



**Press Release  
Irish Tax Institute**

**Thousands of taxpayers suffering huge delays in tax dispute cases  
due to broken system**

**Friday 6 October 2017**

The Irish Tax Institute is calling for changes to the tax appeals regime after it was discovered that 4,000 appeals are 'in dispute' and it could take approximately ten years to complete them all.

Irish Tax Institute President, David Fennell said: "The Office of the Comptroller and Auditor General (C&AG) released a report last week, which found the value of cases under appeal at the Tax Appeals Commission has increased over the past two years. The C&AG Report said that at March 2017, the total value of tax appeals was €1.1bn<sup>1</sup>. Recent figures from Dáil PQs in September show that this figure has now grown to €1.5bn<sup>2</sup>. and totals 4,387 appeals."

**50% of appeals involve tax of less than €10,000 – 1% of tax appeals total almost €1 billion**

The Institute President said that there are currently 2,214 appeals<sup>3</sup>, which relate to amounts of tax that are less than €10,000. "These appeals account for half of all appeals in the system yet they account for less than 1% of the total amount of tax in dispute and are creating a large backlog of cases. Whereas at the larger scale, 50 appeals account for almost €1bn in value and they represent only 1% of the number of appeals currently at the Tax Appeals Commission".

**Backlog could take up to 10 years to sort**

Mr. Fennell expressed his concern at the backlog. He said: "It seems that on average 20 new tax appeals are being lodged every week and, although not all of these appeals will progress to a hearing, the number of outstanding cases is on the rise. At this rate, it is estimated that it would take nearly 10 years just to clear the current backlog of cases, taking no account of new appeals that will be lodged in the meantime".

The Irish Tax Institute was commenting in response to the *Consultation on the Rules & Procedures of the Tax Appeals Commission* and has sought case studies from its members to investigate the situation. "This can be a very worrying time for taxpayers for a number of reasons," said Mr. Fennell.

**Taxpayers working in the dark with no certainty**

"The waiting period to get an appeal hearing can last a long time and the taxpayer may receive little communication in that period. Our case studies show taxpayers are essentially working in the dark. At the beginning of the process, taxpayers have no estimate about how long it will take for their case

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<sup>1</sup> 2016 Annual Report, Office of the Comptroller and Auditor General.

<sup>2</sup> Latest figures received from a PQ to the Minister of Finance, Paschal Donohoe, on 20 September 2017

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to be heard and then determined. Similarly, there is no visibility for any taxpayer waiting in the system to know “where they are in the queue”.

### **Risk of costs and high interest rates although delays not of taxpayers’ making**

The Irish Tax Institute President said: “Taxpayers may also face the risk of heavy interest if they lose their case, although the delay is no fault of their own. The delays can give rise to high financial costs. If a taxpayer loses their appeal they are exposed to a high rate of interest – interest is charged at 10% per annum in the case of VAT and PAYE (8% for other taxes). This interest accumulates on a daily basis from the date the disputed tax was due until it is paid and it continues accumulating while the appeal is stuck in the appeals process. For example, a taxpayer who loses an appeal for a €100,000 VAT assessment could pay up to €40,000 in interest if waiting four years for their appeal to be determined”.

The Institute President said that in contrast, in the case of refunds the rate of interest for the taxpayer is only 4% and the circumstances in which it is payable is much more limited. “This is unfair for the taxpayer”, he added.

### **Recommendations**

Mr. Fennell said: “In response to the consultation the Irish Tax Institute outlined its 15 recommendations. Key recommendations include:

- Taxpayers are not responsible for the delays that have accumulated in the TAC system and therefore **statutory interest should be ‘stopped’** on cases in the congested appeals process.
- A **“Small Claims” model tax court** should be set up to deal efficiently with smaller taxpayers that are appealing straightforward tax issues.
- An **independent mediation process** should be introduced. This could help to reduce the waiting times for appeal and the associated costs and stress for taxpayers which are associated with taking an appeal case at present.
- **More resources** at the Tax Appeals Commission are urgently needed – there are currently two full time and one recently appointed temporary Tax Appeal Commissioners, operating from one dedicated room that is available for hearings. There are also two additional members of the senior management team involved in managing the appeals process.”

**END**

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