

The USA takes on tax havens

The main Opposition parties in the UK have long argued against tax havens. They oppose tax rules that exempt too many businesses or too much turnover from tax, and oppose any “race to the bottom” by countries seeking to undercut others with very low rates. They have a new powerful ally in Joe Biden who wants the world to sign up to a minimum rate of 21% on business profits and to definitions of where profits are booked that keeps them safely away from havens. The EU agrees.

What is odd is how the Opposition parties have failed to name and condemn the Republic of Ireland as one of the most successful exploiters of the tax haven approach. With a knock out low rate of 12.5% and favourable rules over definition and location of profits Ireland has attracted a large number of US multinationals and booked substantial parts of their business. President Biden and the U.K. left should have them at the top of their list of wrongdoers.

The Irish Policy has of course worked. The Republic’s business bonanza means the state collects more from business as a proportion of its tax revenue than many countries who charge much higher rates of tax. Because so much more business turnover is booked in the Republic, Ireland emerges as one of the highest GDP per capita countries in the world. Irish per capita output and income is 166% above Spain, 136% above Italy, 94% above France, 86% above the U.K. and even 20% higher than the US from whose companies gets much of its extra business revenue. (2019 World Bank figures)

The Irish example both shows lower tax rates can deliver more revenue and more GDP, and shows that it entails switching turnover and profits around the world in legal ways to cut the effective tax rate. If Ireland had to levy a 21% tax she would get less inward investment and taxable turnover from large US multinationals. Her business tax revenue and GDP per head would sink. When will the President and the others united against tax havens name Ireland as one of the leading exemplars of the tax haven approach?