



**Irish Tax
Institute**

Leaders in Tax

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By email to: matthew.kelleher@revenue.ie

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Dear Mr. Kelleher

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Co-operative Compliance Survey Feedback

1. Introduction

Thank you for the opportunity to respond to the survey on the Revenue Co-operative Compliance Framework. We gathered feedback from members in LCD and members with clients in LCD; some of whom participate in co-operative compliance and some of whom do not.

We have grouped the feedback below by headings to address the questions raised. We have taken this approach, to avoid repetitive answers arising.

2. Summary of key points arising from the feedback

- **The experience of co-operative compliance has been varied across all LCD sectors.**

In some cases the co-operative compliance regime has worked well for taxpayers and they have realised benefits from it. In other cases, the initial effectiveness of the regime in the early years of its introduction has become somewhat diluted, particularly in terms of technical support available to taxpayers. There are also cases where the co-operative compliance regime has, from the taxpayer perspective, not worked as well as had been envisaged.

- **Certain factors can be associated with a positive experience**

There are common factors that seem to exist in cases where the relationship has been most successful. These include:

Helen O'Sullivan – *President*, Mark Barrett, Marie Bradley, Dermot Byrne, Sandra Clarke, Ciaran Desmond, David Fennell, Karen Frawley, Ronan Furlong, Andrew Gallagher, Lorraine Griffin, Johnny Hanna, Mary Honohan, Jim Kelly, Jackie Masterson, Tom McCarthy, Frank Mitchell, Martin Lambe (*Chief Executive*), Tom Reynolds, Kieran Twomey. *Immediate Past President – Martin Phelan.*



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- Continuity of Revenue personnel handling the case;
 - Strong technical support;
 - Responsive case management.
- **The voluntary nature of co-operative compliance is key**

The voluntary nature of the co-operative compliance regime has encouraged engagement by taxpayers on the basis of trust and openness. This can be a useful option for encouraging engagement between taxpayers and Revenue.

3. Benefits arising and factors which influence these benefits

There have been varying experiences of co-operative compliance to date. Some experiences have been quite positive and some have not. There also seems to be mixed levels of awareness of co-operative compliance – a number of taxpayers who do not participate in the regime were not actually aware of it.

Where co-operative compliance has worked well, the key benefits experienced by companies are greater certainty in relation to tax risk based on technical support and a positive working relationship with Revenue where there are good levels of understanding on both sides and a “no surprises” approach to audits.

Common factors which give rise to positive experiences of co-operative compliance are identified as:

- Continuity of Revenue personnel dealing with a case. This assists in building trust in the relationship and developing an understanding of each other’s approach.
- Strong technical support so that the business can have certainty on their tax affairs.
- A structured and focused approach to raising queries and scheduling audits.
- Engagement where tax advisers are an integral part of co-operative compliance.

Some respondents noted that they had positive experiences with co-operative compliance but felt there had been a dilution in the service in recent times - for example in the level of technical support provided. Some respondents felt they were now subject to greater audit scrutiny than their contemporaries who had not engaged in the framework.

Feedback from our members also suggests that some companies in LCD have limited awareness of co-operative compliance.

When asked what additional benefits could be provided, it was suggested that a more tailored approach to tax risk may be appropriate. A large and complex company dealing with a lot of taxes will have aspects of their taxes that will be considered “higher risk” than other taxes. It should be possible for Revenue to adopt a tailored approach and focus on the higher risk activities of a business.

4. The voluntary nature of co-operative compliance

Co-operative compliance is a voluntary option and Revenue has sought to positively encourage taxpayers to adopt the framework. The survey raises questions about restricting

access to the framework, setting out formal consequences for non-participation and possible legislation or written agreements to govern the terms of the framework.

The OECD's 2013 report¹ on co-operative compliance shows that most countries that have introduced co-operative compliance have not introduced legislation or regulations to govern its operation. The report also notes that general practice is for co-operative compliance to operate on a voluntary basis.

The companies dealt with in LCD have consistently reached the highest levels of tax compliance in the Irish tax system – with a 97% compliance rate in 2013.² Many are, or will be, subject to stringent compliance controls and reporting obligations in relation to tax, for example under the Sarbanes Oxley Act and the Companies Bill shortly to be enacted. It is difficult to see merit in introducing a legislative basis for co-operative compliance. This could result in duplicative work for business in providing information to Revenue. This would increase compliance costs with no corresponding benefit to the Exchequer.

A positive approach of encouraging participation is more likely to engage taxpayers and promote active involvement.

In the current framework, we understand businesses already agree in writing that they are engaging in the process.

5. Ways to improve co-operative compliance

We have identified above common factors that have underpinned good experiences with co-operative compliance. A focus on consistent application of these benefits would certainly improve the overall experience of co-operative compliance.

The publication of precedent material, which was provided in the past, would also be useful. Where a technical issue has already been addressed by Revenue it would assist taxpayers if they were aware of the decision or interpretation taken. This would reduce the need for interaction with Revenue on matters already resolved, saving time and costs for all sides.

6. The role of advisers

Feedback indicates that co-operative compliance works best when Revenue, advisers and companies are involved in the process. This ensures that all parties are fully aware of any issues arising and ultimately will reduce the level of tax risk.

Advisers can play a key role in a company's decision to participate in the process so it is important that they are involved in the process and can identify realisable benefits for the client from participating.

7. The impact of co-operative compliance on compliance costs

Feedback indicates that there is no marked reduction in compliance costs from engaging in co-operative compliance. The main benefits that have arisen when the framework works well have been in obtaining greater certainty on tax exposure and reduced Revenue interventions.

¹ OECD (2013), Co-operative Compliance: A Framework: From Enhanced Relationships to Co-operative Compliance

² Revenue Headline Results 2013

In some instances where co-operative compliance has not worked well, compliance costs have actually increased, due largely to the protracted cost of dealing with more audits, interventions and queries.

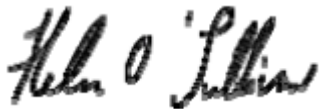
8. Conclusion

Co-operative compliance can give rise to benefits for taxpayers when it is supported by strong technical service from Revenue, response times are good and there is efficient and consistent management of cases.

It may be useful to create greater awareness of the co-operative compliance framework and publish the findings from the survey.

We are available for further discussions and consultations on any of the matters raised in this response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Helen O'Sullivan'.

Helen O'Sullivan
President
Irish Tax Institute