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Ref: PV/SK/KD

Dear Sir/Madam,

TAX TREATY POLICY CONSULTATION

We are pleased to have the opportunity to provide general comments in response to the public consultation on the formulation of Ireland's future tax treaty policy. The views expressed in this letter are those of Grant Thornton.

Grant Thornton is a network of independent assurance, tax and advisory firms, made up of 56,000 people in over 143 countries. We are Ireland's fastest growing professional services firm, with over 1,450 people across seven offices in Ireland. We have been in Ireland since 1899 and during this period have been a leading provider of services to dynamic and entrepreneurial businesses.

Grant Thornton has contributed comments separately through various technical bodies. For the most part, we have not sought to repeat these contributions in this response. Grant Thornton contributed to the ITI submission and we would in particular note our support of the comments included in that submission regarding Permanent Establishments, Dual-Resident entities and Accessing Treaty Benefits.

We note that the public consultation document sets out a prescribed list of questions; the views we provide in this letter take into account collectively these questions while also highlighting related areas we consider are important.

Economic Considerations

Ireland's tax treaty network

Ireland's existing double taxation agreement network with 74 countries covers many of the key global economies and provides vital support to trade and relationships with such economies. However, the number of 74 agreements compares to an average of 82 double taxation agreements signed by other EU countries. France has the broadest network of tax treaties in Europe (122 countries), followed by Italy (100 countries). The UK has tax treaties with 130 countries. Based on these statistics and in our experience of working with clients globally, there is scope and a need for broadening Ireland's tax treaty network, with a particular focus on South America, Asian and African countries.

South America

It is our view that Ireland's tax treaty policy must include a focus on establishing a double taxation agreement between Ireland and Brazil. Brazil is the eight largest economy in the world and the largest in South America. Since 2006 the Brazilian population in Ireland has more than trebled in size[1]. There are also many Irish people living and working in Brazil. It is our experience that many of our corporate and personal tax clients have operations and activities in both Brazil and Ireland, with economic and/or financial ties with both countries.

The importance of Brazil as a location for Irish employers and their employees is supported by the inclusion of Brazil as a qualifying relevant state for the purpose of the Irish Foreign Earnings Deduction. Brazil is also an important jurisdiction for the Financial Services sector. Argentina is an example of another significant economy for Irish trade and one with which we do not hold a double taxation agreement.

France, Italy, Luxembourg and the Netherlands are just some of the EU countries that hold double tax agreements with both Brazil and Argentina.

Asia

Indonesia is the third largest of the Asian countries and the second-fastest growing aviation market in the world. Ireland does not at present hold a double taxation agreement with Indonesia, which represents a significant gap in our treaty network.

Africa

Trade relations between Ireland and Africa have grown considerably in recent years. Rwanda, Tanzania and Cote d'Ivoire were among the top 13 fastest growing economies in the world. [2] In our view, Ireland does not have the necessary network of double taxation agreements with Africa.

By focusing Ireland's Tax Treaty policy on establishing new double taxation agreements with countries in Asia, Africa and South America, it is our view that this will in turn better support trade and relationships for the key sectors of the Irish economy, such as Finance Services and aircraft leasing, with these fast developing economies.

Evolving economic and business environment

The Covid-19 pandemic has had a big impact on the way and how people and businesses work. It has been the most dominate catalyst of change in working practices over the last year. Remote working arrangements have become the norm and are likely a permanent feature of many organisations. Not just in Ireland but globally we have seen new business

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[1] https://www.cso.ie/en/releasesandpublications/ep/p-cpnin/cpnin/brazilian/

[2] https://www.weforum.org/agenda/2015/06/the-13-fastest-growing-economies-in-the-world/ - June 2015

practices adopted as economies and countries sought to deal with the impacts of the pandemic; these practices continue to evolve in response to the impacts of Covid-19. These changes also present a number of tax issues.

One of many tax issues is the tax treatment of individuals who are, or who may seek to in the future, work remotely within Ireland or in another jurisdiction These new remote working practices may result in individuals falling outside of the scope of the Irish tax system or brought within the charge to Irish tax. Such remote work practices may also have an impact on companies' tax liabilities; individuals carrying out duties of employment in Ireland or another jurisdiction may impact on the permanent establishment position of the company.

In our view Ireland's Tax Treaty policy must consider the tax implications of the new remote working practices and the appropriateness of the double taxation agreements to address these implications. It is also important that the administrative burden on businesses is taken into account and that double taxation agreements seek to avoid shadow payroll and payroll duplication where possible; in our experience this can be a significant burden and cost for international businesses.

Conclusion

We hope the foregoing is of assistance and we welcome the opportunity to discuss the points raised in this letter with your officials.

If further details are required in relation to any points made in this submission please contact Peter Vale, Tax Partner (peter.vale@ie.gt.com, (0)1 680 5952) or Kim Doyle, Tax Director (kim.doyle@ie.gt.com, 353 (0)1 680 5805).

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