



1

Meet the Members - 2018



- David Fennell - President
- Martin Lambe - Chief Executive
- Anne Gunnell - Senior Tax Policy Manager
- Mary Healy - Revenue Representations Manager

2

Activity over last 12 months

Irish Tax
Institute

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

3

What's going on in the Institute?

2 In-depth reports prepared



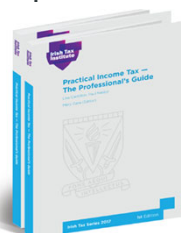
20 Submissions to Government, Revenue and international bodies

4 Free events



GDPR

10 New publications



15 Member bulletins



Attached is an update with the latest developments on Revenue and tax policy issues and the work the institute is undertaking to progress the key issues you raise with us.

4

Engage with broad range of stakeholders

Irish Tax
Institute



An Coimisiún um Achomhairc Chánach



5

Raising awareness

Irish Tax
Institute

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

6

Tax Appeals

The Institute has continued to press for reform of the tax appeals regime over the last year

- Submission to the TAC outlining 15 recommendations for reform
- Addressed an Oireachtas committee on backlog and high interest costs
- Produced detailed briefing material for media



Irish Independent
IRELAND'S BEST SELLING DAILY NEWSPAPER



Tax appeals system remains 'unacceptably broken'

Donal O'Donovan assessment system must include an efficient functioning appeals system as an integral component.

THE Irish tax appeals regime is "unacceptably broken" Irish Tax Institute President David Fennell told practitioners last night.

Delays mean "uncertainty, high interest rates and high stress" for blameless taxpayers, he said.

In a speech at the Irish Tax Institute's annual dinner, Mr Fennell said a proper self-assessment system must include an efficient functioning appeals system as an integral component.

The Tax Institute has previously called for changes to the appeals regime after it emerged that thousands of taxpayers are in dispute with Revenue with a backlog that could take up to 10 years to clear.

There were 251 appeals lodged last month, with only one resolved, he said.

"Taxpayers deserve certainty in terms of their tax liabilities. For a cohort of taxpayers who are locked indefinitely in the tax appeals system, the State is letting them down," he said.

Meanwhile, for the broader economy, he warned that change is happening at a rapid pace.

"On the international tax policy side, 2018 will be a very significant year. There will emerge new proposals to tax the digital economy or digital transactions, further implementation of BEPS, the unfolding of US tax reforms and new central pillars for our own (Irish) corporate tax regime," Mr Fennell said.

The rise of internet giants has challenged tax authorities, and change is coming, he said.

"While I won't suggest winter is coming, the challenges of digital taxation will likely herald degrees of change not seen before," he added.



Irish Independent

Huge build-up of tax appeal cases

Charlie Weston
Personal Finance Editor

THERE has been a call for changes to the tax appeals regime after it emerged that thousands of taxpayers are in dispute with Revenue.

Such is a backlog that it could take up to 10 years to clear all the cases, the Irish Tax Institute said.

The institute said radical changes to how the appeals process works were needed. It discovered that 4,000 appeals are in dispute, with half of these involving amounts of less than €10,000.

This implies that many of those in dispute are PAYE taxpayers and self-employed people.

The Office of the Comptroller and Auditor General (CAG) 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," said Irish Tax Institute president David Fennell.

The CAG Report said that at March 2017, the total value of tax appeals was €1.5bn," Mr Fennell said.

Recent figures from TAD questions show that this figure has now grown to €1.5bn, and totals 4,287 appeals, he said.

The institute said that there are currently 2,214 appeals, which are less than €10,000.

These appeals account for half of all appeals in the system, yet they account for less than 1pc of the total amount of tax in dispute and are creating a large backlog of cases.

Whereas at the larger scale, 20 appeals account for almost €1bn in value and they represent only 1pc of the number of appeals currently at the Tax Appeals Commission."

7

Tax Policy Update

Irish Tax Institute

8

The context for our tax policy agenda

Irish Tax
Institute

OECD

- Addressing the tax challenges of the digitalised economy
- Aligning taxing rights with substance
- Improving transparency and certainty
- Implementing the Multi-lateral Instrument

Brexit

- Hard/soft Brexit?
- Customs measures?
- Changes to UK CT rules?
- UK's competitive response
- Possible EU countermeasures

Tax Policy Agenda

European Commission

- Anti-Tax Avoidance Directives
- Digital Tax Directives
- Mandatory Disclosure Directive
- Automatic exchange of tax rulings, APAs and Country-by-Country Reports
- State Aid investigations
- Anti-Money Laundering Directive and Beneficial Ownership Registers
- CCCTB

US Tax Reform

- Corporation tax rate reduction
- Mandatory transition tax on foreign earnings
- Territorial system
- GILTI
- BEAT
- FDII
- Limitation on interest deductions

9

Tax policy agenda

Irish Tax
Institute

- International tax reform
- Irish indigenous business
 - > Tax strategy to grow Irish indigenous exports
 - > EII
 - > KEEP
- Brexit and US tax reform

10

International tax reform

11

BEPS implementation within the EU – agreed Directives

Anti-Tax Avoidance Directives

- Interest Deductibility
- CFC Rules
- Hybrid mismatches
PLUS
- Exit Taxes
- GAAR
- Rules will come into force from 2019

Exchange of Tax Rulings
& APAs

- First exchanges took place in 2017

Tax Dispute Resolution Directive

- Agreed in Oct 2017
- Applies to complaints from 1 July 2019 or earlier by agreement

Exchange of Country-by-
Country Reports

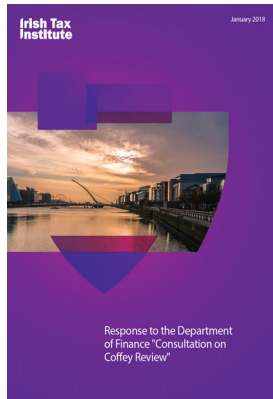
- First exchanges will begin in 2018

Mandatory Disclosure Directive

- Entry into force 1 July 2020
- **But**, reportable transactions in scope from **25 June 2018**

12

BEPS implementation in Ireland – ‘Consultation on Coffey Review’



- Briefing held for members in Sept 2017 with Mr Seamus Coffey following publication of his Review
- Consultation on recommendations from Review concluded on 30 January
- Detailed submission made by Institute on :
 - > Controlled Foreign Company (CFC) legislation
 - > Moving to a territorial tax system
 - > Exit taxation
 - > Anti-hybrid rules
 - > Extending domestic transfer pricing rules
- CFC rules must be introduced by 1 January 2019 (Finance Bill 2018)

13

OECD - Addressing the tax challenges of the digitalised economy



- Action 1 of BEPS – work still ongoing
- Institute responded to public consultation in October 2017
- Last February, Institute delegation met with Head of OECD Task Force on the Digital Economy (TFDE) in Paris to discuss recommendations
- OECD TFDE interim report published in March this year:
 - > Agreed by 110 countries
 - > Stressed the importance of a comprehensive, long-term solution.
 - > Does not recommend interim measures
 - > Work towards a consensus-based solution by 2020 - undertake a coherent and concurrent review of two fundamental tax concepts:
 1. "Nexus"
 2. "Profit allocation rules"



14

European Commission - Fair taxation of the digital economy



- Institute responded to public consultation in December 2017
- Two Directive proposals published in March:
 1. Interim 3% Digital Services Tax imposed on gross revenues from certain digital activities
 2. Long-term solution – reform of corporate tax rules to include concept of a virtual PE in the EU
- Ireland and many countries have challenged the interim proposal
- Institute appeared before the Oireachtas in May:
 - > NB to achieve a global solution to deal with the tax challenges of digitalisation



15

**Irish Tax
Institute**

Irish indigenous business

16

A future tax strategy to grow Irish indigenous exports



- 140-page report launched in June 2017 analyses global opportunities/ challenges for the Irish indigenous sector



- 20 key tax recommendations relating to:
 - > Ireland's CGT regime
 - > Tax measures for R&D and innovation
 - > Personal tax environment and talent
 - > Tax measures to expand export markets
 - > Income tax measures to support investment

17

Employment Investment Incentive (EII)



- Consultation held in May
- Detailed submission made by the Institute with case studies from members, showing impact of GBER:
 - > Uncertainty over level of information required to satisfy GBER conditions
 - > Significant delays obtaining outline approval and tax relief certificates
- Other tax policy design features impacting EII:
 - > Splitting tax relief into two tranches
 - > Annual investment limit
 - > Revised connected party rules following Finance Act 2017



18

Other technical issues for businesses



19

Key Employee Engagement Programme (KEEP)



- New share scheme for SMEs in Budget 2018 welcome
- But, significant limitations which impact feasibility of scheme:
 1. Impact of remuneration test on high growth companies in start-up mode
 2. Definition of a 'qualifying individual'
 3. Definition of a 'holding company'
 4. Requirement for new issued shares
 5. Share buybacks needed to create liquidity in the shares
 6. Reorganisations not specifically catered for
 7. Agreed approaches to share valuations and development of 'safe harbour' approaches are required

20

Other consultations

Irish Tax Institute

Implementation of Agri-tax Review measures



- Consultation held in May
- Submission made by the Institute:
 1. Retain existing reliefs e.g. Stamp Duty for YTF, Stock Relief & CGT Farm Restructuring
 2. Amend Retirement Relief rules for lifetime land transfers between spouses/civil partners
 3. Extend land leasing exemption to family members
 4. Broaden income averaging
 5. Accelerated allowances/ enhanced deductions/credits for farm investment

Review of Local Property Tax



- Consultation held in May
- Submission made by the Institute:
 1. LPT deductible business expense against Case V income
 2. Regularly review valuation date, exemptions and reliefs under the LPT regime

21

Raising awareness on the tax environment for Irish indigenous business

Irish Tax Institute

THE IRISH TIMES

Tax code 'failing indigenous exporters'

Irish Tax Institute warns of over-reliance on small number of multinational corporations. State more exposed and potentially less resilient to external shocks, report says.

EXPORTING COMPANIES

The tax code is "failing" indigenous exporters, the Irish Tax Institute has warned, as the country's tax system remains heavily reliant on multinational corporations. The institute's report, published last week, says the current system is "not fit for purpose" and that the government should consider a range of reforms to make the tax system more resilient to external shocks.

EXPORTING COMPANIES

The institute's report, published last week, says the current system is "not fit for purpose" and that the government should consider a range of reforms to make the tax system more resilient to external shocks.

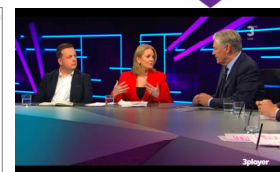


Budget tax cuts will be limited – the heavy burden on middle-income earners shows no sign of easing

David Fennell

Comment

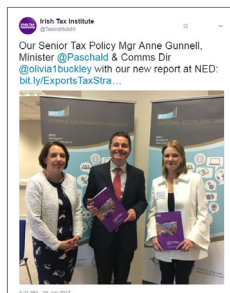
The original 'tax wedge' between the top and bottom of the income scale has widened significantly since the 2010 budget. The institute's report, published last week, says the current system is "not fit for purpose" and that the government should consider a range of reforms to make the tax system more resilient to external shocks.



It's fair to say the tax system needs reform

W

This last week's budget took steps to lift weight from the shoulders of Ireland's middle-income earners by way of income tax and VEC band changes and VEC cuts, the personal tax system continues to be a complex, convoluted, high-potential source of tax inefficiency.



Minister Donohoe refers to the Institute's view's on tax in his interview with RTE



22

Revenue representations and developments

23

Overview

Highlight some key issues on our agenda and developments:

- Revenue services
- Preparations for PAYE modernisation
- Revenue technical guidance
- Compliance developments & use of data

24

Revenues Services

Irish Tax
Institute

- Key topic for Institute at TALC, in bilateral meetings, at Branch meetings
- Addressed Oireachtas committee on the need for good service to provide certainty for businesses
- Developments to date on key services for members
- Next steps on Revenue services for agents



25

Revenue Services – developments to date

Irish Tax
Institute

Service	Key developments obtained for members
MyEnquiries	<ul style="list-style-type: none"> - Agent-specific guidance e.g. on categorising, archiving - Query ID /reference number to help track query - Notification alert that query received by Revenue - Tips on dealing with time-sensitive requests eg offsets
VAT registrations	<ul style="list-style-type: none"> - "Checklist" of supporting documents - Information sought for smallest business
RTS	<ul style="list-style-type: none"> - Scope to meet with RTS expert on complex queries - Updating of technical guidance with RTS decisions - New system to more readily identify delayed responses
Refunds (VAT)	<ul style="list-style-type: none"> - New field on return to explain unusual items upfront (to minimise queries)
ROS	<ul style="list-style-type: none"> - Agent access to Jobs and Pensions to register new jobs - Increased pre-population on Form 11e.g. farm income
Telephone	<ul style="list-style-type: none"> - Ongoing monitoring of business taxes line

26

Revenues Services – what's next?

Irish Tax Institute

- 2015 – 2017- Revenue's focus on online services for PAYE taxpayers e.g. MyAccount, RevApp, Website redesign
- 2018 – 2020 – strategy focuses on services for agents and business
 - MyEnquiries
 - VAT registrations
 - Business telephone service
 - RTS
 - Refunds
 - ROS e.g. CAT payments/returns
- Institute input on members' needs at TALC and one-on-one with Revenue



27

Snapshot of Revenue's plans on 4 key agent services

Irish Tax Institute

MyEnquiries

- Better categorisation
 - sent to right person,
 - escalate complex queries
- "Priority" streams for urgent queries
- Alternative channels for basic queries from taxpayers
- Channel management e.g. specific query matched to best channel
- Reduction in response time

VAT registrations

- Two-tier stream
- Quicker on more straightforward cases
- eRegistration improvements

Telephone

- 1890 cost
- Focus on Business tax service
- Trebling of resources of employer helpline (P-mod)

ROS

- Enhanced CAT return
- CAT payments
- Statement of Account i.e. online view of tax owed/refunds (2020)
- Online phased payment arrangement
- Expansion of pre-population

28

Preparing for PAYE modernisation

29

Preparing for PAYE modernisation



What is happening at the moment?

- Revenue letters to all employers (April and September)
- Third party software development testing
- ROS upgrades
- Revenue activity i.e. educational visits & compliance checks
- Submission of employee lists (commencing) – reconciling to Revenue records
- Draft PAYE Regulations
- Work on Revenue guidance e.g. directors, shadow payroll, practical questions
- Revenue updates in each county in September /October – over 5,000 employers/agents registered
- Ongoing Institute/Revenue engagement on members' issues
 - 4 member/Revenue workshops on agent needs (smallest to largest firms)
 - Regular meetings on developments
 - Dedicated Institute webpage on PAYE modernisation

30

Preparing for PAYE modernisation- matters to consider now



Software options (if client/you use payroll software)

1. B2B software – software directly interfaces with ROS
2. ROS compatible - upload file to ROS

Options for smallest employer who do not use payroll software

- ROS data entry screens
- Paper- based reports if employer is not e-enabled
- Institute pressing for tax calculation tools for smallest employers
- NO change in payment dates in new regime



31

Preparing for PAYE modernisation- matters to consider now



Discussing the new regime with clients

- Payroll procedures
- Agent/client responsibilities, timelines and fees
- Updating terms of engagement

Institute assistance for agents

- Seeking flexibility in 2018 P35 deadline - i.e. Jan/Feb 2019 pressures for agents
- ITR articles on practical issues
- Ongoing engagement with Revenue on common issues
- Incorporating in education plans e.g. revised Employment Tax Cert

32

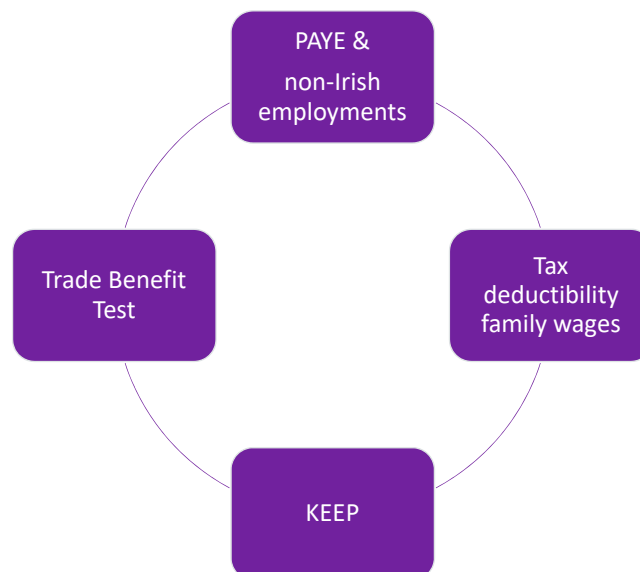
Revenue technical guidance



- Revenue review of published material
 - Updates to manuals & new manuals
 - Archiving material > 5 years old
- Institute working to keep members updated on developments
- Seeking clarity in eBriefs indicating changes to manuals
- Providing comments on manuals on topical matters

33

Institute input on topical technical guidance



34

Compliance developments

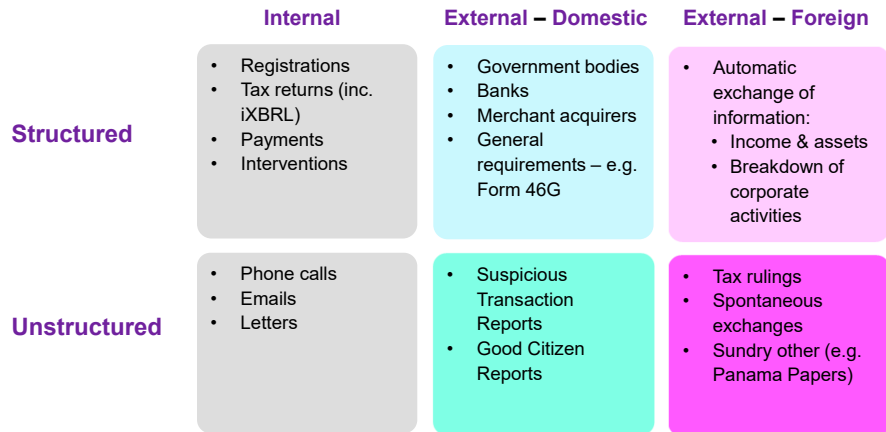
35

Overview of Revenue activity

- Key areas of focus
 - Ongoing focus on construction
 - Employer PAYE compliance
 - Third party data
 - eCommerce and online traders
 - Offshore data
- Reorganisation and stratification of case base
 - Expansion of 2nd Tier Divisions
 - HNWI in LCD now dealt with by 2nd tier
 - Development of “3rd Tier” in some regions

36

Revenue use of data - overview of data sources

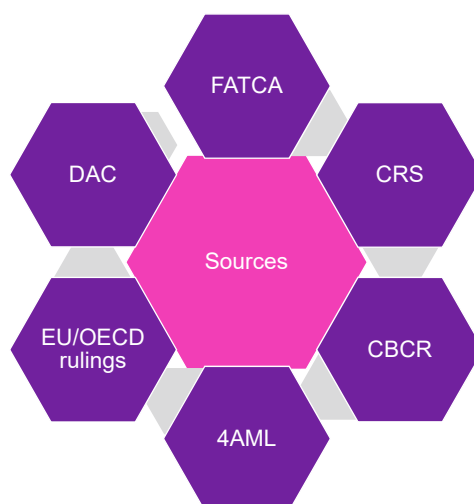


Revenue draws in millions of data records annually – only selected sources shown here

Source: Revenue slides, ITI and Revenue Joint Conference 2017

37

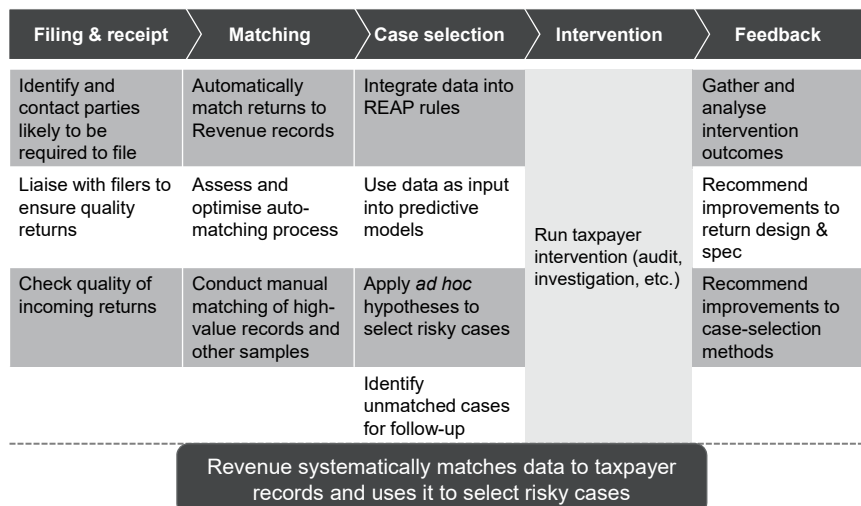
Revenue information sources



38

Process for Managing External Data

Irish Tax Institute



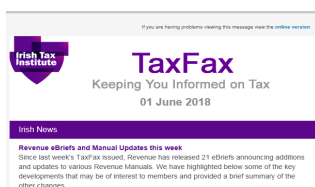
Source: Revenue slides, ITI and Revenue Joint Conference 2017

39

Updates on key developments

Irish Tax Institute

- Keep you updated on the latest developments
- TaxFax, bulletins, ITR



40