Summary Note of the Annual Branch Network Meeting between the Irish Tax Institute and the Collector General's Division

Sarsfield House, Limerick

24 March 2025

1. **Overview of the Collector General's Division**

In a presentation, Revenue provided an update on its organisational structure and key issues on the meeting agenda. The presentation slides are available here.

Update on staffing and the Branches' responsibilities

Since the last meeting, the Division has expanded from six to nine branches. The ROS Business Tax and Excise System Branch and the VIMA & CRO Branch have transferred to the Collector General's Division. The Division also leads the VAT Modernisation programme. The Division also handles VAT repayments, including claims by unregistered farmers and the VAT One Stop Shop and VAT Import One-Stop Shop. It also manages the non-filer programme for forms CT1 and Form 11.

The responsibilities of the Principal Officers (POs) for each Branch are outlined in the slides. The Listowel office also has responsibilities relating to the nursing home schemes. Mutual Assistance Requests and the Disabled Driver Scheme are also within the remit of the Division. The banking and payment modernisation programme is a new programme that is being directed by the Division.

2. **Updates on Key Priorities and Projects for the Division's Branches**

Banking and Payment Modernisation

Revenue's banking and payment systems are now over 30 years old and investment in improving and modernising these systems is currently underway. The presentation slides provide an overview of the phases in this project. Much of the initial work relates to upgrading the underlying technical infrastructure for payment systems, however, there will also be a new Payment hub on ROS with new screens to manage Direct Debit and Bank accounts. For example, taxpayers and agents will be able to view a payment activity screen which will be fully developed on a phased basis. This will allow the user to check the status of tax payments and view payments processed, unpaid and amounts scheduled for payment.

As advised at the TALC Collections Sub-committee, as part of this Banking modernisation project, Revenue will cease to offer the option to pay tax by Fixed Direct Debit (FDD), transitioning to the use of Variable Direct Debit (VDD) to align with industry norms, where the exact tax due will be deducted when due. Customers with FDD are being transitioned to VDD over 2025 and into 2026. This transition began with the cessation of the FDD for PAYE/PRSI/USC/LPT (PREM) from January 2025.

Revenue's next area of focus is ceasing FDD for VAT. Revenue will communicate with affected taxpayers and agents in advance about the removal of FDD for VAT. There will be a lead-in period considering this change will alter the VAT filing frequency for this cohort, moving them from the annual filing of a VAT return to bi-monthly filing. Revenue will contact the Institute shortly when a communication to affected taxpayers and agents is ready to be issued.

Revenue's letters will advise businesses that they will transition to the VDD regime when they roll off their annual VAT period. A further communication will issue to each business paying VAT through FDD when the end of their annual VAT period approaches, setting out the exact actions to be taken to move to VDD. The introduction of VDD will also extend eligibility to pay VAT by VDD, which is currently limited to those with bi-monthly VAT liabilities not exceeding €50,000. Reinstating a bi-monthly VAT filing requirement for this cohort of taxpayers is also consistent with efforts to prepare businesses for VAT Modernisation.

In phase 2 of the project, VDD will replace the current Revenue Debit Instruction (RDI) for recurring payments. Revenue is also examining scope to extend VDD to other taxes, for example, Relevant Contracts Tax (RCT) which the Institute had raised. The Division's current focus in Phase 1 is on the transition of active mandates for PREM, VAT and latterly Preliminary Income Tax to VDD. The remaining Direct Debit arrangements will also be integrated into the new Payments Hub, such as the 300,000 direct debits for Local Property Tax (LPT) and Vacant Homes Tax (VHT). Other project developments will provide agents with more visibility on payments for tax heads for clients to which they are agent-linked, for example, to identify failed payments.

Practitioners queried the distinction between selecting a VDD for VAT versus setting up a VAT RDI each time a return is filed. Revenue advised that once the VDD mandate is authorised, it will operate in a similar manner to a single debit instruction but on a recurring basis with no further action required by the customer. This differs from an RDI which requires the customer to authorise the payment each time.

Practitioners asked whether it is possible to collect amounts outstanding on an existing FDD when switching to a VDD. A balance may remain due on an FDD as the exact amount of tax due is not collected each month. Instances can arise where the taxpayer has transitioned to VDD, however, the balance owed on the FDD was not collected by the VDD. Inevitably payment demands then issue, and the balance may be referred to enforcement. This can happen where there is a correction to an earlier period or, for example, earnings are declared for an earlier pay period and the taxpayer subsequently moved to VDD. Taxpayers could assume balances owing on an FDD will be absorbed by the new payment arrangement once it is set up.

Revenue clarified that it is not possible for the VDD to collect amounts outstanding on the cessation of an FDD. VDD will collect the balance due for the current period only, balances due on previous periods would have to be paid by alternative online payment options, such as SDI or by card payment. Revenue will consider its communications on this matter to ensure this is clear. The initial focus of the communications campaign on transitioning to paying VAT by VDD will be on providing taxpayers with adequate notice that annual VAT filings will cease.

Approximately 11,500 letters will be issued to taxpayers and 2,000 notifications to agents alerting them to the upcoming change in the VAT filing frequency. The change will not be implemented immediately. Revenue will write again to the business three months in advance, as the end of their annual period approaches. As Revenue is adopting a staggered approach, affected taxpayers will not all be transitioning at the same time. Advanced communications should assist tax agents with planning ahead if they assist affected taxpayers with filing VAT returns.

Practitioners queried scope for a development to allow agents to view and keep track of ‘offsets’ on ROS. At times, tax may be underpaid as the taxpayer (and agent) do not realise a refund available for offset has already been utilised. Revenue considered that a facility for agents to view offsets executed would be very complex, due to the order in which offsets are executed and they may be made by Revenue across different tax heads and years. The agent may not be agent-linked to all tax heads to permit such a facility.

Key ROS developments for 2025

The fourth slide in the presentation outlines the priority areas of focus for Revenue over the year ahead:

- E-linking to create the agent/client link was released on ROS on 24 March. This measure is intended to enhance digital security and improve transparency and control for taxpayers and agents.
- The Form CT1 2025 is scheduled for release in April. It is intended that this will be a single release in contrast to Form CT1 2024 where, due to factors outside of Revenue’s control, several updates to the form were required.
- Additional enhancements to Form 11 2024 were released on 24 March to reflect Finance Act 2024 developments and release a fix to the Residential Premises Rental Income Relief (RPRIR). Further enhancements are scheduled for June to the online and Revenue Preparation Facility (RPF) version of the return.
- Revenue’s ongoing programme to transition returns from ROS Offline to the RPF is continuing.
- Form 11 2025 preparations will also begin.
- In relation to the Form CT1 2026, it was agreed at Main TALC that suggestions to simplify and streamline the Form CT1 would be tabled at the June meeting of TALC Collections to identify what may be feasible.
- RICT simplification is also on the list of development priorities for the year. However, any developments are subject to other development priorities that may emerge and against a backdrop of constrained resources.

The development cycle for ROS means that developments for H2 are finalised in June each year. Budget measures and directions from the Department of Finance and the EU influence the development schedule which can result in capacity constraints in developments and tight timelines.

Practitioners welcomed confirmation that a single release of the Form CT1 2025 was expected as the various updates to the Form CT1 2024, while unavoidable, caused significant stress to practitioners filing corporation tax returns. Practitioners queried scope for earlier availability of the Form CT1 during the calendar year for companies that may have accounting periods ending early in the year. Revenue confirmed that its preference would be to bring back the annual release of the Form CT1 to earlier than April, for example, a March release for the Form CT1 2026. However, this will depend on the developments required to the form.

Practitioners queried the scope to open a period earlier in order to make a preliminary tax payment. For example, when filing a Form CT1 in September for a company with a December 2024 year-end, it would be useful if the preliminary tax payment due in November could be set up at the same time. However, in many cases, the period is not open, and a request has to be made via MyEnquiries to open the period to set up an RDI. This issue does not solely arise in respect of December year ends but also early filings in the current year. Revenue advised that the Form CT1 2025 period is opening this week.

A number of other common practitioner ROS issues relating to payments had been raised at TALC and practitioners would welcome their consideration. For example, the date of payment of a tax refund is not provided, which can make it difficult to trace the refund to the bank account.

Practitioners welcomed the clarification provided at TALC regarding efforts to minimise scheduled ROS downtime in September, given the work undertaken by tax teams in preparing Forms CT1. Some downtime on Saturday, 6 September is unavoidable due to a main ROS release. The Institute will liaise with Revenue to confirm the downtime and provide practitioners with advance notice to enable them to plan ahead. It was welcomed that the notice proposing ROS downtime on the Form CT1 filing deadline of 23 September 2024 was quickly removed and a repeat occurrence on the Form CT1 filing deadline would not occur.

VAT Modernisation

The VAT in the Digital Age (ViDA) package has been adopted by the European Council in recent weeks. There are three streams to the package: eInvoicing and digital reporting, platform economy and single VAT registration. Businesses engaged in intra-EU trade will be obliged to comply with ViDA for eInvoicing and digital reporting by 1 July 2030. There is considerable collaboration underway across the EU, as member states assess the legislation and determine the most effective way to implement it.

Revenue has a team in place and is working through the proposal in advance of a structured engagement process. There will be substantial engagement with all stakeholders, including software providers, eInvoicing service providers and businesses. The Collector General's Division is the business sponsor for VAT Modernisation and will take the lead on change management and programme implementation, collaborating with colleagues in Indirect Taxes Policy and Legislation Division, and Information and Communications Technology & Logistics Division.

3. Timely Payment Compliance and Warehoused Debt

An update on timely payment compliance is outlined in the slides. There are 1.7 million cases in the Collector General's Division case-base which are largely tax compliant. There are specialised Debt Management Units dealing with cases managed by Large Corporates Division (LCD) and Medium Enterprises Division (MED) and high value customers within the case-base of Personal and Business Divisions.

The rate of timely compliance by small taxpayers has improved. Following the pandemic, Revenue noted some slippage in timely compliance and there has been a concerted effort to address this behaviour. This trend has now completely reversed with compliance rates improved on pre-pandemic levels. As illustrated in the slides, 93% of Business Division cases and 98% of Personal Division are now paying within due month + 1. Almost 100% of MED and LCD cases pay within due month + 1.

Phased Payment Arrangements (PPAs)

Revenue reminded of the importance of responding quickly to final demands to address the outstanding payment, in particular for those businesses availing of the Debt Warehouse Scheme (DWS). Failure to keep up to date with current taxes risks the loss of the 0% interest rate on warehoused debt. There is considerable flexibility in PPAs to address temporary difficulties. Early engagement is crucial for businesses facing challenges in meeting their agreed arrangement to retain the benefits of the DWS. Approximately 4% of the c.12,000 PPAs have lost the benefit of the 0% interest rate due to non-compliance with the terms of their PPA.

Revenue is receiving an increasing number of requests from practitioners seeking to consolidate taxpayer debt into a single PPA i.e. to include current tax liabilities in a DWS PPA and have a consolidated PPA. Revenue is monitoring this trend closely. It is important to note that payments made under the PPA will go towards clearing the debt at the 0% interest rate first. This means a business with a consolidated PPA could accrue a significant amount of interest on their current tax debt.

In addition, inclusion of current taxes in the PPA also suggests that the payment arrangement agreed to pay the warehoused debt may not be realistic. One of the conditions in agreeing a PPA for warehoused debt was that the business kept up to date with their current taxes. In some circumstances, there may be scope to renegotiate the agreed PPA, if the PPA is not tenable but the business is viable.

Revenue continues to note trends of payment difficulties in certain sectors, for example, wholesale, retail, manufacturing, construction, hospitality and some professional services related to IT.

An update on the DWS as at December 2024 is included in the slides. As outlined, 93% of the warehoused debt has been settled or secured in a PPA. There is €54 million in pursuable debt. There are 11,339 PPA in place with 94% agreed for a term of less than 5 years. 97% of PPAs covering warehoused debt are being honoured with monthly payments made. The debt warehoused now stands at less than €1 billion.

Attendees discussed the current uncertainty in the economic environment and the potential consequences of tariffs on cash-flow for Irish businesses. The PPA and its inherent flexibility may be useful and an option for businesses should temporary cash-flow issues arise from whatever proposals the US Administration may announce.

4. Debt Management System (DMS) and Enforcement

<u>The issue of final demands and forthcoming notification to agents</u>

Practitioners queried the speed at which cases are referred to the Sheriff and noted that taxpayers at times have not received the paper final demand. In addition, postal delays can mean that by the time the demand is received the case has already escalated to enforcement. Practitioners acknowledged that if the Collector General's Division is contacted quickly, the payment issue can be addressed before the referral to the Sheriff is made. The Institute welcomed plans for a development to notify agents, via ROS, of a list of final demands issued to TAIN-linked cases.

Revenue must apply the law in a fair and equitable manner. The majority of taxpayers pay on time. It is important that compliant taxpayers are not at a disadvantage versus taxpayers that pay late, so there are consequences for not paying on time. The critical message to taxpayers is that a final demand must be dealt with immediately. If the outstanding payment is not addressed promptly, the balance may be referred to enforcement. Taxpayers that fail to pay on time also risk losing the 0% interest rate on warehoused debt.

The initial request for payment is generally issued two working days in the next month following the due date. Seven days later the final demand is issued. After a further seven-day period, cases become available for referral to enforcement.

Work is underway on a ROS development to notify agents of a list of TAIN-linked clients to which final demands have been issued. This development is scheduled for release in June. The notification will include the taxpayer's name, tax reference number, and the overdue tax head to which the agent is agent-linked. The list will be issued to the ROS inbox each week directly after final demands are issued to taxpayers. The notification in the ROS inbox will be denoted by a star to highlight priority mail and so that it is more readily identifiable.

Practitioners queried scope to include text in the email notifying that correspondence has been received in the ROS inbox to alert the recipient that the notification relates to final demands given the time sensitive nature of the correspondence. This is not currently possible. However, Revenue is developing a filter for the ROS inbox to make it easier to search and identify more urgent correspondence. The filter will be initially designed for

PAYE, but Revenue is reviewing other options.

Revenue noted scope to supply agents with a similar TAIN-linked list of initial payment requests issued to clients and had invited views at TALC on whether this would be of value to agents. Practitioners considered that information on the number of initial requests for payment typically issued, and the proportion of taxpayers who consistently pay on foot of these requests, would be factors influencing the usefulness of such a notice to agents. For example, some taxpayers may consistently wait until they receive the Final Demands before they pay the tax as a method of managing cash-flow. If this occurs in a high proportion of cases, notifying agents of the initial request for payment may be of limited value. However, considering the overall speed in progression of cases from overdue status to enforcement, early notification may be merited. Practitioners welcomed information Revenue could share on patterns in payments on receipt of initial requests for payment.

Practitioners queried if Revenue could check for ongoing interventions before referring a debt to enforcement. They noted cases where payments made during an intervention were misallocated and sent to enforcement instead. Revenue stated that the DMS checks for interventions, appeals lodged, and payment allocations. Further details on the specific cases may be necessary to understand what occurred.

The application of interest where preliminary tax is underpaid

The Division noted instances where practitioners had expressed surprise that Revenue seeks interest on underpaid preliminary tax, where the income tax and corporation tax preliminary tax rules are not met. Revenue requests that practitioners be reminded that Revenue's debt management and interest procedures have been fully reinstated since the pandemic. Whether preliminary tax has been underpaid is a factual matter. There is no statutory right of appeal regarding interest charges. Revenue confirmed that letters seeking interest on underpaid tax are manually executed (i.e. the letters are not generated automatically).

5. Insolvency activity and Small Companies Administrative Rescue Process (SCARP)

The number of insolvencies remains low currently and at 2018/2019 levels. The number of businesses engaging with Revenue in relation to SCARP also remains low. Revenue received 33 applications in 2024 and only eight to date this year. Revenue has engaged constructively with the process and only opted out of a small number of cases, for example, some cases involving litigation where the prospect of survival was limited. It is unclear whether the general uptake of SCARP relates to low awareness of the facility or other factors.

6. Engaging with the Division

Practitioners acknowledged the pragmatic approach adopted by the Division to payment issues arising from disruption to businesses caused by Storm Éowyn. The improvement in the processing time for applications for letters of no objection (for voluntary strike off) is also greatly appreciated. Revenue noted the increased volume of applications recently and it has undertaken some streamlining in its approach to processing applications received. The Division requests that applications are made as early as possible with the full information required provided upfront, to give Revenue adequate time to review the application and expedite the case. The Collector General’s Division Exceptional Contact can be contacted in urgent cases where delays arise.

Practitioners asked about the interaction with other divisions on cases and if this can cause delays. The Division stated that it actively follows up with other divisions when information is needed to progress the application. Revenue is exploring ways to expedite letters of no objection while managing risk and considering potential developments, against a backdrop of constraints on IT developments.

Practitioners requested an update on Revenue’s planned IT development to provide advance notice of the expiry of tax clearance. This release will include a notification to inform agents, and it is scheduled for development in H2, 2025. On its release, the agent will be notified of TAIN-linked clients where tax clearance is due to expire. The notification will only be in respect of tax heads to which the agent is agent-linked. Due to GDPR, Revenue cannot communicate with an agent in respect of a tax head to which they are not agent-linked. In excess of 250,000 tax clearances applications were made in 2024 with 42,000 to date in 2025. Revenue conducts periodic reviews of tax clearance every three months.

Attendees discussed the current business and geopolitical environment, its uncertain impact on timely tax payments and the usefulness of engagement should significant difficulties arise.