Commission on Taxation & Welfare
An Coimisiún um Chánachas ⁊ Leas

Briefing Paper

Global Mobility and International Personal Tax Issues

CONFIDENTAL AND NOT FOR WIDER CIRCULATION For discussion	
Subject	**Global Mobility and International Income Tax Issues**
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Key Points

- Ireland's scope for engaging in international corporation tax competition to attract FDI into the future is narrowing. Commentators often suggest that reducing personal income tax rates or introducing some other personal scheme or inducement will improve Ireland's attractiveness to FDI or attract mobile assignees.
- Although Ireland has a relatively low entry point to the higher rate of income tax, employment costs remain somewhat competitive with EU-based competitors for FDI due to low social security costs – the benefits of these reduced costs are not usually applicable to temporary assignees.
- Personal tax measures give rise to Exchequer cost. While taxes can affect the geographic location of people both within and across countries the potential benefits of such an approach are uncertain.
- Individuals who complete the same duties in the same jurisdiction may be taxed differently on the basis of international factors (such as residence, domicile, the nature of their employment and the availability of certain tax reliefs). This approach to personal taxation creates vertical equity concerns.
- There is increasing scrutiny of personal tax measures, most notably by the EU Tax Observatory and the OECD.

- Ireland's existing corporate tax strategy will likely remain attractive to employment-based FDI. Especially as Pillar Two rules allow for top up taxes to be reduced in jurisdictions where there is a substantive payroll presence - This may further drive location decisions without the need for engaging in other methods of tax competition.
- The wider environment in which labour is provided is also changing - digitalisation has led to changes in how people can supply their labour, including facilitating an increase in the level of trans-border work that can be done remotely, which could have a profound impact on where employment is carried out and how it is taxed – however, the implications cannot be fully understood at this point in time.
- There are a number of existing reliefs available to address global mobility issues arising in the case of inbound and outbound employments and assignments. Several of these do not appear to accurately reflect how international business operates in the modern day. Furthermore their interaction with corporate policy (such as split and dual contracts) can give rise to unintended tax consequences.

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1. Introduction

Individuals who complete the same duties in the same jurisdiction may be taxed differently on the basis of international factors (such as residence, domicile, the nature of their employment and the availability of certain tax reliefs). This approach to personal taxation creates vertical equity concerns as ultimately it in can result in two individuals in similar circumstances being subject to different taxing rules by reason of their tax residence status or some other factor.

As noted in *Corporation and International Tax Update – Ireland's Corporate Tax Strategy*, Ireland's scope for engaging in international corporation tax competition to attract FDI into the future is narrowing. However, Ireland's corporate tax strategy will likely remain attractive to employment-based FDI. Especially as Pillar Two rules allow for top up taxes to be reduced in jurisdictions where there is a substantive payroll presence. This may further drive location decisions without the need for engaging in other methods of tax competition.

Nevertheless, the conversation in the tax competition space is moving beyond corporation tax competition, with some identifying personal taxes as a potential differentiator.

Commentators often suggest that reducing personal income tax rates in conjunction with the introduction of schemes and/or other inducements will achieve the following aims:

1. The creation of a more attractive location for the establishment of new FDI (due to lower tax costs for employers).
2. Attracting assignees and mobile individuals, particularly those with higher income or wealth who may then invest or consume their wealth in the State

Such measures give rise to Exchequer cost and although there is there is growing evidence that taxes can affect the geographic location of people both within and across countries[1], the potential benefits of such inducements are uncertain. There is also increasing scrutiny of such measures, most notably by the EU Tax Observatory[2][3] and the OECD.[4]

The wider environment in which labour is provided is also changing - digitalisation has led to changes in how people can supply their labour, including facilitating an increase in the level of transborder

[1] Taxation and Migration: Evidence and Policy Implications

[2] The EU Tax Observatory is an independent research laboratory hosted at the Paris School of Economics. The Observatory is co-financed by the European Union (under grant agreement n°TAXUD/2020/DE/326) and PSE-Ecole d'économie de Paris.

[3] New Forms of Tax Competition in the European Union: An Empirical Investigation

[4] Carbon Taxes, Billionaires' Taxes on Horizon: OECD Tax Head, Bloomberg Tax (2021)

work that can be done remotely, which could have an impact on where employment is carried out and how it is taxed.

In light of these recent developments, this paper sets out a number of personal tax differences (mainly in respect of income tax, USC and PRSI) that can arise by reason of international factors. The aim of this paper is to facilitate the Commission's understanding of the types of differences that can arise such that the areas of global mobility and personal tax competitiveness can be properly considered.

The paper sets out a number of existing reliefs applicable to inbound and outbound employments and assignments, such that they can be evaluated to determine if their initial policy objective remains valid and if they are fit for purpose.

The overall intention is to empower the Commission to determine which existing differences and reliefs are reasonable in the current global environment and have a continuing role in either supporting FDI or SMEs.

A recap of the fundamentals establishing the scope of Irish income and capital gains tax (this paper is mainly focused on income tax issues) are set out in Appendix 1.

2. Factors influencing global mobility

The following factors can have a significant impact on the global mobility decisions made by individuals and employers.

2.1 Corporation tax

In order for a company to remain Irish tax resident, it needs to ensure that its strategic functions are carried out here by the appropriate employees/directors (and taxed in the State accordingly). Furthermore in order for profits arising from operational activities to be taxable in Ireland, they need to be carried out in this jurisdiction.

This does not necessarily preclude less strategic functions from being carried out intra-group by employees in a lower employment tax jurisdiction. In such cases, however international tax rules may require profits to be reallocated in line with where the functions were carried out.

All other things being equal, any top-up tax arising[5] under the Pillar Two rules will be the same regardless of where the company locates as the rules are broadly standardised. In such instances, Ireland may begin to seem interchangeable with any other country subject to a top-up.

However, where a top up applies under Pillar Two, the rules may allow for that top up to be reduced in jurisdictions where there is a substantive payroll presence (substance-based carve out). This may further drive location decisions without the need for engaging in other methods of competition.

2.2 Marginal rates

While income tax rates are less important than corporation tax rates in attracting international investment, they can still influence investment location decisions.

As noted in the paper *Personal Taxes on Income*, discussed at Meeting 14, given the two-rate structure of the income-tax system, and its progressive nature, there is a substantial increase in the marginal rate of tax once the standard rate cut off point has been reached. In the case of a single PAYE worker there is a significant jump in the marginal rate of tax, from 28.5% to 48.5% for every additional euro earned above €36,800. This is a relatively high marginal tax rate (just below the top marginal rate for PAYE workers of 52 %) to apply to relatively average levels of income when compared internationally. This marginal tax rate increases to 52% for every euro earned over €70,400.

As discussed in the *Encouraging Employment*, at Meeting 4 and *Personal Taxes on Income*, this 'jump' impacts on the tax wedge and could potentially influence Ireland's competitiveness for FDI, in terms of an employer's willingness to select Ireland as a location for operations or assignment.

Furthermore, as high-income taxpayers are exceptionally responsive to their net-of-tax rate,[6] a high marginal rate may influence the decisions of highly mobile and skilled individuals regarding whether or not to work in the State, a point which has previously been acknowledged by the Department of Finance:

> *"Marginal tax rates which are high by comparison to competitor jurisdictions can therefore have a negative impact on domestic businesses seeking to attract mobile highly-skilled workers. They can also be a negative factor in the location choices of foreign direct investment, a particularly important issue for the Irish economy."*[7]

[5] Noting some countries will always incur a higher corporation tax cost than Ireland.
[6] The Elasticity of Taxable Income - Department of Finance (2018)
[7] Income Tax and Universal Social Charge - TSG 2017

However, the marginal rates cannot be looked at in isolation – their actual impact on global mobility decisions needs to be considered in conjunction with other factors.

Secretariat papers to date have sourced tax wedge data from OECD taxing wages[8] as this is the independent standard for tax wedge calculation, which compares the level of employment costs incurred at average wage levels (or percentages thereof) in different jurisdictions

As part of the public consultation process, one respondent submitted tables comparing Ireland's personal tax position with that of some practitioner-identified competitors for FDI across a range of income levels from €25,000 to €150,000[9]. The tables examined the personal tax position from both:

- an effective personal tax rate perspective – highlighting differences in net take home pay, and
- a tax wedge perspective – highlighting differences in employment costs (which have been summarised in Appendix 2).

While the methodology of the respondent submission was not included, the submission has been referenced here as it compares the effective personal tax rate and tax wedge costs of high-paid individuals which may not always be representative of the average wage in a country.

For completeness, an exercise was done with regard to the OECD members in the sample (see Appendix 3), examining the effective personal tax paid and tax wedges at different percentages of average wage (50% of average wage to 250%). The exercise indicated that the tax wedge calculations appeared broadly accurate[10] (assuming the taxpayer is a single individual with no children earning only employment income) and provided some interesting insights into the average wages of practitioner identified FDI competitors.

Although these charts demonstrate the high level of progressivity in the Irish tax system, the wedge data indicated that the employment costs incurred in Ireland are actually slightly lower than those of some of the main practitioner-identified FDI competitors in the EU – a difference mainly driven by lower employer/employee social insurance costs.

Furthermore, as noted above, certain employment and directorial functions need to be carried out here in order for a company to remain Irish tax resident and for profits on certain activities to be within the scope of Irish tax.

[8] OECD taxing wages 2021
[9] Commission on Taxation and Welfare - Response to Public Consultation, Irish Taxation Institute (2022)
[10] Minor differences noted may be due to currency conversion differentials and small tax or social security changes in a period as the respondent data was in reference to tax year 2021 and the OECD data to tax year 2020.

The significance of marginal rates as a factor may increase if employment tax becomes one of the remaining ways that Ireland can differentiate its offering for multinational entities.

2.2.1 Social security cost for inbound temporary assignees

Complications may arise where employees go on assignment abroad or work in more than one jurisdiction, which could potentially give rise to a double charge to social security[11].

Individuals who are sent on temporary assignment to Ireland typically have this double charge mitigated either by way of European Council Regulations or bilateral agreements. Where such arrangements apply, the individual is typically exempted from paying Irish social security and they continue to pay into their domestic system for between two and five years,[12] preventing the international assignment from affecting their domestic entitlements.

However, as noted above, Ireland typically has a lower social insurance rate than its European counterparts. This can mean that where an individual is assigned to Ireland, the interaction of:

- the low entry point of Ireland's marginal personal tax rates, and
- the (typically) higher social security rates charged by the home country – Ireland's employee and employer rates are low compared to EU and OECD averages[13][14]

can give rise to higher tax and social security costs for an assignee than would typically be incurred by an Irish-based employee.

Furthermore, where the employee is equalised for tax purposes (See Chapter 5.1), the employer may be absorbing increased employment tax costs in addition to maintaining what is often a higher social security cost. This cost can be further compounded where the home jurisdiction would have allowed an income tax deduction for social security contributions (such as Italy and Germany), an amount not deductible in Ireland, ultimately impacting the assignment decision.

As such, tax wedge data often may not always adequately represent the cost of inbound assignment, either with regard to social security or USC (see Chapter 2.2.2). It should be noted that in some cases,

[11] For example, Irish domestic law provides that Irish individuals seconded outside the State temporarily should continue to pay PRSI for the first 52 weeks. Such amounts are typically paid via the special collection system.
[12] ECR regulations provide that an employee is exempt from paying into the host system for 2 years. Extending this exemption by up to 3 additional years is provided for in regulations, but host jurisdictions have discretion as to whether to provide for this extension in national law. Where a bilateral agreement is in place the maximum length of the exemption will vary between agreements.
[13] EU average employer social security rates 2011-2021, KPMG
[14] EU average employee social security rates 2011-2021,KPMG

employers may choose to establish inbound assignees as permanent transfers even where the assignment is short term, passing the costs of employment onto the Irish employer.

2.2.2 Reduced rate of USC for certain assignees

Common rules in the EU around social security protection[15] allow intra-EU assignees to generally remain subject to the social security scheme of their home country. As such, they retain the entitlements from social insurance contributions they made in their home country, including access to healthcare services. Such individuals are entitled to full medical cards in Ireland as evidence of this entitlement, provided they are not subject to PRSI in Ireland.

As noted in *Personal Taxes on Income*, discussed at Meeting 14, a reduced rate of USC is available to medical cards holders with income of €60,000 or less. As such, this reduced rate of USC is currently extended to certain assignees whose income is €60,000 or less - limiting their marginal rate (in respect of income tax and USC only[16]) to 42%.

2.3 Digitalisation and remote working

Digitalisation has led to significant labour market change and has facilitated an increase in the level of work that can be done remotely. The pandemic has expedited this change by demonstrating that many roles can be done equally well or more productively[17] away from the office.

The prevalence of remote working is expected to persist beyond the pandemic and potentially grow in some sectors – with a recent OECD survey indicating that 40% of managers and 70% of workers foresee many more workers teleworking from home in the future compared to the pre-pandemic period.[18]

Throughout the pandemic, individuals who would have traditionally commuted cross-border for work were unable to do so and worked remotely instead. Many countries introduced temporary concessionary measures to address the legal and practical implications of these types of location changes as they were often beyond the control of those affected. Temporary OECD guidance was also

[15] EU social security coordination
[16] As social security costs will also apply.
[17] National Competitiveness and Productivity Council Bulletin 21-3 Remote Working: Implications for Competitiveness and Productivity
[18] The role of telework for productivity during and postcovid-19: Results from an OECD survey among managers and workers

issued in respect of any Double Tax Agreement (see Appendix 1) issues arising.[19] These measures often took the form of blunt solutions to address an emergency and were never intended to be used on a long-term basis.

However, the tax and legal consequences of cross-border remote work and digital nomadism[20] more broadly are now under consideration internationally. As such, the wide-scale transition to remote forms of work (at least on a cross-border basis), is likely to be hindered in the short to medium term. Key considerations for employers when allowing remote working policies include:

Physical presence is a key determinant of taxing rights: The physical presence and location of workers is often a key factor in determining company residence and corporate taxing rights. The location of workers in other jurisdictions may create income/corporate and/or payroll tax obligations in those jurisdictions for employers. VAT obligations may also arise where the worker is appointed on a contractor basis.

Social security contributions: Social security contributions are generally to be made in the country where an individual works[22]. Employers are typically responsible for arranging for such payments (both employer and employee) to be made on behalf of their employee irrespective of the employer's location[23]. This can be complex and costly.

Legal issues: Employees who work abroad will be subject to labour laws that the employer may not be familiar with (working time, rest periods, holidays etc.). There may also be immigration issues depending on the location of the employee. There is a general risk that the employer may inadvertently breach this legislation or incur significant cost in avoiding any issue arising.

In practice, this has meant that permanent remote working policies often limit the number of days that can be worked abroad.[24][25]

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[19] Updated guidance on tax treaties and the impact of the COVID-19 pandemic

[20] A digital nomad is a person who earns a living working online in various locations of their choosing (rather than a fixed business location).

[22] If an employee works in 2 or more jurisdictions in the EU/EEA, they will be insurable in either their country of habitual residence if a material amount of working activity is carried out there. Otherwise they are insurable in their employer's jurisdiction.

[23] Employers can arrange for the employee to remit the contributions themselves, but this may be cumbersome for the employee and in the case of Ireland, there are limited criteria permitting such a practice.

[24] Facebook to allow all employees work abroad for 20 days annually

[25] Employees can generally work up 30 days in a country abroad without creating a taxable presence in that country.

However, some jurisdictions have begun offering incentives to digital nomads[26] to try to mitigate the tax costs arising. Furthermore, social security and legal issues may not arise from employers where the individual carrying out the duties organises themselves such that they are self-employed or self-incorporated and are instead contracted by the employer[27].

As attention turns to this space, concerns are growing that globalisation and digitalisation may in the longer-term pose economic challenges to income tax, similar to those posed by corporation tax[28].

3. Reliefs to address global mobility factors

Ireland has introduced a number of reliefs to address some of the key barriers impeding global mobility. Some of the key reliefs available are set out in this chapter. <u>A taxpayer can only claim one of these reliefs at any time.</u>

3.1 Split year relief

Split year relief is a key relief that applies to the employment income of all mobile workers – both inbound and outbound.

In the case of an employee arriving in Ireland mid-year, where split year relief applies[29], the individual is deemed tax resident only from the point of arrival for the purposes of taxing their employment income. This means foreign employment income earned prior to arrival in Ireland is not charged to Irish tax in that year.

Similarly, split year relief can apply on departure from Ireland. Where the relief applies[30], the employee is deemed non-resident from their date of departure such that foreign employment income earned post-departure is not taxed in Ireland in that year.

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[26] Costa Rica and Croatia, have introduced local income tax exemptions for up to a year, if certain criteria are met. Croatian digital nomad incentives are not available to EU citizens.
[27] Where the contractor or the contract provider is based in another jurisdiction, it may be more difficult to determine if compliance obligations with regard to taxes and social insurance have been met.
[28] The Impact of Digitalisation on Personal Income Taxes
[29] The individual must be otherwise Irish tax resident in their year of arrival and intend to be resident the following year.
[30] The individual must be otherwise Irish tax resident in their year of departure and intend not to be resident the following year.

The availability of this relief can influence the timing of assignments. For example, an inbound assignee will typically defer their start date in Ireland until after their RSU shares awards have vested or a bonus is paid (see Chapter 4).

3.2 Inbound reliefs

3.2.1 Special Assignee Relief Programme (SARP)

As noted in *Policy Objectives for Supporting SMEs and Entrepreneurs*, discussed at Meeting 8, the Special Assignee Relief Programme (SARP) was first introduced in 2012 to provide income tax relief to employees assigned to Ireland from abroad. The relief is an FDI measure, which seeks to facilitate further investment by multinationals in existing Irish operations by reducing the costs to businesses of attracting key employees overseas to work either in the Irish-based operations of their employer or an associated company.

The relief is available to employees earning a minimum basic annual salary of €75,000[31] who have been assigned to work and take up residence in Ireland and perform duties for at least 12 months. The person cannot have been Irish tax resident for the five years prior to arrival and must have been working abroad for their employer for at least six months (this condition was reduced from 12 months in 2015). Individuals can claim the relief for up to five tax years.

As noted in the Meeting 8 paper, relief is given by way of disregarding a proportion of qualifying employment income[32] for income tax purposes (but not USC or PRSI). The actual costs of the relief and number of claimants has risen steadily, with 1,481 employees of 449 employers availing of the relief at a cost of €42.4 million in 2018.

As previously noted, the relief is often subject to criticism for being targeted at higher paid executives - a policy at odds with the need to broaden the tax base and to ensure overall tax equity. However, as noted above, Ireland has a highly progressive personal tax system and its marginal rates may be higher than certain other countries competing for FDI and skilled employees. Indecon's independent review of SARP in 2019[33] noted that some of the similar income tax reliefs in competitor jurisdictions to attract skilled workers are more attractive than SARP.

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[31] Not including benefits-in-kind, ex-gratia termination payments, payments made under a restrictive covenant, bonus payments, share option gains or other share or share based remuneration.
[32] The employee's income, profit or gains from their Irish employment that are assessed to tax in Ireland, less any pension contributions eligible for tax relief in Ireland.
[33] Indecon, Review of SARP, October 2019

It is often argued that many of the assignees would not likely have come to Ireland in the absence of such a scheme so that there are net gains to the Exchequer in terms of tax revenue, in addition to further investment and employment created as a result of the assignment. However the 2019 Indecon report indicates it is likely that some overseas staff would have been attracted to Ireland in the absence of the SARP measure, indicating some inherent deadweight.

Overall however, the Indecon review found that companies using SARP typically pay significant corporate taxes and PAYE - taking this into account, in conjunction with R&D and employment spillover effects, the review concluded that the benefits outweighed the cost of the scheme and that it should be extended.

3.2.2 Remittance basis of taxation

Individuals resident in Ireland for tax purposes are typically subject to Irish tax on their worldwide income and chargeable gains (see Appendix 1).

Individuals who are resident, but not domiciled in the State however are subject to a different tax treatment to those who are – in such cases, their income and gains are subject to Irish tax (being income tax, USC and capital gains tax) only to the extent they have been remitted to the State (i.e. transferred into the State). This is referred to as the remittance basis of taxation.

What is Domicile?

Domicile is a complex common law[34] legal concept rather than a tax specific term, which loosely relates to a person's concept of their home or where their *"roots"* are. Domicile is distinct from legal nationality and from tax residence.

Domicile is relevant for establishing the law governing the person's status (in cases such as divorce), the person's property (such as for estate purposes) and, in certain cases, their tax affairs in common law jurisdictions. No person can be without a domicile and it is not possible to have more than one domicile at the same time[35].

For tax purposes, there is no statutory definition for domicile. Case law (both tax and family law), have established three categories of domicile:

[34] Common law is practiced in Australia, Canada (excluding Quebec), Hong Kong, India (excluding Goa), New Zealand, Pakistan, South Africa, most of the United Kingdom (England, Wales, and Northern Ireland) and the United States among others.

[35] However, the UK have a "*deemed domicile*" concept which means that an individual could be actually Irish domiciled, but deemed UK domiciled for UK tax purposes.

- *Domicile of Origin*: This is taken at birth and is generally the domicile of the father[36]. So, for example, a person born in the State whose father was non-domiciled will also be regarded as non-domiciled. It is possible therefore for this non-domicile status to cascade down the generations.
- *Domicile of Choice*: An individual may abandon a domicile of origin and take a domicile of another jurisdiction. This *domicile of choice* supersedes the domicile of origin. This domicile can be formally adopted or it can be inferred from particular facts and circumstances such as the period of time spent in a jurisdiction, the location of family ties etc. There is however a **strong assumption in law against such a change and the burden of proof always lies with the person alleging a change of domicile**. If the evidence is conflicting or not decisive, the courts will normally decide no change has arisen[37]. If a domicile of choice is abandoned without gaining another domicile of choice, a person resumes their domicile of origin.
- *Domicile of Dependence*: Minor children have a domicile of dependency, linked to that of their parent or guardian.

There is no requirement for a person to have ever been in the country understood to be their domicile for any set period, or at all. In the case of *Re O'Keefe, Poingdestre v. Sherman*, a woman born in India with British citizenship was held to have an Irish domicile as her father was born in Ireland, despite having only spent three weeks of her life in the State.

As domicile is a common law concept, it has no application in civil law jurisdictions[38].

Non-domiciled individuals resident in Ireland can be broken into two categories:

- Individuals who come to reside in Ireland on a temporary or more short-term basis, often to take up an employment in the State for a fixed period. Although such individuals may avail of a different tax treatment to other Irish residents, the remittance basis may act (or be perceived to act) as an incentive for attracting these individuals to live and/or work in Ireland on a short term basis.
- Long-term residents who claim a non-domicile status. Such individuals may have been born in Ireland and live permanently in Ireland, having acquired their non-domicile status from a

[36] If the child is born outside marriage or after the death of his or her father, the child takes the domicile of his or her mother.
[37] The domicile of origin is generally clear, and the main area of difficulty when dealing with domicile is the question of whether or not a person has acquired a domicile of choice.
[38] The majority of EU member States are civil law jurisdictions. Some civil law jurisdictions have a *domicile* or *domicile-like* concept, but this is typically determined by less nebulous factors such as the ownership of a property in that jurisdiction or that jurisdiction being the current centre of economic or vital interests.

parent, or they may simply reside here on a long-term basis. In such cases, residents who have a significant connection and link to the State, are availing of a different tax regime from other Irish tax residents who are also Irish domiciled.

There is no requirement for non-domiciled individuals to make a claim to avail of the remittance basis. As such, the tax cost of this measure is not quantifiable.

The 2009 Commission on Taxation examined the issue of the remittance basis and considered it a historical anachronism, incompatible on equity grounds with a modern tax system, recommending its removal. Following the recommendation, minor changes were made,[39] but no substantive change was made to the treatment of Irish resident non-domiciled individuals.

The remittance basis would appear to fail to promote inward investment into the State - the rules effectively facilitate and encourage non-domiciled individuals to invest their surplus income assets outside of Ireland – and potentially encourage the location of those assets in low or no tax jurisdictions. Additionally, where an Irish tax-resident individual acquires an Irish domicile of choice, it is possible for them to then remit any foreign income and gains made prior to that date free of Irish tax[40].

Furthermore the concept of remittances may be becoming somewhat outdated with developing new forms of wealth, such as cryptocurrency (at what point is an asset on a decentralised ledger actually remitted to the State?).

The remittance basis has the potential to act as an incentive for attracting individuals to live and/or work in Ireland on a temporary basis. However, the use of the concept of domicile could be considered too nebulous to act as the basis for an income tax exemption[41] especially when it can be availed of indefinitely.

[39] Prior to FA 2010, the remittance basis of taxation was extended to Irish-domiciled individuals returning to the State after a long absence (i.e. those who were resident but not ordinarily resident in a year). Further amendments were made to the remittance basis in Finance Act 2013 to address issues arising relating to offshore gifts between spouses.

[40] For example, an Irish resident individual, domiciled in Hong Kong earns investment income of $100,000AUD in Australia on 30 June. They become Irish domiciled on 1 July and then remit the income to Ireland. No Irish tax will apply to the investment income as the remittance basis has ceased to apply to the individual, but the worldwide basis only applies from the date the Irish domicile is established.

[41] This does not mean that domicile does not have a place in the Irish tax code. For example, it may remain reasonable to apply a domicile levy to those who choose to maintain their Irish roots while non-resident.

The Commission may wish to consider recommending the removal of the remittance basis either entirely or for long-term residents with a significant link to the State[42]. If a choice is made to remove the remittance basis for long-term residents only, consideration could be given to:

- the introduction of *deemed domicile* rules, similar to those introduced in the UK which deem an individual to be UK domiciled for tax purposes where they have been resident for 15 out of the past 20 years
- replacing the *domicile* concept with a test relating to an individual's current centre of vital or economic interests, similar to those used in other jurisdictions or in the text of DTAs.

The Commission should also consider the interactions of this relief with SARP, another targeted relief aimed at inbound individuals. Currently the remittance basis does not apply to any income from the employment where relief under the SARP is claimed[43]. However, the remittance basis may apply to other foreign income and gains of the claimant.

3.3 Outbound reliefs

3.3.1 Foreign Earnings Deduction (FED)

As noted in *Policy Objectives for Supporting SMEs and Entrepreneurs*, discussed at Meeting 8, the Foreign Earnings Deduction (FED) is an income tax relief available to employees where they spend a minimum of 30 days working overseas in a relevant territory. A qualifying individual can reduce their taxable employment earnings by up to €35,000 per annum, giving rise to an income tax saving of up to €14,000.

FED was introduced with the aim of supporting efforts by multinationals and indigenous firms to expand their exports into economic growth markets. It was originally designed to incentivise employees to undertake marketing trips to BRICS countries (the list of qualifying countries has significantly expanded since the relief was first introduced), with a view to increasing Irish exports to the large populations of those countries.

However, the relief does not specify the type of work that must be carried out abroad, nor is it limited to particular sectors – in effect it is possible to arrange for an employee to carry out duties on FED assignment that could have otherwise been completed in the State, without affecting entitlement to

[42] The tax systems of many countries distinguish between permanent residents and those from abroad who are less connected with a jurisdiction by establishing their *centre of vital or economic interests*

[43] The remittance basis can generally not be claimed in tandem with another specified inbound/outbound relief – where both apply, the taxpayer must select one or the other.

the relief. Similarly, it is possible for a claimant to engage in activity from non-internationally traded sectors.

Furthermore, there is no requirement that the duties carried out abroad be linked to an Irish operation. This means that an employee can arrive to a new Irish employer, having worked in a qualifying country or resign an Irish employment to work in a qualifying country and potentially be eligible for FED[44].

As noted in the Meeting 8 paper, an independent Indecon review of the relief in 2019[45] concluded that FED does remain a potentially important measure to help exporters overcome the problems of geographic distance and that the original policy objectives of FED remain valid.

However, the Commission may wish to consider whether there is scope to better align the relief with its policy objectives by:

- restricting the relief to agency assisted companies (in keeping with the objective of expanding exports),
- extending the list of qualifying countries, or
- increasing the level of tax relief to incentivise uptake.

3.3.2 Transborder workers

Transborder Relief was introduced in Finance Act 1998, primarily to deal with Irish resident and domiciled individuals living in border counties in Ireland[46] who were subject to double taxation on their employment income by virtue of being employed in Northern Ireland[47]. The relief is often referred to as cross-border relief.

The practical effect of the relief, where applicable, is that no Irish income tax or USC will be due on the transborder employment income, subject to the following conditions:

[44] In practice an employee will typically avail of split year treatment instead. However, FED could potentially be used where split year is not available.
[45] Indecon Review of the Foreign Earnings Deduction (FED)
[46] The relief is not available to non-domiciled individuals
[47] In the absence of trans-border relief, a man living in Louth and working in Down would be subject to Irish taxation by virtue of his place of residence and UK taxation by virtue of his place of employment.

- The employment[48] is held and performed wholly[49] outside Ireland in a country(ies) with which Ireland has a Double Taxation Agreement (DTA) and lasts for at least 13 continuous weeks[50]
- The income must be taxed in the other country(ies)[51]
- The employee must be present in Ireland at least one day each working week.

Effectively, a liability to Irish income tax should only arise if the individual has non-qualifying employment income (such as investment income). Where such Irish income is €60,000 or less, the reduced rate of USC applies where a transborder worker pays social security in their employer jurisdiction due to medical card entitlements under EU legislation.

Due to reductions in travel costs and increased globalisation since the introduction of the relief, the relief now has further application than would have been originally envisaged and can apply to many employments located and performed in DTA countries worldwide – not just Northern Ireland[52].

A recent TSG paper on the topic of transborder relief[53] included an analysis of transborder relief claims made via the Form 11 tax return. The analysis noted a substantial increase in the level of claims made in respect of this relief increased substantially in the period 2009-2019 and is summarised below:

Table 1: Transborder Claims on the Form 11 2009 - 2019

Year	Claimants	Total Gross Income	Average Gross Income	Total Transborder Relief Claimed	Average Claim
		€m	€	€m	€
2009	1,017	32.84	32,291	6.51	6,401
2019	1,716	107.35	62,258	28.51	16,614

These figures are not a true reflection of the cost to the Exchequer of the relief for the following reasons:

- The figures do not include claims made by tax-payers who filed a Form 12.
- As the relief provides full exemption from Irish tax on foreign employment income, it is possible that not all claimants have filed returns – Census 2016 indicated there were 7,307

[48] The employment must not be with the Government or an authority set up by the State or under statute.
[49] Other than incidental duties – however Revenue and practitioners often diverge on the meaning of incidental
[50] There is no requirement to work for at least 13 continuous weeks, only that the employment or office is held for that period. This means individuals who only work for a short period of time, e.g. attending 1 meeting per month/quarter abroad, can qualify.
[51] The amount cannot be subject to a refund.
[52] Although the majority of claims *made via the Form 11* pertained to work in the UK, transborder has been claimed in respect of employments in low tax jurisdictions such as Singapore, Hong Kong and the Czech Republic.
[53] Trans-Border Workers' Relief - Tax Strategy Group – 21/04 September 2021

cross-border commuters, with a further 3,531 commuters travelling outside the island of Ireland for work[54].

- In order to calculate that cost, USC and Foreign Tax Credits[55] would need to be taken into account. It is estimated that the minimum amount of USC forgone (with respect to Form 11 claims) is at least[56] €46m for 2009 to 2019 of which €5.6m relates to 2019.

It should be noted that no corresponding relief exists for individuals in Northern Ireland, nor any other DTA resident individuals working in Ireland – in such circumstances, taxing rights are determined by way of the DTA[57].

Transborder relief is generally more advantageous to a taxpayer than a DTA claim given the marginal income and USC rates. As such, it could be argued that transborder relief in its current format ultimately results in the State giving up its taxing rights over foreign employment income in a manner not replicated elsewhere in the world.

In its current format, the relief may also incentivise structuring the affairs of Irish resident and domiciled individuals such that their employment income remains untaxed in the State through the use of a split contract (see Chapter 5.2).

The relief was temporarily extended to Irish tax resident and domiciled workers who were forced to work remotely in Ireland on foot of the pandemic, where the other qualifying criteria continued to apply (most importantly the requirement that the employment income is fully taxed in the other jurisdiction). This ultimately created anomalies where two people could carry out similar duties in the State, but be subject to very different taxing rules by reason of their employment contract.

There were calls for this extension to remote workers to be made permanent and the measure was reviewed by the Tax Strategy Group in 2021. Ultimately the group noted that if an individual is neither physically resident nor physically performing the duties of an employment in a jurisdiction, that jurisdiction may not have taxing rights over the income arising from the employment. As such, if transborder relief was modified to allow for remote working, tax gaps could arise. Furthermore, the issues previously identified in Chapter 2.3 may also arise.

[54] Census of Population 2016 – Profile 6 Commuting in Ireland

[55] 2019 data in the TSG report indicates foreign tax paid by claimants was €23.7m. However, this is not a true reflection of the amount of the FTC that would be available due to limitations in the data (not all Form 11 filers completed this box, no Form 12 filer data has been compiled etc.)

[56] These amounts could be understated, as the estimate assume that claimants only had foreign employment income. Where a claimant has other income, the higher USC rate bands may apply.

[57] Although some countries have introduced digital nomad reliefs, they are not directly comparable due to the physical presence requirements for transborder relief and the indefinite nature of transborder relief.

3.3.3 USC Surcharge – Interaction with trans-border workers

In previous meetings, the Commission have noted that Irish residents employed abroad are taxed in a slightly different manner than those employed in the State, which can give rise to the former group (Irish resident/domiciled individuals with employments based abroad) being subject to a 3% USC surcharge on their employment income in excess of €100,000 which is not suffered by the latter (being Irish resident/domiciled employees).

In practice, it should be noted that where transborder relief applies to a foreign employment, the employment income is fully exempt from USC in respect of that employment and the surcharge will not arise in respect of that income.

Where an individual has income from other sources, or a non-relieved foreign employment[58] that is exercised abroad, the surcharge may apply where the individual has foreign income and/or Irish non-trading income that is in excess of €100,000.

4. Restricted Stock Units

As noted in *Share based remuneration*, discussed at Meeting 14, the tax treatment of Restricted Stock Units (RSUs)[59] is different to that of other share awards. The Irish tax treatment of mobile workers who are in receipt of RSUs and similar share awards can differ from the tax treatment in certain other countries.

Where an employee becomes entitled to an RSU, Revenue guidance provides the following:

- RSUs are fully taxable in the State if they vest at a time when the holder is Irish tax resident, without any apportionment by reference to any part of the vesting period during which the holder was resident elsewhere.
- If the RSUs vest and the holder is no longer Irish resident, the RSUs are not taxable in Ireland, regardless of the fact that the holder may have been resident in Ireland at the time of the grant and during the vesting period.

[58] Where the individual carries out the duties of a foreign employment within the State, the earnings from that employment will be subject to payroll taxes and the USC surcharge will not apply.

[59] A restricted stock unit (RSU) is a grant (or promise) to an employee/director that on completion of a vesting period of a vesting period, he/she will receive a number of shares or cash to the value of such shares. The vesting period is usually completed where certain conditions are met. These conditions could include an obligation to stay with the employer for a stated period or the happening of an event (such an IPO or the receipt of investor funding), among others. The award is typically non-transferrable.

In practical terms, this can give rise to anomalous scenarios such as those listed below:

- An individual could be granted RSUs in an advance of an assignment to Ireland that does not vest until return from that assignment. In such cases, Ireland has no taxing rights over the RSU despite the fact its grant and vesting were inherently linked to activities carried on in Ireland[60].
- Ireland has no taxing rights over the RSUs of Irish employees who are assigned abroad immediately prior to their vesting date.
- An employee may choose to delay or refuse assignment to Ireland if they have RSUs that would be due to vest while assigned here as the amount could be wholly taxed here, despite the RSU partially or mainly relating to activities carried on outside Ireland.

How RSUs are taxed internationally can vary, depending on the nature of the RSU, with many applying an apportionment approach i.e. a jurisdiction will tax an employee based on the number of vesting days the employee spent in that jurisdiction. Ireland's approach to taxing RSUs on a receipts basis is currently in line with how employment income is broadly taxed in the State, but this is not reflective of where the duties of the employment during the vesting period were carried out[61].

The current approach to RSUs in Ireland can give rise to double taxation scenarios for inbound employees/assignees and can also create Irish tax gaps, which would not arise if an apportionment approach was applied instead. Where a double taxation scenario arises currently, a real-time tax credit may be available where certain criteria are met[62].

5. Other corporate considerations

The following items are matters of corporate policy that can influence global mobility decisions. Although they do not represent State policy choices, they are relevant for understanding the employment costs that may be incurred in this space. Furthermore, how these measures interact with taxation legislation may give rise to unexpected results.

[60] Individuals typically can claim *split year treatment* when departing the State on assignment in order to ensure they are treated as Irish resident to the date of departure only.
[61] As employment income should typically be taxed where the duties of the employment were exercised under DTA rules, this approach may need to be reviewed.
[62] The qualifying criteria for this credit are set out in Chapter 2 of the share schemes manual

5.1 Equalisation and protection measures

Employers often enter into tax equalisation or tax protection arrangements with their employees when sent on assignment abroad. These measures aim to remove tax as a relevant factor in the international assignment decision process for the employees. In the absence of employer intervention, an employee is more likely to consider their own personal net tax position when making an assignment choice.

Table 2: Methods to remove tax as a factor in assignment decision process

Method	Description
Tax Equalisation	Under a tax equalisation arrangement, an assignee personally pays no more or less tax on assignment than they would have had they not accepted the assignment. The employer will gross their salary while assigned so that net take home pay can remain unaffected[63]. The employer then pays any actual taxes[64] [65] due in both the home and host country on behalf of the assignee[66]. The assignee pays an amount to their employer equal to the tax they would have paid had they not gone on assignment. This contribution is known as hypothetical tax (hypotax[67]). If the actual tax due is higher than the hypotax withheld, the employer covers the cost difference. If the actual tax is lower than the hypotax, ***the employer keeps the difference***. If tax also arises in the home country of the employee, the employer will also keep the benefit of any double tax credit
Tax Protection	Under a tax protection arrangement, the assignee pays the lower of the of the home and host taxes. The employee remains responsible for all taxes due. If the tax due in the host country is higher than the amount in the home country, the employer will reimburse the employee for any excess tax. Where the amount due is lower than the amount in the home country, ***the employee keeps the difference.***

[63] This cost difference represents a taxable benefit in the hands of the employee, which can further compound the cost of equalisation.
[64] The level of taxes an employer agrees to equalise can vary, with some covering employment taxes only and others covering taxes arising on share options, bonuses and in some cases, personal taxes arising on capital and investments in the period.
[65] Assignees are very often paid cost of living allowances and other assignment related benefits and allowances. Therefore the tax paid and associated re-gross can significantly increase the cost of the Irish assignment to the employer.
[66] Professional advice is typically sought with regard to the tax obligations in the assignee country.
[67] The level of hypotax payable is dependent on employer policy and typically based on assumptions rather than being tailored to the assignee.

Where a tax equalisation measure is in place, tax is not a factor in an employee's decision to accept an assignment as their net pay will remain the same. Employers however may be discouraged from selecting higher tax jurisdictions as temporary assignment locations where equalisation measures in place and can potentially generate windfalls by selecting low tax countries as assignment locations.

Where measures are introduced to incentivise location in Ireland, consideration should be given to the incidence[68] of any incentive given. Similar to how the person whom a tax charge is targeted at or levied on may not ultimately bear the burden, the person to whom a tax incentive or refund is offered to may not actually receive the benefit. Where a personal tax incentive is offered to an employee who is subject tax equalisation, the benefit of the incentive is passed on to their employer located outside of Ireland in the home jurisdiction.

88% of respondents to KPMG's 2021 Global Assignment Policies and Practices Survey advise that they equalise their assignees on earnings, whereas only 5% enter into tax protection agreements.[69] However, in the case of SARP for 2019, 24% of employers reported that they operate a claimant's payroll on a tax equalisation basis[70] – this figure represented approx. 35% of SARP Exchequer costs for that period[71]. In 2018, employers of 28% of SARP claimants reported that they operated the claimant's payroll on a tax equalisation basis,[72] representing approx. 30% of SARP Exchequer costs in the period[73].

As such, the use of incentives should be considered where tangible results are possible.

Notwithstanding the above, some employers may choose to establish inbound assignees as permanent transfers even where the assignment is short term, passing the cost of employment onto the Irish employer.

5.2 Split contracts/dual contracts

In certain scenarios where an employee has duties exercisable both in Ireland and abroad, it might be possible to split the duties of the employment across two separate contracts of employment (*split* or *dual contracts*), one contract to cover the Irish duties and a foreign employment contract to cover the non-Irish duties.

[68] As noted in *Overview of economic principles and fundamentals of a tax system*, the incidence of a tax is the final distribution of the tax following the adjustment of behaviour after the tax has been imposed.
[69] KPMG's 2021 Global Assignment Policies and Practices Survey
[70] Special Assignee Relief Programme - Statistics in 2019
[71] Source, Revenue Statistics, Research and Research Branch
[72] Special Assignee Relief Programme - Statistics in 2019
[73] Source, Revenue Statistics, Research and Research Branch

Where an individual is non-domiciled and subject to the remittance basis of taxation, any remuneration from that foreign contract of employment may be subject to the remittance basis of assessment. Additionally, where an individual is Irish domiciled and not subject to the remittance basis, they may be able to avail of transborder relief in respect of their foreign employment contract.

In both instances, it is possible for income arising from the foreign contract to remain outside the scope of Irish taxation, notwithstanding an employee's general residence and employment status.

In theory, where a contract is artificially split for tax purposes, it may be possible to challenge such arrangements using anti-avoidance rule. In practice it may be difficult to prove that such arrangements were done wholly for the purposes of tax avoidance and not for some other administrative or legal purpose[74].

6. Conclusions

Although Ireland's existing corporation tax strategy will likely remain attractive to FDI, personal taxes may become a more significant consideration.

Commentators often suggest that reducing personal income tax rates in conjunction with the introduction of schemes and/or other inducements will create a more attractive location for the establishment of new FDI and attract assignees and mobile individuals who may then invest or consume their wealth in the State. However, such measures give rise to Exchequer cost and give rise to vertical equity concerns and the potential benefits of such inducements are uncertain.

In practice, although Ireland has a relatively low entry point to the higher rate of income tax - employment costs remain somewhat competitive with EU-based competitors. Due to low social security costs, however, the interaction between Irish personal taxes and social security cost means the cost of assigning employees to Ireland may potentially be higher than tax wedge data shows.

There are a number of existing reliefs available to address global mobility issues arising in the case of inbound and outbound employments and assignments. Several of these do not appear to accurately reflect how international business operates in the modern day. Furthermore their interaction with corporate policy (such as split and dual contracts) can give rise to unintended tax consequences. There is scope for the Commission to consider how to frame these reliefs in a modern context.

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[74] It may be easier to challenge the ratio of domestic to foreign duties. Revenue could review such arrangements to ensure that the remuneration split is reasonable given the nature and level of the duties for which the individual is responsible in Ireland.

The wider environment in which labour is provided is also changing - digitalisation has led to changes in how people can supply their labour, including facilitating an increase in the level of transborder work that can be done remotely, which could have a profound impact on where employment is carried out and how it is taxed – however, the implications cannot be fully understood at this point in time.

7. Questions for the Commission – Forward looking

- Differences in the taxation of individuals completing the same duties in the same jurisdiction on the basis of international factors (such as residence, domicile and contract location) can give rise to vertical equity differences in that jurisdiction. To what degree are the differences arising fair and equitable?
- Is the policy rationale for SARP reasonable and is its policy objective being achieved?
    - Should reliefs for inbound assignees be more broadly available or should such reliefs be limited in scope to attract highly-skilled individuals?
- Does the remittance basis have a place in a modern tax system?
    - If so, is domicile as defined under common law the best way to determine eligibility?
- Could FED be reviewed to better achieve its current policy objectives of supporting enterprise[75]?
- Is the current design for transborder relief suitable in a globalised environment?
- How should the taxation of RSUs be addressed to tackle the tax gaps arising as a result of the manner in which they are currently taxed?
- Where personal tax measures are being considered, what steps can be taken to address corporate policy choices regarding equalisation and dual contracts to ensure that the relief meets its intended policy objective and the incidence of the measure is remains with the individual?
- Are there any other tax and/or welfare factors that act as a clear barrier either to:
    - an employer choosing an office location here, or
    - an individual's willingness to live or reside here

  If so, how can these be addressed?

[75] Noting that the Meeting 8 paper acknowledged State Aid issues can arise from expanding the relief to EU countries

Appendix 1 Scope of Irish income and capital gains taxes

First, and foremost, it is important to understand that an individual's liability to Irish income tax and capital gains tax is dependent on an individual's tax residence status for a particular tax year, their domicile, and the source of their income.

Residence

A statutory test applies to determine an individual's residence for tax purposes, which provides that an individual will be regarded as resident in the State for tax purposes, in a tax year (being a calendar year), if they are present[76] in the State for:

- 183 days or more in that tax year; or
- 280 days between that tax year and the previous tax year[77] (the two year test).

Individuals who habitually been resident in Ireland are treated as ordinarily resident where they have been resident in the State for each of the three years preceding the current tax year, irrespective of their residence status in the current year.

Domicile

Domicile is a non-tax common law concept relating to an individual's sense of home which is set out in further detail in Chapter 3.2.2.

How an individual's particular circumstances can determine the scope of their liability to Irish income tax is summarised below:

Table 3: How residence affects liability to Irish income tax

Resident?	Ordinarily Resident?	Domiciled?	Liable to Irish income tax on
Yes	Yes/No	Yes	Worldwide income
Yes	Yes/No	No	• Irish source income • Foreign employment income to the extent duties of the employment are performed in Ireland • Other foreign income where remitted to Ireland
No	Yes	Yes	• Worldwide income with the exception of: ○ income from a trade or profession, no part of which is carried out in Ireland ○ income from an office or employment exercised outside Ireland*, and ○ other foreign income, where it does not exceed €3,810

[76] At any time during that day
[77] Presence in Ireland for periods of 30 days or less in any tax year is not taken into account in applying the two-year test.

Resident?	Ordinarily Resident?	Domiciled?	Liable to Irish income tax on
No	Yes	No	• Irish source income • Foreign income to the extent it is remitted to Ireland. • Income from the following sources is not liable to Irish income tax, even if remitted to Ireland ○ income from a trade or profession, no part of which is carried out in Ireland, ○ income from an office or employment exercised outside Ireland*, and ○ other foreign income, where it does not exceed €3,810
No	No	Yes/No	Irish source income only

*other than incidental duties

Table 4: How residence affects liability to Irish capital gains tax

Resident or Ordinarily Resident?	Domiciled?	Liable to Irish CGT on
Yes	Yes	Worldwide gains
Yes	No	Irish gains and other gains to the extent that they are remitted to Ireland
No	Yes	Irish specified assets only[78]
No	No	Irish specified assets only[78]
No	Yes/No	Irish source income only

Double Taxation

As noted in *Overview of economic principles and fundamentals of a tax system* double taxation is the imposition of a tax by two or more countries on the same person in respect of the same income or gains. This can occur where a person is considered resident in either:

- multiple jurisdictions, based on the local laws of those jurisdictions, or
- one jurisdiction, but their income or gains arise in another jurisdiction.

For example, double tax may arise if an individual is resident in one jurisdiction but carries out the duties of their employment are exercised in another.

[78] Irish specified assets include (1) land, or any interest in land, in the State, (2) minerals in the State (or any rights, interests or other assets in relation to minerals or mining for minerals or searching for minerals), (3) assets situated in the State and which were used in or for the purposes of a trade carried on by the person in the State through a branch or agency, (4) shares in an unquoted company derive the greater part of their value from land or mineral rights in the State.

Jurisdictions may enter into tax treaties with other countries, known as Double Taxation Agreements (DTAs) or Double Taxation Treaties, which set out rules to avoid double taxation. They typically achieve this by either:

- exempting the income from tax in one of the countries (the *exemption method*), or
- allowing the tax payable in one country (which has primary taxing rights) as a credit against the tax payable in the other country (which has secondary taxing rights) (*the credit method*).

A country has the primary taxing rights where the source of the income or capital gains is within its borders. Secondary rights apply where the source of income or capital gains is outside its borders and some other country has the primary taxing rights.

Appendix 2 Summary of Tax Wedge Data Submitted during Public Consultation[79]

Salary Level €25,000	Effective Rate Paid	Tax Wedge
France	23.22%	47.77%
Germany	28.93%	40.76%
Sweden	19.59%	38.82%
Singapore	20.58%	32.12%
Ireland	12.51%	21.22%
United Kingdom	14.82%	21.19%
United States	13.83%	19.96%
Switzerland	9.38%	15.37%

Salary Level €75,000	Effective Rate Paid	Tax Wedge
France	34.72%	55.58%
Germany	40.96%	49.90%
Sweden	34.14%	49.89%
Ireland	33.99%	40.56%
Switzerland	28.17%	36.41%
United Kingdom	28.42%	36.03%
United States	21.67%	27.24%
Singapore	17.17%	24.85%

Salary Level €48,000	Effective Rate Paid	Tax Wedge
France	30.49%	52.71%
Germany	36.66%	47.20%
Sweden	24.97%	42.91%
Ireland	25.46%	32.88%
Singapore	21.46%	32.28%
United Kingdom	23.05%	30.57%
Switzerland	21.50%	29.47%
United States	17.18%	23.07%

Salary Level €100,000	Effective Rate Paid	Tax Wedge
France	36.68%	56.91%
Sweden	39.42%	53.91%
Germany	43.17%	50.34%
Ireland	38.49%	44.61%
United Kingdom	31.81%	39.32%
Switzerland	30.44%	37.76%
United States	23.98%	29.38%
Singapore	16.28%	22.24%

Salary Level €55,000	Effective Rate Paid	Tax Wedge
France	31.99%	53.72%
Germany	38.27%	48.55%
Sweden	26.89%	44.37%
Ireland	28.40%	35.52%
Switzerland	23.74%	31.84%
United Kingdom	24.19%	31.83%
Singapore	19.62%	29.46%
United States	18.77%	24.54%

Salary Level €150,000	Effective Rate Paid	Tax Wedge
France	41.27%	60.03%
Sweden	44.71%	57.93%
Germany	43.73%	48.67%
Ireland	42.99%	48.67%
United Kingdom	39.14%	46.07%
Switzerland	33.45%	39.46%
United States	25.37%	29.92%
Singapore	16.75%	20.80%

[79] Source Commission on Taxation and Welfare - Response to the Public Consultation, Irish Tax Institute (2022)

Appendix 3 OECD Tax Wedge Data[80]

France			
% Average Wage	Gross Wage EUR	Effective Rate	Average Tax Wedge
50%	19,093.97	20.89	25.75
100%	38,187.94	27.29	46.64
150%	57,281.91	32.37	52.54
200%	76,375.88	34.83	54.84
250%	95,469.85	36.31	55.86

Ireland			
% Average Wage	Gross Wage EUR	Effective Rate	Average Tax Wedge
50%	23,342.53	11.40	20.21
100%	46,685.06	24.83	32.31
150%	70,027.59	32.72	39.41
200%	93,370.12	37.54	43.75
250%	116,712.64	40.43	46.36

Sweden			
% Average Wage	Gross Wage EUR	Effective Rate	Average Tax Wedge
50%	23,208.73	19.69	38.89
100%	46,417.47	24.66	42.67
150%	69,626.20	32.47	48.62
200%	92,834.93	38.17	52.96
250%	116,043.67	41.60	55.56

United Kingdom			
% Average Wage	Gross Wage EUR	Effective Rate	Average Tax Wedge
50%	23,251.33	14.59	20.91
100%	46,502.66	23.29	30.83
150%	69,753.99	28.22	35.84
200%	93,005.32	31.67	39.18
250%	116,256.65	34.60	41.94

Germany			
% Average Wage	Gross Wage EUR	Effective Rate	Average Tax Wedge
50%	26,051.92	30.32	41.87
100%	52,103.84	38.91	49.04
150%	78,155.75	42.78	51.20
200%	104,207.67	43.49	50.16
250%	130,259.59	43.65	49.11

United States			
% Average Wage	Gross Wage EUR	Effective Rate	Average Tax Wedge
50%	24,537.69	16.00	22.72
100%	49,075.37	22.43	28.29
150%	73,613.06	27.90	33.24
200%	98,150.74	30.73	35.81
250%	122,688.43	31.72	36.38

OECD Average		
% Average Wage	Effective Rate	Average Tax Wedge
50%	16.50	27.42
100%	25.51	35.59
150%	29.92	39.29
200%	32.58	41.37
250%	34.41	42.73

[80] From OECD Tax wedge decomposition Statistics – 2020 figures, have been converted to EUR using ECB Exchange rates as at 31 December 2020