IRELAND

Ireland’s economic freedom score is 82.0, making its economy the 3rd freest in the 2022 Index. Ireland is ranked 2nd among 45 countries in the Europe region, and its overall score is above the regional and world averages.

The Irish economy had slowed over the past five years before picking up steam in 2021. Ireland has been a role model for countries that are seeking to achieve greater economic freedom, especially during the past half-decade. Lifted by robust increases in scores for rule of law and fiscal health, Ireland has registered a 5.3-point overall gain of economic freedom since 2017 and now seems firmly established in the highest, “Free” category in the Index. Additional improvements in financial freedom and labor freedom would enable the country to climb even higher.

IMPACT OF COVID-19: As of December 1, 2021, 5,707 deaths had been attributed to the pandemic in Ireland, and the government’s response to the crisis ranked 77th among the countries included in this Index in terms of its stringency. The economy grew just 2.5 percent in 2020.

BACKGROUND: The 2020 general election produced a fractured legislature; conservative Fianna Fáil (FF) outpolled surging leftist Sinn Féin and the center-right Fine Gael (FG) party of outgoing Taoiseach (Prime Minister) Leo Varadkar. Micheál Martin of FF became Taoiseach in June 2020, leading a coalition with FG and the Green Party and with FF and FG governing together for the first time. Under the agreement, Leo Varadkar will return as Taoiseach in December 2022. The small, modern, and trade-dependent economy has performed extraordinarily well for decades and was among the first in the European Union to recover from the 2008 financial crisis. Foreign multinationals dominate the export sector, led by machinery and equipment, computers, chemicals, medical devices, pharmaceuticals, foodstuffs, and animal products.
Property rights are well protected, and secured interests in property, both chattel and real estate, are recognized and enforced. Contracts are secure, and expropriation is rare. Ireland’s legal system is based on common law, and the judiciary is independent. Outright public-sector corruption is rare and is investigated and prosecuted. Ireland is a participating member of the OECD Working Group on Bribery.

The top individual income tax rate is 41 percent, and the top corporate tax rate is 12.5 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 22.7 percent of total domestic income. Government spending has amounted to 25.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.6 percent of GDP. Public debt is equivalent to 59.8 percent of GDP.

Ireland’s business-friendly tax rates, advantageous geographical location, and status as the only English-speaking country in the EU are just some of the advantages that make it a good country in which to run a business. Labor relations are cooperative, and the labor market is dynamic. The government has halved its subsidy for plug-in hybrids and has introduced a subsidy cap for all types of electrified vehicles.

As a member of the EU, Ireland has 46 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 2.9 percent with 640 EU-mandated nontariff measures in force. Domestic and foreign firms receive equal treatment under a competitive and efficient investment regime. The banking sector has been stable. The government holds majority stakes in two banking groups and a minority stake in another.