

# Key Administrative Burdens Faced by Revenue's Small and Medium Sized Business Customers

**Research Unit**  
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## 1: Executive Summary

Operating a small or medium sized enterprise (SME) involves compliance with a multitude of regulations imposed by various Government Departments and Offices. Compliance with these regulations is a priority for the vast majority of businesses. Revenue has conducted this consultative study with a view to developing a better understanding of the impact of Revenue regulations on the SME sector and identifying the key administrative burdens faced by these customers.

Revenue's Research Unit carried out this study in consultation with four firms nominated by the Small Firms Association (SFA). The purpose of study was as follows:

1. To agree with the nominated SMEs the range of activities they regard as Revenue administration work.
2. To quantify the resources required by the nominated SMEs to carry out these activities.
3. To suggest practical improvements to simplify, streamline or reduce the administrative work performed by SMEs based on the information obtained in the course of the study and its conclusions.

### 1.1: Key Findings

The issues identified in this case study represent the aspects of administration associated with Revenue regulation that are perceived to be particularly burdensome by the participating small businesses. The key findings are summarised as follows:

- The estimated length of time spent carrying out administrative activities associated with Revenue regulations ranged from 38 to 51 hours per annum excluding customs and excise activities.
- One participant engaged in the manufacture and export of alcohol products advised that maintaining tax warehouse stock control and management records involves over 1200 hours per annum. This considerably increases the

estimated time spent on Revenue related administrative activities for the participant in question.

- Compliance with VAT return and Third Party return obligations and the impact of Professional Services Withholding Tax regulations on cash flow are seen as factors contributing significantly to the administrative burden.
- Perceived duplication in the provision of information to various Government Departments is time consuming for businesses.

Some of the case study findings are consistent with the work programme emerging from the recently established High-level Group on Business Regulation. This cross-Department and cross-Agency forum was set up to drive a programme of administrative burden reduction across five priority areas identified by the Business Regulation Forum. Taxation features as one of the priority areas and Revenue is represented on the Group. The initial programme of work emerging for Revenue includes consideration of possibilities for data sharing, improved efficiency for tax clearance verification and simplification of certain tax return forms.

## **1.2: Suggestions for Reducing the Administrative Burden**

The participants made a number of suggestions aimed at easing the administrative burden associated with the aspects raised as follows:

- Extending the deadline for the submission of VAT annual return of trading details and declaration of duty liabilities would ease the issues associated with compliance (4.4 and 4.11).
- It would be less burdensome to provide the data required on the VAT annual return of trading details at regular intervals throughout the year e.g. bi-monthly using the VAT3 return or quarterly for traders who file electronically (4.4).

- The submission of third party information is seen as effectively carrying out a task that is more appropriate to Revenue, and the rationale behind the need for third party returns should be provided (4.5).
- An exemption from Professional Services Withholding Tax requirements for businesses operating below a certain threshold should be considered (4.6).
- A campaign by Revenue to highlight the availability of a ROS Liaison Officer in each District in addition to conducting ROS regional seminars for SMEs should be carried out to increase take-up of the ROS facility (4.7).
- A communications exercise to increase the awareness of the availability of the on-line Tax Clearance Certificate (TCC) verification facility among public bodies should be initiated (4.7.2).
- Improvements to the telephone service should be considered including an answering machine facility, dedicated contact persons in the Districts and Dublin Port (4.8).
- Issuing guides for small business by post periodically would benefit customers who do not have internet access (4.8.1).
- The provision of early advice from Revenue would assist newly registered small business customers to understand their obligations (4.8.1).
- P45 notes should point out that delays in issuing P45s and the receipt of incomplete or illegible P45s result in difficulties when setting up new employees on payroll systems (4.9).
- The content of the two publications “*Code of Practice for determining Employment or Self-Employment status of Individuals*” and “*Employed or Self-Employed A Guide for Tax and Social Insurance*” should clarify that the

existence of an employment contract renders the status of employment as that of an employee for Revenue and Social Welfare purposes (4.9).

- A threshold applied to the requirement on small companies to maintain records for six years, would ease the burden associated with record keeping (4.10).

Suggestions relating to improving the facilitation of customs and excise audits were also proposed (4.11.3):

- The two-month period following the end of the financial year is not an ideal time for facilitating audits/control visits as staff are finalising the company's annual accounts.
- Audits involving a Revenue official on site for a week are easier to manage in terms of time required.
- Audit notification should advise how long the audit is expected to take.
- Contact from Revenue regarding the outcome of the audits would be welcome.

These suggestions and initiatives arising from the work programme for Revenue emerging from the High-level Group on Business Regulation will be assessed in the context of Revenue's ongoing simplification agenda. Where relevant, action plans, with timelines, to implement the associated initiatives will feature in Revenue's business plans. When considering timelines it should be noted that the High-level Group on Business Regulation will report initially to Government before end July 2008.

The High-level Group on Business Regulation intend to measure, where feasible, the cost savings associated with the administrative burdens eliminated or simplified as a consequence of their work programme. Revenue will facilitate this process to estimate the benefit of simplification initiatives implemented.

With a view to identifying potential areas for further simplification, consideration should be given to conducting further cases studies with the SME sector. There may also be additional administrative burdens associated with Revenue regulation encountered by self-employed customers. A similar consultative mechanism to surface any relevant issues should be carried out.

### **1.3: Approach**

A profile of the businesses, including a list of the main Revenue activities carried out, is contained at Appendix 1.

The approach, including the range of administrative activities and the method of data gathering, was finalised in cooperation with the participants whilst being cognisant of their normal day-to-day business pressures. The information collated was based on 2006 business activity and included annual return obligations in some instances. The business representatives involved in the study each had a number of years experience in dealing with Revenue administration activities.

Two meetings were held with each participating business. In conducting the case studies a standard questionnaire was discussed at the outset with each participant. The questionnaire focussed on day-to-day Revenue administration activities, evaluation of those activities in terms of complexity, simplicity or duplication, sources of information used and interaction with Revenue. Further information, relating to the number of staff involved and time spent specifically on Revenue administration e.g. completing and filing returns and making payments was collated by the businesses over a number of weeks. This information was reviewed and discussed with the participants at the second meeting.

### **1.4: Acknowledgement**

The Research Unit would like to thank the businesses, their representatives and the SFA for fully engaging in this case study. The co-operation extended in terms of time dedicated to attending meetings and collating information is acknowledged and appreciated. In particular the openness with which participants shared their experience of dealing with Revenue and its regulatory obligations was invaluable.

### **1.5: Outline of Report**

Section 2 sets the administrative burden in context. Revenue's regulatory responsibility and simplification agenda is contained in Section 3. The findings of the case study are set out in Section 4. Section 5 reports on the findings of other administrative burden studies in so far as they relate to Revenue regulations. The report concludes in Section 6.

## 2: The Administrative Burden in Context

### 2.1: Definition of Administrative Burden

Regulation is generally defined as “the diverse set of instruments by which governments set requirements on businesses and citizens”. Administrative regulations are put in place in order to support public policies in areas such as taxation, environmental protection, health and safety and employment rights. In addition, administrative regulations can create benefits for the participants in an economy by setting the framework for a competitive and low cost business environment.

Businesses and citizens spend time and money in order to comply with administrative regulations. The costs incurred during this compliance process are often referred to as “administrative burden”. In addition to these direct costs of administrative regulations, it is also recognised that administrative regulations can impede innovation and create unnecessary barriers to trade and investment, as well as economic efficiency, if they become excessive in number and complexity.<sup>1</sup> Administrative burden can affect the overall cost efficiency of domestic firms and hence at a more macro level could have a significant impact on the competitiveness of an economy internationally.

In response to this, many governments are focussing their efforts on reviewing and simplifying administrative regulations. When well designed, administrative regulations can improve the functioning of markets and achieve environmental and social goals without imposing a significant compliance burden on firms.

### 2.2: Comparison of Administrative Burden on SME and Large Business Sectors

It is widely recognised that the administrative burden can have a disproportionate effect on small and medium sized enterprises (SMEs) compared to large enterprises. In general, SMEs have less capacity to handle all the regulations compared to larger companies and the situation could be even more difficult for small companies. A

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<sup>1</sup> *From Red Tape to Smart Tape, Administrative Simplification in OECD Countries* OECD (2003)

2001 OECD study<sup>2</sup>, which examined the costs of administrative compliance in almost 8,000 SMEs in 11 countries, found that administrative compliance costs per employee were over five times as high for the smallest SMEs than for the largest<sup>3</sup>. In this study, the estimate of compliance costs was arrived at by adding the annual estimate of hours per month spent by company personnel complying with specific areas of regulation and the estimated average cost of hiring outside services for the purpose of regulatory compliance.

### 2.3: Administrative Burden in Ireland as a Percentage of GDP

Research carried out by the CPB Netherlands Bureau for Economic Policy Analysis<sup>4</sup>, using an extrapolation of Dutch data, estimated the assessment of administrative costs as 3.5% of GDP in the EU in 2003. This research estimated the total administrative burden for Ireland, expressed as a percentage of GDP (market prices), as 2.4%, one of the lowest in the EU (Table 1 refers).

**Table 1. Estimated Total Administrative Burden for EU Countries Expressed as a Percentage of GDP (Market Prices) 2003**

Country	% of GDP	Country	% of GDP	Country	% of GDP
Finland	1.5	France	3.7	Italy	4.6
Sweden	1.5	Germany	3.7	Spain	4.6
UK	1.5	Netherlands	3.7	Poland	5
Denmark	1.9	Slovenia	4.2	Greece	6.8
<b>Ireland</b>	<b>2.4</b>	Portugal	4.6	Hungary	6.8
Belgium	2.8	Slovakia	4.6		
Czech	3.3	Austria	4.6		

<sup>2</sup> 'Business Views on Red Tape: Administrative and Regulatory Burdens on Small and Medium-sized Enterprises' OECD (2001),

<sup>3</sup> Small SMEs 1 – 19 employees. Large SMEs 50 – 499 employees

<sup>4</sup> 'Intra-EU differences in regulation-caused administrative burden for companies' Henk Kox (2005)

## **3: Revenue's Regulatory Responsibility and Simplification Agenda**

### **3.1: Revenue's Regulatory Responsibility**

Revenue, the organisation responsible for tax and customs administration, has a unique set of responsibilities to the community. Revenue-related regulation must be sufficiently robust to enable the achievement of the tax collection targets set by Government and the effective control of the importation and exportation of goods. At the same time, Revenue's regulatory requirements must provide an effective support to allow business and others to comply voluntarily and efficiently with their Revenue responsibilities. With these aims in mind, Revenue works with industry and tax practitioners to develop and maintain a balanced regulatory environment - one that achieves its objectives without imposing unnecessary costs.

A particular aspect of regulation as it applies to Revenue is the need to ensure that those who do *not* comply with their Revenue responsibilities are pursued and are appropriately subjected to effective sanctions. This is necessary to ensure a level playing field, an issue, which concerns both business and Revenue. In considering the impact of Revenue-related regulation on business it is important, therefore, to keep in mind the overarching objective of such regulation, namely, the collection of the taxes and duties required by Government to implement its social and economic policies.

### **3.2: Revenue's Simplification Agenda**

Revenue is committed to a continuous programme of streamlining and simplification. Over the past number of years Revenue has initiated major programmes of reform to improve the administration of the tax and duty systems. Legislative, administrative and operational initiatives, and the development of e-business services are features of these programmes.

Notwithstanding these developments, Revenue continues to feature as the regulatory body which imposes the most significant burden on the SME business sector. This is to be expected, as Revenue is the State agency that businesses deal with most frequently. It is against this background and in line with Revenue's commitment to

better regulation that this administrative burden case study was carried out by the Research Unit.

The Research Unit also conducted a survey measuring customer satisfaction levels and perceptions of Revenue among the SME sector in 2006<sup>5</sup>. The outcome of these two research studies allow for assessment of the SME sector's view of Revenue as well as providing a better understanding of what is involved in complying with Revenue obligations.

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<sup>5</sup> 'Survey of Small and Medium Sized Business Customers 2006: Results and Analysis' Office of the Revenue Commissioners [http://www.revenue.ie/publications/business\\_survey2007.pdf](http://www.revenue.ie/publications/business_survey2007.pdf)

## 4: Key Administrative Burdens – Case Study Findings

### 4.1: Differentiating Business Costs from Administrative Burden Costs

It can be difficult to differentiate the day-to-day costs of effective business management from the costs associated with complying with regulatory requirements. A tax compliance burden case study<sup>6</sup> conducted by the US Internal Revenue Service's (IRS) Office of Research in 2003 reported that accurate measurement of administrative burden required the determination of activities that are foundational to running a business, and activities that are incremental activities carried out primarily for federal tax purposes. It was often the case that some aspect of the activity related to running a business, while another part of the same activity related to fulfilling federal tax obligations.

The Standard Cost Model, which is used by some EU Member States to measure and reduce the administrative burden, distinguishes administrative burdens from administrative costs as follows:

*'Administrative burdens are the part of administrative costs that businesses sustain simply because it is a regulatory requirement. The administrative burdens are thus a subset of the administrative costs in that the administrative costs also encompass the administrative activities that the businesses will continue to conduct if the regulations were removed<sup>7</sup>'.*

### 4.2: Estimated Time Involved Complying with Revenue Regulations

For the purposes of estimating the time spent complying with Revenue regulations, the participants were requested to monitor administrative activities carried out that were specifically related to their tax and duty regulatory obligations. The participants estimated the time spent fulfilling these requirements over a number of weeks included annual return obligations in some instances. A summary of the data provided by each participant is set out at Appendix 2.

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<sup>6</sup> 'The Tax Compliance Burden of Small Business – A Profile of 50 Businesses' DeLuca et al. (2004)

<sup>7</sup> 'The International SCM Manual; measuring and reducing administrative burdens for businesses' International SCM Network (2005)

In three cases, the time spent on Revenue activities (excluding C&E aspects), when calculated over a twelve-month period, ranged between 38 and 51 hours per annum. One participant estimated the time at 200 to 260 hours per annum but qualified this by stating that the majority of this time is spent ensuring that the company's accounting and administrative procedures are carried out correctly.

However one participant engaged in manufacturing and exporting alcohol products, estimated that the time spent maintaining detailed schedules of alcohol content usage in the manufacturing process is in the region of 1,200 hours annually. These schedules are required for the submission of monthly stock returns to Revenue (Section 4.11.1 refers). The company stated that this level of administration, involving a member of staff full-time three days a week, is required to provide Revenue with easily verifiable information that accounts for its relatively low excise duty liability (95% of product is exported). The company acknowledged that sourcing suitable software would assist in reducing the length of time required for this function.

Excluding excise duty obligations, the estimated time spent on Revenue activities by the participants is similar to the results of Revenue's survey of small and medium sized business customers 2006<sup>8</sup>. These indicate that where respondents or their spouses maintained the records, the majority of cases (43%) spend 1 hour or less a week doing so. Just over 77% of respondents spend less than 2 hours a week on Revenue related records.

This information compares with an estimate of the time spent paying taxes in Ireland at 76 hours per annum. This estimate produced by PricewaterhouseCoopers<sup>9</sup> in 2007, ranked Ireland in ninth place out of 177 countries. Three other OECD countries, Luxembourg (58 hours), Switzerland (63 hours) and New Zealand (70 hours) featured in fourth, sixth and seventh place respectively. This same report ranks Ireland in 6<sup>th</sup> place in terms of ease of paying taxes.

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<sup>8</sup> 'Survey of Small and Medium Sized Business Customers 2006: Results and Analysis' Office of the Revenue Commissioners [http://www.revenue.ie/publications/business\\_survey2007.pdf](http://www.revenue.ie/publications/business_survey2007.pdf)

<sup>9</sup> 'Paying Taxes 2008 - The Global Picture' Pricewaterhouse Coopers and The World Bank Group (2007)

### **4.3: Key Administrative Burdens Identified**

Discussions with the case study participants raised administrative burden issues associated with the following areas:

- Tax return obligations specifically VAT 3 Returns, VAT Annual Return of Trading Details and Third Party Returns;
- Compliance with professional services withholding tax regulations;
- Take-up of electronic services;
- Contacting Revenue and the provision of information to SMEs;
- Issues relating to Employee /Payroll obligations and
- Impact of compliance with certain excise regulations.

### **4.4: VAT Return Obligations**

#### **VAT Return Obligations**

VAT-registered traders collect VAT on the supply of goods and services to their customers. Each such trader in the chain of supply from manufacturer through to retailer charges the VAT on his or her sales and is entitled to deduct from this amount the VAT paid on his or her purchases.

A taxable person is an individual, partnership, company etc. which is, or is required to be, registered for VAT. Persons, whose annual turnover from supplies of taxable goods and services, or the value of whose acquisitions of goods from other Member States of the European Union, or of certain services received from abroad, or of certain received cultural and entertainment services, exceed or are likely to exceed certain limits<sup>10</sup>, are obliged to register for VAT. The number of businesses registered for VAT in 2007 was 287,171.

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<sup>10</sup> Small business registration thresholds will increase from 1 May 2008 as follows:

- From €35,000 to €37,500 for services
- From €70,000 to €75,000 for goods

The Collector General sends a Form VAT3 (Appendix 3 refers) to VAT registered traders every two months. The name, address and registration number of the trader and the period to be covered by the return are computer-printed on the VAT3. The trader completes the following details:

- VAT due for the period
- VAT reclaimable for the period
- VAT due to Revenue or repayable to the customer
- Goods supplied to and received from another Member State of the EU

The completed VAT3 and a payment of the amount due must be made to the Collector General before the 19<sup>th</sup> day following the end of the two month taxable period e.g. VAT return for the period January/February must be submitted by 19 March<sup>11</sup>.

If the total VAT due exceeds the total VAT deductible, the difference is the amount of VAT payable, and a remittance for this amount together with the completed and signed VAT 3 form is sent by the trader to the Collector General. If the deductible VAT exceeds the VAT due, the Collector-General repays the excess shown on the VAT return to the registered trader.

Traders with low VAT liabilities may be permitted to make one annual VAT return instead of bi-monthly returns. Traders who opt to pay by direct debit also make one annual VAT return. These traders enter the annual VAT figures and the value of goods supplied to and received from other Member States of the EU for the full year on the VAT3.

In 2006, Revenue collected €17,809m in gross VAT receipts, processed over 1.3 million VAT3 returns and dealt with 315,972 VAT claims<sup>12</sup>.

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<sup>11</sup> B-annual and four monthly filing options have been introduced for small businesses. These are effective from 1 July and 1 September 2007 respectively.

<sup>12</sup> 'Annual Report 2006' Office of the Revenue Commissioners

### **VAT Annual Return of Trading Details Obligations**

All registered VAT traders are required to submit an annual statistical return of trading details on form RTD EUR (Appendix 4 refers). The annual RTD form was introduced by Revenue a number of years ago as part of an administrative simplification process. The form must be completed giving a breakdown of the supply of goods and services, imports and deductible inputs at the various rates applicable during the year. This includes all Irish, Intra-EU and overseas trade. The form is issued by the Collector General and is pre-printed showing the traders VAT number, the taxable period and the VAT rates in force during the year. The VAT exclusive value of the supply of goods and services are shown in the boxes on the form opposite the VAT rates shown. The totals boxes are completed to include all turnover, including turnover at exempt rates and at the zero rate.

In the case of companies registered for Corporation Tax an annual VAT return will be required for the twelve-month period based on the company's accounting period for Corporation Tax. The due date for the submission of the annual return/declaration of liability to the Collector General is the 19<sup>th</sup> of the month following the month in which the accounting period ends e.g. if an accounting period ends on the 30<sup>th</sup> of June the annual return must be submitted by the 19<sup>th</sup> of July.

The annual return of trading details data is used by Revenue for a number of purposes, including:

- Fulfillment of EU legislative obligations in relation to the trading details required to be declared to tax authorities.
- Verification of annual liability against VAT returns submitted throughout the annual accounting period.
- Reconciliation of traders' annual accounts and VAT returns.
- Collection of macro-level statistical data.
- Projection of tax yield in the area of fiscal planning.

#### **4.4.1: Issues Associated with VAT Return Obligations**

Two participants (one of whom pays by direct debit and one who submits a bi-monthly return) suggested that it would be more convenient to provide the data

required on the VAT annual return of trading details at regular intervals throughout the year e.g. bi-monthly using the VAT3 return or quarterly for traders who file electronically. The participants stated that there are two benefits associated with this approach to submitting the return of trading details:

- It would reduce the administrative burden associated with the amount of time spent collating the information required to complete the annual return of trading details<sup>13</sup>.
- It would provide Revenue with the information required to calculate the end of year return of trading details automatically and issue a VAT reconciling statement to traders at the end of the year.

One participant considered that the deadline for the submission of the VAT annual return of trading details (see above) is quite restrictive from two aspects. Firstly some invoices containing details required for the annual return are outstanding making it difficult to complete the return accurately. Secondly it is a very busy time of the year for businesses as finance/accounts staff are engaged in the preparation of end of year accounts.

#### **4.5: Third Party Return Obligations**

Traders, professionals and other persons carrying on a business, as well as non-trading/non-profit making organisations and bodies of persons are required to automatically make Third Party Returns to Revenue. The third party information furnished is used to validate self-assessment returns and to assist target areas of non-compliance.

Details of payments made which must be returned automatically are:

- Payments for services rendered in connection with the trade, profession, business etc., whether paid on your own behalf or on behalf of someone else.
- Payments for services rendered in connection with the formation, acquisition, development or disposal of the trade or business.
- Periodical or lump sum payments made in respect of any copyright.

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<sup>13</sup> Two participants estimated the time spent on this activity as 8 hours and 12 hours respectively.

For companies, Third Party Returns (Form 46G Company, Appendix 5 refers) must be made not later than nine months from the end of the accounting period. Payments for services made to a third party in the period covered by the return which do not exceed €6,000 in aggregate need not be returned. Revenue automatically issues 46G forms to individuals and companies where it is considered likely that a third party return is required. Over 60,000 46G and 46G Company forms issued for 2006.

The following details are required when completing a Third Party Return:

- Full name/full title of company
- Private Address
- Business Name (if any)
- Business Address
- Payee's Tax Reference No. (VAT Registration No. or PPS No.)
- Total amount of payments made or value of consideration given
- Was VAT charged in this transaction?
- Nature of consideration, if not money
- Nature of services or rights provided

#### **4.5.1: Issues Associated with Third Party Return Obligations**

Two participants raised issues associated with third party returns compliance. The primary administrative burden relates to the time required to review all payments over the annual accounting period to determine if the totals to any third party exceed €6,000<sup>14</sup>. One participant also considered the submission of this information as effectively carrying out a task that is more appropriate to Revenue and the rationale behind the need for third party returns is not provided. Furthermore this participant stated that the obligation to obtain the tax reference number from the service provider is an administrative requirement that they are not comfortable with.

The research report on tax evasion and taxpayer behaviour commissioned by the Swedish Tax Agency '*Right from the Start*' refers to the why-principle influencing behaviour. The basis of this principle is that people will comply with a request more easily if they know why it is being made. The report proposes that brochures and

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<sup>14</sup> Increased from €3,810 to €6,000 for third party returns due in the year 2006.

similar, should state clearly why a certain form has to be used or why a certain box has to be completed.<sup>15</sup>

#### **4.6: Professional Services Withholding Tax Obligations**

Professional Services Withholding Tax (PSWT) is not an additional tax but a deduction on account of a taxpayer's final liability, made at the point of payment. It applies to payments made by the following public bodies (known as Accountable Persons) in respect of professional services:

- Government Departments and Offices
- Local authorities, including health boards, VEC's and the GMS
- Commercial and non-commercial semi-State bodies and their subsidiaries.

PSWT is deducted from persons who provide professional services. They can be individuals, companies, partnerships and persons who may not ultimately have a liability to tax (e.g. non-residents, charities).

PSWT is deducted at the standard rate of income tax (20%) from the total amount of the payment, including, in general, any amount in respect of expenses, outlay, third party costs or late payment interest, but excluding any VAT charged by the person providing the service.

The public body, when making the payment for professional services, gives the taxpayer a valid receipt for the amount of the payment and the amount of PSWT withheld (Form F45/1). The public body submits a monthly return and payment (Form F30) to the Collector General's Division (CGs) within 14 days from the end of the income tax month. The primary policy objective of PSWT is cash flow to the exchequer.

The public body submits an annual return declaring their PSWT liability for the tax year to the CGs (Form F35). This is accompanied by a schedule giving details of the total relevant payments made to, and the total PSWT deducted from, each specified

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<sup>15</sup> *Right from the Start Research and Strategies'* Swedish Tax Agency (2005)

person in the tax year. The Form F35 is issued by the CGs and must be returned by the 15 February following the end of the tax year to which it relates.

For individual taxpayers assessable to income tax, PSWT credit is given in the tax year in which the PSWT was deducted. For companies assessable to corporation tax, PSWT credit is given in the accounting period in which PSWT was deducted.

There are currently 756 accountable public bodies charging PSWT. As outlined above, the accountable bodies submit a monthly return and payment to the CGs as well as an annual return bringing the total of PSWT returns to be processed by Revenue annually to over 9,800. Net PSWT receipts for 2004, 2005 and 2006 are as follows:

**Table 3: Professional Services Withholding Tax Net Receipts**

<b>Year</b>	<b>€m</b>
2006	400
2005	342
2004	323

*Source: Revenue Annual Reports (Table 2 Total Revenue/Net Receipts)*

### **Interim refunds of PSWT**

Where a taxpayer considers that the amount of PSWT deducted from payments is in excess of likely final liability to tax he/she may apply to their Revenue office for an interim refund (Form F50) of any excess, instead of waiting to have it credited against final liability. The following three conditions must be satisfied before an interim refund of PSWT deducted from a payment can be made:

- (i) The profits of the period immediately preceding the period of claim must be finally determined
- (ii) The tax payable for that preceding period must have been paid
- (iii) Forms F45/1 for the PSWT in question must be provided to the taxpayer's Revenue office.

Interim refunds may also be claimed in situations of particular hardship, even though all of the conditions outlined at (i), (ii) and (iii) above may not be fulfilled.

Some or all of the conditions for claiming an interim refund may be waived where amounts of PSWT withheld are substantially in excess of likely final liability and the conditions outlined above would not permit an interim refund,

- due perhaps to a once-off or unusual receipt, a once-off or unusual reduction in income, or a demonstrable permanent reduction in income, or
- if, through no fault of the taxpayer, there is a delay in finalising liability to tax for a particular year due to illness or other exceptional circumstance, or
- if income tax liability (net of PSWT credited) paid in a period of claim together with PSWT deducted in that period exceeds a taxpayer's income at the higher rate of tax for that period.

PSWT Interim refund statistics for 2004 and 2005 are as follows:

**Table 4: PSWT Interim Refund Statistics**

<b>Year</b>	<b>No. of Interim Refund Claims</b>	<b>No. of Specified Persons Claiming</b>	<b>Total Value of Refunds</b>
2005	2424	1323	€79.5m
2004	2057	1517	€74.6m

*Source: CIF, generated by the SAS System on 21 August 2007*

#### **4.6.1: Issues Associated with PSWT Obligations**

One of the participants in the case study is subject to PSWT regulations. This participant advised that the deduction of PSWT from the total payment due to the company from public bodies can cause cash flow difficulties for a business of their size. While the participant acknowledged that interim refunds can be applied for, the process involves further administrative procedures for the claimant and Revenue. The participant also pointed out that compliance with PSWT regulations requires that the

three parties involved (i.e. the specified person<sup>16</sup>, the accountable body and Revenue) have appropriate procedures in place to administer and account for the tax.

An exemption from PSWT requirements for businesses operating below a certain threshold was suggested by this participant as a mechanism for reducing the administrative burden and easing the cash flow issues associated with PSWT.

#### **4.7: Take up of Electronic Services**

##### **4.7.1: Revenue On-line Service**

Revenue On-line Service (ROS) is an internet-based system that enables Revenue customers and their agents to conduct their business electronically with Revenue at a time and place of their choosing. The main features include facilities to:

- File returns and make payments
- Obtain online details of personal/clients Revenue Accounts
- Calculate tax liability
- Claim repayments

Two participants use ROS and commented positively on its efficiency and effectiveness in reducing the administrative burden. Discussions with the other two participants revealed a lack of awareness of the availability of a ROS Liaison Officer to provide advice and demonstrate the ROS system on site. One of these participants has since opted for ROS following consultation with their District Liaison Officer. It was suggested that a campaign by Revenue to highlight the availability of a ROS Liaison Officer in each District in addition to conducting ROS regional seminars for SMEs could increase take-up of the ROS facility.

##### **4.7.2: On-Line Tax Clearance Certificate Verification**

A Tax Clearance Certificate (TCC) is a written confirmation from Revenue that a taxable person's<sup>17</sup> tax affairs are in order at the date of issue of the Certificate. The requirement to produce a TCC usually arises in the context of a person seeking State

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<sup>16</sup> Participant estimated that 70 minutes was spent on PSWT administration over a 4-month period in 2006 (or 3.5 hours over a 12-month period).

<sup>17</sup> Individual, company, partnership etc.

money (e.g. Government contracts, grants) or obtaining licences (e.g. excise licence, road transport licence).

In 2003, Revenue introduced a TCC on-line verification facility as a customer service initiative to expedite contract and payment processing by public bodies. The facility allows public bodies and applicants to view a current TCC on line, with the permission of the applicant, through the use of a tax number and PIN number supplied by Revenue to the applicant.

One of the participants has opted to use this facility but public bodies continue to request the original TCC. This is due to a delay in advising public sector bodies of the availability of the on-line verification facility. Department of Finance Circular 43/2006 includes details of the on-line verification facility issued to public bodies in December 2006.<sup>18</sup> The relevant excerpt is as follows:

*‘As an alternative to producing a valid tax clearance certificate a contractor may authorise the contracting authority to confirm electronically that he/she holds a valid tax clearance certificate using the on-line verification facility on the Revenue Commissioners’ website [www.revenue.ie](http://www.revenue.ie).*

Revenue has now initiated a communications exercise to increase the awareness of the availability of the on-line TCC verification facility among public bodies<sup>19</sup>.

#### **4.8: Contacting Revenue**

All participants referred to the telephone as the most frequently used method of contacting Revenue. On a positive note participants advised that Revenue staff when contacted by telephone are very helpful. Two participants also stated that the manner in which customers are dealt with has improved considerably in recent years. Participants did however raise issues regarding difficulty in getting through on the telephone and provided suggestions for improving the service as follows:

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<sup>18</sup> Department of Finance Circular 43/2006 refers

<sup>19</sup> Letter issued to all Government Departments December 2007

- Introduce an option to leave a query on an answering machine; a response by telephone from Revenue in two to three working days would be acceptable if this service was provided.
- Establish dedicated contact person(s) for businesses to deal with in the Revenue District offices.<sup>20</sup> It is appreciated that the dedicated staff member may not have expert knowledge of all tax areas and therefore a response forthcoming in a couple of days would be satisfactory.
- Establish dedicated contact person(s) for the Port and other areas dealing with customs and excise queries area to facilitate the immediate resolution of import/export queries.

Participants also refer to the website for information and viewed it favourably. The facility for ordering forms by telephone was also specifically commended by one participant.

#### **4.8.1: Provision of Revenue Information to SMEs**

One participant advised that Revenue needs to be cognisant of the fact that not all SMEs have access to or are familiar with the internet. Issuing guides for small business by post periodically would enable these customers to familiarise themselves with their obligations and entitlements without having to revert to Revenue with every query. In addition, the provision of early advice from Revenue would assist newly registered small business customers to understand their obligations. This would ease the administrative burden associated with starting in business and would mitigate the chances of newly registered customers falling inadvertently into a non-compliant status.

A recent initiative piloted by Her Majesty's Revenue and Customs in the UK (HMRC) involves tailoring support and education so that small businesses get their tax right from the start<sup>21</sup> - a trial where new and growing businesses are offered help when they need it most (such as at start-up, when they become VAT registered, when they take on their first employee, or when they become incorporated). A further

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<sup>20</sup> See also Section 4.3 of '*Survey of Small and Medium Businesses 2006: Results and Analysis*' Office of the Revenue Commissioners

<sup>21</sup> [www.hmrc.gov.uk](http://www.hmrc.gov.uk) - Starting in Business

HMRC initiative involves providing a CD Rom on VAT for new businesses to replace large volumes of paper notices and leaflets, with a modern, interactive, electronic package of advice, support and guidance<sup>22</sup>.

Other Revenue authorities e.g. Canada Tax Agency, New Zealand Inland Revenue and the Australian Taxation Office also assist small and medium enterprises with the tax obligations associated with starting in business by conducting regional tax seminars and/or visiting new business customers.

The Swedish Tax Agency's research report '*Right from the Start*' refers to the benefits of implementing measures to prevent unintentional errors and non-compliance<sup>23</sup>. These are the development of simplification proposals, service, education and information provided via different channels including educational visits, and simpler forms and brochures.

#### **4.9: Issues Relating to Employee/Payroll Obligations**

In January each year, Revenue issues a Certificate of Tax Credits and Standard Rate Cut-Off Point to every Pay As You Earn (PAYE) employee. This certificate sets out in detail the amount of tax credits and standard rate cut-off point that Revenue has determined to be due to the employee. The certificate contains the latest information held on record by Revenue for the employee, together with Budget changes e.g. widened tax bands, increased tax credits, reduced rates of tax. A leaflet advising employees about the main Personal Tax Credits, Tax Rates and Tax Bands accompanies the certificate.

In addition Revenue also issues a notification to the employer showing the total amount of the tax credits and standard rate cut-off point to which the employee is entitled together with the equivalent weekly and monthly figures. No information regarding the personal circumstances of the employee is disclosed on the employer's notification.

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<sup>22</sup> *Working towards a new relationship: a consultation on priorities for reducing the administrative burden of the tax system on small business* – HMRC (2005)

<sup>23</sup> Sections 7.4 and 7.5

### **Annual Budget Changes**

Participants advised that, regardless of Revenue publicity campaigns, there is a sense among employees that the onus is on finance administrators/payroll staff to be aware of and inform employees of their entitlements to tax credits and reliefs. Finance administrators/payroll staff also have to deal with post-budget queries as employees expect tax credit adjustments to be immediately reflected in their salaries. Employees associate the time factor involved in reflecting the changes in salary as the fault of the finance administrators/payroll staff. It is worth noting that the results of Revenue's PAYE Customer Survey 2007<sup>24</sup> indicate that 22% of respondents use their employer as a source of information about their tax credits and reliefs.

### **Amended Tax Credit Certificates**

An employee's tax credits may change during the year, e.g. if a claim for an additional relief is submitted to Revenue. In these circumstances, Revenue sends an amended certificate to the employee and the employer advising of any change. The employer will then make any adjustments necessary. The receipt of revised tax credit certificates from Revenue during the 2006 tax year was raised by one participant in the context of time spent making changes to the payroll systems. In addition in the case in question the reason for the issue of an amended certificate was not evident to the employee and a number of calls had to be made to Revenue to clarify the matter again involving time.

### **Incomplete/Illegible P45s**

When an employee ceases employment, a Form P45 is issued by the employer. This form certifies the employee's Pay, Tax and PRSI contributions from the start of the tax year to date of cessation and also certifies that the deductions have been made in accordance with the instructions given by Revenue. The Form P45 is required for taking up new employment, claiming a refund of tax from Revenue or claiming a Social Welfare benefit. A new employer will operate PAYE in accordance with the details of tax credits contained on the Form P45, until a Certificate of Tax Credits and Standard Rate Cut-Off Point is received from Revenue. Two participants advised that delays in issuing P45s and the receipt of incomplete or illegible P45s result in

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<sup>24</sup> *PAYE Customer Survey 2007: Results and Analysis*' Office of the Revenue Commissioners

difficulties when setting up new employees on payroll systems. It was suggested that this should be pointed out in the P45 notes.

### **Employed/Self-employed Status**

The content of two publications relating to tax and social insurance namely, “*Code of Practice for determining Employment or Self-Employment status of Individuals*” and “*Employed or Self-Employed A Guide for Tax and Social Insurance*” was raised by one participant. The context related to sourcing information about changing the status of the company’s managing director from employed to self-employed. The company in question, incurred considerable time and expense clarifying this issue. The matter was concluded after it transpired that a contract of employment renders the status of employment as that of an employee for Revenue and Social Welfare purposes. The participant suggested that the content of the two publications should clarify that the existence of an employment contract renders the status of employment as that of an employee. Such a distinction is made in Revenue’s Guide to Professional Services Withholding Tax (IT61) as follows:

#### ***‘1.3 Employed or Self-Employed***

*The distinction between self-employed persons and employees is that self-employed persons operate under a contract for services while employees are employed under a contract of service.’*

The HMRC has introduced an online facility Employment Status Indicator (ESI) to help determine whether someone is employed or self-employed. The product online interactive tool is available on the HMRC web site<sup>25</sup> and it enables users to reach the right practical answer consistently and accurately, without needing to understand how the employment status rules work. It is designed to give an answer in all but the most complex cases.

#### **4.10: Retention of Records for Revenue Audits**

A Revenue audit is an examination of:

- A return for Income Tax, Corporation Tax, Capital Gains Tax or Capital Acquisitions Tax (either in whole or in part)

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<sup>25</sup> <http://www.hmrc.gov.uk/calcs/esi.htm>

- A declaration of liability, or a repayment claim, for VAT, PAYE/PRSI or Relevant Contracts Tax (RCT)
- A statement of liability to Stamp Duties.

It also includes, where appropriate in any particular case and also in cases where returns have not been submitted, an examination of an individual's or a company's books, records and tax obligations so as to establish the correct level of liability, and collect arrears of tax with a view to putting the taxpayer on a correct tax compliance footing. Records must be retained for audit purposes for six years unless Revenue advises otherwise.

While the time factor associated with preparing for the audit and being available to answer any queries raised was considered relevant in an administrative burden context, in general the experiences of audit among the participants was positive. However all participants referred to the issue of retaining records for audit purposes for six years and the impact it has on the business in terms of storage. It was suggested that a threshold applied to the requirement on small companies to maintain records, would address this issue for small businesses.

#### **4.11: Customs & Excise Obligations**

##### **4.11.1: Tax Warehouse Stock Returns**

A tax warehouse is an approved premises where excisable products may be produced, processed, held, received or dispatched under duty suspension arrangements. Stock records of warehoused goods must be maintained to an acceptable standard. The precise format these records must take is not specified by Revenue, but stock accounts must contain all the information needed for Revenue purposes.

A certified summary stock return must be completed and submitted to Revenue on a monthly basis. The return, and, if required, any supporting schedules, must be submitted within 5 working days of the end of the month. Separate returns are required for each major category of goods in warehouse. While Revenue reserves the right to require that stock returns be submitted on a prescribed form, they will normally be accepted in the form of computerised printouts, or on computer disc, provided they contain all the relevant data including:

- a) opening monthly balance for each category of goods in cases, casks or other packages, and chargeable quantity - litres for wines and cider, litres of alcohol (LA) for spirits, hectolitre per cent of alcohol (HL%) for beer, kilograms for tobacco and cigars, and number of cigarettes;
- b) details of goods received throughout the month, including a total of all goods received;
- c) details of the disposal of all excisable goods during the month and
- d) closing monthly balance for each category of goods in cases, casks or other packages and chargeable quantity.

Each stock return must be certified by the warehouse keeper to be true and complete, and to represent the actual stock in warehouse.

#### **4.11.2: Time Spent Preparing Stock Control Returns**

The length of time spent on this aspect of excise administration by one of the participants is significant. The company in question is engaged in the manufacture and export of alcohol products. Staff estimate that the time spent maintaining detailed schedules of alcohol content usage in the manufacturing process is in the region of 1,200 hours annually. The participant advised that this level of administration, involving a member of staff full-time three days a week, is required to provide Revenue with information to verify and account for the company's low excise duty liability (95% of product is exported). The participant did acknowledge that investing in software to facilitate the production of their stock return data electronically would reduce the time spent on this function.

#### **Deadline for Declaration of Duty Liabilities**

A further administrative burden associated with customs and excise obligations was raised regarding the obligation to submit declaration of duty liabilities<sup>26</sup> by the 2<sup>nd</sup> working day of the subsequent month. This is considered a tight deadline, as it does

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<sup>26</sup> A monthly HC warrant (Declaration of Duty liability) C&E 1115, covering all goods delivered to home consumption throughout the month, must be prepared, and Copies 1 and 2 lodged with Revenue not later than noon on the second working day of the month following that of delivery of the products from the warehouse.

not provide leeway for the resolution of discrepancies. Flexibility or a later date for submission was suggested as a solution to this issue.

#### **4.11.3: Customs and Excise Audit**

The purpose of a customs and excise audit is to assure that businesses subject to Customs and Excise controls comply fully with all relevant legislation and requirements. All businesses involved in the import and/or export of goods or in the receipt, storage, manufacture and delivery of duty suspended goods may be the subject of audit. All supporting documents for any customs declarations requested during the audit must be produced. Revenue personnel must also be allowed to inspect business premises, commercial records whether electronically held or not, the manufacturing process (where applicable) and/or certain items of plant or stock.

Suggestions relating to improving the facilitation of customs and excise audits were proposed:

- The two-month period following the end of the financial year is not an ideal time for facilitating audits/control visits as staff are finalising the company's annual accounts.
- Audits involving a Revenue official on site for a week are easier to manage in terms of office capacity and the time involved, compared with audits involving a number of Revenue staff visiting the company for a few hours a day over a period of time.
- Audit notification should advise how long the audit is expected to take.
- Contact from Revenue regarding the outcome of the audits would be welcomed e.g. a positive outcome is a reassurance of adequate controls in place.

#### **4.12: Administrative Activities relevant to Other Government Departments**

With a view to considering the administrative burden in broader terms, participants were asked about administrative activities carried out that were relevant to other Government Departments.

Requests for employee information from the Department of Social and Family Affairs (DSFA) and business survey obligations (Appendix 6 refers) particularly from the

Central Statistics Office (CSO) were the main administrative activities referred to in the context of dealing with other Government Departments and offices.

Perceived duplication in data provided to various Government Departments is considered particularly burdensome and time consuming. Examples cited included employee information submitted to Revenue on the annual P35/P35L return form<sup>27</sup> and requests for similar employee related statistics from the CSO, as well as P45<sup>28</sup> data provided to Revenue with subsequent queries raised by the DSFA where employees claimed Unemployment Benefit or Assistance.

The frequency of business surveys, the volume of information sought and the absence of clarity as to the purpose of the surveys also contribute to the administrative burden.

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<sup>27</sup> Form P35 is the employer's annual declaration of liability for PAYE and PRSI contributions. Form P35L is the employer's annual return of pay, PAYE, PRSI data, etc. in respect of each employee.

<sup>28</sup> P45 is the cessation of employment certificate

## 5: Further SME Administrative Burden Studies

A number of recent studies and associated publications have considered the causes of the administrative burden and their impact on the Irish SME. The findings of these studies relevant to Revenue are summarised below.

### 5.1: Small Business Forum

In July 2005 the Minister for Enterprise, Trade and Employment, Micheál Martin established the Small Business Forum (SBF). The key role of the Forum was to consider the environment for conducting small business in Ireland and to advise on the adequacy and appropriateness of public policy responses.

The report of the SBF<sup>29</sup> was published in May 2006 and cited the regulatory burden as one of the key challenges facing small business. In particular, research carried out and submissions to the SBF concluded that the areas of regulation considered a significant burden by small business included tax and VAT administration. Immediate action regarding increased turnover thresholds for VAT registration and the VAT cash basis of accounting was recommended. An increase in the threshold for the concession to small companies which allows them the option of basing their preliminary tax payment on their corporation tax liability for the preceding year was also proposed. Simplification measures announced in Budget 2007 introduced these changes.

### 5.2: Business Regulation Survey 2006

The results of a survey<sup>30</sup> of business attitudes to regulation in Ireland conducted by the Economic and Social Research Institute (ESRI) on behalf of the Department of the Taoiseach were published in March 2007. The ESRI survey was carried out to determine which aspects of regulation are problematic in terms of compliance costs and administrative burdens and involved participants from micro, small, medium and large businesses.

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<sup>29</sup> 'Small Business is Big Business' Report of the Small Business Forum (2006)  
[http://www.smallbusinessforum.ie/webopt/sbf060516\\_full\\_report\\_webopt.pdf](http://www.smallbusinessforum.ie/webopt/sbf060516_full_report_webopt.pdf)

<sup>30</sup> 'Business Regulation Survey' Department of the Taoiseach (2007)  
[http://www.betterregulation.ie/attached\\_files/Pdfs/BUSINESS\\_REGULATION\\_SURVEY.pdf](http://www.betterregulation.ie/attached_files/Pdfs/BUSINESS_REGULATION_SURVEY.pdf)

In his foreword, the Taoiseach acknowledged that Revenue has improved and simplified customer service and systems in recent years. However the results of the survey indicate that taxation regulation continues to impact on business.

The results of the survey relevant to Revenue include the following:

- Over 50% of firms surveyed identified Revenue as the regulating agency with whom they have the most contact. Most of this contact is concerned with seeking or providing information or was in relation to an inspection or audit.
- Participants were asked to respond to a series of statements about the Regulator with whom they most frequently had contact. While perceptions of Revenue, the Regulator with whom the participants had the most contact, are positive rather than negative, 38% of participants did not agree with the statement 'the practices of the regulator are flexible and not bureaucratic'; information gathered during interviews suggested that these concerns relate to time allowed for achieving compliance and strict returns deadlines.
- Taxation is the area of regulation considered a heavy burden for business. Taxation is less of a burden on larger businesses and VAT returns are considered an issue particularly for smaller businesses.
- Complying with taxation regulation is identified as more of a burden than the administrative aspects of the regulation, with the burden greater for smaller rather than larger businesses.
- One third of business participating use on-line forms with the highest proportion of users are among larger firms (44% of medium-sized firms compared to 28% of micro firms). 45% of micro firms are less likely to use on-line forms compared to only 9% of medium-sized firms. 92% of firms using on-line forms consider them effective.
- 80% of businesses retain expertise mostly to assist with accountancy (71%).

### **5.3: Business Regulation Forum**

In November 2005, the Minister for Enterprise Trade and Employment established the Business Regulation Forum (BRF) to work in parallel with the Better Regulation Group of Government Officials and Regulators. The Group comprised

representatives from the business sector including IBEC, the Small Firms Association (SFA) and the Irish Small and Medium Enterprises (ISME) as well as relevant Government Departments including Revenue. The role of the BRF included advising the Government in relation to regulatory issues as they impact on business and competitiveness and in particular on issues arising from outdated, inefficient or disproportionate regulation.

The BRF invited submissions and proposals relating to regulatory simplification from businesses and other stakeholders including Government Departments. Revenue's submission to the BRF in July 2006, followed by an update in February 2007, set out recent legislative, administrative, operational and e-business initiatives aimed at simplifying the impact of Revenue-related regulation on business. Extracts from the submissions are contained in Appendix 7.

Submissions from individual consumers, companies, organisations and interest groups were also invited by the BRF. With regard to tax, the areas of administrative burden identified in these submissions included:

- 'Suggestions about changes to VAT thresholds and other aspects of VAT regulation;
- Simplification of the administration procedures created by the Revenue Commissioners such as accessibility to appropriate experts and more clarity about Revenue requirements; and
- Withholding tax on professional fees.'

### **5.3.1: Report of the Business Regulation Forum**

The Minister for Enterprise Trade and Employment launched the '*Report of the Business Regulation Forum*' on the 25<sup>th</sup> of April 2007<sup>31</sup>. A key recommendation arising from the report is the initiation of an administrative burden reduction programme aimed at five areas of priority namely tax, health and safety, environmental regulation, requests for statistical information and employment and company law.

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<sup>31</sup> [http://www.forfas.ie/brf/report/business\\_regulation\\_forum\\_report\\_2007.pdf](http://www.forfas.ie/brf/report/business_regulation_forum_report_2007.pdf)

The BRF also suggests that an administrative burden reduction target of 25% to be achieved by 2012 should be set. This target is in line with the EC and other European administrative reduction programmes (5.5 below refers). The steps proposed include the establishment of expert panels by Government Departments and Offices to identify the most burdensome regulations. The BRF proposes that simplification achieved since 2004 should be captured as part of the overall national target in keeping with EC recommendations.

#### **5.4: Establishment of High-level Group on Business Regulation**

The Minister for Enterprise, Trade and Employment established a cross-Department and cross-Agency Group in July 2007 to examine ways to eliminate unnecessary administrative burdens placed on business and reduce associated costs. Revenue is represented on this Group. The five priority areas identified by the Business Regulation Forum will be examined and the group will initially report to Government before the end of July 2008.

Regulation associated with taxation is one of the priority areas to be addressed. The initial programme of work emerging for Revenue includes consideration of possibilities for data sharing, improved efficiency for tax clearance verification and simplification of certain tax return forms.

#### **5.5: EC Action Programme for Reducing Administrative Burden**

Following approval at the Spring 2007 Council of the European Union, the European Commission has launched an Action Programme for Reducing Administrative Burden. This programme aims to achieve an EU wide target of 25%<sup>32</sup> reduction in the burden of administration associated with legislation originating at EU level by 2012. The programme commencing in 2007, aims to provide an assessment of the administrative costs imposed by the selected Community legislation by November 2008. It will begin with the measurement of administrative costs of Community legislation in priority areas identified in 2006. The Standard Cost Model will be used (Appendix 8 refers) to identify, assess and generate insights into the most burdensome information obligations associated with the priority areas. Revenue's involvement in

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<sup>32</sup> This mirrors national targets where they have been set.

this programme will be in relation to VAT law specifically the 'Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax'.

## 6: Conclusion

Revenue is committed to a continuous programme of streamlining and simplifying the administration of the tax and duty system, including Customs obligations. On the 20<sup>th</sup> May 2007, at the publication of Revenue's Annual Report for 2006, the Chairman Mr. Frank Daly stated:

*“Over the next couple of years we intend to redouble our efforts to reduce the regulatory burden and simplify procedures. It's in all our interests to make the business of tax as simple as possible and Revenue will make this a key theme of our Statement of Strategy for 2008-2010.”*

Revenue's new Statement of Strategy, published on the 15<sup>th</sup> of February 2008, sets out its commitment to promoting the simplification agenda and includes a specific performance indicator relating to the number of proposals brought forward each year for the simplification of tax and customs procedures, processes, forms and rules.<sup>33</sup>

The findings of this case study demonstrate the merit of working collaboratively with business representatives. The study helps to deepen Revenue's understanding of what is involved in complying with tax and customs regulation from an SME perspective and has surfaced certain aspects of Revenue regulation that are perceived as an administrative burden.

The work programme for the recently established High-level Group on Business Regulation emerged from a similar approach. Two facilitated workshops were held with business representatives to identify specific areas for action across the five priority areas identified, taxation, health and safety, environmental regulation, statistical reporting and employment and company law. The taxation aspects identified at these workshops and the issues raised by Revenue's case study are broadly similar. Initiatives to address these concerns will be considered further by Revenue in the context its ongoing simplification agenda.

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<sup>33</sup> 'Statement of Strategy 2008-2010' Office of the Revenue Commissioners (2008)  
<http://www.revenue.ie/sos08-10/statement-of-strategy-2008-2010.pdf>

Simplification initiatives introduced by Revenue in recent years have been publicly acknowledged and welcomed by business representatives. However, the associated administrative burden reduction has never been quantified. The High-level Group on Business Regulation intend, where feasible, to measure the cost savings associated with the initiatives introduced to address the five priority areas identified for administrative burden reduction. Quantification of the benefits of simplification initiatives is important and will be considered by Revenue in the context of its participation in the High-level Group.

## Appendix 1: Profile of Participating Businesses

The following is a profile of each of the participating businesses:

<b>Profile</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
Core Business of Company	Services	Manufacturing	Consultancy	Manufacturing
Years in business	25	55	10	12
Employees	19: 15 full-time and 4 part-time	13-15	5 full-time	60 and 20-25 engaged seasonally

The range of Revenue regulatory compliance activities carried out by the participants includes the following:

- Completion of the following returns:
  - PAYE & PRSI
  - VAT
  - Professional Services Withholding Tax
  - Third Party (Form 46G)
  - Dividend Withholding Tax
  - Intrastat
  - VIES
- Applications for Tax Clearance Certificates
- Assisting company auditors with the preparation of financial year-end accounts for audit, completion of corporation tax returns and with associated queries.
- Aspects associated with Customs & Excise administration:
  - Accompanying Administrative Documents (AADs)
  - Single Administrative Documents (SADs)
  - Inward Processing Licensing and Authorisation

- Duty Payments
- Bonded Warehouse Licensing
- Guarantees
- Insurance
- Customs examinations

## Appendix 2: Time Spent on Revenue Administration Activities

Each of the participants reviewed the Revenue administrative activities carried out by them and the length of time spent on these over a period of time. These details are set out below:

### A

Activity	Estimated Time	Annual Total
VAT records: Pay by direct debit but maintains monthly totals to facilitate completion of the annual return of trading details.	1.5 hours per month	18 hours
VAT annual return of trading	1 day	8 hours
PAYE/PRSI records	0.5 hours per month	6 hours
VIES/Intrastat Returns	0.5 hours per month	6 hours
		<b>38 hours</b>

### B

Activity	Estimated Time	Annual Total
PAYE/PRSI, VAT, Corporation Tax, Third Party Returns, VIES & Intrastat, Dividend Withholding Tax Returns, Employee queries,		200 – 260 hours

### C

Activity	Estimated Time	Annual Total
VAT – Monthly records, bi-monthly returns	6 hours over 4 months	18 hours
PAYE/PRSI	3 hours over 4 months	9 hours
Professional Services Withholding Tax	1.2 hours over 4 months	3.6 hours
General/record keeping	3 hours over 4 months	9 hours
RFT/Audit (once off query)	1.7 hours – 1 month	1.7 hours
Audited Accounts & Corporation Tax Queries	4.5 hours over 4 months	4.5 hours
		<b>46 hours</b>

**D**

<b>Activity</b>	<b>Time</b>	<b>Annual Total</b>
Annual VAT Return	12 hours	12 hours
PAYE/PRSI returns	14 hours	14 hours
Form 12A (applications for certificates of tax credits)	2 hours a month seasonally	6 hours
P45	4 hours seasonally	4 hours
VIES	1 hour per quarter	3 hours
Intrastat	1 hour per month	12 hours
		<b>51 hours</b>
Excise stock control	1 person full-time 3 days a week	<b>1248 hours</b>

# Appendix 3: Completing a bi-monthly VAT3 Return

VAT For Small Businesses

## Example showing how a bi-monthly VAT Return VAT3 is completed

### FRONT

In all correspondence please quote:  
 Registration No.: IE1234567A  
 Notice No.:  
 Period: 01 March 2005 to 30 April 2005  
 Payment Due by: 10 May 2005

Office of the Revenue Commissioners  
 Collector-General's Division  
 Seánfield House  
 Francis Street  
 Limerick  
 Enquiries: 1890 20 30 70

Mr. C. Tractor  
 106 Area 2/10  
 Main Street  
 Wexford

### VAT 3 RETURN

Please complete and sign the return below. The return should then be detached and forwarded (with payment or debit instructions, if liability arises) in the prepaid envelope enclosed, to arrive no later than the due date as shown above. **Guidelines on the correct completion of the return are shown on the back.**

**IMPORTANCE OF PROMPT PAYMENTS**

- Make sure that you allow sufficient time - at least three working days - for your payment to reach the Collector-General.
- Late payment of tax carries an interest penalty.
- Failure to pay on time, liability or to pay on time, can result in enforced collection through the Sheriff, Court proceedings or Attachment. Enforcement gives rise to costs in addition to any interest penalty charged.

**METHOD OF PAYMENT**

**Single Debit Authority:** If you want your payment to be debited directly from your bank account, complete the bank details on the left of the return before reporting that the amount of the payment you wish to make is entered in the Debit Amount box.

Please reporting the account name to be in a bank within the Republic of Ireland and must be a current account.

- Simply provide your bank details and the amount you wish to have debited from your account.
- Forward the completed return to the Collector-General at the address above.
- A successful deduction will be taken from your account and credited against your tax liability as specified on the return below.
- The one-off deduction will not be taken from your account in advance of the due date for the taxable period in question.

**Cheques:** All cheques should be made payable to the Collector-General and forwarded to the address above. Do not enclose cash.

**Revenue On-Line Service (ORIS):** You can make this return and pay your VAT on line using ORIS. For details visit the Revenue website at [www.revenue.ie](http://www.revenue.ie) or Phone 1890 20 30 70.

**Direct Debit:** For information on how to pay VAT by monthly Direct Debit, please contact the Helpline at 1890 20 30 70.

**SUCCESS OF REPAYMENT**

Any repayment due will be credited to your bank/building society account. Account details are only required if this return for a repayment is a first completed and you have not previously advised Revenue of the account details or you wish to amend the account details to which payments are credited.

Please print one figure only in each space using a black ball-point pen. Do not write NIL on any line.

Enter whole Euro only - do not enter cents. Photographs of this form are not acceptable.

VAT3 RETURN (and PAYSリップ)		Please complete below, details and return	
Bank Details - to be supplied if: - Payment is being made by Single Debit Authority (do not complete this authority if you are paying by cheque, or - A repayment is being sought (see Method of Repayment above)		T1	1 2 5 4 .00
Branch		T2	4 2 0 .00
Sort Code		T3	2 1 4 .00
Account Number		T4	.00
Debit Amount	.00		.00
Please debit my account with the amount specified.			.00
E1	9 4 0 0 .00	I declare that this is a correct return of Value Added Tax for the period specified.	
E2	2 0 0 0 .00	Signed: <i>C. Tractor</i> Date: <i>11/4/2005</i>	
		VAT3 B	

- T1 Box - VAT due by you for period
- T2 Box - VAT reclaimable by you for period
- T3 Box - VAT payable to Revenue

### BACK

#### GUIDE TO COMPLETION OF RETURN

**Debit Amount:** Complete this box if you wish to complete a payment by Single Debit Authority. Please ensure that you have also provided your bank details. Leave the box blank if paying by cheque or the return is a repayment claim.

**Bank Details:** (To be supplied if:  
- Payment is being made by Single Debit Authority (do not complete this authority if you are paying by cheque, or  
- A repayment is being sought (see Method of Repayment above))

Branch: \_\_\_\_\_  
 Sort Code: \_\_\_\_\_  
 Account Number: \_\_\_\_\_  
 Debit Amount: \_\_\_\_\_

Please debit my account with the amount specified.

**E1:** Enter total VAT liability (output of goods & services + input EC repayments + inputs) reported VAT due.

**E2:** Enter total deductible VAT in respect of purchases + input EC repayments + inputs.

**E3:** Please enter the total value of goods sent to EU (not other EC countries).

**E4:** If T1 amount exceeds T2 amount, please enter the difference on this line. You are required to submit full payment with this return. Payment may be made by Single Debit Authority or cheque.

**E5:** If T2 amount exceeds T1 amount, please enter the difference on this line. Subject to verification checks, this is the repayment amount due to you from Revenue and will be either repaid or aggregated.

**Amount of Payment:** Please enter the amount of gross payment here. In the case of repayment claims, leave this box blank.

Please print one figure only in each space using a black ball-point pen. Enter whole Euro only - do not enter cents. Do not write NIL on any line. Photographs of this form are not acceptable.

# Appendix 4: Completing Annual Return of Trading Details

VAT For Small Businesses

## How the Annual Return of Trading Details is completed

In all correspondence please quote:  
 Registration No: IE 1234567A  
 Notice No:  
 Period: 01-Jul-2005  
 30-Jun-2006  
 Return due by: 19-Jul-2006

Office of the Revenue Commissioners  
 Collector-Generals Division,  
 Sarsfield House,  
 Francis Street,  
 Limerick

Enquiries: 1890 203070

Mr. C. Trader  
 T/A NiceZcu  
 Main Street  
 Waterford

### € VAT Return of Trading Details

	Value of Supplies of Goods & Services	Value of Acquisitions from EU countries Net of VAT & VAT free imported parcels	Value of Stock for Resale (purchases, intra-EU acquisitions & imports)	Value of Other Deductible Goods & Services (purchases, intra-EU acquisitions & imports)
VAT Rate	<b>E3</b>	<b>E4</b>	<b>E5</b>	<b>E6</b>
Exempt				
0% Exports	<b>D4</b>			
0% Home	<b>D1</b>	<b>D2</b>	<b>J1</b>	<b>J2</b>
	<b>C5</b>	<b>C6</b>	<b>H5</b>	<b>H6</b>
	<b>AC5</b>	<b>AC6</b>	<b>AH5</b>	<b>AH6</b>
	<b>P1</b>	<b>P2</b>	<b>R1</b>	<b>R2</b>
	49000		24000	
	<b>B5</b>	<b>B6</b>	<b>G5</b>	<b>G6</b>
	150000		72000	30814
<b>TOTALS</b>	<b>Z1</b> 199000	<b>Z2</b>	<b>Z3</b> 9600	<b>Z4</b> 30814

**VAT DUE FOR THE YEAR**

49,000 X 13.5% = 6,615

150,000 X 21% = 31,500

**TOTAL 38,115**

Enter this amount in box T1 of Form VAT3.

**VAT REPAYABLE FOR THE YEAR**

24,000 X 13.5% = 3,240

72,000 X 21% = 15,120

30,814 X 21% = 6,470.94

**TOTAL 24,830.94**

Enter this amount in box T2 of Form VAT3.

N.B. All entries on this form should be **EXCLUSIVE OF VAT**  
 Enter "00" if there is no amount to be included in a box.  
 See further explanations overleaf on how to complete this form.  
 I declare that this is a correct return of trading for the period specified

Signed: C. Trader Status: Owner Date: 11/12/2006

RTD EUR

## Notes on the Completion of the Return of Trading Details

This 'VAT Return of Trading Details' covers the period shown on the front of the form.

If no trade was carried out during the period, the only requirement is to enter "00" in the total boxes ("Z" boxes)

<p>This column should cover the value* of goods &amp; services supplied. The value should be broken down by VAT rate and included in the relevant rate box.</p> <p>*For traders availing of the 7th Directive Margin Scheme (relating to the sale of second hand goods) the margin obtained on the supply of such goods should be included rather than the value of the goods.</p>	<p>This column should cover the value of</p> <ul style="list-style-type: none"> <li>→ Intra EU acquisitions of goods (where VAT has not been charged) and</li> <li>→ Imported parcels (where VAT has not been charged).</li> </ul> <p>The breakdown by VAT rate into the different boxes should be based on the VAT rate <u>applicable in Ireland</u> to the goods.</p>	<p>This column should cover the value of all stock that was bought for re-sale. The value should be broken down by VAT rate and included in the relevant rate box.</p> <p>The breakdown by VAT rate into the different boxes should be based on the VAT rate <u>applicable in Ireland</u> to the goods.</p>	<p>This column should cover the value of goods purchased that will not be resold but where VAT paid can be claimed as an input credit. The value should be broken down by VAT rate and included in the relevant rate box.</p> <p>The breakdown by VAT rate into the different boxes should be based on the VAT rate <u>applicable in Ireland</u> to the goods.</p>
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**€ VAT Return of Trading Details**

	Value of Supplies of Goods & Services	Value of Acquisitions from EU countries (i.e. of VAT & VAT free imported parcels)	Value of Stock for Resale (purchase, intra-EU acquisitions & imports)	Value of Other Deductible Goods & Services (purchases, intra-EU acquisitions & imports)
VAT Rate	<b>E3</b>	<b>E4</b>	<b>E5</b>	<b>E6</b>
Exempt				
0% Exports	<b>D4</b>			
0% Imports	<b>D1</b>	<b>D2</b>	<b>J1</b>	<b>J2</b>
	<b>C5</b>	<b>C6</b>	<b>H5</b>	<b>H6</b>
	<b>AC5</b>	<b>AC6</b>	<b>AH5</b>	<b>AH6</b>
	<b>P1</b>	<b>P2</b>	<b>R1</b>	<b>R2</b>
	<b>B5</b>	<b>B6</b>	<b>G5</b>	<b>G6</b>
+	<b>Z1</b>	<b>Z2</b>	<b>Z3</b>	<b>Z4</b>

N.B. All entries on this form should be **EXCLUSIVE OF VAT**. Enter "00" if there is no amount to be included in a box. RTD EUR

Each row refers to a different VAT rate. The rate is indicated at the edge of each row.

There are two types of 0% rates. See across for explanations.

Rates will vary from time to time as the VAT rates change. The same row should be used for both old and new rates.

Where there is no VAT rate indicated '00' should be entered across the row.

**Box D4** should contain the total value of goods that were zero rated because they were exported to non EU countries or supplied to VAT registered persons in other EU countries

All other zero rated situations (including Section 13A) should be included in this row.

If you have further queries on how to complete this form, ring 1 890 20 30 70 and ask for the Return of Trading Details helpline. Queries regarding liability to VAT or the rate of VAT to be charged should be directed to your local Tax District. Please return the Return of Trading details by the due date. There is a penalty of €1,520 for failing to comply.

**Appendix 5: Form 46G (Company) 2006**

**Form 46G (Company)**  
Return of Third Party Information for the year ended 31 December 2006



**Tax Reference Number**  
Remember to quote this number in all correspondence or when calling at your Revenue office

GCD TAIN

**Return Address**

Use any envelope and write "Freepost" above the address

**NO STAMP REQUIRED**

Read the explanatory notes on page 4 before completing this form.  
You can submit the return electronically if you wish - see explanatory note on page 4.

**RETURN BY ANY COMPANY MAKING PAYMENTS TO ANY PERSON FOR SERVICES PROVIDED INCLUDING FEES, COMMISSIONS AND PAYMENTS FOR COPYRIGHT**

**NOTICE**

In accordance with the requirements of Section 894 Taxes Consolidation Act 1997 this return should be completed and returned to the above address not later than nine months after the end of the accounting period.

**COMPANY ACCOUNTING PERIOD:** FROM  TO

If you did not make any payments for the accounting period, enter "NONE" here,  complete the declaration below and return the form to the **Return Address** above.

Are the figures enclosed VAT inclusive? YES  NO  (Tick  appropriate box)

**YOU MUST SIGN THIS DECLARATION**

I DECLARE that, to the best of my knowledge and belief, all the particulars given on this form are correctly stated.

Signature of Secretary (or other authorised person)	<input type="text"/>	Date	<input type="text"/>
Capacity of Signatory	<input type="text"/>	Telephone Number	<input type="text"/>
Name of Company	<input type="text"/>	Int. Version 2006	
Agent's Details:	Tax Adviser Identification No. (TAIN) <input type="text"/>	Client's Ref.	<input type="text"/>

Please read the notes on page 4

COMPLETE IN BLOCK LETTERS	PAYEE	PAYEE
Surname or full title of company, firm, etc. First Name (if Individual)		
Private Address		
Business Name (if any)		
Business Address		
PAYEE'S Tax Reference Number	□ □ □ □ □ □ □ □	□ □ □ □ □ □ □ □
Total amount of payments made or value of Consideration given	€ □ □ □ □ □ □ □ □ □ □ .□□	€ □ □ □ □ □ □ □ □ □ □ .□□
Was VAT charged in this Transaction?	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Nature of Consideration, if not money		
Nature of Services or Rights provided		



## NOTES

### This form should be completed by Companies

#### Payments to be returned on Form 46G (Company) include:

- payments made, in the course of the trade, business or activity, for services rendered in connection with the trade, business or activity including payments for services provided in connection with the formation, acquisition, development and disposal of the trade, business or activity (including such payments made on behalf of others),
- particulars of other valuable consideration, i.e. where the payment for the services provided is given in a form other than money,
- payments for copyright.

The amount of the payment for services shown should normally be exclusive of VAT. However, payments may be returned inclusive of VAT by companies, etc. whose records are maintained on a basis that would make it difficult to make the return on a VAT exclusive basis. Persons not registered for VAT may make returns inclusive or exclusive of VAT.

Indicate on the front page whether the figures enclosed are VAT inclusive. In the case of each transaction returned on pages 2 and 3 indicate if VAT was charged.

This return form may be completed on an accruals basis (as opposed to a strict payment basis) provided that this basis is then consistently applied.

#### Payments which may be excluded are those:

- Made to any person\* where the total amount for the year does not exceed €6,000
- From which Income Tax has been deducted (e.g. PAYE, Withholding Tax)
- In which the value of goods provided as part of the service exceeds two-thirds of the total charge
- Made to Government Departments, Health Boards, VEC's, Local Authorities and Semi-State Bodies (such as ESB, Bord Gáis, An Post)
- Made to Non-Residents
- Made by a Principal, registered for Relevant Contracts Tax, where the payments are returned on Form RCT35.

\*Person includes individual, company and any unincorporated body of persons.

Further information is available in **Leaflet IT 16 Third Party Returns (Automatic Return of Certain Information)**, which is available on Revenue's website [www.revenue.ie](http://www.revenue.ie), from Revenue's Forms and Leaflets Service by phoning LoCall 1890 306 706 (Republic of Ireland only) or from any Revenue office.

#### The Services in respect of which returns of payments are required are:

Accountancy (including Auditing, Taxation, Secretarial, etc.), Actuarial, Advertising/Promotion, Agricultural/General Contracting, Architectural (including Draughtpersons), Auctioneering, Book-keeping, Building Repair/Maintenance, Catering, Cleaning, Commissions, Computer (including Software), Consultancy, Courier/Delivery, Dentistry, Diving, Electrical, Engineering, Entertainment (Musicians, Singers, etc.), Equipment/Plant Hire, Exhibitions, Haulage, Journalism, Legal, Medical, Merchandising, Model Agency, Nursing, Photographic, Plumbing, Printing, Promotion, Public Relations, Secretarial, Security & Investigation, Surveying, Training/Education, Translation/Interpreting, Transport, Vehicle Repair/Maintenance, Veterinary.

#### The following Third Party Returns can also be made automatically in electronic format if you wish:

- Form 8B-A** By Financial Institutions paying or crediting interest to Irish residents without deduction of tax.
- Form 8B-B** By intermediaries who act in connection with the opening of foreign accounts with deposit holders.
- Form 8-D** By persons who act as intermediaries in relation to material interests in offshore products.
- Form 8-E** By any Relevant Deposit Takers in respect of Special Term Accounts.
- Form 8-2** By persons in receipt of income of others.
- Form 8-3** By any person who, as an agent, manages premises or is in receipt of rents or other payments arising from premises.
- Form 8-4** By any Authority/Body which makes any payment in the nature or for the purpose of rent subsidy in relation to any premises.
- Form 21R** By persons who are nominee holders of securities.
- Form 46G** By traders and other persons carrying on a business or activity (including Government Departments and Statutory Bodies).

### Electronic Filing/Specifications

*Third Party Returns - A guide to the submission of returns in electronic form*, provides technical specifications for the submission of returns in electronic format. These guidelines are available on Revenue's website [www.revenue.ie](http://www.revenue.ie).

### Audit

This return may be subject to Audit by Revenue. The law provides that Revenue may make enquiries or take such actions as are considered necessary to verify the accuracy of a return.

### Penalties

#### The law provides for penalties for -

- Failure to make a return, **OR**
- The making of a false return, **OR**
- Helping to make a false return.

#### These include -

**PENALTIES from €125  
FINES up to €126,970  
and/or  
IMPRISONMENT**

## **Appendix 6: Business Survey Obligations**

The following surveys were referred to. The source of the surveys are indicated where provided:

- Monthly production surveys (CSO)
- Quarterly Industrial Enquiries (CSO)
- Quarterly Accounts Enquiries (CSO)
- Quarterly Earnings, Hours and Employment Costs Surveys (CSO)
- Enquiry to Service Enterprises (CSO)
- National Employment Survey 2006 (CSO)
- Annual Census of Industrial Production (CSO)
- Survey on e-Commerce (CSO)
- Transport Surveys (CSO)
- Price Index Production Surveys (CSO)
- Monthly Industrial Survey (IBEC)
- Cross-Border product and Process Development Study (ERSI)
- National Survey on Pay and Conditions of Employment for Managerial and Executive Grades (IBEC)
- Survey of Business Costs (IBEC)
- Quarterly Investment Survey (IBEC/ERSI)
- National Survey of Vacancies (IBEC/ERSI)
- Survey of Workplace Practices and Procedures 2006 (IBEC/ERSI)
- The Fourth Community Innovations Survey (Forfas – 100 – Enterprise Ireland)
- Annual Business Report (Forfas – 100 – Enterprise Ireland)
- Research and Development Surveys (Enterprise Ireland)

## **Appendix 7: Revenue's submission to the Business Regulation Forum**

Revenue's submission to the BRF in July 2006 followed by an update in February 2007 included recent legislative, administrative, operational and e-business initiatives aimed at simplifying the impact of Revenue-related regulation on business as follows:

- Consolidation and modernisation of legislation:
  - the Taxes Consolidation Act 1997 (covering income tax, corporation tax and capital gains tax),
  - the Stamp Duties Consolidation Act 1999, and
  - the Capital Acquisitions Tax Consolidation Act 2003 (covering gift tax and inheritance tax).
  - Mineral Oil Tax in Finance Act 1999,
  - General Excise Law in Finance Act 2001,
  - Betting Duty in Finance Act 2002,
  - Alcohol Products Tax in 2003, and
  - Tobacco Products Tax in Finance Act 2005.
  - Value Added Tax Regulations 2006
- Influencing the EU review of EU Common Customs Code so as to ensure legal certainty for traders and to reduce the compliance burden to the fullest extent possible in proportion to the risk involved.
- Participation in the civil-service wide review of pre-1922 legislation being conducted by the Office of the Attorney General
- Participation in review of modernization and review of liquor licensing legislation being carried out by the Department of Justice, Equality and Law Reform.
- Supporting the EU Commission's simplification/improvement agenda in the VAT area
- Co-operative compliance agreements initially focused on large business customers and intended to form the basis for a positive relationship between Revenue and business working together to achieve high levels of compliance.
- New business models and related IT systems to streamline and minimize the necessity for customer contacts with Revenue in particular the PAYE On-line system and the re-development of the Customs Automatic Entry Processing

system and the Common Agriculture Policy (CAP) Direct Trader Input (DTI) system.

- Continued promotion of the benefits of the Revenue On-line Service in providing efficiency in completion of returns, extended deadlines for filing, on-line validation, immediate processing, quicker turnaround times where repayments are due and 24 electronic access to current year and historic returns and accounts.
- Tailoring the website to meet the requirements of various user groups, individuals, businesses and practitioners.
- Exploring e-channels and e-business options to make it easier for customers to deal with Revenue.
- Exploring the possibility of more ‘joined-up’ services through the integration of Revenue’s e-services with Reach, Basis, and Oasis other Government Departments and local government as well as private sector organizations.
- Identifying and removing disincentives to customers dealing with Revenue electronically.
- Reduction in employer PAYE returns for SMEs from 13 to 4.
- VAT returns filing frequency reduced to twice-yearly quarterly for small traders.
- Increasing the VAT registration thresholds for business to €35,000 in the case of services and €70,000 in the case of goods from 1 March 2007. Increasing the VAT cash accounting threshold to €1,000,000 from the same date.
- Ongoing simplification reviews of the main income tax and corporation tax return forms.
- Review of compliance issues in the construction sector aimed at improving the regulatory environment for the sector through customer service initiatives.
- Review of VAT on property transactions which includes a proposed new scheme to modernize and simplify the existing law.
- Ongoing consultation with representative bodies through the forum of the Tax Administration and Liaison Committee (TALC) and the Customs Consultative Committee.

## Appendix 8: The Standard Cost Model

Standard Cost Model (SCM) methodology is an activity-based measurement of the businesses' administrative burdens that allow for follow-up on the development of the administrative burdens. The results from these measurements show which specific regulations are particularly burdensome for business. The SCM uses a significant degree of detail in measuring administrative costs to the extent that individual activities are examined.

There are three steps involved in reducing administrative burdens using the SCM:

- Regulation is broken down into manageable and measurable components namely information obligations<sup>34</sup>, data requirements and administrative activities.
- The administrative burdens are measured using basic cost factors of price, time and quantity. These elements comprise the SCM formula of cost per administrative activity as price x time x quantity (population x frequency).
- The most burdensome regulations are identified and action is taken to simplify them.

The international SCM network<sup>35</sup> was established in 2003. Its membership includes a number of European countries that have selected the SCM as the common approach for measuring and reducing administrative burdens on business.

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<sup>34</sup> These include information sets that have to be transferred to the regulator or retained for examination by the regulator or supply to the regulator on request.

<sup>35</sup> <http://www.administrative-burdens.com/>