Twitter Thread by Patrick



Patrick
@JPatrickSheils

For reference, multinationals (almost entirely US-based) typically use the “Green Jersey” tax evasion tactic, utilising Ireland and Jersey/Cayman, etc to avoid paying taxes in the US.

These tax avoidance techniques result in effective tax rates of ~0-2.5% https://t.co/R433UuKInX

> Multinationals played a crucial role in lifting Ireland out of the last recession and they will again as we rebuild our economy after Covid.\xa0What does SF want to do? Tax them.\xa0https://t.co/B7n8esbzPN
>
> — Leo Varadkar (@LeoVaradkar) October 11, 2020

MNCs have been a bright spot in a faltering domestic economy during Covid lockdowns. They’ve provided a much-needed, reliable source of inflows as other streams have dried up.

However, we’re not 12 years old, so let’s have a deeper dive, as this is not showing the full picture.

Leo and his ilk will try to lightswitch-brain you into thinking that raising taxes on MNCs will drive them away. You should be grateful!

In reality, largest threat is from US and EU tax reform. Take Biden’s tax reform proposals, which targets US MNC offshoring/“GILTI” profits

GILTI, or Global Intangible Low-Taxed Income utilities “Base Erosion” or “BEPS” to lower the taxable profit in the United States by shifting ownership of US IP into Irish tax jurisdictions.

I would wager targeting these techniques is popular on both sides of the isle in America.

This represents a significant geo-political and economic risk for Ireland. At any moment, any change, whether intentional or accidental can change the incentive structures for US MNCs, resulting in these companies pulling billions of IP from Ireland over night.

As of 2018, we will get an “exit tax” from these companies if they leave, but when US MNCs account for 80% of Corporate Taxes, this is a silver lining at best (Balancing an already out-of-whack budget will be a tall task)

Which coincidentally, FG also views as a good thing. https://t.co/jvi5hSGEd1

> Multinationals already pay 79% of all corporation tax while creating hundreds of thousands of jobs. Why do SF want to drive them out of Ireland? https://t.co/odmHszBgK7
>
> — Neale Richmond (@nealerichmond) October 11, 2020

Which is the second major strategic risk for the Irish economy. Take a look at these stats, are they a “good thing”? Or are they an over-reliance on a single source for growth and jobs?

80% of corporate taxes, 50% of income taxes, 1/4 of private sector employment.

You might say: “Well, just because they move their IP back to America doesn’t mean they’ll take their jobs with them! Stop the doom and gloom!”

Maybe, except that portion is also hugely subsidised via the tax system. Not only their expenditures, but foreign employees (SARP) too

Apple can hire me as a Software Engineer for €100K, but they can write off 42% of my salary on their US taxes. All those fancy tech offices, big salaries, and asset purchases are being fuelled by the tax pull.

The moment those tax advantages go away, so do those offices/jobs

So let’s play this out: 3000 miles away, The US makes a few alterations to its tax code.

Then US MNCs start to shift their IP back to the US, which eliminates the cost advantages to having Irish offices/employees. Apple/MFST have 100k employees, one office of 3k is nothing

You now have a corporate tax revenue crisis (shown above) and an unemployment crisis, enhanced by the recent decisions made with regard to the EU budget and other spending.

Make no mistake, the over reliance on US MNCs is one of the biggest risks to the Irish economy, which the political class has known for years and have done nothing

We’ve spent 30 years developing the most sophisticated tax avoidance system on Earth, and ignored the domestic econ

In short: FF, FG, and traditional economic thinking over the last few decades have destroyed the “real” economy of this country.

Distracted by paper wealth and fancy homes built by foreign property investors, we’ve actually tied a weight around our necks on a sinking ship

The solution? Create domestic Irish businesses. Owned, built, and operated by workers we produce and train. Building real wealth, real value-add economic activities, not working in a customer support office for Apple, or a Cloud Computing help desk for Microsoft’s Azure.