



12th
November 2019

Mr Niall Cody,
Chairman
Revenue Commissioners,
Blocks 8-10,
Dublin Castle,
Dublin 2
D02 F342.

Flat Rate Expense Regime

Dear Chairman


I refer to my reply in Dáil Éireann last week to two Parliamentary Questions for written reply put down by Deputy Michael McGrath on the issue of the Flat Rate Expense (FRE) regime operated by the Revenue Commissioners (copy attached).

In follow-up to my reply, I would be grateful if you could arrange to provide me with a factual update on the current status of the comprehensive review being undertaken by Revenue on the regime over the last 18 months or so.

I would also be very grateful for any further clarification which Revenue can provide to me on the numbers of employees that benefit from the FRE regime under each employment classification as well as information on the associated costs.

You will be aware that the FRE issue is the subject of a number of further Parliamentary Questions for oral answer this week (Wednesday, 13th November), including a question for priority oral answer. As such, I would be very grateful to receive any information that you can provide to me at the earliest possible opportunity.

Yours sincerely



Paschal Donohoe T.D.
Minister for Finance and Public Expenditure and Reform

PQ Type Written

Proof Number 63

Minister Paschal Donohoe

Assigned To PQ_FIN Mairead Ross

TD Asking Michael McGrath

Date for reply to Oireachtas 07/11/2019

Question 45981

To ask the Minister for Finance the status of the review of flat rate expenses; if it is being undertaken by the Revenue Commissioners; when he expects the review to conclude; and if he will make a statement on the matter.

Reply

The FRE allowance regime is an administratively based practice operated by Revenue, where both specific commonality of expenditure exists across an employment category and the statutory requirement for a tax deduction for expenses as set out in section 114 of the Taxes Consolidation Act (TCA) 1997 is satisfied, namely, the expense must be wholly, exclusively and necessarily incurred in the performance of the duties of the relevant employment.

The FRE allowance regime eases the administrative burden on Revenue and on employees in certain sectors by facilitating the automatic granting of a fixed tax allowance to cover allowable employment-related expenses, without the need for annual claims by every employee concerned. It is important to note, however, that the regime does not preclude any employee from making an individual claim for a tax allowance in respect of employment-related expenses, where those expenses meet the statutory requirement for such an allowance.

I am advised by Revenue that an FRE allowance amount is decided following engagement between Revenue and the relevant representative body for the particular group of employees who incur the same expense. The regime has developed incrementally over the last 40 to 50 years and currently incorporates 53 employment categories, broadly covering some 134 individual FRE allowance amounts - see list attached.

I am also advised by Revenue that a breakdown of the cost of the relief and numbers of employees by reference to each employment classification in which the FRE regime

currently operates is not readily available. For 2017, however, the estimated number of taxpayer units who availed of FRE allowances was 606,570 with gross claims of €163 million equating to a tax cost of some €48 million. Final figures for 2018 are not expected to be available until mid-2020, to allow for processing of the data from income tax returns and cross referencing across Revenue's operational systems.

As the Deputy will be aware, over the past 18 months, Revenue has been conducting a comprehensive review of the FRE allowance regime. Revenue has advised me that the purpose of the FRE review, which involved engagement with relevant representative bodies, is to ensure that the expenses granted to each employment category remain justified and appropriate to modern day employments and work practices. Each category of FRE allowance is being examined separately in the light of the legislative requirements of section 114 TCA 1997.

Having regard to the Deputy's questions and to the fact that we are coming closer to the date on which any changes on foot of the review are due to be implemented, I will write to Revenue and request a factual update on the issue. I will also take the opportunity to enquire if Revenue can provide any further clarification on the numbers of employees by reference to each employment classification as well as the cost under each classification. I will revert to the Deputy in the matter as soon as possible.