



## **Special TaxFax New Revenue Audit Code Released Statement by Institute President, Andrew Cullen**

### **Three significant new tax audit measures welcomed - Irish Taxation Institute**

Irish Taxation Institute President Andrew Cullen has welcomed three significant new tax audit measures in the Revenue Audit Code and which will come into effect on 1 October 2010. He said “The key provisions in the Code reflect the changed economic circumstances in which Irish taxpayers now find themselves and will allow for a practical and more considerate approach to genuine tax mistakes and tax bills”.

### **Practical Instalment Approach**

A new provision whereby struggling businesses who have tax bills arising from Revenue audits can seek an instalment arrangement is very significant. These businesses want to settle their tax bill but are struggling to make up front tax payments due to the current economic climate. This new measure deals with the harsh reality facing thousands of taxpayers who want to pay their tax bill but can only manage it by way of an instalment agreement”.

“Last year 12,500 Revenue audits were carried out. A substantial percentage of settlements involve genuine mistakes by taxpayers who not only pay the tax bill in question but must pay penalties for the mistake plus interest on the original sum in question”, said the President.

“A small mistake which goes unnoticed can lead to unmanageable bills when the interest and penalties are taken into account. Taxpayers can incur 10% interest charges for mistakes on VAT and PAYE related issues, while interest charges of 8% are applied on Income Tax and Corporate Tax related issues”, added Mr. Cullen.

### **New rules on ‘No loss of revenue’ issues**

“There has also been a significant move today on ‘No loss of revenue issues. ‘No loss of revenue’ is where an error has been made by the taxpayer but this error has not cost the Exchequer any money. In the past a documentary mistake on an issue such as VAT or relevant contracts tax could lead to tax bill which is out of all proportion to original tax mistake. Interest and penalties could mean that the final bill is up to four times the cost of the original tax mistake. In the current climate, this could have a major impact on the cash flow of businesses, and in some cases push them towards insolvency. The new Code

however is much more practical in its approach and allows for a flat penalty payment, a move that is very welcome for businesses.

### **Certainty around time limits on Revenue Audits**

The President said that other new changes included certainty around the time limits of audits. “In the past taxpayers faced a seriously lengthy audit process with much uncertainty as to the completion date of the audit. The new code means that taxpayers will be informed of Revenue’s plans within a three month period of answering issues raised in the audit”.

Other additional measures include clear definition for businesses and individuals around the type of activity which Revenue is undertaking.

### **Implementation of the Code**

While welcoming the main provisions in the new Audit Code, Mr Cullen said it was important that the Code was implemented with consistency across the country. “It is also very important that taxpayers be made aware of what to expect with regard to Revenue Audit activity from 1 October onwards.

The Irish Taxation Institute President also stressed the need for a reasonable approach to be taken with those taxpayers who may have difficulty with the instalment process and

Mr. Cullen said: “The Irish Taxation Institute has worked intensively on the code and has made representations and submissions to Revenue throughout the past eighteen months”.

“There is an amount of new detail in the Code and the Institute will be hosting nationwide seminars across Ireland to explain the Code to the tax consultant profession who will be helping taxpayers to deal with the changes from 1 October this year. The Institute’s new ‘Revenue Audits & Investigations Handbook’ will also be published soon which will be a real benefit to those working their way through the detail”, he added.