

The impact of Taxation on small medium enterprises

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12th September 2020

Candidate Declaration

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I certify that the dissertation entitled:

submitted for the degree of: **MSc in Accounting and Finance Management** is the result of the my own work and that where reference is made to the work of others, due acknowledgment is given.

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Abstract
The impact of Taxation on small medium enterprises.

Kulwinder Kaur Sohi

The study aims to explain the taxation system in small medium enterprises. This study reports the results of tax policies and rates, and relationship between the government support of small medium enterprises. This research includes the comparison between small medium enterprises and multinational companies. To explain the effect of tax related activities on small medium enterprises. To explain further, primary data has been collected through online survey.

Moreover, it explains by case study to understand the effect of tax on growth of small medium enterprises. The role of digital economy in Ireland. Tax variation on company size's and years of business.

The results indicated that the tax policies has great impact on growth of small medium enterprise. The government support for business plays vital role as small medium enterprises has significant contribution in Irish economy. However, the research and limitations and further recommendations for future research. In addition, this research highlights the need of different tax rates for small medium enterprises as compare to multinational companies.

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1. Introduction

Tax policy in the Republic of Ireland from 2017 originated via personal income taxes (40% of Exchequer Tax Revenue or ETR) and VAT (27 percent of ETR) and customs and excise taxes (12 percent of ETR) earnings. Corporate tax (16 percent ETR) accounts for much of the balance (up to 95 percent ETR), but Ireland's Corporate Tax Structure (CT) is a core element of Ireland's business strategy. Ireland summarizes its tax policy using the OECD Tax structure graph, emphasizing elevated corporate tax rates as the most negative tax forms where productivity recovery is the target (Taxation - Ireland - European Commission, 2020).

Ireland is alluded to as a tax shelter (an individual can use to lower their tax obligation, and keep more of money. It is a legal way for avoiding tax and keep it low.) due to the taxation and economic actions of the government. Law greatly benefits corporate elite and activity, and the economic climate is very accommodating to all companies, particularly those investing in science, growth, and technology (Regan, 2019).

Ireland's tax proposals on R&D roles give companies significant opportunities to spend money on new projects (Research and Development (R&D) Tax Credit, 2020). Ireland has introduced laws that support ambitious start-ups in design and technology to be able to assert back taxes. This is accurate even if the start-up incurred failures and was unable to reimburse its corporate tax. Furthermore, the 25 percent tax credit is implemented against the rate of corporate tax of only 12.5 percent.

Ireland depends heavily on corporate tax, and has a strong option to stay a corporate tax shelter and not to follow unfavourable strategies. Ireland has a tax arrangement with more than 70 countries and more than 25 developed nations.

Pricing transition helps businesses to move revenues from high-tax realms to low-tax realms. A company is, thus, dealing with specific branches rather than with outside businesses. This structural change would lead to lower taxes when done by international companies generating up to 70 per cent of the globe's trade. One fine example of such policy is the formation of Apple Inc (Williamson, 2016).

The tax policy in Ireland is set by the government and administered by the Revenue Commissioners operating within the country. Some of the commonly charged taxes within the country include the Irish Income Tax, Social Security Tax, Capital Gains Tax and the Capital Acquisition rules for individuals. Similarly, some of the relevant tax issues which are faced by the Small and Medium Business Enterprises (SMEs) operating within Ireland include PAYE,

VAT on supplies of goods and services, Income tax on profits earned from business activities, Capital Gains Tax, Corporation Tax, Relevant Contracts Tax and the Dividend Withholding Tax.

1.1 Overview

Ireland's tax policy is praised around the globe but I feel there are flaws in it too which is often overlooked. This paper deals with finding out and highlighting such flaws and what can be done to change them.

However when it relates to how extensively the state delves into our pay checks, should Ireland compete too badly with nearby countries, and further afield? Well it depends entirely on how much you make.

This paper looks into few examples of how the present tax policy is unfavourable for many and where it stands when compared to nearby states. The Republic is a tax country that is "extremely democratic." This is what the Irish Tax Institute (ITI), the 50-year-old umbrella organization here for chartered tax consultants, claims (Hutton, 2019). That implies, in plain language, the more money you make, the more tax you pay. When income rises, the Government is heading rapidly up the global income tax league standings. The Economic Co-operation and Development Organization, accepts. It cites the Country as the second highly liberal of its 36 member countries when it comes of income tax, and the most liberal of its European nations (Nagle, 2018). In its new study, it found that the State has the second-lowest average personal income tax rate for employees on lower salaries across all eight nations (which are UK, the US, Germany, France, Singapore, Sweden, Switzerland and Ireland). This statement becomes contradictory when similar question is poised at the citizens of the same nation.

1.2 Research Purpose

It is not just a matter of personal taxation. Many surcharges are to be considered. The nation, like most European nations, has a real estate taxes but, unlike other nations, there are no water costs for now. And what does life cost? Lease, home prices, interest rates, utilities, transportation, grocery stores, car-running and other stuffs. Put in value added fee. There's also to take into account the cost of health care and schooling. Some of those costs positively relate with other regions, others do not.

It is considered pro-business and not authoritarian by the Irish Government. The expense of living in the states is one of the cheapest in comparison with other EU states, which is

an added benefit for multinational corporations. Earnings, pensions, leasing, and supplies cost lesser than in other European countries. Ireland's financial climate allows for the creation of specific purpose companies to minimize taxation. In 2013 Ireland was home to 742 special-purpose cars. The assets held in these automobiles were approximated at 421.9 billion Euros in 2014 (Many of Ireland's richest pay lower tax rates than ordinary working people | Social Justice Ireland, 2018). The explanation for the increase use of specially modified vehicles is due to financial accountability, because there is little to none in Ireland. The government does not allow multinational enterprises to include revenue, incentives earned, income or level of revenue paid on the financial documents.

Most of the rich section of the society pay lower tax rate than the ordinary working people. "High net worth individuals" is described by Revenue as those with assets in excess of € 50 million, but according to the C&AG report, there is a considerable difference in the income tax paid by the 334 individuals that fall under this category. This company paid a gross income tax of 473 million Euros in 2015. Nevertheless, only 10 of the group's taxpayers were responsible for 85% of this tax bill, which means that many of the others paid very little tax on wages (Doyle and Melia, 2018).

1.3 Research Objective

In this paper, certain data is taken from various sources and highlighted to compare the issues discussed above. Such data includes tax paid by the higher class and also where Ireland stands when compared to nations in nearby areas or similar tax policies.

The C&AG study indicated, as stated by the Irish Time, that 140 high income persons, or 42 % of the total, had less than €125,000 tax liability. Of these 140, 83 had tax payments below the average industrial salary-just over €36,500. 90 Group taxpayers paid income tax at a rate lower than the average taxpayer. Such stats serve to illustrate a quantity of failings in the Irish tax system once again, with so many of Ireland's top earners either not being forced to proclaim much of their earnings for tax in Ireland, or using tax credits and alleviation to significantly lower their tax bill.

If top earners and big personal wealth people do not contribute their due taxes, the strain on low and middle income is more serious. This creates a highly awful situation when the effective tax rates for such entities are as small as previously reported. Large-scale tax evasion leads to greater underinvestment of community welfare and community facilities which most normal Irish people depend on to sustain their living standards.

Apart from the above mentioned issue, Ireland when compared to nations with similar tax policies starts to look less attractive at moderate salaries and above. The Country (at €12,243) jumps the league table from the second lowest to fourth biggest as it measures income tax paid by employees on a salary of €48,000. The United Kingdom (€11,416) and the United States (€8,147), which fell to the bottom of the list, do more favourably. Germany's top-of-the-table (€18,363) remains substantially ahead, accompanied by France (€14,828) and Sweden (€12,249), which is just €6 more than our country.

1.4 Structure of the Study

This paper will outline the key differences and problems using graphs and charts to highlight the issues pointed out in above information. Tax policy comparison will be done with other giants like the Sweden, Germany.

For highlighting the problem of more wealth the less tax you have to pay, a sample study of 100 individuals with high income is to be conducted. The proposal solution for the given problem will also be provided to show what changes are possible and can benefit public at large. This creates a highly unfair situation when the effective tax rates for these entities are as small as previously reported. Large-scale tax avoidance leads to increased underfunding of public services and social infrastructure which most ordinary Irish citizens depend on to underpin their living standards. Wealthy people are also able to use a number of reliefs and deductions to lower their tax bills, as well as capital gains, loss reliefs, and incentives to transfer money abroad and out of Revenue control. The funds needed to run Ireland's public services would have to come from other sources when this happens.

All tax cuts, benefits and expenditure must have a sunset clause from the start, meaning that a provision will be made for the tax break to be discontinued immediately after a specified time unless extended by statute. A solid, justifiable justification for extending all such breaks should be addressed to the Dáil. All tax cuts, reliefs and spending should be completely cost-effective so that Oireachtas members and the public can see what they are costing the Exchequer and make a decision on their cost-effectiveness and attractiveness.

2 Literature Review

2.1 Digital Sales Revenue

(Kind and Koethenbueger 2018) state that in the modern day business environment, the digital media goods and platforms tend to exhibit cost structures which imply that the effects of price

and consumption taxes are markedly different from the taxes levied on physical goods. Previously, in Ireland, like most of the European countries, the printed newspapers and books faced favourable Value-Added Taxes (VAT) or Sales Taxes. However, it has been noted that the reduction of the VAT rate on digital newspapers and documents tends to increase the prices of the goods and reduce the sales of the businesses. Although this may not be holding true for e-books, it has been noted that the lower tax policy would not be that effective if the aim of the government is to reduce the prices. Exempting the product from value added taxes results in an increase in the profits for publishers.

(Kofler and Sinnig 2019) state that the Digital Services Tax (DST) proposal was another equalisation levy which was adopted by the European Union (EU) as recently as in 2018. The EU has stated that in order to adopt a fair and appropriate tax framework, it is necessary to adopt a Digital Single Market. One such thing which is missing in the current taxation rules is the user generated contents along with data collection which are the chief sources of revenue and value creation within the digital businesses. However, this article further states that the risk of corporate tax base erosion and the perception of the public about the unfair treatment of digital and non-digital businesses increases the pressure on the governments to act.

2.2 Support for SMEs and other businesses during COVID 19

As with many of the countries in the world, a wide range of measures had been introduced by the Irish government due to the impact of the COVID-19 pandemic. The purpose of these reforms was to mitigate the detrimental effects caused during the uncertain period for the entities. For the purpose of corporate taxation residency status, in case an individual is present in the capacity of a director or some other form either in or outside Ireland only because of the COVID-19 pandemic would be disregarded. For SMEs, the application of interest on the late payment of VAT was suspended for the VAT periods of January/February 2020 and April/May 2020. Similarly, the application of interest on late payment of payroll taxes was also suspended for the month of February, March and April 2020 VAT periods. The tax clearance status of a majority of the SMEs would also remain the same for all the entities over the period following the months above mentioned. For all of the above support, an SME was considered to be a business whose aggregate turnover was less than €3 million and was not covered under the law dealing with either the Irish Revenue's Larger Cases Division or the Medium Enterprises division. Similarly, other benefit provided to the SMEs was the suspension of the debt enforcement until further notice obtained from the Irish Revenue. For the subcontractors

operating in the country, the Relevant Contract Tax (RCT) rate which was supposed to take place in March 2020 was suspended. The process would have undertaken an assessment of the current compliance position of every individual subcontractor and determined their deduction rate to be 0%, 25% or 35%. However, as this process would have resulted in a change in the RCT rate of the subcontractor because of a change in their compliance position, the process of review was delayed by the government. The subcontractors were also provided with an option of managing their RCT rate reviews on their own. Similarly, all the subcontractors could check their rate and if they feel that their review should be lower, then they could self-review the same and get a lower deduction.

2.3 Different between SMEs and MNCs in taxation

(Grinberg 2018) states that a majority of the large scale economies have agreed with the fact that there is something fundamentally wrong about the manner in which the taxation takes place within the digital economy. Similarly, the current international taxation system has also been found to be not considering the globalisation and technological trends into consideration.

(Jordan and Fako 2018) states that one of the most important tax related schemes which was introduced by the Irish government in the recent times is that of the R&D tax credit scheme which is a corporate profit tax credit providing 25% of the qualifying R&D expenditure. The changes brought to this deduction since then suggests that the credit can be applicable to all of the qualifying revenue expenditure being incurred by the entities. The paper suggests that the additional tax credit being provided by the entities achieves reasonable tax credit. This has also increased the R&D being conducted by the firms by an amount of 60%. The value of this tax credit has also been found to be on the higher side of the values provided by tax credits. Hence, the government should consider increasing these tax credits for the SMEs. This enables them to undertake more research while also obtaining the benefits of the tax credits.

One of the areas where the government in many of the countries tends to lack is providing sufficient assistance to the SMEs technically and financially. In order to do so, the government should be providing the entities with better facilities in terms of funding and providing sufficient capital to assist the local firms.

(Ferrante et al.) states that the Corporation tax in the investment in the Irish Financial and Services Sector was initially very high because of the lower tax rates being charged from the Corporate Entities at 10%. However, since then, these tax rates have changed and the entities have to pay an amount of 12.5%. Despite this, the tax rate is considered to be extremely low by many because of the significantly high turnover being generated by the entities. The

rate should be increased because the turnover being generated by these entities is extremely high. Another high profile case which took place in recent times was that of Apple where Ireland was found to have granted more than 13 billion Euros in tax benefits.

(Klein and Ventura 2018) states that another important element of the encouragement of the SMEs in Ireland is the introduction of the Employment Investment Incentive (EII) is an investment relief for some of the companies looking to invest in Ireland. The private sector in the form of MNCs should play an active role in easing the burden on the government for funding the small businesses. Another advantage is that it allows the government to divert its spending to the more significant areas in the short and the long run. The increase in the Tax rates on Capital Gains from 20% to 33% from 2012 has not been eased in Ireland ever since. This means that the entities would be looking to develop in a country with more favourable tax regime. Further increasing the tax rates to raise the funds by the government would also be counter-productive for the businesses. The attractiveness of FDI in the country would also reduce significantly decrease. The imbalance between the self-employed people paying taxes and the higher earning entities paying taxes is also significant in Ireland.

(Bozio et al. 2015) states that a commission on Welfare and Taxation should be established by the government to determine how best the system of taxation should be used to support the economic activity by the government. Some of the measures which should be encouraged among the MNCs and the SMEs include the promotion of a low carbon economy, control the rise of automation and ensuring sufficient funds are collected for the ageing demographics within the country of Ireland.

(Beirne et al. 2020) states that the impact of COVID -19 on the employment levels within Ireland will be felt in the form of significant job losses and a fall in the disposable income levels of majority of the families in Ireland by more than 20 percent. Some of the measures introduced by the government in the form of Unemployment payments should be reducing these figures to a more acceptable level. In a similar manner to these subsidy payments, the SMEs operating in the country should also be paid supporting payments to ensure that they remain sustainable during the pandemic.

2.4 System Tax Rates Impact on Small and Medium Enterprises

(Machogu and Amayi 2016) studies the impact of the effect of taxpayer education on voluntary tax compliance among the Small and Medium Enterprises. A majority of the research reveals that availability of better information would help individuals in paying taxes on a consistent basis. Similarly, better education about the tax procedures also helps the individuals in understanding their rights as taxpayers and the obligations required to be fulfilled by them.

There was also a significant reduction in the errors in the tax returns filed by these individuals. Hence, one of the suggestions which could be made to the Irish government about the tax policy is to improve the tax collections from the SME entities would be to improve their awareness about the tax procedures.

It is an evident fact that nowadays, there is pandemic situation all over the world due to which all business entities are facing various types of issues and challenges in order to carry out their business operational activities in an efficient manner. It could be claimed that government is required to implement innovative and profitable policies that could help business concerns to deal and cope up with this uncertain pandemic situation. However, it should be noted that large business entities those are having sufficient resources and even revenue that could be used to overcome and deal with this pandemic situation might be able to overcome this pandemic situation. The main issues lie in the business activities associated with small and medium enterprises. It could be claimed that by taking into consideration the prevailing situation that is going on in the entire world, it is prime responsibility of government to introduce and design specific innovative and profitable strategies that could be used by small and medium size industries in order to cope up with emerging needs and requirements of business environment and to efficiently carry out their business operational activities.

It is observed that not only the large business entities tend to contribute towards overall economic development of nation however, it is extremely essential to note that small and medium sized enterprises tend to contribute a huge amount towards overall development and improvement of economic condition of country (Ruchkina *et al.* 2017). Thus, in this pandemic situation it is extremely vital for government of all countries in order to help small and medium sized business entities to efficiently continue their business operational activities and government must try to introduce specific regulatory policies and standards that could help business to overcome this pandemic situation. One of the most vital things that government could introduce in order to help small and medium sized business concerns to deal with pandemic situation is to make specific changes or amendments in taxation policy of nation (Lignier, Evans and Tran-Nam 2014).

As it is an evident fact that taxation policy tends to play crucial role in the overall development and growth of each economy as well as taxation is one of vital part of growth of the small and medium sized business organizations. Various researchers claims that there is specific adverse or negative impact of existing taxation policies or standards that are affecting the growth and development of small and medium enterprises and thus, it is prime responsibility of government in order to introduce new or innovative taxation policy or to make

specific changes in existing taxation policy that could help small and medium enterprises to develop and grow and to achieve business sustainability for an extended period of time (Kim and Im 2017). As per the journal article tax planning for small and medium enterprises, it is examined that each business entity that is operating within a certain and specified market is subjected to specific applicable tax laws and provisions.

Even it is vital to note that all business entities must adopt and use specific strategies and planning procedures by which they develop their business activities. The small and medium sized entities are required to select best form of taxation that could help them to earn a profitable revenue and attain business sustainability. It is examined that entrepreneurs might pay lower taxes and thus remaining in compliance with tax regulations, it might be possible that company tends to apply tax optimization thus allowing business to reduce its tax burden and improving its overall financial results and performance (Nyk 2016). It is seen that tax optimization not only reduces tax burden and improve financial results of firms but also provide ample of opportunities to business entities in order to rapid growth and development of business organization. The primary concept of tax optimization is to select an appropriate structure of a planned legal act so that overall tax burden could be reduced to a minimum level. However, it should be noted that tax optimization must be differentiated from tax evasion. In short it could be stated that taxation planning must be made by taking into consideration all legal rules and regulations.

It is observed that one source of saving might be referred as tax optimization that ultimately help small and medium sized enterprises to develop and expand their business. Tax optimization is also referred as tax management that is implemented and adopted by most of small and, medium sized enterprises thus, optimizing solutions most commonly used in respect of income tax. It could state that by tax optimization entrepreneurs might gain profitable and efficient financial results thus, increasing business assets.

The journal article related to tax policy for small and medium enterprise claimed that SMEs tends to be significant challenge or issue in globalization economy. Even it is analyzed that unions like USA and EU tends to face real issues for finding appropriate taxation policy for SMEs (Smatrakalev 2014). It is observed that government must form a way by which SME could be bale to deduct from their profit the compulsory expenses that the state enforces by one or another manner such as insurances, social payments, measures equipment, and many more. It is extremely vital to enforce robust control in each sphere of activity of SME such as taxes, social payments, labour security, and even this must not be as punishment for business operation rather must be for healthy growth of SMEs. It is examined that even though SMEs

tends to contribute immensely towards development and growth of nation they face various challenges. SMEs contribute to large percentage of GDP (Ayandibu and Houghton 2017). Thus, it is extremely vital that government must even takes specific measures in order to introduce better taxation policy for SMEs as these business entities tends to provide employment opportunities to various people of nation thus, reducing unemployment level and increasing overall growth of country.

2.5 Conclusion

On the basis of the above discussion, it becomes evident that the support being provided by the Irish government to the MNCs has been significant with a tax rate as low as 12.5%. However, the SMEs would not be able to compete them with the level of resources. Hence, some of the schemes which would be helpful include the increase in the R&D tax credits, reduction in the tax rates and providing more funds for supporting the businesses. Other measures include a support measure in the form of a relief package other than the relief provided in the form of lack of penalties for delayed tax returns.

2.6 Conceptual Framework:

From the literature review, a conceptual framework is used to figure out the relationship between Irish tax system such as policies, rates & government support for small and medium enterprises as compare to multinational companies.

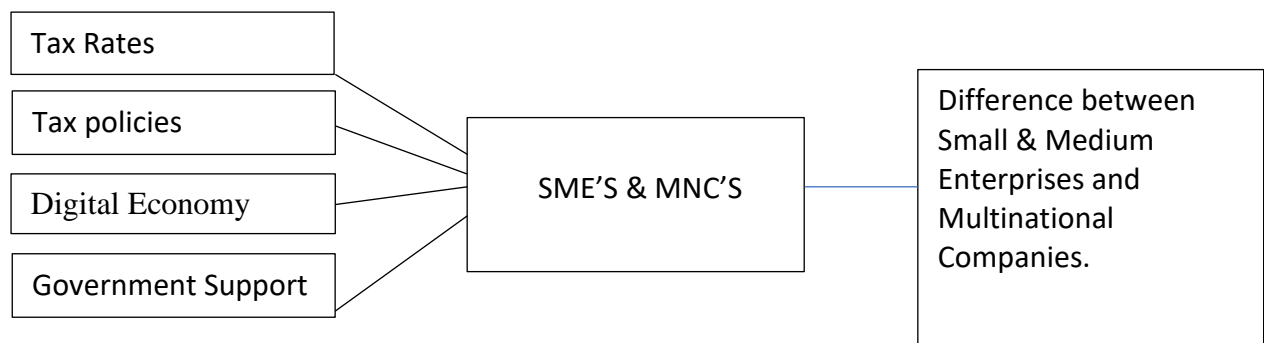


Figure 1: Conceptual Framework

The study is mainly guided by the below stated research questions;

- How much does tax vary with company size and years of business and a relationship between them?
- How tax related cost could be a financial support for business?
- How revenue deal with online website sale? what is its role in small medium enterprises?
- How small medium enterprises different from multinational companies in terms of tax polices & rates.

2.6 Conclusion

The Literature review of all the studies here supported the research questions. Overall, there is not enough evidence founded in literature review on relationship between tax policies and tax rates related to the size and years of business. However, previous researcher's also suggested that it is an interesting area to research.

3 Methodology and Research Design:

3.1 Overview

This dissertation will use a mixed method analysis through qualitative and quantitative data gathered about tax policies for small medium enterprises in Ireland. Indeed, the research will focus on the interpretation of the data gathered mixed with the literature collected in order to discover any theory that may arise from this mix. The case study analysis will conduct the research through analysing data.

This dissertation has two main purposes. The first objectives is to understand the role of tax policies & tax rates in growth of small medium enterprises in Ireland. In this sense, this dissertation will use a Case Study analysis that will use both data gathered from different online & offline resources. The research strategy used by the researcher is using online survey questionnaires to collect the primary data needed to answer the research questions.

3.2 Research Strategy

The researcher applied quantitative approach using online survey questionnaire as the suitable research strategy to collect primary data to answer the research questions. Ethical procedures were implemented throughout the process as the consent form was included as mandatory in the questionnaire. The consent form is available in Appendix A.

3.3 Research approach

The deductive approach has been used for current research to gathered data. Selection of research approach is one important step to derive desirable result of the research.

Justification for selection of research approach (Deductive)

Purpose of the current research is to evaluate impact of tax structure on performance of SMEs in Ireland. For conducting the research, deductive approach will be used. The main reason for selecting the research approach is that quantitative analysis will be used to reach intended research outcome. The quantitative analysis will be done by analysing the responses collected from the respondents. Besides, the positivism research philosophy has direct connection with the quantitative data analysis (Meyers, Gamst and Guarino 2016). Therefore, deductive research approach will be most appropriate here. Since, the research does not develop any new theories or model inductive approach will not be applicable.

The research will follow the interpretivism research philosophy, indeed my research aims to focus on tax policies and tax rates for small medium enterprises in Ireland. In this dissertation, I will use case studies to find the effect of taxation on growth of SME's, digitalisation of small medium enterprises in Ireland and government support for SME's during the pandemic. The study analyses will also have some limitations that I will discuss in limitations of research.

3.4 Data Collection

Collection of Data is one primary need for ensuring success of the research study. The particular method of data collection depends on nature of the study and the targeted result that the researcher is willing to obtain. Data can either be primary and secondary. When data are collected from different secondary sources such as journals, books and different websites in order to understand historic presentation and speculative conditions then data is called secondary data. The historical data collected from the secondary sources help the researcher to understand issue of the current research. Secondary data are easier to gather since they are available in different offline and online sources (Coast and Jackson 2017). Since, primary data are gathered directly from human responses they are considered as more authentic relative to secondary data. The current research is based on primary data and secondary data. Data have been collected directly from tax users and people those are connected with small medium enterprise, either they are working in taxation or have knowledge of tax system or working in

Ireland. The secondary data is collected as per research question and different case studies used to analyse the best outcome.

3.4.1 Primary data collection

In this research primary data collection will be done by distributing questionnaire among the targeted respondents. The questionnaire will be consisting of both open ended and close ended questions. Before collecting the data, nature of the study will be first explained to targeted respondent and assurance will be given to the respondents regarding confidentiality of the given information. Then detailed instructions regarding how to complete the questionnaire and return to the researcher will be explained. The objective of giving clear instructions and assure confidentiality of the collected information is to increase the likelihood of obtaining unbiased responses from the participants.

3.4.2 Sources

Primary and secondary data sources have been used throughout the data collecting process in researching this paper. The online survey is used to collect primary data with those who are willing to take part in the research and are familiar with the process and have a understanding of Irish tax system who has been living and working in Ireland. The researcher collected primary data gathered through an online survey questionnaire using Google Docs. The data was collected for almost in the month of August & September 2020 by sending an invitation to potential respondents through social networking.

The questionnaire was organised in sections. The first section were the screening questions that enable the research to identify and check that the respondents met the sample criteria. Then the following sections were based on research questions. The main sections to measure the studied variables were as follows: Section I: Demographic questions; Section II: To find out the view point of tax users ; Section III: Open-ended question.. The questionnaire is detailed in Appendix B.

The questionnaire was sent using survey techniques to improve the response rate. Those techniques included special attention to the day and time when the questionnaire was sent and attention to the invitation sent by making every message personal.

In terms of secondary data, secondary data was used for literature purposes and case study including literature review of the studied variables and information regarding questionnaire development and design and deciding the appropriate analysis. (Saunders *et al.*, 2009).

3.4.2 Sample and Population

The population for this study included tax users in Ireland and those who have a knowledge of Irish tax. The population was selected based on the main users of Irish taxation and working in taxation. However, not all the groups were included as this study was focused only for small medium enterprises in Ireland in terms of tax policies due to time and budget constraints (Altman et al., 2019).

In order to conduct the study, population of the study will be comprised of selected small and medium enterprises of the targeted region of Ireland who are reported as registered tax payers. The targeted population will enable the researcher to develop an objective view regarding the small and medium enterprises who are paying the tax and possible consequences of tax payment on their business.

Sampling refers to the process of selecting number of elements of sufficient size from a small population such that studying the sample and observing characteristics of the sample the researcher is able to generalize the characteristics of the selected sample to the population. For obtaining an accurate result of the study, the chosen sampling method is purposive sampling technique for selecting the targeted population. Purposive sampling technique that is also called judgement sampling refers to a sampling technique in which the researcher uses own judgement to select the targeted participants of the research. This is non-probability sampling technique and is suitable when sample participants are selected dependent on researcher's judgement (Etikan, Musa and Alkassim 2016). The judgement is based keeping in mind objective of the study. This sampling method is applicable here because of time constraint and the complexity involved in obtaining list of all recorded SMEs from the authority. This sampling technique will help the researcher to select those SMEs that are paying tax and are willing to participate in the survey.

3.4.3 Access and Ethical Issues

The access to the information for survey was through social networking. The participants were pre informed about the research and a consent form was included before proceeding to the survey. The participants also informed that they can withdraw at any point they do not want to proceed. There was no pressure on participants to contact a survey. Data collected part was sensitive as it was based on the skills and models of participants. Nevertheless, to tackle this

risk, this research was anonymous and was not focused on compromising ethical standards of the participants. This research did not compromise any ethical standards during the data collection process. The standards have been maintained throughout the process.

The questionnaire will not include any delicate questions.

The survey will be conducted only after taking consents from the participants. In addition, identity of the respondent will not be disclosed to any government authority. Only the issues related to the research topic will be analysed. Issues other than research objectives will not be entertained by the researcher.

3.4.4 Nature of data

The nature of the data collected for this study was Qualitative and Quantitative data which was gathered from primary & secondary resources that met the sample criteria. The questionnaire included different types of questions including pre-coded questions, close-ended questions, and an open-ended question. The data collected by those questions was nominal and ordinal data. In addition, the open-ended question was added to gain insights regarding the elements within the corporate tax for small and medium enterprises in Ireland.

3.4.5 Measures and variables

Following is the description of the sections included in the questionnaire and the variables that each section attempted to cover according to the conceptual framework.

3.5 Approach to Data Analysis :

The data collected in this study was analysed using descriptive and analysis as the information collected was quantitative and qualitative methods. Descriptive statistics were used to summarize the profile of respondents and the text data of case studies. The case study and survey data has been used to answer the research questions. The software used to interpret the data collected was Excel and SPSS. To give a clear picture of research both has been analyse separately.

3.6 Conclusion

This research is mainly a quantitative analysis based on primary data collected that will be analysed by a data collected from secondary sources. The questions arise from literature review and in the conceptual framework and the base of research questions developed for this study is used to explain the relationship between small medium enterprises and tax policies. After the data analysis, this study would be able to answer the research questions.

4 Presentation and Discussion of the Findings

4.1 Overview

In this section, the researcher presents the results of the different analysis performed in order to answer the research questions in the conceptual framework. Moreover, this section presents the discussions of the findings, after applying the methodology and analysing the studied variables. Additionally, this section also provides answers and insights to have a better understanding of the findings regarding the research questions studied of this research.

4.2 Findings

4.2.1 Findings from Case Study

I found an opportunity area for small medium enterprises for better implications of tax policies. I found that there is a lot more help for small medium enterprise by reduce tax rates and make simple tax filling system. Even to file a small tax amount. It costs money to SME's which they can use an opportunity cost and reinvestment in business.

For the growth of entrepreneurship and small and medium sized organisations, the policies of taxation are considered by the business professionals for example in SMEs, double taxation of corporate profits can discourage incorporation of SMEs while it can favour debt over financing of equity latter most required by SMEs (Mannan, 2019)

As the business grows, the tax rates on capital investments double especially when the company increases from 1 million dollar to 30 million in asset size (Wysłocka & Verezubova, 2016). The successful tax administration in SMEs is a long-term process

In preferential tax policies for SMEs, simplicity is particularly important as small businesses face a disproportionate burden of compliance. Transparency is another requirement closely linked to simplicity (Bergner, et al., 2017; Delaney, et al., 2019). Taxpayers must be able to

reliably assess the benefits they will receive and take them into account when making investment decisions. Transparency can also help the government to record and plan for tax losses reliably and adjust accordingly.

The SMEs in Ireland have various types such as industrial, manufacturing, and service sectors. The contribution to SMEs in Ireland are quite significant for employment and policy makers consider the diversity of SMEs with respect to age, size, characteristics of risk, growth potential, and market framework conditions under which such companies operate. The most significant taxation of SMEs is income tax where taxable income, levels of taxation, and tax rate depend on business structure (Avi-Yonah, 2010).

The growth of SMEs is restricted when proportionally higher taxation compliance cost is paid by the company. Payroll taxes, VAT, and income taxes impose various obligations on SMEs and they struggle with it having limited internal resources and seek more costly outsourcing that is often challenging for the companies and their growth is restricted.

Digital economy refers to an economy that is based on its digital technologies. Also, internet economy is referred to digital economy often. Worldwide, Ireland is known for its digital connectivity and the businesses within the country excel in open data and provision of digital public services for businesses (Ting & Gray, 2019). The role of digital economy is significant and positive as it focuses on the improvement of key business indicators such as digital skills. For example, SMEs in Ireland are performing well in e-commerce businesses and 35% of the retailers in Ireland sell online whereas 18% online retailers sell internationally to other EU countries. 29% of the total turnover and revenues come in the country from online sales which is triple the average of other EU countries (Mannan, 2019). The SMEs in Ireland also rank high relatively on the use of cloud services by 33%, big data companies with 20%, and social media usage by 44% more than other EU countries, contributing well to the economy of the country and make it a digital economy better than other countries in Europe. Moreover, it was found that over the last 5 years, Ireland has made significant progress followed by Netherlands, Spain, and Malta (König, 2019). These countries perform way more than EU average with respect to digital services.

75% of SMEs are not even considered corporations and they are usually known as “unincorporated pass-through entities” which is why taxes vary depending on the size of the company. Such businesses pay owner’s personal tax rate as mentioned in the report of national federation of independent businesses (Dechezleprêtre, et al., 2020)

The tax rate and their exemptions depend on the size of micro business and SMEs also the annual total cost of the business should be considered while setting out tax rate and policies so

that the growth of the business is not affected and ultimately the economy of the country could grow (Callan, et al., 2020; Howard, 2019)

Yes, there is a significant relationship between the size of the tax payment and age of the company because the financial income of a company grows as the company ages consequently, therefore will its taxable income derived from the adjustment of tax as well (Mannan, 2019).

On the other hand, profitability increase rate slows down generally as the firm increases the age. If the growth of the firm decreases, the taxable income and financial income experiences a downward trend.

4.2.2 Findings from Survey

A possible solution to provide accurate taxation treatment for SMEs that was founded in this study after conducting the survey is that users believe that some of the changes that governments could implement in order to improve the situation of the SMEs include more support, a reduction in tax rates and special treatment. This view is supported by the literature review which state that measures that governments could introduce to support SMEs include the introduction of relief packages and increasing support in certain business areas including R&D tax credits. Overall, the findings of this study suggest that special tax treatment and some changes to the current policies must have to be done by governments in order to be more fair with the SMEs as compared to the multinational companies. This is a key problem to be solve specially in the current moments that the world is facing by passing through a pandemic and by facing significant challenges as a result of the economy globalization.

Moreover, regarding the digital economy treatment, this study revealed that most of the users consider that digital economy treatment has to be reinforce or more specific. These findings could be explained by the literature review which suggest that there is a perception of the public about the unfair treatment of digital and non-digital businesses increases the pressure on the governments to act. In addition, (Kofler and Sinnig 2019) also stated that several Tax institutions in the EU have to adopt a fair and appropriate tax framework, to cover certain missing areas in the current taxation rules included user generated contents along with data collection.

This study used a questionnaire to further study users opinion regarding the taxation system in Ireland for small medium enterprises. The questionnaire contained screening, demographic and specific taxation questions. Following is the analysis of the answers of the respondents.

The findings of the survey demonstrated a connection with previous studies mentioned in the literature review regarding the Irish taxation for SME and the digital economy. In the case of

the Irish taxation of SME the survey found that most of the users believe that despite they mostly agree with the tax treatment in Ireland, they consider that tax rates has to be different for small and medium enterprises as compare to multi-national companies. This finding is supported in the literature review, as literature suggested that government is required to implement innovative and profitable policies that could help business concerns to deal and cope up with uncertainties and different macroeconomic situations. Moreover, authors as (Kim and Im 2017) highlighted the responsibility of the government in order to introduce new or innovative taxation policy or to make specific changes in existing taxation policy that could help small and medium enterprises to develop and grow and to achieve business sustainability for an extended period of time. This is a key issue that must be addressed by governments as SMEs contribute to large percentage of GDP (Ayandibu and Houghton 2017). Thus, it is extremely vital that government must even takes specific measures in order to introduce better taxation policy for SMEs as these business entities tends to provide employment opportunities to various people of nation.

Moreover, some of the survey results from survey has shown little variation in the opinion of respondents. such as 45% agree and 54% disagree. Which makes hard to analyse the results. It could be limitation for research. It is well explained in limitations.

4.2.3 Demographic profile of the respondents

Demographic questions were included in the questionnaire in order to get more information and insights about the respondents. Demographic questions gather information regarding the age, current work status, experience and highest professional degree of the respondents. For more information see Appendix B.

Most of the respondents were not currently working as just 37% of the respondents work. Additionally, the age of the respondents were distributed between 26 and 33 years old as that ages represented 54% of the respondents, followed by respondents between 18 and 25 years old and 34 to 41 years old, each representing with 23%. Moreover, most of the respondents hold a Master's degree as 46% of the respondents held a MBA or MSc degree, followed by Bachelor's degree represented by 29% of the respondents, by respondents holding a certification including CPA, ACCA or a tax certification representing 17% of the respondents and by respondents holding a Postgraduate diploma representing 8% of the respondents. Table 1, Table 2 and Table 3 below illustrate the demographic profile of the respondents.

Table 1: % Respondents working

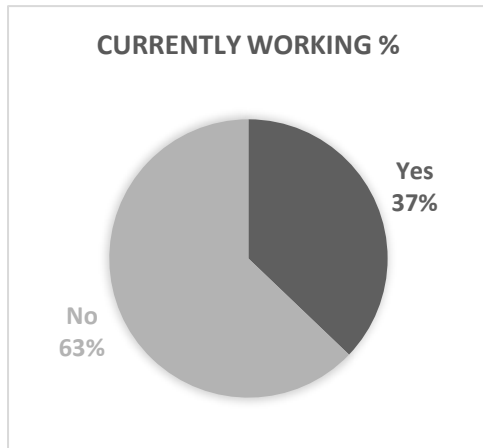


Table 2: % Respondents age

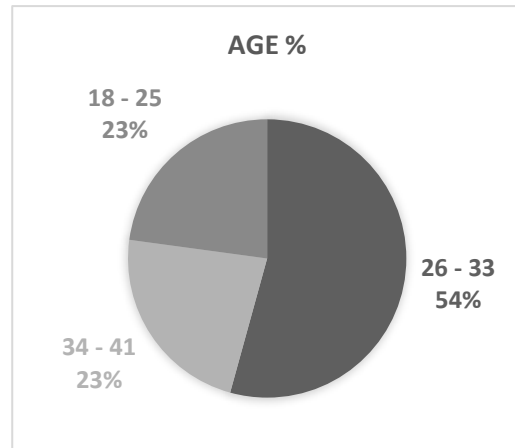
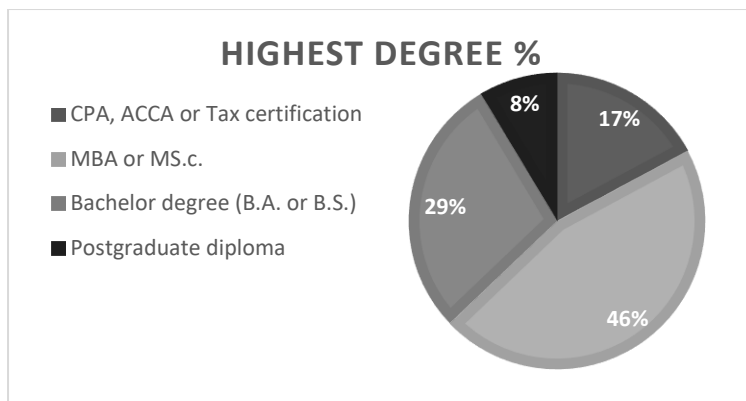


Table 3: % Respondents higher degree



4.4.4 Descriptive analysis

Descriptive analysis was applied for each of the seven questions regarding the taxation system in Ireland for small, medium and transnational companies. Following is the descriptive analysis of each of the items included in the questionnaire.

Item 1 - Do you think tax policies in Ireland are fair?

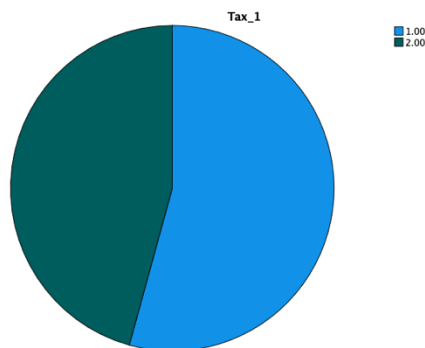
The analysis of item 1 showed that 54.3% of the respondents think that tax policies in Ireland are fair, while 45.7% think that tax policies in Ireland are not fair. For more information see Table 4 and Table 5.

Table 4: Item 1

		Tax_1			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	19	54.3	54.3	54.3
	2.00	16	45.7	45.7	100.0
Total		35	100.0	100.0	

Tax_1 = Do you think tax policies in Ireland are fair?

Table 5: Item 1



1 = Yes; 2= No

Item 2 - Do you agree with corporate tax rate treatment in Ireland?

The analysis of item 2 demonstrated that 60.0% of the respondents are Neutral about the corporate tax treatment in Ireland, while 20% of the respondents Agree and 20% Disagree. For more information see Table 6 and Table 7.

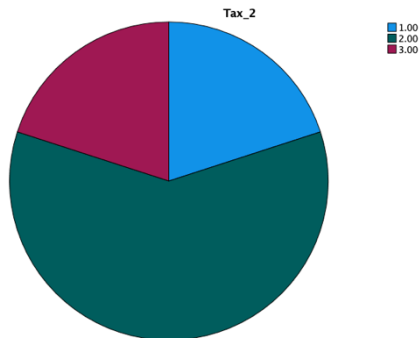
Table 6: Item 2

		Tax_2			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	7	20.0	20.0	20.0
	2.00	21	60.0	60.0	80.0
	3.00	7	20.0	20.0	100.0
Total		35	100.0	100.0	

Tax_2 = Do you agree with corporate tax rate treatment in Ireland?

1=Agree, 2=Neutral, 3=Disagree

Table 7: Item 2



1=Agree, 2=Neutral, 3=Disagree

Item 3 - How much you familiar with Irish Taxation?

The analysis of item 3 demonstrated most of the respondents are familiar with Irish taxation as 48.6% of the respondents marked their knowledge in level 3, followed by 22.9% of the respondents considering being familiar with Irish taxation in level 4 and 5.7% of the respondents considering very familiar with Irish taxation at level 5. For more information see Table 8 and Table 9.

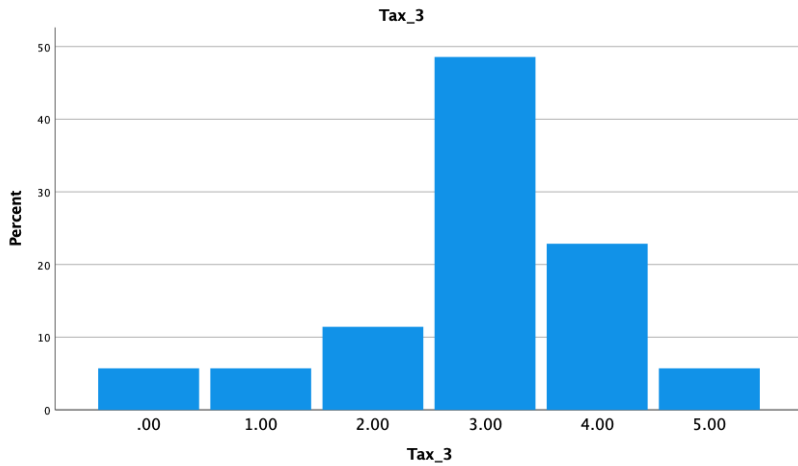
Table 8: Item 3

		Tax_3			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	.00	2	5.7	5.7	5.7
	1.00	2	5.7	5.7	11.4
	2.00	4	11.4	11.4	22.9
	3.00	17	48.6	48.6	71.4
	4.00	8	22.9	22.9	94.3
	5.00	2	5.7	5.7	100.0
Total		35	100.0	100.0	

Tax_3 = How much you familiar with Irish Taxation?

1 to 5 being 1 not familiar and 5 very familiar

Table 9: Item 3



Tax_3 = How much you familiar with Irish Taxation?

1 to 5 being 1 not familiar and 5 very familiar

Item 4 - Do you agree with tax rates & Policies implemented for small and medium enterprises?

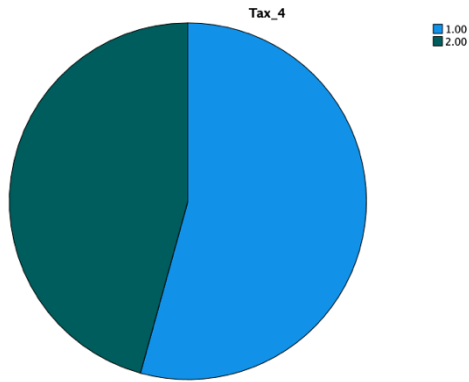
The analysis of item 4 demonstrated that most of the respondents Agree with the tax rates and policies implemented for small and medium enterprises, while 45.7% of the respondents do not agree. For more information see Table 10 and Table 11.

Table 10: Item 4

		Tax_4			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	19	54.3	54.3	54.3
	2.00	16	45.7	45.7	100.0
Total		35	100.0	100.0	

Tax_4 = Do you agree with tax rates & Policies implemented for small and medium enterprises? 1=Yes, 2=No

Table 11: Item 4



Tax_4 = Do you agree with tax rates & Policies implemented for small and medium enterprises? 1= Yes, 2=No

Item 5 - Do you consider that tax rates has to be different for small and medium enterprises as compare to multi-national companies?

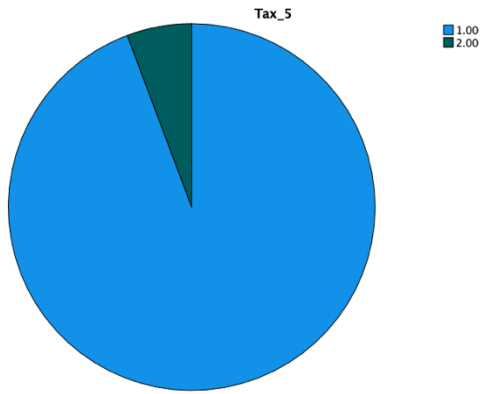
The analysis of item 5 showed that 94.3% of the respondents consider that tax rates has to be different for small and medium enterprises as compare to multi-national companies, while just 5.7% of the respondents think the opposite. For more information see Table 12 and Table 13.

Table 12: Item 5

		Tax_5			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	33	94.3	94.3	94.3
	2.00	2	5.7	5.7	100.0
Total		35	100.0	100.0	

Tax_5 = Do you consider that tax rates has to be different for small and medium enterprises as compare to multi-national companies? 1=Yes, 2=No

Table 13: Item 5



Tax_5 = Do you consider that tax rates has to be different for small and medium enterprises as compare to multi-national companies? 1= Yes, 2=No

Item 6 - Are you familiar with digital economy or online sales revenue?

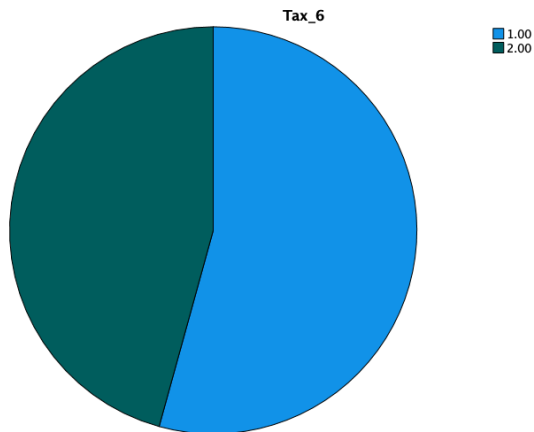
The analysis of item 6 demonstrated that 54.3% of the respondents are familiar with digital economy or online sales revenue, while 45.7% of the respondents are not familiar. For more information see Table 14 and Table 15.

Table 14: Item 6

		Tax_6			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	19	54.3	54.3	54.3
	2.00	16	45.7	45.7	100.0
Total		35	100.0	100.0	

Tax_6 = Are you familiar with digital economy or online sales revenue? 1=Yes, 2=No

Table 15: Item 6



Tax_6 = Are you familiar with digital economy or online sales revenue? 1=Yes, 2=No

Item 7 - Do you think that digital economy treatment has to be reinforce or more specific?

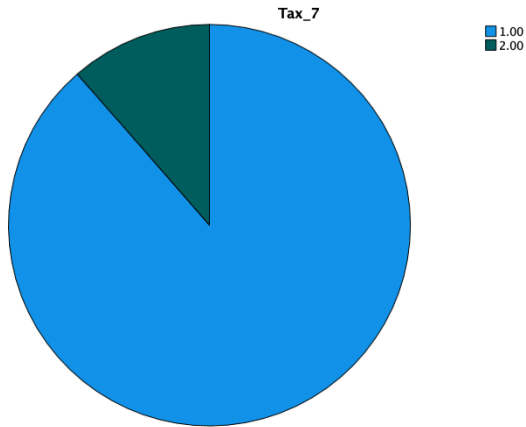
The analysis of item 7 demonstrated that 88.6% of the respondents think that digital economy treatment has to be reinforce or more specific, while 11.4% think the opposite. For more information see Table 16 and Table 17.

Table 16: Item 7

		Tax_7			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	31	88.6	88.6	88.6
	2.00	4	11.4	11.4	100.0
Total		35	100.0	100.0	

Tax_7 = Do you think that digital economy treatment has to be reinforce or more specific?
1=Yes, 2=No

Table 17: Item 7



Tax_7 = Do you think that digital economy treatment has to be reinforced or more specific?
 1=Yes, 2=No

4.2.4 Other Findings from survey

Regarding the users opinion about what changes the government has to made in taxation for small and medium enterprises following are the main areas identified in this study that government could work on it in order to improve taxation for small and medium enterprises and some of the most relevant opinions made by the respondents.

1. More support

“Consider more incentives to entrepreneurs and the possibility that they could face challenging events such as the COVID”

CPA or ACCA respondent with 6 to 10 years of taxation experience

2. Lower tax rates

“Tax rates has to be less for small enterprises as compare to multinational. The government should provide more support to small and medium enterprises.”

CPA or ACCA respondent with 1 to 5 years of taxation experience

“Like as large enterprises, small and medium enterprises should also benefit from lower rates. It means entrepreneurs to be able to open new businesses more easily and would generate more jobs, move the economy and create new investors.”

34 to 41 years old respondent with 1 to 5 years of taxation experience

3. Special treatment

“Different tax slabs for companies under medium, small and large enterprises”

MBA or MSc respondent between 26 and 33 years old

‘Give special treatment to those firms as they are not as resilient as multinational companies’

MBA or MSc respondent between 26 and 33 years old

‘As per the current economic conditions prevailing around the globe the government has to give direct cash access to SMSE along with loan moratorium.’

MBA or MSc respondent between 26 and 33 years old

4.2.5 Conclusion

The analysis of the questionnaire demonstrated the following:

- Most of the users think that tax rates has to be different for small and medium enterprises as compare to multi-national companies
- Users think that digital economy treatment has to be reinforce or more specific
- Changes in the government taxation policies for small and medium enterprises include more support, lower taxes and or special taxation treatment

However in the case of the following statements is not clear if users agree with corporate tax rate treatment in Ireland, if users agree with tax rates and policies implemented for small and medium enterprises or if users are familiar with digital economy or online sales revenue.

4.2.6 Other Findings

Government support for SME's during pandemic period

Irish government set up schemes to support small medium enterprises during covid-19. As, many business effected in pandemic situation. The government support of SME's pandemic are follows:

Future growth loan scheme: In this scheme small medium business can apply for €100,000 to €3 million as part of the future growth loan scheme.

Working capital loan scheme: As part of the scheme €25,000 to €1.5 million loans are available for SME's.

Credit Guarantee Scheme: A €2 billion Covid-19 credit guarantee scheme will provide an 80% guarantee on lending to SME's until the end of this year. for time period of 3 months or 6 years. SME's will be able to go directly to the banks in the scheme.

4.3 Discussion

The discussion of each of the research questions are as follows:

Tax policies on the small and medium enterprises in Ireland

Tax is a cost that needs to be controlled and managed by all businesses in an efficiency way as possible similar to any other overhead. Taxation policy has an important role to small and medium sized companies giving importance to cash flow management. For SMEs, the tax policies include Value Added Tax on supplies of products and services up to 23% per year. Moreover, income tax on profits from business activities by sole partner of the company has to be paid (Callan, et al., 2020). Capital gains tax is also a part of Ireland's SMEs. Other than these, corporation tax on profits of company's business activities, relevant contracts tax, dividend withholding tax, professional services withholding tax, etc. are paid by the business owner (Barrera & Bustamante, 2018). Ireland is one of the OECD countries and a number of countries of OECD including Ireland have features in tax system favouring individuals who are self-employed to encourage growth. A number of areas of improvement are there where the government of Ireland can improve climate of tax for small organisations and entrepreneurs. Both corporate and personal taxes have impact on SMEs. Also, the growth of small and medium businesses is hampered by existing tax system (Howard, 2019). The

opportunities to achieve success are facilitated by the environment embracing the rule of law, political commitment, rational tax policies, and commitment to combat corruption. In Ireland, a well-functioning tax administration taken as treating tax payers fairly with respect and concerned with collecting proper tax amount will go long way towards growth and success and achieve the goal of voluntary compliance that benefits everyone. No one enjoys tax paying seeing others escaping tax net while the SMEs attempt to pay fair share is less appealing. It can be said that SMEs along with other tax payers in Ireland benefit from well-functioning tax administration system (Juruss, et al., 2017).

It is best to use simple regulations to minimize compliance and management costs so that taxpayers can easily understand and comply with them, and facilitate their review by tax officials (Avi-Yonah, 2010). Since policy makers generally have a high cost to avoid risks and understand complex legislation, the certainty of the incentives available can increase the certainty of the benefits available (Howard, 2019; McLaughlin, 2000). In addition to the actual design, transparency is also affected by the persistence of incentives over time. Therefore, frequent changes in the level of support and availability provided can undermine the transparency and effectiveness of incentives (Galindo-Rueda, et al., 2018).

Effect of Taxation on the growth of the small and medium enterprises in Ireland

Personal and corporate income tax help the company influencing two decision margins such as decision to move from dependent employment to business establishment, and the decision to structure SME in incorporated or unincorporated form. The first one is relevant to the growth of SME if it is accepted that in several cases (Mannan, 2019). SMEs in Ireland have progressive and proportional types of tax and the characteristics of good tax incorporated by a company is equity, simplicity, efficiency, and certainty. By having these characteristics, a tax payer company can have positive effect on the growth of the company. Both direct and indirect taxes are governed for the companies. Indirect taxes include value added tax (VAT), whereas direct taxation include income tax, double taxation, capital tax, etc. also, it was found in a research article that in OECD countries including Ireland, the SMEs face difficulties regarding tax matters for example administrative burden and tax compliance cost that arises from strict tax rules and policies (Bergner, et al., 2017). Also, compliance with tax rules is necessary for the company and therefore various legislations of tax are made and drafted for SMEs in such a way that allows the application to businesses of all sizes for operations even, which are carried out by large companies (Bergner, et al., 2017; Lyapunsova, et al., 2018). The compliance cost

of Tax should be reduced for Ireland and other EU countries for SMEs in order for them to grow and improve their business environment for European SMEs.

The vast majority of companies operating in developed countries are small and medium-sized enterprises (SMEs). Therefore, the competitiveness of SMEs has a significant impact on the overall economic competitive position of the country. The concentration of SME activities on the internal market has led to limited business vision. This fact, combined with asymmetric information on profit opportunities abroad, tends to limit the diversification of SMEs' investments in an international context. As a result, they appear to be more directly affected by the reform of the national corporate tax system than large multinational companies. On the other hand, SMEs are often the main target group for such policies to encourage investment (Delaney, et al., 2019; Dechezleprêtre, et al., 2020). According to research by Galindo-Rueda, et al.(2018), small and medium-sized companies generally respond more quickly to preferential national tax policies than large companies. Taxation may play a larger role in the cost structure of SMEs because they lack the financial and human resources to formulate complex tax avoidance strategies (Howard, 2019). Traditionally, some EU countries, including the Ireland, have lower tax rates for SMEs, while countries like Austria, Finland and Germany do not have such tax measures for reduction of corporate tax (Bergner, et al., 2017). While this is controversial, countries that offer tax breaks and tax breaks to SMEs claim that they (i) create many jobs and (ii) raise the level of entrepreneurship, which means flexibility, speed and spirit. Another reason for the importance of SME tax policies is that "they are an important home for future profitable and taxable large entrepreneurs, and that they experience high growth rates compared to large companies.

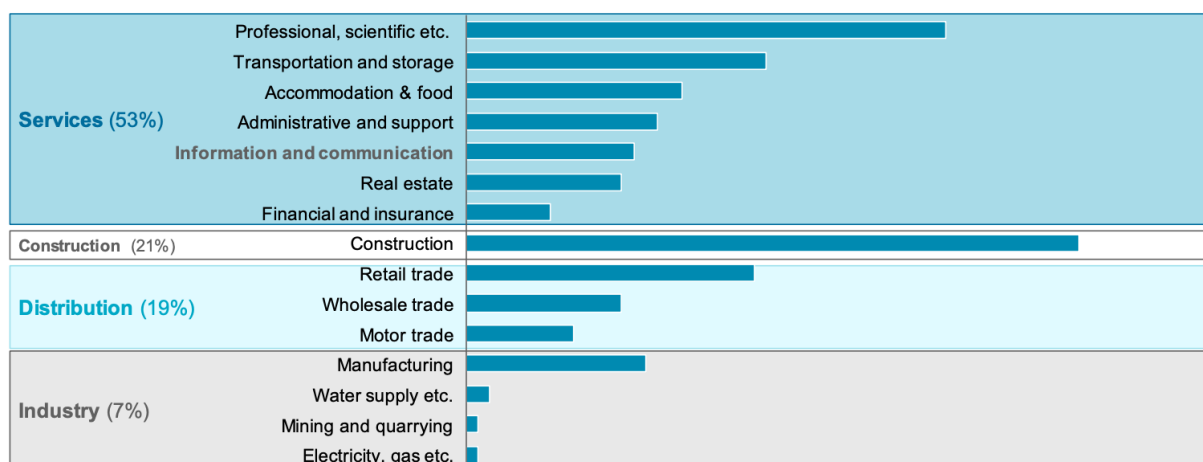


Figure 2 The SME's industry breakdown in Ireland

The Role of Digital economy in Ireland

Based on previous literature and data before COVID-19 pandemic, Ireland was ranked first in the integration of digital technology dimension having a leading position in the use of e-commerce by small and medium sized companies. Ireland also entered in the top 10 countries where internet is used by individual and a notable increase has been seen in the share of internet users. The digital economy of the country is comparatively higher than many other countries due to high efficiency and revenue generation from digital connectivity, integration of digital technology, human capital management, digital public services, and the use of internet services within the country. The signs of growth and development of digital skills and services in the country are positive as per previous literature and data. Further, the economy of the country will flourish because digitisation of the economy helps the employment rate to increase, drive innovation, efficiency, and other benefits leading to more opportunities to avail by the country and improvement of economic growth becomes certain (Ting & Gray, 2019; Dechezleprêtre, et al., 2020).

Building on pre-pandemic data, Ireland continues to lead the field of digital technology integration and has held a leadership position in the use of e-commerce by SMEs. It has reached the "top 10" for personal Internet use and the proportion of Internet users has increased significantly (Barrera & Bustamante, 2018). The company has maintained its 10th position in digital public services and has performed well in opening data and providing digital public services to businesses (Galindo-Rueda, et al., 2018). Ireland's stance on human capital and connectivity has not changed significantly, although key indicators of lagging have improved (e.g. digital skills of the general population).

Effect of Tax Variation on Company's Size

The size of the company affects directly with the amount of tax paid by the company. Small businesses pay average of 19.8% in taxes depending on the type of business and the size of business. SMEs with sole proprietor pay 13.3% tax on average and ones with more than one owner or multiple partners pay average of 23.6% tax (Bergner, et al., 2017). The SMEs in Ireland usually pay 36.9% tax on average. The size of the company certainly depends on the amount of tax because it varies from business functions, nature of business, and turnover amount. Most of the small businesses do not even pay corporate rate for income tax. Owners

include income from SMEs in personal taxes and their tax rate of income tax are calculated based on the total earnings of business owners. It was found in different articles that different tax rules apply depending on business structure and size. For small sized companies, only income tax, self-employment tax, payroll tax, capital gain tax, property tax, and dividend tax are applicable (Yumbi, 2018; Howard, 2019). Dividend tax results from investments made by small businesses are considered income and taxed as per the tax bracket depending on the size of the company. Corporations have high tax rate on average depending on the amount of earning or income of the company. It can be understood with an example that the tax rate of the companies having 100,000 pounds per year net earnings will be higher than the companies having lesser resources, capital, and one owner having 10,000 pounds net earnings in a year (Juruss, et al., 2017). It is therefore, necessary to simplify the taxation process exempting small and medium-sized businesses from paying income taxes and personal taxes. Small sized businesses are also important segment for the economy of the country.

Relationship between tax payment and company's years of business

The tax cost of a business may increase as the company grows in size and ages. The older companies have more stable business functions as well as status and such businesses are expected not to pursue or choose avoidance strategies of tax (Barrera & Bustamante, 2018). Older firms have bigger standard tax deduction and the earnings of the firm are more before the companies have to file tax return. Certain companies do not grow their assets and sales consistently rather they position themselves than the sales (Callan, et al., 2020). The ratio of profitability increases with considerable amount due to rapid rate of growth. The taxable income is calculated by adjusting categories of tax based on the income in financial statements and as income increases the higher tax cost is incurred. The companies having more age than others tend to maximise the value of the business by minimising net cash outflow (Vasileva, et al., 2020; Mannan, 2019). On the other hand, older firms enjoy stable position in the market having more tendency to avoid the strategy of aggressive tax. The growth of the company generally decreases when the age of the company increases. In early stages of the business foundation, the efforts of capital gains, asset gains, and sales generation are more to gain the market share more than other firms in the market, which are done through marketing activities (Avi-Yonah, 2010). The cost of tax decreases with the corporate size of the firm and therefore, the aggressive tax cost may be decreased as the company ages and when the growth rate of the firm decreases (Lawless & Lynch, 2016).

The cost for small medium enterprises for performing tax-related activities

Opportunity cost is the loss of profit when one alternative or solution is selected over another. The concept is quite useful as a reminder to identify alternative and reasonable solutions before making a decision. Financial and opportunity cost is beneficial when a firm chooses one option of investment over another so that the return would be positive (Avi-Yonah, 2010). Tax-related accounting offers the company to analyse and calculate their deductions based on their income in order to save themselves from complexity with respect to having large investment portfolio, varied sources of income, multiple properties, and trust accounts. Tax related accounting falls outside generally accepted accounting principles. Tax-related accounting refers reporting a transaction in a company until the debts are settled. The settlement of debts might take place before a transaction happens. Tax-related accounting is effective and an opportunity cost for the firms because it uses the strategy to lower the federal income tax withholding rate that result in higher take-home payment (König, 2019). The extra amount can be invested then in an interest bearing account of the company and the amount could be used to pay the bills. Tax planning strategies are made by the firms to claim more allowance so that withholding is decreased. Tax-related accounting is beneficial for the company to calculate tax refund which is a kind of bonus for the company in which the cost is saved by the professionals and utilised in other places to make the most of the extra cost (Mannan, 2019). Tax-related accounting helps in social investment and tax cutting by lowering labour cost and replacement of tax expenditures by public function for jobs addressing social needs. Taxes accounting is opportunity cost because tax benefit comes in the form of tax deduction. When tax deduction is claimed, it reduces the amount of income that is subject to tax (Lyapunsova, et al., 2018; Lawless & Lynch, 2016). The deduction amount that is eligible to claim is the amount of reduction to the taxable income. Also, investments, loans, etc. become easier when tax return is filled by the company therefore, filing the returns of tax help in making loans and other processing of investments in the firm easier to process (Mannan, 2019).

Comparison between MNCs and SMEs in terms of taxation in Ireland

MNCs are firms located in international cities, metropolitan areas and port cities that meet local demands of customers to gain resources such as labourers and materials. MNCs are subject to multiple jurisdictions of tax. Also, MNCs are forced to pay taxes to several countries. National tax systems are complex and differ between countries (McLaughlin, 2000). In MNCs of Ireland, when two or more jurisdictions are involved the overlapping and underlapping happen and multiple jurisdictions claim income of the company (Lawless & Lynch, 2016).

Overlapping result in double taxation, which is quite costly for the company to pay. In Ireland, the corporation tax rate is 12.5% however, foreign multinationals pay aggregate effective tax rate (ETR) of 2.2% to 4.5% on global profits moved to Ireland through global network of bilateral treaties of tax (Mannan, 2019). On the other hand, Small and mid-sized businesses in Ireland have many benefits with respect to limited liability company, more investments can be made, SMEs qualify for tax relief, the tax on profits is usually lower than 12.5%. Also, relief from capital gains tax may operate as deferral of tax on business provided certain conditions are made (Howard, 2019). Moreover, corporate tax exemption is easy for SMEs. Funding can be raised by employment and investment incentive scheme that provides tax relief for the purchase of share capital in SMEs (Juruss, et al., 2017). Also tax relief for being entrepreneurial is easier for SMEs. Also, SMEs invest in capital expenditure and now act to maximise capital allowance. Tax relief is also made by the government of Ireland for being innovative as Research and development considers if the expenditure of the company qualifies for tax credit of research and development (Lyapunsova, et al., 2018).

4.4 Conclusion

This study has shown that the more support given to small medium enterprises is more contribution to the economy. The research showed that small medium enterprises are significant part of nations economy. SME's are in every part of the business food, construction and so on. There is more support required for small medium enterprise to grow in tech industry. However, the study has shown that self-employed and individuals get more tax benefits as comparison to small medium enterprise. The less burden on enterprises and more benefits in terms of credit, generous policies and simple method of compliance encourage the individual to incorporate. It helps in both ways more jobs will be available to the people. Nevertheless, It also came in notice during the research that it is hard for small medium enterprise to keep their key employees for long term. The reason could be low pays. This, government support and additional benefit is also a need for small medium enterprise.

Overall, the present result are significant in two aspects. First, the tax rates has to be different for small medium enterprises as compare to multinational companies. The digital sales revenue need to be reinforce in Ireland.

5 Concluding Thoughts on the Contribution of this Research

The study helps the better understanding of Irish tax system on corporate point of view. The small medium enterprises growth and how the simple and better tax policies could help them. It may help regulators to impose future tax policies.

5.1 Implications of Findings for the Research

The Irish government recently imply a R&D tax credit scheme. I think they should make a similar kind of tax credit scheme for small medium enterprises. The lower tax rates for enterprises and a different tax rates depends on the profit. The exemption from value added tax will help small medium enterprises.

SME's experience greater challenges as compare to large companies to develop internal resources. These enterprises required government support in addition to participate in any research collaboration. R &D tax credit should be introduced to small medium enterprises to overcome their costs and gain credit. A simple online calculators explaining the benefit and eligibility rules of the credit would be very useful for small medium enterprises. In thus way scheme can be promote and it improves general awareness as well.

The UK's R&D tax reliefs is an example for Irish small medium enterprises. The tax treatment is very generous and it is clear and simple guidance. The major advantage for enterprises is that they only need to file a claim with tax return and a form to outline that how you qualify. There is no additional requirements such as record keeping. 'Advance assurance' can received for first three times. It helps the small medium enterprises to deal with extra cost and no burden for administrated cost.

5.2 Contributions and Limitations of the Research

Contributions

The findings of this research provide insightful information for small medium enterprises . It is also beneficial for new enterprises or those who wants to expand business from micro to medium. The findings of this research also provide insights to users and regulators regarding the tax policies & tax rates.

The results of this study can be used by enterprise, companies, governments and revenue

regulators interested in the impact of tax on small medium enterprises. As a result, regulators could promote easy compliance policies for new entrants and small business owners.

Despite the limitations, this study contributes to the general understanding regarding the importance of tax in the growth of small medium enterprises also previous literature have not studied the role of digital economy and contribution of small medium enterprises also the transparency and compliance in tax system mainly in small medium enterprises.

Consequently, there could be a potential increase for small medium enterprises to reinvest and expand their business.

The findings of this research provide insightful information Irish corporate tax in the area of small medium enterprises. The findings of this research also provide insights to users and regulators regarding the current use of tax policies and digital sales revenue.

The results of this study can be used by regulators authorities, small medium companies, governments, the user of taxation in terms of corporate tax. As a result, regulators could promote lower tax rates for small medium enterprises and better tax policies to help the growth of enterprises.

Despite the limitations, this study contributes to the general understanding regarding the tax rates, tax policies and role of digital economy and government support to small medium enterprises. Consequently, there could be a potential increase in reinvestment in small medium business and future enterprises.

Limitations

Regarding the limitations of this research, the first limitation is in the fact that this study required a better design of a survey. The access and to reach out the more experience population in small medium enterprises is a major lack of this research. During the research period some of policies has been changed to help business. It is also hard to analyse the current study.

This study was also lacked by the absence of more experience respondents as the study conducted through an online survey on social network. Consequently, some segment of the target population was more representative than others. However, the pandemic situation was also a drawback. During this time of the year the most difficult part was not to possible to have a face to face interviews or a close case study and analytical approach is also a drawback to conduct a research in more depth. some of the respondents were on summer holiday and it was

difficult to reach them and also a distract for an online survey. Another limitation about the sample includes the distribution of survey only limited to Ireland. As, the study is only focussed on small medium enterprises in Ireland.

There is also a limited case study available on Irish taxation system. because during the research there are many things related to research gone through many changes such as a VAT rate is reduced by 2% for a limited time period from September 2020 to February 2020.

Moreover, the government also came across many scheme or credit facilities to support small medium enterprises. Therefore, it was not possible to assess changes in the perception of the studied sample over time or if the perception of the participants changed recently or it has been constant over the years.

The study was limited to those who are living in Ireland or have a knowledge of Irish tax system specifically corporate tax. Moreover, there is few issues not been addressed in this study. For instance, that is it easy to alter or make new policies and tax rates for small medium enterprises. It is not an easy process to imply new policies and rates because so many measure s and case studies and a deep research of current flaws is required in order to improve the taxation.

As this study was limited by time and budget and the population was considered as unknown.

5.3 Recommendations for Future Research

The study revolves for small medium enterprises in terms of taxation. May be same kind of research could be done in future on a different country. To find out that, is Ireland doing enough for small medium enterprises as compare to another countries? There is still a very big area to cover for better understanding of Irish Corporate tax system. While doing my research I also found that Germany & Sweden has a better tax Policies. A comparison between these countries will help to understand tax of Ireland in much more details & depth.

This research has also raised many questions in need of further investigation. First, regarding how to improve tax policies for small medium enterprises. Second, the lower tax rates helps the business to reinvestment. in this way more financial support will be available to enterprises if government could make more simple and easy to compliance policies for small medium enterprises.

Future research should be focused on large population for online survey. The target population has to be more focused about taxation. A case study between EU countries those has a best tax policies as compare to Ireland in more depth is recommended.

Additionally, a further study could take a longitudinal study approach to study if there has been new tax policies & lower tax rates. Future research should be focused on studying certain industries and the changes on perception over the years regarding small medium enterprises. Therefore, future research should be focused to analyse if certain industries are perceived as more equal support as multinational companies.

Regarding the sample, further studies need to be carried out including regulators, analysts and sample study on some of the growing medium business in Ireland to have a more complete view and a different perspective as they are more focus on fairness. Additionally, the sample size calculation method could be carried out by using other sample size methods such as Cochran's sample size formula.

5.4 Final Conclusion and Reflections

The purpose of the study was to explain if the tax policies and tax rates impact the growth of the small medium enterprises. How government could support the enterprises? the issues of unfair treatment for small business as compare to multinational companies. In fact a discuss The results shows that tax rates and policies are a burden on small and medium enterprise. However, there is also other factors such as size of company or years of business. The reflects that small medium enterprise contribute significant amount in economy. However, the government and tax policies are burden on them such as tax-related accounting is further cost small medium enterprise don not have a in eternal resources to do that job. They hire somebody outside the company which is extra cost for small medium enterprise. Costs company a lot of money. where they lost an opportunity cost he annual report transparency could be associated with changes in the use of business failure prediction models as this study suggests that the more transparent the information of a company is, the less use of business failure prediction models. In the case of annual report readability, this study found that there is no association between the readability of the information and the use of the models. Nevertheless, in the case of the association of annual report transparency and readability, this study found that the variables are associated as more transparency imply more readability. The study reflects general understanding of digital economy in Ireland. Additionally, the current findings contribute in several factors involve in the taxation system. The changes in Ireland's tax system with respect to SMEs should be made in terms of income tax rate reduction, exemptions from value-added tax, and tax credits of investments. A number of ways are there where government of Ireland can improve tax system for SMEs through progressivity in taxation. SMEs and

entrepreneurship are supported by tax policies (Juruss, et al., 2017). The tax system in force in Ireland penalise entrepreneurs and small businesses through double taxation that deter SMEs from incorporating public limited companies or encourage indebtedness. The compliance cost is higher for SMEs as compared to large enterprise (Juruss, et al., 2017; Barrera & Bustamante, 2018). The potential improvements are there at national level and EU level. Ireland's SMEs make it easier and less costly to manage obligations of Tax. Entrepreneurs should be supported for more productivity and growth of the business by easing the businesses and taxation policies should be revised with better transparency in taxation system, inseparable property rights, and improve trade policies for increase of business and sales (Galindo-Rueda, et al., 2018). Small companies do not have influence on price level however strategies should be applied for the adaptation of innovative and new policies so that the impact of external environment on the SMEs should be minimised. Ireland should improve taxation system through major reform of income tax through government (Barrera & Bustamante, 2018). Well-design tax system will motivate positive changes in the way people behave and attract people into labour market increasing amount of hours worked and encourage reporting and payment of owed taxes (Callan, et al., 2020)

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Appendices

Appendix A – Consent form

Welcome to the Survey!

Dear respondents:

The researches about "Tax policies and rates for small and medium enterprises". The purpose of this study is to explain if tax treatment is fair for small and medium enterprise.

The research is being conducted by Kulwinder Kaur Sohi who is currently studying in the Griffith College Dublin. The research study will be conducted to receive the degree of MS.c. Accounting and Finance by Griffith College in Dublin, Ireland. The researcher can be contacted at kulwinderkaur.sohi@student.griffith.ie or kulsohi99@gmail.com if you have any questions about survey.

Participants should be user of Irish taxation system. Participants are required to answer a sets of questions about demographic information, perceptions related to Irish tax treatment for small and medium enterprises. The survey format is on the form of box-ticking and open-ended question and the estimated time of answering is 5-8 minutes to complete. This survey will be conducted anonymously and voluntary as participants may wish to withdraw from the study at any point. In addition, the information collected will be used for the sole purpose of completing a master's dissertation.

The completion of the survey questionnaire will be taken as an informed consent.

If participants have concerns about this study and wish to contact an independent person, please contact Janette Maxwell at Janette.maxwell@griffith.ie

Thank you very much for giving your time to participate in this survey.



Are you currently working in

Yes

No

What is your

18 - 25

26 - 33

34 - 41

42 or over

What is the highest degree or level of education you have

Bachelor degree (B.A. or B.S.)

Postgraduate diploma

MBA or MS.c.

CPA, ACCA or Tax certification

PhD



How long have you been working in Tax?

- less than an year
 - 1-5 years
 - 6-10 years
 - 10 to 15 years
 - more than 15 Years
-

Do you think tax policies in Ireland are fair?

- Yes
 - No
-

Do you agree with corporate tax rate treatment in Ireland?

- Disagree
 - Neutral
 - Agree
-

How much you familiar with Irish

0 1 2 3 4 5

not at all very much familiar

⋮

Do you agree with tax rates & Policies implemented for small and medium

- Yes
- No

Do you consider that tax rates has to be different for small and medium enterprises as compare to multi-national companies?

- Yes
- No

Are you familiar with digital economy or online sales

- Yes
- No

Do you think that digital economy treatment has to be reinforce or more specific?

- Yes
- No

In your opinion, what changes do you think government has to made in taxation for small and medium enterprises?

Long-answer text
