

# Submission to the Independent Fiscal Commission NI

[Response to the interim report \*More fiscal devolution for Northern Ireland?\*](#)

**Representation Tax 2022/2**

31 January 2022

## About Chartered Accountants Ireland

Chartered Accountants Ireland (The Institute) is a membership body representing over 30,000 influential members throughout the globe, including almost 5,000 members based in Northern Ireland and over 1,500 in Great Britain. Two thirds of our members in Northern Ireland work in business.

Our role is to educate, represent and support our members. Our members work in senior positions in practice and industry with two thirds of those in Northern Ireland working in industry. They are prominent in all sectors of the Northern Ireland economy, which affords them valuable insights into the concerns, priorities, challenges and opportunities of business and industry in Northern Ireland.

Chartered Accountants Ireland was established as the Institute of Chartered Accountants in Ireland by Royal Charter in 1888. Its activities and those of its members are governed by its Bye-Laws and by Rules relating to professional and ethical conduct. These provisions are contained in the Handbook which is available to all members.

Chartered Accountants Ireland is governed by a Council and it is responsible for determining policy and monitoring its implementation. Council is led by the Officer Group and supported by the Management team and staff. A number of committees with voluntary member involvement also play a key role.

Paul Johnson  
Chairman of the Independent Fiscal Commission NI

31 January 2022

By email to: [info@FiscalCommissionNI.org](mailto:info@FiscalCommissionNI.org)

Dear Paul,

## Interim report: More fiscal devolution for Northern Ireland?

### Introduction

Chartered Accountants Ireland is pleased to have the opportunity to comment on the Independent Fiscal Commission NI's interim report which was launched on 13 December 2021.

Firstly, we wish to commend the Commission for the production of a very comprehensive and detailed interim report on fiscal devolution for Northern Ireland which examines a wide range of potential fiscal devolution tools in the context of Northern Ireland's unique and challenging circumstances.

Our comments herein are made in the context of our September 2021 member survey on fiscal devolution for Northern Ireland the results of which were discussed at our meeting with the Commission on 4 October 2021 and which were also outlined in more detail in our [submission](#) in advance of that meeting.

### Corporation tax devolution

The comments contained within the Commission's interim report in respect of corporation tax devolution clearly note the benefits of a lower rate of corporation tax for the region whilst also recognising the risks, complexities and constructive engagement required from both the NI Executive and HM Treasury to activate a NI corporation tax rate.

We are supportive of this analysis which is in line with both the discussions at our meeting and the comments made in our supporting submission.

The potential economic benefits of a lower rate of corporation tax are further strengthened by [new research](#) published last month by the Economic and Social Research Institute in Ireland which posits that if a global 15 percent minimum corporation tax rate were introduced, "it would increase the

number of high-value FDI going to Northern Ireland by 7.5 percent per annum". This is further evidence of the economic benefits that a lower corporation tax rate would bring to the region.

It is also clear to us that the economic benefits of a lower corporation tax rate in Northern Ireland compared to the rest of the UK are already recognised by the UK government. Page 38 of the House of Commons briefing paper on "[Corporation Tax in Northern Ireland](#)" sets out the comments of then Treasury Minister David Gauke who wrote to the Treasury Committee in 2015 giving a short summary of the Corporation Tax (Northern Ireland) Act 2015 provisions. As part of his comments, Mr Gauke underlined the Government's view that "Northern Ireland's particular economic circumstances mean there are strong arguments in favour of corporation tax devolution, which do not apply to other parts of the UK".

Chartered Accountants Ireland agrees with the Commission's comments around the scale and complexity of the issues involved in corporation tax devolution, particularly in the context of the cost of a corporation tax rate cut (vis a vis a reduction in the block grant) and the potential for avoidance behaviour.

However, these issues are not new and are well known having been discussed at length in the lead up to the Corporation Tax (Northern Ireland) Act 2015 receiving Royal Assent in 2015. They also featured heavily in the various consultations and evidence hearings on the path to enactment of this legislation commencing with the first consultation by HM Treasury in March 2011 "[Rebalancing the Northern Ireland economy](#)".

In respect of the potential cost of a corporation tax rate cut, this was explored in some detail during our meeting and in our submission where we outlined just some of a number of potential methods which could be utilised to mitigate the impact of a reduction in the block grant, including the possible exclusion of service company corporation tax revenue from the block grant reduction as a result of the UK's departure from the EU.

In the context of potential avoidance behaviour, Mr Gauke, in his letter to the Treasury Committee which we referred to earlier, said "Anticipating potential questions you may have regarding avoidance, the rules have been designed to deter businesses from seeking to exploit, through profit shifting and related techniques, any rate differential between Northern Ireland and the rest of the UK."

Subsequent to our meeting in October, this Institute submitted an analysis to the Commission of the anti-avoidance provisions already contained in both the Corporation Tax (Northern Ireland) Act 2015 and more generally available in UK tax law. This analysis effectively dispels any notion that a lower corporation tax rate could be exploited by companies for anything other than genuine economic presence and employment creation and maintenance in Northern Ireland.

In the context of the foregoing and given the Commission's comments that it will not be examining corporation tax beyond its analysis of this issue in its interim report, we feel that it would have been helpful if the Commission had taken the opportunity to make some reference to the various potential mitigations which can be considered in the context of these well-known risks and complexities and to those already available with UK tax legislation from an avoidance perspective.

Coming from an independent body with such expertise in its composition, this would have assisted in setting a positive tone for any future engagement between the NI Executive and HM Treasury in pursuing corporation tax devolution in future.

Chartered Accountants Ireland has worked vigorously for many years now on a public campaign to devolve corporation tax rate setting powers to the Northern Ireland Assembly. In the context of the corporation tax rate increase from April 2023, this Institute will be continuing with its campaign to ensure those powers are acted upon for the betterment of all the people of Northern Ireland.

In conclusion, we are in full agreement, supported by our members, that there is value in the NI Executive seeking devolution of corporation tax.

## **Income tax**

We note that the Commission proposes to focus on options for income tax devolution in the final report. As set out in our first submission on 23 September 2021, over 55 percent of chartered accountants surveyed are not in favour of devolving other tax raising powers to the NI executive for the various reasons we discussed during our October meeting.

However, as a Professional Body with approximately 2/3<sup>rd</sup>s of our Northern Ireland members working in industry and prominent in all sectors of the Northern Ireland economy, it would be remiss of us not to engage in this important issue, and we therefore look forward to providing feedback on the options for income tax devolution on publication of the final report.

Via our governance structure, which includes various committees, we have access to a unique skill set across a range of specialisms and would be willing to establish focus groups to more closely examine any options in more detail, if this would be of assistance to the Commission.

## **Excise**

The possibility of devolving excise duties also features as an area for future focus according to the Commission's interim report. Although this was not specifically an area of interest to our members in their responses to our fiscal devolution survey, this is a very complex issue for the reasons already set out in the interim report.

The matter has become even further complicated by the introduction of minimum alcohol pricing in the Republic of Ireland from 4 January 2022 under the Public Health (Alcohol) Act 2018 with Northern Ireland alcohol retailers in border areas reporting increased sales as a result.

We understand that work on a consultation on minimum pricing for alcohol in Northern Ireland is ongoing and is expected to be launched sometime in Spring 2022.

In addition, at Autumn Budget 2021 the Chancellor of the Exchequer announced plans to reform the UK's alcohol duty system with proposals to tax drinks in proportion to their alcohol content. A consultation examining these proposed reforms recently [closed](#) which looked at:-

- Changes to duty structures;
- New rates for some products sold on draught;
- Extension of small producer reliefs; and
- Simplification of the administrative regime.

The outcome of this consultation is not expected to be published for several months.

Any proposals to therefore devolve excise taxes to the NI Executive will need to take the aforementioned developments and the myriad of other relevant factors into consideration.

## Conclusion

We look forward to reading the Commission's final report. In the meantime we would be happy to assist the Commission in any way we can in the course of its work.

And finally, we have no difficulty with this response being published or disclosed in the course of the Commission's work. This document will be published on our own website and will be available to all of our members and the general public.

Please do not hesitate to contact me, Cróna Clohisey ([crona.clohisey@charteredaccountants.ie](mailto:crona.clohisey@charteredaccountants.ie)), or my colleague Leontia Doran ([Leontia.doran@charteredaccountants.ie](mailto:Leontia.doran@charteredaccountants.ie)) to discuss further.

Yours sincerely



**Cróna Clohisey**

**Tax and Public Policy lead**

**Chartered Accountants Ireland**