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OFFERING AUDIT, ACCOUNTING, TAXATION ADVICE AND WEALTH PLANNING TO CLIENTS AND BUSINESSES

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Taxpayers in Ireland and in many other jurisdictions have come to terms with the European Commission's decision on alleged state aid to Apple.

Since 2000, there have been 400 state aid cases involving Ireland and 225 cases involving tax advantages across the EU.

While a definitive assessment, if any, cannot be made until the redacted text of the 150-page commission's decision is at hand, a letter dated June 11th, 2014, sent by the commission to the Irish Government, sets out the grounds for the state aid investigation.

The first assertion is that the commission investigation went beyond its regulatory powers. Not so, the European Commission has had core competence under EU treaties (since the 1951 treaty establishing the European Coal and Steel Community) and EU regulations to investigate alleged breaches of state aid that confer a competitive advantage on one or more undertakings.

Since 2000, there have been 400 state aid cases involving Ireland and 225 cases involving tax advantages across the EU.

There is also a logic that Ireland has been singled out for attention. Not so, since 2013, the commission has been investigating the tax ruling practices of all member states and has done so with the express approval of Ireland. For example, in October 2015, the commission concluded that Luxembourg and the Netherlands had granted selected tax advantages to Fiat and Starbucks, respectively. In January 2016, the commission concluded that selective tax advantages granted by Belgium to at least 35 multinationals, mainly from the EU, under its "excess profit" tax scheme, were illegal under state aid rules and that €700 million in taxes should be recovered. The commission is also investigating two Luxembourg cases involving Amazon and McDonald's. There is also the argument that the commission should not apply retrospective rules as this would affect multinationals' investment decisions. Not so. Article 15 of EU regulation number 659/1999 on the procedural rules involving state aid gives the commission powers to seek the recovery of state aid over a period of 10 years, which in this case begins 10 years prior to 2013, when the commission first requested information from Ireland.

The Government argues that there is an attempt to force Ireland to increase the current rate of corporation tax. Not so; unless Ireland wants to make such a link. There is a huge difference between alleged corporate tax avoidance and the setting of Ireland's headline rate of corporation tax. These issues should be dealt with quite separately; otherwise, multinationals may get an impression that the two are somehow linked.

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To give assurance to inward investors, the Government might be careful to publish a ruling from the commission in December 1997 that clearly indicated that Ireland's single rate of corporate tax was a general measure under EU state aid rules and was therefore entirely legal and consistent with EU competition policy.

In reality, Ireland could reduce its standard rate of corporate taxation provided it applies to all sectors of the economy. It is disturbing that Ireland still feels insecure about this "threat" to the 12.5 per cent rate. If the Government had courage, it should drop the rate forthwith to 10 per cent. If the Germans and the French complain, they might be asked when they intend to abolish the €53 billion in subsidies (including €18 billion in tax reliefs) they give to their indigenous companies every year.

There was also some shock that the commission chose to issue the Apple decision in a swift and ill-considered manner. Not so; Ireland and other member states agreed in October 2015 to exchange information on tax rulings and to deter from using tax rulings as an instrument of tax abuse. It is reported that some 1,000 rulings from 23 member states have been identified.

In addition, Ireland has signed up to a series of EU measures to tackle certain loopholes in national laws that allow corporate tax avoidance to take place and to the principle that all companies must pay tax where they make their profits. All this builds on the 1997 code of conduct for business taxation promoted by the Irish presidency of the day.

Several politicians have spoken in pessimistic terms about the European Commission's decision being a serious encroachment of Ireland's sovereignty. Sovereign Ireland gave the commission the legal powers it is using. The people voted for the treaties the commission relies upon for its actions. Sovereign Ireland should rebut the economic and legal arguments made on the basis of evidence, not rhetoric. Shooting the messenger displays an acute lack of understanding of the commission's role. The commission makes the point that Revenue negotiated its rulings based on the proposals submitted by Apple and did not base them on a predetermined economic methodology and, furthermore, the commission believes that the rulings run counter to the (non-binding) OECD transfer pricing guidelines that deal with the arm's length pricing of transactions and profit allocation between companies of the same corporate group.
This is a critical legal issue as the ECJ has already ruled that intra-group transfers not complying with the arm's length principle can provide a selective advantage to the company concerned.

What next? Under EU state aid rules Ireland has no option and must recover the aid from Apple plus interest. It is a matter for Ireland to find out from the tax authorities in other jurisdictions if they have a claim to part of the €13 billion. In addition, Ireland needs to calculate how much of this pre-2014 quantum represents tax due to the Irish exchequer, not least because the commission has confirmed that such a windfall gain can be spent on productive investment.

Corporation tax

Taoiseach Enda Kenny came under strong pressure over the corporation tax rate from France and Germany at the height of the financial crisis back in 2011. While the commission's decision against Apple has put the spotlight back on multinational tax avoidance, it has also raised the risk of significant push-back from the US.

To Brand or Not to Brand

IRELAND'S CREDIT UNIONS have topped the poll in a survey of what brands Irish customers have had good experiences with for the second year running.

The credit union is top of the tree, with cosmetics chain Lush in second place and An Post in third. The results are detailed in the report from Amárach Research, commissioned by Customer Experience Insights (CXi).

The top 10 brands per Irish customers are:

1. Irish Credit Union
2. Lush
3. An Post
4. Sam McCauley Pharmacies
5. Citylink
6. Peter Mark
7. Boots
8. Aldi
9. Marks & Spencers Retail
10. Penneys

Irish consumers are beginning to loosen the purse strings again, but in a more selective fashion than previously.
The biggest mover in the survey was Peter Mark which moved up 47 places to number six. If a company has the ability to do lots of small things brilliantly for customers, it will be successful.

The credit unions' ongoing success is a result of them putting customers at the heart of everything they do.
All 339 credit unions share the same ethos. Lush is a new entrant on the list while many brands, including Peter Mark as mentioned above, have made significant leaps from 2015's rankings.

Citylink travel has jumped 27 places to number five in the rankings, O'Brien's Off Licence is up 28 spaces to 19, and Arnotts is up 34 places to 22.
deferred tax assets and UTPs.

Biggest drop

Meanwhile, brands that lost out to a significant extent include taxi app Hailo (down 33 places to 43), Axa Insurance (down 25 to 142), and Irish Ferries (down 45 spots to 60). The biggest loser of all in the survey is Luas, which has dropped a massive 105 places to rank 127th on the list, after a series of strikes during the summer which saw customers left without service on 12 separate days.
Dublin Bus, which is currently facing its own ordeal of industrial action, doesn't make the top 100 brands.

There's better news for airlines Ryanair and Aer Lingus however, Ryanair, after a concerted effort to improve its customer experience, is up 24 places to 77, while Aer Lingus drops seven places to a nevertheless relatively respectable ranking of 28.

Insurance

Insurance companies, never far from the news in recent times due to the ongoing controversy surrounding car insurance premiums, have taken a bit of a thrashing in the survey, with the insurance sector the worst performer of all ten categories considered.
All ten car insurance companies surveyed failed to make the top 100 brands (Axa being the biggest losers, dropping 25 places to rank 142), with the biggest drop being seen in the 'empathy' pillar used to gauge customer satisfaction. Other pillars used include 'personalisation', 'integrity', and 'expectations'

The worst?

And the company that fared worst in the entire survey? You might be able to guess this one. Irish Water, take a bow. Perhaps its ranking will improve next year now that water charges have been suspended. Or perhaps not.
It wasn't all doom and gloom for the utilities – Airtricity and Electric Ireland are the most improved brands, with the latter jumping ten spots to break into the top 100 at number 95.

The survey's results were compiled using 72,000 Irish customer evaluations of 170 brands.

Who Do You Want To Work For?

The latest GradIreland survey of employer popularity has put the accountancy group, KPMG at the top with two Irish banks topping up the ranks.

A NEW REPORT has outlined the 100 companies in Ireland that Irish graduates must want to work for. And the most popular companies are dominated by financial and professional service institutions with three entrants from that category in the top ten.
The most sought-after company for graduate employment in 2016 is accountancy group, KPMG. The company has enjoyed a bit of the Renaissance in fortunes as far as the survey is concerned – last year it stood at 14 in the rankings.

Google's last year's top dog has slipped to number 3, with Apple dropping from eight spots to 20. State broadcaster RTÉ for the time has dropped five places to 13.

Both Bank of Ireland (15) and AIB (33) have enjoyed healthy leaps of 14 and 13 places respectively.

The tenth annual GradIreland survey took into account the opinions of 7,460 Irish students, 46.6% of them male, and 53.4% female.

The overall top ten are:

1. KPMG
2. PWC
3. Google
4. Lidl Ireland
5. Accenture
6. Deloitte
7. Pfizer
8. Jameson-Irish Distillers
9. The Department of Educationand Skills
10. Boston Scientific

Sectors and salary

According to the survey, some sectors are experiencing a remarkable jump in popularity with the public sector in particular seeing a rise in recruitment levels after several years of stagnation. Slightly more women than men were surveyed in most of the sectors considered. The trend is particularly noticeable in the legal, fast moving consumer goods (FMCG), and public sector categories, while IT, engineering, and online retail services buck the trend with far more male respondents than female.

Generally, employers are hiring significantly more graduates in 2016 than in any of the last four years.
The average salary paid across sectors to graduate employees at present is €28,332, up slightly on the 2015 figure of €28,297. Overall, graduate salaries are on the rise, employers said.
The highest average starting salaries in 2015 meanwhile were in the legal, management consulting, and IT sectors with starting figures of €38,500, €31,000, and €30,000 being seen.

The greatest proportion of jobs seen in 2015 meanwhile were in the accountancy, engineering and IT sectors with 28.7%, 14.4%, and 10.8% of the proportion of total jobs.

Sugar Tax

THE GOVERNMENT has recently launched its ten-year plan to tackle obesity. Also, the ministers are planning to introduce sixty separate actions that will be rolled out between now and 2025.

The current programme for government has already committed to introducing a tax on sugary drinks and this will feature in the ten-year plan. A 20% tax on sugary drinks has been suggested by the Irish Heart Foundation. Research on the effectiveness of such taxes is mixed. While some research suggests that such sugar taxes don't always work in reducing obesity, a sugar tax resulted in a 10% decrease in sales of soft drinks in Mexico. The plan – A Healthy Weight for Ireland: Obesity Policy and Action Plan 2016-2025 – outlines how we can reduce overweight and obesity rates. The action plan aims to slim down the nation as 60% of us are now overweight.

Key measures include:

- No fry zones
- A national nutrition policy,
- A clinical lead for obesity in the HSE
- Targeting of disadvantaged areas in health promotion
- Calorie posting legislation

At the Dublin Castle launch, The Minister for Health said: "Rising levels of overweight and obesity are placing an increasing burden on individuals and society and this represents one of the biggest public health challenges Ireland is facing today." The plan aims to reverse obesity trends, prevent health complications and reduce the overall burden for individuals, families, the health system and society.

The Irish Heart Foundation welcomed the initiative but warned against "implementation paralysis".

"Any delay in tackling the obesity problem will have a devastating consequences for the future health of our children," said IHF spokesman Chris Macey.

"Many of the planned actions fall within the responsibility of other departments and we are concerned about whether the [Department of Health's] clear commitment to tackling obesity extends across the whole of government," he said.

There have been calls for a sugar tax on soft drinks, but this has been opposed by industry groups, who claim it would have significant economic costs while delivering no health dividend. Food and Drink Industry Ireland director Paul Kelly said that "The food sector is adamantly opposed to the inclusion of policy measures, like food and beverage taxes, which are unfair, discriminatory and not evidence based." However, he said his industry will support measures on product reformulation, nutrition labelling, product choice and workplace wellbeing.

A "Healthy Ireland" survey commissioned by the Department of Health last year found that 37 per cent of adults are now overweight with another 23 per cent obese. The research found higher levels of obesity amongst those in lower social classes.

A study has suggested that the total of the direct and indirect costs of adult obesity in the Republic is €1.13 billion a year, accounting for 2.7 per cent of total health expenditure.

Research published by The Lancet medical journal earlier this year suggested that by 2025, the level of obesity among women in Ireland will be the second highest in Europe, just behind Britain.

The plan lists sixty specific actions to improve Ireland's health and to reduce the burden of obesity across the society. These include new healthy eating guidelines and nutrition policy. The plan backs the introduction of a sugar levy and "whole of school" approaches to healthy lifestyles for youngsters, in tandem with the Department Education and Skills.

Levels of overweight and obesity have increased dramatically in recent years with 60 per cent of adults and one in four children in Ireland either overweight or obese.

While lifestyle choices are made by individuals and families, government can and must help to empower people make these healthy choices.

Minister for Children and Youth Affairs Dr Katherine Zappone also launched Healthy Lifestyles – Have Your Say, a report of consultations with children and young people on the matter. She said "Body image and media influences were identified as the main barriers to a healthy lifestyle among teenagers, including the pressure to conform to a particular body image. "Exam stress and heavy study workloads were identified as contributing to sedentary and unhealthy lifestyles.

"Other school-related issues identified by young people include their criticisms of the teaching of social, personal and health education (SPHE) and the lack of choice in physical education, with the few alternatives to team sports it offers, and its failure to cater for different interests."

Minister of State for Health Promotion, Marcella Corcoran Kennedy said "Prevention is the key and there will be a focus on children and on reducing the inequalities that are evident."

The HSE is also to develop community-based health promotion programmes with special focus on disadvantaged areas.

Budget 2017

- The total budget adjustment for 2017 is €1.3 billion, weighted at about 3:1 between spending increases and taxation cuts.

- Social welfare payments and the State pension are to increase by €5 per week and the three lowest rates of the Universal Social Charge (USC) are to fall by 0.5 per cent as part of the budget package for 2017 announced by the Government.

- The three lowest USC rates are being reduced by 0.5 per cent - that's the 1 per cent, 3 per cent and 5.5 per cent rates. The threshold at which the new 2.5 per cent USC rate will be paid falls to €18,668 from €18,772. Mr Noonan says the Government is committed to phasing the USC out over time, resources permitting.

- Excise on a pack of 20 cigarettes is to increase by 50 cent, which Mr Noonan said was the only tax increase in budget. The amount of excise paid on fuel and alcohol is to be unchanged in 2017.

- A help-to-buy scheme for first-time buyers will involve a 5 per cent PAYE rebate of up to €20,000 over four years on new homes worth up to €400,000. Buyers of homes costing between €400,000 and €600,000 will also be entitled to the €20,000, though the percentage of the purchase price this equates to will be lower.

- The Home Renovation Incentive Scheme is being extended by two years to the end of 2018 to help those not buying new homes.

- DIRT is to be reduced from 41 per cent to 33 per cent by 2020 through an annual reduction of 2 per cent.

- The point at which capital acquisitions tax will apply to gifts from parents to children is being increased by €30,000 to €310,000. The point at which it is paid on gifts to other relatives (Category B) and non-relatives (Category C) is increasing by 8 per cent.

- The income ceiling for the rent-to-room scheme is to be increased by €2,000, meaning applicants can take in €14,000 a year tax free.

- The reduced VAT rate of 9 per cent for the tourism and hospitality industry (rather than the standard rate of 13.5 per cent) is to stay in place this year.

- The rate of capital gains tax on qualifying asset disposals has been reduced from 20 per cent to 10 per cent, up to a limit of €1 million in chargeable gains.

- The level of interest relief for landlords is to be increased to 80 per cent. The full 100 per cent will be restored over a number of years through annual 5 per cent increases.

- The home carers credit is to increase by €100 to bring it up to €1,100.

- The earned income tax credit for the self-employed is being increased by €400 to €950, which Mr Noonan says will benefit some 147,000 self-employed people.

- A period of relief from VRT on electric vehicles is being extended to five years and two years for hybrid vehicles.

- There will be a €5 increase in the State pension from March 1st.

- All social welfare payments will also rise in March, including jobseeker's allowance, carers allowance and disability benefit. Increases are subject to the passage of the Social Welfare Bill.

- The increased jobseeker's allowance payment to recipients under the age of 25 will be €2.70 rather than €5.

Social welfare recipients will be entitled to a Christmas bonus equal to 85 per cent of their weekly payment (up from 75 per cent in 2015).

- Some €35 million is being provided for a Single Affordable Childcare Scheme which will commence in September. It will provide means-tested subsidies, based on parental income, for children aged between six months and 15 years and universal subsidies for all children aged six months to three years who are cared for by Tusla-registered childminders/care centres.

- Medical card coverage will be extended to all children in receipt of the domiciliary care allowance.

- Education spending is to increase by €458 million to some €9.5 billion, which the Minister said would fund an extensive programme of recruitment next year, including 2,400 teaching posts, of which 900 will be resource teachers.

- 800 new gardaì would be recruited in 2017. 4,500 additional frontline staff, including gardaì, nurses and teachers, would be recruited

- A total of €15 million will be provided to help deliver high-speed broadband to rural areas.

- Some €1.2 billion has been committed to support the Housing Action Plan next year. It aims to deliver 47,000 social housing units by 2021.

Brexit - What's happened so far

Many economists prior to the referendum had been predicting an immediate and significant impact on the UK economy and consumer confidence should the country vote to leave the EU.

But so far these predictions have not come to pass. Let's take a look at some of the main areas

Interest rates

Since the vote the Bank of England has taken a number of steps to boost the UK economy. It cut interest rates from 0.5% to 0.25% in August - the first reduction in the cost of borrowing since 2009 and taking UK rates to a new record low. The Bank left its main interest rate at 0.25% in September but said another cut is still a possibility. The Bank has also announced a huge extension of its quantitative easing programme by an extra £70bn, and a £100bn scheme to force banks to pass on the low interest rate to households and businesses.

One effect of the interest rate cut is that it has exacerbated the growing pension funds deficit because of falling bond yields. As yields fall it reduces the incomes pension funds get from their investments.

Currency

The pound plunged dramatically on 24th June, the day after the referendum. Since then it has remained at significantly lower levels because of uncertainty about the economic outlook and the UK's relationship with the EU, hitting a three-year low of $1.2869 on 15 August.

The pound did bounce back slightly against the dollar in September after the US central bank held interest rates and signalled a less aggressive path for rate hikes in coming years.
But sterling is currently trading against the dollar at $1.29 - a year ago it was worth $1.57. The pound has also fallen significantly against the euro. It is currently worth about €1.15. A year ago it was worth €1.35. The currency's continuing weakness has been accentuated by the cut in interest rates and the Bank of England's economic stimulus measures.

One of the most immediate consequences of this was that it made foreign holidays more expensive for British tourists, while it has also increased import costs for manufacturers. However, one beneficiary of cheaper sterling has been the UK's own tourism sector, as a weaker pound makes Britain a cheaper destination for overseas tourists.

Migration

All the figures on numbers of people entering the UK date from before the Brexit vote happened. In the year to March net migration - the difference between the number of people coming to the UK for at least a year and those leaving - remained at near record levels, at 327,000. But this was slightly down on the previous year.

The figures showed a slowdown in the numbers settling in the UK from Poland and seven other Eastern European countries - but that was offset by an increase in net migration from Bulgaria and Romania, which hit record levels of 60,000.

Construction

The UK's construction industry seems to have recovered in August from a downturn that started just before June's Brexit vote. The latest figures suggest it rose to 49.2 from 45.9 in July, although the figure is still below the 50 mark that divides expansion from contraction. The uncertainty over what happens next acted as a brake on the construction sector during August, especially in terms of house building, the survey suggests. However, a number of firms say that sales have held up better than had been expected.

Significantly these figures also indicate the sector has seen a further steep rise in the cost of raw materials, with input costs now rising at their fastest pace since July 2011.

Interesting Facts on USC Breakdown

Some 140,000 taxpayers with incomes over €100,000 earn over one quarter of all the personal income declared for tax, according to new Revenue figures.

The data shows that this group is expected to pay over 45 per cent of total income tax and USC (Universal Social Charge) this year.

Within this group, there are 28,000 taxpayers earning over €200,000, which represents almost 11 per cent of total income earned in the State. This group pays around 20 per cent of total income tax and USC.
The Revenue Commissioners figures are based on "taxpayer units" which can be single people, couples with one earner or couples who are jointly assessed for tax. They show that there are almost 850,000 taxpayers who earn between €30,000 and €70,000 and accounts for around 30 per cent of all taxes raised. This group earns around 40 per cent of total income declared.

The figures show that there are an estimated 2.4 million taxpayer units. Total income declared for tax and USC is estimated at €97.8 billion, on which income tax and USC of €18.7 billion will be collected.

The Revenue figures show the impact of measures in recent budgets to remove lower earners from the USC net. An Irish Tax Institute report published this week estimated that 500,000 lower earners have been taken out of the net over the past couple of years.

The Revenue data show that the 1.2 million people who earn less than €30,000 now pay just under 3 per cent of total income tax and USC.

Who should get benefit of USC cuts

With limited funds available for tax cuts, there are fears that the 'squeezed middle' will lose out.

A Government source said that TDs will be "alarmed" if middle earners aren't taken care of

Amid challenging demands, Finance Minister Michael Noonan last week warned that there is limited scope for tax cuts and that taxpayers won't be "throwing their hats in the air on Budget night".

He warned that "most of what I'd like to do is not affordable", indicating hard choices will have to be made.
A 0.5pc cut to the two lowest USC rates - as well as the main 5.5pc bracket that would include many middle-income earners - would cost €330m.

A similar cut limited to the 1pc and 3pc rates would cost €173m, while just cutting the 5.5pc rate would cost €158m.

One source said that a lack of cuts for the squeezed middle would cause "disquiet". "People would be alarmed if it didn't include the middle-income people," the source added. They said there is also a question of what Fianna Fáil will "stomach" as well.

The time for tax breaks in order to stimulate the economy is over, according to one of Ireland's most prominent think tanks.

According to new quarterly research published by the ESRI, the economy will continue to grow by roughly 4% in both 2016 and 2017 and unemployment will drop to nearly 7% by the end of next year. Given how strong the economy is performing, and even when you strip out the 26% GDP increase, it is thought the economy improved in 2015 by 5.5% and it could grow by over 4% in the present year and by 4% next year.

That suggests that the economy doesn't need to be further stimulated in terms of tax cuts. The ESRI assessment is reinforced by the fact domestic consumption grew very strongly last year.