

# As Ireland comes under pressure to end its abusive tax ...

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[The FT notes this morning:](#)

[Ireland](#) saw a leap in its cost of borrowing on Wednesday as peripheral eurozone economies came under pressure because of worries over the risk of sovereign bond defaults.

Dublin has come under pressure because of fears Germany will refuse to back down over its demands that Ireland must increase corporation tax rates in return for lower interest rate costs for bail-out loans.

I support Germany on this issue. It is absurd that Ireland should demand concessions on anything when it sets out to undermine the corporate tax revenues of its neighbours who it has expected to bail it out.

But the fact that Ireland's corporate tax system is seen throughout the international community as being highly abusive makes the Tory move [to replicate it in Northern Ireland](#) all the more ludicrous. A paper paving the way for this to happen will be published this morning.

I am a vociferous opponent of this (and will be on Radio Ulster this morning discussing the issue at about 9.30). My reasoning is in the paper '[Pot of Gold or Fool's Gold?](#)' published last year for the TUC and Irish Congress of Trade Unions. In summary the reasons why this will be a disaster for Northern Ireland are:

- 1) NI will lose £300 million of block grant - a cost to the ordinary people of NI who will have to pay for the tax haven that will be created;
- 2) It may be illegal under EU law;
- 3) Unless NI abandons controlled foreign company and transfer pricing laws too (and I really can't see that) the tax environment of the Republic cannot be reproduced in NI;
- 4) Transfer pricing will have to operate into and out of NI from the rest of the UK - bad

news for many businesses working in both places and adding massively to costs of locating in NI - which will be bad for jobs;

5) Intra-group activity cannot attract the low rate under EU law but it the most likely to relocate;

6) Under EU law finance activities cannot attract the low rate - blocking much of what Dublin does.

All of this makes it a complete non-starter and further evidence of Tory anti-tax madness over-ruling any common sense in government, or consideration of the needs of ordinary people.

Thankfully Sammy Wilson, DUP NI finance minister sees all the problems. I can't see him doing this. That's my hope.