

**Summary Note of Branch Network Meeting between the Irish Tax Institute and Revenue's  
Large Corporates Division (LCD)  
16 March 2022  
Via Microsoft Teams**

**Key Points from the Meeting**

**1. Overview of LCD**

Revenue noted the new management team details provided in an updated organisational chart of LCD (see [here](#)). There have been five changes at Principal Officer (PO) level since the last Branch Network Meeting with LCD in March 2021, following retirements and promotions. The Division currently has 290 full-time staff equivalents, with offices in Dublin, Cork, Limerick, Galway and Tralee.

LCD consists of 10 sectoral branches and five support branches, each lead by a PO. The case base of LCD is made up of approximately 923 groups consisting of 17,500 individual entities. 53 new groups have been transferred from Medium Enterprises Division (MED) to LCD in 2021, primarily in the pharmaceutical and ICT sectors and large janitorial businesses with substantial payrolls. The movement of cases between MED and LCD is now paused for a three-year period.

Revenue agreed to provide a further sectoral breakdown to complement the organisational chart (*included above*).

**Overview of LCD staff working arrangements and scope for in-person meetings**

Currently, LCD staff continue to work from home. It is expected that a blended work policy of office-based and remote working will be introduced from April. Some staff have returned to working from the office on an ad hoc basis, as required, and more regular attendance is expected over the coming weeks.

LCD interventions continue to be conducted remotely but the division has facilitated a small number of in-person meetings with taxpayers and their tax advisers. It is expected that in the short-term there will be a mix of in-person and off-site activity, for example, it may be beneficial to hold an in-person meeting to conclude an intervention.

If an in-person meeting is sought in preference to a virtual meeting, Revenue can accommodate this at the client's/adviser's request.

**2. LCD Branches**

Each Branch provided a brief overview of its top priorities for the year ahead.

*eAudit/Customs and PREM Audits*

- Meeting the division standard of 60% of LCD interventions to be conducted as eAudits
- Compliance with Automatic Exchange of Information
- Real-time PREM interventions
- Customs post-clearance checks and audits

#### *Property, Construction and General Manufacturing*

- An emphasis on the wage subsidy schemes
- RCT and supply chains, working in conjunction with MED and Business Division (i.e. focused on capital projects from end to end)
- Losses, CGT and other expenses and income

#### *Alcohol, Tobacco and Multiples*

- Cases are selected based on risk
- Excise Duties are a major area of focus and ensuring holders of Excise Licences are operating in compliance with their licences

#### *Natural Resources, Food and Leisure*

- Review of the COVID-19 Support Schemes
- Payroll and VAT
- Corporation Tax - loss relief, R&D tax credit and KDB claims
- Niche taxes in the sectors, for example, energy taxes and betting duty

#### *Financial Services (Banking)*

- Preparations for Stamp Duty modernisation following measures in Finance Act 2021
- Niche taxes in the sector, e.g. Encashment Tax and DIRT

#### *Financial Services (Insurance)*

- IFRS 17 which is effective from 1 January 2023
- Insurance levies
- Pension payroll
- Section 21B

#### *Financial Services (Financing and Investment Funds)*

- Investment funds - Review of IREFs following Finance Act 2019 and 2021 changes and payroll compliance across the Fund Managers/Administrator sector
- Aircraft Leasing – Corporation Tax and PREM compliance including group relief and ringfenced losses (i.e. sections 403 and 404 TCA 1997)

#### *Information, Communications and Technologies (ICT Branches 1 and 2)*

- Section 291A claims and valuation of intangibles
- All new KDB claims
- Large capital allowances' claims
- DSTs
- Review of Stamp Duty relief claims (e.g. sections 79 and 80 SDCA 1999)

#### *Motor, Oils and Transport*

- Compliance checks on the Employment Wage Subsidy Scheme (EWSS)
- Review of VAT across the sector
- Disguised remuneration and bogus self-employment
- Non-cash remuneration
- VRT and Excise Duty

#### *Life Sciences (Biotechnology, Pharmaceutical and Medical Devices)*

- Corporation Tax – understanding remuneration models in the sector
- Intellectual Property (IP) ownership and M&A activity

- Section 291A claims
- Complex technical issues
- Significant ongoing tax appeals

#### *Transfer Pricing Audit Branches 1 and 2 Activities and Plans*

The scope of the two Transfer Pricing Audit Branches has not changed from the prior year. The Branches are primarily focused on Transfer Pricing Audits and interventions and have a broad range of skills in-house to perform this work. The Branches also support MED with TP-related queries and requests for assistance.

Compliance interventions are risk-based and informed by a range of information including Country by Country Reports (CbCR), automatic exchange of information, public information and the OECD Guidelines on Transfer Pricing, as codified in Irish legislation. It is expected that Transfer Pricing interventions will be classified as Level 2 compliance interventions under the new Compliance Intervention Framework (the Framework), which takes effect from 1 May 2022.

The Branches include interventions on both LCD and MED cases. There is no distinction between the Branches in allocating Transfer Pricing cases or the working of interventions. Finance Act 2019 introduced more prescriptive Transfer Pricing requirements and the first year of corporation tax returns for which the rules applied have now been filed. Revenue expects that filers will have fully adhered to the rules regarding documentation and that the documentation is supplied to Revenue within 30 days, on request. Additional fields on Transfer Pricing have been included on the Form CT1 to collate information.

Revenue's approach to Transfer Pricing Audits is driven by the facts and circumstances. Revenue is seeking assurance that the substance of the transaction is as represented and conduct the review to establish what took place. In addition to Transfer Pricing Reports, Revenue may look for contemporaneous documentation e.g. emails, operational presentations, functional analysis interviews.

A Statutory Instrument signed by the Minister for Finance in December 2021 brought the OECD Transfer Pricing Guidelines relating to financial transactions formally into Irish law and this will be an area of focus for the Branches for the year ahead.

Practitioners queried whether there was a sectoral focus or distinction between the Transfer Pricing Branches as regards case allocation or specialisms. Revenue clarified that both Branches manage cases across the case base, but each branch will also have their own cases. The TP Audit branches also provide operational assistance to different sectoral branches in LCD and MED internally and this work is split between the two teams to avoid overlap on requests.

### **3. Revenue compliance activity and the new Compliance Intervention Framework**

LCD expects that the number and type of interventions conducted by the Division under the new Compliance Intervention Framework (the Framework) will be similar to last year and that the Framework will not introduce substantial changes to LCD's operations. Most interventions in cases participating in the Cooperative Compliance Framework (CCF) will be at Level 1, with Level 2 applying to non-CCF cases.

Responding to practitioners' queries on staff training on the new Framework and the new Code, the Division confirmed it is engaging with in-house information sessions. The new Code will not

introduce significant changes to the work practices of LCD, but the Division wants to ensure it is consistent in its application of the new Code.

Practitioners queried whether intervention notifications would be paper-based or sent electronically and highlighted issues that can arise with electronic communications. For example, at times, communications from Revenue issue via MyEnquiries and at other times, directly via email where the firm has the Transport Layer Security (TLS) in place which ensures communications are secure. Communications in such circumstances can sometimes be overlooked or not received by the correct person in the firm.

Practitioners also queried the protocol around unprompted qualifying disclosures when, it may not be clear as to whom the disclosure should be made to in Revenue via MyEnquiries and no response is received from Revenue on foot of the disclosure. Revenue invited further feedback on the issue raised in relation to submitting an unprompted qualifying disclosure via MyEnquiries.

During the Covid-19 lockdown period Revenue experienced difficulties in contacting taxpayers and agents regarding compliance interventions with both hard copy and electronic notifications and in many instances used both methods and followed up with phone calls to ensure that taxpayers and agents were aware of the intervention. This was catered for in [the Guidelines for conducting Revenue Compliance Interventions Remotely](#).

Revenue clarified that under the Compliance Intervention Framework Level 2 or Level 3 interventions will always be notified via paper notifications to the taxpayer and adviser but for Level 1 compliance interventions, such as Profile Interviews, a notification may only issue through MyEnquiries or by email (if the agent or taxpayer is TLS enabled).

Practitioners noted that the introduction of the new Framework and the issue of compliance queries electronically during the pandemic has focused attention on the routing of Revenue initiated queries, so that practitioners can put procedures in place to quickly identify and deal with matters raised by Revenue. LCD agreed that it would review its protocols regarding communications in light of the issues raised.

As regards the distinction between the use of Level 1 and Level 2 interventions by LCD, Revenue has reserved the right to conduct Transfer Pricing Audits for both CCF and non-CCF cases. Otherwise, where detailed work has been conducted prior to issuing an intervention to a non-CCF case, Level 2 classification would apply. LCD does not expect that a large number of interventions will be issued in advance of 1 May (under the 2019 Code) or immediately on the introduction of the new Framework.

#### **4. The Cooperative Compliance Framework (CCF)**

LCD reviewed the CCF over the last quarter of 2021. The outcome of this review is currently with the Board of Revenue for its consideration. Broadly, the review has indicated to LCD that the CCF is working well and as intended. Therefore, no major changes to the CCF are envisaged by the division. However, LCD has made a small number of recommendations to the Board to improve the operation of the CCF.

The CCF remains open to applications by LCD groups who meet the entry criteria. Revenue will officially contact the 53 groups that moved from MED to the division over the last year to inform

them about the CCF and to invite them to consider whether it may be appropriate for their businesses.

At the end of February 2022, 123 groups had joined the CCF. This represents 28% of the groups in the LCD case base that are eligible to join. Participation in the CCF is more prevalent in certain sectors, for example, in the insurance and banking sectors. A number of factors appear to influence the decision to join the CCF, including the size of the group with 60%-70% participation rates in the very large groups, based on turnover.

LCD conducted a survey of groups who both participate and do not participate in the CCF to gather feedback on taxpayers' perception of and reasons for joining or not joining the CCF. Revenue also issued a survey to eight accounting practices and received one reply.

The feedback gathered indicated to LCD that the CCF was generally held in high regard and there is awareness of the CCF amongst LCD groups. 85% of groups who do not participate in the CCF are aware of the option to join where the eligibility criteria are met. Following the feedback from its review, the division does not envisage major changes to the CCF. Some issues under consideration include the duration for which a case manager is allocated to a group, the timeline to supply an agenda for the annual meetings, and procedural updates to the CCF Tax and Duty Manual (TDM).

Revenue noted that some groups may now wish to consider applying to join the CCF following the introduction on the 1<sup>st</sup> of May 2022 of the new Compliance Intervention Framework. The majority of interventions in CCF cases will be classified as Level 1 compliance interventions excluding, for example, Transfer Pricing Audits. The taxpayer can make an unprompted qualifying disclosure in response to a Level 1 intervention. Even if Revenue subsequently determine that a disclosure made is not a qualifying disclosure, for example, that it is incomplete, the taxpayer will still have the opportunity to regularise the matter through a prompted qualifying disclosure.

In contrast, once a Level 2 intervention is initiated, the taxpayer will only have one opportunity to make a (prompted) qualifying disclosure for the tax head and period that is the subject of the intervention. If Revenue does not accept that the disclosure is a qualifying disclosure, the protections regarding publication could be compromised. In addition, a prompted qualifying disclosure is subject to higher penalties.

## **5. LCD Services and Supports**

### **Issue of Certificates of Residence for Non-Irish Incorporated Companies**

Practitioners queried the process for issuing certificates of residence for companies that are not incorporated in Ireland but are Irish resident companies. For example, obtaining a certificate for such companies appears to be a manual process and therefore, slower than the ROS-generated Certificates of Residence. Revenue requested the details of the case so that they could consider the matter.

### **Issue of Opinions**

Revenue confirmed that LCD continues to provide tax opinions where the request for an opinion meets the criteria set out in Revenue guidance. Revenue practices in relation to the provision of tax opinions were reviewed and updated in 2014. Since then, tax opinions have a maximum life

of 5 years and are subject to requests for renewal. Revenue also publishes the number of opinions it provides in its Annual Reports.

LCD confers with Revenue Legislation Services (RLS) prior to the issue of most opinions by the division, as the opinions often have a precedential element. Similar to the procedural practices in place for the Revenue Technical Services (RTS), a meeting with LCD may be possible before the issue of an opinion, to ensure the issue in question is fully understood.

Practitioners noted previous engagement regarding opinions provided in the leasing sector, for example, to seek their inclusion in Tax & Duty Manuals etc. and queried when the issues could be concluded. Revenue noted the internal efforts to progress matters. A timeframe to conclude on the issues cannot be provided, as yet. However, Revenue will re-engage internally to progress matters towards a conclusion.

## **6. AOB - iXBRL Mis-tagging of Financial Statements**

LCD has identified reoccurring instances of mis-tagging of items in the financial statements submitted in iXBRL format and is seeking greater accuracy in iXBRL returns. Practitioners queried the areas of the tagging where issues arose. Revenue agreed to send the Institute a list of the common mis-tagging issues arising to circulate to the meeting attendees and to the wider membership via TaxFax. This list was supplied by LCD and is included as an appendix to this Summary Note (below).

## Appendix

### Feedback received from Revenue on the common areas where mis-tagging arises in the submission of iXBRL Financial Statements

*“It can be a regular occurrence where financial statement data submitted to Revenue in the form of iXBRL’s is mis-tagged. Tagging errors can hugely distort the tagged information that Revenue relies upon when assessing an entity’s tax risk, which could lead to an entity being wrongly assessed as risky and result in a Revenue intervention such as an audit. Accordingly, when tagging the financial statements, it is important to ensure that all values and fields are tagged correctly.*

*A few of the most common tagging issues are outlined below:*

- The accounts should be fully tagged, using all appropriate tags from the taxonomy used to tag the financial statements. All monetary items should be tagged, and all notes and disclosures should be tagged. It is not acceptable to tag e.g. one value of three values that are aggregated to get a total value and leave one of the component values un-tagged.*
- Mis-tagging for currency e.g. ‘human-readable’ accounts are in USD but tagged in EUR, despite the functional currency being declared as EUR in the ‘human-readable’ notes to the accounts and/or the PrincipalCurrencyUsedInBusinessReport tag being present with a value of ‘USDollar’.*
- PrincipalCurrencyUsedInBusinessReport tag is present in iXBRL file but has a different value to the functional currency e.g. the tag has a value of ‘Euro’, but the actual accounts are in USD with the monetaryItemType tags also in USD.*
- Duplicate values reported in more than one currency e.g. DPLTurnoverRevenue of 100,000 is tagged in both GBP and EUR.*
- Branches sometimes present their Detailed Profit or Loss in both EUR and their ‘home’ currency e.g. GBP – we would ask that only the EUR values are tagged in such cases.*
- Mis-tagging for sign e.g. value for AdministrativeExpenses of “(100,000)” shown in parentheses in the ‘human-readable’ accounts is given a negative sign attribute in error despite the tag having its usual debit balance i.e. it is a deduction against profits. We would remind filers that iXBRL tags generally have a ‘debit’ or ‘credit’ expected balance and that tags should only be given a negative sign where they do not have their usual expected balance e.g. where AdministrativeExpenses increase profits instead of reducing them.*
- Mis-tagging for scale e.g. ‘human-readable’ accounts are presented in thousands but none of the tags are given a scale value of ‘3’ to tell an iXBRL processor that the ‘human-readable’ values are in thousands. This results in smaller values. Another common error with scale occurs where e.g. the notes and disclosures give a value in thousands such as profit for the year of ‘€100k’, while*

*the whole un-rounded value of '€100,231' is shown in the 'Detailed Profit or Loss' account and also given a scale of '3', resulting in a final value of €100,231,000. Both of these errors can result in an entity being identified as 'high-risk' in Revenue's Risk Evaluation Analysis and Profiling (REAP) system and Revenue interventions such as an audit.*

- *Submitting files with tags in the 'hidden' section, particularly the mandatory tags. The mandatory tags should be tagged on the face of the 'Detailed Profit or Loss' account and should not be in the 'hidden' section. If an entity has no values for any of these items, then a zero value must be reported. See Part 3.1.3 of the [iXBRL Tax and Duty Manual](#) and Part 3.1.2 of the [iXBRL Style Guide](#) for more information.*
- *Tags with incorrect 'startdate' or 'enddate' values e.g. the prior year comparator for AdministrativeExpenses has a 'startdate' of 2018-01-01 and an 'enddate' of 2019-12-31 (instead of 2018-12-31), while the current year value has a 'startdate' of 2019-01-01 and an 'enddate' of 2019-12-31. In other cases, tags for the current year are submitted with 'enddate' values that do not match the value reported for the mandatory 'EndDateForPeriodCoveredByReport' tag.*
- *Inappropriate use of tags e.g. DividendsPaid tag is used to tag a line item described as 'Dividends received' – the DividendIncome tag should be used to tag such items. We would remind filers that there are tags for almost any conceivable item in the taxonomies and the taxonomies should be consulted to determine the correct tag to use on a given piece of financial information. If no appropriate tag exists to tag an item, then the item should simply be left un-tagged.*
- *The Detailed Profit or Loss account should be a more in-depth version of the statutory profit or loss account. It should have line items for subtotals such as turnover, gross profit, operating profit, profit before tax and profit after tax that can be reconciled with the statutory profit or loss account, and it should not be a list of 'schedules' that bear no relation to the statutory profit or loss account and cannot be reconciled to it."*