University of St Andrews

UNIVERSITY OF LEICESTER

Policy Brief - #1.1
Case study - Ireland

GRADE Government Revenue and Development Estimation

Addressing the implications of Ireland's tax policies on Determinants of Health and Mortality Rates

The consequences of tax abuse

Tax abuse (both avoidance and evasion) is increasingly being recognised as a significant barrier to development. Government revenue in low-income-countries relies more heavily on corporate tax than in high-income-countries, and tax abuses by international players can have a much more significant impact on their ability to accrue government revenue and invest in healthcare and education [1]. Our peer-reviewed research on Government Revenue and Development (GRADE) has demonstrated that an increase in government revenue in low-income-countries can have a significant impact on its ability to provide the Determinants of Health (e.g. education, sanitation and drinking water) and reduce under-5 (U5) and maternal mortality rates.

Irish Tax Policies

Ireland has been recognised as one of the worst enablers of tax abuse, both within the developed world and globally. In 2020, the Tax Justice Network released a report on the State of Tax Justice (SOTJ). For the first time, the report revealed an account of how much each country loses annually to tax evasion and corporate tax abuse. In this report, Ireland is placed amongst the countries which both suffer from and cause the highest tax losses. Ireland also ranks 11th on the Corporate Tax Haven Index (CTHI) score, in which "each country's tax and financial systems [is given] a score based on how intensely they've been programmed to enable corporations to abuse tax". A working paper by the National Bureau of Economic Research identifies Ireland as the 'the number one shifting destination, accounting for more than $100 billion alone' into tax havens in 2015.

Based on these facts, a multi-agency submission was made to the UN Committee on the Rights of the Child (UNCRC) to appeal against Irish Tax policies. The UNCRC has requested Ireland to review their policies and to explain what it is doing to ensure that its tax policies do not contribute to tax abuse by companies operating in other counties which have a long-lasting negative impact on children's rights within these countries. Some of the Irish policies that negatively impact developing countries include:

- Shifting corporate profits from the developing world through or to Ireland to attain low or zero tax rates,
- Depriving developing countries of the right to increase their own tax revenue from corporate activity carried out on their territories.

Hereby, Ireland may be failing to meet its commitments under the UNCRC to conduct its business in a way that does not harm children and failing to conduct business in a way that supports positive social and economic development of other countries.

Harm caused by Ireland's tax policies

We used the SOTJ figures on Ireland's share of global harm caused through tax abuses, see figure 1, to demonstrate Ireland's role in depriving children in other countries their access to the Determinants of Health.

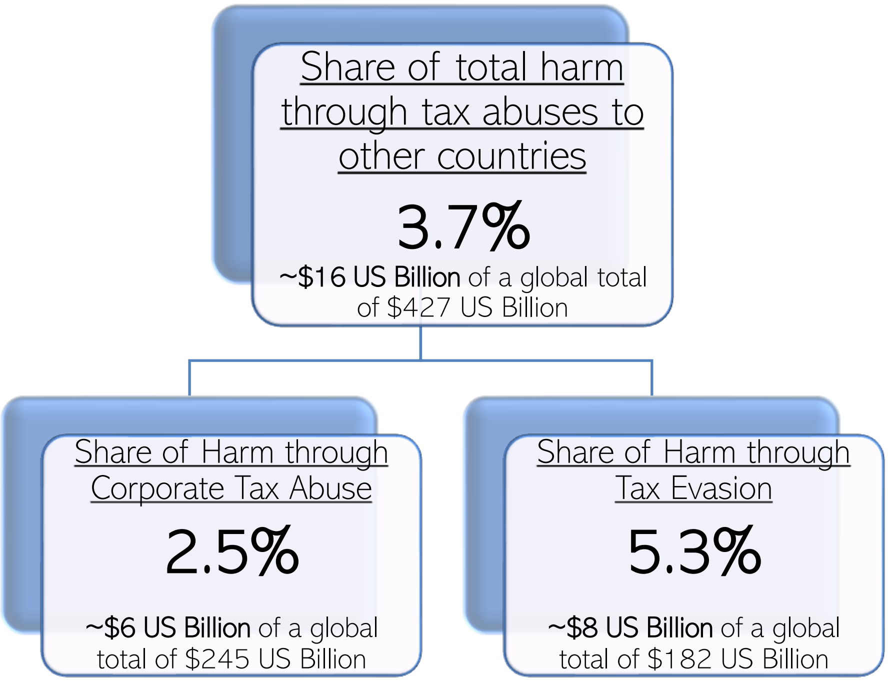
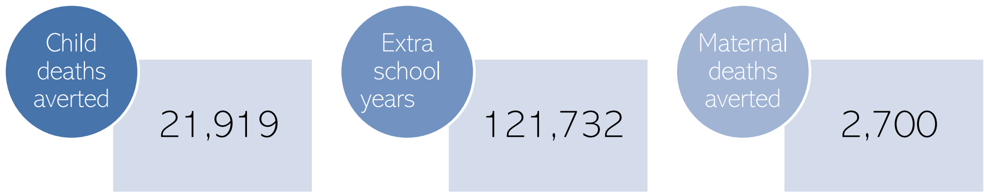


Figure 1 Harm caused by Irelands Tax Policies

These figures demonstrate that Ireland plays a significant part in the harm caused to other countries through tax abuses. Whilst at 3.7% of the global total, 2.5% of global corporate tax abuse and 5.3% of global tax evasion, the share of harm may seem small. However, the impact of these seemingly miniscule numbers in low-income-countries could make a great difference it their ability to provide healthcare and education and reduce mortality rates. Previous studies have demonstrated noticeable long-term impacts, with an increase of only 10% in national tax revenue leading to a 17% increase in public health expenditure in low-income- countries, so even a minor increase could assist in creating far-reaching positive outcomes affecting the fundamental human rights of children worldwide [2].

Increased coverage of the Determinants of Health and the number of child deaths averted associated with an increase in government revenue equivalent to the proportion of global tax abuse attributable to Ireland (10-year projection)



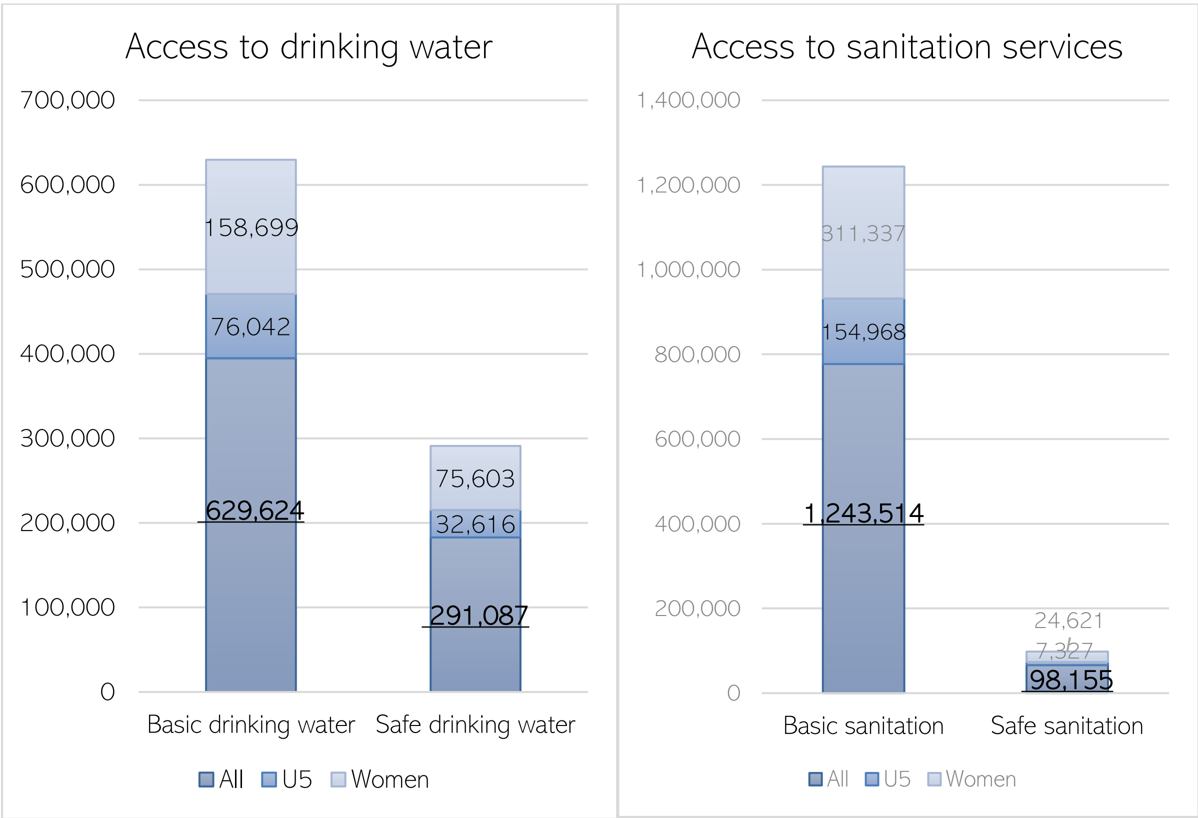


Figure 2 The potential of reconsidering Irelands Tax Policies

We used our [GRADE tool] to calculate the effect of Ireland's tax abuses on the Determinants of Health and mortality rates of other countries. Ireland contributes 3.7% of the total harm through tax abuses to other countries, if they did not enable these tax losses annually ($16 US Billion), we estimate that over a ten-year period, 21,919 Under-5 deaths and 2,700 maternal deaths would be averted, an additional 121,732 children would attend school for an extra year, 629,624 people (of which 76,042 are children and 158,699 are women under 50) would access basic drinking water and 1.2 million people (of which 154,968 are children and 311,337 are women under 50) would access basic sanitation, see figure 2. These figures demonstrate that Ireland's tax policies have human consequences and must be carefully reconsidered. Equally they demonstrate the huge potential for children if these policies are reviewed.

Call for Action

These figures demonstrate that Ireland's tax policies come with a serious human cost and impact the right to health for many children. Ireland has until October 2021 to respond to the CRC. We hope our evidence on the impact Irish tax policies have on children's right to health is taken into consideration and Ireland considers measures to prevent its businesses from contributing to tax abuses.

It is essential that governments worldwide recognise the impact tax abuses have on Determinants of Health and mortality rates, particularly within low-income-countries. Allowing tax abuses to continue actively undermines fundamental human rights, which stands in direct opposition to the Universal Declaration of Human Rights and the United Nations Convention for the Rights of the Child. We are calling for action from Ireland and leaders worldwide to take measures to prevent policies which allow tax abuses to continue.

1 Moore M. *Obstacles to Increasing Tax Revenues in Low Income Countries*. 2014. doi:10.2139/ssrn.2436437

2 Tamarappoo R, Pokhrel P, Raman M, *et al.* Analysis of the Linkage Between Domestic Revenue Mobilization and Social Analysis of the Linkage Between Domestic Revenue Mobilization and Social Sector Spending. 2016.https://pdf.usaid.gov/pdf_docs/pbaae640.pdf

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