treaties with developing countries?

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## 3. Consultation Period

We are inviting replies from interested parties to any or all of the above questions with a view to informing Ireland's future tax treaty policy.

The consultation period will run from 7 April 2021 to 7 May 2021. Any submissions received after this date may not be considered.

### How to Respond

The preferred means of response is by email to: [taxtreatypolicy@finance.gov.ie](mailto:taxtreatypolicy@finance.gov.ie)

Alternatively, you may respond by post to:

*Tax Treaty Policy Consultation,  
Tax Division,  
Department of Finance,  
Government Buildings,  
Upper Merrion Street,  
Dublin 2  
D02 R583*

Please include contact details if you are responding by post.

When responding, please indicate whether you are contributing to the consultation process as a professional tax adviser, representative body, business representative or non-governmental organisation.

### Freedom of Information

Responses to this consultation are subject to the provisions of the Freedom of Information Acts. Parties should also note that responses to the consultation may be published on the website of the Department of Finance.

### Meetings with key stakeholders

The Department of Finance may also invite key stakeholders to meet with them, including representative bodies, tax professionals and other interested groups or individuals.

### After the Consultation

Policy issues from this consultation will form part of the Department's Tax Treaty Policy Statement 2021.



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