

Summary Note of Meeting between the Irish Tax Institute and Revenue's Business Division

14 December 2020

Via Skype

Key points from the meeting

1. Overview of Business Division

Revenue gave a presentation to provide an overview of Business Division structure management responsibilities and areas of focus for the Division and supplied this presentation to the Institute for circulation with the summary note, once agreed. An updated organisational chart was also provided.

Business Division has a case base of 806,000 taxpayers consisting of individuals and businesses with annual trading or professional income less than €3 million. The Division contains 11 Compliance Branches, two Service Branches, a Divisional Office and a Case Select, Risk and Quality Branch. Of the 1,450 staff in the Division, almost all of whom are working remotely.

2. Update on Revenue Activity

TWSS Compliance Programme and Reconciliation Process

55,000 of the 65,000 employers who claimed TWSS are dealt with by Business Division. 89% of the compliance checks have now been completed. A small number of cases (approximately 900) were escalated for further queries with repayment of the TWSS in 32 of these cases, amounting to approximately €480,000 in repayments of subsidy.

Revenue acknowledged that it has been a very busy period for employers and tax agents but noted that 2,700 employers have failed to provide a reply to Revenue's letters and an immediate response is required. In the absence of a reply, Revenue can only assume that the employer was not eligible for the scheme or did not pay the subsidy to the employees. Revenue is proceeding to raise assessments in these cases if a response is not forthcoming.

Based on the compliance checks completed to date the vast majority of claimants operated the TWSS correctly and were eligible. A number of employers are in the process of fully reversing out of the scheme. A very small number of egregious cases have been identified and these are being pursued by Revenue.

Regarding the TWSS Reconciliation Process, 46,000 employers have supplied the Subsidy Paid data as required under stage 1 of the process. 4,000 have not supplied any data and 7,000 have some gaps in the data provided. Revenue warned that where employers have not responded to Revenue's requests to supply the Subsidy Paid data, they should

upload the data immediately. In the absence of a reply, Revenue will treat the full amount as repayable to Revenue and will raise assessments to pursue the repayable amount.

Employment Wage Subsidy Scheme (EWSS)

Approximately 1.3 billion has been provided in subsidies under the EWSS to support circa 409,000 employees. Revenue reminded attendees of the change in the benchmark period for EWSS claims after 1 January 2021, as introduced by the Minister for Finance in Finance Bill 2020 at Committee Stage. The 30% decline in turnover/customers' orders is now by reference to the period 1 January 2021 to 30 June 2021 as compared to the same period in 2019. Therefore, employers carrying out their month-end review at the end of December need to take account of the new criteria to claim EWSS from 1 January 2021. Revenue expects to issue updated guidance shortly.

Revenue is currently interrogating the EWSS data in real-time to intervene to correct issues with employers immediately rather than accruing liabilities. Revenue will be taking a more detailed review of certain cases, based on risk, at the end of the scheme.

Covid Restrictions Support Scheme (CRSS)

Over €102 million has been paid in respect of 15,500 claims to date. Revenue is cross-checking information supplied on registration applications against the tax returns filed.

Stay and Spend Tax Credit

Approximately 2,994 businesses are registered for the scheme. There was a significant increase in receipts uploaded to submit claims in early December post lifting of the Level 5 Public Health Restrictions with credits claimed to the value of €547,000.

Revenue Services

There are two Service to Support Compliance Branches. The Employer Helpline is managed by Service to Support Compliance Branch 1 in the Division and has been operating a full day service since March. There are no backlogs in queries to the service. The Business Taxes phonenumber is operated within the Division by the second Service Branch.

3. Compliance Plans for 2021

The main area of focus in early 2021 for the Division in compliance will be on the COVID-19-related support schemes; TWSS, EWSS and CRSS.

Businesses who do not respond to Revenue's requests for information can expect an escalation of matters in the first quarter of 2021 (i.e. the issue of an assessment to recoup TWSS paid). Revenue will be prioritising egregious cases of which there have only been a small number in TWSS and cases that need to be brought back to compliance. Real-time interrogation of data will continue to identify behaviours early and facilitate intervention. This will include patterns Revenue has identified in payroll reporting.

Work is continuing to reduce the number of legacy cases that remain open, including case management conferences on cases in the tax appeals system. As regards other compliance areas of focus, Revenue's focus on mineral oil and vat fraud will continue together with a small number of sectoral projects focused on risk. Revenue continues to gear up as best it can for the outcome from Brexit while the full affect remains unknown.

Practitioners outlined the pressures on practices since March in managing a huge increase in workload trying to help clients to avail of the COVID-19-related supports and managing myriad deadlines while also working with the staffing challenges from COVID-19. Practitioners highlighted the risk of errors when working at speed and as details on the schemes' operation evolved and queried Revenue's attitude to errors identified by Revenue.

Revenue acknowledged the pressures on small practices over recent months. The policy behind the COVID-19-related supports was to keep businesses on life support and prevent job losses as a result of COVID-19 restrictions. Revenue intends to be as reasonable as possible in cases of genuine error and has dealt with such instances that have arisen to date as fairly as they can.

Revenue's focus in their compliance activity is on a small number of egregious cases, for example, involving fraud, manipulation of the payroll, not paying the subsidy to employees and on non-responders. These cases will be vigorously pursued by Revenue. Should practitioners become aware of such egregious cases, Revenue recommends that the taxpayer makes a disclosure before Revenue pursues them. The first contact in such cases can be made via MyEnquiries and will be directed to the appropriate Branch.

Revenue acknowledged that 2021 will be another difficult year for many businesses but Revenue will not walk away from cases where businesses do not respond to requests for information or are less than professional in their engagement with Revenue.

The TWSS Reconciliation exercise and queries from employees and population of the 2020 Preliminary End of Year statement will also highlight issues if subsidies paid out have not been paid to employees.

As noted, Revenue's primary focus will be compliance checks on the COVID-19 support schemes, VAT, progressing cases at the Tax Appeals Commission and Brexit. Revenue will also be refocusing on the proper operation of payroll and adherence with PAYE Regulations as Revenue has identified a re-emergence of incorrect behaviours that were identified at the outset of PAYE modernisation.

Revenue do not expect to conduct a large number of Revenue audits and any that are commenced will be risk based. However, there will be some new aspect queries or profile interviews that are risk driven.

Practitioners queried the impact of the timing of the TWSS Reconciliation exercise on the facility for employers to pay their employees' liability on the TWSS without BIK and how the employer could obtain information on the quantum of the income tax/USC/PRSI liability referable to the TWSS. The Institute will follow up with some examples of the point in question.

Practitioners observed a general improvement in the MyEnquiries service and appreciated Revenue's efforts to improve the service despite the increased volume of correspondence. They noted that at times that the experience of response time could be mixed and instances where reminders to Revenue were not responded to. Revenue noted that such matters can be brought to the attention of the relevant Service or Compliance Branch Branch 2. Revenue is prioritising refunds to ensure that customers cashflow is assisted.

In addition to the points raised above where further details were sought, the Institute agreed to supply Revenue with some further details on other items raised, including:

- The timeframe to issue tax clearance in a Members Voluntary Liquidation and the interaction with the Collector-General's Division.
- Whether any workaround can be implemented to deal with filing of CAT returns related to non-residents when no CAT may be due, for example, on a foreign estate given the delay in issue of PPSNs.

The expectation that Revenue caseworkers and agents treat other professionally was raised. The Institute and Revenue agreed on the value of the Branch engagement at these meetings and the importance of practitioners and Revenue engaging on terms of mutual respect and professionalism in their daily interactions.