

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

24 September 2020

Via Skype

Key points from the meeting

1. Update on Personal Division

Personal Division has approximately 1,500 staff countrywide and staff continue to work remotely due to the COVID pandemic. All staff have been equipped with the necessary resources to enable them to work remotely, including handling phone calls from agents and customers e.g. rollout of laptops and access to Skype for Business for meetings. All its Helplines are open from 9:30am to 1:30pm each day. Revenue strongly encourages communications via myEnquiries where possible, rather than by phone or post and is focused on providing a quick turnaround time on queries received. Revenue is reviewing the opening hours for the Helpline service to see whether they can be extended during peak periods.

Revenue's public offices remain closed. A small number of staff are coming into the office to collect and send paper-based correspondence.

Revenue continues to prioritise the approval and processing of refunds and noted the importance of ensuring taxpayers' bank account details for refunds and address details are up to date on Revenue's records. This information can be updated via ROS. Over recent months, Revenue has been updating records on file in a concerted effort to clean up out of date and older material.

2. Personal Division case base and priority areas of focus

The major part of the Division's case base is the 2.4 million PAYE employees who hold over 3 million employments. The Division also deals with individuals and entities with taxable income which is not trading or professional income as well as trusts, charities and sporting bodies. Taxpayers which have a corporation tax or VAT registration are dealt with by other Divisions, such as, Business Division. Proprietary directors are dealt with by the Division which manages the company's tax affairs, for example, Business Division or Medium Enterprises Division. The case base is not static and there is some fluidity of cases between the Divisions periodically. Personal Division also has responsibility on a national basis for customer service for CAT.

Compliance activity

Two Branches in the Division are responsible for compliance activity for the case base i.e. Compliance Branch North and Compliance Branch South. There is no geographical distinction between the two Branches as regards the taxpayers who are dealt with by each Branch. Compliance Branch North is managed from Dundalk but has bases in seven geographic locations. It adopts a transaction and return-based approach to identifying cases for further queries. Revenue also uses third party data received from other countries under DAC and OECD arrangements to identify cases for intervention and to pre-populate returns, where possible.

Revenue cross-checks the information received to determine if it is included in a taxpayer's return. Where the information received differs from a taxpayer's return, Revenue writes to the taxpayer to request confirmation of the declared income or amendment to the return, as required. Revenue is also using internal LPT data to identify landlords with undeclared or underdeclared rental income.

The bulk issue of the requests for submission of a Form 12 for 2019 is imminent. The selection of cases for the bulk issue is primarily driven by personal wealth, for example, the highest earners in the employee case base, third party data and evidence of personal wealth especially accumulated wealth and capital transactions i.e. selling and purchasing assets and the selection criteria are reviewed each year.

Compliance Branch South is currently focusing on TWSS compliance checks for employers dealt with by the Division, for example, publicly funded charities and sporting bodies. There has been good engagement from employers with Revenue in response to the checks. Revenue is also examining employers who claimed the TWSS for domestic staff. Revenue's position is that they are not entitled to claim the TWSS. Employers who claimed subsidies that they were not entitled to will be required to return the subsidy amounts paid. Revenue is keen to close off the TWSS compliance interventions as early as possible. Following that, the next area of focus will be compliance checks of the Employment Wage Subsidy Scheme (EWSS).

Responding to a query about the process for employers who correctly availed of the scheme but wish to reverse out of the scheme, Revenue clarified that employers must reverse out by 15 October and pay the subsidy amount received, the related tax, USC and PRSI. If these conditions are met the employer will not be included on the list of published employers who availed of the TWSS. This is distinct from the position of employers who should have exited the TWSS at an earlier stage, on the basis that they did not satisfy the required reduction in turnover or customer orders for Quarter 2. These employers must now pay back the subsidy claimed in respect of the months for which the subsidy should not have been claimed. The subsidy repaid will be treated as the employee's pay for 2020 for the purposes of the end of year review. These employers will be included on the publication list as they will have benefited from the scheme.

A Stamp Duty compliance project is underway. The focus of the project is transactions where the acquirer of the property has not filed a stamp duty return, even though a CG50 was issued in relation to the transaction. Revenue is also examining cases where a commencement notice to build on a site or planning permission has been granted and work has commenced on site, but there is no record of a change in ownership.

Revenue will be contacting the purchaser/taxpayer directly in these cases in a move away from the traditional approach of contacting the person who filed the return, for example, the solicitor/adviser. The issue of these letters is due to begin in October.

New developments to Revenue's online services

The replacement for the Inland Revenue Affidavit, the ROS Form S.A. 2 (Probate) was launched on 14 September. Revenue welcomed the assistance from the Institute in raising awareness in advance, by hosting a webinar with a speaker from Revenue and the Probate Office and including an article authored by Revenue in the *Irish Tax Review*. Considerable work was undertaken in the design phase to make the form simpler and clearer and to reduce the error

rate. Since its launch, nearly 1,000 applications have been made on the online form. Revenue has also developed the TAIN and CAT online payment option. Practitioners noted that simplifying the payment option to allow agents to set up an RDI, in the same manner as for other taxes, would be a very welcome development.

Revenue is examining the scope for pre-population of the Form IT38. Due to GDPR, Revenue cannot fully pre-populate the form and make it accessible to the tax agent. However, Revenue is examining the scope to pre-populate addresses and eircodes and will be looking at further developments, while considering other scheduled IT development priorities.

Revenue noted the improvements to the MyEnquiries service, including the tracking system which provides a status update on each query and the enhancements to ROS to accommodate practitioners' common requests e.g. to allow a change of an address and change of accounting period. The Institute appreciates the useful engagement at the TALC sub-group on MyEnquiries and is drawing members' attention to new ROS features in TaxFax. Revenue noted that there has been a lower than expected uptake on the eCG50. Practitioners noted that the CGT registration seemed to be unlinked for the CGT tax head in some cases.

Regarding plans to redevelop the "letters of no audit" process for CGT (and estate cases), Revenue had built and tested an addition to the eCG50 model, but this option was excluded following practitioners' feedback. Current practice continues for obtaining clearance letters, in the absence of further solutions.

Revenue has also streamlined the application process for HPL1 Housing application process, in light of the temporary closure of public offices.

The Stay and Spend Tax Credit Scheme launches on 1 October. Agents can register clients who are qualifying service providers and amend a registration to correct an error. Revenue's Receipts Tracker can be used by taxpayers to scan and upload receipts, for the Stay and Spend Scheme and for other expenses such as health expenses.

Revenue would favour moving PSWT to an electronic platform and have explored options, but there are no current plans to redevelop PSWT.

A Tax and Duty Manual (TDM) with tips on ROS filing will be released, as usual, to aid 2019 income tax return filings. The ROS glitch that impacted the filing deadline in 2019 was a one-off and is not expected to reoccur and Revenue is actively monitoring ROS systems for any performance issues. Revenue encouraged early filing of income tax returns, where possible, and noted the ROS release scheduled for November that would impact access to ROS over a weekend.

Revenue raised the importance of taxpayers regularising their LPT compliance position before their Form 11 is filed. LPT compliance is built into the Form 11, so an outstanding LPT liability or return will automatically result in the application of a Form 11 surcharge. To avoid the surcharge, the LPT outstanding must be dealt with before the income tax return is filed. The taxpayer will be aware if LPT is unpaid, as they will have received a notification from Revenue.

The Institute queried whether the adaption to the Form 11 surcharge panel relating to directorships, could result in taxpayers who are non-proprietary directors, suffering a surcharge for the first time and in the same manner as proprietary directors i.e. before a credit is given for the PAYE deducted on their Schedule E income. Revenue is to examine the matter and revert.

3. Engaging with the Division and dealing with assignee-related correspondence

Revenue and the Institute representations provided an overview of the issues that can arise when dealing with tax administration for assignee-related cases. It was agreed that a separate call with the relevant Revenue officials would be useful to try to progress some of the matters identified during the discussion, in an effort to resolve the issues for both practitioners and Revenue. Revenue requested that a full chain of exchanges in case examples could be provided in advance, to help inform the follow-up discussion. Revenue requested that examples be provided with as little redaction as possible and clarified that such examples would be examined purely for the purposes of progressing the discussion and trying to resolve the issues identified. The Institute welcomed the opportunity to engage and agreed to revert with detailed case examples.

4. TWSS reconciliation process

The extensive engagement and collaborative approach between the Institute and Revenue to support businesses implement and operate the Temporary Wage Subsidy Scheme (TWSS) earlier this year was noted and welcomed by both representations. Revenue is currently planning for the reconciliation phase and has issued notifications to employers seeking submission of the subsidy paid figures by 31 October 2020. The reconciliation phase will encompass the Employer Refund Scheme through to the TWSS transitional and operational phases and reconciliation will be conducted on a payslip by payslip basis. Revenue is discussing internally the timing of the second stage of the reconciliation process, in light of the extension of the ROS Pay & File deadline.

During the operation of the TWSS, Revenue identified a considerable number of instances of employers failing to follow the PAYE Regulations. Issues identified appear to be a re-emergence of behaviours identified at the outset of PAYE modernisation and could attract compliance interventions and penalties.

Particular issues identified include:

- Submitting payroll late i.e. not “on or before” the payment date as required
- Reporting weekly pay runs in one monthly payroll submission
- Applying emergency tax when an RPN is available
- Applying emergency tax but no income tax paid
- Pay for income tax is greater than pay for USC

Revenue highlighted the difficulty in implementing wage support schemes where employers are not correctly reporting payroll. The Institute will convey the issues identified to members.

The Institute raised concerns about the timing of the TWSS reconciliation exercise given the ROS Pay & File extension to 10 December does not apply to taxpayers who cannot pay their liabilities (on ROS or otherwise). For these taxpayers, the income tax deadline remains 31 October 2020 to

avoid a surcharge which is the same as the deadline for uploading subsidy paid information on the TWSS. The Institute has raised the concerns about the pressures on the tax profession, especially small practices, in complying with multiple deadlines in a short-pressurised period with Revenue at TALC and with the Revenue Board.

5. Employee End of Year Review

The COVID-19 Pandemic Unemployment Payment (COVID-PUP) and TWSS payments received by employees will be coded into the Preliminary End of Year Statement to be made available to employees on myAccount from mid-January 2021. Employees can opt to pay the liability in one lump sum if they wish. Otherwise underpayments will be coded into a reduction of the individual's tax credits over 4 years from 2022, to avoid hardship.

In response to a query on whether the period and payments on the TWSS could be disregarded in calculating the Standard Capital Superannuation Benefit, Revenue confirmed that the issue has been examined by Revenue - TWSS payments are Schedule E emoluments which must be included in the SCSB calculation. In the interests of equal treatment, Revenue cannot allow a different treatment to be applied to employees who were on the TWSS in comparison to employees whose employers were not in receipt of the TWSS.

Revenue clarified that the guidance on BIK on company cars provided on Revenue's website for the COVID-19 period is on an action list for review and is being examined together with the guidance on the COVID-19 webpage in general.

6. LPT

Revenue confirmed that deductions of LPT collected by Direct Debit or other mechanisms were **not** suspended by Revenue during the COVID-19 period. Property owners who failed to pay the LPT liability, for example, if they cancelled the direct debit or had insufficient funds on the payment date should make arrangements to pay the liability in advance of submitting their 2019 Form 11. Revenue re-emphasised the importance of regularising the LPT position **before** the return is filed, otherwise a surcharge will be automatically applied. There is no automatic agent-link for LPT. Requests to agent-link to the taxpayer to deal with LPT matters can be made to the LPTregister@revenue.ie.