

## Collateral Damage? Ireland's tax strategy and developing countries

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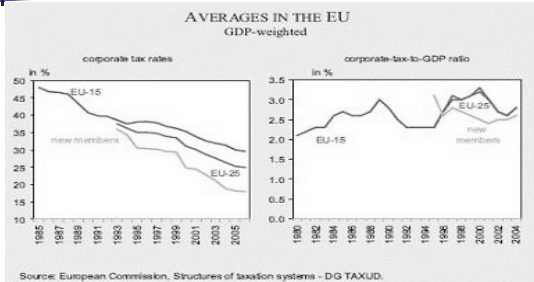
## Tax Consensus

- Low tax rates
- Transfer pricing
- Tax treaties



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## Tax competition



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## Tax treaties

- Where two countries have the right to tax
- Home or host
- Withholding taxes



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## Tax treaties



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## Tax treaties: OECD or UN



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## Transfer pricing

- Multinational companies trading with themselves
- Internal prices
- Who monitors it?



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## Ireland's story

- Post colonial and peripheral to
- Celtic Tiger



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## Why?

Many reasons, but mostly ...



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## How Ireland used tax

- Tax rate was 50% *but*
- 0% on exports
- 10% manufacturing
- Shannon and IFSC
- Attack from EU and OECD



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## Second wave

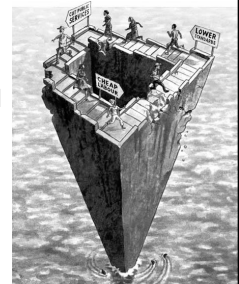
- Needed to maintain treaties
- So 12½% for all
- **Unsustainable**
- "knowledge economy"
- R&D
- Intellectual property



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## Developing countries

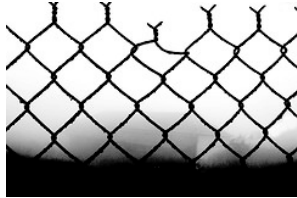
- Forced to compete
  - Inappropriate infrastructure
  - Power: state vs multinational
  - High personal taxes
  - More tax avoidance
  - Lower tax base
  - Enterprise neglected
  - Geographic inequality



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## Other effects

- Transfer pricing risk
- Trade barriers
- Pressure on treaties
- Royalty pipeline
- Unstable income
- Loss of Aid
- Intellectual property and generics



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## What Ireland should do

- SMEs
- Foster enterprise
- "small is OK"
- Link tax, trade and aid
- Think long term



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## For developing countries

- Negotiate hard
- Foster spillovers
- Multilateral treaties
- Don't repeat Ireland's mistakes



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## What the world needs

- Exchange of information
- UN model treaties
- Tax part of CSR
- Country by country reporting
- Tax is international now



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## Lessons

- FDI's are short-term
- Think long-term!
- Tax/trade/aid



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## Any questions?

*Thanks*

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