Why is income tax a key factor for Irish companies while attracting overseas talent to Ireland?

Dissertation submitted in part fulfilment of the requirements for the degree of Masters of Business Administration in Finance at Dublin Business School

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Declaration

I, Raghavendra Iyengar, declare that this research is my original work and that it has never been presented to any institution or university for the award of Degree or Diploma. In addition, I have referenced correctly all literature and sources used in this work and this this work is fully compliant with the Dublin Business School’s academic honesty policy.

Signed: Raghavendra Iyengar

Date: 07th January 2019
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At the outset, I would like to thank my supervisor, Justin O’Keeffe, who supported me throughout the dissertation process. I didn’t make it easy for him, but he still pushed me to give my best by guiding me and giving me invaluable feedback.

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Lastly, I am grateful to all the primary research participants who took out their valuable time and gave me insights, without which this dissertation would not be possible to complete.

I dedicate this dissertation to my parents who have invested in me to come this far and succeed in my professional career.
Abstract

Problem

Ireland is going through a phase where companies are facing skills shortages in a number of sectors such as IT, accounting and healthcare. Businesses are grappling due to the lack of skilled employees, and are facing problems in productivity and growth. One way to alleviate this problem is by bringing in international talent into the country to fill in skilled positions. However, with the high marginal tax rates and the tax system being extremely progressive starting from mid-level incomes, income tax will be a decisive factor when these individuals consider relocating to Ireland. Furthermore, with Brexit just around the corner, Ireland has a plethora of opportunities to attract skilled specialists into the country. Brexit will also be an integral aspect of this research.

This research will primarily focus on the importance of a robust tax relief programme for international workers in skilled jobs.

Methodology

The primary qualitative research was obtained via six semi-structured interviews. Three interviews were conducted with recruiters to understand the problems they and companies are facing due to the skills shortage in Ireland. The other three interviews were conducted with Irish expatriate tax experts to gather their views on the progressivity of the Irish personal tax system and the tax relief programme in place for international assignees deputed on assignment to Ireland.

Conclusions and Recommendations

The findings of the research conclude that Ireland does have a progressive income tax system and the marginal rates too are quite high. Even though the tax relief programme in place for international workers deputed on assignment is a bright start, more needs to be done from a tax relief standpoint for bringing in International talent into the country. Having a tax relief scheme which targets individuals working right from mid-level positions to executive positions is extremely important.
Table of Contents

List of figures and tables .................................................................................................................. 7
List of Abbreviations ........................................................................................................................... 8
Chapter 1: Introduction ................................................................................................................. 9
  1.1 Background .......................................................................................................................... 9
  1.2 Research Question ............................................................................................................. 11
  1.3 Research Objectives ......................................................................................................... 13
  1.4 The organisation of the dissertation .................................................................................. 13
  1.5 Scope and Limitations of research ..................................................................................... 14
  1.6 Suitability of the Researcher ............................................................................................ 15
  1.7 Contributions of the study ............................................................................................... 15
Chapter 2: Literature Review ....................................................................................................... 16
  2.1 Introduction ...................................................................................................................... 16
  2.2 The skills shortage in Ireland ........................................................................................... 16
    2.2.1 Shortage of skills in the Information and Communication Technologies (ICT) sector ............................................................................................................................... 18
    2.2.2 Shortage of Skills in the Healthcare Sector ................................................................. 19
    2.2.3 Shortage of skills in the Accounting and Finance sector .............................................. 20
  2.3 Overview of the personal tax system in Ireland ............................................................... 22
    2.3.1 Progressivity of the Irish tax system ......................................................................... 23
    2.3.2 Marginal taxes in Ireland .......................................................................................... 25
  2.4 The Special Assignee Relief Programme (SARP) ............................................................ 27
    2.4.1 History and Objectives of SARP .............................................................................. 27
    2.4.1 Qualifying requirements for SARP ............................................................................ 29
    2.4.2 Working of SARP relief ........................................................................................... 29
    2.4.3 Amendments to SARP ............................................................................................ 30
    2.4.4 Success of SARP ....................................................................................................... 31
    2.4.5 Shortcomings of SARP ............................................................................................ 33
  2.5 Comparison of SARP with tax relief schemes for international workers in The Netherlands and France ........................................................................................................... 34
  2.6 Literature Conclusion ....................................................................................................... 36
Chapter 3: Research Methodology ............................................................................................... 38
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Introduction</td>
<td>38</td>
</tr>
<tr>
<td>3.2 Research Philosophy</td>
<td>39</td>
</tr>
<tr>
<td>3.3 Research Approach</td>
<td>40</td>
</tr>
<tr>
<td>3.4 Research Strategy</td>
<td>41</td>
</tr>
<tr>
<td>3.5 Research Choice</td>
<td>42</td>
</tr>
<tr>
<td>3.6 Time Horizons</td>
<td>43</td>
</tr>
<tr>
<td>3.7 Data Collection</td>
<td>44</td>
</tr>
<tr>
<td>3.8 Population and Sample</td>
<td>45</td>
</tr>
<tr>
<td>3.9 Data Analysis</td>
<td>46</td>
</tr>
<tr>
<td>3.10 Research Ethics</td>
<td>47</td>
</tr>
<tr>
<td>3.11 Research Limitations</td>
<td>47</td>
</tr>
<tr>
<td>Chapter 4: Data Analysis and Findings</td>
<td>49</td>
</tr>
<tr>
<td>4.1 Introduction</td>
<td>49</td>
</tr>
<tr>
<td>4.2 Details of semi-structured interviews conducted</td>
<td>49</td>
</tr>
<tr>
<td>4.3 Research Objective 1: Identify the problems faced by companies &amp; recruiters due to the skills shortage and the positions/roles that have to be filled in</td>
<td>51</td>
</tr>
<tr>
<td>4.4 Objective 2: The views of expatriate tax experts on the progressivity of the Irish personal tax system, and high marginal tax rates</td>
<td>56</td>
</tr>
<tr>
<td>4.5 Objective 3: The views of Irish expatriate tax experts on the efficacy of the current tax relief scheme in place for international workers, deputed to Ireland</td>
<td>59</td>
</tr>
<tr>
<td>4.6 Objective 4: The importance of a lucrative tax relief scheme for international workers, in Ireland in light of the skills shortage, and with Brexit in the offing</td>
<td>64</td>
</tr>
<tr>
<td>Chapter 5: Conclusions and Recommendations</td>
<td>66</td>
</tr>
<tr>
<td>Chapter 6: Self Reflection</td>
<td>70</td>
</tr>
<tr>
<td>6.1 Learning Styles</td>
<td>70</td>
</tr>
<tr>
<td>6.2 Learnings from the MBA degree and dissertation</td>
<td>71</td>
</tr>
<tr>
<td>Bibliography</td>
<td>74</td>
</tr>
<tr>
<td>Appendix 1 – Draft questionnaire – Recruiters</td>
<td>80</td>
</tr>
<tr>
<td>Appendix 2 – Draft questionnaire – Tax Experts</td>
<td>80</td>
</tr>
<tr>
<td>Appendix 3 – Interview Transcripts</td>
<td>82</td>
</tr>
</tbody>
</table>
List of figures and tables

Figure 1: Areas in which skill shortages have affected organisations

Figure 2: Main factors inhibiting specialists to relocate to Ireland

Figure 3: Tax progressivity in Ireland

Figure 4: Numbers employed in the healthcare sector in Ireland

Figure 5: Details of hiring an accountant

Figure 6: Ireland’s tax progressivity score

Figure 7: International comparison of personal taxes in Ireland

Figure 8: Top marginal tax rates of OECD countries

Figure 9: The research onion

Figure 10: Research choices

Figure 11: Sampling techniques

Figure 12: Mid-level salary ranges

Figure 13: Kolb’s learning styles

Table 1: Attributes of a good research topic

Table 2: Current USC rates in Ireland

Table 3: Sector wise breakup of individuals registered under SARP

Table 4: SARP details from 2012-2016

Table 5: Data analysis process

Table 6: Details of semi-structured interviews conducted with recruiters

Table 7: Details of semi-structured interviews conducted with tax experts
List of Abbreviations

HRDs: Human Resource Departments
PRSI: Pay Related Social Insurance
USC: Universal Social Charge
PAYE: Pay As You Earn
OECD: Organisation for Economic Co-operation and Development
EU: European Union
MNCs: Multinational Corporations
ICT: Information and Communication Technologies
SARP: Special Assignee Relief Programme
DTAA: Double Taxation Avoidance Agreement
UK: United Kingdom
FDI: Foreign Direct Investment
CGT: Capital Gains Tax
Chapter 1: Introduction

1.1 Background

Ireland is looking at ways to nurture talent within the country in order to fill crucial job roles, and it is continuously working towards it. However, there is currently an issue of “skills shortage” which is a grave matter of concern for Irish Human Resource Departments (HRDs). According to the CEO pulse survey by PWC, it came to light that paucity of key skills was a major deterrent to the growth of a company and it is majorly affecting business performance. Around 67% of Irish HR heads have said that strategic activities and opportunities have either been stagnated or cancelled because of lack of talent (PWC, 2017).

More than 75% of employers have said they have experienced skills shortages from tolerable to extreme levels in 2017. Out of this, 20% have said they experienced it at extreme levels. Salaries in skilled occupations such as IT are having a significant rise in salaries as there is competition among employers to source in the best candidates (Winfield, 2018). Currently, there is a high demand for talent in areas like finance, data analytics, healthcare and HRDs are thus scouting for talent from various countries and industries (PWC, 2017).

There is also a need for overseas talent to foster the growth of start-up companies and nurturing new entrepreneurs. One of the founders of an IT company feels that there has been good progress in the technology industry in London, as there is a healthy mix of local and global talent and because of this, employees get to learn new ideas, skillsets and expertise. He feels that Ireland too needs to have a healthy blend of local and global talent and an important element which overseas workers will consider before relocating to Ireland is income tax. (Institute, 2017).
In the hunt for overseas talent, income tax is an important factor which hinders the inflow of overseas talent into Ireland. The Irish Tax Institute has raised questions about the tax system in Ireland being extremely progressive, and if the various changes made in the budgets in the last few years would actually help companies to attract more overseas talent to Ireland (O'Dwyer, 2016). The government has acknowledged that the marginal tax rates are quite exorbitant and taxpayers are reaching the high tax threshold extremely soon. The tax rates are also not in sync with other countries. Though reducing the tax rates is not a feasible option in the current scenario, the government has said that the proposition of increasing the top tax band is certainly a solution to curb the high taxes in the future (Morrow, 2018).

There are around 53 moving aspects in the Irish tax system comprising of Pay Related Social Insurance (PRSI), Universal Social Charge (USC) and income tax and this makes it extremely complex to understand. To make things more complicated, the income which is taken into consideration for Pay As You Earn (PAYE) is not the same when it is considered for PRSI and USC (PWC, 2016).
Due to the tax system being very progressive, Ireland also faces a problem of tax inequality. The effective tax rate rises sharply when the income of an individual increases. Therefore, individuals who earn less income do not have any tax liability until they reach a certain income threshold. However, the International Monetary Fund even considers this threshold as high (McCloughan, 2013). Organisation for Economic Co-operation and Development (OECD) countries has a progressivity rate with an average of 125, however in comparison, Ireland has a progressivity rate of 179 which is much higher than the OECD average. It is the second highest after Israel in the OECD countries and highest in the European Union (EU) (Institute, 2016).

1.2 Research Question

A research question is the crux of the study or project which the researcher is planning to undertake. It places emphasis on the various aspects of the project such as the methodology, analysis, inquiry and reporting. A research problem is the start of the research question. It is a problem an individual would want to have more knowledge on or an issue that has to be addressed (Rundowns, 2018).
In order to address this topic, the researcher has delved into the research with the following research question: *Why is income tax a crucial aspect for Irish companies when they want to bring in skilled talent from overseas to fill important job roles?*

Table 1: Attributes of a good research topic

Source: (Saunders, et al., 2009)

The research topic chosen by the author meets the criteria under capability and appropriateness as per the checklist (Table 1). He has the potential to carry out the requisite research. The project is definitely worthwhile as it addresses a current issue which is of relevant importance and the researcher can add significant information through his research.
1.3 Research Objectives

Research objective 1
Identify the problems faced by companies & recruiters due to the skills shortage and the positions/roles that have to be filled in.

Research objective 2
The views of expatriate tax experts on the progressivity of the Irish personal tax system, and high marginal tax rates.

Research objective 3
The views of Irish expatriate tax experts on the efficacy of the current tax relief scheme in place for international workers, deputed to Ireland.

Research objective 4
The importance of a lucrative tax relief scheme for international workers, in Ireland in the current scenario, and with Brexit in the offing.

This study presents, why income tax is a deterrent when Irish companies want to attract overseas talent due to the high rate of personal taxes in Ireland. The effectiveness of the current tax relief scheme implemented by the government, for international workers deputed on assignment to Ireland. Further, it brings to light the need for an effective tax relief regime for international workers to attract them to fill in skilled job roles.

This project could be helpful to recruiters/HRDs as it emphasises the need for foreign talent in the country keeping in mind the dearth of a skilled man force at present from an income tax perspective.

1.4 The organisation of the dissertation

Chapter Two will examine the literature obtainable on this topic. The literature will be dived into three themes. The first theme in chapter two will talk about the skills shortage in Ireland and the main sectors which are dire need of skilled overseas workers to fill important job roles. The second theme will give a brief insight into the progressivity of the Irish personal tax system
and marginal taxes in Ireland. The last theme will critically analyse the tax relief scheme in operation for taxation of overseas individuals on assignment in Ireland.

Chapter Three will present the research methodology applied in the project. With the help of Saunders research onion in (Saunders, et al., 2009), the research philosophy, research approach, strategy, choice and time horizons will be presented. This chapter will also include the procedure for data collection, analysis of data, limitations to the research and ethical issues involved.

Chapter Four will illustrate the findings obtained during the process of data collection and the data analysis will also be done in this chapter.

Chapter Five will be the conclusion and recommendations in which the findings of the primary and secondary research will be summarised by the author and then recommendations will be given.

Chapter Six will be a self-reflection which will present the experiences and learnings of the author in the dissertation as well as the master’s degree.

### 1.5 Scope and Limitations of research

In this project, the researcher chose to explore why income tax in Ireland is an impediment in sourcing in overseas talent to address the skills shortage in a number of sectors mainly ICT, healthcare and accounting. While income tax laws are technical and have many components and facets to it, this study will focus on the progressivity of the Irish personal tax system and the tax relief programme in operation for overseas workers deputed on assignment in Ireland. The focus will not be on other aspects of the personal tax system such as residential status, capital gains taxes, application of tax avoidance agreements, remittance basis of taxation.

Irish companies in the dissertation and the title include Multinational Corporations (MNCs) as well home-grown Irish companies.

There are many other factors which are currently an impediment to attracting overseas workers in Ireland such as visa issues and the housing crisis, but the main focus of this dissertation is
only from an income tax standpoint. However, these factors are interconnected when an individual considers relocating. Hence, they will be mentioned in Chapter 4 and Chapter 5, but will not be covered in length.

The biggest limitation of this research is that though income tax is an integral aspect when foreign employees relocate, it is not the only aspect taken into consideration. A tax break or a tax relief would certainly make prospects brighter for relocation, but realistically emphasis would be placed more on issues like the cost of living, children’s education, healthcare, housing and visa formalities. Furthermore, if the Irish Government introduces a universal tax relief programme for foreign workers in the near future, or if significant changes are made in the personal tax system, this study would not be very relevant.

1.6 Suitability of the Researcher

The author does not hold a professional qualification in Irish tax nor does he have any practical work experience in the Irish personal tax domain. The researcher has previously worked in expatriate taxation in his home country for over three years. As the researcher’s main work experience was expatriate taxation in Indian income tax, he chose a topic which from which he could gain substantial knowledge in Irish income tax. He has plans to pursue a career in taxation in Ireland, post the completion of his MBA degree and this thesis will be a starting point for the same.

1.7 Contributions of the study

Whilst there have been many significant contributions to the current literature by a number of independent bodies in Ireland, this study will bring to light the opinions of experts dealing in expatriate taxation about the progressivity of the personal tax system in Ireland and the tax relief scheme in place for international workers sent on assignment to Ireland. Views of recruiters about the problems they are facing due to the skills shortage will also be highlighted. The study will put together the views of both tax experts and recruiters and an analysis will be made by the researcher mainly from a tax perspective. No research has been conducted till date of this nature.
Chapter 2: Literature Review

2.1 Introduction

The literature review was conducted by gathering evidence, findings and theories on the research topic and other issues connected to it. As per Tranfield *et al* (2003), the researcher should map and analyse the existing intellectual territory. With the help of the literature review process in (Saunders, *et al.*, 2009) the literature was critically reviewed using the following steps:

1. Formulate the research question and objectives.
2. Define the parameters, generate the keywords and refine them, conduct the search, obtain and evaluate the literature and then record the findings.
4. Begin drafting the review, redefine parameters and then review the second step.
5. Update and revise the draft, review the second step again and then complete the literature review (Saunders, *et al.*, 2009).

The literature will be divided into three themes. The first theme will talk about the skills shortage in Ireland and main sectors which need international talent in order to grow and sustain in the market. The second theme will give a brief insight into the progressivity of the Irish personal tax system and how it compares with other countries around the world. The last theme will critically analyse the tax relief programme which is currently in place for international workers (for local hires and individuals on assignment) in Ireland.

2.2 The skills shortage in Ireland

What is a skills shortage?

A skill shortage is a situation when there are very few people who possess a specific skill, to meet the demand of jobs. It is a term used to describe a number of situations where a company finds it extremely difficult to hire an individual with the right skillsets. Skills shortage can be classified into:
- Genuine skills shortage, where a company finds it difficult to fill in a vacancy due to lack of skilled job seekers and;
- Recruitment and retention problems where there is a decent supply of skilled personnel, but they don’t wish to work either because of the working conditions or low salaries (CareersNZ, 2015).

More than 77% of HRDs in Ireland are facing a major problem of skills shortage. This has risen sharply to 77% in 2017 from 61% in 2016. However, only around 45% of HRDs had plans to increase the overall headcount of their organisations in 2017, which is much lower in comparison to 75% during 2016. The skills shortage is also a problem in the flow of value in HR functions. There are major problems in areas like data analytics, talent management and reward strategy. Almost 40% of HRDs have also said that data analytics is not integrated into their HR systems at present and to tackle this issue, they would be spending more on HR technology in the next few years (McHugh, 2017).

Most companies are also facing issues searching for candidates who possess the right skillsets, and this is also a huge challenge for them. They are currently resorting to measures such as hiring contract staff and temporary hires to deal with the skills shortage. Few companies are pumping in more money in training budgets (Donnelly, 2017).

![Figure 3: Areas in which skills shortages have affected organisations](Winfield, 2018)
Current employees are the ones who are the most affected as they have increased workloads and it is having an adverse effect on their performance. More than 36% of employers have also reported poor employee morale due to the increased workloads. As a result, there has also been a spike in absenteeism because of workplace stress. 42% of employees rate their work-life balance between average to very poor (Winfield, 2018).

2.2.1 Shortage of skills in the Information and Communication Technologies (ICT) sector

Currently over 105,000 people work in the ICT sector and there is a need for more people, but shortage of skills is the issue. As per a research, there would be a 5% increase in the demand for qualified candidates each year. There are currently over 12,000 vacancies in the ICT sector. The demand is for candidates in large companies as well as small and medium companies. It is across the board with 42% at the expert level and 58% in starting and mid-level roles (Central, 2018). The demand will high in areas such as cybersecurity, data analytics and cloud computing. Candidates with the following skillsets will be most preferred:

- Web developers
- Programmers and software engineers who have an extensive knowledge of coding languages such as C++, Java, Python, SQL and Ruby
- Cloud computing experts
- ICT project managers
- Technical support staff
- Web developers for mobile technologies (Katie, 2017)

The Irish Government too knows the strategic importance of the ICT sector to the economy and accordingly, it has collaborated with the department of skills and the ICT industry by making a report for the period 2014-2018 to make Ireland a global leader in ICT. They have formulated the following objectives in order to meet growing demand of ICT.

- Increase the number of high-level graduates by 1,250 on a yearly basis. To start with, the target for the end of 2018 is 1,037 graduates.
- Provide extra training by working with the ICT industry and structure programmes in line with the industry and also help provide work placements.
- Have an increased awareness about ICT in the education system by supporting ICT and maths skills.
- Boost the retention rates from 80% to 83% on higher education ICT programmes.
- Promote Ireland as a global hub for Highly-skilled ICT talent.

With the increasing demand, the government and the industry are aiming to build a conducive environment and offer more incentives for professionals to join this sector. The report concludes that the skills supply in this sector will need to be improved by providing professional development, reskilling programmes and also bringing in experienced international professionals. (Skills, 2014). 2,499 employment permits were issued to individuals working in the ICT sector during 2015. This accounts for 34% of the total employment permits issued in the country (Skills, 2018).

### 2.2.2 Shortage of Skills in the Healthcare Sector

Ireland’s health sector is facing challenges in retaining and recruiting health professionals, including doctors and nurses. The health service in Ireland has a very high proportion of nurses and doctors who are trained abroad and mainly come from OECD countries. However, there is an issue of an outflow of nurses and doctors who are trained in the country. Efforts are being made to tackle this issue by implementing frameworks such as the Safe Nurse Staffing and Skill Mix in General and the Strategic Review of Medical Training and Career Structure. The Department of Health has also issued a “Statement of Strategy 2016-2019” in order to build a robust health force in the country (Health, 2017).

There is going to be continuous need for healthcare professionals because of global competition in attracting the best talent and an ageing population. Over 100,000 people are currently employed in the healthcare sector and it makes up 5% of Ireland’s total healthcare workforce. There are more than 52,000 midwives and nurses and they constitute more than half of the workforce (Portal.ie, 2018).
There have been shortages in the following occupations:

- Medical Practitioners
- Radiographers
- Nurses
- Audiologists and dieticians

Around 30% of medical practitioners in employment are non-Irish citizens and a number of skilled professionals are being recruited from outside the EU. More than 2,100 employment permits have been issued during 2016 (Portal.ie, 2018).

2.2.3 Shortage of skills in the Accounting and Finance sector

Ireland is also facing an increasing shortage of professional accountants. As per CPA Ireland, there were more than 4,800 students who had registered in accountancy institutes all over the country to start their professional training. However, in 2012 there was a sharp dip, as the number fell to 2,970 students. As a result, there was a decline in the economy because many accountancy students moved abroad for different career paths (Ireland, 2017).

The job market in accounting and finance sector has a positive future in Ireland, in spite of the challenging economy. As per a report of EY, 21 accounting firms and financial institutions might be relocating their businesses from the UK to Dublin. This is a positive outlook for the
accountancy and finance sector. Companies are offering attractive packages to accounting graduates to entice them. An accountant with post qualification experience of 3 years would be offered a salary package of 60,000-70,000 Euro (Gallaher, 2018).

In fact, The Skills and Market Research department of SOLAS (i.e. the Further Education and Training Authority of Ireland) has mentioned that accounting and finance is a sector which faces a skills shortage as per their National Skills Bulletin 2013 (Ireland, 2018). The skills shortage in this sector still persists.

More than 100,000 people work across a range of accounting and finance roles at present, and this sector constitutes around 6% of Ireland’s workforce. Areas such as cost accounting, risk analysis, compliance and financial analysis face the problem of skills shortage (Ireland, 2018).

![Figure 5: Details of hiring an accountant](Source: (Portal.ie, 2018))

As per the figure above, it can be seen a substantial amount of preparation is required to hire an accountant. It is also an occupation which is in high demand. Accountancy and Finance professionals also attract handsome salaries, and candidates with the following skills sets are most preferred:

- Having big four and 2-3-years post qualification experience
- Experience in handling a high volume of clients in EMEA (Europe, the Middle East and Africa) (Gallagher, 2018).
2.3 Overview of the personal tax system in Ireland

Personal taxation in Ireland comprises of two key component taxes which are income tax and USC. There is also a social security system with employer and employee contributions (PRSI). An individual’s income tax is calculated based on a two-rate structure with different bands. The income up to a certain amount is taxed at a lower rate of 20% and the income above that is charged at a rate of 40% (O'Connor, et al., 2015).

As per the budget 2019, the income tax rates in Ireland are as follows:

- An individual earning up to 35,300 Euro will pay tax at 20%. The income earned above that will attract tax at 40%.
- Universal Social Charge (USC):

<table>
<thead>
<tr>
<th>Income</th>
<th>Rate in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income till 12,012 Euro</td>
<td>0.5%</td>
</tr>
<tr>
<td>Income from 12,012.01 - 19,874 Euro</td>
<td>2%</td>
</tr>
<tr>
<td>Income from 19,874 - 70,044 Euro</td>
<td>4.5%</td>
</tr>
<tr>
<td>Income more than 70,044 Euro</td>
<td>8%</td>
</tr>
</tbody>
</table>

Table 2: Current USC rates in Ireland
Source: (Finance, 2018)

- Tax on PRSI contributions are 4% for employees earning more than 352 Euro per week (Information, 2018).
2.3.1 Progressivity of the Irish tax system

What is a progressive tax?

A progressive tax is a tax that levies a lesser tax rate on low-income individuals, vis-a-vis those with a much higher income, making it based on the taxpayer’s capacity to pay. This means high-income earners, pay a higher amount of tax compared to low-income individuals (Investopedia, 2018).

Ireland has the most progressive income tax structure in the EU (including social security contributions). The tax paid by an individual on an average income for the year 2017 (i.e. slightly below 35,000 Euro) is approximately 6,850 Euro, and an individual earning 58,000 Euro pays tax amounting to 18,700 Euro which is slightly more than the OECD average (Policy, 2017). That is an increase of tax of almost 12,000 Euro for an increase in income of 23,000 Euro. Though Ireland’s progressivity rating has improved by 4 points from 183 to 179 due to recent amendments in USC for lower bands, it still remains the second highest in OECD nations (Insititute, 2016).

![Figure 6: Ireland’s tax progressivity score](source)

Source: (Insititute, 2016)

Tax progressivity is measured by OECD by comparing tax paid by individuals on 167% of the average salaries with lower paid individuals. This wage will be in the range of 61,000 Euro,
and it brings Ireland in the top ten countries with the highest marginal tax rates. (Honohan, 2016).

There are have been certain tax measures implemented due to which progressivity has increased in Ireland:

1. Measures targeting low- and middle-income individuals:

   - Reductions in USC rate: Due to the financial crash, taxpayers were going through a financial crunch. The following budgets aimed to reduce the tax burden on low- and middle-income individuals. The entry threshold of the USC has risen three times since its inception, and further reductions have been made to USC rates for incomes below 70,045 Euro. The focus of the government is to further reduce the USC rates for low- and middle-income earners.
   
   - More pressure on middle- and higher-income taxpayers: With the exclusion of lower income taxpayers from the tax spread, there is an increased burden on the remaining individuals. More than 459,500 salaried individuals have been removed from the tax net since 2012.

2. High-income earners: A cap was implemented on individuals earning above 70,044 Euro knowing the benefit they might gain from tax reductions in a budget. Both the budgets in 2015 and 2016 had capping mechanisms whereby the comparable tax multiples were increased. The budget in 2015 reduced the marginal tax rates by 1% however there was an increase in USC rates by 1% for incomes above 70,044 Euro. Hence, an individual earning above 70,044 Euro would not benefit from a decrease in tax rates (Institute, 2016).

   In essence, a move from 35,300 Euro to 35,301 Euro means a taxpayer straightaway pays 20% more on their income as they are taxed at the highest rate of 40%. This is the point where the tax system starts getting extremely progressive.
2.3.2 Marginal taxes in Ireland

What is marginal tax rate?

Marginal tax rate is the percentage applied to an individual’s income for each tax bracket in which they qualify. It is percentage taken from the next Euro of taxable income over a fixed threshold (Investopedia, 2018).

With the USC reduction, the marginal tax for any individual earning above 70,044 Euro is 52%. For employees in the income range of 35,300 to 70,044 Euro, the marginal tax is 49%. Thus, an employee drawing around 36,000 Euro pays marginal tax at 48.5% (40% income tax + 4% PRSI and 4.5% USC). The effective tax paid an individual earning 35,800 is around 19%, which rises to 29.4% for an employee earning 55,000 Euro. An individual earning 100,000 Euro pays 39.5% effective tax (Insititute, 2016).
“...high marginal tax rates can act as a disincentive to labour supply and may be harmful to overall economic growth, so it is necessary to maintain a balance between progressivity and relative competitiveness with other jurisdictions” - Department of Finance, Income Tax Reform Plan

The Irish Tax Institute has made the following analysis with relation to personal taxes in Ireland:

- Middle-income earners who earn approximately in the range of 55,000 Euro, pay more tax compared to an individual earning the same income in Switzerland, Spain, UK, USA and Sweden.
- An individual earning an income of 75,000 Euro, earns slightly more than double the amount to an individual earning 35,000 Euro but ends up paying four times more tax.
- A high salaried individual earning 120,000 Euro earns around 3.5 times more than an individual earning 35,000 Euro but has to pay 7.5 times more tax.

Ireland has a marginal tax of 52 %, which is the ninth highest in the OECD. It also has the third highest tax rates in the EU when salaries rise above 75,000 Euro. The marginal taxes in general are not very high, but the entry point starts at a relatively low income.

The middle-income earners are faced with the maximum pressure due to the tax system being extremely progressive. They include mechanical engineers, lab supervisors and sales
managers. It also includes individuals who work in business development and logistics (Honohan, 2016).

2.4 The Special Assignee Relief Programme (SARP)

SARP was introduced in 2012 in order to attract senior executives from different countries to come and work in Ireland. Any individual who was a local hire or was deputed on assignment would qualify for SARP. Individuals who qualified under this scheme could claim a total of 30% of their total income (including components like shares and bonuses) to be exempt from PAYE calculation (Revenue, 2018).

However, PRSI and USC would still be calculated on the exempted amount. Further, employers would pay for a single return fare of the employee as well as their family to their home country. School fees would also be paid up to 5,000 Euro for one child per year which will not be subject to tax (Roberts, 2015).

Claim for the relief could be made through the PAYE system or via the employer’s tax return form. The employee would also be liable to file an Irish tax return for the year they have availed SARP relief. Details of the employee and income exempt under SARP would also have to be provided. For a maximum of five successive tax years, an employee can claim exemption under SARP rules (Revenue, 2018).

2.4.1 History and Objectives of SARP

History

- Before 2006, the remittance basis of taxation was only applicable to income received from being employed abroad by an individual who was tax resident in Ireland but not Irish domiciled. Only the income that was remitted to Ireland was liable to tax. This income was beyond the ambit of the PAYE system, and any tax payable was paid by the self-assessment tax route.

- From 2006 many important changes were implemented. The changes stated that income received for foreign employment duties, exercised in Ireland was entirely liable to tax in
Ireland and had to be paid through the PAYE system. For work that was performed abroad, only the income received in Ireland was liable to tax.

- Post the restriction of the remittance basis of taxation, proposals were received for the implementation of a scheme to attract highly skilled people from overseas, to live and work in Ireland. A new rule called the “Repayment of tax where earnings not remitted” was implemented in Finance Act 2008. The relief was introduced so that, instead of paying taxes related to duties exercised in Ireland, the individual would pay tax on the higher of:
  
  i. Employment income which was actually remitted to Ireland; or

  ii. 100,000 Euro plus 50% of employment income more than 100,000 Euro.

The relief would be given as a refund during the end of the tax year.

Very few individuals took up the scheme initially, which indicated that there were changes that had to be implemented. The reasons that were given for the poor take-up were that the scheme was extremely restrictive in the number of individuals who actually qualified to avail of relief, especially with respect to the condition that the individual has never paid tax in Ireland before. Also, individuals were not able remit their income received into Ireland (Finance, 2014).

**Objectives**

- The main objective of SARP is to decrease the cost to employers when they depute skilled employees to their Irish-based entity. As a result, there is business expansion, and more jobs are created.

- Many employers have tax equalisation agreements (i.e. the net salary of the employee will remain the same as a result of relocation). Companies usually increase the gross salary of the individual to an extent that it would compensate them for higher taxes and social security charges. Hence, in countries like Ireland where the marginal tax rates are quite high, a multinational company which deputes its key personnel might face increased costs.

- Few employers might be willing to bear the increased costs of deputing an employee to a country where the income tax rates are higher, but others might not be willing to do so as it may have an adverse effect on their business decisions and investments. This was a key point which was raised during stakeholder meetings that were conducted for the review of SARP.
• Many other countries apart from Ireland have tax mobility schemes for individuals deputed which helps to a large extent to reduce tax equalisation costs that are borne by employers. SARP was brought into force for Ireland to be at par with those countries (Finance, 2014).

2.4.1 Qualifying requirements for SARP

In order for an employee to qualify for SARP relief, the following conditions must be met:

1) The employee should be working with:
   a. an incorporated company (i.e. a relevant employer) and tax resident in a country with whom Ireland has a Double Taxation Avoidance Agreement (DTAA) or;
   b. an associated company of a relevant employer.
2) The employee shouldn’t have qualified to be tax resident in Ireland in the last five years before the year of arrival.
3) The minimum basic salary of the employee should be 75,000 Euro per annum (BDO, 2018).
4) Before arriving in Ireland, the employee should have been working with a relevant employer for six months.
5) The employee can be resident of a different country but has to be tax resident in Ireland during the year of arrival to qualify for the relief. Relief will start from the following year in case the employee does not qualify to be tax resident in Ireland during the year of arrival.
6) Within 30 days of the employee’s arrival in Ireland, the employer should confirm that the conditions to qualify for the relief are satisfied (KPMG, 2017).

2.4.2 Working of SARP relief

Using the following formula below, the relief offers a deduction from salary income liable to tax:

\[(A-B) \times 30\%\]

Where A is the taxable income and B is 75,000 Euro
**B** is calculated on a pro-rata basis if the employee leaves or arrives in Ireland between the tax year.

**Example:** An employee who arrives in Ireland from the United Kingdom (UK) qualifies for relief under SARP. The employee earns a basic salary of 300,000 Euro and the total income is 600,000 Euro (which includes benefits in kind and bonus). The relief is calculated as follows:

Deduction from taxable salary: \[(600,000 \text{ Euro} - 75,000 \text{ Euro}) \times 30\% = 157,500 \text{ Euro}\]

Relief available is calculated at marginal tax rate of the employee = \[157,500 \text{ Euro} \times 40\% = 63,000 \text{ Euro}\] (Thornton, 2017).

This essentially means an employee will benefit from SARP relief only if the total salary taken into account for relief is considerably over 75,000 Euro. This is because the relief is calculated on marginal tax rates after deduction of 75,000 Euro from the taxable salary.

### 2.4.3 Amendments to SARP

When SARP was first introduced, it had the following conditions:

- Individuals who arrived in Ireland during the tax years 2012, 2013 and 2014 should have worked with their employer for a period of 12 months before arriving in Ireland.
- The cap on the income up to which an individual could claim relief was 500,000 Euro.
- The individual had to be a tax resident only in Ireland and no other country (EY, 2014).

There have been amendments from the year 2015 for employees who are deputed to Ireland during the period 2015-2020. There were changes made in the calculation of relief to make the scheme more lucrative. The amendments are as follows:

- The time that the employee has worked with their employer in their home country before arriving in Ireland has been brought down to 6 months from 12 months.
- The cap of 500,000 Euro was removed, but the starting point of relief would still remain 75,000 Euro.
- The employee should qualify to be tax resident in Ireland, however, there is no need for the employee to be a tax resident of any other country.
o A certificate of eligibility has to be given to Revenue authorities inside 30 days once the employee arrives in Ireland (Deloitte, 2017).

In November 2018, a proposal was made to place a cap of 1 million Euro up to which an individual can claim relief on their income. The change would come into effect for all overseas individuals arriving in Ireland from 1 January 2019 who would avail SARP relief. For individuals already registered under SARP, the change would be effective from 1 January 2020 (Ireland, 2018).

2.4.4 Success of SARP

Even though SARP in its initial year had very few individuals take up the scheme, it has now become a success, with many individuals from various industries registered under the scheme and availing relief. SARP has bolstered relocation of key assignees responsible for the creation of many jobs and the growth of businesses (Managers, 2017). It is evident from Table 4 that the take up of SARP has increased year after year post-2013. A number of employees were also retained in their companies due to SARP from 2013 to 2016.

Table 5: Sector of employer who made a SARP return

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of employees per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT</td>
<td>-</td>
</tr>
<tr>
<td>Financial Services</td>
<td>-</td>
</tr>
<tr>
<td>Pharma &amp; Medical</td>
<td>-</td>
</tr>
<tr>
<td>Consumer Industrial Products &amp; Services</td>
<td>-</td>
</tr>
<tr>
<td>Other Services</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>118</td>
</tr>
</tbody>
</table>

Table 3: Sector wise breakup of individuals registered under SARP

Source: (Finance, 2016)

It is valuable for many sectors, mainly the ICT and Financial services sectors. It is also beneficial to other sectors like the pharmaceutical and consumer products (Managers, 2017).
Majority of the takers of the relief are between the salary range of 75,000 Euro to 225,000 Euro. It can also be observed that the numbers are increasing every year in the IT, Financial Services and Pharma sectors.

### Table 1: Increase in number of employees, as reported by employers, as a result of the operation of SARP

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6</td>
<td>49</td>
<td>126</td>
<td>591</td>
<td>477</td>
</tr>
</tbody>
</table>

### Table 2: Number of employees retained, as reported by employers, as a result of the operation of SARP

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6</td>
<td>215</td>
<td>708</td>
<td>603</td>
<td>607</td>
</tr>
</tbody>
</table>

### Table 3: Cost of SARP

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€0.1 million</td>
<td>€1.9 million</td>
<td>€5.9 million</td>
<td>€9.5 million</td>
<td>€18.1 million</td>
</tr>
</tbody>
</table>

### Table 4: Number of employees within various salary bands whose employer made a SARP return

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>€75,000 to €150,000</td>
<td>-</td>
<td>35</td>
<td>88</td>
<td>224</td>
<td>359</td>
</tr>
<tr>
<td>€150,001 to €225,000</td>
<td>-</td>
<td>36</td>
<td>79</td>
<td>155</td>
<td>160</td>
</tr>
<tr>
<td>€225,001 to €300,000</td>
<td>-</td>
<td>28</td>
<td>63</td>
<td>81</td>
<td>79</td>
</tr>
<tr>
<td>€300,001 to €375,000</td>
<td>-</td>
<td>12</td>
<td>29</td>
<td>34</td>
<td>56</td>
</tr>
<tr>
<td>€375,001 to €675,000</td>
<td>-</td>
<td>10</td>
<td>33</td>
<td>62</td>
<td>95</td>
</tr>
<tr>
<td>€675,001 to €1,000,000</td>
<td>-</td>
<td>-</td>
<td>8</td>
<td>22</td>
<td>26</td>
</tr>
<tr>
<td>€1,000,001 to €3,000,000</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td>€3,000,001 to €10,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>117</td>
<td>121</td>
<td>302</td>
<td>586</td>
<td>793</td>
</tr>
</tbody>
</table>

*Table 4: SARP details from 2012 to 2016*

Source: (Finance, 2016)

Post the deputation of the assignees on executive positions there arises a need to fill roles in mid-level positions to assist them. The cascading effect will result in promotions, which will help the Irish operations grow and generate additional employment (Managers, 2017).
SARP also has a massive benefit to the Exchequer. As per the figures of 2014, 302 assignees availed SARP relief. Total SARP relief cost was 5.9 million Euro and total payroll and income taxes for a single individual claiming no further reliefs was 15,965 Euro in USC, 9,513 Euro in PRSI, 25,564 Euro in Employer PRSI and 87,311 Euro in PAYE. This amounted to a yield of 138,353 Euro per individual. The total benefit to the government for 302 employees was 41.2 million Euro less cost of 5.9 million Euro which is 35.3 million Euro (Managers, 2017).

2.4.5 Shortcomings of SARP

The IBEC in their report of 2014 have laid down the following shortcomings:

- There is a strong need for a scheme for foreign nationals working in Ireland, and it should be in favour of both assignees and employers and SARP does not fulfil this requirement. The terms and conditions of the scheme are also very restrictive.
- SARP caters only to the FDI sector however homegrown Irish companies also face the issue of skills shortage. Hence changes in policy need to be made in favour of all companies in order to attract and retain international workers with specialist skills.
- Having a solid attractiveness for Foreign Direct Investment (FDI) is crucial to the growth of the Irish economy as well as to meet its medium-term goals. Ireland is also a globalised country, and there is going to be a continuous need for specialist skills from overseas in the years to come.
- Other countries in the EU have better expat tax relief tax schemes and Irish-based companies are going to have a difficult time ahead in the absence of a scheme which addresses the current situation (IBEC, 2014).

“Why would you come here and pay higher tax rates? It is a natural disincentive for expatriates to come here. The problem is, other places are much more attractive...We have to ask ourselves: how attractive is the country for expatriates to come to? Do I want to earn 33 % less, and move my family and my children to a foreign country? That is the question that people will ask themselves, and it’s a tough equation”- Gus Kelly, CEO of AerCap

Even after an amendment made in 2015, the scheme continues to target only high-salaried individuals. The scheme does not cater to individuals in starting and mid-level positions. Indigenous firms need skilled talent as well to flourish, particularly firms in the technology sector and those looking to set up operations abroad. However, the scheme is only open to
employees deputed to the Irish entity of MNCs. The tax rates should not discourage potential skilled workers from relocating to Ireland. The figures from Revenue state that the average SARP salary was around 238,000 Euro during 2014. The marginal tax on that range of salary was 52% and effective rate after application of relief was 47%, which was not at par with the competition. (Managers, 2017). The current legislation of the regime is also in operation for expatriates only until 2020, and there is no clarity about the plans of the government on the way forward.

2.5 Comparison of SARP with tax relief schemes for international workers in The Netherlands and France

The Netherlands

The 30% reimbursement ruling (also called the 30% ruling) is basically a tax advantage for highly skilled foreign workers relocating to the Netherlands for a specific employment position. If the employee meets certain criteria, a tax-free allowance which equals 30% of the gross salary (subject to tax) can be granted by the employer. It is equal to taxing the employee at the maximum rate of 36.4%. The tax-free amount is like a compensation given when an employee incurs costs working in a foreign country (Amsterdam, 2018). An employee can claim the relief for a period of 8 years, though a recent ruling has now reduced the length to 5 years, effective from 1 January 2019 (Belastingdienst, 2018).

Some of the conditions to claim the relief are as follows:

- The employee has to be employed with an employer registered with the tax office in Netherlands.
- Both the employee and employer have to approve in writing that the 30% ruling is valid for them.
- The salary of the employee cannot be less than 37,000 Euro.
- The employee should possess the skills that is scarcely available in Netherlands (Belastingdienst, 2018).

The rules are also slightly relaxed for Master’s and PhD students below 30 years of age:

- The minimum taxable salary has to be 28,125 Euro.
○ If the PhD degree was done in the Netherlands and the student is hired within one year of finishing their course, the criteria of “being recruited from abroad” need not be satisfied (Belastingdienst, 2018).

**France**

France has a scheme for expatriates known as the “Special Expatriate Exemption Scheme” which is available to employees at all levels, including directors. They are given a partial income tax exemption for a maximum period of 8 years if they meet certain conditions. The conditions are as follows:

○ The individual should not have been a French tax resident five years preceding the day they start their new role in the country.

○ The individual should be a French tax resident during the year of claiming relief.

The scheme is currently valid for a period of 5 years for individuals registered before 06 July 2016. The validity has been increased to 8 years for individuals availing the scheme after 06 July 2016. The scheme is valid till 31 December of the fifth- and eight-year period (France, 2018).

The global exemption limit of the scheme is 50% of the inbound individual’s total income. The inbound has an option to have a part of the income exempt up to 20% (net taxable income without expatriation bonuses) for work performed abroad. Overseas individuals who are hired directly by the French entity and self-employed individuals are eligible to an exemption of flat 30% on their income (KPMG, 2017).

Few individuals registered under the scheme are also entitled to claim tax exemptions (subject to certain conditions) on:

1. Mobility related payments like travel costs and agency fees.
2. Half of income arising from capital gains, transfer of shares and securities.
3. Social security payments made to a scheme abroad (KPMG, 2017).

SARP can be compared with the Dutch and French tax regime for expatriates on the following points:

1. **Validity:** SARP can be availed by expats for a maximum period of five years. In comparison, the Dutch scheme is currently valid for a period of 5 years and the French scheme is valid for 8 years.
2. **Availability:** Both the French and the Dutch schemes are extremely flexible as they are available to all classes of employees and are skills based. The Dutch scheme even has a leeway for recently qualified masters and PhD students under the age of 30. SARP, on the other hand is only available to high-income earners/key executives. SARP is also not open to new hires which can be difficult if a company intends to directly recruit prospective candidates.

3. **Exemption:** The French and Dutch scheme operate on a flat rate exemption. The individual is offered a flat rate of deduction in both the schemes. Conversely, SARP has a very high threshold of 75,000 Euro and the mechanics for calculation of relief is more complicated.

4. **Qualifying Income:** The Netherlands tax relief regime is an exceptional model when it comes to flexibility. Individuals having an income of 37,000 Euro and above can qualify for the scheme, whereas the qualifying relief of SARP is 75,000 Euro which is more than double. The French and the Dutch tax regimes also offer many other tax breaks and benefits on other aspects of an employee’s income like shares and relocating expenses. Clearly, SARP lags behind on an operational level when compared with the two tax regimes and reforms would be needed if Ireland has to be at par with other countries in the EU in order to attract skilled talent.

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### 2.6 Literature Conclusion

The findings of this study indicate that the skills shortage is a serious matter of concern for Irish businesses. There are a number of positions to be filled for organisations to grow and be competitive in the market. Hiring talent from abroad is one solution to this problem. However, due to the high personal taxes in Ireland, companies are facing a problem in attracting candidates. Even the Taoiseach, Leo Varadkar has said getting talent into the country is an issue due to the high-income tax rates (Deegan, 2018).

There is, therefore, a definite need for Ireland to have a robust tax relief programme which targets not only high-income individuals who bring in talent but also skilled individuals at mid-level roles. Expatriates in other countries are also being given more competitive tax relief schemes. A competitive tax relief programme is a key aspect for an individual who would like to relocate to gain international exposure and grow in their career (Ireland, 2016). Focussing on sectors as outlined by the Expert Group on Future Skills Needs and having a reasonable entry threshold could help bring in a number of skilled candidates who could avail tax relief,
help reduce the skills shortage and also contribute to the growth of the economy (Finance, 2014). A long-term tax relief scheme which benefits skilled individuals mainly from mid-level roles to executive roles would be a win-win situation for all.

Tax issues for expatriate assignees are complex, and companies need to be astute enough to understand and control the tax implications of their employees relocating to Ireland. The HMRC have a dedicated expatriate team which takes care of expatriate employee matters in the UK. Ireland could emulate the UK and have a unit in Revenue which assists companies to bring in skilled overseas talent into the country (Institute, 2014).
Chapter 3: Research Methodology

3.1 Introduction

Research methodology is a way to methodically solve a research problem. It outlines the various steps the researcher has adopted to study a research problem, along with the rationale behind them. The researcher should be fully aware of the application of the techniques that are relevant to the study, as well as the ones which are not relevant, and what would they indicate, mean and why. Thus, it is pivotal for the researcher to design the methodology for the research problem as every research problem is different (Kothari, 2004).

The first two chapters in the thesis gave a detailed description of the research topic and the literature respectively. With the help of the research onion, the author will explain the choices and the rationale for implementing them in this chapter.

![Figure 9: The research onion](Methodology, 2018)
3.2 Research Philosophy

Research philosophy is essentially an idea or an acceptance with respect to the data collected, its analysis and the manner in which it is understood. The different philosophies in the research onion are Positivism, Realism and Interpretivism. It is the outermost layer of the research onion. The term epistemology (what is known to be true) covers the different philosophies of a research (Saunders, et al., 2009).

Positivism

In positivism, the researcher will prefer conducting the research with observable social reality, and conclusions can be made with law like-generalisations. It is highly likely that the existing theory will be used to bring out a hypothesis. The hypothesis will then be tested, which leads to enhancement of the theory. Studies using the positivism philosophy are mostly conducted in a value-free manner. As per Gill and Johnson (2002), the positivist researcher uses a highly structured methodology to make replication easy. Further, more importance is given to observations that can be measured to conduct a statistical analysis. Though this might not be the case all the time as it is also possible for the researcher to employ few characteristics of positivism in the research. A good example is the implementation of hypothesis testing using data obtained through in-depth interviews (Saunders, et al., 2009).

Realism

The crux of realism is what our senses depict to us as reality is the truth. There is a reality autonomous of the mind as per the philosophy of realism. Realism is similar to positivism as it adopts a scientific outlook to the development of knowledge. The realist approach underpins the gathering of data and interpreting it. There are two aspects to realism; they are direct realism and critical realism. Direct realism tells us that the world is depicted accurately through the experiences of our senses, whilst critical realism states that our experiences are only a portrait of the things in reality, not the things directly. An organisation runs at one level as per the direct realist perspective. Conversely, the critical realist perspective places emphasis on multi-level study. Both these approaches can influence the researcher’s ability to understand a study (Saunders, et al., 2009).
Interpretivism

Interpretivism states that it is essential for the researcher to understand the nuances between humans in their role as social actors. The term 'social actors' refers to humans playing a part in human life, just like how actors play their part on stage. Actors interpret their role in a certain manner and then play their role. Similarly, humans construe their daily roles with the meaning they give to them. It is pivotal that the researcher adopts an empathetic approach in the interpretivist philosophy. The researcher has to delve into the social world of the research subjects and try to comprehend it from their perspective. This approach is generally used in business studies as they can be difficult to understand (Saunders, et al., 2012).

Interpretivism was the philosophy chosen by the researcher. The researcher felt it was the best choice as he interviewed individuals dealing in specific industries (taxation and recruitment). The aim was to try and understand their views about the research questions posed to them. It was also a challenge trying to understand their views, as each individual had their own perspective about a particular issue.

3.3 Research Approach

The research approach is the outline and procedure that comprises of the stages of assumptions to a thorough method of collecting data, interpretation and analysis. It is built on the nature of the research question. It is an extremely important step in a research project. The research approach like a guide to the researcher, in the choices made in research design and also provides an outline for the research design (Saunders, et al., 2009).

A research project can be approached with the implementation of the Inductive and Deductive approach:

Inductive

Inductive reasoning begins with sensory experiences and specific observations and then draws a general assumption from them. There would be no hypothesis or theories applied in inductive studies initially and the researcher has the freedom to branch out once the research process has started. Inductive reasoning is one of the most widely used forms of scientific activity. It is
majorly used in qualitative research as the research problem is reformulated a number of times after the researcher has started the process of data collection (Walliman, 2011).

**Deductive**

Deductive reasoning starts with a premise and with the help of logical reasoning, a specific deduction is made. It begins with general reasoning to very specific reasoning. The researcher starts with a research hypothesis about a subject of interest. That is then narrowed down into a specific hypothesis that can be tested, post which the researcher gathers information in the form of interviews and observations to answer the hypothesis. The hypothesis is then tested with the data collected and conclusions are drawn (Walliman, 2011).

This research has employed the inductive approach as it relates to a specific problem. It is confined to a very niche area, i.e. the taxation of overseas employees in Ireland. Only a specific set of individuals could be approached for the qualitative data collection (Irish tax experts dealing exclusively in expatriate taxation). The data collected was then analysed to obtain specific conclusions to support the research question.

**3.4 Research Strategy**

The research strategy is a blueprint which helps the researcher answer the research questions, which in turn helps carve the structure of the study. The researcher’s strategy is completely based on the objectives and aims of the research study. Focus should also be placed on aspects such as time available and existing knowledge. The different types of research strategies are case study, survey, experiment, archival research, grounded theory, action research and ethnography. (Saunders, et al., 2009).

As the author obtained the primary data through semi-structured interviews with tax experts and recruiters, the research method used was through surveys. Through this method, the author was able to garner the information required for his research as the respondents had to have technical knowledge in the subject area to answer the questions posed to them. Recruiters had to possess holistic knowledge about the skills shortage in Ireland, and expatriate tax experts had to have technical knowledge about personal tax in Ireland and SARP.
3.5 Research Choice

Research choices can be divided into mono method and multiple methods:

**Mono method**

As the name suggests, mono-method study adopts only a single type of research method. It can be quantitative or qualitative. The data in a quantitative study is in numerical form (questionnaires) and qualitative data is in the textual form (in-depth interviews). Both qualitative and quantitative studies have their own data analysis techniques.

**Multiple methods**

Choosing more than one one-data analysis technique having related data analysis techniques is known as multiple methods study.

Multiple methods can be subdivided into:

1) **Multi-methods**: Multi-method can be multi-method qualitative studies and multi-method quantitative studies.

2) **Mixed-methods**: The two types of mixed methods are mixed-model research and mixed-method research.

*Figure 10: Research choices*

(Saunders, et al., 2009)
The process of qualitative data collection implemented by the researcher was through semi-structured interviews. Accordingly, the mono-method has been chosen in this study. The author ensured that he arranged interviews only with senior personnel of the tax firms as they would be having years of experience behind them to give their views about the Irish personal tax system to the author in a lucid manner. The author had to get a number of insights about the personal tax system and individuals in mid-level positions would not be in a position to give their views in a broad manner as desired by the author. Recruiters were chosen from the contacts of the author. All the three recruiters interviewed, have hiring experience and knowledge in different fields but mainly in the professional services sector.

3.6 Time Horizons

(Saunders, et al., 2009) states that the time taken to research a phenomenon depends on the choice of the research technique.

**Cross-Sectional studies**

The study of a specific phenomenon at a specific time is termed as a cross-section study. A large number of academic research projects are cross-sectional as they are time-bound. Most cross-sectional studies adopt the survey strategy which may be looking to understand the incidence of a phenomenon (Saunders, et al., 2012).

**Longitudinal Studies**

As per Adams and Schvaneveldt (1991), the researcher is in a position to have traction over the variables being studied in longitudinal studies. However, the research process should not affect the variables being studied. Longitudinal studies have the ability to study development and change. As a result, they can establish a sequence of events (Saunders, et al., 2012).

As this study is time-bound (i.e. the submission date is 07 January 2019), the approach adopted is the cross-sectional research. The project is a quick snapshot of the income tax system in Ireland which boils down from the skills shortage and the need for international talent in Ireland. The study does not involve observational studies of people or industries over a period of time.
3.7 Data Collection

This section will focus on the means of data collection in the study pursued by the author. The secondary and primary data collection process implemented is explained below.

**Secondary Data**

Secondary data is data collected in the past. It can be in the form of a different research topic similar to the study which the researcher is undertaking and may partially answer some of the questions which the researcher intends to understand. Secondary data can be in the form of newspapers, bulletins, the internet and documentaries (Saunders, et al., 2009).

In this study, the author obtained the secondary data from websites, mainly from the professional services firms (big 6 audit firms in Ireland) and institutions contributing to tax policy in Ireland (Irish tax institute, Department of Finance, IBEC) as the research was based on a specific area in taxation. With relation to the skills shortage, the author obtained data from the most reliable sources (Department of skills and recruitment companies).

**Primary Data**

Data collected by the researcher specifically to answer the research questions is known as primary data. It is tailored to the meet the research requirements of the researcher. There are many methods to obtain primary data such as conducting interviews, questionnaires, experiments, observing and manipulating models (Walliman, 2011). Interviews used to collect primary data can be structured (formal) and unstructured (informal).

In order to answer the research objectives of the author, the primary data was collected through semi-structured interviews. The research objectives had questions pertaining to two different industries (i.e. taxation and recruitment). The author was able to approach 3 recruiters and 3 expatriate tax experts who agreed for an interview. Recruiters were asked 8 questions relating to the skills shortage in Ireland, and Irish expatriate tax experts were asked 11 tax-related questions. All the six interviews were conducted in the offices of the interviewees. The interviews were recorded using a mobile device and were later transcribed into a word document.
3.8 Population and Sample

The sampling techniques used by the author are presented in this section. Sampling is used extensively in research as it would be realistically impossible for the researcher to solicit information from the entire population (Saunders, et al., 2009). In the case of this research, it would have been practically impossible approaching all Irish expatriate tax experts due to the shortage of time. Probability and non-probability are the two types of sampling techniques. These two techniques branch out into several other techniques.

![Sampling techniques](image)

*Figure 11: Sampling techniques*

Source: (Saunders, et al., 2009)

Purposive sampling has been chosen by the author in the thesis. Purpose sampling was the ideal choice as it enabled the author to choose the respondents who would be most suited to answer the research questions. As the objectives of the study were in expatriate taxation and the skills shortage in Ireland, the author required inputs from tax professionals dealing in expatriate taxation and recruiters hiring for multiple industries (Saunders, et al., 2009).
3.9 Data Analysis

The process of analysing data collected by the researcher through secondary and primary data is known as data analysis. With the help of data analysis, the researcher can draw findings and conclusions. Data analysis aims to simplify the various natures of data obtained and their meaning, which helps establish relationships between them (Saunders, et al., 2009).

Secondary data analysis

The secondary data obtained has been presented in the Literature Review (Chapter 2) in the dissertation. A brief description has been given in the Introduction (Chapter 1) with respect to the approach of the Literature review.

Primary data analysis

The qualitative data was collected in the form of semi-structured interviews. A manual approach has been adopted to analyse the qualitative data obtained by the researcher. As the questions were open-ended and in a structured order, the six respondents could answer them as per their knowledge. No special coding software was used. The table below will illustrate the process of data analysis in the thesis.

<table>
<thead>
<tr>
<th>Step 1 – Transcribe the audio recordings</th>
<th>Each interview was manually transcribed by the author into a word document.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 2 – Classify the data</td>
<td>1) Classification of data was done as the per objectives of the author.</td>
</tr>
<tr>
<td></td>
<td>2) Data having the same characteristics were placed in one group, and this way the entire data collected was divided into groups.</td>
</tr>
<tr>
<td></td>
<td>3) Microsoft Excel was used to classify the data and prepare charts.</td>
</tr>
<tr>
<td>Step 3 – Conclusions</td>
<td>Classifying the data helped the author draw conclusions and form patterns.</td>
</tr>
</tbody>
</table>

*Table 5: Data analysis process*

The data analysis will be presented along with the findings of the qualitative primary research in chapter 4.
3.10 Research Ethics

Research ethics is associated with questions about how the researcher formulates the research topic, designs the research, gain access to obtain data, storage of data and processing of data (Saunders, et al., 2012). A researcher has to act with a sense of prudence right from designing the research questionnaire to the processing of the data.

1. Utmost care had to be taken by the author while preparing the tax primary research questionnaire. Questions relating to clients could not be included in the questionnaire at any cost.

2. The primary research questionnaire was sent as an attachment along with the email to the tax interviewees when requesting a meeting.

3. A de-briefing of the topic was given to the participants before the start of the interviews.

4. All the six interviews (3 recruiters) and (3 tax experts) were recorded with their consent.

5. The researcher ensured that the participants duly signed the security clearance form and consent form post completion of the interviews.

6. Confidentiality and anonymity have been maintained in the thesis. The primary research interviewees and their organisation's names have not been mentioned in the dissertation. The data provided by them was securely transcribed in a word document and only shared with the dissertation supervisor.

3.11 Research Limitations

1. Lack of latest figures and data in secondary research (of SARP) meant that the researcher had to build his research with the sources that were available. Information was only available until the year 2016. Not many figures were available for years 2017 and 2018.

Even getting the latest statistics and numbers in relation to the skills shortage from credible sources was an issue. The numbers of jobs in the market and the economic losses to companies were hard to obtain.
2. Taxation is a vast service area, however, the author needed to gain insights only from firms assisting inbound assignees with their tax compliance issues, and the scope of the firms which the author could approach, reduced considerably.

3. The author was unable to interview individuals working in the big six accounting firms in Ireland (Deloitte, PWC, EY, KPMG, Grant Thornton and BDO) as they deal in a large volume of expatriate assignees, and would be having extensive knowledge about the mechanics of deputation.

4. The deadline for filing tax returns for individuals was 14 November 2018. Thus, it was extremely difficult approaching senior professionals of tax firms from October to November. The researcher had a time frame of only three weeks as the holiday season was also approaching.

5. As a result, the researcher was only successful in conducting three tax interviews. An additional interview or two additional interviews would help the researcher add more depth to his findings and discussions. Many respondents acknowledged the author's email but were unable to take out the time for an interview due to the festive season and year-end deadlines.

Points mentioned from 2 to 5 made it extremely difficult for the author to approach the right contacts for the primary research and a considerable amount of time was spent in the process.

6. After the tax semi-structured interviews were conducted and transcribed, the author thought that a few questions could have been framed in a better way, to get a better response as the interviewees digressed slightly from the topic. This was largely due to the fact that the author had no Irish income tax experience (theoretical and practical). He had to read massively about the personal tax system in Ireland to structure his primary research questionnaire and also interview tax professionals at executive positions.

7. It was also not possible approaching the tax experts again to ask them their views on certain questions which the author wanted to know after the completion of the audio transcripts due to their busy schedule. Even the author was under tremendous pressure to complete the dissertation before the deadline of 07 January 2019.

8. Presenting charts in the data analysis chapter was fairly difficult as there were views of only three individuals from each industry and
Chapter 4: Data Analysis and Findings

4.1 Introduction

This chapter will focus on the examination of the semi-structured interviews conducted with the six participants. The implications and the explanations will be presented in this chapter to support the research topic.

4.2 Details of semi-structured interviews conducted

Interviews were conducted with individuals from two separate industries, hence two different tables have been presented.

Recruiters

The recruiters were chosen on the basis of the industries they were hiring. The author thought it was pivotal that he arranged interviews with recruiters hiring across industries only where the skills shortages were predominantly present. They are mainly, technology, accounting and finance. The aim was to get fruitful insights on the following points:

- The skills shortage in Ireland.
- The problems being faced by companies and recruiters.
- The means they are resorting to in order to cope with the skills shortage.
- Are they hiring for a number of international roles and are the numbers increasing on a yearly basis?
- Their views about the prospects for Ireland after Brexit.

Details of the interviews with recruiters are mentioned in Table 6.
Recruiters interview details

<table>
<thead>
<tr>
<th>Sr.no</th>
<th>Date</th>
<th>Duration (in minutes)</th>
<th>Designation</th>
<th>Place of interview</th>
<th>Type of Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>26 November 2018</td>
<td>21:17</td>
<td>Senior Manager</td>
<td>Office of the Interviewee</td>
<td>Recruitment company specialising in Finance, Technology and Sales.</td>
</tr>
<tr>
<td>2</td>
<td>27 November 2018</td>
<td>30:31</td>
<td>Recruitment Consultant</td>
<td>Office of the Interviewee</td>
<td>Recruitment company specialising in professional services.</td>
</tr>
<tr>
<td>3</td>
<td>13 December 2018</td>
<td>13:48</td>
<td>Recruitment Consultant</td>
<td>Office of the Interviewee</td>
<td>Recruitment company specialising in a range of services mainly accountancy, engineering and IT.</td>
</tr>
</tbody>
</table>

*Table 6: Details of semi-structured interviews conducted with recruiters*

**Expatriate tax experts**

Approaching individuals working in accounting firms is extremely difficult primarily due to the nature of the business, and commitments of senior personnel (client meetings, year-end deadlines etc). However, the author was successful in getting interviews with three senior members of accounting firms. The interviewees were chosen after a manual search of accounting firms in Ireland dealing in expatriate taxation.

Expatriate taxation experts were asked eleven questions mainly on the following points:

- Their views about marginal taxes and progressivity of the personal tax system in Ireland.
- The effectiveness of SARP.
- The importance of a lucrative tax relief scheme for Ireland with the current skills shortage and Brexit around the corner.

Details of the interviews with the expatriate taxation experts are mentioned in Table 7.
### Taxation experts interview details

<table>
<thead>
<tr>
<th>Sr. no</th>
<th>Date</th>
<th>Duration (in minutes)</th>
<th>Designation</th>
<th>Place of interview</th>
<th>Type of Company</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>06 December 2018</td>
<td>30:26</td>
<td>Tax Director</td>
<td>Office of the interviewee</td>
<td>Top 10 Accounting firm</td>
<td>12+ years in personal taxation</td>
</tr>
<tr>
<td>2</td>
<td>12 December 2018</td>
<td>27:08</td>
<td>Tax Partner</td>
<td>Office of the interviewee</td>
<td>Mid-size Accounting Firm</td>
<td>12+ years in personal taxation</td>
</tr>
<tr>
<td>3</td>
<td>19 December 2018</td>
<td>30:13</td>
<td>Tax Director</td>
<td>Office of the interviewee</td>
<td>Mid-size Accounting Firm</td>
<td>12+ years in personal taxation</td>
</tr>
</tbody>
</table>

Table 7: Details of semi-structured interviews conducted with taxation experts

4.3 Research Objective 1: Identify the problems faced by companies & recruiters due to the skills shortage and the positions/roles that have to be filled in

**Question 1: What are the types of skills shortages that are prevalent at present?**

The recruiters were asked about the skills shortages that are present (i.e. labour shortages and recruitment problems).

All the three recruiters said that the skills shortage is a massive problem in the country at present. Recruiter 1 and Recruiter 3 both started by saying that that the country is almost at full employment at present.

Recruiter 3 said “it’s difficult to find well qualified strong staff and obviously keeping them is the second issue just because there are so many options available to them now. So, if you interview and candidate and if somebody applies for your job, let’s say you bring them in for an interview you can be sure they may be going for 3-4 other interviews with competitors as well. So, a skilled candidate will have a lot of options on the table. They’ll be fully aware of what they are, and its therefore difficult for you to, not difficult but its competitive for you to attract them to your role and get them to accept that over whatever else is out there, and the same goes for retention problems because it’s so competitive.”

Recruiter 1 too said that their company is facing labour shortages in all divisions they are hiring for. “the amount of candidates that are on the market that are actually even looking for jobs is
dropped dramatically over the last three or four years and what you're finding is that people aren’t really moving from their jobs and are certainly not being active in the market looking for new opportunities and in the areas that I could identify from the financial point of view, definitely qualified accountants, senior accountants, systems type of candidates.” Recruiter 1 goes on to say that the IT sector is having problems finding software developers and they are going to places like Ukraine to look for candidates who would be doing work for Ireland.

Recruiter 2 said “there’s a huge shortage of candidates. I suppose it’s just at the back of the economy doing so well, you know there are more jobs and less people at the moment. There’s sort of problems coming into play to make it that perfect storm.”

**Question 2: What are the main sectors which in dire need for skilled workers?**

This question was asked to understand the main sectors where the skills shortage persists.

All the three interviewees said that the IT, ICT and accounting sectors have the maximum skills shortage.

Recruiter 3 said “In terms of skills shortages some of the areas you have mentioned accountancy would be one, ICT would be another, engineering would be one, general IT, there’s obviously the healthcare sector the healthcare sector, the need for doctors, nurses, it’s really pretty much across the board where companies are short of labour”.

Recruiter 2 spoke about the skills shortage more from an accounting perspective. In accounting, the skills shortages are mainly in audit and taxation. Candidates train with professional services firms for four years and once they qualify, they switch to industry roles because the pay scales are better and they are more progressive when it comes to aspects such as flexi benefits, working hours and work structures.

A few other sectors were mentioned by Recruiter 1 “So, it's all relative and it's a really good indicator of what the market is doing when you see the amount of jobs they are actually recruiting for. Finance is always an area for skilled workers, pharmaceutical as well I would say that's a that's a big area, telecommunications and aircraft leasing in Ireland.”
Question 3: What are the main problems being faced by companies and recruiters?

The researcher sought to understand from the interviewees about the issues being faced by recruiters and companies in light of the skills shortage.

According to Recruiter 1, it is basically a supply and demand issue. There is plethora of jobs in the market at the moment, but finding candidates who fit the bill is a pressing issue. It is important that companies reach out to prospective candidates and at the same time retain their existing staff. Recruiter 1 feels companies are being reactive in their approach and are left hapless when an employee leaves. Companies are also trying things such as internal recruitment teams, which actually does not solve the problem. They should adopt the proactive approach and talk to their existing people about job satisfaction in order to retain them.

Candidates might be having 3-4 interviews lined up and going to different companies, even though recruiters might be sending a candidate to a company for an interview. As per Recruiter 3, with this trend, companies are attracting candidates by offering them bonuses and better salaries. “We’ve got problems in terms of candidates saying that they are going to go for an interview, they don’t even turn up and we can’t get hold of them on the phone, or perhaps they have accepted an offer and you’re waiting for them to start their job and you get calls saying that they have accepted another offer.”

Recruiter 2 said “So, I suppose the main problems being faced at the moment for recruiters and companies like is people. That is the biggest sticking point at the moment.”

Question 4: What are the means you are resorting to in order to deal with the skills shortage?

There has been an increase in overseas recruitment though companies are trying to hire within the EU for visa purposes says recruiter 1. The clients of Recruiter 1 primarily look at candidates who have the right to work i.e. having a stamp 4 visa or EU citizenship. However, individuals on graduate visas are also being considered now. Another thing which companies are doing is hiring directly from universities. Their aim is to hire people who have a few years of experience behind them. Companies are also marketing a lot of jobs on social media and digital marketing platforms.
Recruiter 2 also said that the graduate intakes are increasing. The numbers have been increasing on a year to year basis as businesses are in need for more human capital.

Recruiter 3 said they too are looking overseas for candidates but their means were slightly different from the other two recruiters. “you have to work closely with companies to guide them. I suppose and we have a salary survey every year and they’ll be complied. We make sure that companies are very aware of what the salary scales should be so they are very up to date. We guide them in terms as what’s out there in the market, whether that’s telling them about the bonus systems in place, healthcare, pension. Just making sure that they are aware of what their competitors are resorting to. Those would be the main things.”

**Question 5: Are the roles which have to be filled in mostly at starting and mid-level positions or senior positions?**

Again, from an accounting perspective, Recruiter 2 was of the view that the main area which needs to be filled in is in the mid-level. The salary range is between 50,000-70,000 Euro. The candidates would be recently qualified having around 2-5 experience in the accounting domain.

Recruiter 3 had the same views, “its mid-level upwards and skilled. We have a very good education system in this country. There are a good number of graduates every year so that kind of area is somewhat covered, although it is still quite short in a lot of areas, but the main need is skilled workers so that means anyone with 2-3 years upwards of experience, something around those lines.” With respect to the salaries, recruiter 3 said it was anything between 40,000-70,000 Euro.

Though recruiter 1 had a slightly different range for the salaries, they too were of the viewpoint that the skills shortages are present mainly in mid-level roles and the salaries would be anywhere in the range of 60,000-85,000 Euro.
Question 6: As a recruiter, do you see the need to hire International workers for a number of job positions? If so, are the numbers increasing on a yearly basis?

As stated in the introduction chapter, Ireland is in need for overseas talent to fill in important job positions in many sectors. This question was asked to recruiters to understand the emphasis each recruiter is placing on hiring international talent at the moment.

All the three individuals said that hiring international talent is something which they have all been doing and it will continue to increase with the economy growing and the also being at full employment at the moment.

Sourcing overseas candidates is definitely being done, though it is more in some sectors like IT and lesser in accounting says Recruiter 3. Healthcare has a large number of doctors and foreign nurses. They come from places like the Philippines and India where there is a robust healthcare system. The job market is also getting much better, and Ireland does not have the workforce to fill those jobs.

“companies are hiring people based on their abilities and their skillsets, not just about where they are from. That is increasing on a yearly basis. It just has to, like there’s not enough people in Ireland, with the relevant skills for what the market is looking for right now. So, if companies aren’t looking outside of the existing people in Ireland. If they are not looking internationally, they are going to be missing out. They just won’t be able to fulfil their recruitment needs if
you’re just relying on what you are going to get from the Irish market. It can’t work if you look at the amount of jobs that are out there, many companies so on and so forth.” – Recruiter 1

In the professional services sphere, again there is massive hiring of accountants from overseas and the flow will not stop. Recruiter 2 says that professional services firms are extremely diverse and have a multicultural environment. Top firms are working closely with international recruitment companies, and are also sending their senior personnel to places like South Africa and India to get accountants to Ireland.

4.4 Objective 2: The views of expatriate tax experts on the progressivity of the Irish personal tax system, and high marginal tax rates

Question 1: In your experience, do individuals consider income tax as a key factor while relocating to a country where income tax rates are much higher?

Before the author asked the tax experts about the Irish income tax system, he added this question to ascertain the views of tax experts if income tax was a key element when individuals decide to relocate to a different country.

Tax Expert 3 answered this question from an Irish perspective saying that when individuals relocate to Ireland, there are other factors which are considered. However, individuals do consider their effective income tax as an important aspect. If the individual is previously from Ireland, the primary aspect which will be taken into consideration is children's education and their family. They are well aware of the tax rates, and it would be a plus if they fall under a tax relief scheme. For individuals who are relocating on assignment, it would not be a big factor as they can make use of the remittance basis of taxation. They usually have small amounts of Irish income, and they only pay tax on that. Tax is not levied on their foreign sourced income.

Tax Expert 1 said that individuals would look more at what income they get in hand. “Individuals probably less so because they look at their bottom-line, it’s more of an issue for companies. If I’m earning a 100,000 in the states, and people in a way they say my take home pay is X. So, they look at their take home pay. So, for individuals if they are moving as a part of the company, I don’t care what you pay me as long as I am at least as well off.”
However, Tax Expert 2 had a completely different view on this question. According to Tax Expert 2, income tax is one of the top 3 factors an individual considers when relocating to a country where the tax rates are higher. It is important because it determines an individual’s quality of life and spending power. An individual’s quality of life would be affected if he/she has a less disposable income. Tax Expert 2 goes on to say that the more the disposable income of an individual, the better healthcare they can afford. There are other relevant aspects such as childcare, quality of life and security which are also very important while relocating.

These are three different views by three different experts when an individual considers relocating. Though it is an important factor, it might not be the most important factor as the most important factor which an individual would consider is salary. Higher the salary, better the take-home pay and better disposable income. They also look at other factors like quality of life, the children’s future and family.

**Question 2: As per the Irish Tax Institute, Ireland has one of the most progressive tax rates among all the EU countries. What are your views about the progressivity of the Irish income tax system and the marginal taxes at 52%?**

As stated in the literature chapter, Ireland has one of the most progressive tax structures in the EU, and the highest marginal tax rates are 52%. The tax experts were asked their views on the marginal taxes and the progressivity of the tax system. While all the tax experts felt that the tax system was progressive, they had slightly different views on the salary from where the system starts getting progressive.

“I don’t know if I agree, if it’s actually the most progressive tax regime in the whole of Europe, but it is progressive to the extent that the wealthiest individuals pay the highest rate of tax. It’s very important from a social perspective that people who are on the lower income see that the wealthier are paying more tax than the less well-paid people are paying. From that point of view, it is progressive.” – Tax Expert 2

Tax Expert 3 had a slightly different view. “It is progressive. It is I suppose, in the area in and around 30,000-65,000. It’s probably what you often hear as referred to as the squeezed middle and it is certainly by comparison to our EU counterparts very progressive. It is something that out government are continually trying to address ongoingly, but the difficulty that Ireland has
is that our Exchequer has a reliance on our income tax receipts. It is one of our biggest areas where that’s how we manage to pay down our debts every year and pay for public services.”

However, Tax Expert 3 also adds “But its only 5% of the population in the workforce. So, if you think about the statistic, even though it’s very progressive and very high, you only have 5% of our population who are paying 80% of the income tax. So that is a phenomenal statistic. So even though we say it’s very progressive we say. It’s more relevant for the second piece here, the high marginal tax. Who is paying the 52%, who is paying the 55%. You’re talking about 5% of our population pay 80% of our total income tax and that’s what we rely on. So, this one is more of a problem to deal with, but this one is when you look at the actual numbers of is paying the most, it’s a very small amount of people.”

Tax Expert 1 was of the view that the tax system is extremely progressive and individuals reach the top bracket of tax very quickly. Much more quickly than other countries in the EU. The corporation tax brings companies in the country, but they end up paying huge sums of money to attract and maintain talent. The tax rates go up to 55% if an individual is self-employed and it is a disincentive to entrepreneurship and forces an individual to set up a company. Individuals earning 35,000 Euro, end up paying a large amount back to the exchequer, and this income is just around the same as the average industrial wage.

Looking at the views of all the three experts, it can be said that the Irish personal tax system is progressive. The entry point at around 35,000 Euro is when it starts getting progressive. It is also an issue for individuals earning between 30,000-65,000 Euro, known as the “squeezed middle”. Though high-income individuals bear most of the burden by paying the highest amount of taxes and contributing to almost 80% of the tax collections to the exchequer.
4.5 Objective 3: The views of Irish expatriate tax experts on the efficacy of the current tax relief scheme in place for international workers, deputed to Ireland

The aim of the questions in this objective were to ask the tax experts their opinions on SARP and if they felt that the relief was worthwhile.

Question 1: At what kind of positions are individuals registered under SARP?

As the SARP entry threshold is 75,000 Euro, the author wanted to gain insights on the kind of employees registered under SARP and at what positions they are working.

Tax Expert 3 said “So, we see it in the IT industry, senior roles, high executives who are skilled in a particular area, who are being brought to relocate here and this is part of the attraction for them. This particular relief. Other individuals in the finance roles, again senior managers. Not typically CEOs. It’s more of the executives.”

“It is the more senior positions in the various institutions. Anything from a manger up to a CEO. Primarily what would determine the attractiveness of SARP is the salary. If it’s worthwhile to avail of SARP relief. It normally is the higher positions, but another determining factor is salary.” – Tax Expert 2.

From the two comments, it is evident that the employees availing of SARP benefit are only senior-level employees. They can be anywhere between manager level to executive level roles and work primarily in the IT and Pharmaceutical sectors.

Question 2: Should new tax relief schemes be implemented for foreign workers at different salary levels or should SARP be modified/tweaked to suit the needs of all (MNCs and indigenous companies)?

Tax experts were asked if SARP should be amended to open the scheme to new hires as well as local Irish companies.

“To be honest, the SARP is quite a good relief. I would be all for more types of tax reliefs and I guess rewarding entrepreneurship and more and easier reliefs for start-up companies and
things like that. Though SARP is a relief for an individual, it’s not really aimed at entrepreneurial individuals. It’s a carrot for big companies and come here so that they can pay their employees more. It’s really aimed at companies. Where I would like to see more work done and more sought potential would be encouraging people to start up their own businesses and giving them more reliefs. All our reliefs are based on selling a business. Your capital gains tax relief and entrepreneur’s relief, it’s all based at setting something up and exiting. There are less reliefs aimed certainly for individuals starting up. So yes, there should be tax relief schemes all the time.”- Tax Expert 1

Tax Expert 3 had a very different view to this question initially. “I don’t know, like the middle salaries, I don’t think it’s going to attract those people here because the cost of living here is probably going to kill them. So, I don’t think it’s probably it’s going to work for that and they specifically put this cap on it because they see if somebody earning over 75,000 is highly skilled and can afford to live here. In particular I suppose I’m talking about talking about Dublin as opposed to the parts of the country.”

However, after asking the author again in what way should it be modified. The author said by allowing individuals working in local Irish firms, who could avail the scheme.

The response is as follows. “So, you can still hire somebody who has been away for a long time or never been here and the Irish company could hire them and they could avail the scheme. It would still be effective in terms of attracting. Yeah, I think that would be a good suggestion.”

Tax expert 2 said the removal of the cap of 500,000 was a good development “Realistically, a lot of the high scale individuals who are coming to multinational companies such as Google, Twitter and a lot of the financial institutions that may be moving here, it’s not unrealistic that could on salaries on 1 million plus. So, because the 500,000 limit has been removed, SARP is now a more attractive relief, but again as I said, it only reduces their rate of tax by 10%. So that’ll bring it down to 42% which quite a high rate tax if you look at other schemes worldwide.”

Though during the interview with Tax Expert 1, they were of the view that the scheme should be open to new hires as well and even gave an example. “why is it only for people working for let’s say Tech Co Germany and then they are sent to Tech Co Ireland. Why not new employees? Let’s say a German student, never worked for Tech co, but wants to. He’s not getting anything. Or like a guy who is working for a competitor in Germany, why doesn’t he get it?”
All the three experts were of the view that SARP is a good relief, but it lacks in a lot of ways. Tax Expert 3 said that the scheme should be open to new hires who can avail relief when they are hired by local Irish companies, though it should only be for highly skilled workers. Tax Expert 1 also said that the scheme should be open to new hires and students, and not just individuals who are deputed on assignment. Tax Expert 2 said that the scheme has been enhanced when the cap was removed, but even after applying the relief to the income of an individual, the effective tax rate still remains high. Thus, all were in agreement of having a more flexible scheme.

**Question 3: Do you think enough is being done from an income tax perspective to attract skilled talent into Ireland?**

Tax Expert 1 starts by saying a ‘no’ and that SARP is actually a benefit for a company and not much can be done at present from an income tax perspective. “They have 150,000 in the pot, pay a guy and if there’s no SARP, he might be coming out with 85-90k in his hand, but with SARP he might come out with 110k. It doesn’t cost the company anymore. Is more sort of an incentive for companies I feel, because you can’t get SARP by yourself. It has to be through your employer so, I would always think there should be more incentives, they should be more scope for pension relief. If you’ve earned a source of income, you can be in employment or self-employment, at an individual level, you can make pension payments into pension pots and claim tax reliefs on it, but its relatively restricted.”

Tax Expert 2 concurs “Not really, is the answer. The improvement in SARP as I said, it’s a welcome development, the increase in the limit, but other factors such as tax breaks for childcare, maybe more favourable tax breaks for healthcare should be introduced. These as I said at the start of our conversation, these are big considerations for executives moving to Ireland.”

However, Tax Expert 3 had a completely different answer for this question. “It’s hard to know because it seems that what some of the multinational companies do is that they give a package to the individuals who are coming abroad to say. We will pay this for you, we will pay your accommodation, we will pay the rest of it. From what I see, the MNC are the people who are picking up the tab to attract the people because they are manging to get, maybe not enough people, but they are getting a lot of people. But it’s costing them a lot of money to do it. There’s lots of examples where accommodation is being paid for 10 grand a month to live in Dublin.
Paying school fees, paying lots of things that will attract them here to have a good sense of living and when you talk to these people to say do you think you’re going to stay here, oh well when the benefits run out. i.e. when they stop paying my accommodation and my kids school fees, we are gone. So that’s the attraction.”

Whilst Tax Expert 1 felt that SARP was more like an advantage to the company, Tax Expert 2 said emphasis should be placed on aspects such as tax reliefs on healthcare. According to Tax Expert 3, it is the benefits that matter to the individual. Companies are paying large amounts from their pocket to entice high salaried individuals to come and work in Ireland. They are willing to pay everything from school fees to accommodation. These are three different views but it can be observed that individuals at executive positions would look more for a robust salary package.

Question 4: Can Ireland replicate a model like the Netherlands where all overseas individuals are taxed under one scheme (i.e. the 30 per cent ruling)?

While Tax Expert 1 said Ireland could possibly have a scheme like the Netherlands, they would be more in favour of having another band. That band would be an introduction of 30% tax rate from 35,000-80,000 Euro which should be for all taxpayers in the country. Also, Ireland isn’t at par with the Netherlands.

Tax Expert 2 too was in favour of another tax band. “Personally, I would have the 20% tax up to maybe say 38,000. 38,000 to 100,000, I know it’s a lot maybe a 30% and above that 40%. Or even say 38,000 up to 80,000. A 50,000 bracket at 30%. I think if you do the numbers, they probably couldn’t afford to do it up to the 100,000 you know from a tax take point of view, but it would be very welcome. You’ll save 5,000 alone on that 50,000, from 38,000 to 80,000.”

This point as mentioned by the two experts would probably be the best solution to the tax system being progressive. However, Tax Expert 3 raised a very valid point regarding the social insurance contributions paid in Ireland which is much lower compared to other European countries. “we have a flat 4% and flat almost 11%, but all the Scandinavian countries. People forget about that, so when we try to compare ourselves with Netherlands, you have to say, yeah ok, the income tax is fine, but we are looking at this rate here you know, the 52%. So how does that compare when you say all of the ins and outs for social insurance schemes because their
rates can be up to 30%. There are some optional ones, and some mandatory ones and fine between two different jurisdictions, you get to retain in the Irish system for at least a year that can go to 5 years, but if you start to replicate that model like the Netherlands, they are picking up their income on the social insurance side."

Tax Expert 2 also had the same views on the social insurance “4% for employees would favour quite well among other European jurisdictions, but our employer’s social insurance (PRSI) at the highest rate of just under 11% is very attractive for employers. If you look at countries like France, they have a 35% social insurance employers’ rate. So, from an income tax point of view I think our limits are really high and they commence at too low of a salary, but from a social insurance point of view, we are very competitive. We are probably too low.”

Though two of the tax experts believe that Ireland could possibly have a tax relief scheme like the Netherlands, the social insurance aspect is something which should be taken into consideration. The rates are considerably lower compared to other EU nations and it is a positive when expatriates relocate. They end up paying high amounts of social security to the government and have issues claiming their money back in case they go back to their home country.

**Question 5: What kind of tax relief scheme would you like to see in effect for foreign workers on assignment?**

Both Tax Expert 1 and Tax Expert 3 said they would like a simplified system, where there are no hassles for the company, the employee and the government.

“If you as an employer say well, god I have to go through all this, fill out all these forms, and all cross checks and stuff like that, then it’s not worth because time is hugely valued commodity for an employer. It costs them the time to do this, it cost them the money as well.” – Tax Expert 1

Tax Expert 3 said “So, what would make it easier both for the employer, the employee and the revenue commissioners and for our government is that we have something which is a simplified model that we can implement as advisors to say, you can be here for two months and there is no problem, or you be here for two months and pay a flat 30% tax rate for example and try and use that as a way to make it easy for people to come here.”
by Tax Expert 3 stating that they have to file a tax return for the employee to get a tax back and have to make multiple visits to the Revenue authorities.

So, it is quite evident that SARP has a lot of documentation and other compliances which makes life difficult for companies, service providers and even the assignees.

4.6 Objective 4: The importance of a lucrative tax relief scheme for international workers, in Ireland in light of the skills shortage, and with Brexit in the offing

Question: How important is it for Ireland to have a lucrative tax relief scheme for international workers

i) In the current situation where there is a skills shortage mostly at mid-level and starting positions

“We see at the moment shortages in the health sector, shortages of doctors, qualified nurses etc. So, from that point of view and from having a larger pool of qualified individuals to choose from. Not just in the executive or higher level. There are skill shortages in many areas and a scheme like that would help alleviate it.” – Tax Expert 2

“We have been looking for good people. It’s very difficult to find good talent people because for all reasons, we were talking about, we have high tax rates so people maybe want to travel because its more lucrative. Go off to Abu Dhabi for five years.” – Tax Expert 1

Both the tax experts are of the view that Ireland needs international talent and it would be the need of the hour.

ii) With Brexit around the corner

This was a question posed to all the six interviewees to understand their views about the prospects for Ireland post-Brexit. Needless to say, all the six interviewees said that the scope was massive and Irelands future is bright in the days to come.

Tax Expert 3 starts by saying that Ireland, like the UK, has the remittance basis of taxation. However, the UK charges a hefty fee when an individual lives for more than seven years, and Ireland does not charge any fee. Hence, when Brexit was announced, there was an anticipation that the first stop for individuals to relocate would be Ireland, but that was not the case. They
are of the view that SARP should be modified to get high-income executives in the country which would be beneficial for the Exchequer. “So, it’ll be interesting to see if our government reacts, to try and make it a little bit more attractive or a little bit more marketed or targeted towards those individuals because there is an opportunity there with people wanting to leave the UK, because it looks like it could be a hard Brexit than people might have realised. So, it is important for Ireland probably specific and designated to attract those pool of people which makes them feel a little bit special.”

“If it’s a no deal Brexit, there will be more institutions leaving the UK and particularly leaving London and it’s very important to try and attract those. A lot of the decisions will be made by the head executives. From their side of things, they will look at their personal tax situation if they were to relocate. I know it shouldn’t be the determining factor to where they move their company, but it will prove to be some kind of formal factor. So, with Brexit around the corner, all these questions are very important for Ireland. Particularly, UK is our nearest neighbour and it’s our biggest trading partner and obviously we share a border with the UK. So, for us it’s more important than any other country in Europe.” – Tax Expert 2

Recruiter 1 said that people who are at the mid-level career phase in their life will probably make the move to Ireland instead of going to places like America and Australia. Also, JP Morgan and Barclays have set up new operations in Dublin and this means that there would be an inflow of more skilled candidates in Finance and IT. “No one knows and we probably won’t know until the coming months but no matter what happens it’s going to have an impact on the recruitment market over here. If it’s a no deal Brexit or a soft Brexit, it’s still going to have an impact on Ireland because a lot of companies and companies who have a setup over here, they want that access to the EU market, irrespective of what goes on if it’s a no deal or a hard deal or no deal so they have already made up their mind. JP Morgan wouldn’t be investing in a building, Barclays wouldn’t have moved over here if they weren’t fully invested in it, you know.”

These are only half the views of the interviewees. It can be summarized that the potential Ireland has is massive. There are growth opportunities in every sector and companies are also moving their operations from the UK to Ireland, just because they can still be connected to the EU. It can also be noted that there would be a need for mid-size positions with these companies coming in.
Chapter 5: Conclusions and Recommendations

Conclusions

1) Skills Shortages and need for International Talent

As per the comments of the three recruiters and the literature stated in Chapter 2, it is evident that the skills shortage is a massive problem at the moment. Both companies and recruiters are facing a hard time finding the right candidates. There is also minimal movement in the market, i.e. candidates are not searching for prospective jobs. Companies are adopting various means to deal with the skills shortages such as hiring temporary staff and setting up internal recruitment teams. They are even trying to market themselves on social media platforms. Recruiters are also working side by side with companies and guiding them on aspects like the right salaries, and the ways to attract the best candidates. One of the main points stated by all the three recruiters was the country is almost at full employment right now. There are more jobs being created in the country, and there is not enough talent at the moment to fill in those positions. The main sectors which are need for skilled talent are IT, ICT, Healthcare and accounting. The vacancies are also mainly in mid-level positions. Looking at the views of recruiters, the average salary of the mid-level positions would be around 50,000-75,000 Euro.

Due to the skills shortage, the next only possible way to reduce it considerably is by hiring overseas talent. All the three recruiters said that they are massively hiring overseas talent for a number of skilled positions mainly in ICT and Accounting. Though they have other clawbacks when it comes to visa issues and right to work. Companies too are going abroad to find the best talent. Hence, it can be concluded that the need to hire overseas talent will be strong and will only increase on a year to year basis.

2) Brexit

With Brexit just a few months away, there is going to be an influx of companies setting up operations in Ireland. This means that will be an inflow of overseas workers coming to work in Ireland. These could be workers anywhere from mid-level positions to skilled positions.

Points 2 and 3 only indicate that there will be more inflow of international workers in Ireland in the next few months and years to come. If Ireland has a lucrative tax relief scheme aimed at
bringing in talent, it could help fill in important jobs which will only lead to more taxes for the country.

3) SARP

After summarizing the primary and secondary research, it is evident that SARP is not a very efficient tax relief programme. Though it is a good start for Ireland, it does not have the mechanisms which tax relief schemes in France and Netherlands have at present. It is tailored only for executives having high salaries. Also, as stated by Tax Expert 2, SARP reduces the effective tax rate only by 10%. This means an individual earning a salary 80,000 Euro who qualifies for SARP would barely benefit from SARP as opposed to an individual earning 500,000 Euro. The tax experts also agree that the scheme should be more flexible in order to accommodate skilled talent and should also be open to local Irish companies. Tax Expert 1 and Tax Expert 3 also said that there is a lot of compliance involved while claiming the tax relief and a simplified relief structure would be beneficial to all parties involved.

**Recommendations**

The positives of an efficient tax relief scheme would be massive. The taxes deposited to the exchequer was 41 million Euro in 2014 with 302 assignees availing SARP. This figure would be much higher now considering there were 793 assignees who availed SARP relief in 2016, which is more than a twofold increase. Considering two very important aspects which are Brexit and the skills shortage (mid-level upwards positions) there is a need for Ireland to pick this opportunity and have a robust tax relief scheme.

Since there is also no clarity on SARP after 2020, the Irish government can possibly work on a tax relief scheme which has the following features:

1) An entry threshold of 50,000 Euro and the cap should be 1 million Euro

2) Rate of relief - 40%

3) Open to individuals only in the sectors where the skills shortages persist (i.e. IT, ICT, healthcare and accounting)

4) Have no clause of DTAA like SARP
5) Open to individuals deputed on assignment, new hires and students (with relevant work experience)

6) Open to MNCs and local Irish companies

7) Tax relief to be calculated on pro-rata basis if the employee comes during the middle of a tax year (just on the lines of SARP).

8) Have very simplified paperwork and compliance where there are very few forms to be submitted and the employee can claim tax back in annual return.

The scheme could possibly be valid for five years, possibly from 2019-2014. Considering it would have to be revamped to the economic situation in the country after five years. The mechanics of calculation can be just like the current SARP because a flat rate scheme like the Netherlands would give individuals at very high incomes a great advantage. Hence, the rate of tax might not be the biggest motivator for individuals earning incomes between 50,000-65,000 Euro. However, individuals earning between 80,000 to 120,000 Euro would benefit a lot from this scheme.

**Example**

Supposing an individual is hired from Spain who earns 90,000 Euro a year including bonuses. The individual would qualify for relief under the scheme. The relief is calculated as follows:

Deduction from taxable salary: \((90,000 \text{ Euro} - 50,000 \text{ Euro}) \times 40\% = 16,000 \text{ Euro}\)

Relief available is calculated at marginal tax rate of the employee = \(16,000 \times 40\% = 4,000 \text{ Euro}\)

However, this calculation is only an example from the features listed above. The features could be tweaked to make it a more efficient model mainly for individuals between incomes of 70,000 – 100,000 Euro.

Also, an excellent suggestion given by Tax Expert 1 was the introduction of a married couples band. This could possibly be a motivator to young families planning to relocate where both the spouses are working in professional sectors. They can avail the married couple’s relief where both the individuals are given benefits and a tax back.

If the Irish government implements a third tax band, that would probably be the best solution to the progressivity issue. The tax paid by individuals in the middle incomes (40,000-65,000 Euro...
Euro) would reduce considerably. As mentioned by Tax Expert 1, the introduction of another tax band would benefit thousands of individuals. The difference in taxes which the individual receives would actually be put back into the economy and that in turn would lead to more taxes from VAT and Corporation tax.
Chapter 6: Self Reflection

This chapter will bring to light the researchers learning style during the MBA Finance degree and the dissertation. The focus will be placed on all-round development and honing of skills of the researcher.

6.1 Learning Styles

Kolb et Al. (1984) developed a model on learning theory called the learning cycle. This model says that learning is an active process which can be learnt through reflection, experiences, learning of concepts and application of concepts. It is a circle which goes on and on and new experiences keep entering the circle. The learning process remains incomplete if an individual does not complete the entire process and poses challenges to their existing knowledge and skills developed.

Academics concur with this model’s efficacy to illustrate the learning phenomenon. However, they are of the view that other learning styles exist as well. Few academics have an approach which tilts towards to neurolinguistics and psycholinguist viewpoints (Andreas and Faulkner, 1996). An example is separating learning styles according to an individual’s sense which is the approach to learning styles:
1) Visual Leader
2) Auditory learner
3) Kinesthetic learner

However, many other academics are of the view that it can be linked with the learning theory of Kolb et Al (1984). Honey and Mumford (1986) backs the view that individuals can be sorted according to Kolb’s learning cycle, i.e. the cognitive approach to learning. There is a learning style for every step in the process:
1) Theorists
2) Pragmatists
3) Reflectors

4) Activists

Figure 13 below is a modified version of the Kolb’s learning cycle with the developments of Honey and Mumford (1986).

![Kolb's Learning Styles Diagram](image-url)

*Figure 13: Kolb’s Learning styles*

Source: (Beever, 2018)

6.2 Learnings from the MBA degree and dissertation

An individual can improve their learning style only when they are well aware of their own learning styles, and have deeper know-how of the learning process. Learning styles can also be improved by knowing the strengths and weaknesses and linking them with each learning style. Hence, I thought it was mandatory that I am well aware of the learning process and the various learning styles in order to have a deeper understanding of myself through the self-reflection and what I have learned during the dissertation process and the MBA degree.
The MBA Finance degree at Dublin Business School and the dissertation process have taught me a lot of things as a person and has also changed my perspective about myself and life in general.

**Building contacts and networking**

Through the research topic I chose, I was lucky enough to meet experts from the tax and recruitment industry in Ireland personally. It took me a lot of courage to choose a research topic of this magnitude. I have no technical knowledge of the Irish income tax system, but I thought it would be a great start to building a career in tax in Ireland. I also attended a number of jobs fairs in the college and was able to connect with recruiter and gain plenty of insights about the job market in Ireland.

**Confidence**

I am someone who is quite confident when it comes to talking to people and holding a conversation. However, the primary research process in the dissertation where I had to approach people working in the tax industry in Ireland was a challenge. I was almost going to give up at one point, but then I told myself that I can’t give up. I have come this far to succeed. I kept trying and was successful in the end. I had to read voraciously about the tax system first before I could jump to my research topic and approach tax experts who had 10+ years of experience behind them and ask them questions face to face. This was really a big confidence booster and it will help me massively in my future endeavours.

**Writing and research skills**

I am not from a research background and I was completely unaware about the academic style of writing and referencing. Through the assignments, I was able to hone by academic writing skills and learn a style of referencing called the Harvard style of referencing. I was also not used to writing long documents of 4000+ pages using academic references. The dissertation was the biggest challenge where I had to write almost 20,000 words. I have never written a research of this length ever and it has taught me a lot. My research skills have also tremendously improved. It not just about searching from the internet and copy pasting, but reading academic articles and forming links, something which was extremely useful to me.
**Personal and professional growth**

The MBA degree has helped me both professionally and personally. The knowledge I have gained through all the exams and projects will help me in the long run. All of them were on current affairs and things I was always intrigued about. It has also helped me personally. I introspect and see what I want to want to achieve when I start something new and what can I learn from it.

**Adapt to change**

Coming to new country was a culture shock to me initially. International exposure has helped me adapt to change both as a person and personally. Acclimatising to a new environment was not easy initially, but it was definitely worth it. It has also been five years since I last attended college and wrote projects. Again, it was slightly difficult getting back to studies and working on assignments and preparing for exams.

However, there are certain areas where I feel I need to really improve which I have struggled during this course.

**Time Management**

My general nature is to procrastinate and keep things for the last minute. Due to this, I struggle in time management and am not able to achieve what I aim for. This dissertation has taught me that I would need to change my attitude and be on the top of my game if I have to succeed in whatever I do.

**Multitasking**

Multitasking is something I have always struggled with and have again had the same problem in the MBA degree. Though, I have improved by prioritising my work and adhering to deadlines. I still feel that I need to work on this area as this will go a long way, both in my personal and professional life.
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Appendix 1 – Draft questionnaire – Recruiters

1) What are the types of skills shortage that are prevalent at present? i.e. Labour shortage and recruitment and retention problems?

2) What are the main sectors which are in dire need for skilled workers?

3) What are the kind of problems being faced:
   - By recruiters
   - Companies

4) What are the means you are resorting to, in order to deal with the skills shortage?

5) Are the roles which have to be filled in mostly starting and mid-level positions or senior positions (executive)?

6) As a recruiter, do you see the need to hire International workers for a number of job positions. If so, are the numbers increasing on a yearly basis?

7) The Special Assignee Relief Programme (SARP) has helped bring in senior executives into Ireland. Do you think the implementation of tax relief schemes for International workers at starting and mid-level positions would help source in more overseas talent in Ireland?

8) What are the prospects post Brexit for Ireland to attract international talent?

Appendix 2 – Draft questionnaire – Tax Experts

1. In your experience, do individuals consider income tax as a key factor while relocating to a country where income tax rates are much higher?

2. As per the Irish Tax Institute, Ireland has the most progressive tax rate among all the EU countries. What are your views about:
i) The progressivity of the Irish income tax system

ii) The high marginal tax rate which is 52 per cent

The Special Assignee Relief Programme (SARP) was implemented in Finance Act 2012 to foster relocation of skilled senior executives to Ireland. In the first 2 years, SARP had a very poor take up, but the numbers shot up after 2013 and are increasing year on year.

3. At what kind of roles/positions are individuals registered under SARP?

4. Should new tax relief schemes be implemented for foreign workers at different salary positions or should SARP be modified/tweaked to suit the needs for all (MNCs and indigenous companies)?

5. Do you enough is being done at present from an Income tax perspective (i.e. offering tax relief schemes), to attract skilled talent into Ireland?

6. Can Ireland replicate a model like the Netherlands where all overseas individuals are taxed under one scheme (i.e. the 30 per cent ruling)?

7. Is Ireland at par with other EU countries when it comes to tax relief schemes offered to international workers?

8. What kind of a tax relief scheme would you like to see in effect for foreign workers on assignment?

9. What are the alternatives which companies offer to attract foreign workers in absence of a tax relief scheme and what are the costs incurred by the company?

10. The cost benefit to the government is massive. With more individuals being registered under SARP, more taxes are being received by the exchequer. How beneficial will it be to Ireland if SARP can be availed by all overseas nationals working in the country?

11. How important is it for Ireland to have a lucrative tax relief scheme for international workers:

i) In the current situation where there is a skills shortage mostly at mid-level and starting positions

ii) With Brexit around the corner
Appendix 3 – Interview Transcripts

Interview 1- Recruiter 1

Me: Thanks for taking out the time.

R1: No problem whatsoever, delighted to try and help. Just looking at the first one here (reads question) so skill shortage and what are the types of skills shortage prevalent at present?

R1: Just to give it a context, here we have got 4-5 different divisions. You’re looking at IT, sales and marketing, finance division and we also do HR and some executive roles as well. Within every single one of those divisions at the moment were having issues with labour shortage. Were almost at zero percent unemployment in the market at the moment, which means that the amount of candidates that are on the market that are actually even looking for jobs is dropped dramatically over the last three or four years and what you're finding is that people aren’t really moving from their jobs and are certainly not being active in the market looking for new opportunities and in the areas that I could identify from the financial point of
view, definitely qualified accountants, senior accountants, systems type of candidates. I know that the guys on the IT division are having huge difficulty resourcing for software developers and those type of candidates to the point where we have noticed a lot of companies have actually gone to places like Ukraine and they've gone to Eastern Europe and hired developers over there to do work for over here.

Me: So, they are basically outsourcing the work?

R1: No, they're not really outsourcing it because they have employed them as members of the company, but they're paying them the equivalent of a decent salary in the Ukraine as opposed to what a developer will be getting in Ireland and then you're looking at, to give you an actual example, a really good software developer over here if they're working on a contract basis will be getting anywhere between the equivalent of 752 to a 1,000 euros a day. In the Ukraine that cost is somewhere in the region of 60-90 Euro a day and that’s for the best developers they have over there. So that's an enormous difference. So, for a company, it makes sense for them to do that. But then that's not always possible. So, when you're looking over here, we look at job boards every single day. We are putting jobs on monster, we are putting jobs on Irish jobs, were using LinkedIn professional, we have got our own website as well. We are advertising massively, we are doing huge amount of marketing, online marketing, digital marketing and even with all that there is still a shortage of candidates coming through. So, if you look back three or four years before, four years anyway, for most of the common roles that companies would look to recruitment people to recruit for you would probably get three, four, maybe five really good qualified candidates for each particular position and you are finding that even if you can find one candidate, you are doing really well.

R1: So that’s been that's been a major, major issue. I think if you talk to anyone in the recruitment industry, they will say the exact same that there are not many active candidates on the market, it’s all been passive candidates so what we are having to do is actually approach people who are in companies at the moment, who are working to try and sell the job, to try and get that interest. But even when you do that companies are so worried about losing their existing staff and what we're finding is that even if you get someone. They to go to an interview, they get offered another job, their current company would come back and counter offer them and give them more money because the cost of that business leaving to train someone or to get someone in, god knows how long that’s going to take. So, that's what you're finding, is that people, the salaries are increasing and you are also finding counter offers are happening
massively. Companies are just really worried because they know what it's like in the market to try replace these people, that they're trying everything they possibly can to keep them.

R1: So, in terms of the sectors which are in dire need for skilled workers, definitely IT. Ireland, Dublin in particular. Maybe Cork as well. You have Google, you have Facebook, you have got massive fintech, start-up software companies. It's all over the place, it's huge. So, every single one of those companies are all looking for similar type of people. So, it's there's a massive shortage in the tech industry.

Me: What about the ICT sector?

R1: Yeah, absolutely. That's another massive one that is definitely short of skilled workers. Like if you had to go online right now, the amount of jobs that you would see that companies are advertising directly would be huge, and always a good indicator I feel for what's going on the market. When you look at say the big professional accountancy firms, you have Deloitte, PWC, EY and KPMG and even Grant Thornton even if you go to top 10. If you look at the amount of roles that are advertised the moment, that's huge. The reason they got those roles advertised, is because the volume what they are getting to give to their clients is huge. So, it's all relative and it's a really good indicator of what the market is doing when you see the amount of jobs they are actually recruiting for. Finance is always an area for skilled workers, pharmaceutical as well I would say that's a that's a big area, telecommunications and aircraft leasing in Ireland. Aircraft leasing would be would be a big one, it's a very big sector. It's quite a lucrative sector to get into. There's a bit of a shortage in that because they are usually looking for people who have aircraft leasing experience.

R1: So, the kind of problems being faced for recruiters, it's purely just a, it's a supply and demand you know, there's loads of job opportunities there, but it's just actually identifying and finding the candidates that would be the biggest issue that we're facing at the moment, and for companies, I would say it's two things. Attracting candidates who are getting the message out there and the second thing is keeping their stuff actually retaining the staff that they have at the moment. I think a lot of companies are very reactive in their recruitment so, they don't do anything and then someone leaves and then you react to something. I don't think they're being proactive in terms of talking to people, finding out if they're happy and that type of stuff that the more proactive piece. So, I think that companies are quite reactive and when people leave, they're like, Oh, what we're going to do and there's so far behind where they need to be. I think
that's a big issue for a lot of companies as well. I also think a lot of companies are taking internal recruitment teams in house thinking is that’s going to solve the problem and it doesn't really, because you know these people are just purely recruiting for just one client if you like. So, I don't see that working massively well either.

R1: What are the means we are resorting to in order to deal with the skill shortage? We have been looking overseas, you know, we have been broadening it. We are trying to keep it within the EU for visa, makes it easier because a lot of people, a lot of our clients will be looking for people who have a right to work number 1, stamp 4 would be great, but anyone on graduate visas or that sort of thing clients are definitely looking at them as well, and that's opening up a bit of a bit of a market. Then going directly to universities and then identifying people who are coming out and maybe not just a straight graduate, but a graduate who has got a little bit of experience. That something that we're doing. A lot of digital marketing and social media types of which is lot different to what was years and years ago and they would be the main ones really yeah, they would be the main ones.

Me: When you say directly going to universities and hiring from there you mean international students?

R1: Yeah, yeah, international students

R1: So, with regards the type of roles, you know, this is interesting. Companies in general if it's going to cost them a lot of money to hire someone outside of the basic salary, bonus, pension and if you break all that down like someone on senior level, let's say 100k + with a bonus, which could be 15 to 20% and then you look at the tax on top of that, the PRSI and so on so forth, that's costing the company you know, it could be causing anything close to 200k to hire that person right so, if they have to pay for more senior levels it’s not that bad, but if they pay for a visa and so on so forth, they'll always be reluctant. They will always try and get someone that's got the right and no sort of visa issues in general okay, but they absolutely if they need to, if it's a real specific area, niche area, where they can’t just get someone, they will absolutely do whatever they need to do to get a candidate. I would not say that about the lower end. So, the mid-level so when I talk about mid-level, I'm talking about someone who is probably three or four years, probably five years into their career. Anywhere between 65 to 85,000 Euro as a basic salary. That's what I would consider mid-level and anything more senior level you are in that 90k plus you know, six figures.
Me: So, there are majorly a lot of roles in starting and mid-level positions more than senior roles?

R1: Absolutely, yeah. Senior level roles, just because it's not as many of them but the big gap would be that 60-80, 85k let’s say.

Me: Mid-level?

R1: Yeah, Exactly, a lot of skills shortages in that. Yeah, I would say that.

R1: (Reads question) As a recruiter, do you see the need to hire international workers. Yeah, like ill give you a real live example fairly recently, we were working with a really big international company called I insure, they are owned by liberty mutual, one of the biggest recruitment companies in the world, and within the financial analysis and planning team, so basically accounting, they were looking to hire in a graduate, to help out and very very exciting role to any graduate coming out and we had a lot of interest, a huge amount of interest. I’d say we probably had 20 applicants who were good on paper and we ended up getting 4-5 interviews. You do find that companies are hiring people based on their abilities and their skillsets, not just about where they are from. That is increasing on a yearly basis. It just has to, like there’s not enough people in Ireland, with the relevant skills for what the market is looking for right now. So, if companies aren’t looking outside of the existing people in Ireland. If they are not looking internationally, they are going to be missing out. They just won’t be able to fulfil their recruitment needs if you’re just relying on what you are going to get from the Irish market. It can’t work if you look at the amount of jobs that are out there, many companies so on and so forth.

R1: Just with problems as well. Sorry just to jump back. Some of these problems faced by companies as well. You know yourself, Dublin the rental market actually being able to afford to live in Dublin. So, and Dublin you know got geographical areas, you got North Dublin, South Dublin and so on, it’s not massive, but if you’re living North Dublin, and you’re working in a company and then a job comes up that’s in South Dublin, they might take that because the distance to travel might be huge and then if they want to move there, they just can’t afford it. So that’s a big thing as well. Cost of living is rising and companies aren’t massively reacting to that. Like if you look at the increments in salaries as gone on a number of years, it’s not in line with inflation and certainly not in line with the cost of living, so that is becoming a major
issue. Its whatever about identifying the people, where are they going to live, so I’ve seen companies even as far as Dundalk, Kildare, companies are branching out of Dublin City centre now to try and solve that problem, and it’s think that’s a really good idea because as we move into a more a bit more of a flexible working environment, people don’t necessarily have to be in an office day to day, I think that could solve a lot of problems. The numbers are definitely increasing.

R1: So, The Special Assignee Relief Programme, this is interesting. So, we were talking about this before we started this interview and I do feel that is something that needs to be looked at. Like I went and lived and worked in Australia back in 1999, and I went there and they had a Living Away from Home Allowance (LAFHA). You know what, that LAFHA was in place right up until about four years ago. Its only four years ago they stopped it, but with that tax agreement, that LAFHA agreement allowed any one coming outside of the Australia so, expats people from Ireland and the UK coming over, we were allowed to take whatever you were paying on rent, they would put that in and take out your gross salary so you’re actually getting more money income tax wise and it was a massive benefit and it attracted a lot of people to Australia and a lot of people stayed over there as well and that was at a time when they were going through quite a skills shortage. It certainly worked for them, it certainly did. So, I do think, you mentioned the Netherlands as well, in terms of the problem they have, I think that’s a very clever idea and I do think that something like this in terms of attracting people over here, if there’s some sort of tax relief or benefit, because the tax rates are high over here, you got the Universal Service Charge as well which is tough and then you’ve obviously got the cost of living which is going up and up and up. So, if you’re looking at salaries, the financial package of things and weighing it up against the cost of living here, I think someone coming from abroad over here, it’s not that enticing at the moment, you know. So, I think something like this where, there’s much more of a benefit. Even if it was only over a period, come to get started, year two, three whatever it be. There might a finite time that you have this. I think it would be a really really good thing to do and I do think it would definitely attract more candidates. Yeah, definitely.

Me: That’s a really good insight about the entire thing.

R1: (Reads Question) The prospects post Brexit. See, yeah, it’s really interesting this and it’s so relevant right now you know. Like we’ve seen. You take the financial services, London, major financial service centre and they have been bleeding between Frankfurt and Dublin. The
majority of the really senior roles have and are going to Frankfurt, it’s been decided that Frankfurt for a lot of these really senior ones and what you’ll find over here is that the sort of back office type stuff. So, JP Morgan are building a massive building at Grand Canal, Barclays have just opened up an office at Molesworth street in Dublin and that’s all high-volume fund administration. Just in effect to keep the money flowing through the EU because they can’t do that now through London, so and there’s a massive shortage in that area. They are trying to find fund accountants, or transfer administrations, or pricing administrators, or anything to do in the Financial services back office lower level 30-45,000. It is really competitive ok, and that’s a big area where they are going to struggle and they will need people. So, I don’t know how they are going to address that, because that’s the type of people who’d probably be coming out of a graduate programme you know. Maybe done a masters in something and even their first or second job and that’s the lower level that you’re talking about. So, while we haven’t seen much at the lower level in terms of, we talked of mid-level positions and senior positions and I said that wasn’t as much in the lower level. I think with Brexit in mind, I think that could open a can of worms for the more lower level type of jobs, so that’s what I see potentially going, it’s going to be interesting. A lot of big legal companies from the UK moving in now as well because they want to be able to. We are the closest and we speak English over here as well so a lot of companies from the UK will want some sort of access to the EU probably from Ireland. So that’s going to make it even more challenging I think for attracting talent and will people come from London? I think some people will just depending on where they are in their career. I think you’ve settled, if you’re married let’s say, you’ve got kids, I don’t think you’re probably going to make that move, but I think the more mid-level type people who are like, rather than go to Australia or go to America, they might come to Ireland and give that a go, that might happen but it’s very difficult to tell, we don’t even know what’s going on at the moment, but that is going to absolutely have an impact on the recruitment market and they are going to need more people without any shadow of a doubt.

Me: A lot of ambiguity around that at the moment.

R1: Huge, absolutely massive and no one really can tell you, even now they are just going back and forth and will it be a no deal Brexit, a hard border? No one knows and we probably won’t know until the coming months but no matter what happens it’s going to have an impact on the recruitment market over here. If it’s a no deal Brexit or a soft Brexit, it’s still going to have an impact on Ireland because a lot of companies and companies who have a setup over here, they
want that access to the EU market, irrespective of what goes on if it’s a no deal or a hard deal or no deal so they have already made up their mind. JP Morgan wouldn’t be investing in a building, Barclays wouldn’t have moved over here if they weren’t fully invested in it, you know.

R1: So yeah, hope that sort of helps a little bit.

Me: Absolutely. Thank you very much.

R1: Not at all.
**Interview 2 – Recruiter 2**

RI: Thanks for taking out time for the interview.

R2: No problem at all. I suppose to get started, the skills shortage in Dublin, Its almost across the board. Also, I’m speaking very much from a professional services background so my background will be in big audit firms but working in the industry recruitment you can see it’s not just in accounting and tax but even in engineering, supply chain, legal. IT is a big one at the moment now, but there’s a huge shortage of candidates. I suppose it’s just at the back of the economy doing so well, you know there are more jobs and less people at the moment. There’s sort of problems coming into play to make it that perfect storm. You have the rental crisis, people are looking at Dublin as a location, it probably checks out in a lot of way for them, probably in terms of you can say quite a modern multicultural city but then they start looking into the nuts and bolts of it. How much is the rent going to be, can I get my family over here, so it’s kind of difficult of squeeze.

R2: It’s kind of hard to say what kind of sectors are in dire need speaking from my own point of view. Accountants across the board, especially within audit and tax. That’s kind of caused by the accountants who train with the natural way for Irish to train within a professional services firms so you go in, you can go to audit, tax, some guys go into consultancy, but generally what happens is you go in do your four years you get qualified and then you start looking at roles within industry might be a big multinational, PLCs or whether it be a big asset management company within the kind of financial services industry. Two reasons why people look that way, is because historically, they still do, they are still paying more and they are bit more progressive in terms of working hours, work structures, flexi benefits that are coming in, I think a lot of firms are looking out and seeing the most successful companies in the world, you have Google, you have big tech companies and the modern day views for staff retention, so slowly we are seeing that coming in. It’s very hard for financial services institutions and professional services kind of professional firms to implement that because I suppose the nature of business would be shirt, tie, suit, so it can be quite difficult for them to do it, and I think the longer they can stay at that point you know they could be left behind in terms of suppose new millennials. You know people are much more in touch through social media these days. Years ago, maybe, think back to my dad, maybe he was in one company for his whole life, whether that be, was he comfortable, or did he not know was the information out there say I can make this move, or I could make that move or this company is great. There’s huge amount of
information out there. People keep going to Glassdoor and check into a company. You can leverage off your LinkedIn, you might connect with somebody you might have went to school with, they might work there ask them how it is, what’s it like, so that’s the story for some of the firms looking as I said, some of the roles and they’re getting much better at staff retention.

R2: So, I suppose the main problems being faced at the moment for recruiters and companies like is people. That is the biggest sticking point at the moment. You’ll probably hear a lot now in this quick interview here, but there will be huge amount of times I’ll probably bring the lack of people up. Just genuinely accounts stress and there’s not enough people to do the roles.

RI: In general? In the country, because there are a lot of jobs created.

R2: In the country, so that’s why I suppose I’m going to bring up a couple of points, we are, looking from my own experience, I am looking internationally now for certain roles for some companies, firms’ hands are tied massively in the international intake. There is from my own experience working with some of the big fours and one or two firms that’s outside of the big four. If you just take a normal company in Ireland medium size or It could be large actually for that matter. If they need to get someone internationally, there’s a lot of hoops for them. There’s a huge amount of paperwork. First, they have to go to the market to prove this, they kind of exhausted every avenue locally and they genuinely can’t get candidates in for the roles, so they kind of have to prove essentially that it’s a specialised role which can’t be filled locally. So, then they have to, I’m not sure of the whole process now how it works, but a very simplified version is that they go to the Government and the immigration office to say that we need to start taking people in, whether it be critical skills visa or work visa. So, they go do that, but that’s a very time-consuming operation for them. You could be looking up to six months here for this and the role could need to be filled within one month. It could be a critical hire or someone who’s timing doesn’t work. Whereas the reason in number of firms and companies within Ireland that are on unapproved lists, they can fast track visas within four to seven weeks. So, we are seeing a lot of firms now leveraging of that. As I said from my own experience, I was in South Africa this year, working with a couple of professional services firms. They are getting over South African fully qualified accountants over from predominantly Johannesburg but they took one or two from Durban and Cape Town. Take them over here to Ireland to join the Audit departments of these firms on a two year critically skills visa which in turn will roll into a stamp 4 visa. Also, that is quite restricted, first of all you would have to be interested to have to be interested in making a move off to Ireland because you are coming here for two
years and there will be kind of clawbacks in relocation. You will be liable if you leave, but the other side of it, you are going to be very restricted in what you can do. You are going to be coming over to Ireland and work as an auditor. You are not like someone with a stamp 4 or EU passport, or an Irish citizen that if things are not working out you can just ring up a recruiter or ring up a company and say can I get into this? So, you have to think of that as well. So that can be quite difficult. From my perspective again, audit is predominantly where we are dealing. It not the area a lot of people want to be in. People generally come through these professional services firms. They train for 3.5 years because it gives you a great training and it gives you exposure to some of the biggest companies in the world and it lets you get into the nuts and bolts of it.

Me: This is about audit?

R2: This is about audit at this stage. Tax on the other side is a little trickier, for the simple reason is different jurisdictions have different tax rules. So, the reason is some parts of tax, there is things that we are working on currently at the moment to try and get tax professionals. We are looking back at the South African market again. There’s no biased towards South Africa, it’s just principally because we have a setup over there. We have three offices in Johannesburg, Cape Town and Durban and firms for the last couple of years, they’ve been looking over there for the last couple of years themselves. If you look at Dublin and take a snapshot, you’ll see a lot of people from Philippines, a lot of people from India, Pakistan, South Africa. They are the four groups. You’ll also see a lot of people coming in from Dubai, Abu Dhabi as well. It just a bit difficult on the tax side because if a firm needs someone to join their consumer industrial markets division within the tax team, there’s going to be a lot of personal tax work done there because they do moonlighting for high net clients. They are not going to know the local tax laws, its different if you look at corporate tax, it’s not such a difficult move but the confidence will always be a bit shaky because there will be a lot of weight on the Irish experience.

R2: It’s the same with audit. There might be couple of different methodologies from firm to firm and might be a few things done differently from country to country but essentially the job is the same. Everything stays the same, whereas in tax there’s a lot of variables, there are different rules, jurisdictions, laws so it can be difficult. At the moment we are trying to work with some other firms in transfer pricing, because the whole concept of transfer pricing is from jurisdiction to jurisdiction so it wouldn’t really matter which side, you’re on. So that’s one area
which we think could be the most transferable head of tax at the moment. That’s from the international side of things, we are not seeing that huge amount in industry roles because once again at the moment, they are kind of happy with the flow of candidates still coming in from professional services but that will stop because the more jobs that come over, the more banks that come over here, more tech companies come over so that will stop. I think we will start seeing a huge amount of more international candidates, but at the moment a lot of these companies are running not at full capacity because they just can’t get the numbers in. I speak to people all the time. So, we’ve been looking for a tax manager for three months, but what have you been doing? We are doing the best we can. Of course, it would be ideal to have someone in there to Take huge amount of pressure off which is having an effect on other staff as well because they are working longer hours now because they are down a man or two. So, it’s a become a bit of a perfect storm of you know. Somethings going to have to change or whether not, it’s not going to be quick change. There’s not a one easy solution for it, you know. I’ve answered that question quite well as I focussed a lot on the international side.

Me: Yeah

R2: I just kind of went into it.

R2: (Reads question) What else are we doing in order to deal with it? We are seeing that a lot of the graduate intakes are shooting up. The numbers, like you just read in the papers now, it’s been record years since even pre-boom times graduate numbers especially. I keep talking about professional services, but its best to talk about what I know. Their graduate intakes are high this year and that will keep on increasing just to deal with the flow of people. They need more human capital in the business.

Me: These are looking at more at mid-level and starting level positions. More in senior roles?

R2: It’s hard to get the seniors in. As I said you could be waiting a lot of time to get a senior in.

Me: So most of the positions that are vacant right now are from starting to mid-level positions?

R2: The vacant levels are across the board, you got the very high-end tax directors, tax partners right now to the lads who would be doing the nitty-gritties, they would be knowing the nuts and bolts of it. Compiling the things, at the moment it’s across the board.
Me: So, there is no disparity between any sort? There are more positions in starting and mid-level?

R2: The need for most people is going to be in that mid, someone who is just qualified 2-5 years. That’s generally where a lot of people leave.

Me: So, from a salary perspective somewhere around 35-50,000?

R2: Id say 50-70k. Normally they don’t lose a huge amount of people who put in the training contracts because the kind of signed up for three years and they understand what they are in the training contract for is for is to get to qualification. They do leave on their own accord but they are liable to pay back and they generally do see people at that kind of 30-50k level stay in it. Its at that 50k level up, that’s where they start to disperse. It is across the board, but mostly in that kind of mid-level mostly in that 50-70k. People higher up at very senior roles, they have been there 9-10 years and they can see be in the top of the food chain essentially. There are there for long term. If they had to leave, they would have left 3-4 years ago.

R2: (reads question) Do you see a need for foreign people? Yeah massively. Me more than anyone in the business. You know I think there are much more open to, if you look at the breakdown of people working in professional services firms, you’ll see such a great diverse multicultural environment with people from all over the world, which is great for learning.

R2: Across The board, if you just take away the tax and bring back more accountant, international numbers are increasing year on year. As I said, they are working with recruitment firms, international recruitment firms like ourselves. They are going direct themselves, they are actually sending partners to any country you can think of. Partners say in Deloitte in South Africa and India as far as I am aware. They are out there meeting people, trying to bring them back. I would keep on seeing that increase and that probably will never stop increasing, but fingers crossed because it’s a sign of the times here in Ireland. Its good and bad in more ways, they do have internationally to look for people.

R2: Just on the SARP.

Me: Yeah, so like if you probably think, a tax scheme implemented which would probably benefit people who are working at starting and mid-level positions.

R2: Like some sort of government initiative?

Me: Like you get a tax back on your income. So, would that help getting in more people?
R2: I think, it’s a lucid enough market anyway that it is. It would be great if we get something to that, it would make it a lot easier, but I think even without the SARP people are looking are Ireland. Traditionally, a, lot of people would have looked at the UK. If you’re looking at Ireland, you’re probably the same person who’s probably looking at the UK. Only last year down the back of Brexit, there is lot of uncertainty of what going on. There’s a lot of uncertainty about visas going though. There is a case where 500 visas didn’t go through in the start of the year. People on contract signed, ready to go and you have that uncertainty of what’s the economy going to be like? In the UK, if Brexit goes to a hard Brexit, do you want to be in that country. People are naturally looking over to Dublin, because they wanted an internationally friendly city, they wanted an English-speaking city and one that is prospering. So you have got all three of them. Obviously, that would massively help, because the best way to incentivise people is through money.

Me: So that would be a lucrative scheme if something was offered for staring and mid-level positions.

R2: Massively. Yeah. Well across the board even if you get a high-level executive if you come here for five years, we can give you a tax relief rebate. We can potentially be looking at.

Me: Yeah, we already have SARP for that because the limit for SARP is 75,000.

R2: It definitely would help if they could implement that. Obviously, you depend massively on what the rules binding are, but if they are not looking at it, it’s something they should definitely be looking at, just to attract, but then again, you are going to have to get everyone on board if we are to implement something like that, tax rebates. There’s no point doing it, if there are 4-5 handful of companies that will be willing to take internationally. If we are going to do that, we have to get everyone one on board from the point saying, ok, there’s a bit of a crisis here in terms of getting people to work with us. Are we all on board, are we going to relax our rules to try and get into the country? For instance, to get into the country on a critical skills visa, its quite difficult. You need to be a chartered accountant. The company has to prove that there is nothing on the local market. It’ll have to balance that, we have to say, if we are going to implement this, there’s no point implementing it we are still going to be rigid in whom we take in. We should be looking at opening that much more and coupled with that Ireland can be potentially be one of the best places for International candidates to come over. We are already seeing it in multinationals. They have their EU HQs over here, so why not start bringing in
more people who can be able to service that and can continue getting multinationals in the
country. If you look at the multinationals, its pretty much one reason they are here, well two
reasons. The corporation tax rate, they are there to incentivise to come here so why not
incentivise the workers to come here as well?

Me: With the income tax rates?

R2: Yeah, why give all the incentives to billion-dollar companies? Trillion-dollar companies
actually. If we don’t have people to full it, no matter how good the corporation tax rate is,
there’s not enough people working and they might go to X country. Some other country which
offers them good tax breaks and might be more relaxed. So, yeah, I didn’t know too much
about that I suppose, but what you’ve told me about but that can be the way.

R2: The last one Brexit. Who knows? I think depending on how it goes. So, it looks like it’s a
potentially hard Brexit here. Now what would that do for Ireland? I think the talent will always
follow to companies and vice versa. I know that sounds like a bit of a paradox, but they will
always follow. Operations over here and some other firms have been increasing massively over
the last year and that’s just not Dublin. You look at Frankurt, Paris, if we start getting good
roles into Ireland, the people will kind of follow with it. I think regardless of what happens
with Brexit some companies have made the decision to come over here and people whom I
speak to in England. We work a lot with the English office as well. There is a lot of people who
maybe have made the move 2-3 years ago, made an international move. Their confidence is up
in the air because they made the move on X. The confidence has kind of left now, I think. Can
that potentially change? Obviously, the Irish immigration rules are hell of a lot better than the
UK, to begin with. We are a bit more relaxed, the critical skills is two years and in England its
five. So, there’s a bit more mobility involved than Ireland. So, I think if you look at Brexit, its
really pro-Ireland as a by-product. It’s really for Ireland on the map. You’re looking at Brexit
as near, they are our closest neighbour, English speaking, still part of the EU. More and more
operations will follow from London and Europe and I hope that the talent follows it because
that’s the problem we are having at the moment.

Me: Skill Shortage.

R2: Skills shortage. I know we are primarily focused on tax but if you look across the board,
it’s everywhere. Can’t talk too much about it, but like IT, and there’s not enough accountants,
not enough sales people. Like if you look at Ireland, its 4% unemployment rate at the moment.
Me: I think its 6%.

R2: I thought it was 4%. Oh no, they said it could potentially go to 4 by January 2019, which looks great on paper.

Me: But in reality, it’s not.

R2: It’s not good, even though we are 4% of people, they are probably the 4% of people who don’t want to work at this stage. So, there’s not much movement going on at the moment.

Me: So, people are sticking to their own roles and are not looking at different jobs?

R2: They are, but it’s a merry go around. People are moving more now than they were 20 years ago. People are being very strategic in what they do. They get into one role and see that as a stepping stone to get them into their next role. From what I see from an accounting and tax perspective, people move, first of all they do their training contacts, have their goals set for 10 years and they’ll make the moves necessary to get that goal because a lot of time there is going to be a need to be good at anything I suppose. You need to have as many strings to your bow as possible. So, people are moving a lot. The problem that has created is that’s its causing problems more at the mid-senior market because a company naturally is going to want to have their senior management team kind of part of their culture. So, people aren’t sticking around for long enough to immerse themselves in that culture. They are kind of losing their identity as well in one way. Let say they work for Cisco. They will be Cisco through and through. They understand the culture and everything like that. You can look at people who are in for long term as well benefitting massively. People at senior positions are getting there quicker now because of what’s going on around. If you look at it from a tax perspective, so when you finish your tax exams, if you come through a big four, let’s say for instance one of their tax departments, we generally find the people who are most clued in the market and know exactly what they want to do, they would have lined up a role as a tax candidate in their chosen field before they have even signed off. They’ll be smart enough to know and the best companies will be smart enough to know as well, they should be advertised just around that time. So, the best ones tend to leave straightaway and then it the other lads around the fence. I don’t want to be doing this, I don’t want to do that. You kind of leave them, we have some lads there who weren’t as commercially clued in to the people who have left straightaway. The lads with a foresight and thought about their careers.

Me: That’s a very good insight. Thanks very much.
R2: No worries.
Interview 3 - Recruiter 3

Me: What are the types of skills shortages that are prevalent at present? Labour shortage and recruitment and retention problems. So what kind of problems are you facing?

R3: Well obviously the country is at full employment at the moment, which is great for the staff because there are potential opportunities out there, but it’s difficult for companies and recruitment agencies I suppose. The difficulty is that is as exactly as you said, it’s difficult to find well qualified strong staff and obviously keeping them is the second issue just because there are so many options available to them now. So, if you interview and candidate and if somebody applies for your job, let’s say you bring them in for an interview you can be sure they may be going for 3-4 other interviews with competitors as well. So, a skilled candidate will have a lot of options on the table. They’ll be fully aware of what they are, and its therefore difficult for you to, not difficult but its competitive for you to attract them to your role and get them to accept that over whatever else is out there, and the same goes for retention problems because it’s so competitive. Companies are willing to do all sorts of things to attract top talent, give them sign on bonuses, great packages, holiday leaves, pension, bonuses so its s very competitive market out there.

R3: In terms of skills shortages some of the areas you have mentioned accountancy would be one, ICT would be another, engineering would be one, general IT, there’s obviously the healthcare sector the healthcare sector, the need for doctors, nurses, it’s really pretty much across the board where companies are short of labour. I think I answered your second question.

R3: In terms of dire need, its accountancy, engineering, healthcare and ICT.

Me: What would be the roles? Would they be starting and mid-level positions or senior positions?

R3: Yeah, I suppose its mid-level upwards and skilled. We have a very good education system in this country. There are a good number of graduates every year so that kind of area is somewhat covered, although it is still quite short in a lot of areas, but the main need is skilled workers so that means anyone with 2-3 years upwards of experience, something around those lines.

Me: What kind of salary ranges would they be between?
R3: I suppose anything about 40,000 Euro upwards.

Me: 40-70k?

R3: Something like that

Me: What are the problems being faced by recruiters and HRDs and even companies?

R3: Yeah, I suppose the problems being faced by recruiters and companies are that what I mentioned that candidates now have a lot of range of options out there if they are skilled. They are going to have a lot of options available to them. If I’m a recruiter I might be sending a candidate for an interview with a company, but as I said if they might be having 3-4 interviews going on and each company being aware of that fact, there’s a tendency to offer them higher salaries, bonuses, healthcare, just to attract that candidate.

R3: We’ve got problems in terms of candidates saying that they are going to go for an interview, they don’t even turn up and we can’t get hold of them on the phone, or perhaps they have accepted an offer and you’re waiting for them to start their job and you get calls saying that they have accepted another offer. So, these are the kinds of problems being faced by companies and recruiters.

Me: What are the means you are resorting to deal with the skills shortage?

R3: Yeah, you have to work closely with companies to guide them I suppose and we have a salary survey every year and they’ll be complied. We make sure that companies are very aware of what the salary scales should be so they are very up to date. We guide them in terms as what’s out there in the market, whether that’s telling them about the bonus systems in place, healthcare, pension. Just making sure that they are aware of what their competitors are resorting to. Those would be the main things. Sourcing candidates from abroad would certainly be. It happens in some areas, not so much in other areas. IT would obviously be one where they would source candidates from abroad, accountancy much less so. For example, let’s say Tax, different tax system, just different skillsets and the role in tax might be client facing and sometimes there might be a language difference there.

Me: What about the healthcare and the ICT sector?

R3: Yeah, healthcare absolutely, there’s a large number of foreign nurses and doctors coming over. Nurses from places like the Philippines, and doctors, places like India, anywhere where they have a very strong healthcare system.
Me: So, I’ve got an insight of the roles which have to be filled in. Mid-level positions, which have to be mainly filled?

R3: Mid-level positions, anything upwards, anyone with 3-4 years’ experience.

Me: What kind of roles would they be? Consultant level or manager level?

R3: Consultant level upwards I would say, not the trainee level

Me: Somewhere between a consultant and an assistant manager?

R3: Exactly, right

Me: Are you seeing the need to hire International workers for a number of job roles and are they increasing on a yearly basis?

R3: Yeah, absolutely, of course. The job market is getting stronger and stronger. There’s much more of a need for international workers because quite simply we don’t have the workforce here to till those roles. As I said it is in some areas more so than others. Healthcare yes, IT yes. Accounting, I would say no. There’s not a huge amount of international workers. There’s more of a tendency to recruit local workers in that area.

Me: The SARP was introduced to source in overseas talent especially at senior level roles, to have more jobs in the market. Do you think if there was a tax scheme for starting and mid-level positions in Ireland? Because the Netherlands has a scheme like that and it has really helped them. They have around 13,000 applicants registered under the scheme. Do you think it would be beneficial for Ireland as well?

R3: Yeah, absolutely. To digress, I’m not sure if tax is the biggest motivator for coming here because the salaries are very good. Its good quality of life here, nobody wants to pay a lot of tax, but I’m not sure if it’s the biggest motivator for people coming here.

Me: The tax that you pay if you have a salary of around 35,000 Euro is one of the highest in the EU.

Me: Yeah, 40%

Me: Yeah, 40 %+. So, do you think it would actually help if they’re given a tax break out here?

R3: Absolutely, yeah, why not?
Me: Because the Netherlands has a tax scheme for even newly qualified master’s students and PHD students and they have a leeway where the starting point of tax relief is 28,000 Euro.

R3: Yeah that would obviously be a big help in attracting talent. The cost of living here is obviously very high. Rent is the main thing. When I say cost of living, food is ok, general things like buses, I think they are at par with a lot of other countries. I think the worst is the rent.

Me: What are the prospects post Brexit for Ireland to attract overseas talent?

R3: Yeah, obviously, it will be one of the last English-speaking countries in the EU. There are great prospects, whether that be organisations, there’s already a couple of banks that have made the move. So, I think the economy is going to keep growing here and with Ireland having a strong economy, speaks English within the EU and I think there will be very good prospects to attract talent.

Me: So what kind of roles, because I’ve read that a lot of senior level roles would be in Frankfurt and other positions like mid-level and semi-senior positions would be in Dublin.

R3: I’ve heard that as well, but if the head office is here, we’ll have the tax breaks here. Well presume that the head office is here. As to whether senior executives would live, I don’t know. Maybe they would prefer to live somewhere where there was a slightly better deal on tax probably. Whereas the mid-level workers to be here and doing the work, yeah fair enough, I don’t know the answer to that.

Me: But the prospects are very good post Brexit.

R3: Yes, I think so. I think the financial sector is going to see a real boost, whereas the agricultural sector, where there is a lot of trade with the UK, would perhaps see a jam to it.

Me: Okay, thanks very much.

R3: No worries
Interview 4- Tax Expert 1

TE1: (Reads Question) Do individuals consider income tax while relocating to a country where the tax rates are much higher? Individuals probably less so because they look at their bottom-line, it’s more of an issue for companies. If I’m earning a 100,000 in the states, and people in a way they say my take home pay is X. So, they look at their take home pay. So, for individuals if they are moving as a part of the company, I don’t care what you pay me as long as I am at least as well off. Its s huge issue for companies though relocating here. So, if an individual is moving on their own right, I suppose with a company, it would be a significant issue because, I saw your phrase later in the next question. We do have an extremely progressive tax system and not progressive in the usual sense of the word that it is. You get to the top bracket very very quickly. Much quicker than most European countries. So yeah, certainly, if not necessarily directly for the individual, certainly the level of personal taxes in Ireland is a very significant issue, yes.

TE1: I guess while the corporation tax is something that brings companies in, the top rates of income tax that they end up having to pay to attract talent here and maintain talent here is a huge issue. The progressivity of the Irish income tax system and high marginal tax rate, its actually up to 55% in some cases as opposed to 52% if you have non-employment income. I mean at a certain level it becomes a disincentive to entrepreneurship and its essentially is almost forcing you into setting up a company in a way. Its nearly counterproductive for individuals to set up a sole trade because over 35 odd thousand, which with all due respect is a much of an income particularly for living in Dublin city, you’re giving half of it back. Certainly, I think at 35,000 which is only just above the average industrial wage,

Me: 33,000 and odd. The OECD wages.

TE1: You’re paying at 35,000 approximately, you’re paying 48.5 %, I think.

Me: Right, including USC and PRSI. A total marginal tax of 48%.

TE1: Yeah, which is extremely high at that level. 18-20 years ago, at this stage if you are a married couple, you’d have the full married couples’ band, of 70,000, but now you can only give nine across from one spouse to another so I certainly think it’s a disincentive.

TE1: The SARP. With all the tax reliefs, they tend to be great on theory and a minister will really relish while announcing a budget, but the actual implementation of them tends to be
wrapped in red tape a good bit. There are enough amount of forms to be filled, so we have a few of them and a lot of time, it doesn’t get done and it and it ends up having to be claimed back by the employee separately.

Me: So, there’s a lot of tax compliance involved. Documentation and time involved.

TE1: Exactly, yeah.

TE1: And your point that it is very high. It is not aimed at bringing newly trained people. You’re relocating essentially. I think is it 70,000?

Me: 75,000. Excluding bonuses.

TE1: Yeah, you basic needs to be 75,000 and the actual SARP will apply to everything. So, if your basic is 76,000 say, but with bonuses you hit 150,000, your SARP will apply.

Me: You’re probably at a better off position over there.

TE1: Yeah, exactly. Yeah, I guess the increase is obviously due to I suppose the economy recovering. We had I suppose scope in Ireland to grow businesses. It is essential when you have to be transferred from one country to another for multinationals type of companies or expanding firms. We would see a lot in the pharmaceutical and tech companies. It would be a lot.

TE1: To be honest, the SARP is quite a good relief. I would be all for more types of tax reliefs and I guess rewarding entrepreneurship and more and easier reliefs for start-up companies and things like that. Though SARP is a relief for an individual, it’s not really aimed at entrepreneurial individuals. It a carrot for big companies and come here so that they can pay their employees more. It’s really aimed at companies. Where I would like to see more work done and more sought potential would be encouraging people to start up their own businesses and giving them more reliefs. All our reliefs are based on selling a business. Your capital gains tax relief and entrepreneur’s relief, it’s all based at setting something up and exiting. There are less reliefs aimed certainly for individuals starting up. So yes, there should be tax relief schemes all the time. It keeps people like me at work.

TE1: (reads question) Do I think enough is being done at present from an income tax perspective? No, would be my answer I suppose.

Me: That’s a very emphatic no.
TE1: I work exclusively in personal tax and private tax and people always ask me what can they do to reduce their tax book and there is very little that can be done. I guess you can make pension payments or you can invest. There’s one type of scheme called the EIIS (Employment Investment Incentive Scheme). EIIS is essentially where individuals invest in small and medium companies and get a tax relief on their investment but there is very little that can actually be done from a personal tax perspective. As in to attract to skilled talent there is little enough, we have the SARP. SARP is fine, but it’s a benefit for a company really.

Me: They can invest their money elsewhere? Like an opportunity cost?

TE1: They have 150,000 in the pot, pay a guy and if there’s no SARP, he might be coming out with 85-90k in his hand, but with SARP he might come out with 110k. It doesn’t cost the company anymore. Is more sort of an incentive for companies I feel, because you can’t get SARP by yourself. It has to be through your employer so, I would always think there should be more incentives, they should be more scope for pension relief. If you’ve earned a source of income, you can be in employment or self-employment, at an individual level, you can make pension payments into pension pots and claim tax reliefs on it, but its relatively restricted. Its based on your earnings at a cap and you can only pay so much. You can certain build up a certain pot in your life time which has been reduced down from 6 million to 2 million and the threshold was cut in half and all that. It’s a disincentive for people to put money in pension up to a point which stops people saving and that means people need to be funded more and the elderly, which means there is more pressure on the welfare system which means we all have to pay more taxes again because we’re all living longer and all of that. That’s a huge disadvantage from a personal tax perspective.

TE1: We probably could replicate a model like the Netherlands. I don’t know how the Netherlands get away with that, to be honest, because that’s against the free movement of people. I would be more in favour of having another band, like a 30% band from 35,000-80,000. For everyone, obviously FDI is important for Ireland. I wouldn’t want to favour one over another. I wouldn’t know Q number 7, where we are at compared to other EU countries. We clearly aren’t on a level with the Netherlands. We have things like SARP and so on. We also have a way of taxation called the remittance basis which means that non-Irish individuals if they live here, they are only taxed on their Irish income and foreign income if they bring it in.
Me: Again, you have the residency rules over there. If you are resident in both countries then the DTAA will be triggered.

TE1: Yeah, exactly, but I guess if they are not-resident anywhere and they have UK dividends for example.

Me: That will be taxed only in the UK? As per their tax rules?

TE1: They can just leave that in the UK and never pay tax on it. That’s more I suppose doesn’t really help a worker again. Working people are the life of the economy. I agree, the SARP could be brought in for more people. You could have a type of tax credit scheme I suppose for the first few years in Ireland. For married couples it would be a good idea to say, that’s your married couples’ band.

Me: For overseas?

TE1: For everyone, because that then would encourage people to bring their families with them.

TE1: (Reads question 9) I don’t know, it’s difficult as well for provision of accommodation and things like that, it all gets taxed. Obviously, if you’re in Dublin the costs are really high. A lot of foreign workers would just be looking at more.

Me: More income?

TE1: More income, exactly yeah.

Me: in the form of RSUs and stock options as well?

TE1: Yeah. They are all taxable as well. I guess the attraction for individuals, they get shares as opposed to income is that while they might pay tax on the acquisition of the share obviously then when they sell it, you move it into a capital gains tax which is more beneficial though. We have a high CGT rate as well. I’ve been working in tax since 2003 and the CGT rate was 20%. People don’t mind paying 20% tax, and it encourages people to sell. The CGT rate was changed from 40% to 20% in the mid-nineties and, I don’t know the exact year but the income from capital gains tax is half the rate and it doubled the tax straightaway, first year. So, high taxes are a disincentive to activity. Say if you earned a 100 Euro and you’re giving 52 of it back to the state. Its going to be difficult. If you’re only giving back 40, you’ll probably spend most of the difference anyways. Low tax rates in a non-sort of tax haven are an incentive to activity. It doesn’t make sense to try and tax your way out of a recession.
T1: (reads question 10) Yeah, there is no reason why SARP should be available to everyone. I
don’t know how the figure of 75,000 was arrived at. It’s only going to be a benefit to people
paying tax anyways. So, it’s not like it will cause a huge burden to people doing part time work
or working in the average industrial wage. It’s not going to benefit them anyways. I understand
why they don’t want it available to individuals coming in because they are here any ways, we
don’t need to attract them.

Me: Sorry to interrupt, but they also need talent from outside now because they are growing as
well and they are also facing a skills shortage. Even local companies in Ireland.

TE1: Yes, and I was at an interesting budget briefing after the budget this year was announced
and there was a speaker from PWC or KPMG, one of the big fours and he said the most
concerning thing for him was, one the budget was very dull and boring. There was no
overarching thought process. His issue was that that we are going to have a bigger need for
bringing talent for the next generation because one the economy is growing and more
importantly, the universities in Ireland, the rankings have been going down. Like say 10 years
ago, Trinity or UCD or UCC would have been in the top x, but they’ve been slipping down the
ranking due to lack of investment and so on because we are not as a nation investing huge
money into our third level education. You can’t learn in a vacuum, you need to be taught. You
need to have the space and facilities to search and develop and grow and all of that, and if that’s
not available in the universities then we are going to need to bring everyone in because the
people that we have trained up as well as they could be and our very best. So, we need to
practice education and generally obviously starts when people are in their twenties and want to
use that education to a career. So that will be a huge issue as well. Your point 10 and 11, it will
be an even bigger issue to be honest. Absolutely, and will all things, it needs to be made simple.

Me: Very simplified compared to what it is right now.

TE1: Yeah, exactly. Simple is good.

TE1: If you as an employer say well, god I have to go through all this, fill out all these forms,
and all cross checks and stuff like that, then it’s not worth because time is hugely valued
commodity for an employer. It costs them the time to do this, it cost them the money as well.
Even in Q11(i) we are constantly looking to recruit people and across all financial sectors it’s
a huge gap. It’s very very difficult to find people. Not starting and not.

Me: Somewhere in the middle. 4-5 years?
TE1: Yeah, it’s nearly impossible. We have been looking for good people. It’s very difficult to find good talent people because for all reasons, we were talking about, we have high tax rates so people maybe want to travel because its more lucrative. Go off to Abu Dhabi for five years. As for Brexit, god knows. Brexit is a huge opportunity for Ireland as a country but again I guess we sell ourselves with our corporation tax being lower, the main selling point. We are looking to attract businesses and that’s fine as that will absorb people, that’s a great idea, but you do need to make it worthwhile for the individuals. I don’t think SARP by itself is enough, I agree that you need to have more. Our personal tax system is very complicated as well, if you go through and I’m not sure if you have in your study, but there are dozens of different tax rates you could be on.

Me: Right, it has 53 moving aspects which make it very complicated.

TE1: Its insane, if you said what’s my effective tax rate, at these different rates, you’re putting in different USC rates, you’re putting in PRSI, its insane. If an employer is asked, how much is left in my pocket. I don’t know, you run 53 different computations, you know what I mean. So, while I might be contradicting myself, there needs to be a lot more thought put into it and more leeway’s made available. At the same time, it needs to be simplified, because we keep adding on bits. We have our sort of our system and then you’re like got no money, need to bring in USC.

Me: 2010 it was introduced.

TE1: Yeah, PRSI the various rates have changed. It probably needs a radical rethink and simplification because as I said, high taxes are a disincentive. People want to have more money in their pocket, but by nature, we will just spend it back out a different pocket, but well do it with a smile on our face because we have chosen to do it, I suppose. Yeah, I think we need a simpler income tax system, but we need a bit more thought put into it as well as to reward, not just people coming in, but we also need to incentivise the indigenous companies.

Me: Mainly at starting and mid-level positions where the Netherlands, if they can offer a scheme like that, if Ireland can offer a scheme on the same lines, the skills shortages might possibly be reduced to a large extent.

TE1: Yeah, if you for example have that mid-band changed from let’s say 40% to 30% and let’s say from 35,000-75,000, let’s keep 40,000 there in the middle and you’re paying 10% less tax. That’s 4,000 Euro.
Me: That’s a very good incentive.

TE1: Yeah, that’s 80 quid a week. That’s real money. You probably have more of the statistics, I wonder how much would that cost. I’m not quite sure, but how many people would benefit. 100s of thousands, I think because while that’s the average industrial wage, fair enough, but certainly there’s a huge number of people in that bracket. It would be a very easy change to make. I would be very surprised if most of that 4,000 be just given straight back and will go back into the system. If you think about it, if a 100 Euro were spent from someone’s pocket, there is VAT, it’s probably paid into a business. That business makes profits, they pay corporation tax on that. They make more profits, so they pay bonuses.

Me: It’s a cycle basically.

TE1: Yeah yeah. Most of it would be put back around. It gets in the moving. Nothing will cripple an economy quicker than stagnancy. Brexits going to be massive, mostly for businesses. We would be seeing a lot of businesses preparing to move and moving here just because they don’t want to be out of the EU. I’m pretty sure, we will still have an easy flow in and out from Britan from Ireland.

Me: Also, all the senior roles are going to Frankfurt and a lot of other roles are coming to Dublin and other cities. That’s more reason why for medium and starting roles that they have a good scheme which helps.

TE1: Absolutely, Yeah

Me: As per statistics, 41 million was deposited because of SARP to the exchequer and only 5.5 million was the cost which they borne from the deductions.

TE1: The 40 million was collected as taxes from SARP employees?

Me: From SARP employees

TE1: and the tax relief was 5.5 million.

Me: 5.5 million and that’s a benefit to the government.

TE1: Let’s say if they would have taken a tax of 46 million without the relief. Yeah, I mean it’s a no brainer and when you think about it, it’s not that much a difference 46 million to 41 million relatively, but it’s still giving the amount of foreign direct investment that’s in this country. It should be way more, I genuinely don’t think people are availing of it because it’s
not something that is widely known. People won’t just relocate here, just because of tax relief. They will make the decision from a business perspective first. I wonder how many potential businesses are we losing that aren’t coming here because they view Ireland as a potential destination and they do their due diligence, and do their cost benefit and all of that. Are they aware of things like SARP? Are they aware of the start-up relief for companies? I don’t know if they are or not because a lot of times somebody will only come to someone like me for advice when they are nearly here already. I’m not sure how cognisant people are to the IDA or enterprise Ireland are of these things. They say we have a basket of tax reliefs, but it should be flowing from the company all the way down to the human being who is actually doing the work.

TE1: 45 million and 41 million. They seem low numbers to me. I don’t know if it is being availed of, or is being used as one of the significant factors used for potential businesses. I think that’s great but these people are 99% coming here anyways. What about the ones who are only 80% decided or 70% decided? Something like SARP or a better version of SARP. Or a wider simpler version of SARP. It should be more of a selling point I guess, but if it’s complicated and not widely used, it’s not worth it.

Me: You mean people who are on a salary level of more than 75,000, they don’t avail of SARP?

TE1: I can’t believe that they are, because it should be a lot more, I would have thought. Or that the relief is framed in such a way that, they nearly qualify for it, why is it only for people working for let’s say Tech Co Germany and then they are sent to Tech Co Ireland. Why not new employees? Let’s say a German student, never worked for Tech co, but wants to. He’s not getting anything. Or like a guy who is working for a competitor in Germany, why doesn’t he get it? I think that there’s probably brackets around that that are knocking people out as well. With all these things, it tends to be very hard, black and white rules. Make it simple, make it more available to everyone. Let’s say your numbers there with 41million and 5 million. It would be much better if it cost them 15 million, that will triple the taxes. Would be much better if they collected 123 million.

TE1: because I guess if you collect more in tax, you have more to spend. If you look at the minister’s budget, the tax pays for everything. If you have no taxes you can’t do anything, you know. You do need to pay taxes. I don’t think anybody in this country wants to be living in a tax haven, but 52% and 55%, it’s just too much.
Me: Thank you very much.

TE1: No problem at all and best of luck with it.
Interview 5 - Tax Expert 2

TE2: So, your first question really is do individuals consider income tax where as a key factor while relocating to a country where income tax rates are much higher? The answer to that is yes. However, there are other factors such as quality of life and security and childcare that is a very relevant factor for young families moving to a particular country and unfortunately Ireland is not as progressive in childcare as it maybe in taxation, but that’s a different topic. It obviously is a key factor while relocating to a country where there are higher tax rates. So, I keep going on or go to number two.

Me: If you can give me a little more insight about the first one.

TE 2: Oh yeah. Ok, well take for example if you.

Me: As an individual would you consider income tax as an important aspect in terms of cost of living, healthcare, children’s future. So where would income tax fall under that?

TE2: It would be in the top three considerations.

Me: So, it is very important.

TE2: It is of course, income tax is going to determine your spending power and its really whatever you have left to spend is going to determine your quality of life. So, if you have less disposable income, it’s going to have an adverse effect on your quality of life, in whatever country you move to. As opposed to healthcare, that is somewhat interlinked because obviously if you have more disposable income you can afford better health insurance, so again income tax is probably more important than healthcare because the more disposable income you have, the better healthcare you can get.

Me: Ireland has one of the most progressive tax rates among all the EU countries. So, what are your view about the progressivity of the system and the marginal tax rates which are 52% at the moment, including PRSI and USC.?

TE2: I don’t know if I agree, if it’s actually the most progressive tax regime in the whole of Europe, but it is progressive to the extent that the wealthiest individuals pay the highest rate of tax. It’s very important from a social perspective that people who are on the lower income see that the wealthier are paying more tax than the less well-paid people are paying. From that
point of view, it is progressive. Historically, the word tax shelters the primarily benefitted, again higher earners such as shelters from rental income, there were shelters if you invested in business and again, they did benefit primarily. Higher net worth individuals. Most of the shelters are now starting to cease. So, you can actually see that the more well-off people are actually paying higher percentage of tax than people on lower income, so from that point of view, it is progressive, but on the other side that the marginal rate of tax is 52%. It’s actually 55% if you’re self-employed. You have the 3% additional USC. That is a deterrent for individuals I would imagine to take additional risk, when they are investing, or if they have a potential business, that they may see a potential business opportunity. I think a marginal rate of tax at 52 or 55% is too high. Why would anyone go that extra mile to get 45 cent in the Euro and take that additional risks, and obviously people who are potentially setting up business, they will create employment so if the high rate of tax is deterring a potential business investor, or potential business person, it’s also going to maybe limit additional employment creating opportunities for people.

Me: Even individuals at income at around 35-40,000 Euro pay 48.5% marginal tax. So even at that income the marginal tax is very high.

TE2: Correct. and in more recent budgets, the government seemed to pick an income of 70,000 and anything above 70,000, they deemed individuals to be high earners. I think in most of the European countries 70,000 Euro, while it is a lot of money, don’t get me wrong, it would not deem to be an exceptionally high rate of income. So, I think first of all, what our government determines is that a high income of 70,000 particularly people living in capital cities or in urban areas, it’s not a high income and the highest rate of tax is from 70,000 onwards. That’s too low of a limit. Other jurisdictions they may have at least 100,000, if not 250,000 before the really high rate of tax commences.

Me: The highest marginal tax in the UK is 45% for 150,000 pounds and above.

TE2: That was 50% at one stage, but it’s come back down to 45%. So, on the other side you have to look at our social insurance rates which are low. They are very low, 4% for employees would favour quite well among other European jurisdictions, but our employer’s social insurance (PRSI) at the highest rate of just under 11% is very attractive for employers. If you look at countries like France, they have a 35% social insurance employers’ rate. So, from an income tax point of view I think our limits are really high and they commence at too low of a
salary, but from a social insurance point of view, we are very competitive. We are probably too low.

Me: So SARP was introduced in 2012 to foster relocation of skilled employees. So basically, that was the motive of SARP. So, at what kind of positions are individuals registered under SARP? So, at what kind positions are individuals registered under SARP? Like a director or CEO?

TE2: It is the more senior positions in the various institutions. Anything from a manager up to a CEO. Primarily what would determine the attractiveness of SARP is the salary. If it’s worthwhile to avail of SARP relief. It normally is the higher positions, but another determining factor is salary.

Me: Because even the threshold starts at 75,000, a person around earning around say 80,000 would not really benefit from SARP. It has to be at least 100,000 above including benefits, because the relief is calculated on the marginal tax.

TE2: If you do an examination of SARP, what it will do, it will reduce you rate of tax roughly by 10%. So, if you are on say 52% rate of tax, marginal rate of tax, it should bring it down to 42%. It’ll bring your effective rate of tax down by roughly 10% kind of from 500,000 upwards, at that level, which is good. A 10% rate is a large reduction in tax, but I see further on you’ve mentioned the Dutch. We can come to that later on.

Me: Even though its 75,000, it’s not worthwhile even if someone is at 75,000 because they won’t really benefit from SARP, because it has to be at least 110,000 to 120,000.

TE2: Realistically, you’re talking a 150,000 because you have a 120,000 less 75,000, that’s 45,000, 30% of that is 15,000 and 40% of that.

Me: Do you think there should be other schemes like SARP for international workers working in Ireland or should SARP be?

TE2: Yes, when they removed the 500,000 Euro limit on SARP, that was definitely a welcome development. Realistically, a lot of the high scale individuals who are coming to multinational companies such as Google, Twitter and a lot of the financial institutions that may be moving here, it’s not unrealistic that could on salaries on 1 million plus. So, because the 500,000 limit has been removed, SARP is now a more attractive relief, but again as I said, it only reduces
their rate of tax by 10%. So that’ll bring it down to 42% which quite a high rate tax if you look at other schemes worldwide.

Me: Do you think enough is done at present from a tax perspective to attract skilled talent into Ireland. i.e. offering a tax break or something like SARP.

TE2: Not really, is the answer. The improvement in SARP as I said, it’s a welcome development, the increase in the limit, but other factors such as tax breaks for childcare, maybe more favourable tax breaks for healthcare should be introduced. These as I said at the start of our conversation, these are big considerations for executives moving to Ireland.

Me: So, it’s a no?

TE2: It’s a reluctant no, more could be done.

Me: Should Ireland replicate a model like the Netherlands where all overseas nationals are taxed at the same rate because even students and PHD, newly qualify students are given a leeway in the scheme and their income starts at 28,125. So, if they qualify for that amount, they are given a tax break on their salary.

TE2: I think the 30% or something equivalent to that possibly should be introduced to attract individuals such as the SARP scheme is aiming to attract. However, they should have a time limit on it, maybe five years on it, similar to SARP, but I don’t think it would be accepted by the general public in Ireland to offer a 30% to all overseas individuals who come into Ireland from a social perspective, I think it would not be accepted. It would give individuals an unfair financial advantage, who come into Ireland and only pay tax on 30%, whereas same person in Ireland potentially pays tax at 52 or 55%. So, I think I could be tweaked to attract executives, like SARP.

Me: You mean targeting a range of individuals with a certain skillset.

TE2: Correct. For a limited period of time.

Me: Not an open-ended scheme?

TE2: No, not students or other individuals who would not be at the executive level that they are trying to attract. Really it should be setup to attract executives who may increase employment.

Me: So what kind of level? Maybe a role of senior consultant or assistant manager?
TE2: Correct. It can be based on the general guidelines that SARP is based on, with a 75,000, maybe a 100,000 threshold. That’s the minimum you have to earn. Otherwise, people working in a shop paying 52% and someone else paying 30%. I don’t think it would work.

Me: Its unfair.

TE2: It’s too unfair, Yeah.

Me: So is Ireland at par with other EU nations when it comes to tax relief scheme because France has a lucrative scheme, the Netherlands has one and even the UK, but they are not included now, so we’ll leave them aside.

TE2: No, Ireland is not at par, but SARP is a good start because as I said earlier on, it really only brings your tax rate down to 42%.

Me: So what kind of a scheme would you like to see in effect for foreign workers on assignment?

TE2: As I said, something similar to the Dutch scheme of 30%. A flat rate but again also something that acknowledges other costs such as childcare, healthcare. You may give a tax credit for the same period of time to help people adjust into, if it is a higher cost economy.

Me: So not just tax per se, but even healthcare and children’s education?

TE2: Correct. Again, not indefinite, for five years.

Me: But SARP does have an element where it says that the child’s fees up to 5,000.

TE2: Correct. and relocation expenses etc.

Me: A round trip for the family as well.

TE2: But for a general five years with a generous tax break for childcare and healthcare.

Me: This would be for people who are at assistant manager or who have a certain skillset probably in IT, ICT or accounting?

TE2: Correct. Or financial institutions.

Me: What are the alternatives which companies offer to attract foreign workers in absence of a tax scheme? A tax scheme as a benefit given to entice an individual?
TE2: Well a lot of companies have share schemes. In certain cases, if the assignee is not resident in Ireland when the shares are exercised, he won’t be liable to Irish tax on the full amount, it’ll only be subject to amount of time he was in Ireland during the vesting period of the shares. So, share schemes is one, again I don’t want to repeat myself but Id imply again assisting in childcare. They may provide subsidised childcare. They also may pay for healthcare. They may provide practical items such as assisting people the rental accommodation.

Me: Ok yeah, that’s a problem as well.

TE2: Yeah, accommodation is huge

Me: So that’s shares and probably giving other benefits.

TE2: Shares and other types of bonuses. The bonuses will obviously be taxed here in Ireland at marginal rates of tax. With shares there is a potential to leave them investing for long enough that the individual may have gone back to their home country if it’s a more favourable tax regime back there. They won’t escape the Irish tax net.

Me: That’s again depends on the residency. If they are resident in both countries, then the DTTA will come into effect.

TE2: Or if say the shares are vested 7 years and if the individual was resident in Ireland for 4 of the seven years. Its pro-rata, the Irish tax he pays. Otherwise you momentarily wear away from income tax. In Ireland assignees have to be very conscious of gift tax or inheritance tax. So, if you become resident in Ireland for five years, if you’re a non-national and living in Ireland for five years or more. If you get a gift or inheritance from an individual in your original country of birth, you will be subject to Irish tax.

Me: You worldwide income?

TE2: A gift or heritage and that’s at 33% which is quite high and the tax threshold is quite low. So, from a tax point of view, assignees would need to be careful that they don’t get an inheritance or gift while they are resident here for more than five years. I know it sounds silly, but it’s a very important consideration to take.

Me: The cost benefit is very high for the government because a lot of taxes are being deposited with more individuals coming into the country and availing of SARP. Again, what if something
similar to SARP can be availed by individuals working having a certain skillset. How beneficial would that be to Ireland?

TE2: It would beneficial. We see at the moment shortages in the health sector, shortages of doctors, qualified nurses etc. So, from that point of view and from having a larger pool of qualified individuals to choose from. Not just in the executive or higher level. There are skill shortages in many areas and a scheme like that would help alleviate it.

Me: So, it would definitely benefit the government a lot.

TE2: Yeah, at the moment it would. With unemployment so low, they are trying to attract immigrants back into the country so it would be a benefit.

Me: How important is it for Ireland to have a lucrative tax scheme for International workers in the current scenario again where there are skills shortages mostly at mid-level and starting positions.

TE2: I think it’s very important, if you look at the competition in all the other developed countries, most of them have schemes to attract foreign skilled workers. For us to compete with that, especially in the current climate, with a lot of uncertainty over Brexit, there is potential for more movement skilled labour. If Ireland is not competitive, and if you don’t attract skilled labour, very quickly you’ll fall behind other similar countries and it’s very hard then to catch up once that happens. They should be proactive and maybe get in ahead of other countries improving their relief.

Me: So, when you say other countries you mean France and Netherlands?

TE2: Correct.

Me: Even the number of people registered under the Dutch scheme is around 13,000 and for SARP I believe, I don’t have the exact number because they only show the increase every year. So probably I believe around 3,000. That’s still a vast difference.

TE2: It’s a large difference yeah. Obviously, the Netherlands has 2.5 to 3 times the population of Ireland, but if you compare it, it is a big difference.

Me: What about with Brexit around the corner?

TE2: Well obviously all these questions from 1-11 are all relevant to Brexit as well because if it’s a no deal Brexit, there will be more institutions leaving the UK and particularly leaving
London and it’s very important to try and attract those. A lot of the decisions will be made by the head executives. From their side of things, they will look at their personal tax situation if they were to relocate. I know it shouldn’t be the determining factor to where they move their company, but it will prove to be some kind of formal factor. So, with Brexit around the corner, all these questions are very important for Ireland. Particularly, UK is our nearest neighbour and it’s our biggest trading partner and obviously we share a border with the UK. So, for us its more important than any other country in Europe.

Me: Also, a lot of senior level roles are going to Frankfurt and a lot of other roles will be in Dublin so that’s more important that they have a scheme which caters to people. With numbers I’d say with numbers 40,000-100,000.

TE2: Correct. Yeah. At the moment, the most obvious company that has moved over is Barclays about 200 billion Euro worth of funds into Dublin and you know people who would work in Barclays would be on 40,000 up to probably half a million or a million.

Me: They also plan to double their operations so that there will be more personnel who would be deputed. I just heard on the news today that they have plans to double their operations by 2019.

TE2: Barclays, is it? Already, okay. I didn’t know that. They haven’t even moved in their new office yet so that’s positive. Dublin should really benefit more from Brexit, we are an English country and we have a share of culture in a way, so a lot of companies should move to Dublin. I don’t think it has materialised as much as we thought. You said a lot are going to Frankfurt, some have moved to Luxembourg, a lot are moving to Holland and some are moving to France. Ireland should get more than a fair share just due to the historic connections with the UK.

Me: Anything else that you would like to add? Something which I have missed out?

TE1: No, just really to re-iterate our marginal tax of 55% is too high. I think its reached tipping point. There’s a lot of talk about removing or reducing the USC, but its only reducing it up to the magic 70,000 bracket that I mentioned earlier on. Above that, I don’t think it’s ever going to come down. There’ll obviously be the top rate of tax going from 41% to 40%. That is a welcome, but I think you have to bring it down to 50%. It should really be the top rate of tax, because when people see themselves getting less than half of the additional income they earn, psychologically that’s a barrier to taking risk.
Me: What about the introduction of a third band? Would that benefit, in the future?

TE2: I think yeah. The middle income from 70,000 up to maybe 150,000.

Me: In terms of numbers that would be from up to 30,000 would pay 20% tax?

TE2: Personally, I would have the 20% tax up to maybe say 38,000. 38,000 to 100,000, I know it’s a lot maybe a 30% and above that 40%. Or even say 38,000 up to 80,000. A 50,000 bracket at 30%. I think if you do the numbers, they probably couldn’t afford to do it up to the 100,000 you know from a tax take point of view, but it would be very welcome. You’ll save 5,000 alone on that 50,000, from 38,000 to 80,000. So, a third tax bracket would be very welcome. Preferable not one higher than the 40%. Somewhere between 20% and 40%.

Me: Thank you very much.
Interview 6- Tax Expert 3

Me: Do individuals consider income tax as a key factor while relocating to a country where the tax rates are much higher?

TE3: Yes, its. So, when you say relocate, you mean to say relocate to any country or to Ireland specifically.

Me: Basically, a country where the tax rates are higher than their home country. It could be local hires or individuals on assignment.

TE3: Okay. So, you mean when an individual is considering to relocate somewhere. Is income tax a key factor no matter where they are currently or where they are going? Nothing to do with Ireland.

Me: Supposing someone from Brazil say wants to come to Ireland. The tax rates in Ireland are much higher than that of Brazil.

TE3: That’s my question. When we talk about talk about relocating to country, you’re talking about Ireland?

Me: Ireland, Europe I’d say.

TE3: So, the question is specific to Ireland.

Me: Specific to Ireland.

TE3: Ok, so when people are leaving a country and coming to Ireland and there are other factors that are driving the relocation to Ireland but their effective tax rate when they get here is very important to them. It is a key factor, but I suppose from a business perspective, there might be other reason why the end coming to Ireland and its dependent on, I don’t know if you want me to expand on that.

Me: Ok, so between cost of living, children education and healthcare and income tax. Among top five where would you consider income tax?

TE3: So, it depends who is relocating so, if its individuals who are previously from Ireland who are considering coming back its always about education. They already know the tax rates here. If they happen to fall into something like SARP that is beneficial but its primarily about family and children. If it’s what’s we call a non-domicile are you familiar what that term?
they relocate to Ireland, because they can work of a regime which is the non-domicile regime, they can manage their taxes they can pay much better than I can. So, the income tax part is not that relevant. Do you understand why it’s not relevant?

Me: In what way?

TE3: Because they are able to opt for the remittance basis of taxation so they pay only tax on Irish income. They don’t pay tax on foreign income.

Me: But that depends if they are resident in their home country and then the DTAA will come into effect.

TE3: Were only talking about Irish effect of tax rates. I thought that was the question. So, I’m talking about somebody coming here from a jurisdiction that’s low paying, it may be let’s say European countries or you used the country Brazil, so when they come here and they are non-Irish domiciled if they want to, they can pay no tax.

TE3: Their home country situation is slightly different but once they get themselves out of the system and the DTTA issues but from an Irish perspective, they can actually live on their foreign income in a very efficient way by not remitting in and if they have small bits of Irish income, they can pay tax on that. So that a lot of the work I do here. So, when you have people relocating, for the Irish people, the income tax isn’t really a consideration because why are coming for family reasons, for foreign people they can manage their tax.

Me: This is more for foreigners, because the topic is on attracting overseas talent.

TE3: So, for those individuals, income tax I suppose, I would have asked a different question here, but the income tax isn’t really a factor, because they have the ability to use the remittance basis of taxation, so that’s probably a good answer to that.

Me: Okay, that’s a very good insight.

Me: Ireland has one of the most progressive tax rates among all the EU countries. So, what are your views progressivity and the marginal tax which is 52% for individuals earning above 70,000.

TE3: Yes, and then 55% for self-employed individuals. It is progressive. It is I suppose, in the area in and around 30,000-65,000. It’s probably what you often hear as referred to as the squeezed middle and it is certainly by comparison to our EU counterparts very progressive. It
is something that our government are continually trying to address ongoingly, but the difficulty that Ireland has is that our Exchequer has a reliance on our income tax receipts. It is one of our biggest areas where that’s how we manage to pay down our debts every year and pay for public services.

Me: It contributes to the GDP phenomenally.

TE3: Yes, so we cannot survive without it. So, it’s a difficult problem to solve because we need to get the income from somewhere else. So, it is progressive, but it is what it is because it needs to pay XYZ. We don’t have anything else to rely on. The high marginal rate of 52%, you now we have clients where we are working of 55% of a lot of our clients. If it goes anywhere beyond that, you might see some people deciding to leave the country because it just becomes so hard to earn.

Me: You get a benefit of only 45cent of the Euro.

TE3: Yes, but the other side of that is, and I’m sure you have these stats throughout your project is and I won’t get this exactly right but I’m sure if you google it, you will find it, is that 80% of the income tax receipts in Ireland come from 5% of the top workers. Have you heard of that?

Me: Not the exact number I guess, but I do know that the top earners pay the most amount of tax.

TE3: Exactly, you know you are talking about people who are earning over maybe and I think that the 80%, people who are earning over a 100 grand. So, although, its progressive, although its high, you have a small % of people.

Me: The effective tax which is paid, that’s what I read. That should be taken into consideration. That’s where the top earners pay the major chunk of the tax.

TE3: But its only 5% of the population in the workforce. So, if you think about the statistic, even though it’s very progressive and very high, you only have 5% of our population who are paying 80% of the income tax. So that is a phenomenal statistic. So even though we say it’s very progressive we say. It’s more relevant for the second piece here, the high marginal tax. Who is paying the 52%, who is paying the 55%. You’re talking about 5% of our population pay 80% of our total income tax and that’s what we rely on. So, this one is more of a problem to deal with, but this one is when you look at the actual numbers of is paying the most, it’s a very small amount of people.
Me: SARP was introduced in 2012 to bring in senior executives into the country. So what kind of positions and roles are they. Like director roles, or a senior manager or a CEO?

TE3: So, we see it in the IT industry, senior roles, high executives who are skilled in a particular area, who are being brought to relocate here and this is part of the attraction for them. This particular relief. Other individuals in the finance roles, again senior managers. Not typically CEOs. It’s more of the executives.

Me: Okay, like at director level?

TE3: Yes, senior executives

Me: Is it for entrepreneurs as well because there is a clause that the home country should be sending the assignee to the Irish entity, but then if there is no entity over here. Can an entrepreneur set up an entity and be registered under SARP? Is that possible?

TE3: So, one of the requirements as you rightly stated is that they have to be sent here by their employer abroad. If they don’t meet that condition, they can’t avail.

Me: Should tax relief schemes be implemented for foreign workers in different positions, specifically in the middle-income groups. Specifically, in the 30-60,000 or should SARP be modified a little more to accommodate these people as well.

TE3: I don’t know, like the middle salaries, I don’t think it’s going to attract those people here because the cost of living here is probably going to kill them. So, I don’t think it’s probably it’s going to work for that and they specifically put this cap on it because they see if somebody earning over 75,000 is highly skilled and can afford to live here. In particular I suppose I’m talking about talking about Dublin as opposed to the parts of the country. (Reads part of question) Should it be modified to suit the needs for all MNCs and indigenous companies. Tweaked in what way?

Me: The scheme is not open to local Irish firms because the clause that the foreign entity should be sending the individual to the Irish entity. Even they have a lot of problems in terms of skills shortage, so why not open the scheme to them as well?

TE3: Yeah, it is something that is a problem, as you said that the new hires.

Me: A lot of growing companies which want to expand abroad as well.
TE3: So, you can still hire somebody who has been away for a long time or never been here and the Irish company could hire them and they could avail the scheme. It would still be effective in terms of attracting. Yeah, I think that would be a good suggestion.

Me: Do you think enough is being done from an income tax perspective, to attract skilled talent into Ireland for foreign workers?

TE3: It’s hard to know because it seems that what some of the multinational companies do is that they give a package to the individuals who are coming abroad to say. We will pay this for you, we will pay your accommodation, we will pay the rest of it. From what I see, the MNC are the people who are picking up the tab to attract the people because they are manging to get, maybe not enough people, but they are getting a lot of people. But it’s costing them a lot of money to do it. There’s lots of examples where accommodation is being paid for 10 grand a month to live in Dublin. Paying school fees, paying lots of things that will attract them here to have a good sense of living and when you talk to these people to say do you think you’re going to stay here, oh well when the benefits run out. i.e. when they stop paying my accommodation and my kids school fees, we are gone. So that’s the attraction.

Me: So, income tax takes a back seat over there. It doesn’t play a very important role over there.

TE3: Not really, it doesn’t. So, when we say is enough being done from an income tax perspective. They are looking at what’s important for their entire family because you talk about high earners who generally do have families and are relocating in different jurisdictions. So, it has to be made worthwhile. So, if you give them a 0% tax rate, maybe yeah that might work. We’ve seen people on the SARP who are earning upwards of a million Euros, so when you work out the 30% SARP relief. We have had someone worth 5 million, so you can see how it gets there for the people.

Me: That’s very effective, 5 million, but again it doesn’t cater to someone on the 40k-70k.

TE3: But this is to address question 5. Is enough being done from an income tax perspective to attract skilled talent. I think the package that’s being offered holistically, to the clients I see is enough to get the people here but if you’re looking specifically at income tax, the answer to that is probably no, but that’s not what’s only on the table. Here is what we are going to pay you, but well also give you this this and this and they are like oh okay.
Me: Tax doesn’t really matter now to me.

TE3: Yeah, so there are other factors, I guess.

Me: Okay

Me: Netherland has the 30% ruling. It’s a very flexible scheme where newly qualified students and master’s students can register under the scheme. So, can Ireland replicate a model like that?

TE3: I think they probably. So, I don’t know the Netherlands scheme. So, they just have the 30% tax rate and that’s it?

Me: Right, and the entry threshold for the Netherlands scheme is 37,000 for a person who is sent on assignment and newly qualified students and PhD students, the entry threshold is 28,000 and odd.

TE3: Ok, yeah, it’ll be an interesting. In Ireland, when you look at the tax policy documents from the department of finance, they do look to other countries and compare different schemes and that’s how make. I don’t know if you have ever looked at those, but some of those policy documents on tax, all the studies are based on the different European countries. Some of the ideas that we currently have in the tax schemes come from those, so it could be.

Me: So, when they compare Ireland, it’s basically France and Netherlands. Especially Netherlands because they have a very good scheme.

TE3: the only thing about the Netherlands and some of those other countries is while the tax rate seems quite attractive, their biggest issue that their social insurance charges. Are you familiar with that?

Me: They are higher. Ireland has a very low insurance.

TE3: Yes, we have a flat 4% and flat almost 11%, but all the Scandinavian countries. People forget about that, so when we try to compare ourselves with Netherlands, you have to say, yeah ok, the income tax is fine, but we are looking at this rate here you know, the 52%. So how does that compare when you say all of the ins and outs for social insurance schemes because their rates can be up to 30%. There are some optional ones, and some mandatory ones and fine between two different jurisdictions, you get to retain in the Irish system for at least a year that can go to 5 years, but if you start to replicate that model like the Netherlands, they are picking
up their income on the social insurance side, so it's a slightly different model. To replicate a model with a flat rate would be interesting.

Me: Basically, to make the scheme more flexible and give a leeway to people, reduce the threshold maybe? Would that work? Maybe 50,000 I’d say. It isn’t a very small amount.

TE3: It is, I might think the difficulty with Ireland as I said earlier is that what they are looking for is people who are earning over that in order to have the talent here. Somebody who is earning 40, a graduate coming out of college can get to 40 after a year or two. So, it’s not exactly that type of people it seems that the Irish system wish to attract.

Me: The seventh question is similar, so you’ve answered that.

TE3: Okay.

Me: the eight question. What kind of a scheme would you like to see for foreign workers? Make it more flexible or have a different scheme?

TE3: I don’t know if you’re familiar, a new document was issued by the revenue commissioners a couple of months ago on foreign people coming to work in Ireland. So, we have a set of legislations in our statute which says this is when you must pay tax in Ireland and this is when the employer must withhold the tax in Ireland and they produce this document which has now made it very complex for somebody let’s say even coming from the UK. So, if they start to spend over 30 days here or 60 days here, it becomes a problem from a personal perspective.

Me: The PAYE perspective? There is a clause that you should register with for SARP?

TE3: No, no, no. So, your question is what kind of tax relief schemes would you like to see in effect for foreign workers on assignment?

Me: Yeah

TE3: So, from a practical perspective, when people ring me and say we are sending X amount of workers here, please tell us the tax problems. So, I would say from the employee’s perspective, these are the tax issues they need to know about and from the employer’s perspective, these are the things you need to know about. So, we have a document that was issued by the revenue commissioners a couple of months ago trying to simplify the process for somebody coming to work here. So, what I would like to see is, the guidelines are not user friendly, it’s difficult when somebody is here, in particular from a treaty country, 60 days, over
60 days is a problem and a non-treaty country 30 days. So, the first question I ask these foreign assignees is how long are you coming here? I am coming for 40 days. Okay, what country are you coming from? Brazil, ok we have a problem.

Me: Because you don’t have DTAA?

TE3: And not only that, it becomes very cumbersome to be able to advise that person. So, what would make it easier both for the employer, the employee and the revenue commissioners and for our government is that we have something which is a simplified model that we can implement as advisors to say, you can be here for two months and there is no problem, or you be here for two months and pay a flat 30% tax rate for example and try and use that as a way to make it easy for people to come here. So, when people come here, when they say to me, I’m going to be here for more than 60 days. Oh well, we have got some problems now because we got to look at the DTAA, we got to go to revenue, we got to get approval and then they also have to file a tax return to get their tax back. It becomes very complex to advise the individuals. It would be great to have an easy flexible system to say, you just pay 30% if you’re here. You just pay this, you just pay that and you can do a return in the end, but there is a much bigger and longer process.

Me: A lot of compliance involved?

TE3: A lot of compliance and its complicated. So, it would be nice in number 8 to see something which is very simplified from our revenue commissioners to say here are the two simple rules, but it’s not like that.

Me: Okay

Me: What are the other options which companies offer to attract foreign workers apart from an income tax scheme like SARP?

TE3: Well I think it’s exactly what I was saying earlier. So, the other alternatives that companies are offering to attract foreign workers are provide accommodation, it’s a massive one. It’s the top one that they do and they are willing to put them in places where individuals want to live. Dublin 2, Dublin 4, Dublin 6.

Me: Okay, in the heart of the city.
TE3: In the heart of the city. In particular Ballsbridge is an area where they are providing cost for school fees for children in private schools. So, these are the things that they are offering in conjunction with the fact that we will pay you X.

Me: What about stock options and RSU’s?

TE3: Yeah, but for most companies that have an operation here, that’s open to all employees. So, once you’re an employee, you work with the likes of Google and Facebook, you are automatically in the scheme, and if these individuals are coming from offices in different jurisdictions, they will already be in those schemes.

Me: It might be in their assignment letter that they will be a part of those schemes.

TE3: Or they might already be a part of it. They might have different levels of bonus attached to their assignment, but in particular, it’s about the benefits. Health insurance, accommodation, school fees because they don’t offer that to employees who live and work here, but they can offer that to bring them. Moving costs as well. So, if they do buy a house here, stamp duty, legal fees and these aspects and then we have a code where there is certain relief for somebody who get relocation expenses, so that’s a big attraction as well.

Me: SARP has been very beneficial. The first two years were not very good in the numbers but now it is increasing year on year.

TE3: But you know the reason why it was not very successful to begin with?

Me: Not many individuals were registered with the scheme.

TE3: Yeah, but do you know why that was?

Me: Was it because of the compliance part?

TE3: There was a cap.

Me: Oh, correct the 500,000 cap.

TE3: Yeah, so that was not attractive. So, they removed the cap and then the floodgates opened.

Me: Its 1 million now.

TE3: That’s only recent. There was a period in between there was no cap. So, from 2014 to end of 2018, no cap. So, we have had people through the scheme upward of 5 million who were
taking advantage of it and the 1 million Euro cap has just been introduced now because a few people who had come through the scheme were taking quite a lot of tax relief from it.

Me: How important is it for Ireland to have a scheme like SARP where there are skills shortages in mid-level positions and also Brexit around the corner.

TE3: Yeah, it seems to be important because they keep looking at the legislation and tweaking it. I don’t know if you’ve looked at the history of the different schemes that have been in place for foreign workers in the lead up to your project, but we have had other schemes like the foreign earnings deduction, we have a cross borders relief as well which is still reasonably there and then there was a gap where they was very little and this was introduced as a method to attract people.

Me: It’s there in history of one of the documents of SARP where they have spoken about the previous schemes which were not very successful and then SARP was introduced in 2012.

TE3: It seems to be something which is important to them, so I guess the legislation always tells you that and when you look at some of the memorandums that the department of finance issue, they do explain why these things are being introduced.

Me: What about with Brexit around the corner?

TE3: Yeah, Brexit is interesting because initially when the thought of Brexit was going to happen, when it was announced in June 2016, because the UK, they also attract a lot of foreign workers and do you know the reason in the UK why that’s, do you want me to explain that briefly?

Me: About what?

TE3: Why people were attracted to the UK?

Me: Yeah sure

TE3: So briefly, a bit like Ireland you had a lot of people attracted, in particular the finance areas in the UK because again, they have a remittance basis of taxation in the UK. So, foreign workers can come there, work and then leave all their foreign income abroad and live very tax efficiently. So, when Brexit was announced, it was immediately thought that all these people who would become non-domiciled would come to Ireland because we have a non-domiciled regime as well called the remittance basis of taxation. The difference between the Ireland and
the UK is that in Ireland, we don’t charge for it. In the UK after seven years, you have to start paying 30,000 pounds, then 90,000 then 120,000 depending how long you’re in the scheme. So, we thought the fact that we don’t charge and also Brexit is around the corner that the immediate place that people would relocate would be Ireland. So, it’ll be important to have a liquid tax scheme for these people, which is why part of the reason they tweaked SARP because a lot of these people have a lot of earnings, well over a million. So, when they come here, they will get the SARP, but at least it’ll be capped at a decent level so they can have more for the exchequer, but what has actually happened is that it has been very slow. We haven’t seen that many people jump ship. Go from the UK to Ireland as a result of Brexit, but what’s interesting in the last couple of weeks with all the turmoil and uncertainty in the UK, we are seeing more and more people talking to us about a possible relocation as a result of Brexit, but only because now there’s a sense of panic. So, it’ll be interesting to see if our government reacts, to try and make it a little bit more attractive or a little bit more marketed or targeted towards those individuals because there is an opportunity there with people wanting to leave the UK, because it looks like it could be a hard Brexit than people might have realised. So, it is important for Ireland probably specific and designated to attract those pool of people which makes them feel a little bit special.

Me: I also read in an article that a lot of senior roles would be at Frankfurt and other roles would be in Dublin. So, it’s even more important I guess in that context that they have a scheme which caters to them.

TE3: Yeah. So yeah, I think it is important for Ireland to address that Brexit issue. There’s an opportunity there, I think.

Me: Right, Yeah, absolutely.

Me: Thank you very much.

TE3: That’s okay.