**Summary Note of Annual Branch Network Meeting between the Irish Tax Institute and Revenue's Business Division**

**Clayton Hotel, Cardiff Lane, Dublin 2**

**8 December 2022**

**Key Points from the Meeting**

## 1. Overview of Business Division

Business Division consists of 11 Compliance Branches (which are organised geographically), two Service to Support Compliance Branches, a Risk Management & Quality Branch and a Divisional Office.

Each Branch is led by a Principal Officer (PO). The Compliance Branches also have at least five Assistant Principals (APs). Some Branches have national responsibilities, for example, Compliance Branch 4 is responsible for dealing with a number of legacy investigations. Service to Support Compliance Branch 2 is responsible for the National Excise Licence Office (NELO). The responsibilities of the Risk Management & Quality Branch include case selection using REAP and VAT Real-Time Risk and the PO of this Branch is a National Lead in respect of shadow economy activity.

The responsibilities of the Service to Support Compliance Branch 1 include the National Employer Helpline and National Business Tax Registration Service. Service to Support Compliance Branch 2 responsibilities include the Business Taxes phoneline and RCT for the division. The Divisional Office supports the work of the division. A high-level organisational chart and a detailed divisional chart setting out management responsibilities and office locations were provided in advance of the meeting.

Business Division has approximately 1,300 staff in 26 locations countrywide and a case-base of over one million customers, making it the largest non-PAYE division in Revenue. Since the last Annual Branch Network meeting in 2021, the upper threshold in annual trading revenue or professional income for inclusion in Business Division's case-base has increased from €3 million to €8.8 million and relevant cases have moved from Medium Enterprises Division (MED) to Business Division.

Business Division has been undergoing a rebuilding process in terms of staffing levels. There has been large turnover of staff in recent years due to retirements and the recruitment of new staff into the division. A significant number of new managers have been appointed in the last 18 months and the division has had three intakes of case workers for compliance. However, some new recruits do not have the same depth and level of experience as departing staff. It was acknowledged that staff resourcing issues arise for both Revenue and practitioners in the current tight market for talent and that a mutual understanding of the challenges for each side would be welcome.

Work in respect of the COVID-19 Support Schemes administered by the division has largely concluded with the exception of a number of EWSS compliance checks. Revenue stressed that it is critical that businesses file and pay their current taxes on time to retain their place in the Debt Warehousing Scheme (and to avail of Temporary Business Energy Support Scheme (TBESS)). Revenue will act swiftly if a current tax return filing and payment deadline is missed. The Collector-General's Division can work with taxpayers on legacy debt issues or who experience temporary payment difficulties but filing tax returns as they fall due is of paramount importance.

Revenue acknowledged the high level of timely compliance during the pandemic, despite the challenges for tax agents and taxpayers. Revenue has worked in a collegial way with agents who experienced genuine difficulties in complying with filing deadlines, for example, due to illness. However, where poor behaviour is identified, Revenue will engage bilaterally with those tax agents as necessary.

Revenue has learned a considerable amount about business models and payroll practices through the operation of the COVID-19 Support Schemes and will apply this in-depth knowledge in its approach going forward. In the context of payroll returns, there will be a particular focus on the accuracy and quality of returns now that the timeliness of filing returns has improved.

## 2. Compliance Activity and the Compliance Intervention Framework

Approximately 866 cases are currently at appeal with the Tax Appeals Commission (TAC) and most high values cases in the division have now been heard. Revenue is complying with the requirements of the TAC which are aimed at expediting cases.

In respect of the COVID-19 Support Schemes, cases involving the Temporary Wage Subsidy Scheme (TWSS) are essentially concluded. Only five cases remain open with two at appeal. Approximately 2,000 remaining Employment Wage Subsidy Schemes (EWSS) cases are being worked by the division. A small number of cases (approximately 30) involve EWSS fraud and have been referred to An Garda Síochána. Arrests have been made in some cases and the cases will proceed to the Criminal Courts. Some of these cases involve agents. A small number involving alleged fraud by the agent, with subsidy payments made to the agent's bank account.

Revenue is also examining cases in the construction sector where individuals were classified as subcontractors prior to the introduction of the EWSS but were classified as employees to avail of the subsidies under the scheme, and then subsequently reclassified as subcontractors when the scheme ended. Revenue intends to conduct visits to establish the correct employment status of these individuals.

Most taxpayers and agents responded promptly to requests from Revenue in respect of the EWSS compliance checks. However, Revenue has experienced significant issues with some agents who are not responding to Revenue correspondence on the scheme. Revenue is examining whether to limit the number of times it will write to the agent before Revenue corresponds directly with the taxpayer. Revenue considers it untenable that agents do not respond following three contacts from Revenue. Therefore, Revenue would like to discuss the issue further with the Institute on a bilateral basis.

*Areas of Focus for the Division*

VAT including high-risk VAT fraud will be a key area of focus for the division in 2023. Revenue will also be following up on VAT refund claims that have been abandoned by the taxpayer when Revenue asks queries or requests supporting information on the claim. Revenue plans to carry out visits to taxpayers who abandon VAT claims.

In addition, Revenue will be active in the area of Automatic Exchange of Information (AEOI), the Sugar Sweetened Drinks Tax and the Solid Fuel Carbon Tax to support legitimate businesses. Capital Taxes will also be an area of focus in 2023. The Business Division wealth taxes unit is managed from Cork.

VAT postponed accounting is another area of focus. Revenue has identified a pattern of incorrect entries in respect of postponed accounting. The Institute agreed to Revenue's request to draw attention to the article in the *Irish Tax Review* Issue 3 of 2021, authored by Revenue, about VAT postponed accounting and completion of VAT returns.

The shadow economy will be a top priority for the division in 2023, focusing on a number of sectors:

- Construction
- Car wash/car valeting
- Social media influencers
- Takeaway/food delivery
- Trade in domestic animals and pets (e.g., puppy farms)
- Couriers and the delivery sector
- Sectors with wage payments over and above reported payroll (e.g., where jobs are advertised or the average pay for the job is higher than the pay reported through payroll). Revenue has been examining mean pay rates in certain sectors to inform its approach.
- Businesses operating through cash-only (e.g., in the hospitality sector).
- Share fishermen.

Extraction fraud is also an area of focus for the division. This concerns phishing of taxpayer details through e.g., social media, emails etc and then making significant claims to Revenue. Revenue is profiling this activity and addressing individual cases with the Gardaí.

Activity in relation to share options is a national project for Revenue. Other areas of focus may be identified during 2023. For example, compliance activity work required in respect of the

TBESS and the identification of landlords with undeclared rental income from the new Rent Tax Credit claims.

As outlined above, Revenue intends to cover a broad range of areas. Activity will be driven by risk to cover the breadth of activity planned. The behaviour of the taxpayer will determine the approach adopted by Revenue.

In respect of legacy cases, very few legacy pre-realignment cases remain open. Revenue welcomes settlement proposals in relation to open cases to bring them to a conclusion.

## 3. Engaging with the Division – Services and Supports

*Revenue Update on Service Delivery*

Business Division has responsibility for the Business Taxes Helpline and National Employer Helpline. Responsibility for the ROS Helpdesk has now moved to the ICT Division. Revenue is focused on expediting queries promptly. As of 8 December, there are only 200 work items on hand in respect of the National Employer Helpline.

In respect of Tax Registrations, approximately 1,526 work items are on hand, over 306 items that are unresolved relate to cases in which Revenue is waiting for information from the agent/taxpayer. 1,267 items are less than 10 days old.

Operation of the phonelines on a half-day basis has assisted Revenue in focusing its resources on processing correspondence and queries. Previously, many calls to the phonelines in the afternoons were from agents/taxpayers seeking a status update on correspondence or agent requests or queries. Through focusing resources on processing work items received, Revenue aims to reduce calls requesting status updates.

Approximately 40,000 Income Tax/Corporation Tax items are on hand as of 8 December 2022 out of a case base of 1 million customers. Approximately 27,300 items follow from Pay & File. Approximately 11,000 items were worked the previous week.

Revenue is prioritising the processing of refunds and offsets and overtime work is underway to process these items. Revenue noted the importance of taxpayers providing bank account details to enable refunds to be paid. Several millions in tax refunds are currently ready to be paid but the taxpayer has not supplied the necessary bank account details to Revenue.

Practitioners raised that taxpayers (or agents) may omit to input bank account details for refunds, which is separate to the requirement to provide details for tax payments. Practitioners considered that it should be possible to tick a box to indicate that the bank account used for tax payments, should also be used for tax refunds. Business Division will seek to progress this suggestion.

*Practitioners' Feedback and Queries*

Practitioners noted the ongoing issue with the communication of Revenue-initiated queries to practitioners. Queries are often misdirected to a staff member in a practice who is absent, on leave or who has not worked on the client to which the query refers. This means queries may be overlooked or not responded to in a timely manner. This may be one of the reasons why Revenue is experiencing instances of practitioners not responding to queries.

The Institute has been engaging with Revenue through the TALC MyEnquiries Sub-group on this matter, with a possible solution identified through the introduction of a designated/critical contact email address in MyEnquiries to which Revenue-initiated queries could be addressed. Practice staff with permissions to access this particular email address could then view the queries. However, Revenue has advised the Institute that there are no ICT resources to fund this development in the first half of 2023. The Institute is continuing to pursue this development through TALC.

Practitioners also noted the suggestion made at TALC to improve communication to agents on outstanding tax payments. Practitioners would like to be able to generate a list of outstanding tax payments for their client lists on ROS, similar to the facility to view outstanding returns. This would help agents to keep taxpayers compliant and the Institute will continue to pursue such a development at TALC. A short-term fix to inform agents about outstanding payments before Revenue proceeds to enforcement, would be to inform the agent in advance about the date the debt will pass to the Sheriff. However, the effectiveness of such a measure is dependent on ensuring that any communication (via MyEnquiries) is directed to the appropriate staff member in the practice.

In relation to the phonelines, practitioners queried whether agents could bypass the recorded messages as the information is intended for taxpayers not for agents, who have to hear the same messages multiple times a day. Revenue agreed to examine this matter.

**Note: Subsequent to the meeting the division engaged with Revenue's IT section who agreed to facilitate this request and the new number is 01-7383697. This number is for agents only and bypasses messages on the Business Taxes lines. Agents will continue to hear a message informing them that calls are recorded and giving them the option to transact their call as Gaeilge as these are both mandatory messages.**

Practitioners raised an instance where a taxpayer had a tax debt meaning they could not obtain tax clearance but needed tax clearance to trade and consequently, generate revenue to clear the debt. The case in question had been sent to the Sheriff and it was queried whether the taxpayer would be advised that the Sheriff was engaged on the case.

Revenue confirmed that taxpayers are made aware if their debt has been referred to the Sheriff. It was suggested that the Collector-General's Division should be contacted in respect of the individual cases regarding tax clearance. Revenue agreed to provide the Institute with contact details for the Sheriffs' Association should the Institute wish to engage on any systemic issues relating to role the Sheriff. (Contact details were provided in follow up to the meeting).

Practitioners queried the scheduling of interventions, primarily Level 1 interventions, during Pay & File compliance season, given agents' dense workload during this period. Revenue considers if the intervention relates to a VAT refund, the intervention notification must issue or the refund will be delayed and will seek to avoid non-urgent interventions in the lead up to Pay &File deadlines.

Practitioners queried scope to select a different registration date or a future date for PAYE when registering a taxpayer for a number of tax heads. Revenue has put forward a proposal internally for an ICT development to address the issue raised. A contact point will be provided for a practitioner query in relation to non-resident landlords filing obligations in respect of 2022.

Practitioners noted feedback from members that completion of the exceptional item information field on the VAT3 appeared to trigger a check on the claim and delay the refund and queried Revenue's policy in this regard. Revenue confirmed that the completion of this field does not trigger a risk on their VAT Real-Time Risk programme and the Institute welcomed this confirmation.

Queries were raised on the timeline for processing of clearances in liquidation cases. Revenue advised that there was a backlog in one of the Dublin Districts, due to the volume of applications received for Members Voluntary Liquidations but the backlog had been significantly reduced. (Subsequent to the meeting, Revenue confirmed additional staff has been assigned to the area to expedite the cases on hand).

In respect of PAYE Modernisation, Revenue advised that the importance of timely payroll returns was emphasised by the COVID-19 Wage Support Schemes and the rates of timely filing have improved considerably. Revenue's focus will be on the accuracy and quality of information in the returns in 2023 when interacting with the business in respect of payroll reporting. Interventions will not take the form of a bulk issue but will be informed by sectoral analysis.

In response to questions on its plans for 2023 in relation to share-based remuneration, Revenue noted it will be undertaking further compliance activity in respect of share options, where individuals become chargeable persons on the exercise of share options but are not filing the RTSO1 nor paying the tax due on related income from dividends, or CGT on the sale of shares is undeclared. 1,300 employer notices were issued with information for employers to pass on to employees. According to Revenue analysis, there is a considerable shortfall in the tax returned on share options.

Revenue will conduct a number of checks in relation to EIIS and KEEP in 2023. Practitioners welcomed any scope to provide feedback if it would assist in the efficient handling of checks on such cases.

Regarding questions on current compliance activity, Revenue advised that presently 15,000 interventions under the new Compliance Intervention Framework are open in the division. Learnings from the COVID-19 Support Schemes will inform Revenue's approach, taking account of taxpayer behaviour and risk.

In cases which Revenue consider are high risk for VAT fraud, Revenue will not limit its focus to VAT. Revenue will examine the case as a whole, including examining EWSS claims, where the taxpayer participated in the scheme.

In respect of the EWSS, Revenue has issued 2,000 notifications to taxpayers who had self-declared as ineligible for EWSS through the Eligibility Review Form but continued to claim subsides under the scheme. In these cases, the taxpayer has been asked to self-correct and repay the relevant subsidies. Based on risk and materiality, Revenue will reopen all claim periods in the case of non-responders.

Practitioners and Revenue acknowledged the engagement in a collegial manner in addressing issues raised during the meeting and throughout the year ahead.