



**IRISH FUNDS
INDUSTRY
ASSOCIATION**

Mr Jim Kelly,
Commission on Taxation,
Le Pole House,
Ship Street Great,
Dublin 8,
Ireland

30th May 2008

Dear Mr Kelly,

Re: Commission on Taxation

The Irish Funds Industry Association (IFIA) is the representative body of the international investment funds community in Ireland, representing the custodian banks, administrators, managers, transfer agents and professional advisory firms involved in the international fund services industry in Ireland. Its 86 members and 23 associate members are responsible for in excess of 7,000 funds with a net asset value of Euro 1.5 trillion. The objective of the IFIA is to support and compliment the development of the international funds industry in Ireland, ensuring it continues to be a location of choice for the domiciling and servicing of investment funds.

On behalf of the IFIA we welcome the stated aims of the Commission on Taxation and outline below a number of areas that we believe are relevant from the perspective of the international funds industry in Ireland.

Terms of reference

Consider how best the tax system can support economic activity and promote increased employment and prosperity while providing the resources necessary to meet the cost of public services and other Government outlays in the medium and longer term.

The international funds industry in Ireland now employs approximately 12,000 people, 10,000 directly in industry companies as well as an additional 2,000 people in direct employment in the professional advisory firms (accountants, solicitors, stockbrokers) and many more indirect jobs have been created in IT and other service providers. Between January 2006 and January 2007, employment in the funds industry grew by 22% and is forecast to have grown by a further 13% during 2007. The funds industry is the single largest employer in the international financial services sector in Ireland and a significant contributor to employment creation not just in Dublin but also nationally, with industry operations now established in Waterford, Galway, Kildare, Louth, Meath,

Wexford, Kilkenny, Cork and Limerick. Industry companies operate in a highly competitive global market and in order to maintain the current levels of activity and facilitate the further growth of the industry in Ireland, it is crucial that the industry has the continuous support and cooperation of the relevant authorities including the Revenue Commissioners and the Department of Finance. This partnership with government and its agencies is highly valued by the industry and we hope it will continue to guarantee a stable and competitive operating environment in Ireland for the international financial services industry and the investment funds industry companies in particular.

This partnership could become more effective if there were dedicated personnel located both within the Revenue Commissioners and the Department of Finance who would be focused on the international funds industry in Ireland (the “*industry*”). We believe this would have the advantage of significant knowledge creation within government and promote a better understanding of the needs of our industry, which is focused on employment creation driven by continued growth. This would lead to a culture of proactive meetings and consultation between dedicated funds personnel and industry representation and in particular the IFIA Tax Committee and would eliminate any unexpected developments perceived to have a negative impact. For example, a legislative amendment in 2006 introducing the 8 year disposal rule for investors in Irish funds had the potential to introduce a significant and unnecessary administrative burden for industry companies, while a slightly different approach resulting in the same tax revenues could possibly have been achieved through closer cooperation on a partnership basis.

Related to the above, positive international perception of the partnership between authority and industry is crucial. Due to the highly competitive nature of our industry, jurisdictions are constantly enhancing their offerings. The input of the Department of Finance and the Revenue Commissioners to the industry in Ireland has been and is invaluable. However, there is little that we can do that will not be quickly copied by our competitors. As a result the decision to choose Ireland over another jurisdiction can often come down to perception. As such, it is imperative that the authorities are seen to be working collectively with the industry with a common goal – the enhancement of the environment for investment funds.

Furthermore, we propose that a cost/benefit analysis of legislative amendments should always be undertaken to ensure that Ireland’s attractiveness as a location for domiciling and servicing investment funds is not undermined. In our industry the perception of Ireland as a competitive location that facilitates international business is an ongoing concern. With this in mind there needs to be recognition of the different types of issues and concerns that can arise between the international and domestic industries so that prior to the introduction of legislation to address domestic market concerns, consideration is given to the impact the legislation will have on the funds industry from an international competitiveness perspective.

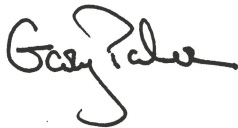
The above recommendations would certainly lead to a framework that would allow the industry to continue to grow and contribute significantly to the level of economic activity throughout Ireland, leading to the creation of more jobs and income tax revenue. To further contribute to the Government's stated aim of developing Ireland as a 'knowledge economy', we propose the implementation of incentives to attract investment (asset) managers, custodians and other financial professions to Ireland. In this regard we propose the following:

- a. Research & Development Incentives – making Ireland a location for product development in areas such as fund product development, systems development/business solutions and investment manager trading models;
- b. Goodwill Tax Deductions – enhancing Ireland as a viable location for investment managers and product development in the financial arena;
- c. Remittance Basis Review – reconsideration of legislation which before its removal attracted many experienced foreign executives to Ireland, which resulted in significant transfer of knowledge to Irish executives and enhanced our knowledge economy generally.

We look forward to the results of the submission process in due course.

Yours sincerely,

Gary Palmer

A handwritten signature in black ink, appearing to read "Gary Palmer". The signature is fluid and cursive, with the first name "Gary" and last name "Palmer" clearly distinguishable.

CHIEF EXECUTIVE, IFIA