



South Block
Longboat Quay
Grand Canal Harbour
Dublin 2

+353 1 6631700
www.taxinstitute.ie

Mr Niall Cody
Revenue Chairman
Office of the Revenue Commissioners
Dublin Castle
Dublin 2

22 October 2020

Dear Chairman

Revenue Statement of Strategy 2021–2023

The Irish Tax Institute is grateful for the opportunity to contribute its view on the future strategic direction of Revenue for your consideration in the preparation of your Statement of Strategy for 2021-2023.

The backdrop to your Strategy review could hardly be more momentous. Covid-19 continues to wreak havoc on our economy and our SME sector and small business owners are bearing the brunt of this most unpredictable virus.

Since the onset of the pandemic in mid-March, Revenue has been centrally involved in administering numerous schemes introduced by Government, that have been critical to the survival of the worst affected businesses. This is a significant expansion of your role and will, no doubt, be a focus of your new Strategy.

Compounding the uncertainty caused by the pandemic is the real and present danger of the UK leaving the EU at year end without a trade deal and the prospect of far-reaching changes to international corporate tax rules in 2021. Both of these potential eventualities pose particular challenges in the years ahead for your organisation, our members, and the businesses they advise.

The Institute submitted its views on Revenue's current strategy 2020-2022 which was published at the end of 2019. Many of the recommendations included in that submission remain valid for the next three years. Therefore, we have attached a copy of our submission, dated July 2019 in the appendix to this letter.

However, in light of the unprecedented crisis now facing our economy and society, the Institute would ask Revenue to prioritise three areas in particular, which we believe would help businesses and taxpayers through these difficult and challenging times while fulfilling your objective of securing high levels of voluntary compliance.

Directors: Sandra Clarke, President, Peadar Andrews, Brian Brennan, Colm Browne, Oonagh Carney, Ian Collins, Amanda-Jayne Comyn, Maura Dineen, Karen Frawley, Stephen Gahan, Aileen Keogan, Aoife Lavan, Laura Lynch, Sarah Meredith, Colm O'Callaghan, Tom Reynolds, Kieran Twomey, Shane Wallace, Martin Lambe (Chief Executive).

Immediate Past President: Frank Mitchell.



Member of the Confédération
Fiscale Européenne

The Institute is a company limited by guarantee without a share capital (CLG), registered number 53699.

The Institute is also a registered charity, number 20009533. EU Transparency Register No.: 08421509356-44

These are:

1. Earlier consultation and enhanced engagement with the tax profession on new tax administration measures and initiatives
2. Continued improvement in communication with taxpayers and the tax profession
3. Continued investment in IT developments and electronic services for taxpayers and the tax profession

1. Earlier consultation and enhanced engagement with the tax profession on new tax administration measures and initiatives

As mentioned above, Revenue has played a central role in administering Government schemes to assist businesses seriously impacted by public health restrictions. The Institute was happy to work closely with officials on the operation of these measures on the ground over the last eight months. We believe we played an important role in ensuring the schemes achieved the Government's objective of supporting businesses through the pandemic.

Take for example, the Temporary Wage Subsidy Scheme: designed with commendable speed, to enable businesses to keep their employees in jobs, it inevitably required a lot of tweaking and refinement. Diligent work and persistence on the part of Revenue officials and our members maximised the effectiveness of the scheme but only after 18 iterations of Revenue guidance, each of which had to be interpreted and applied by tax advisers and their clients.

Although unavoidable in the case of the TWSS, given the crisis circumstances in which the scheme was rolled-out, we strongly believe that unnecessary complexity and confusion can be avoided in the future if Revenue engages with the tax profession at an early stage on schemes, such as, the new Covid Restrictions Support Scheme. Advance consultation would identify operational issues that could be addressed before the legislation underpinning such schemes is finalised and put into operation.

An example of how this approach paid off in the recent past is PAYE modernisation. Revenue engaged with tax advisers for a full year in advance on this project resulting in smooth execution. Unfortunately, the lessons of that success were not taken on board when the decision was made to proceed with the implementation of DWT Real-time Reporting in October 2019 before exploring with stakeholders on whether it was warranted and needed to be prioritised above other developments.

We would respectfully ask you to acknowledge the proven benefits of early consultation and meaningful engagement with our members where this has taken place, and, on that basis, to adopt this approach consistently over the lifetime of your next Statement of Strategy.

We have worked extensively with your officials at TALC on the implementation of corporate tax reform measures and the development of Revenue guidance such as on ATAD implementation (i.e. CFC rules, exit tax provisions and anti-hybrid rules), transfer pricing and EU mandatory reporting (DAC6). Members involved in the TALC process will continue to provide detailed technical insights and feedback in the months and years ahead.

However, given the work required from our side, a real exchange of views on the feedback we provide would be of enormous benefit to our joint efforts. As an example, more discussion of Revenue's rationale for accepting or rejecting the points we raise in our feedback to guidance would surely promote greater understanding of each other's positions.

It is important to acknowledge that this has happened in some instances and we would greatly appreciate if a commitment were included in the Statement of Strategy to the consistent adoption of this deeper level of engagement in all interactions at TALC.

2. Continued improvement in communication with taxpayers and the tax profession

We welcome the flexibility and forbearance that Revenue has shown to taxpayers and their advisers since the onset of the pandemic. Given the persistence of the virus and the expectation of further surges in the months ahead, it is important that Revenue continues to adopt a fair and reasonable approach in the administration of taxes.

The Institute and its members have played a key role in ensuring that Government supports are taken up by the businesses and taxpayers most impacted by the pandemic. This has significantly increased the burden of work on tax agents, particularly those working in small practices. We would ask that your officials consider their competing obligations when setting compliance deadlines and, in that context, we urge you to continue to take a reasonable approach where deadlines cannot be met, notwithstanding the best efforts of taxpayers and their agents.

It has been an enormous challenge for our members to help their client businesses to apply for new business supports, obtain tax clearance, agree phased payment arrangements (PPA), complete CRO filings and TWSS reconciliations, while at the same time, keeping on top of normal compliance obligations and the busy Pay & File income tax filing period.

We would suggest that earlier and improved communication by Revenue across all its platforms of all matters and developments relevant to taxpayers and their agents could greatly ease the pressure and anxiety of their current situation. For instance, the much sought after one-month extension to the deadline for agreement of a PPA at the 3% reduced interest rate, was announced in a press release issued at close of business in

the evening of the deadline. The details of the extension were published in an eBrief the next day, after the original deadline had passed, on 1 October.

Revenue acknowledged the need for early communication when the ROS outages occurred during the PAY & File deadline last year. We would welcome further improvement in the timing of Revenue announcements and the use of all communication channels available.

3. Continue to invest in IT developments and electronic services for taxpayers and the tax profession

ROS and MyEnquiries

The large-scale movement of staff to remote working in all types of businesses, including Revenue during the public health crisis, has highlighted the critical dependence on technology and the need for investment in IT across all sectors. While recognising the unprecedented call on Exchequer resources arising from the pandemic, we would suggest that continued investment in Revenue's electronic services should be prioritised in your Statement of Strategy for 2021-2023.

We want to acknowledge and welcome the enhancements to vital services for the tax profession, delivered over the last year. These include:

- Enhancements to Revenue's online service (ROS) to address agents most common requests.¹
- Improvement in the service delivery response time for queries submitted via MyEnquiries during the pandemic, when the system became Revenue's primary communication channel.²
- The implementation of the MyEnquiries tracking system in June 2020 which enables agents and taxpayers to see how their queries are progressing.

The Institute will continue to work with Revenue on ways to maximise the use of self-service online options for taxpayers and agents, given the huge volume of queries and requests to your offices through the MyEnquiries system.

Now, more than ever, businesses across all sectors are heavily reliant on online capabilities. The outage that occurred in the ROS system during the 2019 Pay & File process is a stark reminder of how reliant we have all become on these business-critical systems. There is a vital need for ongoing investment in ROS over the course of your

¹ Tax agents can now change the accounting period/contact details for their clients and offset tax refunds against other tax liabilities online. Straightforward VAT registration applications have been streamlined.

² Phonelines have been operating on a reduced capacity since staff moved to work remotely when Revenue's offices closed in March. Consequently, more staff resources have been deployed to deal with queries received through MyEnquiries

next strategic plan to ensure a reliable and stable system for taxpayers and the tax profession.

Modernisation of Professional Services Withholding Tax (PSWT)

We welcome Revenue's continued focus on providing electronically enabled services. Electronic Capital Gains Tax clearance³ and the online replacement for the Inland Revenue⁴ Affidavit launched in 2020, built on the move to real-time reporting of the PAYE system at the beginning of 2019 and other electronic developments of the tax system in recent years, including tax clearance and Revenue's debt management system. All have helped to improve tax administration and service delivery to taxpayers.

Aside from the special measures⁵ in place for the Covid-19 period, the administration of Professional Service Withholding Tax (PSWT) remains entirely paper based, in sharp contrast with the aforementioned electronic and "real-time" regimes. This archaic PSWT system can severely impact the day-to-day running of many businesses, resulting in the delay of refunds and unnecessary calls to Revenue.

Throughout the Covid-19 crisis, tax refunds have been prioritised as a means of improving cashflow for affected businesses. We believe it is essential that the necessary resources are invested now by Government and Revenue to modernise the PSWT regime to ensure Irish businesses are not experiencing cashflow difficulties going forward from delays in the administration of the tax.

The Covid-19 Pandemic has been a sharp reminder of our vulnerability to events beyond our control. Like previous pandemics, it will dissipate but it is important that we take the opportunity now to future proof our economy in an increasingly uncertain world. In that respect, this review of your strategic direction is timely.

We would welcome the opportunity to discuss the matters raised in this submission further with you, as you formulate your Statement of Strategy 2021-2023 over the next number of months.

Yours sincerely



Sandra Clarke
Institute President

³ eCG50

⁴ New online CA24

⁵ Revenue can only process interim refunds of PSWT under the current fully paper-based system by concessionally accepting legible copies of the original claim forms (i.e. Forms F45).

APPENDIX

Mr Niall Cody
Revenue Chairman
Office of the Revenue Commissioners
Dublin Castle
Dublin 2

3 July 2019

Dear Chairman

Revenue Statement of Strategy 2020 – 2022

The Irish Tax Institute welcomes the opportunity to share its insights as Revenue prepares its Statement of Strategy for the next three years. This consultation takes place at a critical juncture for both business and Revenue, due to increased uncertainty surrounding the UK's exit from the European Union and potential far-reaching changes to the international tax framework.

At this point in time, the Institute would ask Revenue to prioritise in its strategy three core issues that would continue to support and increase the high levels of voluntary compliance and would assist businesses to prepare for the challenges ahead.

These are: An ongoing focus on providing high-quality responsive services to the tax profession and to develop new metrics to measure performance of key services

2. Continuing to consult on the implementation of tax measures that impact upon taxpayers
3. Continuing to focus on the fair treatment of taxpayers, including a proportionate response to errors

1. An ongoing focus on providing high-quality responsive services to the tax profession and to develop new metrics to measure performance of key services

The tax profession supports thousands of businesses and taxpayers with their tax affairs and performs an essential role in delivering the very high and increasing voluntary tax compliance rates in Ireland.

The profession continues to adapt and assist taxpayers to comply with Revenue's initiatives to modernise tax compliance. The most recent development being the introduction of real-time reporting of PAYE from January this year, where members of the profession are assisting employers to report pay and tax information every time their employees are paid.

The tax profession should be able to rely on a responsive and high-quality service from Revenue in order to help businesses to comply with their tax obligations. This support to the profession is essential to help deliver Revenue's objective "*to collect the right tax at the right time*" and enable voluntary compliance. Therefore, we would suggest that the importance of providing timely and high-quality services to the tax profession should be acknowledged in the Statement of Strategy for 2020-2022.

Revenue has already delivered some welcome enhancements to vital services for the tax profession over the term of the current Statement of Strategy.

These include;

- the replacement of 1890 phone numbers, with lower cost national numbers
- the opportunity to meet with Revenue to discuss complex tax technical queries submitted to the Revenue Technical Services (RTS), and
- a programme to update Revenue's Tax and Duty Manuals (TDM), to provide greater clarity on Revenue's interpretation of certain tax technical tax issues.

Work is also underway to improve other key services. The use of surveys and analytics to better identify needs of both taxpayers and agents are also essential. We will continue to work with Revenue, via TALC and other forums, on service developments to the mutual benefit of both Revenue and taxpayers and ways to enhance online services to optimise their use for agents.

Building on Revenue's work to date on service improvements, we would suggest exploring new performance metrics to give a deeper insight into the level of customer service and satisfaction.

We would also welcome the further development of the following key services for the tax profession.

a) *MyEnquiries*

MyEnquiries is a primary communication channel for the tax profession in their interactions with Revenue. We value the work currently underway at TALC to improve MyEnquiries service delivery and address issues raised by the profession about the timeliness and quality of certain replies. We will continue to work with Revenue on service improvements to meet and reduce the current service standard of 20/25 working days and on ways to enhance online services to reduce the volume of queries submitted to Revenue.

We would also recommend the development of a query-tracking system to help tax agents (and taxpayers who use the service) to provide clarity on the progress of their query.

We also believe there is a requirement for a dedicated MyEnquiries channel for tax agents, to assist them with their work, given the volume and technical complexity of their interactions with Revenue.

b) *The Telephone Service*

Revenue's telephone service is a key communication channel for tax agents, in particular on urgent matters. Timely access and the ability to speak with a Revenue official is an essential service to enable the profession to achieve the high levels of tax compliance.

Revenue currently use "call answering time" as the measure of the telephone service. In the UK, HMRC is exploring new metrics. For example, examining performance measures used by commercial call centres; customer exit surveys to gather real-time feedback on call-handling and models to estimate the cost saving to taxpayers (both call cost and opportunity cost) of shorter phone queue times.

The suite of metrics used to measure the success of the telephone service should be re-assessed and new measures considered.

c) *Opinions and RTS*

Revenue technical opinions are an inherent part of any self-assessment tax system to provide certainty to taxpayers. We welcome the recent confirmation that opinions and RTS are a "strategic priority"¹ for the Revenue Board and that this has been communicated to the staff working in those areas.

Work undertaken by Revenue to improve the tracking and collating of RTS responses for inclusion in Revenue's TDMs is also a welcome development. A continued focus on tracking response times, relative to the customer service standards is also essential.

To further improve tax certainty for business, we would suggest that a comprehensive list of up-to-date Revenue precedents should be published. Consideration should be given to updating this list of precedents on a quarterly basis.

This would help to ensure that there is clarity on Revenue's technical position in circumstances where the relevant TDM has yet to be updated. eBriefs that alert tax agents and taxpayers to an amendment to a TDM should clearly note the nature and reason for the amendment.

d) *Access to decision-makers*

Institute members have been instrumental in the high uptake of online channels for interacting with Revenue, since the introduction of ROS in 2001. The Institute will continue to work with Revenue on developing and optimising the use of online channels.

¹ Letter from the Revenue Chairman to the Irish Tax Institute President, 19 June 2019.

While technology enables streamlining of processes and can reduce compliance costs, the need for personal interaction with Revenue remains. This may be necessary when dealing with complex technical queries; urgent matters, or unique cases, where judgement and experience is required. A standardised approach is not appropriate in all circumstances. Access to tax technical and management personnel, with the appropriate experience and expertise continues to be important.

2. Continuing to consult on the implementation of tax measures that impact upon taxpayers

The Institute has worked extensively with Revenue at TALC on the implementation of BEPS measures under the Anti-tax Avoidance Directives² and we will continue this engagement over the months and years ahead.

According to the OECD and the IMF in their most recent report on tax certainty, “*Clear, coherent legislation is critical, but does not guarantee tax certainty if it is not accompanied by coherent, fair and efficient implementation.*”³

Considering Brexit and international tax reform, Irish businesses need, now more than ever, certainty over their tax affairs and this can only be achieved through clear tax rules and consistent tax administration.

The opportunity for the tax profession to provide feedback on draft legislation in advance of measures commencing is key to achieving the necessary tax certainty for businesses. Furthermore, enabling the profession to provide practical input on draft Revenue guidance is also crucial to ensure that unintended consequences do not arise from the implementation of such measures.

Therefore, we would urge that all tax legislation, apart from key income tax changes and other sensitive measures, should be published for consultation well in advance of measures commencing. Similarly, draft Revenue guidance should also be consulted on in advance of publication. We would suggest that this consultative process should be reflected as part of Revenue’s strategy.

3. Continuing to focus on the fair treatment of taxpayers

A proportionate response to errors

Errors are an inevitable part of tax administration. However, minor errors or unintentional breaches of the tax rules, can potentially result in significant and disproportionate penalties. This is particularly the case for fixed penalties, which apply for each breach of Revenue regulations and can amount to €3,000 or €4,000 for each instance.

² Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market and Council Directive (EU) 2017/952 of 29 May 2017 amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries.

³ 2019 Progress Report on Tax Certainty, IMF/OECD Report for the G20 Finance Ministers and Central Bank Governors, June 2019

In addition, a penalty can apply, even if a taxpayer does not “knowingly” breach the rules. If a taxpayer disagrees with a penalty Revenue is imposing, their only option is to challenge Revenue in court, a cost many taxpayers cannot afford.

Revenue’s stated mission is “*To serve the Community by fairly and efficiently collecting taxes and duties and implementing customs controls*”. A key element of treating taxpayers fairly is to maintain a clear distinction between taxpayers who are trying their best to comply with often complex and detailed tax obligations and taxpayers who have chosen not to comply with their tax obligations.

Revenue has powers under tax legislation and the *Code of Practice for Revenue Audit and Other Interventions* to mitigate penalties and distinguish innocent errors from deliberate or careless errors. The exercise of judgement and considering cases on their merits will continue to be critical to ensure that a proportionate and fair approach to penalties is applied.

The Institute welcomes the opportunity to continue to work with Revenue, via TALC and other forums, on communication, the development of guidance and ROS enhancements to minimise the incidence of errors.

Expediting the audit process

The Institute recognises that audits and compliance interventions are a necessity of a self-assessment regime. Taxpayers need to devote significant time to preparing and dealing with such compliance interventions.

Revenue audits can be time-consuming, a resource-intensive process for all parties – Revenue, taxpayers and tax agents. It is critical therefore, that such audits and interventions are conducted in a timely and efficient manner.

Furthermore, it should be a clear and transparent process, so that all parties are aware of the status of the audit; the information that is required as the audit progresses and the likely timeframe to reach conclusion. The Institute would welcome the continued engagement with Revenue at TALC on how to streamline and enhance the transparency of the audit process.

Fair treatment and taxpayer confidentiality

Due to the need for increased tax transparency, a vast expansion of data exchange is now taking place between tax administrations worldwide. Revenue is ingesting millions of data records annually and matching that data to taxpayer records to select cases.

Given the increased reporting and disclosure of taxpayer information flowing from these measures, it is now more important than ever, to ensure the balance between the powers of tax administrations and the rights and obligations of taxpayers and for Revenue to continue to hold the confidentiality of taxpayer information in the highest regard.

Indeed, the assurance for every taxpayer that they are treated fairly is a vital pillar, which bolsters tax administration and voluntary compliance.

To conclude, uncertainty surrounding the outcome of the withdrawal of the UK from the EU continues. Undoubtedly, a 'hard' Brexit could have an immediate impact on the cashflow of many businesses, which could have a significant impact on their ability to meet their tax payment obligations on time. We would encourage Revenue to support and engage with such taxpayers should these difficulties arise.

We would welcome the opportunity to discuss the matters raised in this submission further with you, as Revenue formulates its Statement of Strategy 2020-2022 over the next number of months.

Yours sincerely



Marie Bradley
Institute President