INSURANCE IRELAND

Pre-Budget Submission for Budget 2024

www.insuranceireland.eu

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1. About Insurance Ireland

Ireland is a thriving global hub for insurance, reinsurance and Insurtech. Ireland is the fourth largest market for insurance services in the EU. Irish insurers are the top exporters of life and non-life insurance across the European Economic Area and Ireland is one of the major reinsurance and captive destinations. At the same time, Ireland has a very competitive life and non-life insurance market domestically. The sector directly employs nearly 20,000 people, with a further estimated 10,000 employed indirectly, and is a substantial contributor to the Exchequer, directly and indirectly.

Over the last 25 years, the Irish insurance industry has established itself as a cornerstone of the Irish economy. Irish insurers enable businesses, to take on risk, to strive for success, and to provide peace of mind to consumers in more than 110 countries.

Insurance Ireland is the representative body of the Irish insurance industry. Insurance Ireland's members represent around 95% of the companies operating in the Irish market, making Insurance Ireland a strong leadership voice for the sector.

Insurance Ireland members are progressive, innovative and inclusive, providing competitive and sustainable products and services to customers and businesses across the Life and Pensions, General, Health, Reinsurance sectors in Ireland and across the globe.

Irish insurers enable businesses to take on risk, to strive for success and to provide peace of mind to consumers.

The role of Insurance Ireland is to advocate on behalf of Insurance Ireland's members with policymakers and regulators in Ireland, Europe and Internationally; to promote the value that Insurance Ireland's members create for individuals, the economy and society; and to help customers understand insurance products and services so that they can make informed choices.

In that context, Insurance Ireland is proposing the prioritisation of the following seven policy measures, which Insurance Ireland believe will support economic recovery as Ireland continues to navigate through the ongoing economic and social challenges domestically, in Europe and globally.

1. **A Transparent and Sustainable Pensions Environment**

2. **Sustainable Finance**

3. **Irish Motor Insurance Database (IMID)**

4. **OECD International Taxation Consultation**

5. **Equalising the taxation treatment of financial products**

6. **Cross Border Taxation**

7. **Benefit in Kind on Corporate Paid Dental Insurance Benefits**

2. Executive Summary

As a nation, Ireland is still grappling with challenges such as a high inflation environment and an increased cost of living, which impact on the provision of insurance in Ireland. Despite the positive developments on the Windsor Framework Agreement, competition remains vital to the Irish insurance market more than ever with the increasing global macroeconomic challenges including international tax changes, persistent inflation, cost of living challenges, and the ongoing war in Ukraine.

The increased cost of living and problems with the housing market makes it increasingly difficult to attract and retain talent in the sector, as it is for other economic sectors as well. The fast-tracked improvements in remote technology and digital transformation allow many financial services including insurance to be conducted from anywhere, reducing the historical importance of physical location. There is a continued demand from individuals to have greater flexibility as to how and where they work. An agile labour force is more important than ever before, and attracting and retaining talent is a key issue for Insurance Ireland's members. It is imperative that the housing crisis is addressed as a matter of urgency to improve Ireland's competitiveness.

Insurance Ireland members operate on a global scale. The majority of firms within Insurance Ireland's membership are primarily involved in cross-border activity, servicing customers in more than 110 countries. Insurance Ireland is strategically focused on maintaining and increasing the attractiveness of Ireland as a jurisdiction from which to export insurance throughout the world, while attracting new undertakings to enter the market and service Irish consumers by expanding product availability and increasing consumer choice.

The continuation of proactive and structured engagement between the regulator and Insurance Ireland can result in an increased understanding for Insurance Ireland's members of the future regulatory cost requirements of firms, and embeds transparency and predictability to the process on the Central Bank of Ireland's (CBI) funding requirement for financial regulation activity, which is determined on an annual basis. It is also important to ensure the CBI is publicly accountable to the Oireachtas for its expenditure and has oversight on such costs.

Ultimately the cost of financial regulation is borne by consumers who are using insurance products to protect themselves against unforeseen events, or to plan for their financial future. The CBI must be able to demonstrate that it is delivering an appropriate level of rigorous review and controlling regulatory costs in the most effective manner possible. This can be delivered by ensuing that the CBI continues to be subject to public expenditure scrutiny from the State.

The complexity of the macroeconomic environment has increased, and unscrutinised regulatory costs would not be an attractive prospect for potential new entrants or for existing entities, and could negatively affect Ireland's competitiveness as a location for international insurance. Ireland has already seen the exit of two major retail banks from Ireland and the exit of at least two cross-border/international providers from the insurance sector. Should this trend continue, it would have a major impact not only on employment and revenue for the Exchequer, but also on the regulatory fees paid to the CBI.

The decision by Government to bid to host the new EU Anti-Money Laundering Authority (AMLA) will assist in positioning Ireland as an attractive environment to operate in. Insurance Ireland strongly supports this bid announced by Minister Michael McGrath in March 2023.

With its strong and vibrant domestic financial sector, the successful international financial services industry developed over the last three decades and the Government's ambitions for the country to be regarded as a leading global financial centre, Ireland is well positioned to become the home of this important new EU supervisory authority. Insurance Ireland believe that Ireland has a robust AML regulatory framework which will be further strengthened by the presence of AMLA in the country. Moreover, the Irish Government is a strong and active partner in the area of AML, not only at EU level but also at international level, with the AML standard-setter – the Financial Action Task Force (FATF). The location of AMLA in the State will further raise the Irish profile internationally in this area.

The Ireland for Finance Strategy (IFF) charts the future development of the international financial services sector in Ireland to the end of 2026. Under the updated strategy, the Government has a target to grow employment in the sector by 5,000 net new jobs, which will be achieved by focusing on growth in green, sustainable and digital financial services. In addition to attracting new players into the Irish market, it will be essential that Ireland emphasises its strong and positive operational environment to interest further investment by its incumbent market participants to grow their Irish footprint. The update of the IFF Strategy focuses around five main themes for growth, including Diversity and Talent [1].

1 International Financial Services Strategy. 17 Jan. 2020, https://www.gov.ie/en/publication/ireland-for-finance-strategy/#international-financial-services-strategy-2025-ireland-for-finance.

Insurance Ireland can support the Government's focus on increasing diversity and talent in Ireland through Insurance Ireland's planned talent strategy. Insurance Ireland's strategy intends to leverage the IFF Strategy to complement Insurance Ireland's own goals for the financial sector in Ireland. In addition to the IFF Strategy, a key finding in the 2022 Leaders Survey conducted by PwC with Insurance Ireland, was that skills shortages are a considerable concern for leaders across the insurance industry. 54% (up from 23% in 2021) cited it as a priority area on which Government should focus [2].

Government should broaden its recent work to expand third level places for healthcare and veterinary medicine [3] into the area of risk management, actuarial sciences and accountancy. Unlike healthcare and veterinary medicine, expanding the number of places available for courses that benefit the financial services sector does not require increased investment to source and resource scientific laboratory space. In most cases, all that is required is increased lecture hall capacity.

The campaign element of the strategy will look through the lens of Diversity and Inclusion, an issue the CBI considers to be "important components of well-managed, financially resilient, strategically-minded firms, and therefore pertinent to the Central Bank's mandate" [4]. According to the CBI, there remains a serious deficit in the diversity of background, experience, and – critically – thinking at senior levels in financial services in Ireland. Diverse groups tend to have a well-rounded view on business issues and risks. It is widely believed that greater diversity of thought results in better decision-making and improved risk management, while avoiding the danger of groupthink [5].

Competition remains vital to the Irish insurance market more than ever with the increasing global macroeconomic challenges including international tax changes, persistent inflation, cost of living challenges, and the ongoing war in Ukraine.

2 PricewaterhouseCoopers. "PwC-Insurance Ireland Leaders' Survey 2022." PwC, https://www.pwc.ie/reports/insurance-leaders-survey-2022.html.
3 Government Considers next Steps to Increase Number of Healthcare and Veterinary College Places. 21 June 2023, https://www.gov.ie/en/press-release/41879-healthcare-and-veterinary-places/.
4 "Diversity and Inclusion in Regulated Firms." Central Bank of Ireland, https://www.centralbank.ie/regulation/how-we-regulate/diversity-and-inclusion-in-regulated-firms.
5 International Financial Services Strategy. 17 Jan. 2020, https://www.gov.ie/en/publication/ireland-for-finance-strategy/#international-financial-services-strategy-2025-ireland-for-finance.

3. The seven key asks of the Irish Insurance Industry

1. **A Transparent and Sustainable Pensions Environment** – further consideration to the utilisation of the experience and the expertise of the existing pension infrastructure and providers currently operating successfully in the Irish market

2. **Sustainable Finance** – deliver sustainable objectives for society and lead the development of targeted policy and concrete measures to close the sustainability investment gap

3. **Irish Motor Insurance Database** – ensure operational readiness and resourcing to utilise the new system to verify insurance status and detect non-compliant drivers

4. **OECD International Taxation Consultation** – Ensure some of the unique aspects of the tax and accounting regimes for insurance companies are considered in the Model Rules and Administrative Guidance

5. **Equalising the taxation treatment of financial products** – Equalise the Life Exist Assurance Tax rate with that of Capital Gains Tax and Deposit Interest Retention Tax

6. **Cross Border Taxation** – Consider standard de minimis rules across countries where employees could work in another country without giving rise to a tax obligation

7. **Benefit in Kind on Corporate Paid Dental Insurance Benefits** – Expand dental coverage for Irish workers and their families by eliminating the BIK tax on corporate paid dental insurance benefits

3.1 A transparent and sustainable pensions environment

In November 2022, Insurance Ireland submitted a detailed response [6] on General Scheme of Automatic Enrolment Bill to Joint Committee on Social Protection, Community and Rural Development and the Islands that reflected the position outlined in Insurance Ireland's Pre-Budget Submission 2023 [7], specifically:

1. Barriers to Entry for Low Income, Part time and Young Workers,
2. The Gender Pension Gap,
3. Issues with Contributions,
4. The 2018 Strawman and the Central Processing Agency, and
5. Communications.

Insurance Ireland was pleased the majority of the issues raised as part of Insurance Ireland's submission, and appearance before the Committee in February 2023, were addressed in the recommendations of the Committee's Report on Pre-Legislative Scrutiny of the General Scheme of the Automatic Enrolment Retirement Savings System Bill 2022 [8].

In line with the Insurance Ireland position, the Committee recommendations include the lower age limit be reduced from 23 to 16 years, aligning it with the PRSI minimum age threshold. The Committee also recommended the lower income threshold of €20,000 be removed as the threshold of €20,000 can penalise young workers, low earners, and disproportionately women.

During Insurance Ireland's appearance before the Committee in February, Insurance Ireland flagged the risks for women and the already present gender pension gap due to a lack of flexibility, therefore, Insurance Ireland was pleased the Committee included recommendations the 2018 Strawman approach should be reverted to, allowing for increased flexibility of contribution levels, and importantly for women, there should be provision for a state incentive during periods of maternity leave, and also on allowing for an efficient tax mechanism for partners to make contributions when on unpaid leave. Insurance Ireland encourages the Department of Finance to work with the Department of Social Protection to incorporate the recommendations of the Committee within the final design of the scheme.

6 Insurance Ireland - The Voice of Insurance. https://www.insuranceireland.eu/news-and-publications/insurance-ireland-submission-on-auto-enrolment.
7 Insurance Ireland - The Voice of Insurance. https://www.insuranceireland.eu/news-and-publications/publications/insurance-ireland-submits-its-pre-budget-submission-for-2023.
8 Oireachtas, Houses of the. Social Protection Committee Publishes Report on the Automatic Enrolment Retirement Savings System Bill – 3 May 2023, 15:00 – Houses of the Oireachtas. 3 May 2023, https://www.oireachtas.ie/en/press-centre/press-releases/20230503-social-protection-committee-publishes-report-on-the-automatic-enrolment-retirement-savings-system-bill.

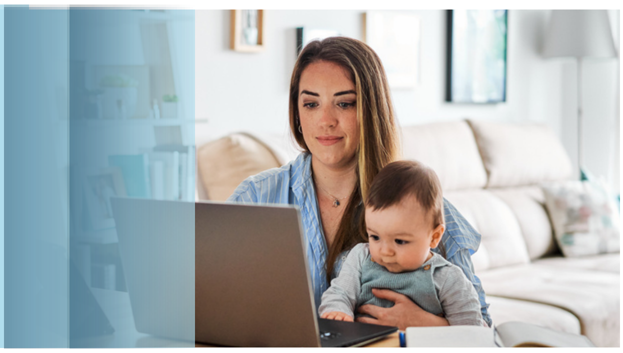
An item Insurance Ireland was disappointed not to see contained within the recommendations of the Committee was the lack of further consideration to the utilisation of the experience and the expertise of the existing pension infrastructure and providers currently operating successfully in the Irish market. Insurance Ireland believe that this approach would lead to a speedier implementation of the system and could work to achieve the maximum of 0.5% charge outlined in the recommendations.

Finally, Insurance Ireland would encourage the Department of Finance and Department of Social Protection to clarify the financing and regulation of the Central Processing Authority (CPA). Insurance Ireland is unaware of any cost/benefit analysis of the CPA having been carried out or any financial review having been undertaken by the Department for Public Expenditure and Reform. Insurance Ireland strongly recommends that such analysis take place in advance of progressing the implementation of AE any further. In relation to regulation, Insurance Ireland notes that the legislation states:

“The Automatic Enrolment Retirement Savings System is, for the purposes of the application of national and European Union law, an ‘institution of occupational retirement provision’ as defined under Article 6 (1) of the Directive of 2016.”[1]

However in the TASC event ‘Assessing the proposed auto-enrolment pension scheme’[1] at which a contribution was made by the Department of Social Protection, it was noted that the Department of Social Protection is engaging with the Pensions Authority (PA) on the regulation of the CPA, as it is neither IORP nor Master Trust. This was unexpected, as Insurance Ireland’s understanding from previous interactions with DSP and from the Bill itself is the CPA would be considered as an IORP and therefore subject to IORPs II governance and prudential rules and ensuring a level playing field across the market. Insurance Ireland believe that certainty is required on the regulation of the CPA

Insurance Ireland flagged the risks for women and the already present gender pension gap due to a lack of flexibility



9 Draft Heads and General Scheme of the Automatic Enrolment Retirement Savings System Bill 2022 . https://data.oireachtas.ie/ie/oireachtas/committee/dail/33/joint_committee_on_social_protection_community_and_rural_development_and_the_islands/submissions/2022/2022-11-10_draft-heads-and-general-scheme-of-the-automatic-enrolment-retirement-savings-system-bill-2022_en.pdf.

10 Latest News & Events.” TASC - Think-Tank for Action on Social Change, 18 Apr. 2018, https://www.tasc.ie/news/2023/03/07/assessing-the-proposed-auto-enrollment-pension-scheme-tasc-e/.

3.2 Sustainable Finance

The insurance industry enables businesses to flourish and provides peace of mind to consumers. Insurance is not about the past, it is about the unknown and the future. Insurers are enablers and Insurance Ireland strongly believe that insurers must enable a sustainable future for both the economy and society. Insurers can contribute to this journey from two angles, firstly in their underwriting capacity when they assess and price risk appropriately and, more importantly, when they help their customers to prevent and mitigate risk and secondly, is investment on behalf of their customers.

On the first angle, at a domestic, European and global level both the Irish Government and the CBI are committed to making sustainable finance part of the regulatory regime and support the development and implementation of sustainable finance initiatives. In line with these ambitions, Insurance Ireland is committed to being socially responsible and sustainable. The insurance sector will need wide-ranging strategies that help industry to adapt comprehensively to tackle climate change, support the transition with funding, and design and implement programmes for net zero investments and underwriting. Insurance Ireland recognise the need for increased public-private partnership to fully realise these strategies.

Recently, the CBI published its Climate Risk Guidance, which was warmly welcomed by industry. However, what is specifically needed to assess, monitor, prevent, mitigate and manage risk is data. This data is not readily available or in consistent formats that can be handled efficiently. Insurance Ireland ask the Government and EU institutions to make this data available as soon as possible.

The second angle of the sector's contribution is investment on behalf of their customers. Irish insurers held total assets of about €489 billion at the end of 2022. Channelling available funds into the sustainable transition of Ireland and Europe can be a key component for reaching Ireland's climate goals. Investments into sustainable infrastructure – Ireland's sustainable future – can contribute to solving challenges like the housing crisis, the lack of public transport infrastructure and coverage and connectivity across the country.

With its specific long-term horizon, (re)insurers can be strong enablers for long-term development projects, particularly with regards to infrastructure projects. (Re)insurers mitigate major risks linking to the procurement of long-term projects and provide for the necessary security for undertakings to commit and deliver on such projects. At the same time, the insurance industry is the largest institutional investor. According to the CBI's figures, Irish insurers invested €538bn in 2021 [11]. The long-term commitments in which (re)insurers can engage due to the nature of their business are unique in the financial services sector and should be utilized accordingly.

The National Development Plan (NDP) aims at delivering key projects to mitigate the challenges of society. An overarching focus for all these projects is sustainability – both social and environmental. The expected funding requirement exceed the volume of the €165bn assigned under the NPD until 2030 [12]. Leveraging private investments and designing the projects in a way to include private investments could enhance the sustainable development of society and the economy. Furthermore, concrete steps towards a project platform and pipeline, combined with sound investment vehicles would contribute to the Irish ambitions to become an international hub for sustainable investments and sustainable finance.

A future-oriented environment for significant sustainable projects could attract additional foreign investments and also increase the effectiveness of the government's €500m sustainable recovery support scheme of July 2022. For example, the central element of the NPD, sustainable and social housing could be accelerated through meaningful projects and facilitate the access to housing for more citizens in a shorter term. Insurance Ireland has been advocating for a comprehensive investment environment for sustainable projects since the launch of the EU sustainable finance initiative in 2018. Insurance Ireland strongly believe that Ireland as a small and open economy with its excellence in financial services can play an important role in delivering the sustainable objectives for society and lead the development of targeted policy and concrete measures to close the sustainability investment gap

11 Remarks by Governor Makhlouf at Insurance Ireland's Annual Lunch. https://www.centralbank.ie/news-media/press-releases/speech-gabriel-makhlouf-insuring-for-our-future-insurance-ireland-annual-industry-lunch-16-june-2022.

12 National Development Plan 2021-2030. 4 Oct. 2021, https://www.gov.ie/en/publication/774e2-national-development-plan-2021-2030/.

3.3 Irish Motor Insurance Database

The Motor Third Party Liability (MTPL), now referred to as the Irish Motor Insurance Database (IMID), was initiated by Insurance Ireland in 2017 as a result of the Cost of Insurance Working Group. The resulting report was addressed to the Insurance Industry, Insurance Ireland, the Motor Insurance Bureau of Ireland contained actions to progress with the Department of Transport, Tourism and Sport and An Garda Siochána (AGS). One such action was to coordinate the development and delivery, by the insurance industry, of the system needed to support legislative requirements laid out by the Minister of Transport in:

–Road Traffic Act (2016)
–Road Traffic Act (2018)
–Road Traffic and Roads Bill (2021)

This legislation requires that insurers now provide details of all their motor insurance policies (individual and fleet) to new central databases, IMID and National Fleet Database (NFD). It is proposed that these databases would then be accessed by the Department of Transport (DoT) and AGS, as part of their road traffic and road policing duties.

To date over €3m has been spent on this project by Insurance Ireland, on behalf of the insurers, with a further €10m to €12m spent by the individual insurance companies themselves in order to implement the requisite IT systems and organisation changes within their own organisations required to run the IMID project. As each stage of the systems development process is completed by Insurance Ireland, it is transferred over to the Motor Insurers' Bureau of Ireland (MIBI) for operational management and rollout.

The development of the IMID project has been divided up into 3 distinct phases, namely:

- **Phase 1** – development of the core IMID database of details of the insurance policies relating to all personal and small commercial vehicles.
- **Phase 2** – development of a new NFD of insurance details relating to larger fleets and motor dealers.
- **Phase 3** – the capture and verification of Driver Number details relating to all Policyholders and related Named Drivers associated with motor insurance policies.

Insurance Ireland have completed the development work for Phases 1 and 2 of the IMID project and MIBI are now awaiting the completion of the Road Traffic and Roads Bill (2021) before they are in a position to share the MTPL and NFD database details with DoT and AGS. In addition, work has also started within Insurance Ireland, on the technical design of the remaining Driver Number capture and verification phase of the project. This phase of the project is expected to go live from mid-2024.

It is important AGS is operationally ready and resourced to utilise the new system to verify insurance status and detect non-compliant drivers as part of their Mobility Project. Uninsured driving in Ireland is disproportionately high compared to EU and UK counterparts and is currently running in excess of 8% of drivers. Insurance Ireland encourages the Department of Finance to ensure that IMID is effectively resourced to ensure its success.

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3.4 OECD International Taxation Agreement

Insurance Ireland members operate on a global scale. The majority of firms within Insurance Ireland's membership are primarily involved in cross-border activity, servicing over 25 million customers in more than 110 countries. Ireland is the fourth largest insurance market in the EU, the second largest for reinsurance services, and the EU-wide leader for exporting life and non-life insurance products within the EU. Insurance Ireland is strategically focused on maintaining and increasing the attractiveness of Ireland as a jurisdiction from which to export insurance throughout the world, while attracting new undertakings to service Irish consumers by expanding product availability and increasing consumer choice.

Ireland, as a jurisdiction, has a lot to offer in terms of international investment and acting as a leading international insurance hub, including a highly educated, skilled and internationally diverse workforce with direct access to the EU labour market that provides a broad talent pool for insurers, with local expertise across Financial Services, Technology and Global Business services. Ireland is a committed member of the EU and an English-speaking member of the Eurozone with full access to the Single Market and EU regulatory passporting.

Ireland is an open and globally connected country with a stable and pro-business environment and is one of the fastest growing economies in the Eurozone with one of the most productive workforces in the world. Finally, in the CBI, Ireland has a strong and robust regulator committed to delivering quality financial authorisation and advice and strong links to decision making bodies within the EU.

While the overall quantum of tax paid by companies in Ireland may increase, this does not diminish Ireland's attractiveness from a taxation perspective, as Irish domiciled global firms will not be subject to more tax than they would have been if domiciled in other EU Member States. Overall, Insurance Ireland's view is that much of the clarity that is outstanding would be resolved with Revenue guidance to be consulted upon once the final rules are agreed.

Given some of the unique aspects of the tax and accounting regimes for insurance companies, the industry has been involved in the consultation process with the OECD for some time to ensure these aspects were considered in the Model Rules and Administrative Guidance. Considering this from the point of view of the Irish draft legislation, there are a number of references to insurance companies and, whilst the policy intent of these rules appears clear, further guidance may be needed to ensure they operate as intended for Irish companies.

Some of the areas where guidance would be welcome are as follows:

- The taxation of 'Old Basis Business' of life insurance companies is relatively unique in Ireland and further detail would be required in guidance to clarify the application of the Pillar 2 rules, including references to policyholder taxes.

- In addition, the concept of insurance investment entities will be important for Irish insurance companies and further guidance on the qualification of an entity as such would be welcome.

Finally, the transition rules do not give any detail on how exactly attributes should be apportioned between head office and branches. Given that a significant number of Irish insurance companies have overseas branches, detail on how to apply the rules on transition will be important.

To use the example of losses forward, the Irish domestic system allows the losses to be carried forward at a head office level, as well as in the branch location, with the rules on double tax relief managing the interaction between the Irish and overseas tax positions. Without further clarification, there is a risk the GloBE rules as currently drafted could give rise to double tax in situations where there is a deferred tax asset relating to an overseas branch on transition.

3.5 Equalising the taxation treatment of financial products

Insurance Ireland and its members believe that LAET rate should be equalised with that of Capital Gains Tax (CGT) and Deposit Interest Retention Tax (DIRT). This should be done gradually over time, to avoid people making poor investment choices for their medium and long-term financial wellbeing which can be based on misleadingly preferential tax treatment. This would also allow for a level playing field in the taxation of similar products.

Insurance Ireland believe that the current tax regime discourages Irish people from saving in products subject to LAET by imposing a disadvantageous tax rate in comparison with deposits and other savings vehicles. Coupled with the 1% levy that applies to investments via life companies, it is Insurance Ireland's belief that this represents an unwelcome market distortion, encouraging individuals to leave money sitting on short-term deposits. As a result, Irish people have little option other than to save their money with banks, yielding smaller returns (and therefore lower contribution to the Exchequer as demonstrated by the analyses of the Tax Strategy Group) and this could potentially result in a struggle to meet financial goals and objectives for some savers.

Insurance Ireland also believe the Exchequer could expect higher tax contributions in the medium to longer term with the proposed reduction in life assurance ET, as people move their money from deposits into investment funds yielding potentially higher returns, knowing they are likely to achieve a more positive return over the medium to longer term and that these returns are taxed equally or at least no less disadvantageously than deposits and direct investments.

In 2022, the Tax Strategy Group highlighted a risk that the headline rate of 41% was potentially acting as a deterrent to investors, resulting in a lower take-up of these products. Indeed, the TSG itself noted that despite the higher headline rate of tax compared to DIRT, the actual amount received by the Exchequer was itself relatively low. This in itself could provide evidence that the headline rate is acting as a deterrent. The Exchequer receipts show a marked decline in both DIRT and LAET as investors continue to seek savings vehicles which provide a return on their investment. While the decline in DIRT could be attributed to a decline in interest rates, the decline in LAET could be influenced by a headline rate of tax which is off-putting to investors in comparison with CGT or DIRT. Insurance Ireland's statistics indicate a slight increase in volumes invested into life assurance investment policies from 2016 to 2020, and from Insurance Ireland's work with brokers it is expected this will increase further over time if the headline rate is equalised with other investment vehicles.

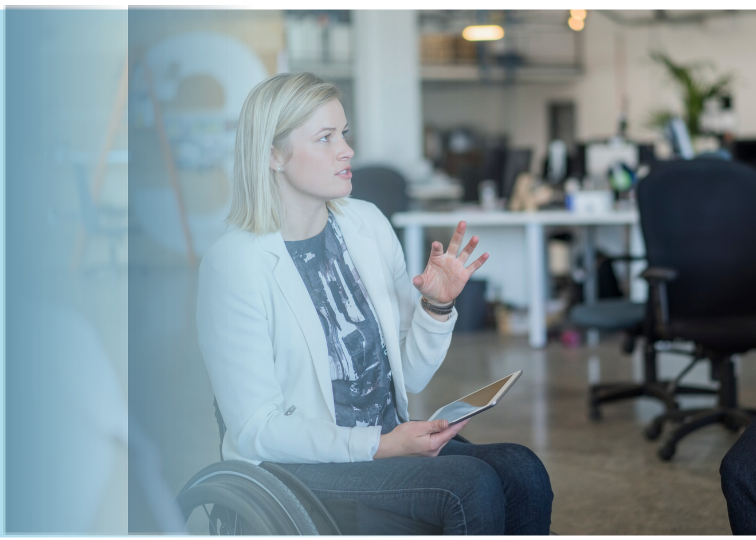
Life assurance investment policies offer a tax-efficient and diversified investment vehicle which can provide a better return on an investment over the longer term than leaving the capital in a bank account. These investments can offer less risk than investing directly in individual stocks and shares and can potentially offer a higher return than interest on deposits as long term returns from investment funds are typically higher than deposits, so savers could be better off. A typical equity fund holds 50-300 different shares which incurs less investment risk than buying a single company's shares and is likely to be more appropriate for less sophisticated savers or those on lower incomes. This makes these types of investment ideal for savings for school/college as well as gifts from grandparents to young children.

Overall, it is Insurance Ireland's position that the almost two-decade history of ET and DIRT rates being equal for savers should be restored. Savers' choices should be based on the underlying investment's merits and not potentially skewed to a less suitable investment choice by more preferential headline tax rate.

Capital Gains Tax (CGT)

There is also the disadvantage that losses under life assurance policies cannot be carried forward and offset against future years gains, the way that can be done under Capital Gains Tax. Additionally, the balance of any unused allowance can be transferred to a spouse or civil partner. This is another example of the unfairness of the lack of equalisation across CGT and LAET.

Insurance Ireland is strategically focused on maintaining and increasing the attractiveness of Ireland as a jurisdiction from which to export insurance throughout the world, while attracting new undertakings to service Irish consumers by expanding product availability and increasing consumer choice



International Comparison

Insurance Ireland compared the Irish LAET system with five other EU countries and the UK, noting that the UK is now a third-country.

Insurance Ireland found that out of the five EU countries, only one applied a deemed disposal period. All of the countries had a headline tax rate of under 35% at the highest level (see Table 2 below), with many applying reliefs and a reducing scale for reasons such as tenure and amount of the gain, with the lowest tax rate from Spain at 19%.

Table 1

Country	Tax rate
Portugal	28% flat rate or the Income Tax sliding scale
Spain	19% (capital gains ≤ EUR 6,000) 21% (EUR 6,000 – 50,000) 23% (EUR 50,000 – 200,000) or 26% (> EUR 200,000)
France	30% flat rate – made up of 12.8% income tax and 17.2% social tax.
Italy	26% (for capital income referring to period starting from 1 July 2014) 20% (for capital income referring to period between 1 Jan 2012 and 30 June 2014), and 12.5% (for capital income referring to the period prior to 1 January 2012)
Germany	25% (plus solidarity surcharge and church tax if applicable)
Luxembourg	-
UK	No liability to personal taxation will usually arise on a qualifying policy

To level the playing field between investment options, restore balance to the investment risk/reward evaluation process and ensure neutrality of the tax system, Insurance Ireland continue to propose that ET rate be reduced gradually in instalments over a period to reach the capital gains tax/DIRT rates, currently 33%, and remain pegged to the CGT and DIRT rates.

Such a change would remove some (but not all) of the anomalies and inequities of the current system for taxing investment returns and would mean that the taxation of savings vehicles was consistent. The resulting LAET rate pegged to the capital gains tax rate, currently 33%, would still be 11% higher than it was in 2008 at the beginning of the financial crisis, and be broadly mid-way between the standard and higher rate of income tax. It would not be a low rate.

Insurance Ireland see the proposed reform as largely self-financing for the Exchequer in the longer term, because:

- By equating the LAET rate to the DIRT rate, this will remove the unintended perception that life assurance investments are more expensive than deposit accounts or direct investment in stocks and share and will encourage more deposit investors to invest in GRU funds which over the longer term will produce higher returns and hence higher exit tax revenue for the Exchequer than DIRT on the same funds held as deposits over the same period. A move from deposits to investment funds would also be consistent with the Irish Government's commitment to Capital Markets Union under the Retail Investment Strategy.

- By equating the LAET rate to the CGT rate, this will encourage more 'direct' investors to invest in GRU funds (less tax admin, wider spread of investments, etc.) which will likely produce higher exit tax revenues over the longer term than CGT on direct investment, because of the more limited scope in GRU funds for offsetting losses against gains, and use of annual exemption, and enforcing a 33% tax on income returns.

Finally, Insurance Ireland believe that a review of LAET as part of a broader and more fundamental review of the neutrality of the tax system for individual savings and investors is pertinent and timely taking into account the changed macroeconomic environment, inflationary pressures and interest rate developments in the period since the publication of the last Tax Strategy Group papers in 2022

3.6 Cross-Border Taxation

The taxation of cross- border workers (e.g. employees who live in the Northern Ireland and who are based in an office location in the Republic of Ireland (ROI)) is an area of difficulty for Irish insurance companies with branches in Northern Ireland and vice versa.

The nature of the border is that many employees cross the border every day for work. This is not burdensome from a tax perspective when the employees work in the same location as their employer is based (e.g. Donegal residents who work in an office in Derry are subject to payroll tax in the UK only). However, if there are hybrid working arrangements and these employees work from home in ROI for a number of days a week, it will be necessary for their employer to operate UK payroll in respect of the days they work in Northern Ireland and Irish payroll in respect of the days they work in the Republic of Ireland. Similarly, given the infrastructure in place between Northern Ireland and Dublin, there are many Northern Ireland residents working in Dublin or other ROI offices. This scenario would give rise to a huge amount of tax administration and would involve applications to tax authorities in both jurisdictions and thus is not a realistic option for most companies.

Therefore it may not be possible for some companies to permit ROI resident employees, who are employed in a branch in Northern Ireland to avail of hybrid working. This may be seen as unfair on these employees. During Covid on a concessional basis trans-border worker relief rules were relaxed to avoid giving rise to a tax liability for these workers in ROI. This concession finished on 31st December 2021. The concession for employers in respect of payroll only applied to 31st December 2020. This has cause a mismatch between the employer and employee tax obligations and put employers in a difficult position for 2021 as while the employee may have not a tax liability in ROI, the employer has a payroll obligation in ROI for this period.

Where an ROI company with a Northern Irish branch has employees who are resident in Northern Ireland but based in an office location in ROI, if these employees work in Northern Ireland for a number of days a week, it will be necessary for the employer to run payroll in both Northern Ireland and ROI. As set out above this is administratively very burdensome and may mean it is not possible for such workers to be permitted to avail of hybrid working arrangements.

Looking beyond the island of Ireland, cross-border taxation issues exist on a European level also. Tax teams are struggling with the issue of employees wanting to work for a period of time each year in a foreign location (e.g. have a three week holiday in Italy, followed by three weeks of working from Italy). Insurance Ireland understands that some of the tech companies have generous policies in this area and as such, Insurance Ireland's members are under pressure to allow such working arrangements.

The issue for tax teams is that they need to ensure that there are no payroll or permanent establishment issues in the foreign location by permitting this. It takes time and cost to investigate the rules in each country. Insurance Ireland contends that it would be helpful if there were standard de minimis rules across countries where employees could work in another country without giving rise to a tax obligation [13].

Such policies can also enhance diversity of talent and take pressure of the Irish labour market. More flexible work arrangements without taxation-related risk can allow employers and employees to explore additional resources and labour models. Diversifying expertise and knowledge will also support overcoming limitations which Irish undertakings are facing when enhancing diversity of decision-making and embracing the opportunities which Diversity, Equity and Inclusion offer to the economy. The European Economic and Social Committee published a report on the specific challenges of tax treatment to employees and corporates with regards to cross-border telework [14] Insurance Ireland believes that the report provides for guidance regarding the challenges which have to be addressed. By committing to finding practical and reliable solutions, Ireland can get an advantage in the global competition for talent and, consequently, economy.

13 Hadzic, Daida. "European Union – Remote Working and Corporate Taxation - KPMG Global." KPMG, 3 Nov. 2022, https://kpmg.com/xx/en/home/insights/2022/11/flash-alert-2022-197.html.
14 https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/taxation-cross-border-teleworkers-and-their-employers.

3.7 Benefit in Kind on Corporate Paid Dental Insurance Benefits

Collectively, there is an opportunity to expand dental coverage for Irish workers and their families by eliminating the Benefit in Kind (BIK) tax on corporate paid dental insurance benefits. This measure would increase participation in corporate dental benefit plans, leading to improved oral health outcomes and better utilization of public funding for strategic oral healthcare goals that are aligned with Smile agus Sláinte [15] and the World Health Organization's (WHO) Oral Health Strategy [16].

There has been significant growth in corporate private dental insurance plans in Ireland. It is estimated that over the past decade there has been a 300% increase in the number of people with private corporate dental insurance. However, is estimated that thousands of eligible workers and dependents do not take up employer-paid dental benefits due to the benefit being treated as taxable income.

Insurance Ireland proposes where a company funds a private dental insurance policy for an employee and/or a dependent of an employee (partner, spouse, child) it should not be treated as taxable income up to the amount of €300 per individual. This proactive measure is an important step towards enhancing our health system and taking a leadership position in executing on the WHO Oral Health Strategy, and Smile agus Sláinte. It is a positive and straightforward action with the potential to have exponential impact.

There is a growing recognition and focus on the vital role that business must play in helping to foster greater social cohesion in Ireland. Despite challenges, domestically and globally, there is cause for great optimism with the opportunities that lie ahead. Companies are seeking ways to keep their staff well, retain staff in employment and foster connection. Social cohesion is a fundamental driver of long-term health, prosperity, and competitiveness across all sectors.

This is evidenced, for example in corporate investment in employee dental insurance benefits. In 2021, 25% of employers in Ireland enhanced their benefits within their overall benefit schemes for [17]. The 2022 Paychex Pulse of HR Survey reported that organizations have increased the benefits they are offering by an average of 22% compared to the year before the COVID-19 pandemic [18].

15 Smile Agus Sláinte – National Oral Health Policy. 3 Apr. 2019, https://www.gov.ie/en/publication/90687b-smile-agus-slainte-national-oral-health-policy/.
16 Oral Health. https://www.who.int/health-topics/oral-health.
17 2021 Ireland Benefits Survey: Employer & Employee | Morgan McKinley Recruitment. https://www.morganmckinley.com/ie/e-books-guides/2021-ireland-benefits-survey-employer-employee.
18 "The 2022 Pulse of HR: A Comprehensive View of the State of HR in U.S. Businesses." Paychex, https://www.paychex.com/worx/guide/hr-pulse-2022.

In Ireland, private dental insurance benefits that are paid for by an employer are subject to a BIK Tax for the employee. This taxation has a direct impact on staff and dependant participation in the corporate benefit scheme. The BIK tax is a barrier to staff take up which lowers the value of the potential benefit, which in turn discourages proactive dental care and transfers the cost of dental care to individuals or public funding. It is a barrier to the overall dental health of the Irish population.

It is imperative that public and private financing systems co- exist and are complementary in achieving maximum cover for the population. There is a significant opportunity to enable more people in Irish society to attend the dentist regularly over the short, medium and long term.

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15 Smile Agus Sláinte – National Oral Health Policy. 3 Apr. 2019, https://www.gov.ie/en/publication/90687b-smile-agus-slainte-national-oral-health-policy/.
16 Oral Health. https://www.who.int/health-topics/oral-health.
17 2021 Ireland Benefits Survey: Employer & Employee | Morgan McKinley Recruitment. https://www.morganmckinley.com/ie/e-books-guides/2021-ireland-benefits-survey-employer-employee.
18 "The 2022 Pulse of HR: A Comprehensive View of the State of HR in U.S. Businesses." Paychex, https://www.paychex.com/worx/guide/hr-pulse-2022.

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