Summary Note of Branch Meeting between the Irish Tax Institute and Revenue's Personal Division
1 December 2021
via Microsoft Teams

Key Points from the Meeting

The Institute welcomed the new Assistant Secretary, Ruth Kennedy, to her first Branch Network meeting and congratulated her on her new role in Revenue, as Head of Personal Division.

1. Personal Division Updates including Priority Areas of Focus for 2022

Revenue provided an overview of the following work of the Division.

<u>Structure and Current Remote Working Arrangements</u>

Personal Division's case base primarily consists of taxpayers with PAYE income only, but also entities without trading or professional income, for example, charities, sporting bodies and trusts. The Divisions also has responsibility for Local Property Tax (LPT) and the National Stamp Duty Branch. The Division deals with customer service and compliance for taxpayers within its case base.

99% of the Division's staff are currently working remotely, with a small number of staff attending the office to manage post and scan documents.

<u>PAYE/ PAYE Modernisation and Data Quality</u>

Tax Credits Certificates (TCC) for 2022 will be available to PAYE employees on myAccount from today, 1 December 2021 with corresponding Revenue Payroll Notifications for 2022 made available to employers to download.

From 17 January 2022, Preliminary End of Year Statements (PEOYS) will be available to PAYE taxpayers on myAccount. If a PAYE taxpayer submits a tax return with a refund claim for 2021 before that date, the return will be processed in three to five working days with a Statement of Liability issuing. However, an adjustment may be required if their employer reports additional payroll for 2021 after their tax return is submitted.

The beginning of the year is an extremely busy time for the Division. In January, Revenue will operate extended hours on the PAYE Helpline to deal with taxpayers' queries on the TCC or PEOYS. PAYE taxpayers who have already filed an income tax return for 2020 and opted to have underpayments of 2020 TWSS or COVID-PUP related tax liabilities coded against their tax credits over four years, will see a reduction in their tax credits in the 2022 TCC issuing this week.

Revenue continues to identify some repeated errors from its analysis of employers' payroll submissions. Revenue reminded of the importance of employers exercising due care when preparing payroll submissions, to avoid reoccurring errors on items such as the number of insurable weeks, treatment of holiday pay and other issues (outlined in Revenue's article in Issue 3: 2021 of the *Irish Tax Review)*.

Revenue will be focusing on data quality in the payroll submissions received from employers in 2022. Revenue advised that reconciliations conducted monthly by employers would help to identify and minimise the errors arising.

SARP, CAT and Share Schemes

Revenue referred to the regular engagement with the Institute on administrative aspects of SARP in 2021. A new Tax and Duty Manual (TDM) on SARP is currently with Revenue Legislation Services (RLS) for review. Revenue expects to have the TDM published at the end of 2021 or in early 2022.

Revenue is redesigning the Form SARP 1A, ensuring all parties to the application are clear on the qualifying conditions to be met, as set out in the legislation. Revenue will engage with the Institute on ways to communicate the updates to taxpayers and agents, once released. The backlog on SARP cases has reduced significantly. There is active engagement on a small number of cases to address outstanding issues, such as, completed mandates or questions relating to the legislative provisions. Revenue has identified instances where SARP relief has been claimed on a Form 11 but there is no record of a completed SARP application having been submitted to Revenue. Consequently, such claims are not accepted.

Regarding CAT and the Form SA2, in some cases the relevant IBAN has not been provided and follow up is required. Revenue has also noted instances where multiple beneficiaries are claiming a deduction for funeral expenses on their CAT returns. This is incorrect, as funeral expenses are a deductible expense of the estate. Cases identified will be referred to the relevant Division for follow up.

Revenue acknowledged the input provided by the Institute during the development of the Employer Share Awards Return (ESA) in a short space of time. Revenue is interested in furthering the objectives of the OECD initiative - *Tax Administration 3.0*[1] - to embed the collection of data into the operational systems, without creating undue burden for business. Revenue will be in contact to explore opportunities to collaborate with stakeholders on such plans. Improving the quality of data provided on share options on the Form RSS1 is also an area of focus.

Non-compliance can arise on share options as taxpayers may not recognise multiple tax events, and their tax obligations relating to tax due on the exercise of share options and separately on the subsequent disposal of shares. Revenue will be launching a national compliance campaign on share options in 2022 and improved communications to ensure taxpayers understand their obligations.

Compliance

Two Personal Division Branches are dedicated to compliance activity: Compliance Branch South and Compliance Branch North. There is no geographical distinction between the two branches as regards the taxpayers who are dealt with by each branch. Compliance Branch North includes the national VIMA function and the Central Repayments Office.

A particular area of focus for the Branch in 2022 is Case V rental income for landlords (who are not in receipt of trading income). Revenue will be conducting interventions on approximately 400 cases following an appraisal of cases and indicators from data analytics. The interventions will examine several issues, for example, under declaration of rental income, expenses, and capital allowances. Revenue expects a good schedule of records to be provided by taxpayers when responding to Revenue's queries.

[1] https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/tax-administration-3-0-the-digital-transformation-of-tax-administration.htm

Revenue will also examine a cohort of employers who are not filing Employer (PAYE) returns, cases involving employees omitted from the payroll and the operation of emergency tax. In February 2022, Revenue will be conducting further tax agent compliance work to establish that all is in order and have generally found satisfactory outcomes from such activity in prior years.

Revenue requested that agents reply on a timely basis to Revenue queries, referencing Revenue's work to reply to agent MyEnquiries queries within 20 working days. Revenue has a 90-day timeframe to reply to Mutual Assistance requests from other jurisdictions, so a prompt response where information is sought from the taxpayer/agent is important in such cases.

Feedback from VIMA indicates that the quality of data provided on VIES and intrastat returns needs improvement. Revenue will also be taking a more robust approach to non-filing of VIES returns.

In relation to the One Stop Shop (OSS) and Import One Stop Shop (IOSS) if traders do not file returns for 3 consecutive periods they will be excluded from the OSS and will not be permitted to re-enter the scheme for 2 years under EU law. Businesses may not appreciate the seriousness of failing to remain up to date with their compliance obligations. If a trader was registered for the Mini One Stop Shop (MOSS), the registration automatically moved to the OSS and the 3 periods are taken together when determining whether non-compliance arises.

Compliance Branch South continues to focus on the COVID-19 Wage Support Schemes. The Temporary Wage Support Scheme (TWSS) Compliance Checks are nearly completed. The Employment Wage Subsidy Scheme (EWSS) is being managed in real-time and EWSS Eligibility Review Form (ERFs) submissions are being monitored, with a follow up in cases where the ERFs indicate that the qualification criteria are not met, and the businesses should have exited the scheme. The Branch has also an increased focus on capital taxes.

In relation to the VAT Compensation Scheme for Charities, there has been a noticeable improvement in the data quality of the claims submitted. A team based in Nenagh examines the claims.

Separately, DAC2 and FATCA compliance will also form part of the programme of work in 2022.

Local Property Tax (LPT)

Revenue contacted over 1.4 million property owners in respect of 2 million properties in relation to their LPT for 2022. There is a high level of compliance with LPT obligations, over 80% in returns compliance and 90% in payments compliance. Revenue is currently working through a large volume of correspondence on hand. Payment by Annual or Monthly Debit was the most popular payment option, with some payment options rolling forward from 2021. The LPT payment date for property owners who have not entered a payment arrangement for 2022 is 12 January 2022.

Preliminary analysis of valuations returned will be published shortly. Revenue has compared sales price data to valuations returned and the findings indicate that values returned are largely in line with expectations. Revenue referenced the eBrief confirming that an outstanding issue with 2022 LPT would not result in an "LPT surcharge" on filing of Form 11 2020.

ROS Pay & File deadline

Approximately 560,000 Forms 11 for 2020 were filed by the deadline of 5pm on 19 November 2019. 83% were filed by tax agents. Approximately €2.8 billion in tax was collected. 3,700 Forms 1 and 15,700 Form 1 firms were also submitted. Revenue is working on the Form 11 2021 release to ensure it is available from 1 January 2022.

Revenue noted agents' desire for a way to check whether their client is LPT-compliant before the Form 11 is filed to ensure a "LPT surcharge" is not applied. Revenue had hoped to implement such a prompt in the Form 11 2020, but this was delayed. However, the implementation of such a check will be incorporated in the 2021 Form 11.

Responsibility for the Business Taxes Helpline is shared between Personal and Business Division and it has been a very busy period. Revenue continues to prioritise the process of refunds.

In relation to ROS, priority areas of focus have been the eCG50, including engagement on improvements and increasing uptake of the service, changes to the receipts tracking facility on ROS/myAccount and online remote working claims.

Trust Register

Revenue acknowledged the engagement with the Institute through the Central Register of Beneficial Ownership of Trusts Working Group and provided an overview of the requirements and activity. The Register is an EU-wide initiative to combat terrorist financing and Revenue is keen to ensure online registration is as seamless as possible. Some aspects of interpretation have also been addressed following engagement with the group.

Competent Authorities can access the beneficial ownership information. Registration also ensures due diligence is carried out on the ownership as entities need to keep their registration up to date to comply with their obligations. The current focus for Revenue is to ensure the beneficial owners of trusts are registered on the Register. Revenue will be rolling out a compliance programme on trust registrations in due course.

Stamp Duty

The issue of a TDM relating to Stamp Duty and Tax Reference Numbers is imminent. Revenue has engaged with the Law Society in developing the new guidance. The Stamp Duty Branch is currently responsible for compliance activity on Stamp Duty. However, this activity will be transitioning in January 2022 to the compliance division dealing with the individual taxpayer. Ongoing modernisation of Stamp Duty is in train as signalled by developments in Finance Bill 2021. An updated Stamp Duty Return will be developed, with consultation from stakeholders, in Quarter 4 of 2022.

2. Divisional/Practitioner Engagement - Service Delivery and Supports: Plans and Potential Pressure Points for Revenue and Practitioners

Practitioners sought clarification on the adjustment of the TCC where a PAYE taxpayer had a TWSS-related tax liability but had not submitted a tax return for 2020.

The TCC currently issuing for 2022 will be coded for a reduction to the individual's tax credits from January 2022 only for those taxpayers who have submitted an income tax return with an underpayment. Where a taxpayer has not submitted an income tax return reflecting the TWSS tax, the TCC will not reflect a reduction in tax credits to collect the tax due.

At the end of Quarter 1 or in early Quarter 2, Revenue will communicate with those taxpayers who have an underpayment and have not filed a 2020 tax return, so that the position for 2020 can be finalised to appropriately adjust the tax credits to collect the tax due, as required.

Practitioners and Revenue discussed the issues identified from Revenue's analysis of payroll submissions and the potential causes of the issues arising and the roll of monthly reconciliations to minimise errors. The Institute acknowledged the usefulness of Revenue's article in the *Irish Tax Review* which outlines common errors and included practical suggestions and would remind members of the article.

In relation to a query on the Receipts Tracker, Revenue clarified that taxpayers upload material saved on the Tracker it will be pre-filled into the Form 11, for health expenses, Stay & Spend and Remote Working Expenses. Even though further receipts cannot be saved on the App, taxpayers will be able to save their receipts on the Receipts Tracker which is in myAccount and ROS.

Practitioners queried Revenue's view on the accuracy of self-valuations submitted on LPT returns, and Revenue's plans for compliance activity on valuations. Revenue outlined that preliminary analysis of the data, shortly to be published, shows that valuations are largely in line with sales data. Based on that data, property owners have been making their best efforts to comply with their LPT obligations.

Revenue clarified that the compliance checks on the EWSS all apply a risk-based approach.
As regards the compliance exercise arising from data on the Form RSS1, Revenue noted that the data will indicate where queries may be required. A small Revenue team in Galway is analysing the data and the learnings will inform Revenue's approach. Revenue will engage with entities and companies in the first instance.

Practitioners raised circumstances where SARP applications were rejected. This occurred when the date of the employment registered on Jobs and Pensions differed from the SARP employment date on the form, even if the difference only amounted to a few days or a couple of weeks. Practitioners highlighted that moving to another country is a very busy period for an assignee and the pandemic has made travel more difficult and given rise to delays. Practitioners cited instances where even a 5-day period between the registration date and start date generated questions from Revenue. The assignee's registration of their job in advance can create a discrepancy when they have not started the SARP employment.

Revenue noted the issues that have been raised by practitioners such as, the start date of the SARP employment and periods of absence from the State by the SARP employee, for example, for holidays. Revenue noted all concessions as a result of the pandemic were published on its website in 2021. Applicants must meet the five requirements, provided for in legislation, to claim SARP.

As mentioned, RLS are actively working on updating the SARP TDM. This TDM and the redesigned SARP 1A form will provide clarity, for example, on the date the assignee starts the SARP employment. Revenue does not want to give any false expectations regarding flexibility on the conditions to be met.

Practitioners raised suggestions on administrative issues and sought further clarification on:

- Whether the Employment Detail Summary (EDS) could include a yes/no for Week 53/Fortnight 27?
- Whether it would be possible to make the Form CG1 available earlier in the year?
- Whether “cash” could be included as an “asset” on the Form IT38?
- The extent to which the Case V landlord project will focus on under declaration of rent or broader issues and the scale of the project.

Revenue responded to these queries as follows:

- Revenue considered it would not be possible to amend the EDS as suggested.
- Revenue will endeavour to issue the Form CG1 earlier in the year.
- Revenue would welcome feedback on the Form IT38 from practitioners in addition to the matter raised.
- In relation to the project on rental income, the focus of the letters to issue will be wider than the under declaration of rent and to include expenses and capital allowances. Depending on the outcome from the 400 cases to be examined, the project may be extended.