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Mr Niall Cody
Revenue Chairman
Office of the Revenue Commissioners
Dublin Castle
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By email: strategystatement@revenue.ie

27 March 2025

Re: Revenue's Statement of Strategy 2025 - 2028

Dear Chairman

The Irish Tax Institute welcomes the opportunity to contribute its views on the future strategic direction of Revenue as it prepares its Statement of Strategy for 2025 - 2028.

Since the last Statement of Strategy was prepared technology has advanced at lightning speed, with AI offering opportunities for businesses and tax administrations that were unimaginable three years ago. The international tax framework has also fundamentally shifted with the adoption of the Pillar Two Global Anti-Base Erosion (GloBE) Model Rules and EU Minimum Tax Directive across the European Union. Ireland's unemployment rate has remained historically low with the Irish economy at full employment. Tax collected by Revenue for the Exchequer has reached record highs.

However, clouds are gathering on the horizon as we stand on the precipice of a potential trade war between the United States and the EU which brings increased uncertainty and instability to the business environment. The impact on the Irish economy and on Ireland's status as a favoured location for foreign direct investment (FDI) is, as yet, unknown. We may have some insight on the shape of the challenge ahead in the coming days, however, we have undoubtedly entered a period of significant uncertainty.

Against this backdrop, it is important to focus on areas within Ireland's control. This means prioritising support for tax compliance and the ease of administration for businesses in dealing with their tax obligations.

Businesses are required to comply with an ever-expanding number of regulatory obligations. However, there is growing recognition internationally of the impact of the regulatory burden

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on sustainable competitiveness and the need for simplification.¹ It is essential that every effort is made to minimise the costs of administration for businesses from any new tax compliance obligations emerging over the coming years.

Revenue's investment in technology has the potential to deliver benefits for all stakeholders in the tax system and it is important this potential is realised. The Institute will continue to engage with Revenue at TALC on IT priority developments to assist the work of tax practitioners and on the sharing of information Revenue has on its records for a taxpayer with the taxpayer to whom it relates and their tax agent, to support tax compliance.

At this point in time, the Institute would ask Revenue to prioritise in its strategy three core areas 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:

- Service delivery to taxpayers and tax practitioners (This encompasses MyEnquiries, Revenue Phonenumber, Revenue's suite of Tax and Duty Manuals (TDMs), Revenue Technical Service (RTS) and website information for small business and start-ups.)
- A stakeholder-centric approach to transforming tax reporting through technology
- A continuing focus on the fair treatment of taxpayers

We have set out in further detail below our suggestions and recommendations across each of these core priority areas for Revenue's strategy for next three years.

Service delivery to taxpayers and tax practitioners

We welcome the recent update at TALC about new service delivery measures outlined below. We also look forward to the quarterly Service Delivery Reports which Revenue intends to publish covering a range of topics.

1. MyEnquiries

We welcome Revenue's announcement at Main TALC that it has designed a new system that will provide tailored estimated response times to customer queries submitted via MyEnquiries. This AI-driven system will provide the query sender with an estimated response time to their query taking account of factors, such as response time for similar queries during the prior equivalent period and the nature of the query submitted. Currently being piloted for CAT and Stamp Duty queries, we understand Revenue intends to extend this feature across the divisions over the months ahead.

This feature should provide more certainty on response time and reduce the number of phone calls and queries requesting an update on a query's status. As discussed at Main TALC, the guidelines on escalating a query to the Revenue Exceptional Contacts will need to be reviewed as part of this development. Currently, the Exceptional Contacts is a query escalation process for tax practitioners to be used if a response has not issued within a Customer Service Standard of 20 working days (25 days at peak periods). The timeframe for escalating a query to an Exceptional Contact should take account of the

¹ The Future of European Competitiveness: Report by Mario Draghi, September 2024.

estimated response time given to the customer.

We understand the AI underpinning this development will enable Revenue to better identify backlogs in the processing of correspondence or requests as they arise. The ability to quickly identify a backlog so that additional resources can be allocated to address such bottlenecks is essential. Understanding the cause of a backlog can help to identify solutions to streamline requests and to extend or promote existing self-service options. AI could also be used to detect patterns of frequent interactions between practitioners and Revenue on specific topics or types of cases and highlight training needs or issues that need to be addressed in guidance.

2. Revenue phonelines

Some Revenue phonelines receive very high call volumes especially at peak compliance periods. Recent feedback to the Institute from members has indicated that waiting times to get through to Revenue staff on the PAYE and Business Taxes phonenumber commonly exceeds 30 minutes (and often considerably longer). A 'digital first' policy will not eliminate the need for phone contact in some cases, especially to deal with urgent matters. Phone contact can also help to resolve some issues more quickly and avoid the need to engage in prolonged correspondence. AI query analysis could help to identify patterns of queries that are better handled by phone rather than by directing customers to MyEnquiries.

We welcome the implementation of an enhancement to Revenue's phonelines, which will offer a 'save my place in the queue' feature. We understand this will allow callers to request a call back from Revenue instead of waiting on hold. To be effective, it will be crucial that callers can have confidence that if they select this new feature, they will receive a call back from Revenue. Therefore, it would be useful to include statistics on the number of call back requests received and the call backs made in Revenue's quarterly Service Delivery Updates. This data would help to measure the popularity and effectiveness of this new feature. In addition, call backs should not be restricted to the phonenumber opening hours considering most Revenue phonelines are only open for part of the working day.

We also recommend extending phonenumber operating hours during peak periods. This would be consistent with Revenue's policy to extend the opening hours on certain phonelines in the lead up to the Pay & File deadline.

3. Revenue's suite of Tax and Duty Manuals

Revenue's suite of Tax and Duty Manuals (TDMs) greatly assists the tax profession. In particular, the TDMs on tax technical issues provide insights on Revenue's interpretation of the legislation and can bring certainty to businesses on Revenue's position on complex technical topics.

We understand that an early pilot is underway to use AI to prepare the first drafts of TDMs, which will subsequently be reviewed by a subject matter expert. While we understand this exploration is at a preliminary stage, we think at this juncture it would be

timely to consider developing a published quality assurance framework for TDMs. We consider a quality assurance framework should contain the following commitments:

- The contents of tax technical TDMs extend beyond summarising the legislation. The primary value of the TDMs is the illustrative examples that assist tax practitioners, taxpayers and Revenue staff to apply Revenue's interpretation of the legislation to real-life scenarios. In a rapidly evolving and complex business environment, the use of current illustrative examples to outline Revenue's interpretation of the legislation is even more important.
- As each TDM is reviewed and released, it should include an appendix which lists the amendments and the date they were made. The Guidance on the Interest Limitation Rule² is one example which illustrates the useful adoption of this approach. An eBrief issues whenever a TDM is reviewed, which notes revisions to its contents. However, it can be difficult to recall when an eBrief issued and locate it, as eBriefs are removed from Revenue's website five years after their issue.
- Safeguarding the technical quality of TDMs is essential. In any adoption of AI, the value of TDMs should never be diminished through the absence of appropriate examples or a lack of technical analysis. Input from a Revenue Legislation Services (RLS) subject matter expert, which is informed by practical feedback from operational divisions and engagement on topical issues through TALC, should continue to address the needs of the users of the TDMs. Continuous monitoring of any use of AI in producing technical material would be critical.

The suggestions above are made in the context of tax technical TDMs. However, consideration could also be given to extending this approach to operational TDMs, as appropriate.

4. Revenue Technical Service (RTS)

The RTS performs an important function in providing clarity to taxpayers and practitioners on complex technical tax queries. However, the service is currently under-utilised. A common theme in feedback from our members who have used the service is that the waiting time for a response can substantially exceed the Customer Service Standard of 20 working days. In addition, the timeline to receive a response is uncertain, particularly if a query has been referred from RTS to RLS for input.

Tax practitioners undertake considerable work in completing the required query form (Form RTS1A) considering the details and analysis that must be included. There is also an associated cost for taxpayers in paying their tax practitioner to complete such an exercise. Delays and uncertainty in response time affects the usefulness of the answer received from Revenue, especially for time-sensitive queries such as those relating to business transactions.

² <https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-35d/35D-01-01.pdf>

By their nature, RTS queries are complex and may involve consideration of multiple tax heads. Therefore, the service standard response time of 20 working days may not be suitable. It may be difficult to estimate a realistic response time for each RTS query, as part of the new MyEnquiries feature detailed above, as each query is unique. Further consideration may be needed on how this new feature can operate for RTS queries.

We understand that over half of the queries submitted to RTS are referred internally to RLS for consideration, which can substantially increase the timeline to receive a response. This is particularly the case for queries referred to RLS during the Finance Bill preparation period. A delay in receiving a response is exacerbated by uncertainty on when a response will be received, despite requests for an update.

We believe that there would be merit in agreeing an arrangement, akin to a Service Level Agreement (SLA), between RTS and RLS on response times to RTS. This could help RTS to provide accurate and realistic information to practitioners about response times, if due to its complexity, the query must be referred to RLS. We understand that Large Corporates Division (LCD) and High Wealth and Financial Services Division (HW&FSD) also escalate some technical queries to RLS, although fewer in number. These queries could also be considered for inclusion in the SLA.

Revenue's RTS webinars held for practitioners in November 2024 were useful in providing guidance on how to correctly and fully complete the Form RTS1A to help expedite the review of queries and response time. We believe it is timely to utilise this renewed focus on RTS to provide greater certainty on response time for RTS queries.

5. Website information for small business and start-ups

Guidance provided in TDMs and by the RTS is geared to a tax professional audience. Information for taxpayers on their tax obligations and entitlements tailored to their needs is also essential. We welcome Revenue's confirmation in its Customer Charter³ that it will provide general content on its website in plain language to help taxpayers understand their obligations and rights. The Charter also confirms that Revenue will continually review and refresh the website content to ensure it is up-to-date and can be relied upon.

The report of the TALC Sub-committee on Administrative Simplification of Business Reliefs for SMEs⁴ identified a number of areas where Revenue's guidance could be improved and made more accessible for non-tax professionals. We understand that Revenue is advancing its work, with input from bodies representing small business and start-ups, to redevelop its website material to ensure ease of access for high-level information on reliefs for taxpayers. We look forward to the delivery of this commitment together with the enhancements suggested to the layout of TDMs on the various SME reliefs.

Indeed, the TALC Sub-committee's recommendation to separate the TDM on the Part 16 reliefs into three separate Manuals to ensure its content can be more easily navigated by

³ <https://www.revenue.ie/en/corporate/information-about-revenue/customer-service/customer-charter/index.aspx>

⁴ Report of the TALC Sub-committee on the Administration of Business Reliefs for SMEs, June 2024.

readers is a welcome development. The need to ensure the content in TDMs are more easily navigated and understood should also form part of a quality assurance framework for Revenue's TDMs, as recommended above. Once implemented, tracking of taxpayer access to this information and options for continual improvement will be important.

A stakeholder-centric approach to transforming tax reporting through technology

Digitalising the collection of tax and data has increasingly become a feature of tax administrations worldwide. Harnessing the transformative power of technology to integrate tax reporting into business processes is a stated intention of Revenue.⁵ Preliminary work is already underway on VAT Modernisation. The Institute will continue to engage with Revenue through the dedicated TALC sub-group as developments progress and decisions are made at EU level.

It is imperative that Revenue remains cognisant of the potential for increased compliance costs for businesses when considering further integration of reporting into businesses processes. This is especially the case for those businesses that can least bear the burden of additional costs.

Embracing digital technologies is important for all businesses regardless of size in opening up opportunities for business growth and improving productivity. However, there are different levels of technological readiness, especially among small businesses, which make up a large part of the Irish economy. In 2022, small enterprises (10 or fewer employees) made up 92.3% of enterprises.⁶

Given the significant role SMEs play in the Irish economy, it is crucial to support them in meeting any new requirements. This aligns with the Government's renewed focus on SMEs as illustrated by the creation of a Small Business Unit and the rigorous implementation of the SME test – think small first - when reviewing legislation and regulation for their impact on SMEs. This ensures any obligation which may increase costs for businesses are phased-in and that there is consideration across Government of the broader implications of any decisions affecting businesses.⁷

From our engagement with Revenue on VAT Modernisation, we understand Revenue is engaging with Enterprise Ireland and the Department of Enterprise, Trade and Employment to develop supports for businesses with digital transformation.

We believe the following elements should be applied when progressing with any new significant digital obligations for business:

- Early and broad cross-stakeholder engagement should take place in advance of the design of any new requirements. This is vital in order to understand business processes and the integration challenges, which may vary depending on the size of the business

⁵ Revenue Statement of Strategy 2023 - 2025

⁶ Business in Ireland 2022 - Insights on the Lifecycle of Businesses
<https://www.cso.ie/en/releasesandpublications/ep/p-biilb/businessinireland2022-insightsonthelifecycleofbusinesses/keyfindings/>

⁷ Programme for Government 2025 – Securing Ireland's Future

and their digital readiness. This will provide scope to design-in measures to minimise the burden of compliance and associated costs.

- An adequate lead-in period with time for testing of any new system by business before any requirement is implemented. Advance extensive guidance on the new requirements is also a prerequisite so that taxpayers fully understand what is required.
- Consideration of phasing-in new requirements to reduce the burden on the smallest businesses. This would assist such businesses to avail of lower software costs as more products are brought to market.
- Information supports for businesses tailored to their size and complexity and dedicated supports for tax practitioners who may be educating clients on the requirements and/or supporting them in complying with the reporting deadlines.

Taking such an approach would be consistent with Revenue's assertion in its Customer Charter⁸ that customers can expect that Revenue will administer the tax and duty regime in a way that will minimise, as far as possible, compliance costs. This aim is only achievable through constructive consultation with the business community and the tax profession.

A continuing focus on the fair treatment of taxpayers

Revenue has extensive technological tools and systems enabling it to analyse millions of data items and identify discrepancies in tax returns and reporting obligations. Due to increased tax transparency, a vast amount of information is available to Revenue to examine from other Government departments and State agencies, international tax administrations and third-party returns.

In addition, the tax legislation includes a raft of sizable penalties for non-compliance with a tax obligation. Now more than ever, it is vital to continue to recognise the important distinction between taxpayers who are making their very best efforts to comply with complex and detailed tax obligations and taxpayers who have chosen not to comply. The exercise of judgment and considering cases on their merits will continue to be critical to ensure that a proportionate and fair approach to penalties is applied and that penalties are not imposed where they are not appropriate.

Selection of the appropriate intervention level under the Compliance Intervention Framework will continue to be important in differentiating Revenue's approach to cases where there may be an error in a tax return, and a Level 1 intervention is appropriate, from cases where significant non-compliance is indicated from the information available to Revenue (and a Level 2 or Level 3 intervention may be appropriate).

The Institute looks forward to continuing to engage and collaborate with Revenue at TALC on measures to reduce the incidence of errors in tax returns through ROS enhancements, lists of common errors or other information on the Revenue website to support compliance.

⁸ Revenue Customer Charter, March 2025.

To conclude, we would welcome the opportunity to discuss the matters raised in this submission further with you, as Revenue formulates its Statement of Strategy 2025 - 2028 over the next number of months. Please contact Anne Gunnell of this office at agunnell@taxinstitute.ie if you require any further information in this regard.

Yours sincerely

A handwritten signature in black ink that reads "Aoife Lavan". The script is cursive and fluid, with the first name "Aoife" written in a larger, more prominent style than the surname "Lavan".

Aoife Lavan
Institute President