



**Irish Tax  
Institute**

**Meet the Members - 2018**

## Meet the Members - 2018



- David Fennell - President
- Martin Lambe - Chief Executive
- Anne Gunnell - Senior Tax Policy Manager
- Mary Healy - Revenue Representations Manager

## Activity over last 12 months

- Extensive activity since previous Members Tour
- Global backdrop influencing policy agenda
- Revenue activity – ongoing focus on services
- Update you today on the latest developments
- Welcome your views and feedback

# What's going on in the Institute?



**2** In-depth reports prepared



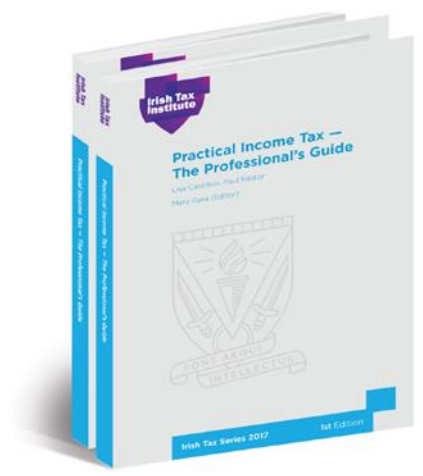
**20** Submissions to Government, Revenue and international bodies



**4** Free events



**10** New publications



**GDPR**



**15** Member bulletins



Attached is an update with the latest developments on Revenue and tax policy issues and the work the Institute is undertaking to progress the key issues you raise with us.

# Engage with broad range of stakeholders



An Roinn Gnó,  
Fiontar agus Nuálaíochta  
Department of Business,  
Enterprise and Innovation



An Roinn Airgeadais  
Department of Finance



An Coimisiún um Achomhairc Chánach



## Raising awareness

- The Institute makes representations through a number of channels
  - Public Consultations
  - Revenue engagement
  - Engagement with key policymakers
    - > Oireachtas
    - > Department of Finance
    - > European Commission/ European Parliament
    - > OECD
  - Publications
  - Media engagement

# Tax Appeals

The Institute has continued to press for reform of the tax appeals regime over the last year

- Submission to the TAC outlining 15 recommendations for reform
- Addressed an Oireachtas committee on backlog and high interest costs
- Produced detailed briefing material for media

Irish Tax Institute

## Irish Independent

METRO EDITION  
IRELAND'S BEST-SELLING DAILY NEWSPAPER  
www.independent.ie Wednesday 28 June 2017 €2.00 (€1.50 in Northern Ireland) ©

### Tax appeals system remains 'unacceptably broken'

**Donal O'Donovan**

THE Irish tax appeals regime is "unacceptably broken" Irish Tax Institute President David Fennell told practitioners last night.

Delays mean "uncertainty, high interest rates and high stress" for blameless taxpayers, he said.

In a speech at the Irish Tax Institute's annual dinner, Mr Fennell said a proper self-

assessment system must include an efficient functioning appeals system as an integral component.

The Tax Institute has previously called for changes to the appeals regime after it emerged that thousands of taxpayers are in dispute with Revenue with a backlog that could take up to 10 years to clear.

There were 251 appeals lodged last month, with only one resolved, he said.

"Taxpayers deserve certainty in terms of their tax liabilities. For a cohort of taxpayers who are locked indefinitely in the tax appeals system, the State is letting them down," he said.

Meanwhile, for the broader economy, he warned that change is happening at a rapid pace.

"On the international tax policy side, 2018 will be a very significant year. There will emerge new proposals to tax the digital

economy or digital transactions, further implementation of BEPS, the unfolding of US tax reforms and new central pillars for our own (Irish) corporate tax regime," Mr Fennell said.

The rise of internet giants has challenged tax authorities, and change is coming, he said.

"While I won't suggest 'winter is coming', the challenges of digital taxation will likely herald degrees of change not seen before," he added.



## Irish Independent

METRO EDITION  
IRELAND'S BEST-SELLING DAILY NEWSPAPER  
www.independent.ie Wednesday 28 June 2017 €2.00 (€1.50 in Northern Ireland) ©

### Huge build-up of tax appeal cases

**Charlie Weston**  
Personal Finance Editor

THERE has been a call for changes to the tax appeals regime after it emerged that thousands of taxpayers are in dispute with Revenue.

Such is a backlog that it could take up to 10 years to clear all the cases, the Irish Tax Institute said.

The institute said radical changes to how the appeals process works were needed.

It discovered that 4,000 appeals are in dispute, with half of these involving amounts of less than €10,000.

This implies that many of those in dispute are PAYE taxpayers and self-employed people.

"The Office of the Comptroller and Auditor General (C&AG) released a report last week, which found the value of cases under appeal at the Tax Appeals

Commission has increased over the past two years," said Irish Tax Institute president David Fennell.

"The C&AG Report said that at March 2017, the total value of tax appeals was €1.1bn," Mr Fennell said.

Recent figures from Dáil questions show that this figure has now grown to €1.5bn, and totals 4,387 appeals, he said.

The institute said that there are currently 2,214 appeals, which relate to amounts of tax that are less than €10,000.

"These appeals account for half of all appeals in the system, yet they account for less than 1pc of the total amount of tax in dispute and are creating a large backlog of cases.

"Whereas at the larger scale, 50 appeals account for almost €1bn in value and they represent only 1pc of the number of appeals currently at the Tax Appeals Commission."

## **Tax Policy Update**



# The context for our tax policy agenda

## OECD

- Addressing the tax challenges of the digitalised economy
- Aligning taxing rights with substance
- Improving transparency and certainty
- Implementing the Multi-lateral Instrument

## Brexit

- Hard/soft Brexit?
- Customs measures?
- Changes to UK CT rules?
- UK's competitive response
- Possible EU countermeasures

## Tax Policy Agenda

## European Commission

- Anti-Tax Avoidance Directives
- Digital Tax Directives
- Mandatory Disclosure Directive
- Automatic exchange of tax rulings, APAs and Country-by-Country Reports
- State Aid investigations
- Anti-Money Laundering Directive and Beneficial Ownership Registers
- CCCTB

## US Tax Reform

- Corporation tax rate reduction
- Mandatory transition tax on foreign earnings
- Territorial system
- GILTI
- BEAT
- FDII
- Limitation on interest deductions

## Tax policy agenda

- International tax reform
- Irish indigenous business
  - > Tax strategy to grow Irish indigenous exports
  - > EII
  - > KEEP
- Brexit and US tax reform

## **International tax reform**

# BEPS implementation within the EU – agreed Directives



## Anti-Tax Avoidance Directives

- Interest Deductibility
- CFC Rules
- Hybrid mismatches
- PLUS
- Exit Taxes
- GAAR
  
- Rules will come into force from 2019

## Exchange of Tax Rulings & APAs

- First exchanges took place in 2017

## Tax Dispute Resolution Directive

- Agreed in Oct 2017
- Applies to complaints from 1 July 2019 or earlier by agreement

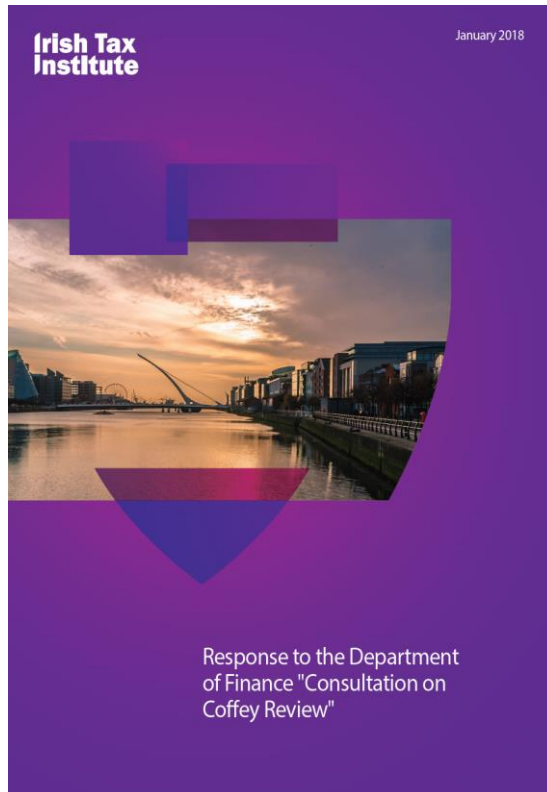
## Exchange of Country-by-Country Reports

- First exchanges will begin in 2018

## Mandatory Disclosure Directive

- Entry into force 1 July 2020
- **But**, reportable transactions in scope from **25 June 2018**

# BEPS implementation in Ireland – ‘Consultation on Coffey Review’



- Briefing held for members in Sept 2017 with Mr Seamus Coffey following publication of his Review
- Consultation on recommendations from Review concluded on 30 January
- Detailed submission made by Institute on :
  - > Controlled Foreign Company (CFC) legislation
  - > Moving to a territorial tax system
  - > Exit taxation
  - > Anti-hybrid rules
  - > Extending domestic transfer pricing rules
- CFC rules must be introduced by 1 January 2019 (Finance Bill 2018)

- Action 1 of BEPS – work still ongoing
- Institute responded to public consultation in October 2017
- Last February, Institute delegation met with Head of OECD Task Force on the Digital Economy (TFDE) in Paris to discuss recommendations
- OECD TFDE interim report published in March this year:
  - > Agreed by 110 countries
  - > Stressed the importance of a comprehensive, long-term solution.
  - > Does not recommend interim measures
  - > Work towards a consensus-based solution by 2020 - undertake a coherent and concurrent review of two fundamental tax concepts:
    1. “Nexus”
    2. “Profit allocation rules”

# European Commission - Fair taxation of the digital economy

- Institute responded to public consultation in December 2017
- Two Directive proposals published in March:
  1. Interim 3% Digital Services Tax imposed on gross revenues from certain digital activities
  2. Long-term solution – reform of corporate tax rules to include concept of a virtual PE in the EU
- Ireland and many countries have challenged the interim proposal
- Institute appeared before the Oireachtas in May:
  - > NB to achieve a global solution to deal with the tax challenges of digitalisation



## **Irish indigenous business**



## A future tax strategy to grow Irish indigenous exports



- 140-page report launched in June 2017 analyses global opportunities/ challenges for the Irish indigenous sector

- 20 key tax recommendations relating to:
  - > Ireland's CGT regime
  - > Tax measures for R&D and innovation
  - > Personal tax environment and talent
  - > Tax measures to expand export markets
  - > Income tax measures to support investment



## Employment Investment Incentive (EII)

- Consultation held in May
- Detailed submission made by the Institute with case studies from members, showing impact of GBER:
  - > Uncertainty over level of information required to satisfy GBER conditions
  - > Significant delays obtaining outline approval and tax relief certificates
- Other tax policy design features impacting EII:
  - > Splitting tax relief into two tranches
  - > Annual investment limit
  - > Revised connected party rules following Finance Act 2017



# Other technical issues for businesses



## Key Employee Engagement Programme (KEEP)

- New share scheme for SMEs in Budget 2018 welcome
- But, significant limitations which impact feasibility of scheme:
  1. Impact of remuneration test on high growth companies in start-up mode
  2. Definition of a 'qualifying individual'
  3. Definition of a 'holding company'
  4. Requirement for new issued shares
  5. Share buybacks needed to create liquidity in the shares
  6. Reorganisations not specifically catered for
  7. Agreed approaches to share valuations and development of 'safe harbour' approaches are required

# Other consultations

## Implementation of Agri-tax Review measures



- Consultation held in May
- Submission made by the Institute:
  1. Retain existing reliefs e.g. Stamp Duty for YTF, Stock Relief & CGT Farm Restructuring
  2. Amend Retirement Relief rules for lifetime land transfers between spouses/civil partners
  3. Extend land leasing exemption to family members
  4. Broaden income averaging
  5. Accelerated allowances/ enhanced deductions/credits for farm investment

## Review of Local Property Tax



- Consultation held in May
- Submission made by the Institute:
  1. LPT deductible business expense against Case V income
  2. Regularly review valuation date, exemptions and reliefs under the LPT regime

# Raising awareness on the tax environment for Irish indigenous business



## THE IRISH TIMES

THE IRISH TIMES  
Wednesday, June 28, 2017

### Tax code 'failing indigenous exporters'

Irish Tax Institute warns of over-reliance on small number of multinationals  
State more exposed and potentially less resilient to external shocks, report says

**EDIN BURKE-KENNEDY**  
This has created a "concentration risk" at the heart of the Irish economy, leaving indigenous exporters and creating an over-reliance on foreign multinationals, the Irish Tax Institute has warned.  
In a new report, the institute highlights how a comparatively small group of multinationals are responsible for the lion's share of export growth, innovation and corporation tax in Ireland.  
"However, in many impor-

tant aspects Ireland's tax policies are not matching the needs of the indigenous sector, and will not drive the shift in behaviour that is required. Two want higher living standards, a broader tax base and an economy that's resilient to external shocks, we cannot afford for this to continue," Ms Buckley said.  
In its 142-page report, entitled *A Future Tax Strategy for Growth*, the institute highlights a number of mismatches in Irish tax policy that hinder home-grown enterprises from scaling up, investing in research and development (R&D) and diversifying their products and markets.  
It says the relatively high rate of personal taxation here is one of the biggest barriers to attracting talent and addressing the

skills gap, with company bosses frequently citing it as a threat to business growth.  
The institute notes that there are currently over 2,000 ICT-related vacancies on technology recruitment website TechLifeline Ireland despite the fact that 17 jobs are among the best paid.  
Share option regime  
It also claims that Ireland does not have a "workable" share option regime for employees, which the special assignment relief programme designed to entice high-level talent into the country, effectively locks out Irish SMEs because it is only available to people working within a multinational group.  
Another key challenge was addressing the low level of R&D spending by indigenous firms, which falls way short of the EU

IrishTimes.com  
Wednesday, June 28, 2017  
€200,000 VAT,  
€3.30/letter/line/second.



Irish Independent

### Budget tax cuts will be limited – the heavy burden on middle-income earners shows no sign of easing

**David Fennell**

**Comment**

While middle-income earners are the ones who will be most affected by the budget cuts, the heavy burden on middle-income earners shows no sign of easing.

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THE IRISH TIMES Today's sections ▾ Past six days ▾ My articles ▾ Times+ ▾ My

MONEY  
OCTOBER 15, 2017, 12:01AM, THE SUNDAY TIMES

### It's fair to say the tax system needs reform

DAVID FENNELL

While last week's budget took steps to lift weight from the shoulders of Ireland's middle-income earners by way of income tax and USC band changes and USC rate cuts, the personal tax regime continues to be a complex, emotive, high-yielding piece of tax machinery.

Irish Tax Institute  
@taxinstitute

Our Senior Tax Policy Mgr Anne Gunnell, Minister @Paschald & Comms Dir @olivia1buckley with our new report at NED: [bit.ly/ExportsTaxStra...](http://bit.ly/ExportsTaxStra...)

4:21 PM - 28 Jun 2017

One News (Web)  
Broadcast: 28/06/2017

PASCHAL DONOHOE TD  
Minister for Finance, Public Expenditure & Reform

Minister Donohoe refers to the Institute's view's on tax in his interview with RTÉ



13 JUNE 18  
COMMITTEE ROOM 2

MEETING WITH THE IRISH TAX INSTITUTE

SELECT COMMITTEE  
Meeting with the Irish Tax Institute

## **Revenue representations and developments**

# Overview



Highlight some key issues on our agenda and developments:

- Revenue services
- Preparations for PAYE modernisation
- Revenue technical guidance
- Compliance developments & use of data



# Revenues Services



- Key topic for Institute at TALC, in bilateral meetings, at Branch meetings
- Addressed Oireachtas committee on the need for good service to provide certainty for businesses
- Developments to date on key services for members
- Next steps on Revenue services for agents



# Revenue Services – developments to date



| Service           | Key developments obtained for members  |
|-------------------|--|
| MyEnquiries       | <ul style="list-style-type: none"><li>- Agent-specific guidance e.g. on categorising, archiving</li><li>- Query ID /reference number to help track query</li><li>- Notification alert that query received by Revenue</li><li>- Tips on dealing with time-sensitive requests eg offsets</li></ul> |
| VAT registrations | <ul style="list-style-type: none"><li>- “Checklist” of supporting documents</li><li>- Information sought for smallest business</li></ul>   |
| RTS               | <ul style="list-style-type: none"><li>- Scope to meet with RTS expert on complex queries</li><li>- Updating of technical guidance with RTS decisions</li><li>- New system to more readily identify delayed responses</li></ul>   |
| Refunds (VAT)     | <ul style="list-style-type: none"><li>- New field on return to explain unusual items upfront (to minimise queries)</li></ul>   |
| ROS               | <ul style="list-style-type: none"><li>- Agent access to Jobs and Pensions to register new jobs</li><li>- Increased pre-population on Form 11 e.g. farm income</li></ul>  |
| Telephone         | <ul style="list-style-type: none"><li>- Ongoing monitoring of business taxes line</li></ul>  |

## Revenues Services – what's next?

- 2015 – 2017- Revenue's focus on online services for PAYE taxpayers e.g. MyAccount, RevApp, Website redesign
- 2018 – 2020 – strategy focuses on services for agents and business
  - MyEnquiries
  - VAT registrations
  - Business telephone service
  - RTS
  - Refunds
  - ROS e.g. CAT payments/returns
- Institute input on members' needs at TALC and one-on-one with Revenue



## **Preparing for PAYE modernisation**

# Preparing for PAYE modernisation



## What is happening at the moment?

- Revenue letters to all employers (April and September)
- Third party software development testing
- ROS upgrades
- Revenue activity i.e. educational visits & compliance checks
- Submission of employee lists (commencing) – reconciling to Revenue records
- Draft PAYE Regulations
- Work on Revenue guidance
- Revenue updates in each county in September /October – over 5,000 employers/agents registered
- Ongoing Institute/Revenue engagement on members' issues
  - 4 member/Revenue workshops on agent needs (smallest to largest firms)
  - Regular meetings on developments
  - Dedicated Institute webpage on PAYE modernisation

# Preparing for PAYE modernisation- matters to consider now

Software options (if client/you use payroll software)

1. B2B software – software directly interfaces with ROS
2. ROS compatible - upload file to ROS

Options for smallest employers who do not use payroll software

- ROS data entry screens
- Paper- based reports if employer is not e-enabled
- Institute pressing for tax calculation tools for smallest employers
- NO change in payment dates in new regime



# Preparing for PAYE modernisation- matters to consider now



## Discussing the new regime with clients

- Payroll procedures
- Agent/client responsibilities, timelines and fees
- Updating terms of engagement

## Institute assistance for agents

- Seeking flexibility on 2018 P35 deadline - i.e. Jan/Feb 2019 pressures for agents
- ITR articles on practical issues
- Ongoing engagement with Revenue on common issues
- Incorporating in education plans e.g. revised Employment Tax Cert

# Revenue technical guidance



- Revenue review of published material
  - Updates to manuals & new manuals
  - Archiving material > 5 years old
- Institute working to keep members updated on developments
- Seeking clarity in eBriefs on changes to manuals
- Providing comments on manuals on topical matters



# Institute input on topical technical guidance



## **Compliance developments**

# Overview of Revenue activity

- Key areas of focus
  - Ongoing focus on construction
  - Employer PAYE compliance
  - Third party data
  - eCommerce and online traders
  - Offshore data
- Reorganisation and stratification of case base
  - Expansion of 2<sup>nd</sup> Tier Divisions
  - HNWI in LCD now dealt with by 2<sup>nd</sup> tier
  - Development of “3rd Tier” in some regions

# Revenue use of data - overview of data sources

## Structured

### Internal

- Registrations
- Tax returns (inc. iXBRL)
- Payments
- Interventions

### External – Domestic

- Government bodies
- Banks
- Merchant acquirers
- General requirements – e.g. Form 46G

### External – Foreign

- Automatic exchange of information:
  - Income & assets
  - Breakdown of corporate activities

## Unstructured

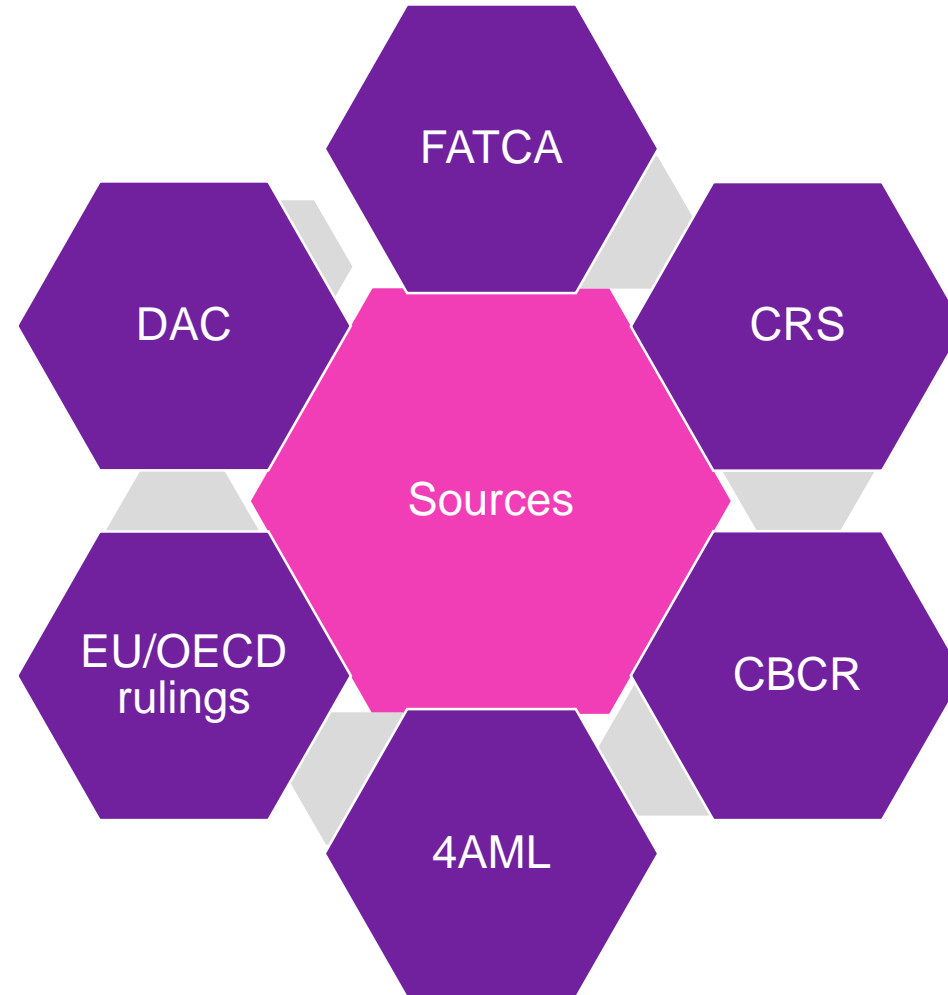
- Phone calls
- Emails
- Letters

- Suspicious Transaction Reports
- Good Citizen Reports

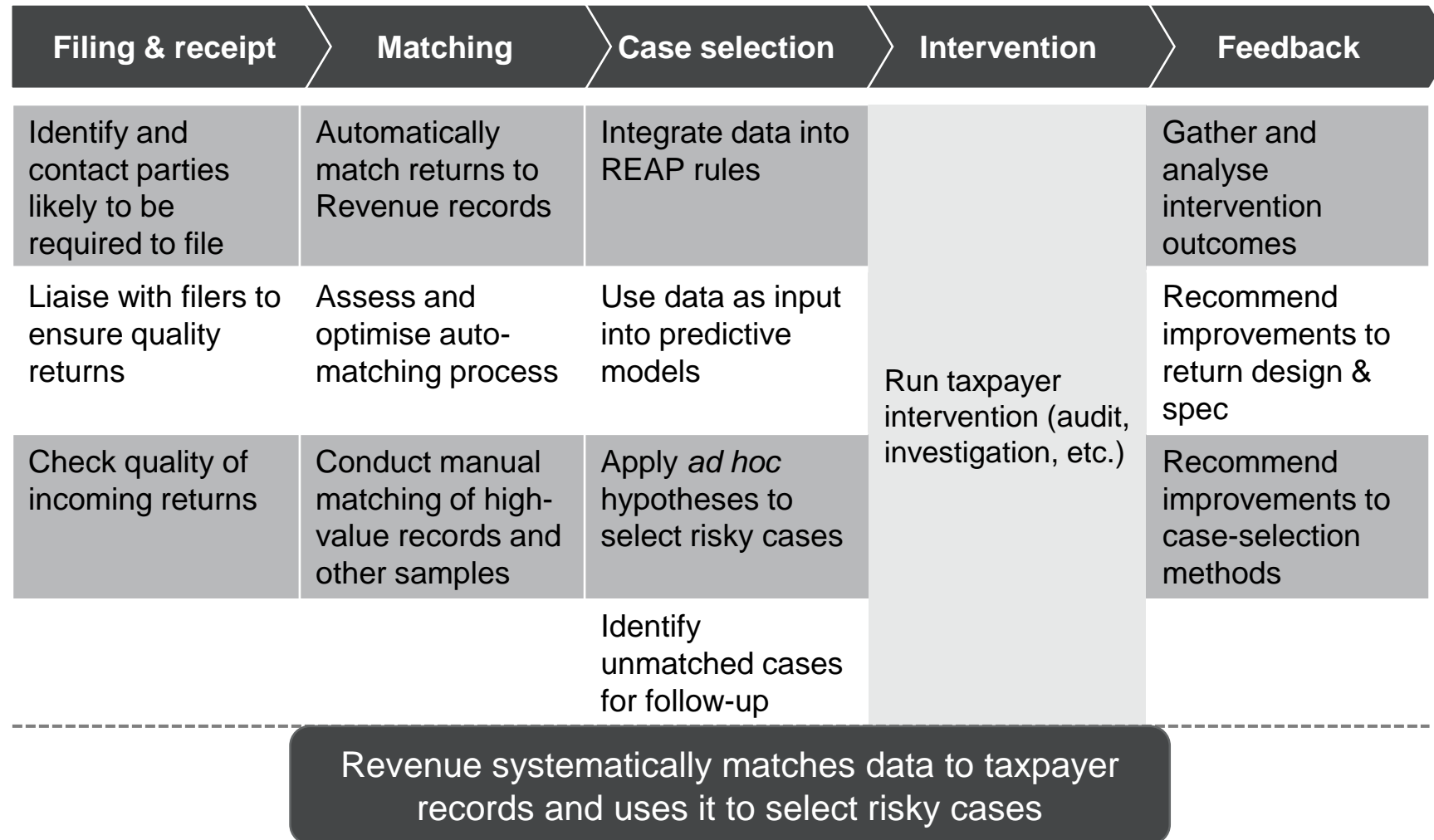
- Tax rulings
- Spontaneous exchanges
- Sundry other (e.g. Panama Papers)

Revenue draws in millions of data records annually – only selected sources shown here

# Revenue information sources



# Process for Managing External Data



# Updates on key developments



- Keep you updated on the latest developments
- TaxFax, bulletins, ITR

