

Meet the Members

2017

Meet the Members - 2017

- Mark Barrett – President
- Martin Lambe – Chief Executive
- Cora O' Brien – Policy Director
- Mary Healy - Revenue Representations Manager

Activity over last 12 months

- Extensive activity since previous Members Tour
- Global backdrop influencing policy agenda
- Revenue activity – ongoing focus on services
- Joint Conference with Revenue on key issues
- Update you today on the latest developments
- Welcome your views and feedback

What's going on in the Institute?

3 In-depth reports prepared



17 Submissions to Government and international bodies



4 Free events



9 New publications



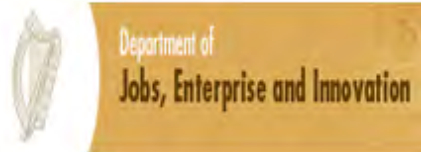
Joint Conference with Revenue



26 Member bulletins



Engage with broad range of stakeholders



An Coimisiún um Achomhairc Chánach



EUROPEAN
COMMISSION



Proudly celebrating 50 years in 2017

CELEBRATING
50
YEARS

Strategic Plan

- New strategic plan to 2020
- Key pillars
 - Leading educator
 - Meeting members needs
 - Respected and trusted voice on tax
- Greater member engagement
 - Structured programme of engagement country-wide

Policy and Reps Agenda

Raising awareness

- The Institute makes representations through a number of channels;
 - Public Consultations
 - Revenue engagement
 - Engagement with key policymakers
 - Oireachtas
 - Department of Finance
 - European Commission
 - OECD
 - Publications
 - Media engagement

The context for our tax policy agenda

OECD

- Coherence of international tax systems
- Aligning taxing rights with substance
- Improving transparency and certainty
- Other cross cutting Actions

Brexit

- Changes to UK CT rules
- UK's competitive response
- Possible EU countermeasures

Tax Policy Agenda

European Commission

- Anti-Tax Avoidance Directive
- Country-by- Country Reporting
- Automatic exchange of tax rulings and APAs
- State Aid investigations
- Anti-Money Laundering Directive and Public Registers
- CCCTB

US Tax Reform

- Corporation tax rate reduction
- Repatriation of offshore assets
- Territorial system
- Border adjustment?
- Expensing?
- Restriction of interest deduction?

=====

- Implementation of BEPS measures
- US-Ireland Double Tax Treaty

Tax policy agenda

- International tax reform
- Brexit and US tax reform
- Irish indigenous business
- Personal tax system

Key issues on the Revenue representations agenda

Revenue Services

- MyEnquiries
- VAT Registrations
- ROS
- Technical services

Compliance developments

- Offshore disclosure regime
- 2nd Tier Divisions
- Cooperative Compliance

Other current issues

- Tax appeals
- PAYE & business travelers
- PAYE Modernisation

Tax Policy Update

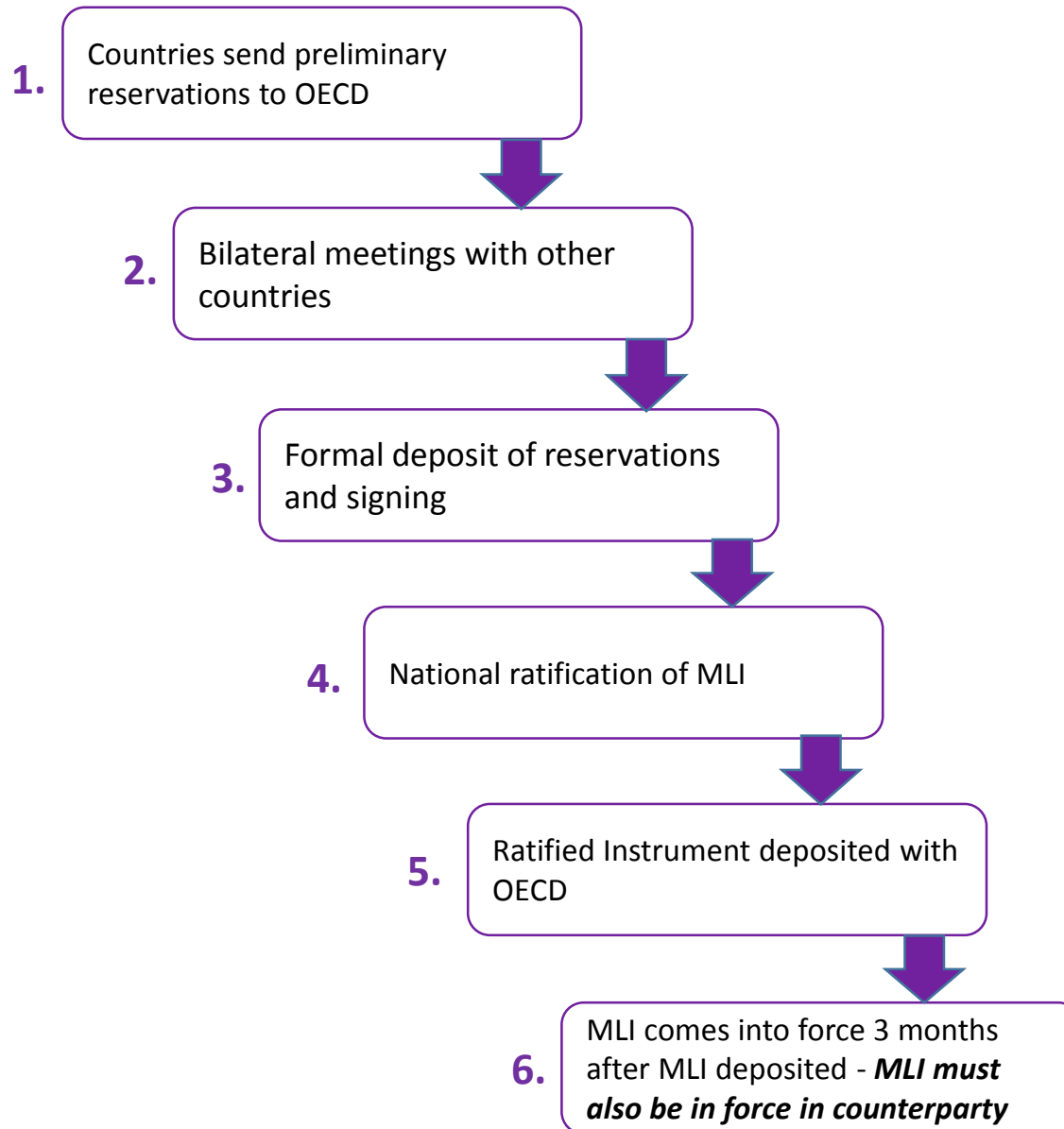
International tax reform

BEPS implementation - OECD

- Multilateral instrument finalised in November 2016
- Will transpose the BEPS treaty-related recommendations into tax treaties
 - *Action 2 – Hybrid mismatches*
 - *Action 6 – Treaty abuse*
 - *Action 7 – PE rules*
 - *Action 14 – Dispute resolution*
- Includes minimum standards which companies adopt



Multilateral instrument – how it will work



BEPS implementation within the EU

Agreed Directives

Anti-Tax Avoidance Directive

- Interest Deductibility
- CFC Rules
- Hybrid mismatches

PLUS

- Exit Taxes
- GAAR

Rules will come into force from 2019

Exchange of Tax Rulings

Rules in force from January 2017

Country-by-Country Reporting

Rules in force from January 2016

Recent Proposals

Public Country-by-Country Reporting

Proposals published in April 2016

Tax Dispute Resolution Framework

Proposals issued October 2016

Mandatory Disclosure Regime

Consultation launched in October 2016

BEPS implementation in Ireland

- Seamus Coffey undertaking review of corporation tax code
- Consultation recently concluded;
 - BEPS implementation
 - Measures to enhance tax transparency
 - Maintaining competitiveness
 - Sustainability of corporation tax receipts
- Consultation on ATAD implementation expected later this year

Public Consultation Paper

Review of the corporation tax code

February 2017

Tax Policy Division,
Department of Finance,
Government Buildings, Upper Merrion Street,
Dublin 2, D02 R583.

E-mail: ctcodereview@finance.gov.ie

Website: www.finance.gov.ie

Common Consolidated Corporate Tax Base

- Proposals published in October 2016
- Similar to 2011 proposals, but:
 - split into two stages;
 - mandatory;
 - super-deduction for R&D;
 - allowance for growth and investment.
- Ireland and many other countries have challenged proposals



State decision

- Commission rule that 2 opinions granted constitute State Aid
- Ireland ordered to collect €13bn
- Irish Government and Apple have both appealed decision

“I disagree profoundly with the Commission’s decision. Our tax system is founded on the strict application of the law, as enacted by the Oireachtas, without exception”



Brexit and US tax reform

Brexit

Overhaul of UK VAT
system

Increase in customs
duties

Withholding tax on
interest/royalties/
dividends

No state aid rules

EU corporation tax
directives not
binding

***"We would have the
freedom to set the
competitive tax rates and
embrace the policies that
would attract the world's
best companies and
biggest investors to
Britain"***

Theresa May, 17 January
2017

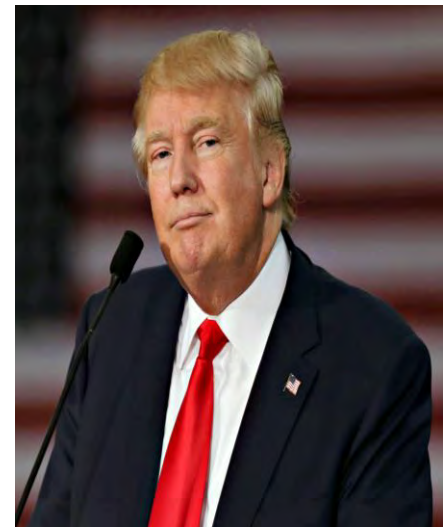


US tax reform

- Trump Tax Reform Plan announced 26 April
 - Reduce corporate tax rate from 35% to 15%
 - One-time tax on the repatriation of foreign earnings of US companies
 - Move to a territorial system
- No mention of border adjustment tax

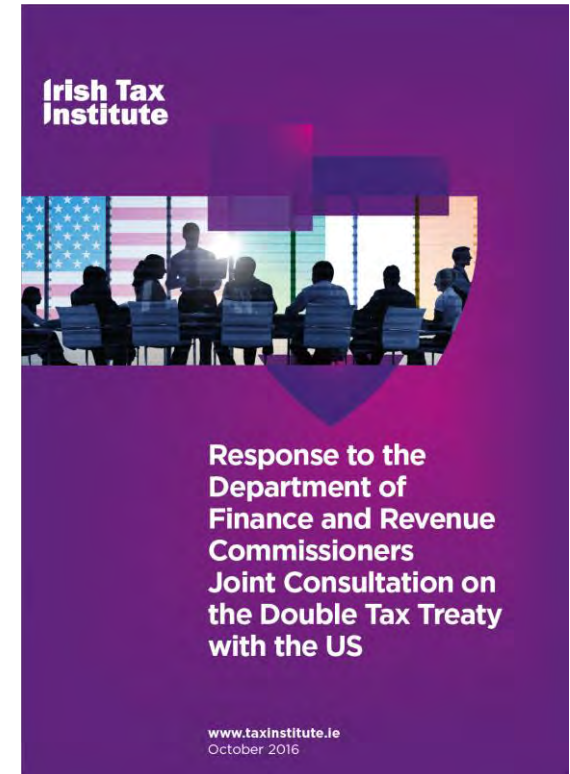
 **A BETTER WAY**
OUR VISION FOR A CONFIDENT AMERICA

Tax
June 24, 2016
better.gop



Renegotiation of Ireland-US treaty

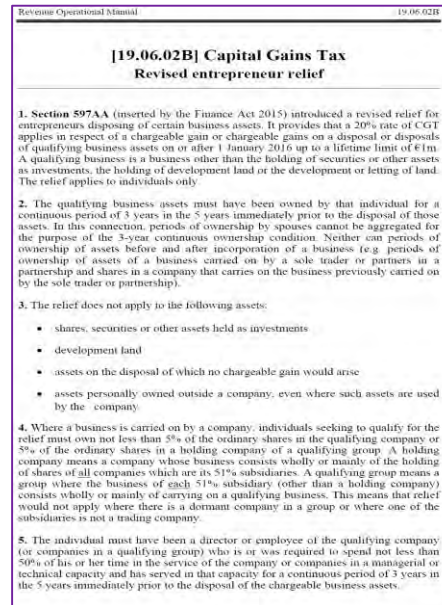
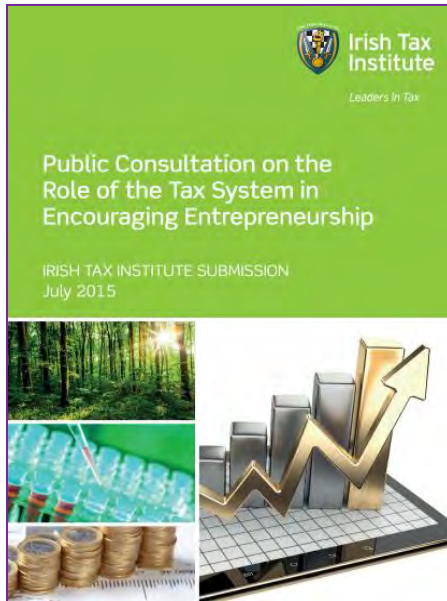
- Consultation on Model Treaty held in 2016
- Significant implications of LOB clause:
 - Irish Plcs listed on overseas exchanges
 - Subsidiaries of Irish Plcs which source finance outside Ireland
 - Indirectly held subsidiaries of US MNCs
 - Private companies with non-resident shareholders.



The tax environment for Irish indigenous business

Representations on indigenous business

Irish Tax
Institute



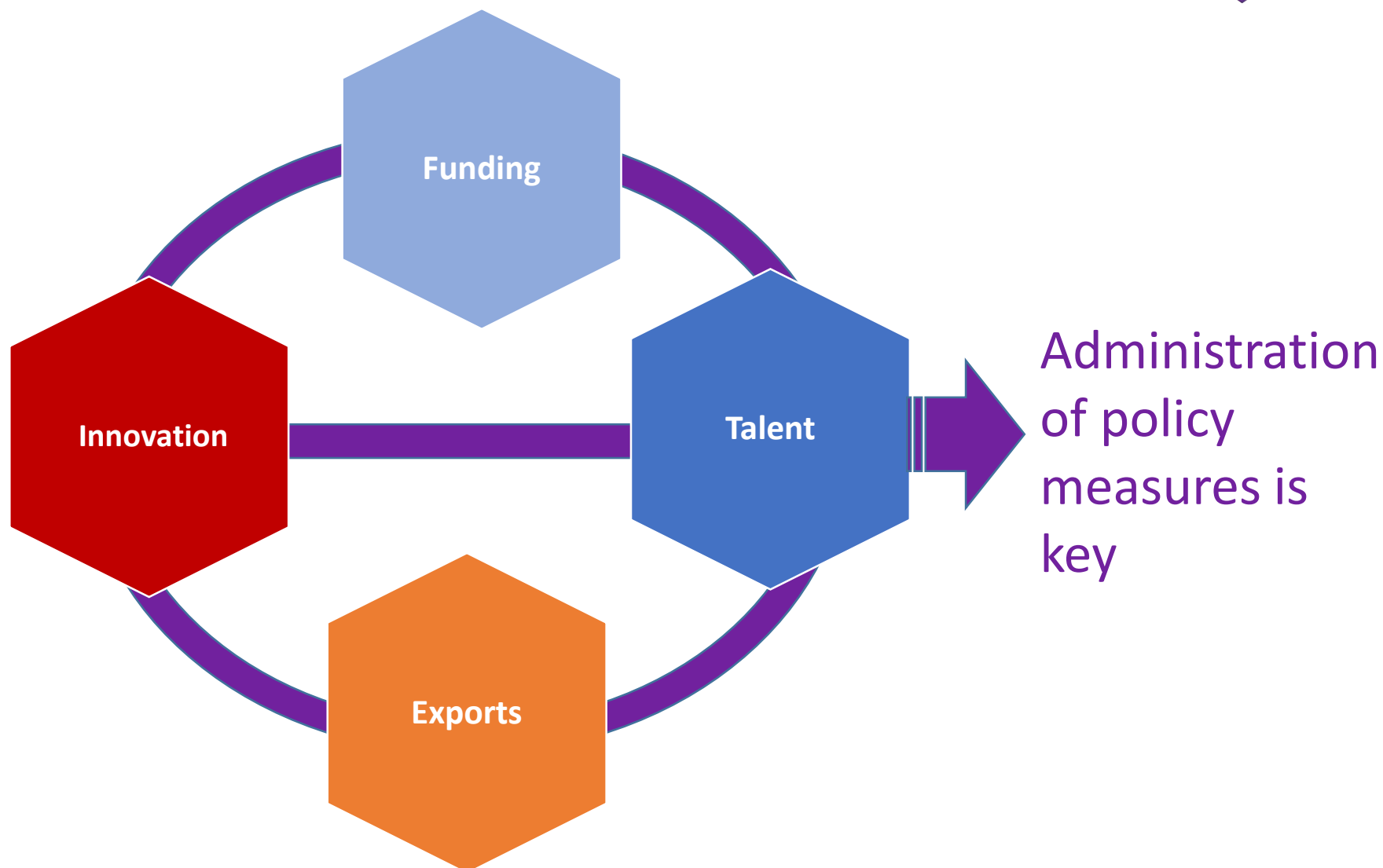
Recent measures introduced for SMEs

Measure	Tax Head	New measure / improvement / Future Commitment
Earned Income Credit	Income Tax	<ul style="list-style-type: none"> • Credit of €550 introduced • Increased to €950 in FA16 • To increase to €1,650 by 2018
Share based remuneration	Income Tax	<ul style="list-style-type: none"> • Consultation held in 2016 • SME regime to be introduced in 2018
Foreign earnings deduction	Income Tax	<ul style="list-style-type: none"> • Extension of relief until 2020 and expansion of list of qualifying countries
Employment and Investment Incentive (EII)	Income Tax	<ul style="list-style-type: none"> • Increase in company investment limits and expansion of list of qualifying trades
Extension of PRSI related benefits to the self-employed	PRSI	<ul style="list-style-type: none"> • Entitlement to the Invalidity Pension and Treatment Benefit schemes
Revised Entrepreneur Relief	Capital Gains Tax	<ul style="list-style-type: none"> • Reduced rate of 20% on first €1m • Rate reduced to 10% in FA16 • Threshold to be increased to €10m when resources allow
R&D Tax Credit	Corporation Tax	<ul style="list-style-type: none"> • No scientific review where grant received and credit <€50k

Campaign for Irish indigenous business

- Importance of indigenous business
 - Heavy reliance on FDI
 - Risks from Brexit / US tax reform
- Publication / media campaign to be launched in coming months
- A need for a tax strategy for the Irish Indigenous Sector

Key pillars for Irish indigenous sector



Share based remuneration

- Consultation held in 2016
- Detailed submission made by the Institute:
 - No personal tax on exercise of share options
 - CGT arising on the ultimate disposal of the shares
 - Application of Revised Entrepreneur Relief on ultimate disposal
 - CGT treatment on share buy-backs
- Commitment to introduce new regime in 2018



An Roinn Airgeadais
Department of Finance

Public Consultation Paper

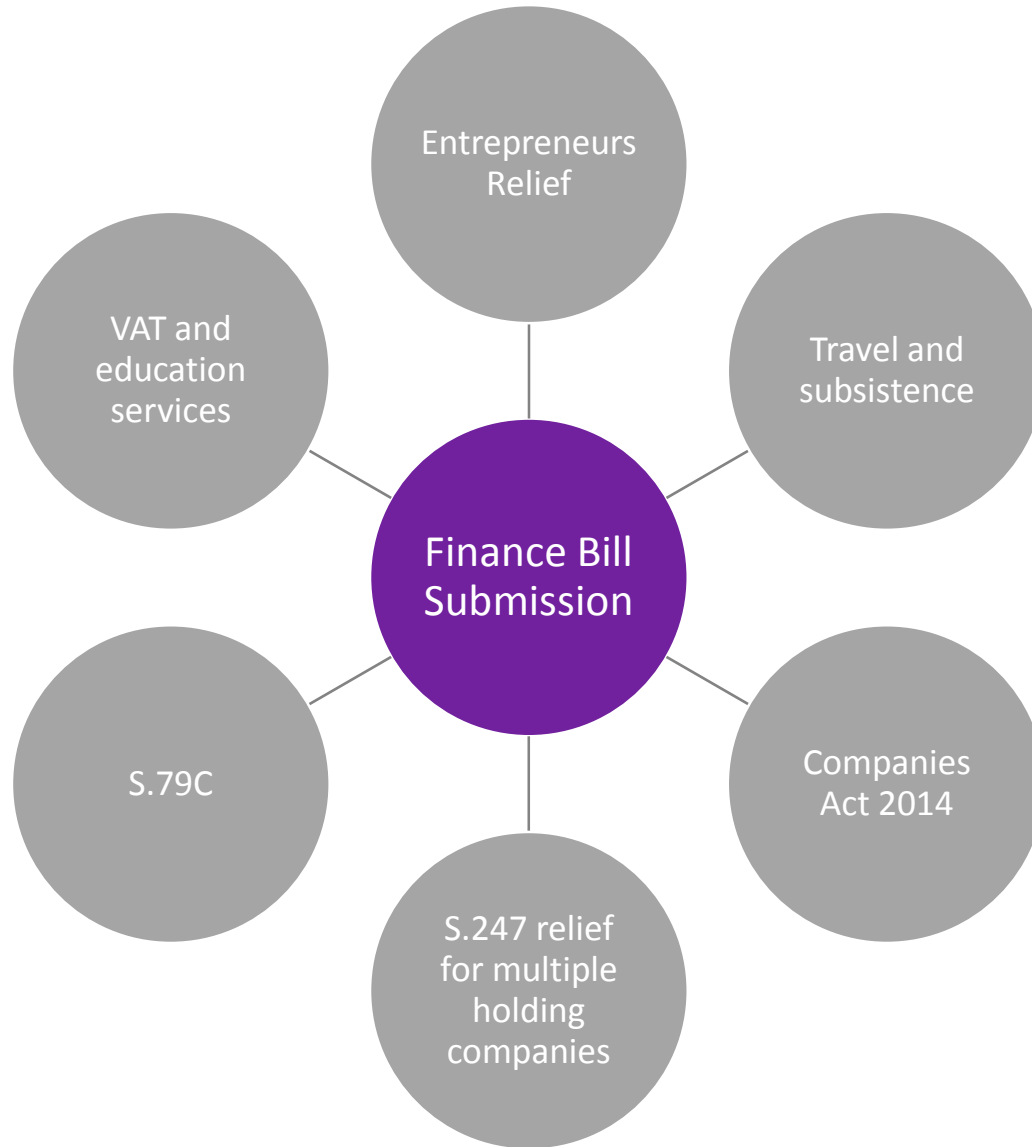
Taxation of Share Based Remuneration

Tax Policy Division
Department of Finance
Government Buildings
Upper Merrion Street
Dublin 2 D02 R583

E-mail: taxpolicy@finance.gov.ie

Website: www.finance.gov.ie

Other technical issues for businesses



The personal tax system

Budget 2017 Publication

Key questions on Ireland's personal tax system

1. Can we continue to judge tax policy on a **Budget by Budget** basis?
2. Is there a point at which a country's personal tax system becomes **overly progressive**?
3. Do high tax rates above the average wage impact our competitiveness and create issues around **incentive to work**, labour costs and ability to attract talent?
4. Have we a personal tax system in Ireland that meets our social needs but is also **suitable** for a small open economy?



The tax multiples

Salary of €18,000 (Tax paid - €600)					
Salary	€25,000	€35,000	€75,000	€100,000	€120,000
Earning X times the salary of an individual on €18,000 (The multiples)	1.4	1.9	4.2	5.6	6.7
Paying X times the tax of an individual on €18,000 (The multiples)	5.6	10.9	44.1	65.8	83.1
Paying € more tax than individual on €18,000	€2,768	€5,958	€25,882	€38,882	€49,282

How the tax multiples have increased between 2012 – 2016

Salary of €18,000 versus €75,000

Salary	2012	2016
Earning X times the salary of an individual on €18,000 (The multiples)	4.2	4.2
Paying X times the tax of an individual on €18,000 (The multiples)	31.7	44.1

Salary of €18,000 versus €100,000

Salary	2012	2016
Earning X times the salary of an individual on €18,000 (The multiples)	5.6	5.6
Paying X times the tax of an individual on €18,000 (The multiples)	46.5	65.8

Raising awareness on the personal tax system

Irish Tax Institute



Irish Independent

How families pay for broken tax rules

Squeezed middle are not going to feel much better off after budget day

Cliff Taylor



66
The problem for Minister for Finance Michael Noonan is he is now in a financial

Business Your Money

Middle and higher-income earners paying more tax than before crash

Reform of warped taxation system almost impossible

Irish Independent

If we truly are paying more tax than the Swiss, isn't it time for real debate on how it's being spent?

Whether it's the middle class or the wealthy, the Irish are paying more tax than the Swiss, according to a new report by the Swiss Tax Authority.



The report, which was published last week, found that the average Irish family pays 28.5 per cent of its income in tax, compared with 25.5 per cent for the average Swiss family. The report also found that the Irish tax system is more complex and less transparent than the Swiss system.

We must take stock of our skewed tax system and ask ourselves if it is even fit for purpose

A Budget 2007 rewrites the code of tax to cover 1911. There are 1911 years of precedent to draw on to make sure the system is fit for purpose.

Mark Barrett



There is a serious question about the fit for purpose of the current tax system. It is not a system that is fit for purpose. It is a system that is not fit for purpose. It is a system that is not fit for purpose.

Irish income tax is skewed and overly complex



Mary Horgan Opinion

If you earn 2.5 times the average wage you pay 3.5 times the tax of the average earner

The Irish tax system is skewed and overly complex. It is a system that is not fit for purpose. It is a system that is not fit for purpose. It is a system that is not fit for purpose.

Tax Representations Update

Mary Healy

Tax Manager

Email: mhealy@taxinstitute.ie

Revenue Services

Concerns raised and work done

Key concerns

Mixed response time

Uncertainties

- query received
- query being dealt with

Inability to archive or search queries, need for shared access to query responses etc

Institute work

List of member suggestions submitted to Revenue

On agenda at Main TALC, TALC Collections, Joint Conference

Gathering practical examples of pressure points



Developments

Improved functionality

Query ID – April 2017

Query acknowledgment – April 2017

Automated response task completed – June 2017

Updated Manual highlighting agent issues – May/June 2017

TALC Communication

MyEnquiries – tips on use

MyEnquiries

[← Back to ROS](#)

Enquiries Record

Email Address:

TEST@REVENUE.IE

Previous Enquiries

[Search previous enquiries](#)

Select for archive	Enquiry ID	Date	Enquiry relates to	More specifically	Reference
<input type="checkbox"/>	1701-133	2017/01/12 18:00	Help-To-Buy Scheme	First-Time Buyer (New Build)	

Showing 1 to 1 of 1 entries [Previous](#) [Next](#)

[Archive Ticked Items](#)

[View Archive](#) 

[Add New Enquiry →](#)

- Facility to archive queries (highlighted above)
- Search facility - enter a key word or a partial word, e.g. 'def'
- ROS administrator can add individuals to an email address e.g. one person out of office

VAT Registrations

Concerns raised and work done

Key concerns

Turnaround time esp.
paper/non-resident
registrations

Incremental requests
for supporting information

Inability to re-register online

Mismatch paper &
eRegistration generating
queries

Flexibility in registration
information for start-ups

Institute work

Engagement at TALC and
directly with senior Revenue
management

Engaged on development of
“checklist” of information that
can be provided upfront

TALC discussion on processing
of registrations

Developments

Package of measures
announced in 2016

VAT “checklist” released in
July 2016

Flexibility in checklist
acknowledged

eRegistration upgrade –
coming in 2017

- Re-registrations
- Expansion eRegistrations
- Upload information online
- Matching of paper and eRegistration form

Key new developments on ROS

Topic	New Developments
PAYE agents	<p>Ability to register employments being extended to agents</p> <p>Extension of facility to add employee credits re pensions, income protection</p>
eRCT	<p>Option to download payment information for full tax year</p> <p>Ability to make payments for closed contracts</p>
CAT	Arrange RDI via ROS

4 new issues to be aware of on Technical Services

Revenue Technical Service (RTS)

1. Scope to meet with RTS expert in complex cases to better understand context and issue
2. Second Tier Divisions handling RTS queries
3. Increase in monitoring of query responses by RLS

Technical information

1. Revenue reviewing and updating all Manuals and guidance > 5 years old



Technical information – 5 years

Global focus on transparency
& finite “life” on tax opinions (best practice)

Renewal of all
pre-2012 opinions

Revenue
review/update of
published information

5 years

```
graph TD; A[Renewal of all pre-2012 opinions] --> C((5 years)); B[Revenue review/update of published information] --> C;
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The diagram illustrates a 5-year cycle for technical information. Two blue rounded rectangular boxes at the top point towards a central white circle with a blue outline. The left box contains the text 'Renewal of all pre-2012 opinions' and the right box contains 'Revenue review/update of published information'. The central circle contains the text '5 years' in bold red font. Arrows from the bottom of each box point towards the circle.

Are you relying on Revenue material > 5 years old?

- Redevelopment of Revenue website
- Reviewing all published material
 - Statements of Practice, Manuals, eBriefs etc
- Archiving material > 5 years old
- Reviewing whether policy/practice should continue
- Published practices may change
- Institute reviewing information supports for members

Renewal of tax opinions – what you must do?

- OECD best practice is 5 year life for opinions
- Pre-2012 opinions still in use need to be identified
 - All pre-2012 opinions affected i.e. given by any region/district, industry precedents etc
 - Still in use e.g. trading status, profit attribution
 - eBrief No.8/2017 outlines process
- Submit written copy of opinion and request for renewal to District by **30 June 2017**
- Interim confirmation opinion holds until full review

Queries we raised

What do you do if ...

What do you do if your request for a renewal is refused?

- Seek review of decision
 - District Manager
 - Internal/external review

What do you do if the opinion is not on your file?

- If renewal application not made by 30 June – opinion **cannot** be relied upon
- In exceptional circumstances – contact the relevant District for assistance

Compliance Developments

Offshore Disclosure Regime

- Backdrop – “Panama papers” & information exchange
- No longer possible to make a qualifying disclosure on offshore matters
- Legislation very broad
 - offshore matter = any un/underdeclared non-Irish income, gains etc.
 - Implications
 - increased penalties, potential publication and prosecution
 - impact of offshore matters on domestic disclosures

What is the position now for correcting defaults?

Type of issue	Qualifying Disclosure	Self-correction (time limits apply)	Technical adjustment	Innocent error
Offshore matter	No	Yes	Yes	Yes
Domestic matter (no offshore issue arises)	Yes	Yes	Yes	Yes
Domestic matter, offshore issue arises but penalty <15%*	Yes	Yes	Yes	Yes
Domestic matter, offshore issue arises but penalty >15%**	No	Yes	Yes	Yes

*Careless without significant consequences” + cooperation (calculated on a per return basis)

** “Careless with significant consequences” (calculated on a per return basis)

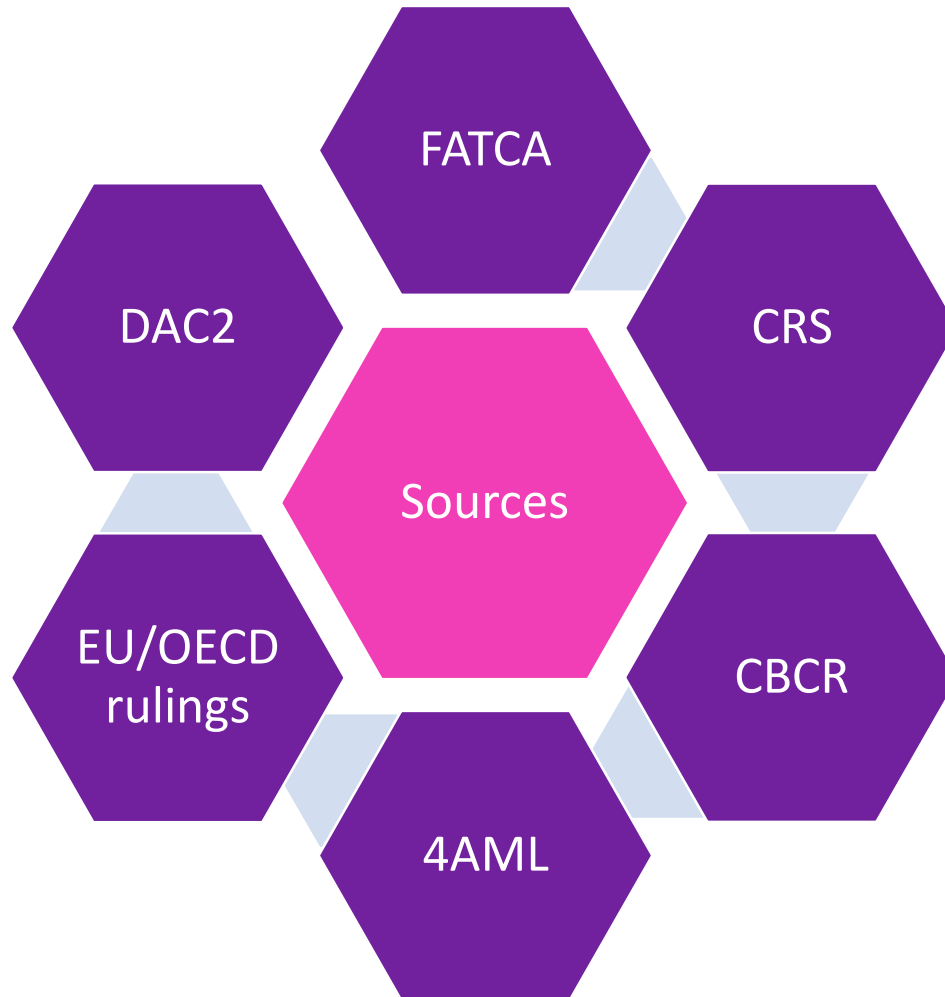
Reminder: General rule – aggregate tax liability < €6,000 + default not deliberate = no penalty

Issues arising

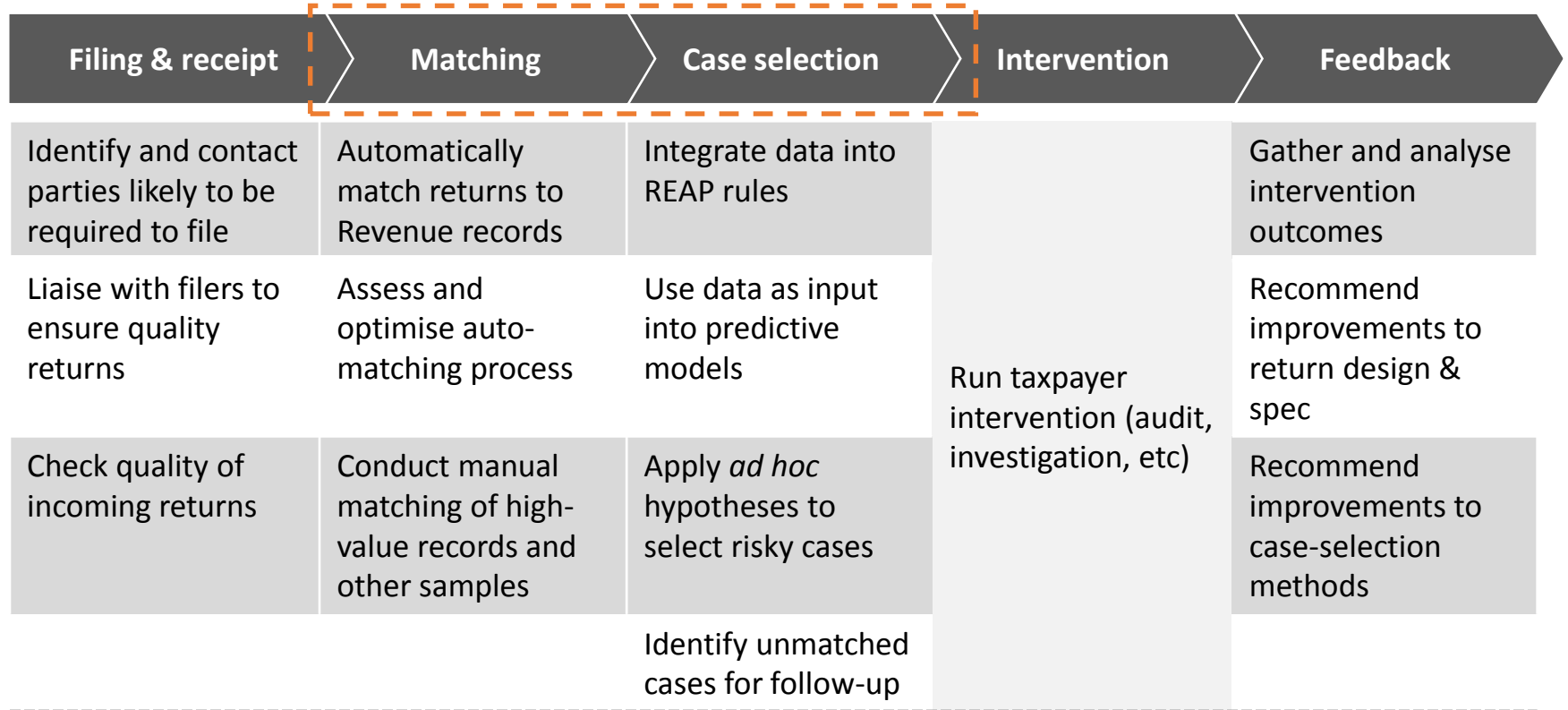
Offshore matters	Onshore matters
How to correct immaterial errors e.g. computational mistakes, error in income declared	Impact of immaterial offshore matters on onshore disclosure e.g. reopening of onshore disclosure
Revenue's approach to penalties e.g. co-operation mitigation	
Prosecution criteria	

Engagement at TALC Audit on issues arising

Revenue information sources



How will Revenue use the data?



Revenue slides

Joint Conference 2017

Revenue systematically matches data to taxpayer records and uses it to select risky cases

New approaches to compliance

- Changing approach to compliance – more focussed
- New Second Tier Divisions - larger business (non LCD).
 - 3 sector-specific i.e. motor trade (ESE), large legal/professional (SW), Construction (Dublin only)
 - Tiers focused on perceived “risk areas”
- Different types of queries/audits? More focussed
- List of tiers and Principal Officers – June Main TALC bulletin
- Engagement at TALC on structure and operation

Cooperative Compliance Framework

- New framework launched in December
- LCD wrote to case base
- Main changes in framework:
 - More structured approach
 - Dedicated case worker - only if join
 - Entry criteria i.e. tax up-to-date, no settlement with >15% penalty within last 3 years (1% materiality test)
 - More streamlined approach to VAT/CT refunds
- Uptake so far to be determined
- Seeking 12 month review of its operation

Other Current Issues

Tax Appeals – what has happened since the new appeals regime was set up?

21 March
2016

- Tax Appeals Commission established & new regime commenced

April/May
2016

- Revenue “ settlement letters” issued to open cases

June – Oct
2016

- Circa 1,500 cases transmitted by Revenue to the TAC

Feb/Mar
2017

- Advertisement for temporary Appeal Commissioners
- Issue of requests for Statements of Case to open cases

Tax Appeals - Next steps

- Publication of Annual Report
- TAC conducting review of Rules of Procedure
- Institute will be participating in consultative process
- Welcome input on your experiences of the appeals process

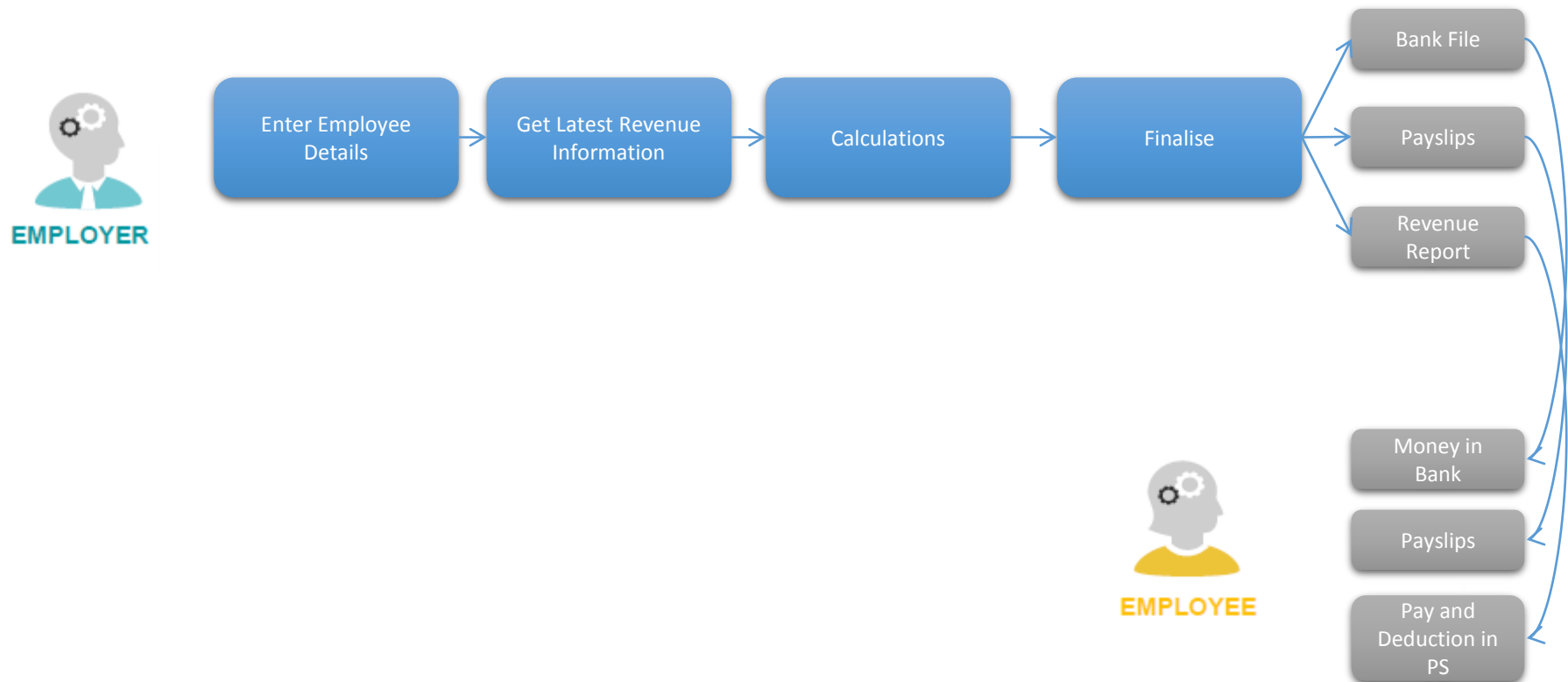
PAYE treatment of business travelers

- Article 15 of Irish Double Treaties provides relief from income tax for travellers on short term visits to Ireland
- Engagement with Revenue for last 3 years on interpretation of relief
- December 2016 - Revenue published updated SP-IT/3/07 – severely limiting relief if here > 30 days
- Institute disagree with interpretation
 - Detailed technical analysis provided to Dept. of Finance
 - Provided practical examples of business travel impacted
 - Seeking clarity on policy position and improvements to guidance

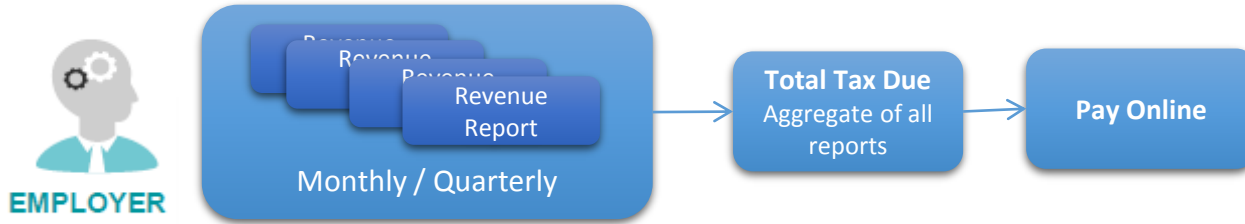
PAYE Modernisation

- Objectives of new regime
 - Greater visibility on deductions during year
 - Ability for employees to allocate credits
 - Reduce under/over deductions of PAYE
- Key features
 - Abolition of P30, P45, P60 etc
 - Integrated with payroll - submit simultaneously
 - No change in tax payment date
- 1 January 2019 commencement date
- Work on design currently underway – early stages

PAYE Modernisation



PAYE Modernisation



PAYE Modernisation – member input

- Three workshops with Revenue on members' needs
- Priorities:
 - Flexibility e.g. small business v MNCs needs
 - Full agent access
 - Minimal costs for business
 - Broadband access issues
 - Soft landing
- Monthly meetings with Revenue as design progresses
- Update members via TaxFax and bulletins

Keeping up to date on developments

- Use range of channels to update you
 - TaxFax
 - Member bulletins
 - Social media
 - TALC communications
- Your input directly or via Branch vital in highlighting your issues
 - e.g. examples of pressure points, practical suggestions
- Structured programme of firm meetings to obtain your input

