OECD predicts Ireland will benefit from the new global minimum tax rate

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The new global minimum tax rate of 15% for large multinationals, which came into effect across the EU, UK and several other large economies in January this year, has appeared in the news frequently as of recent.

Ireland signed up to the arrangement in October 2021. In Ireland, the corporate tax rate, including for large companies, had been 12.5% since 2003 - so this development has led to questions about the effect it will have on foreign direct investment (FDI) into Ireland. Particularly in light of the general consensus that the comparatively low corporate tax rate is a primary reason for Ireland's popularity as a destination for FDI.

Ireland is home to more than 50 large multinationals across a variety of sectors, which will be affected by this change and some have questioned whether the new regime will cause the departure of some foreign-owned multinationals from the jurisdiction and a cooling effect on further FDI into Ireland.

These concerns are, however, likely overstated. According to a recent report, the Organisation for Economic Cooperation and Development (OECD) remarked that "[t]he majority of large [multinationals'] profit is taxed at rates between 15pc and 30pc". It should also be borne in mind that, even before this development, Ireland has not ranked among the top half of OECD countries for overall tax competitiveness.

The same OECD report indicates that Ireland's fiscus will, at least in the short term, benefit hugely from the change. The working paper, published on 9 January 2024 estimates that participating countries which qualify as "investment hubs" (which includes Ireland) will see income tax revenues rising by at least 14 percent up to as much as 34%.

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