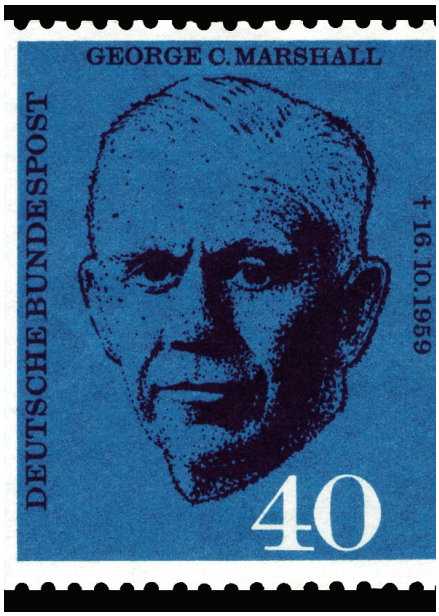

GLOSSARY

"The effective incidence of tax is never clear; the ripple effects are very difficult to trace". **John Bristow, Trinity College Dublin economist (in his 2004 book, *Taxation in Ireland*).**

Classical System (of corporation tax) *p8*

A system of taxing companies in which the company is treated as a taxable entity separate from its own shareholders. The profits of companies under this system are therefore taxed twice, first when made by the company and again when distributed to the shareholders as dividends.

Imputation System *p9*

The Imputation System of corporation tax is the opposite of the Classical System, in that it provides for full offset of tax paid as corporation tax against the dividend income paid out of the originally taxed profits. Ireland operated a hybrid Classical- part Imputation system, providing partial relief on dividends up to 1999, after which it moved to a pure Classical system. For this reason, it needs to levy a relatively lower rate of Corporation Tax than countries with an Imputation or part imputation system to stay internationally competitive and attractive as a source of FDI. In Ireland imputation was removed in 1999 and the Irish tax system became a 'classical system' for the first time with the 12.5% rate first applying on 1 January 2003. (q.v).

Inclusive Framework on BEPS *p9*

The BEPS project is a proposal to achieve a degree of harmonisation of global corporation tax in an attempt to limit extreme forms of tax competition. It attempts to achieve this through two principal means, named Pillars', and called "Pillar 1" and "Pillar 2".
The Inclusive Framework is a voluntary association of nations, grouped around the OECD, and its associated member states (the latter including Russia and China). OECD is a body established in 1948 as part of the Marshall Plan in an effort to facilitate the kick starting of economies after the war through the sharing of economic and statistical information and ideas. It remains such a body, with no Treaty powers, such as with the EU has to enforce agreed legislative actions.

Marshall Plan *p9*

The Marshall Plan (q.v.) was operated by the OECD, which was originally set up to administer it. It dispensed total aid of some $12 billion to European economies ravaged by the war between the years 1948 and 1952, and including grant aid to Ireland, even through it was neutral in the war, of $19 million some of which was used to fund the establishment of the still-functioning Economic & Social Research Institute.
About 12% of the aid went to West Germany, which was a contrast with the reparations of the post World War 1 Versailles treaty. West Germany issued the postage stamp pictured here commemorating Marshall, the US Secretary of State, in 1961.

Corporation Tax *p8*

The father of Corporation Tax was William Pitt the Younger, (pictured above) who introduced an 'income tax' – at a rate of 10% - seeking more revenue to finance the Seven Years War against Napoleon. Assessed on total income it applied to 'every body, politic or corporate...'. It was a temporary tax, and was repealed after the war, but, in years to come, the idea, having been introduced, proved too attractive to resist for Chancellors and Finance Ministers, giving rise to the establishment of a corporation tax system by the middle part of the 19th century in Britain, and Ireland. Its introduction brought into mind the saying "there are only two certainties in life, death and taxes" (Benjamin Franklin).

EIOPA *p14*

In its final report in 25 February 2009 the 'de Larosière Report' proposed reforms to the structure of supervision of the financial sector in the EU and the creation of a European Systemic Risk Council. It also said that a European System of Financial Supervisors should be created, comprising 3 European Supervisory Authorities, one for the banking sector, one for the securities sector and one for the insurance and occupational pensions sector. The insurance arm, EIOPA has been heavily engaged in the development of Solvency II, a Directive in European law that harmonises the EU insurance regulation.
Pictured, (above): Jacques de Larosière was the managing director of the International Monetary Fund (IMF) from June 1978 to January 1987, and from 1987 to 1993 he was the Governor of the Banque de France. He was asked to produce the report in the wake of the bankruptcy of Lehman Brothers, by EU Commission President José Manuel Barroso putting in place the process that led to the creation of EIOPA, and the Solvency II architecture.