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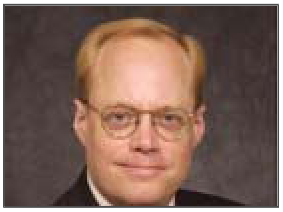

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Ireland Corks Tax Benefits, But 12.5% Rate Is Still Alluring

Ireland has been criticized over the last few years over sweetheart deals with Apple and other companies. Last year, the country said its famous Double Irish tax deals were on the way out. But Ireland remains the go-to place for Apple, Google, Twitter, and Facebook, not to mention big pharma. Ireland's corporate tax rate of only 12.5% trounces the U.S. rate of 35%. But do any of these big companies even pay the 12.5% rate?

Not if they enjoy a double Irish. It became a high-tech standard to funnel royalty payments for intellectual property from one Irish-registered subsidiary to another. The latter is usually in a country with no corporate income taxes. Brussels pushed hard for closing time, but generous grandfather rules keep these companies imbibing for years. In that sense, while Ireland may have to change some of its tax code and even cork the Double Irish, there's still time.

Apple has $111.3 billion offshore–more than any other company. (Photo credit: Wikipedia)

The money is astounding. Facebook flipped more than $700 million to the Cayman Islands in a Double Irish. Google used the Double Irish and the Dutch Sandwich, saving billions. Google and Microsoft cut their overseas tax rates to single digits with Dublin-registered subsidiaries designated as tax resident in Bermuda. The IRS isn't alone in its criticism. The EU and OECD (Organization for Economic Cooperation and Development) say Ireland gave sweetheart tax deals to Apple amounting to illegal state aid. But when is the last call?

The double Irish closed January 2015, but companies can keep their structures until December 31, 2020. Since the recent flaps about overly generous Irish tax benefits, the country is talking about getting at least somewhat tougher. For example, now there is talk that Ireland could require companies with global headquarters there to provide more information about their worldwide operations.

That hardly seems tough. Meanwhile, of course, the European Commission investigation into the bona fides of Ireland's deal with Apple is bumping along. The potential liability is quite large, but many observers do not expect the findings or financial hits to be as big as were first considered. The commission claims that the tax arrangements between Apple and Dublin are tantamount to illegal state aid.

Ireland's finance ministry has also started to cut back on–or outright delete–tax loopholes that erode the already low 12.5% tax rate. The most famous was the Double Irish. But Ireland is also tightening its domicile rules. More and more companies may actually have to pay the 12.5% rate. That is also prompting discussion over the relatively high tax rates that individuals must pay in Ireland. Amid the closing of corporate tax loopholes, some are lobbing for changes to the individual tax system. Lower individual rates, many are quick to point out, would help Ireland to gather up talent that now is going elsewhere.

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