

IRELAND

With the fastest growth rate of GDP per capita in the OECD over the past decade, Ireland has nearly caught up with the leading countries in terms of productivity and, to a lesser extent, income levels.

Policy priorities

Ease the regulatory burden on business operations

Challenge and recommendations: To strengthen competition in services, it was recommended that anti-competitive regulation in retailing be eliminated and that professional services be opened to foreign-trained professionals.

Actions taken: In May 2005, the government-appointed Consumer Strategy Group suggested i) to establish an independent National Consumer Agency to address consumer complaints; ii) to abolish the quota on pub licences and to introduce a new category of licences for continental-style cafés; iii) to raise the number of licences for fruit and vegetable traders; iv) to revoke the price floors for retail businesses (Groceries Order); and v) to change the price setting procedure for pharmaceuticals. The government has set up a National Consumer Agency and introduced a bill that aims at abolishing the Groceries Order.

Further liberalise network sectors

Challenge and recommendations: To strengthen competition in network industries, it was recommended that the regulatory framework be reviewed so as to prevent incumbents from exploiting monopoly power in a relatively small market.

Actions taken: The Consumer Strategy Group recommended that price controls in the energy and telecom sectors be repealed so as to raise the incentive for foreign suppliers to establish in Ireland.

Strengthen the enforcement of competition policy

Challenge and recommendations: Unlike in most other countries, the Competition Authority cannot impose fines for violation of the competition law, but must take its cases to criminal court. To strengthen the effectiveness of competition policy, it was recommended that the Authority be granted greater enforcement power and the possibility of imposing sanctions.

Actions taken: No action has been taken in this area, but the Consumer Strategy Group recommended that the Department of Enterprise, Trade and Employment be better equipped to bring consumer protection legislation into line with EU standards.

Strengthen work incentives for second earners

Challenge and recommendations: To encourage labour participation to respond to strong growth in the demand for labour, especially for those seeking part-time work and lower-skilled second earners, the introduction of a non-wastable tax credit for childcare was recommended.

Actions taken: The government-appointed Tax Strategy Group examined the option of a tax credit for childcare costs but has decided not to retain it because of the administrative costs of checking the validity of the claims. Instead, the Finance Act 2005 increased the child benefit.

Avoid excessive house price increases and volatility

Challenge and recommendations: To contain house price increases and remove sources of undue volatility in house prices, it was recommended that tax deductibility of mortgage interest payments be phased out and that frequent changes in stamp duties be avoided.

Actions taken: No change has been made to the tax treatment of mortgage interest payments. The Finance Act 2005 raised the price threshold below which first-time buyers of existing dwellings are exempted from stamp duty. This measure may improve long-run efficiency in the housing market but may in the short run lead some sellers, whose property value is near the threshold, to raise the selling price of their houses so as to allow potential first-time purchasers to take advantage of the exemption.