Tax Justice Coalition - Ghana

9th November 2020

Press Statement: For Immediate Release

UN body to investigate impact of Irish tax policy on children in developing countries

Friday 6th November, A United Nations Human Rights Committee announced its decision to investigate Ireland's tax policy to determine its impact on children in developing countries.

The UN Committee on the Rights of the Child will assess whether Ireland's tax policy undermines the ability of developing countries to raise revenue that could be spent on vital public services, including education and health care, which are both key human rights obligations.

The Committee is responsible for ensuring countries are compliant with the UN Convention on the Rights of the Child. As a signatory to the convention, Ireland is legally obliged to avoid policies that undermine the human rights of children, whether at home or abroad, and its compliance is reviewed every five years.

While Ireland's international tax strategy has been the subject of much international criticism, this is the first time that Ireland has been asked by the UN to defend the impact of its tax policy on human rights abroad.

The Committee's decision to investigate follows a submission made in June by a coalition of Irish NGOs, international NGOs and academics. The submission outlines how aspects of Irish tax policy allow large multinational companies to shift profits from developing countries to low-tax Ireland, depriving them of the essential revenue needed to deliver key public services that benefit children. Profit shifting is particularly damaging to developing countries as they are more dependent on corporate tax income than richer countries.

In 2018, Ireland, Ghana's largest source of foreign direct investment, negotiated a double tax treaty with Ghana. The treaty saw the withholding tax on royalty payments to Ireland cut from the domestic rate of 15% to 8% and rates on technical service fees cut from 20% to 10%, which undermines Ghana's ability to raise tax revenues. The Irish government pursued this treaty despite being advised against doing so by the Department of Foreign Affairs, who pointed out that double tax treaties generally do not work in in the interests of developing countries.
Far from the objectives of Double tax treaties, which seek to resolve tax dilemmas for companies and citizens living and working between two countries, the agreement with Ireland, would deprive Ghana of tax revenue that is vital for national development. A recent IMF policy paper suggests that African countries may lose between 15% and 25% of their entire corporate income tax revenues when they sign tax treaties with 'investment hubs' like Ireland.

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Sorley McCaughey, Head of Policy and Advocacy at Christian Aid Ireland, one of the organisations involved in the submission, said: "Tax incentives can attract investment into Ireland, but they're not without consequence. Ireland's aggressive tax policies allow tax avoidance, and it's often-developing countries that suffer most. Profit generated in Ghana, for example, is shifted out of the country, meaning less money available to spend on healthcare and education. This has a real impact on children's rights and is morally indefensible."

Dr Gearóid Ó Cuinn, Director of the Global Legal Action Network, another of the organisations behind the submission, said: "This will be the first time the UNCRC examines the effect of a country's tax policies on the rights of children living overseas. The fact that it is starting with Ireland is testament to the leading role Ireland plays in shifting corporate profits from developing countries. Actively undermining the ability of governments to provide basic services to children is a clear-cut violation of the Convention on the Rights of the Child."

Irish tax policies criticised in the submission include:

- Allowing profit from sales made in countries outside of Ireland, including in developing countries, to be booked by an Irish company as though it took place in Ireland therefore depriving those countries of vital tax revenue.

- The tax relief and allowances on profits related to intellectual property, which allow Irish-based multinational companies to greatly reduce tax paid on profits, including those generated in developing countries. Since 2016, Irish trade statistics show flows of money for license fees and royalties associated with intellectual property from Africa and South and Central America. This indicates that Irish-based multinational companies are shifting profits from these regions. While the figures are relatively small, they are significant for the countries involved.

- Ireland's approach to negotiating double tax treaties with developing countries which has resulted in further taxable revenue flowing to Ireland at the expense of developing countries.

The Irish government has until October 2021 to respond to the concerns raised. This will take place at a formal sitting of the Committee in Geneva.

Ends

For a copy of the submission, further information or to arrange interviews, contact Katie Cox, Christian Aid Ireland's Communications Officer, on Kcox@christian-aid.org / 087 6561068; Bernard Anaba, Ag. National Coordinator, Tax Justice Coalition, Ghana on benabgh@gmail.com/ 0244584565.

Notes to editors

The submission to the UN Committee on the Rights of the Child was made jointly by ActionAid Ireland, Christian Aid Ireland, Integrated Social Development Centre (ISODEC), Global Legal Action Network (GLAN), Oxfam Ireland, Tax Justice Network, Tax Justice Coalition and Mary Cosgrove, lecturer at the School of Accounting in National University of Ireland Galway (NUIG).

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