ATT Welcome, August 2019

Welcomes

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Remember the time

Have you ever noticed, when you are working on something particularly absorbing, time really does fly? I was working on a report in the office recently and, in the absence of telephone calls or email pings to remind me to come for air, time really did fly. It was not quite lunchtime, but my coffee cup still held the dregs of my first hit of the day: normally the cup barely has time to cool down.

Casting my eyes, I took in the surroundings of my workspace: an assortment of pens of varying colours and ink levels; a pencil rubber broken in half; a handful of white paper dots from an overflowing hole punch; my collection of ATT mouse-mats (easier to find historic tax data than searching online); and, of course, tax legislation of various colours and thicknesses. The most popular, and therefore most used, are dog-eared with pieces of paper bearing cryptic notes and references sticking out. The spines are well-cracked.

But I do spy one book in rather pristine condition – perfect spine, perfectly flat and square, no paper markers. Sporting a cover of four years' worth of dust. I reach out carefully, leaving a distinct thumb print in the dust, and slide it off the shelf with utmost reverence. Have I just discovered a first edition hiding up there? If it is signed, could I flog it and retire?

The Corporation Tax (Northern Ireland) Act 2015. Right, that explains why it has never been used. Parliament passed the Act in March 2015. Subject to commencement regulations, the Act would devolve the power to set the rate of corporation tax to the Northern Ireland Assembly. The Assembly had to demonstrate that its finances were on a sustainable footing.

The NI Assembly would have the power to set the main rate of corporation tax in respect of certain trading profits (probably as low as 12.5%). The rate would apply to

all of the trading profits of a company if that company was micro or SME, and the company's employee time and costs fell largely in Northern Ireland. The rate could also apply to the profits of large companies attributable to a Northern Ireland trading presence. Certain trades and activities would be excluded from the scope of the rate – such as lending and investing activities. Control over the corporation tax base, including reliefs and allowances, would remain with the UK Parliament. I looked this up on the internet rather than crack the book open.

The power to set a Northern Ireland rate has not yet been devolved, hence the pristine condition of the book. As the NI Assembly collapsed over two and a half years ago, there is nobody in Stormont to take this forward.

One argument for such a low rate was to put Northern Ireland on a similar standing with the Republic of Ireland. It was argued that Ireland has greater success in attracting foreign direct investment due to the low rate of corporation tax. Do you recall the EU forcing Ireland to collect €13 billion in back tax last year from Apple? While that was not directly because of the 12.5% corporation tax rate, I understand it was a contributing factor.

And now we have Brexit – 'bigger fish to fry', as the saying goes. The business community now faces a serious dilemma – no local Government, and therefore no influence in the EU Departure meetings, and no clear guidance for local businesses.

In 2017, the NI Affairs Committee at Westminster was told there are some 177,000 HGVs and 208,000 light vans crossing the Irish land border every month. I am unsure how that compares with the Port of Dover. I am aware that there have been failed attempts to hold a 'dress rehearsal' to gauge the effects of a 'No Deal' Brexit (Operation Stack) but nothing similar appears to have been considered in Northern Ireland.

Some commentators have suggested tailbacks extending to over 10 miles from the border as vehicles wait to be cleared to enter the Republic of Ireland. There will not be a similar tailback to enter Northern Ireland – the UK Government has already announced there will be no new customs checks or procedures for Irish goods entering Northern Ireland from the Republic of Ireland.

While the uncertainty over Brexit remains, it remains a challenge to advise clients in Northern Ireland on their exposure to taxes on both sides of the border.

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